



**The Effect of Customer Relationship Marketing on
Customer Loyalty in public and private Commercial Banks
in Ethiopia**

Prepared By: Kassa Assefa

A thesis submitted to the school of graduate studies of Addis Ababa University in partial fulfillment of the requirements for the degree of M.A. in **Marketing Management, School of Commerce**

**Advisor:
Temesgen Belayneh(Phd)**

June, 2017
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APPROVAL SHEET

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

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Approved by Board of Examiners

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Statement of Certification

This is to certify that Kassa Assefa has carried out his research work on the topic entitled **“The Effect of Customer Relationship Marketing on Customer Loyalty in public and private Commercial Banks in Ethiopia ”** and that this is his original work and is suitable for submission for the award of Masters Degree in Marketing Management.

Advisor: Temesgen Belayneh(Phd)

June, 2017

Declaration

I, Kassa Assefa, certify that this research paper entitled “**The Effect of Customer Relationship Marketing on Customer Loyalty in public and private Commercial Banks in Ethiopia**” has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree.

I also certify that the thesis has been written by me and that any help that I have received in doing my research work and in the preparation of the thesis itself has been duly acknowledged. In addition, I certify that all information sources and literatures used are indicated in the reference part of this thesis.

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Table of Contents

Table of Contents.....	I
Acknowledgment.....	IV
Acronyms/Abbreviations	V
List of Tables.....	VI
List of Figures	VIII
Abstract	VIII
Chapter One	1
Introduction.....	1
1.1 Background of the study.....	1
1.2. Statement of the problem.....	2
1.3 Research Question.....	3
1.3.1. Main Research Questions	3
1.3.2. Specific Research Questions.....	3
1.4. Research Objectives	4
1.4.1.General objective	4
1.4.2.Specific objectives.....	4
1.5. Significance of the study.....	5
1.6. Scope of the study and Delimitation of the study	5
1.7. Definition of Terms.....	6
1.8. Organization of the paper	6
Chapter Two	7
Literature Review.....	7
Introduction.....	7
2.1. Historical perspective.....	7
2.2. Relationship marketing in banking sector.....	8
2.3. Dimensions of Relationship Marketing	11
2.3.1.Trust	11
2.3.2. Commitment.....	12
2.3.3. Communication	14

2.3.4. Conflict handling	15
2.3.4.1. Conflict Handling in Service industries.....	18
2.3.5. Empathy.....	19
2.4. Brand loyalty.....	20
2.5. Conceptual Framework of Brand Loyalty.....	21
2.5.1. Loyalty Ladder	26
2.6. Loyalty in Services Industries	28
2.7. Empirical Review.....	28
2.8. Theoretical framework of the research.....	32
2.8.1. Neoclassical Microeconomic Theory.....	32
2.8.2. Transaction Cost Theory	33
2.8.3. Relational Contracting Theory.....	34
2.8.4. Social Exchange Theory	35
2.8.5. Equity Theory.....	35
2.8.6. Political Economy Theory.....	36
2.8.7 Resource Dependency Theory	36
2.8.8 Commitment-Trust Theory	37
2.8.9 States and Stages Theories	38
2.9. Research Hypotheses	41
Chapter Three.....	42
Research Methodology	42
3.1. Research Approach.....	42
3.2. Research Design.....	42
3.3. Sampling Design	43
3.4. Target population and Sampling Frame	44
3.5. Sampling size	44
3.6. Sampling techniques	45
3.7. Data source and collection procedures.....	45
3.8 Reliability and validity test	46
3.8.1. Validity.....	46
3.8.2. Reliability test	46
3.9. Data analysis.....	47

3.10. Ethical Consideration	48
CHAPTER FOUR	49
DATA PRESENTATION, ANALYSIS AND DISCUSSION	49
Introduction.....	49
4.1. Measurement of Model Validity.....	49
4.1.1. Normal Distribution	49
4.2.Data screening and cleaning.....	50
4.3 Demographic Information of Respondents	50
4.4 Descriptive Analysis.....	53
4.4.1 Descriptive Analysis of Customer relationship marketing Dimensions.....	53
4.5. Inferential Analysis of Variables	57
4.5.1. Correlation analysis	57
4.5.2. Regression analysis	61
4.5.2.2. Regression analysis of relationship marketing and customers' loyalty.....	61
4.5.2.3 Regression analysis of trust and customers' loyalty.....	63
4.5.2.4 Regression analysis of commitment and customers' loyalty	64
4.5.2.5 Regression analysis of empathy and customers' loyalty.....	66
4.5.2.6 Regression analysis of conflict handling and customers' loyalty.....	67
4.5.2.7 Regression analysis of communication and customers' loyalty.....	68
4.6. Summary of Hypothesis Testing.....	73
4.7. Results Discussion.....	74
Chapter Five.....	76
Conclusion and Recommendation of the Study.....	76
Introduction.....	76
5.1 Conclusions drawn from the study	76
5.2 Recommendations of the study.....	77
5.3 Limitations and Future Research.....	78
References	I
Questionnaire in English	XVI

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Acronyms/ Abbreviations

AG	Agree
AMOS	Analysis of Measurement Structure
ANOVA	Analysis of Variance
CRM.	Customer Relationship Marketing
CL.	Customer Loyalty
SD	Standard Deviation
VIF	variance inflation factor
RQ	Relationship Quality
Sig.	Significance
SPSS	Statistical Package for Social Science
SA	Strongly Agree
SDA.	Strongly Disagree
R	Overall correlation
R2	Correlation Coefficient

List of Tables

Table 3.1:Reliability Statistics	47
Table 4.1:Test of Normal distribution	50
Table 4.2:Demographic Analysis.....	51
Table 4.3:Descriptive Analysis of Customer relationship marketing Dimensions.....	53
Table 4.4:Descriptive Statistics of Trust.....	54
Table 4.5:Descriptive Statistics of Commitment.....	54
Table 4.6:Descriptive Statistics of Empathy.....	55
Table 4.7:Descriptive Statistics of Conflict Handling	55
Table 4.8:Descriptive Statistics of Communication	56
Table 4.9:Correlation between Trust Dimension and Customers' Loyalty	57
Table 4.10:Correlation between Commitment Dimension and Customers' Loyalty.....	58
Table 4.11:Correlation between Empathy Dimensions and Customers' Loyalty.....	58
Table 4.12:Correlation between Conflict Handling Dimension and Customers' Loyalty	59
Table 4.13:Correlation between Communication Dimension and Customers' Loyalty	60
<i>Table 4.14:Descriptive Group Statistics</i>	<i>62</i>
Table 4.15: <i>Independent Samples test</i>	62
Table 4.16:Multicolinarity test.....	63
Table 4.17:Model Summary ^b	64
Table 4.18:ANOVA ^a	65
Table 4.19:Coefficients ^a	65
Table 4.20:Model Summary ^b	66
Table 4.21:ANOVA ^a	66
Table 4.22:Coefficients ^a	67
Table 4.23:Model Summary ^b	67
Table 4.24:ANOVA ^a	67
Table 4.25:Coefficients ^a	68

Table 4.26:Model Summary ^b	68
Table 4.27:ANOVA ^a	68
Table 4.28:Coefficients ^a	69
Table 4.29:Model Summary ^b	69
Table 4.30:ANOVA ^a	70
Table 4.31:Coefficients ^a	70
Table 4.32:Model Summary ^b	70
Table 4.33:ANOVA ^a	71
Table 4.34:Coefficients ^a	71
Table 4.35: Table summary of Hypotheses tests	71

List of Figures

Figure 2.1: Loyalty Ladder	27
Figure 2.2: Theoretical framework of the research.....	40

Abstract

The purpose of this study was to explain the effects of customer relationship marketing dimensions on customer Loyalty of commercial banks in Ethiopia. Samples of 400 respondents were drawn from both public and private commercial banks in Addis Ababa, Ethiopia where structured questionnaires were distributed to these samples. However, the response rate from among the intended samples was only 96% therefore; around 384 responses were found to be workable by this study. A theoretical framework was used as a guideline to test the relationships between relationship marketing dimensions and customer loyalty.

A quantitative method which is cross-sectional study with deductive approach and explanatory type of research design was chosen in this study. SPSS V 24.0 was used to analyze the data collected and to test the hypotheses put forward. The findings of this study then showed that all the dimensions of customer relationship marketing namely, trust, commitment, conflict handling, empathy and communication have a positive and significant relationship with customer Loyalty of commercial banks in Ethiopia which led to, the acceptance of hypotheses one through five. And this was found by running correlation and multiple linear regression analysis on SPSS. Also the testing of the sixth and the seven hypotheses, which set out to find any significant difference between the different dimensions of customer relationship marketing dimensions and customer loyalty of public and private banks respectively showed that there was significant difference which led to the acceptance of hypotheses six and seven. These findings are beneficial for both public and private banks in Ethiopia to make their customers Loyal.

Key Words: *trust, commitment, conflict handling, empathy and communication and customer Loyalty.*

Chapter One

Introduction

1.1 Background of the study

Relationship marketing come into vogue two decades back and is well-known to marketers as well as academia, there is a lack of relevant research in this area. The term 'Relationship Marketing' was popularized by Berry (1983); he defined relationship marketing as "the process of attracting, maintaining and, in multi-service organizations, enhancing "Customer Relationship" Gronroos (1990) defined relationship marketing as "the process of establishing, maintaining , and enhancing relationship with the customers and other partners at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises". Relationship marketing can be understood as "an integrated effort to identify, maintain, and build up a network with individual customers and to continuously strengthen the network for the mutual benefits of both sides, through interactive, individualized and value-added contracts over a long period of time" After considering this he argued that relationship marketing can be considered as "an ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost."

On the basis of the definitions cited above, it can be said that relationship marketing aims at building long-term strong relationship with customers to cultivate and foster customer loyalty that will benefit both the customers and the organization. Customer loyalty is defined by Oliver(1999) as "a deeply held commitment to re-buy or repatronize a preferred product or a service in the future despite there are situational influence and marketing efforts having the potential to cause switching Behavior. Over the last two and a half decades, marketing has witnessed a paradigm shift. The literature reveals that marketing has shifted from "Transaction Marketing to "Relationship Marketing" (Lindgreen, 2001). Scholars have identified the need to retain customers to have a competitive advantage in the market. The challenge for a firm is to attract and retain loyal customers. Previous research has shown that attracting new customer is costlier than serving an existing customer.

It is claimed by Reichheld and Sasser (1990) that a 5 percent improvement in customer retention can cause an increase in profitability between 25 percent and 85 percent (in terms of net present value) depending upon the industry. Relationship marketing aims at building relationship to have information regarding customers. A firm can exploit customer relationship to have information regarding customers' needs and wants so that a suitable strategy can be designed to serve the customers more

efficiently and effectively than the competitors. Very often firms are using relationship marketing as a marketing tool to retain their customers for long. In context, it is very important to empirically investigate the effect of customer relationship marketing on customer loyalty, so that organizations can use this type of information at the time of designing a relationship marketing strategy in order to gain a high level of loyalty among their customers.

Oliver(1999) has described loyalty as a deeply held commitment to rebuy or reuse a preferred product/service consistently in the future, thereby causing repetitive same brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior. Customer loyalty in banking has been a major concern to practitioners due to severe competition and higher customer expectations. Customer loyalty is considered as a vital link and aspiration to organizational success, profit and business performance (Oliver,1997).The customers that show the greatest levels of loyalty toward the product, or service activity, tend to repurchase more often, and spend more money.Thus,loyal customers do not only increase the value of the business, but also enable business to maintain costs lower than those associated with attracting new customers (Barroso and Martin,1999). Moreover, loyalty rather than satisfaction is becoming the number one strategic goal in today's competitive business environment (Oliver, 1999).

Banks need to have a good understanding of their customer behavior so that appropriate marketing strategies directed towards customer relationship building and customer loyalty can be developed. As a result, a great deal of research attention has focused on the identification of effective methods of actively enhancing loyalty (Duffy,1998).

A relative handful study of Ndubisi (2006) have specifically examined that relationship marketing such as trust, commitment and conflict handling have a direct effect on customer loyalty. This study will try to show the effect of customer relationship marketing including other dimensions such as empathy and communication on customer loyalty both in Ethiopian public and private commercial banks.

1.2 Statement of the problem

It is interesting how many companies are spending enormous amount of money, time and energy to attract new customers as well as retaining the old ones through promotional activities. Financial institutions are employing researchers to study and discover what customers' needs and wants are and are recognizing customer satisfaction as a critical success factor now. Research shows that customer loyalty has definite benefit as it costs a lot more to attract new customer than it cost to retain existing ones (Fornel and Wemerfert 1987). There is also some evidence of growth in the financial awareness of customers in the financial service market place, which has led to increasing sophisticated customers (Lewis 1984). The number of Bank branches operating in the country has increased considerably due to the regulatory organ requirement that necessitate every bank to increase its number of branches by 25% every year for the consecutive five years thus, making intense competition. The market place is changing radically due to the struggle for market share, which has created new behaviors and

challenges. To stay in business and be profitable therefore companies must ensure that customers continuously use their services.

In the global literature sense, a number of studies have been done in the more developed economies on the various dimensions of Customer Relationship Marketing (CRM). However, in the developing countries like Ethiopia, a very little attention had been paid to the concept of Customer Relationship Marketing until recent times. Even in my empirical reviews to the studies made in Ethiopia I have found the following gaps.

- ❖ I found no works that are studied to test the effect of customer relationship marketing has on customer loyalty both for private and public banks in a single study. Almost all of the studies took only one bank public or private bank for their studies. Also, I found no works that are studied to find if there are significant differences of private and public banks in their orientation towards customer relationship marketing and customer Loyalty.
- ❖ Most of the studies such as, shiferaw (2011), Helen (2014), meseret (2015) and metasebia (2015) considered only four independent variables (dimensions) that is, trust, commitment, conflict handling and empathy which made them to be less inclusive.

This study is therefore intended to bridge the above gaps and to contribute to literature on the effect of customer relationship marketing on customer loyalty and help Ethiopian commercial banks to improve their customer loyalty.

1.3 Research Question

Using the previous problem statement as a foundation, this study poses the following questions to get a clearer picture and correct answer about the applicability of customer relationship marketing to achieve customer loyalty in the context of commercial banks in Ethiopia.

1.3.1 Main Research Questions

- How does customer relationship marketing influence customers loyalty in the commercial banking sector in Ethiopia? And
- Do public and private commercial banks in Ethiopia differ in terms of their customer relationship marketing dimensions and their customer Loyalty?

1.3.2 Specific Research Questions

- How does trust influence customers loyalty in the commercial banking sector in Ethiopia?
- To what extent does commitment influence customers loyalty in the commercial banking sector in Ethiopia?
- How does conflict handling influence customers loyalty in the commercial banking sector in Ethiopia?
- How does empathy influence customers loyalty in the commercial banking sector in Ethiopia?
- How does communication influence customers loyalty in the commercial banking sector in Ethiopia?
- Do public and private commercial banks in Ethiopia differ in terms of their customer relationship marketing dimensions?
- Do public and private commercial banks in Ethiopia differ in terms of their customer Loyalty?

1.4 Research Objectives

In line with the research questions provided in the preceding subsection, basically, this study has the following objectives to accomplish.

1.4.1 General objective

- The general objective of this study is to examine the effect of customer relationship marketing on customer loyalty of commercial banks in Ethiopia and to test if there are statistically significant differences between public and private commercial banks in Ethiopia, in terms of their customer relationship marketing dimensions and their customer Loyalty

1.4.2 Specific objectives

In assuring that the above general objectives can be achieved, there are few specific objectives that need to be accomplished for commercial banks in Ethiopia.

These specific objectives were the following.

- To determine the effect of trust on customers loyalty of commercial banks in Ethiopia.
- To find out the effect of commitment on customers loyalty of commercial banks in Ethiopia.
- To examine the effect of empathy on customers loyalty of commercial banks in Ethiopia.
- To investigate the effect of conflict handlings on customers of commercial banks in Ethiopia.
- To determine the effect of communication on customers loyalty of commercial banks in Ethiopia.
- To test if there are statistically significant differences between public and private commercial banks in Ethiopia, in terms of their customer relationship marketing dimensions.
- To test if there are statistically significant differences between public and private commercial banks in Ethiopia, in terms of their customer Loyalty.

1.5 Significance of the study

This study will provide current information on customer relationship marketing and its effect on customer loyalty of commercial banks in Ethiopia. It is also to provide current information on if there is significance difference between public and private banks in Ethiopia in their orientation towards customer relationship marketing dimensions and customer Loyalty. It is also in the assumption that the study will provide basic data about relationship marketing and customer loyalty. Besides, the findings of the study will be used for other similar studies in the future. So, it is expected that this research can contribute a lot to the efforts made by commercial banks in Ethiopia for the improvement of customer loyalty through provision of appropriate service to the respected customers. The study is also being believed to benefit both academicians and other practitioners as a documented study in this area. Therefore, the findings of this research will contribute a lot to banking service providers on how to implement strategies that will meet their customers' needs and ultimately win their loyalty.

1.6 Scope of the study and Delimitation of the study

This research has a target population of all customers in Addis Ababa of Commercial Bank of Ethiopia and all customers of Bank of Abyssinia and Lion international bank residing in Addis Ababa, as a representative of private banks. These two private banks were especially chosen for their easily accessible by the student researcher. Meaning, customers of banks other than specified by this work are not studied. Even customers of the banks chosen for this study, residing out of Addis Ababa, are not included in the survey.

In terms of the constructs showing in the research theoretical framework, only five ways of customer relationship marketing underpinnings (trust, commitment, conflict handling, empathy and communication) are focused and their effect on customer loyalty of public and private banks in

Ethiopia (which were the focus area of the study). Other elements or underpinnings measurements of relationship marketing are beyond this study.

This study was also limited to test any possible difference in the customer relationship marketing dimensions and customer Loyalty in private and public banks in Ethiopia.

The foregoing recommendations should be considered in the light of some of the limitations of this study. Clearly cross-sectional research design does not offer nearly the same insight into the dynamics of customer relationships with a firm as a longitudinal design. As such a longitudinal design would afford greater insight into this in the future. The study's focus on cross-sectional study design may also limit the extent to which the findings can be generalized.

1.7 Definition of Terms

- **Relationship Quality:** Relationship Quality refers to the overall assessment of the strength of relationship between two parties.
- **Trust:** Trust is defined as the customers' willingness to rely on the banks for conducting various banking activities and transactions.
- **Commitment:** Commitment is customers' future intention to return, indicating that the relationship exists over time to predict the continuity of the relationship with the banks.
- **Satisfaction:** Satisfaction is an affective or emotional state toward a relationship, typically evaluated cumulatively over the history of the exchange.
- **Communication:** Communication implies maintaining relationship with valuable clients; supplying timely and reliable information on services provided.
- **Customer loyalty:** Customer loyalty is a buyer's overall attachment or deep commitment to a product, service, brand, or organization.

1.8 Organization of the paper

The paper is organized into five chapters. The first chapter deals with the introduction of the topic and the second chapter will present review of related literature which is about relationship marketing and customer loyalty. The third chapter deals with the methodology of the research and the fourth chapter presents data analysis, findings and discussion of the data to be gathered. The fifth chapter will present the conclusion and recommendations of the research. Finally, references, analysis results of SPSS 24 and questionnaires will be annexed.

Chapter Two

Literature Review

Introduction

This chapter presents the rationale for conducting research on the effect of customer relationship marketing on customer loyalty. Educational researchers have studied the effect of customer relationship marketing on customer loyalty for several decades. My study sought to build upon this body of research through the combined lenses of public and private banks. The following review of the literature represents the literature pertinent to my research study, namely, relationship marketing and customer loyalty.

2.1 Historical perspective

Marketing practices can be traced back as far as 7000 B.C (Carratu, 1987). Around the beginning of the 20th century, marketing as a distinct discipline was borne out of economics. As the discipline gained momentum, and developed through the first three quarters of the twentieth century, the primary focus was on transactions and exchanges. However, the development of marketing as a field of study and practice is undergoing a reconceptualization in its orientation from transactions to relationships (Kotler 1990; Webster 1992).

Kotler et al. (2010:234) indicate that a service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. According to Bosch et al. (2006:442), services are those separately identifiable but intangible economic activities that provide needs-satisfaction and that are not necessarily tied to the sale of a product or another service.

Boshoff and Du Plessis (2009:2) also indicate that services are essentially intangible, but are value offerings providing convenience, amusement, entertainment, comfort and health. Therefore, the activities performed by banks for their clients, such as the provision of loans and saving facilities (financial value-added offerings), can be classified as services. Boshoff and Du Plessis (2009:3) state that banking services can be classified as commercial services.

In Pre Industrial era people are more concern to sell. Anyhow selling was only important key factor to run any business successful. It is true till today selling is a key factor, but how to sell whom to sell and when to sell is also important. So that era was of direct selling and customer acquisition. Then in post

Industrial era was focused on mass transaction and bulk selling. Where today's era to make relations is first priority and satisfy their customer is the key factor which will help to establish a relationship and convert it in loyalty which make any product brand and loyal to that brand. So this era is considered as relationship marketing and customer retention.

The term relationship marketing was popularized in the 1980s when the focus of marketers started to switch from customer acquisition to customer retention. Relationship marketing literature related to banking can be traced back to the early 1980s. The concept of relationship marketing was first demonstrated and described by Berry (1983). Relationship marketing focuses on making new and mutual value between banks and their customers on a semi-permanent base. "Marketing is not a function; it is a way of doing business; marketing has to be all pervasive, part of everyone's job description, from the receptionist to the jury of directors" (McKenna). The objective of a relationship is to build customer loyalty by creating and maintaining a positive attitude toward the company. When a depository financial institution claims to be practicing relationship marketing, it means that they have undertaken an organization wide strategy to oversee and nurture their interaction with customers and sales expectations. Relationship selling is present at every point in the system and not merely at the relationship manager level or at the customer service point.

Relationship marketing is the biggest paradigmatic shift in marketing theory and practice in existing world. Customer Relationship marketing concerns attracting, developing and retaining customer relationship (Berry and Parasuraman 1991). Customer satisfaction is difference function between customer perception and customer expectation (Kotler1996). Customer relationship marketing assists to build the good relationship between customer and organization. Every organization try to fulfill their customer required with pleasure. The concept relationship marketing will be used when referring to the strategies used by banks to establish and maintain relationships or permanent connections with their profitable clients.

2.2 Relationship marketing in banking sector

In the increasingly competitive global financial world, relationship marketing has been advocated as an excellent way for banks to establish a unique long-term relationship with their customers. Most of the core product/service in commercial banking is fairly generic, and it is difficult for most banks to compete purely on this core service (Panda, 2003). Thus, recognition of the importance of relationship marketing, especially in financial services sector (Alexander and Colgate, 2000; Ennew et al., 2006) has grown in recent years. Berry and Gresham (2007) noted that the practice of a relationship approach is most appropriate when the consumers require personal services and/or selling.

This is certainly the case for a range of the more complex products in financial services sector, where the majority of customers still prefer to make buying decisions supported by the expertise of staff with appropriate knowledge (Dibb and Meadows, 2001). Prior to considering the case analysis and in order

to obtain maximum insight from it, it is helpful to consider the literature on relationship marketing in banking.

Relationship marketing from managerial perspective: From a managerial perspective, it is very important that both management and Marketing staff understand the dimensions of Relationship marketing as these will ultimately underpin the strength of relationship development between service provider and customer (Ward and Dagger, 2007).

In this competitive environment, understanding the nature of these Relationship marketing constructs is vital for implementing effective Relationship marketing strategies. From the study of Relationship marketing and service customers, Ward and Dagger (2007) reported that organizations must undertake Relationship marketing activities at an appropriate level to remain competitive and those different levels applied to different services. The strategic factors affecting relationship marketing or increasing relationship strength in terms of competitive advantage - differentiation, key industry success factors, market share and increased profitability - must be accounted for in service quality. Relationship marketing forms the bridge between the organisation and its customers, with the organisation using it in reinforcing linkages, responding to customer needs and serving market micro-segments (Berry, 2002; Hennig-Thurau, 2000).

In summary, Relationship marketing involves sustaining long-term relationships with valuable customers, on the basis of mutual benefit and fulfilment. Relationship Marketing in the literature is about “win-win” relationships where all parties involved benefit from entering into such associations (Tadajewski, 2009) Based on a content analysis of 117 different sources from Relationship marketing literature, Harker (2005, p. 16) stated that “an organisation engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers [partners] over time is engaged in relationship marketing”. Camarero (2007) referred to four types of relationship marketing investments – commitment, trust, values and communication. Expenditures on all forms of Relationship marketing have proved useful and activities, involving interaction, feedback from customers and two-way communication, produced positive impacts and outcomes for the organisation (Bennett and Barkensjo, 2005). Relationship marketing practices and their association with these positive outcomes, particularly customer loyalty.

Here the study concentrates on relationship marketing in banking benefiting both customers as well as banks. Customers can lessen their time and pursuit costs and maintain a strategic distance from uneasiness by selecting banking services from a bank. The banks likewise save money on the time and exertion included in drawing in new customers. They can get profit by the positive informal exposure given by steadfast clients. Some of the factors of relationship marketing are: Focus on customer service, long haul introduction, high responsibility to clients, more client collaboration, and duty to quality is imperative part of relationship marketing. It is constantly said that its worth to hold a client as they are the assets and the best and cost efficient productive channel. At times, notwithstanding the endeavors made by the banks to offer services with zero defects, a few lapses inch in and the client may encounter issues. To manage such circumstances, banks keep up a proper recovery framework set up to

distinguish and take care of issues at the most punctual and minimize the burden brought about to clients.

The banks following relationship marketing give the most extreme significance to two route correspondences to harvest the sought advantages. Renting in a business relationship involves an investment of irrecoverable resources. These resources are e.g. time and endeavor which creates psychological bonds to the firm that motivate parties to keep the relationship and increases their expectations of relationship benefits (Liang and Wang, 2006). In one of their studies, Liang and Wang (2006) recommend that banks should perform more service quality oriented strategies to preserve and promote perceived service quality and thus build higher customer relationship satisfaction and behavioral loyalty. They furthermore suggest that banks should not simply invest more in customer relationships, but also strive for attracting clients who are open to such mutual investments.

Nevertheless, it is necessary to have in intellect that a satisfactory and stable relationship is not a guarantee to banks that their clients stay loyal. A disturbance or an upset to the business relationship can be enough to induce customers to decrease usage of the bank or at worst, to cease the relationship by shifting to some other bank

Thus, it is necessary, but not enough to only keep customers satisfied in a relationship in order to keep at least partial customer loyalty. Knowing the exact gains and the dispute of these concepts prevents bank managers from setting unrealistic goals in the process of building loyalty (Lam and Burton, 2005).

Given that the relationship between a business and its customers is formed and maintained, within a commercial context, the existence of the relationship depends, ultimately, on the commercial benefits that each party receives. Business organizations attract their customers by offering first of all, a bundle of benefits that are built around their core competencies. Thus, a firm must be able to promise and deliver a desirable level of professionalism in order to encourage repeat patronage and to develop customer relationship and loyalty. Therefore, the professional aspect of a customer –service provider relationship is more important than its interpersonal element (Tutton, 2007; Bhattya et al, 2001).

Therefore, it is important that a firm seeks to strengthen customer perception of its ability to perform as well as its reliability or, in other words, its ability to consistently satisfy the customers over a long time horizon. According to Brady & Cronin (2003), the importance of this reliability dimension of trust is that it can't be easily duplicated by competitors, thus can provide the firm with a more powerful competitive advantage.

Relationship marketing is considered to influence most effectively when customers are highly required in the expert or service. The factor of personal interaction, which allows for smooth communication flow, can enhance customers' willingness to engage in relationship building activities. The benefits of such interaction are generated through increased customers' positive feelings towards their bank, and thereby customer satisfaction and relationship strength increases.

2.3 Dimensions of Relationship Marketing

2.3.1 Trust

Moorman et al (1993) define trust as “the willingness to rely on an exchange partner in whom one has confidence”. The nature of service offerings means that service consumers typically pay in advance to buy a firm’s promise and, therefore, must be willing to rely on the firm to deliver its promise (Berry, 2005). Morgan and Hunt (1994) found that trust exists “when one party has confidence in an exchange partner's reliability and integrity”. Reichheld and Shefter (2000) opined that to achieve customer satisfaction and retention and consequently, long term business profitability, it's important to fulfil the promises. Trust is thought to be an essential for loyalty, especially in the risk-dominated cyberspace where transactions are conducted at a distance (Reichheld & Shefter, 2000).

The maintenance of consumer trust in the retail banking industry is of considerable importance as it can impact on the likelihood of retaining existing customers (Morgan, 2000) and attaining new ones. Furthermore, trust in a bank can also be more important to a bank customer than price. Customer perception of a firm’s trustworthiness is valuable not only in terms of satisfying and retaining existing customers but also in attracting new customers through word of mouth marketing. According to Vázquez-Casielles (2009), word of mouth marketing plays a major role in acquiring new customers. Because of the high level risk perception inherent in service offerings, potential customers are more prone to look for individual proposals when picking service provider that depends on information provided by the organizations. By and large, suggestions given by an associate can essentially lessen a person's apparent hazard in selecting a new service provider (Nguyen and Leblanc, 2001).

A customer, when recommending a service provider to a third party, attempts a certain level of danger on his or her creditability toward the third party that is prone to dissolve in the event that it neglects to go down the recommendation (Foster & Cadogan, 2000). Therefore, customer perception of the firm’s trustworthiness, which more often than not diminishes the apparent danger of recommendation giving, will improve the probability of customer proposing the firm to others (Wang, 2010).

Geyskens et al. (1996); Rousseau et al. (1998); Singh & Sirdeshmukh (2000) indicated that trust has been given great importance for building and maintaining long term relationships in business. Moorman et al., (1993); Morgan and Hunt, (1994); Sharma (2000) accepted trust as a significant variable for achieving relationship commitment and customer loyalty and it is a critical factor for relationships both logically and experientially. Geyskens et al. (1996); Doney and Cannon (1997);

Rousseau et al. (1998); Singh and Sirdeshmukh (2000); Papadopoulou et al. (2001) confirmed that trust is needed to build long-term customer relationship in a volatile business environment. Gremler and Brown (1996) and Reichheld et al.(2000) perceived trust as a conceptual and important antecedent of customer loyalty. Working on similar lines, Garbarino and Johnson (1999) also identified trust as a driver of customer behavioral intentions that might lead to customer loyalty and found that trust and commitment are key antecedents to loyalty for customers who value relationships.

Bearden and Teel (1983); Cronin and Taylor (1992); Oliver et al. (1997); Selnes (1998) found a direct link between trust and loyalty whereas Doney and Cannon (1997) perceived trust as the principal antecedent of repurchase intentions. Lim et al. (2001); Foster and Cadogan (2000) showed that in a company, trust works as an antecedent to attitudinal loyalty. According to Pavlou (2003) trust is a prerequisite for patronage behaviour. Ranaweera and Prabhu (2003) stated that trust is likely to result in customer retention when it comes to maintaining long term relationships between service provider and customer.

2.3.2 Commitment

Commitment is also an important element of relational exchanges. It is specified as an abiding desire to keep a valued relationship with customers. (Moorman, Zaltman, and Deshpandé, 1992). Inquiry suggests that relationship commitment is at the heart of all effective working connections and that it is an indispensable element in successful long-term relationships, including supplier–buyer relationships (Anderson and Lindestad, 1998). In the relationship marketing literature the idea of commitment assumes a key part; equally it is a major feature of relationship marketing models (Scanzoni, 1979). Allegiance alludes to a certain or express vow of the determination of a relationship between trade accomplices (Dwyer et al. 1987). As Scanzoni (1979) expressed commitment is the most developed period of accomplices' relationship.

In marketing-practice and research it is concurred that mutual commitment among accomplices in business connections produces huge advantages for organizations (Wetzls et al., 1998; Farrelly & Quester, 2003). Commitment served as the indigent variable in a few relationship marketing models including those portraying buyer-vendor connections and channel conduct (Kumar et al., 1995). Commitment is a decent pointer of long haul connections (Morgan and Hunt, 1994; Shamdasani and Sheth, 1995) and is thought to speak to the crest in relational bonding. They defined commitment in service provider-customer relationships as “an implicit or explicit pledge of relational continuity between exchange partners”. (Dwyer et al., 1987) Moorman et al. (1992) described commitment as an enduring desire for preserving a valued relationship.

Jacoby and Kyner (1973) suggested that commitment is an important tool to differentiate loyalty from repeat purchase behaviour. Dwyer et al. (1987); Morgan and Hunt (1994); Gundlach et al.(1995) recommended that commitment is a crucial determinant of the quality of a marketing relationship as well as a useful construct for assessing the possibility of customer loyalty and forecasting future purchase frequency.

Garbarino and Johnson's (1999) research proposed that for customers who share a strong relationship with an organization, trust and commitment were the mediators between attitudes and future intentions

Rauyrueen and Miller (2007:24) suggest that the commitment of a customer to the organization is a very important driver of Relationship Marketing in service industries. They refer to commitment as “an implicit or explicit pledge of relational continuity between exchange partners”. In simpler terms,

commitment refers to the customer being motivated to stay with an organization. Morgan and Hunt (1994:23) define commitment as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it”. Commitment can also be perceived as a manner of responding to the needs of customers and is therefore a key dimension of being market oriented. Thus, commitment is perceived to be a central expectation or norm within an organization customer relationship, and measuring up to this expectation is to drive customer satisfaction (Ndubisi, 2006:133).

According to Du Plessis (2010:20), commitment stems from trust, shared values and the belief that it will be difficult to find partners that can offer the same value. Commitment encourages partners to collaborate in order to preserve the relationship investments (Morgan & Hunt, 1994). Rauyruen and Miller (2007:3) further define commitment as “a psychological sentiment of the mind through which an attitude concerning continuation of a relationship with a business partner is formed”. Jumaev et al., (2012:40) state that a significant relationship exists between commitment and loyalty. They argue that when the commitment of the customer is grounded on shared values and identification, it has a strong influence on customer loyalty. Rezvani, Gilaninia and Mousavian (2011:1548) concur by arguing that loyalty is a “profound commitment to frequent purchasing or encouraging others to buy products or services”. According to Ndubisi et al., (2006:225), commitment is a key variable for understanding how strong the relationship between a business and its customers have with each other.

It is perceived as a valuable construct for the measurement of customer loyalty and for determining the future buying habits of consumers. Van Vuuren, Roberts-Lombard and Van Tonder (2012:86) suggest that when a customer is committed to a relationship, such customers could be more willing to act due to their need to remain customers who are more committed and who are more willing to develop an overall positive impression of the business. This impression is based on aspects such as the duration of the relationship, inclusive of different transactions, whether positive or negative. These customers are therefore illustrating a greater willingness to remain loyal to the business. Terblanche, Boshoff and Boshoff (2012:33-34) concur by emphasizing that customer commitment is a central mediating variable of the relationship between the customer’s evaluation of the performance of a business and the intentions of the customer with regard to the future relationship with the business.

A study by Morris et al. (2001) indicates that the level of trust customers invest in a firm correlates positively with the level of commitment maintained by both parties through shared values and relationship termination costs. Commitment plays a central role in the relationship marketing paradigm (Ehigie, 2006), and has been identified as an important dimension of customer-service provider relationship quality (Wong & Sohal , 2002). Conceptually, commitment differs from loyalty in that it is thought of in purely cognitive terms that describe a consumer’s attitudinal attachment to a company (Gilbert and Choi, 2003). For example, Moorman et al, (2003) define commitment as “an enduring desire to maintain a valued relationship”. Thus, commitment is enduring and implies a positive evaluation of a long term relationship (Moorman et al, 2003). Consequently, commitment is often seen as a key to long-term customer retention (Hennig,Thurau and Day, 2000).

2.3.3 Communication

A new idea of communication is an intuitive dialog between the organization and its customers, which takes place during pre-selling, consuming and part-consuming stages. It has also described that communication as formal and casual sharing of significant and auspicious data between. Empirical evidence suggests that communication increases the degree of confidence between alliances (Anderson and Narus, 1990; Anderson and Lindestad, 1998; Morgan and Hunt, 1994). Ndubiri and Chan (2005) opined that communication is responsible for building awareness in the early stage, developing customer preference, convincing and encouraging the customers to make the decision to purchase.

Communication is also regarded an important facet of successful relationships (Morgan and Hunt, 1994). By and large, correspondence makes a difference by building confidence giving accomplices a system that can be employed to settle conflicts.

In summation, it improves partners' ability to adjust their expectations and perceptions. Correspondence, as conceptualized by Morgan et al. (1994), embodies a blend of relationship building correspondence properties. These incorporate correspondence recurrence, bi-directionality, custom, and impact activities. By highlighting shared interest and common objectives, synergistic correspondence can produce volitional between accomplices and therefore support relationship execution (Morgan et al., 1994; Farrelly & Quester, 2003).

The genuine significance of communication is getting the receiver and the sender tuned together for a specific message. Correspondence happens when one individual exchanges some justifiable information to someone else. It additionally incorporates the exchange of considerations, assessments, assumptions, truths, and data between two or more persons. Input is imperative as it guarantees that your message ought to be appropriately passed on to the receiver.

The fundamental elements of a viable communication framework are keys for profitable communication. The chief principles or attributes of a viable communication framework are as follows:

- Clearness and honesty of message to be passed on.
- Adequate instructions of the beneficiary.
- Accurate plan of objectives.
- Reliability and consistency of the message.
- To know the principle reason for the message.
- Proper response or feedback.
- Correct timing.

- Use of fitting medium to pass on the message legitimately.
- Use of casual correspondence .

2.3.4 Conflict handling

There are many misconceptions on the meaning of conflict and its possible consequences. It is important for researchers to clearly define their perceptions and definitions of conflict in order to prevent irregularities in solving conflicts.

The most influential definition of conflict is stated by Morton Deutsch (2001), who states that a conflict exists when incompatible activities occur. This means that the action of one group or person attempting to reach his or her goals prevents, obstructs, interferes with or injures the action of another group or person, or makes the action less likely or less effective, in attempting to reach his or her goals. Many theorists on conflict handling literature agree with this definition, although there are some differences. David Johnson and Roger Johnson (2003), for example, perceive the definition of Deutsch as the description of a conflict of interests in which incompatible interests exist.

Allan Filley (2003) also places an emphasis on interests by stating that in a conflict the interests of the parties are mutually exclusive. Kathy Bickmore (2004), on the other hand, focuses on the divergent wishes or needs of the conflicting parties which lead to disagreements and problems. Overall, many theories emphasize the interference of actions, interests, wishes or needs between parties which causes conflict to occur. Conflicts can occur within one person (intrapersonal), group or nation or between two or more persons (interpersonal), groups or nations (Deutsch, 2001). Conflict is most often perceived as involving two or more parties. These parties are also interdependent of each other (Hocker & Wilmot, 1999; Jones, 2000) According to Joyce Hocker and William Wilmot (1999), conflict is a mutual activity in which the choices of each person affect the other person. A person who is not dependent upon another person's actions or interests has no reason for conflict with that other person. When the parties are interdependent, the differences in their actions and interests cannot coexist if both want to achieve their goals.

In sum, conflict entails the following elements: (1) there are incompatible actions, interests, wishes or needs which interfere with each other; (2) it includes two or more parties; (3) the parties are interdependent of each other; and (4) at least one of the parties perceives the situation as to be a conflict. Therefore, conflict can be characterized as a circumstance in which no less than one of two or more associated parties sees meddling and inconsistent activities, intrigues, wishes or needs between them.

The definition of conflict handling used in this thesis is similar to the one defined by Ndubisi et al. (2007). It is therefore described as the bank service provider's capacity to minimize the negative results of contentions. How a consultant handles conflicts is reflected in one's ability to openly discuss a

solution when a problem rises up, show concerns and resolve differences quickly and satisfactory (Ndubisi et al. (2007).

According to Santos and Fernandes (2008), three dimensions are often considered when discussing conflict handling: 1) the distribution of fairness, which is often considered to be in the form of replacement or refund 2) procedural fairness, that is, the process that takes place when complaint arises, or the flexibility, response speed, accessibility and acceptance of responsibility and 3) the fairness in interaction, which is how the employee treats and communicates with the consumer when problem arises. This last dimension includes honesty, empathy, courtesy and offering explanation or an apology. When conflicts between customers and companies and their management arise, it can lead to loss of consumer trust in the company (Santos and Fernandes, 2008).

Ndubisi et al. (2007) propose that when fights between a client and a service provider arise, a customer may respond in different ways, such as leave the company, voicing the problem or remain loyal. They further define conflict handling as “the supplier’s ability to belittle the negative effects of patent and potential differences”. The way a client is touched on by conflicts depends on prior satisfied with the relationship, how much one has endowed in the relationship and on the other alternatives available for one to choose from (Ndubisi et al., 2007).

Dwyer et al. (1987) defined conflict handling as the supplier’s ability to minimize the negative consequences of manifest and potential conflicts. Conflicts handling reflects the supplier's capacity to stay away from potential conflicts, fathom show conflicts before they make issues and the capacity to talk about openly solutions when problems arise. How conflicts are handled will ensure loyalty, exit or voice. Rusbult et al. (1980) reasoned that the probability that an individual will participate in these practices relies on upon the level of earlier fulfillment with the relationship, the magnitude of the person’s investment in the relationship and an evaluation of the alternatives one has. The capacity of the bank to handle conflicts well, will affect client unwaveringness. To handle conflicts efficiently, there must be open, sincere and frequent interaction (Berry, 1995) until acceptable, satisfactory resolution is reached.

A conflict is constructive if the participants are all satisfied with the outcomes and feel that they have gained as a result of it. Johnson and Johnson (2000) state that, in addition to satisfaction with the outcomes, constructive conflict also improves the relationship between the disputants, as well as their ability to resolve future conflicts in a constructive manner. In reality, a conflict is rarely only destructive or constructive, but it seems preferable for both conflicting parties to strive for constructive consequences as much as possible.

Conflict can also be distinguished according to the relationship between the objective state of affairs and the state of affairs as perceived by the conflicting parties (Deutsch, 2001). In this sense, there are six different types of conflict: veridical, contingent, displaced, misattributed, latent, and false conflict. Veridical conflict, also called „true conflict“, exists objectively and is perceived accurately by the conflicting parties.

It is not contingent upon an easily altered feature of the environment. For example, a child wants to read a certain book and another child wants to read that book at the same time as well. When there is not another copy of the book available, the children have a “true conflict”. A contingent conflict exists when the conflict depends on readily rearranged circumstances, but these are not recognized by the conflicting parties. The contingent conflict would disappear if the available alternative resources for satisfying the conflicting needs were recognized. The preceding example of a veridical conflict will be classified as a contingent conflict when there is actually another copy of the book available, so both children can read the book at the same time. In displaced conflict, the parties are arguing about something else than the actual conflict. This relates to manifest conflict and underlying conflict in which the experienced conflict is a manifest conflict and the conflict that is not directly expressed is the underlying conflict.

The manifest conflict usually expresses the underlying conflict in some form. In misattributed conflict, the conflict is between the wrong parties because one or both of the parties misattributes something to the other. As a result, the conflict is usually about the wrong issues. Latent conflict is a conflict that should be occurring but is actually not, for example when a person is not yet consciously experiencing the situation as a conflict. False conflict is the occurrence of a conflict when there is no objective basis for it, because of misperception or misunderstanding (Deutsch, 2001).

What is conflict handling?

Conflict handling or resolution involves the procedure of fathoming a contention. The most preferable way to solve a conflict is through constructive conflict resolution, because then all the participants are satisfied with the outcomes of the resolution and feel they have gained something as a result of the conflict (Deutsch, 2001).

In constructive conflict resolution, the conflict should not harm, but create benefits and positive outcomes for the relationship between the parties. In other words, the conflict should create a win-win solution (Davidson & Wood, 2004; Farrelly, 2003). Win-win solutions are often possible given the fact that most conflicts involve disagreements of means rather than ends; the parties perceive the conflict to be “my way” versus “your way”, while both parties strive for the same thing (Farrelly, 2003).

There are three possible processes for conflict handling.

1. Negotiation,
2. Mediation
3. Attribution

Negotiation is a process in which persons who have shared and opposed interests want to come to an agreement and try to work out a settlement (Johnson & Johnson, 2000). Negotiation can be handled in a distributive or an integrative manner. The distributive approach is based on the belief that you can only maximize your own gain at the expense of the other. The integrative approach is based on maximizing

the gains for both parties (Johnson & Johnson, 2000). In integrative negotiations, both the goal that one wants to reach and the relationship with the other party is highly valued.

Therefore, the parties seek to reach an agreement that ensures that both parties fully achieve their goals and that any tensions and negative feelings are resolved. Johnson and Johnson (2000) perceive this to be the most constructive strategy to resolve a conflict. This seems true, because the integrative approach is focused on maximizing the gain for both parties, which is also the goal of constructive conflict resolution. When the disputing parties cannot resolve the conflict by negotiating themselves, mediation can be an option.

Mediation is the process in which an unbiased third party (the mediator) assists disputants to negotiate an integrative resolution to their conflict (Bickmore, 2002; Johnson & Johnson, 2000). A common form of mediation is peer mediation in which the mediator is a peer of the conflicting parties. The peer mediator is responsible for guiding the resolution process, by assisting peers to communicate with one another and to negotiate a solution to their own problems (Bickmore, 2002).

Arbitration is the submission of a dispute to a disinterested third party who makes a final and binding judgment as to how the conflict will be resolved. Arbitration is commonly used as a last resort when negotiation and mediation have failed to resolve the conflict. The process of arbitration is particularly applicable in schools: when mediation fails, the teacher or administrator often arbitrates the conflict (Johnson & Johnson, 2000; 1995). Learning how to arbitrate is, however, not a means of conflict resolution. In arbitration, the arbitrator decides who is right and who is wrong and what the solution should be. Arbitration is also not a constructive approach to conflict resolution because it is likely that at least one of the disputing parties does not agree with the solution and feels that s/he has lost as a result of the conflict.

2.3.4.1 Conflict Handling in Service industries

In interpersonal communication, conflict occurs when an individual perceives incompatibility between his or her own personal goals, needs, or desires and those of the other party (Payne and Frow, 2005). In dealing with conflict, people use different strategies to accomplish their goals. Sweeney and Morrison (2004) defined conflict handling as the capacity of every supplier's to minimize the negative results and potential conflicts. Conflict handling reflects the supplier's capacity to keep away from any potential conflict, solve that particular conflict before they make issues and the capacity to discuss the solutions openly when the problem arises. Conflict handling requires cooperative behavior from exchange partners. According to Evans and Beltramini (1987), in a negotiation setting, helpful versus aggressive objective has been discovered to be connected to attractive problem solution. In short, good conflict resolution will result in a positive relationship quality. Conflict handling is an important relationship builder.

Even though it is difficult to service industries especially in banking sector to achieve zero service failure all the time, but it is so important that the particular banks put in a place of an effective conflict resolution or problem solving machinery.

A major problem which had been resolved satisfactorily may leave in its wake a happy and loyal customer, but may be minor issues if not handled carefully will result in defection. A more excellent approach, for example proactive in planning and implementations includes, identifying potential conflict, solving conflict before they manifest, avoiding potential conflict and blocking them.

Those efforts could bring the better relationship and loyalty to the particular bank or service firm (Ndubisi, 2007). Yavas et al., (2004) found a huge relationship between conflict handling and customer unwaveringness, by implication through trust and perceived relationship quality. As mentioned earlier, the ability of the product or service provider to handle conflict well will also directly influence customer loyalty.

Conflict handling is having significant impact on relationship marketing. How to handle the conflict is the most important. In such situation customer is expecting more from the service provider. Conflict handling is not always easy job but result of such conflict has great impact on relations of service provider and customer. This is the perfect time to judge trust and commitment theory. If conflict handled positively by service provider then customer and service provider creates relations between them where customer feel his decision to choose this service provider is right. As part of studies researcher found this relationship is more about the attitude of service provider to solve problem. Attitude of service provider play vital role in whole procedure. Here, It can be said Problem solving attitude is better word rather than conflict handling in case of relationship Marketing.

2.3.5. Empathy

According to Ndubisi (2004) Empathy is the capacity to share and understand another's state of mind or emotion. This author also pointed out that the basic idea of empathy should be characterized is that by looking expressions of the people facial or body movement, or by hearing their tone of voice, which will have immediate sense on how they feel. Empathy often characterized as the ability to put oneself into another, or in some way experience the outlook or emotions of another being within oneself. Empathy has the added value of reducing reliance on legal governance, since exchange partners who are governed by the principle of empathy are more likely to treat others in the manner they would like to be treated.

Clow and Kurtz (2003) define empathy as the ability of a person to identify with the feelings or thoughts of another person. This skill is necessary because customer contact personnel serve as the interface between customers and the organization.

If customers have special requests or problems, they want employees to understand the problem from their point of view. Zeithaml and Bitner (2006) argued that it is difficult to imagine an organization

would deliver caring, individualized attention to customers independent of its employees. According to these authors empathy implies that employees will pay attention, listen, adapt, and be flexible in delivering what individual customers need.

As mentioned by Parasuraman *et al.*, (1988) empathy is one of the important elements to measure the service quality in service industries area. It is so important to each banks manager to recruit staff with social skills that will assist the development of long-standing relationship with customers. And the most important thing is that banks should provide reliable services in order to achieve high level of customer satisfaction, an antecedent of sustainable competitive advantage. They argued that Service organizations are expected to provide care and individualized attention to its customers, as well as having convenient operating hours.

2.4 Brand loyalty

Brand Loyalty occurs when a customer chooses purchase a product over and over again manufactured by the same company rather than a substitute item delivered by a contender.

Creating and maintaining loyalty is a major objective for the companies that want to maintain their competitive position on the market. The importance of loyalty is very often underestimated by those managers that put to the fore the immediate profit in spite of building a long term relation with the customers. A well and good establish long-term relation with the customers can generate company profits and customer satisfaction.

What triggers loyalty? In this area there are controversies in the literature, which is clearly divided in terms of identifying the major forces that lead to loyalty. The researchers have identified numerous factors as antecedents of loyalty, factors that have proven to be, conceptually and practically relevant. Although many proposals have been given arguments to, we believe that a majority of them are contradictory.

Businesses do need to apply critical push to encourage brand loyalty. You need to persuade potential customers that your product has a huge point of interest over different other products to legitimize steady buys of your product. Businesses additionally will endeavor to influence brand devotion created for a product to other products offered by the company. The desire is to make brand loyalty for as many products as possible when consumers become committed to brand and make repeat purchases over time. Brand loyalty is a consequence of consumers conduct and is influenced by their inclinations. Loyal customers will reliably buy items from their favored brands, paying little respect to convenience or cost. Companies will often use diverse marketing strategies to develop loyal customers, be it is through loyalty programs (i.e. rewards programs) or trials and incentives (ex. samples and free gifts).

Companies that effectively develop loyal customers additionally create brand ambassadors – consumers that will advertise a certain brand and speak emphatically about it among their friends. This is free verbal showcasing for the organization and is frequently exceptionally successful.

Brand loyalty is a prerequisite for a firm's competitiveness and profitability (Aaker, 1995, 1997;

The definition and dimensions of loyalty have been widely discussed in the academic literature. Oliver (1997) defines loyalty as a “deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1999, p. 34).

Although in that respect is no general understanding on the definition of loyalty, many of the literatures focus on loyalty as an attitude and behavioral intentions (Ball et al., 2004). In summation, it can be important to define loyal customers in the proper setting, because loyal customers can increase the value of the job. Societies that are able to rely on a certain loyal customer base, can increase the company's stability and competitiveness (Chirico and Presti, 2008). The monetary values linked with maintaining loyal customers are also lower than the costs of drawing young generation customer.

2.5 Conceptual Framework of Brand Loyalty

Brand loyalty is often based upon perception. A consumer will consistently buy the same product in light of the fact that they see it similar to the prevalent product among the decisions accessible. You ought to note that brand loyalty is generally identified with an item, not with a company. Brand loyalty is important for several reasons.

1. Reduces the expense of creation on the grounds that volume is higher. 2. Companies with brand-loyal don't need to spend as much money on advertising the product, which will allow the organization to either hold more income or to contribute assets somewhere else.

3. Companies may use premium pricing that will build overall revenues.

4. Finally, loyal customers have a tendency to prescribe that they like making it an advantage. In regards to the coverage area of the current research, the large domain of loyalty has allow me to highlight a number of opinions related to this subject without the current presentation becoming exhaustive.

As it follows I intend to put into mark few element important in the definition of loyalty, to identify the measuring methods most often used in defining the loyalty concept and correlate loyalty with the brand concept. Last but not least, I intend to present a summary of various factors that can determine or influence loyalty and quantify them in a personal conceptual mode.

The significance of brand loyalty has been perceived in the promoting the marketing literature for no less than three decades (Howard and Sheth 1969, p.232). In this connection, Aaker (1997) has discussed the role of loyalty in the brand equity process and has specifically noted that brand loyalty leads to certain marketing points of interest such as lessened, marketing costs, more new customers,

and greater trade leverage. In addition Dick and Basu (1994) recommend other loyalty-related marketing advantages, for example ideal informal and more prominent resistance among faithful consumer to focused systems. Yet despite the clear managerial relevance of brand loyalty, conceptual and empirical gaps remain.

Specifically, with some exceptions (Oliver 1999; Zeithamly, Berry, and Parasuraman 1994), my conceptualizations of brand loyalty emphasize only the behavioral dimension of that concept, thereby neglecting its attitudinal components and its association with different variables at both the consumer and market levels. Brand loyalty is a consumer's preference to buy a single brand name in a product class; it is a result of the perceived quality of the brand and not its price (Chaudhri, 2002, p.137). Brand loyalty may be indicated by brand attitudes and habit (Jacoby and Kyner, 1973), it is also conceptually distinct from either attitudes or habits. It is widely considered that loyalty is one of the ways with which the consumer express his/her satisfaction with the performance of the product or service received (Bloemer and Kasper, 1998; Ballester and Aleman, 2001 Reichheld, Markey, and Hopton, 2000) said every firm desires to have its brands with high customer loyalty. Unfortunately, all brands cannot attract high loyalty.

The advancement and maintenance of consumer brand loyalty is placed at the heart of companies' marketing plans, particularly in the exceedingly aggressive markets with expanding unconventionality and diminishing product differentiation (Fournier and Yao, 1997,p.90).

It is important to note that some authors use the concepts customer retention and customer loyalty interchangeably; however, this can cause confusion among academics, students and role players in industry. Customer loyalty can be defined as a consumer's sustained commitment to a firm as demonstrated by repeat purchases, an increased amount of money spent with the firm and positive word-of-mouth referrals (Customer loyalty: The new competitive advantage 2006:2). According to Jacoby and Kyner (1973), marketing literature defines customer loyalty in two ways. Firstly, customer loyalty is defined as an attitude, as in the case of Fournier's (1998) definition. This definition of customer loyalty motivates that different feelings create a consumer's overall attachment to a product and/or service or a specific firm.

These feelings define the consumer's purely cognitive degree of loyalty. Other authors in marketing literature define customer loyalty based on the behavior of consumers. According to the viewpoints of these authors (Zeithaml 1990), a consumer is loyal when displaying certain behaviors, for example, continuously purchasing products and services from the same firm or recommending the firm to others. Because of the involvement of the feelings and attitudes of consumers when considering their loyalty, customer loyalty is difficult to measure. However, Anderson and Sullivan (1993) showed that higher customer loyalty may lead to higher customer retention as it may minimize the likelihood that consumers will defect or switch to a competitor.

The construct of loyalty has been researched in a variety of contexts including brand loyalty (Copeland 1923; (Brown, 1952; Cunningham, 1956; Jacoby & Chestnut, 1978; Kahn, Kalwani, & Morrison, 1986;

Massy, Montgomery, & Morrison, 1970; Sheth, 1968), source loyalty (Wind, 1970), service loyalty (Butcher, Sparks, & O'Callaghan, 2001; Caruana, 2002; Gremler & Brown, 1996), store loyalty (Beatty, Mayer, Coleman, Reynolds, & Lee, 1996; Czepiel, 1990; Macintosh, Anglin, Szymanski, & Gentry, 1992; Reynolds & Arnold, 2000) and e-loyalty (Srinivasan et al., 2002). (Dick & Basu, 1994) proposed a comprehensive and often-cited conceptual model of customer loyalty. A dearth of other customer loyalty research ensued which builds on portions of this comprehensive model. Researchers have examined relationships between customer loyalty and customer satisfaction (Hallowell, 1996; Oliver, 1999), financial results (Fredericks, Hurd, & Salter, 2001), service quality (Kandampully, 1998), customer value (De Ruyter & Bloemer, 1999), Research in Business and Economics Journal Customer loyalty, commitment (Pritchard, Havitz, & Howard, 1999), the salesperson (Liu & Leach, 2001), trust (Singh & Sirdeshmukh, 2000), loyalty programs (Ruth N. Bolton, Kannan, & Bramlett, 2000); as well as across different industrial settings such as the automotive industry (Devaraj, Matta, & Conlon, 2001) and the telecommunications industry (Khatibi, Ismail, & Thyagarajan, 2002).

After all of this attention, there still appears to be no consensus concerning the understanding of customer loyalty (Reinartz & Kumar, 2002). Several explanations of this perplexing (and perhaps exasperating) situation can be argued. First, there is an absence of a universally accepted definition of customer loyalty. This leads to poor operationalizations of the construct. An example of this situation (albeit a bit trivial--but important nonetheless) is transposing brand loyalty (and all of the other sources of loyalty listed in the preceding paragraph) into "loyalty to the brand." Transposing "customer loyalty" in a similar fashion translates to "loyalty to the customer." Customer loyalty is the inverse of this transposition. Second, researchers have used various sources of loyalty interchangeably and capriciously. For instance, a recent Journal of Advertising Research article was titled, "Customer/Brand Loyalty in an Interactive Marketplace" (Schultz & Bailey, 2000). Does this mean the authors are implying the two sources of loyalty are the same or interchangeable? Certainly, they are not.

Third, behavioral measures of loyalty have reigned for years and continue to play an important role in operationalizing both loyalty as well as customer loyalty (Jacoby & Chestnut, 1978; McMullan & Gilmore, 2003). Although this topic is not fully considered in this proposal, a vast majority of the behavioral-based measures of customer loyalty rely upon repurchase behavior as their foundation. It is asserted that repurchase behavior measures repurchase behavior---only. In order to properly define customer loyalty conceptually, some level of abstraction is necessary. Conceptual definitions form the foundation of formal theory (Jacoby & Chestnut, 1978). Without a conceptual definition, customer loyalty can, at most, only be predicted. Researchers would have no hope of ever understanding how to improve, modify or diagnose customer loyalty. Finally, valid and reliable scales that measure customer loyalty are only now being proposed and are quite inadequate (McMullan & Gilmore, 2003). Customer loyalty is defined as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior" (Oliver 1999).

This definition captures not only the spirit of global customer loyalty but also emphasizes the attitudinal (“...deeply held commitment...”) as well as the behavioral (“...causing repetitive same-brand or same brand-set purchasing...”) components of customer loyalty. The attitudinal component of customer loyalty is further developed by partitioning it into cognitive and affective dimensions. It is expected that cognitive and affective loyalties to have independent influences on customer loyalty. For instance, sports fans might be very affectively loyal to their local team (affectively-driven loyalty), in light of not being very cognitively loyal (high ticket prices, uncomfortable seats, in climate weather). The partitioning of loyalty proposed is borrowed from commitment literature. Commitment is closely related to loyalty but differs in its level of reciprocity (Pritchard et al., 1999). Commitment is usually applied to buyer-seller relationships found in industrial supply chains or marketing channels. Both sides of the dyad usually make relationship specific investments.

This is not usually the case in most marketing relationships. Recent findings indicate that commitment operates along two, independent paths---calculative (cognitive) and emotional (affective) (Berghall, 2003). Calculative commitment is based on transactional, conscious evaluation. In contrast, emotional commitment is subconscious and based on feeling-like impressions. It is Research in Business and Economics Journal Customer loyalty, posited that customer loyalty can be bifurcated in this same manner. Different loyalty strategies will apply when attempting to enhance loyalty in an individual customer, depending upon which pathway was during loyalty formation. A recent thread of customer loyalty research has also intimated at this partitioning. Oliver (1997; 1999) began work in this area proposing that loyalty progresses through four phases: cognitive, affective, conative and action loyalty. At each stage of loyalty, the customer’s demand for a product or service becomes more zealous. Although this research differs from Oliver’s discrete, compartmentalizing of the “phases” of customer loyalty, his work is important in that it recognizes that customer loyalty is not monolithic.

Researchers have begun to test Oliver’s framework empirically. The framework has been tested empirically in an international setting (Fraering, 2002) and also a retail setting (Sivadas & Baker-Prewitt, 2000). The specific constructs of interested in the present study are affective and cognitive loyalty. Affective loyalty has been studied in relation to website loyalty (Supphellen & Nysveen, 2001) and loyalty to service providers (Ganesh, Arnold, & Reynolds, 2000). In organizational literature, affective organizational commitment has been found to significantly impact employee retention (Eby, Freeman, Rush, & Lance, 1999). Moreover, authors have called for an increased focus on affect-based attitudes in customer retention models (Desai & Mahajan, 1998). Cognitive loyalty has also been examined, although on a more limited basis. Cognitive loyalty has been studied in the banking industry (Peterson & Nysveen, 2001). Support has also been found for the multi-dimension nature of the loyalty construct including cognitive loyalty (in addition to behavioral and attitudinal) (Gremler & Brown, 1996).

The committed consumers purchase the brand repeatedly. The preference of a person is affected by the behavior of consumer that resulted in brand loyalty. There is a consistency in buying a product from the preferred brand class at any price. Different marketing steps are taken by the companies to make the customers loyal. They used different programmers to attract the customers. In return they get the

customers loyal to them and talked about the brand among friends positively. This positive word of mouth is very effective for the company that helps them in gaining the great market share. Brands are the asset of organizations. They interlink consumer and the company that build customers trust and loyalty to the brand. So that this loyalty brings greater market share when the product is purchase by the customers loyal to the brand (Assael 1998). Brands are considered as the more important assets of the company that make customers loyal and have value for the end consumer. Thus the brand helps customers in purchase decision making. Furthermore brand creates a relationship with the customers either the relation is positive by continuing the brand or negative by moving to the other brand

For example, for a grocery shop, customer may be loyal to either the shop or a certain brand in the store. Therefore, it is reasonable that customers can be loyal to brand as well as products (Zhou, 2005). Besides Salberg's idea, in Torres-Moraga study, brand loyalty and product loyalty are researched more deeply. They argue that product and brand are two stages in the development to satisfy customers' needs and preferences, and satisfaction and loyalty are two stages in the customers' response, according to the study, in the process of gaining customer satisfaction and generating customer loyalty, brand and product should be separately researched. It has more influence on innovative products, such as automobiles and electronic equipment, than traditional products such as fresh food and drinks. The advantages of doing this include market pioneering, first mover advantages, low-cost proactive innovation, and industry redefinition. On the other hand, the disadvantages of ignoring the product as an initial stage include loss of market opportunities or market leadership, high-cost innovation and brand development. (Torres-Moraga , 2008) Besides the definitions mentioned above, there are also some other articles and books discuss about what is customer loyalty.

In Ball's book (2004), two factors are found: active loyalty and passive loyalty. Active loyalty refers to word- of-mouth and intention to use and passive loyalty means not switching even under less positive conditions (Ball, 2004). Furthermore, Oliver (2004) found four stages of loyalty, which are cognitive, affective, conative, and action loyalty. Besides these definitions, there are many other studies of customer loyalty. Customer loyalty is defined by Sheth and Parvatiyar (2000) as a "deeply held commitment to buy or patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior " (Yim et al.,2008). Loyalty may mean quite a passive improvement of situation. One hopes that bad things will change for the better in the future. A loyal customer has tolerance to approve for a while also inconvenient situation, for example bad price-quality relations. Patterson (2009) thinks that loyalty is the function of satisfaction, switching barriers and voice. Loyal customers may not be always satisfied, but satisfied customers are apt to be loyal (Zins, 2001). Frempong(2002) describes loyalty as a process. At the end of the process, satisfaction has effects to perceived quality, which could cause loyalty and intention to certain behavior.

Loyalty is commonly perceived as having two dimensions - behavioural and attitudinal (Lam and Burton, 2006; East et al., 2000; Dick and Basu, 1994). The degree of loyalty is often measured by behaviours such as frequency of purchase or word-of-mouth (Lam and Burton, 2006; Dekimpe, et al., 1997). The attitudinal approach views a loyal customer as someone attached to a brand and who will,

when positively reinforced, buy that brand more often (Lam and Burton, 2006). Attitudinal loyalty is the feeling of attachment, psychological bonding, linkage to one provider and consistent regard of that provider as the preferred choice. It is assumed that customers who are behaviorally loyal to a firm display more favourable attitudes towards it, in comparison to its competitors.

However, in some cases, behavioural loyalty does not necessarily reflect attitudinal loyalty, since there might be other factors (for example, availability) that prevent customers from defecting to a brand or company (Aldlaigan and Buttle, 2005; Liljander and Roos, 2008; Reinartz and Kumar, 2002). In addition to behavioural loyalty, Liang, Wang and Farquhar (2009) argued that a customer's behavioural loyalty in financial services positively and significantly affects the firm's financial performance. Attitudinal loyalty measurements are based on the definition of the level of psychological attachment to a service provider. Five items, adapted from Zeithaml, et al. (2006), Beatty, et al. (2003), Parasuraman, et al. (2000, 1994), Sirdeshmukh, et al. (2002) and Liang, Wang and Farquhar (2009), have been selected: declaring loyalty to the provider, willingness to recommend, positive word-of-mouth, encouraging others to use a service and regarding the provider as a first choice.

2.5.1. Loyalty Ladder

Turning to the concept of the loyalty ladder (Christopher et al., 2004; Payne et al., 1995; McDonald and Christopher, 2003). Lacey and Morgan (2009) noted that relationship building is, by definition, a long-term process. Consequently, marketers must extend the long-established concept of a "ladder of loyalty" by adding a few rungs to create a "relationship ladder". The relationship ladder includes distinct stages in the development of a long-term customer relationship, as described in figure.



Figure 2.1 Loyalty Ladder

This figure implies that the marketer should develop those “suspects” and “prospects” at the lowest rungs of the ladder into “customers”. In relationship marketing terms, a customer is someone who has done business with the company only once or occasionally. When customers start to acknowledge a Product's benefits and do business on a repetitive basis, they become “clients”. At this stage, Relationship marketing is crucial in transforming clients into “supporters” (McDonald and Christopher, 2003). At the “supporter” stage, a special relationship between the firm and the person becomes apparent. Supporters enjoy being associated with the company and they may even be persuaded to become “advocates”. At the “advocate” stage, positive word-of-mouth about the organization will occur. Lacey and Morgan 2009 added that, advocacy customers exhibit not only repeat business, positive word-of-mouth and referrals but, also, a comprehensive willingness to help the business grow. Finally, at the top level, the customer becomes a “partner” and will find ways in which both parties can gain mutual benefit from the relationship. This model demonstrates that Relationship Marketing is based upon finding the appropriate means to move target customers up the extended loyalty ladder and to keep them there.

2.6. Loyalty in Services Industries

In service industries, the intangibility of services complicates the evaluation of Service quality and satisfaction which are the leading determinants of loyalty (Lam and Burton, 2006). Peng and Wang (2006) stated that service loyalty is unique, should be considered separately from brand loyalty and has different determinants. Since services are intangible and heterogeneous, most consumers perceive a higher risk in purchasing services than goods. Consequently, consumers depend on evidence of credibility to evaluate services (Beerli, 2004). In addition, intangibility makes it more difficult and expensive to gather information. Consequently, Beerli (2004) noted that loyalty is more important for services than for products and concludes that service loyalty remains a significant area requiring further research. “Services loyalty” is expressed as an intended behaviour related to a service or company (Reichheld, 2000). These authors suggested four dimensions for measuring loyalty in the services industry: positive word-of-mouth, propensity to switch, identification with the service and a preference for a particular service provider. Others (Kandampully, 2004) argued that service loyalty is the assurance of a consistent and superior quality of service. This concept stems from Berry (1987)’s concept of earning customer’s loyalty by being loyal to customers. Developing and maintaining customer loyalty, or creating long-term relationships with customers, is the key to a firm’s survival and growth, particularly for service companies (McMullen and Gilmore, 2003). Loyalty in services industries or service loyalty is defined as the assurance of a consistent and superior quality of service (Kandampully, 2004).

2.7. Empirical Review

The following studies were reviewed to familiarize the topic of relationship marketing to demonstrate the originality of this study and to reveal the gap it will fill in the customer’s loyalty research.

Shiferaw (2011) explored the impact of relationship marketing on customer loyalty in the banking context. A survey of customers of bank of Abyssinia was conducted to determine the significance and influence of the underpinnings of the relationship marketing such as trust, commitment, conflict handling, and empathy on customers’ loyalty in the banking sector. A total of 250 usable questionnaires were obtained from a total of 250 questionnaires distributed. The findings show that the four variables namely trust (0.62), commitment (0.81), conflict handling (0.74), and empathy (0.59) were important in determining and influencing customers’ loyalty. In light of the findings made above, several possible recommendations were suggested as being valuable to the Bank of Abyssinia for improving relationship marketing activities to assure its customer loyalty.

Meseret (2015) explored the impact of relationship marketing on customer loyalty in commercial bank of Ethiopia. A survey of customers of the bank were conducted to determine the significance and influence of the underpinnings of the relationship marketing such as trust, commitment, conflict handling, and empathy on customers’ loyalty in commercial bank of Ethiopia. A total of 384 usable

questionnaires were obtained from a total of 384 questionnaires distributed. The findings show that the four variables namely trust (0.92), commitment (0.77), conflict handling (0.92), and empathy (0.80) were important in determining and influencing customers' loyalty. In light of the findings made above, several possible recommendations were suggested as being valuable to commercial bank of Ethiopia for improving relationship marketing activities to assure its customer loyalty.

Singh (1980) conducted in Delhi does not support the hypothesis that advertising influences brand loyalty. The researcher brought out that only 11 families out of total 102 were found to be loyal to their brands because of the brands being advertised. As many as 64 families stated that in their brand choice, advertising played at the most, little to moderate role. Also, only 10 families indicated a high or very high influence of advertising on their brand choice. Even advertising as a source of information was mentioned by only 45% of the families surveyed. He also studies the impact of special price offers/deals/ incentives on brand loyalty.

An examination of the reaction of households to promotion schemes shows that the largest segment (69.6%) is of those who would continue to stick to their favorite brand. As many as 18.6% of the households will switch to the other brand if that is one of their three favorite brands. Only about 12% of the households will switch over to the brand offering the deal or adopt it for trial. A closer look at these 12% of the households reveals that they are predominantly low income category of from the up to Rs.2500 a month. The researcher concludes that incentive selling will have more effect on people having relatively lower income and that among such people it can affect their brand loyalty.

Michael and Fred (2004) explained that management of an entire portfolio of customers who are at different relationship stages requires a dynamic theory of exchange relationships that captures the tradeoffs between scale economies and lifetime customer value. This research article contributes to the understanding of relationship management by developing a typology of exchange relationship mechanisms and a model of relationship dynamics and by simulating the model to provide guidelines for customer portfolio management. An important insight from the research point of view is that a key to creation of value through closer relationships lies in bringing weaker relationships into a portfolio in the first place. Another insight is that firms that position themselves towards offering with low economies of scale, such as personal services, must build closer relationship to create value.

Ndubisi (2004) On the basis of his research on Malaysian bank customers, argued that the measurement of the 'underpinnings' of relationship marketing can predict customer loyalty. At the same time, he also found significant gender difference in the trust loyalty relationship and concluded that women are significantly more loyal than men at higher levels of trust.

Selin *et al.* (2007) Examined empirically the relationship marketing and its successful implementation in Turkish Beverage Companies. Three scales, viz. relationship marketing scale, environmental factors scale and company performance scale were used to generate the data. First of all, the main effect of relationship marketing orientation on company performance was assessed, and then the moderating

effect of environmental factors on the relationship between relationship marketing orientation and company performance was estimated by using multivariate techniques.

According to analysis the role of bonding seemed to dominate, where market turbulence is high. It has been found further that the second environment factor called competitive intensity has no moderating effect on relationship between marketing orientation and company performance.

Mittal (2008) Studied whether managers of public and private sector banks believe that their banks are relationship centric or not. He brought out that there is variation with respect to the implementation of relationship marketing philosophy in the banks under study. He concluded that public sector banks need to work hard to follow a relationship marketing approach.

Purohit(2008) Studied the attitude of the two-wheelers users towards communication and to analyze the factors that influence consumer relationship behavior. He showed that there is a relation between brand loyalty and customer relationship management. The researcher brought out that generally people shifted to other brands rather than complaining. He suggested that marketers should have to identify dissatisfied customers and make proper communication to make them satisfied to retain them in future.

Rose Leahy (2008) Discovered the reasons why loyalties do exist in FMCG. The researcher concluded that the marketers need to develop and nurture the bonds that lead to and that can strengthen brand loyalty. Consumers are more concerned with the product offering. Findings indicate that for many consumers, functional benefits of the brand guide the purchase decision.

Sritharan et al. (2008) Studied loyalty behavior of consumer's towards nondurable goods. They examined the impact of commitment, advertisement, similarity and trust has significant relationship with loyalty. So they suggested that marketers must adopt innovative strategies like giving advertisement on internet for enhancing brand loyalty.

Ruth et al. (2008) In their research article, developed a model of a business customers decision to upgrade service contracts conditional on the decision to renew the contract. They found that the firms' upgrade decision is influenced by (1) decision maker perceptions on the relationship with the supplier, (2) contract level experiences, and (3) interaction between firm and contract level variables. The authors model the firms' decision as a binary logit model with random parameters for the contract level variables and fixed parameters for the firm level variables. They estimate the model with data describing more than 2000 service contracts and find that decision-maker satisfaction, service quality, and price have a significant effect on decision to upgrade; price and satisfaction also moderate the effect of service quality on the decision.

Simulations indicate that modest improvements in service quality for a focal contract can have a relatively large, positive effect on the likelihood that the firm will upgrade.

The results suggest that suppliers need to manage their firm relationships at both the individual contract level and the overall firm level. In addition, the results suggest specific window of opportunity for suppliers when firms may be more likely to upgrade to higher level service contracts.

Chi et al. (2008) In their extended the existing satisfaction-trust-loyalty paradigm to investigate how customers' affectionate ties with firms (customer-firm affection) - in particular, the component of intimacy and passion- affect customer loyalty in services. In a bi-level model, the authors consider customer- staff and customer- firm interactions in parallel.

Through a netnography study and survey research in two service contexts, they confirm (1) the salience of intimacy and passion as two under recognized components of customer-firm affection that influence customer loyalty, (2) the complementary and mediating role of customer-firm affection in strengthening customer loyalty, (3) significant effect transfers from the customer staff to the customer-firm level, and (4) the dilemma that emerges when customer-staff relationships are too close. The findings provide several implications for researchers and managers regarding how intimacy and passion can enrich customer service interactions and how to manage customer- staff relationship properly.

Krasnikov *et al.* (2009) Studied the impact of customer relationship management implementation on cost and profit efficiencies in the U.S. commercial banking industry. The study examines the impact of CRM implementation on two metrics of firm performance-operational (cost) efficiency and the ability of firm to generate profits (profit efficiency) - using large sample of U.S. commercial banks. The author find that CRM implementation is associated with decline in cost efficiencies but increase in profit efficiencies; they also find that two adoption related factors, time of adoption and time since adoption, influence the relationship between CRM implementation and cost and profit efficiencies. Early adopters benefit less from CRM implementation than late adopters.

Robert *et al.* (2009) Explained that most theories of relationship marketing emphasize the role of trust and commitment in effecting performance outcomes; however, a recent Meta analysis indicates that other mediating mechanisms are at work.

Data from two studies - a laboratory experiment and a dyadic longitudinal field survey- demonstrate that gratitude also mediates the influence of a seller's relationship marketing investment on performance outcome. Specifically, relationship marketing investments generate short-term feelings of gratitude that drive long lasting performance benefits based on gratitude related reciprocal behaviors. The authors identify a set of managerially relevant factors and test their power to alter customer perceptions of relationship marketing investments to increase customer gratitude.

Payne & Frow (2009) In their study on customer relationship management reviewed the conceptual difference between that, in many organizations, CRM failures have occurred through a lack of strategic focus. Key strategic issues are identified. A CRM Strategy Matrix is presented which considers the strategic context of companies and the implications for the development of their CRM strategies. Although individualized relationships with customers may seem to be most desirable, they conclude that this may not be realistic or appropriate to the specific circumstances of an organization.

Juan and Yan (2009) Empirically studied customer loyalty in the intermittent service industry with samples from the catering business in Beijing. Results show that customer loyalty in the intermittent service industry is composed of three causally related dimensions, namely, cognitive loyalty, affective loyalty, and behavioral loyalty.

Factors influencing customer loyalty in the intermittent service industry are customer satisfaction, service quality, and customer perceived value (CPV), in descending order of significance. These factors vary in their function mechanisms and affect different dimensions of customer loyalty.

2.8. Theoretical framework of the research

Divergent views have been expressed on conceptualization of relationship marketing. Sin et al. (2002) visualize relationship marketing orientation as a multi-dimensional construct consisting of six components namely: trust, commitment, communication, shared values, empathy and reciprocity. Hunt and Morgan (1994) identify trust and commitment as the key concepts that together build relationship marketing. A radically different conceptualization was offered by Gummesson (1997) who visualized relationship marketing as comprising of 30 distinct relations which he referred to as the 30R. Conceptualization of relationship marketing is an ongoing debate and no conclusive frameworks have been documented.

Existing literature documents a number of theories that explain relationship marketing. According to Palmer (2007) the development of relationship marketing can be grounded in a number of schools of thought. These are generally taken to be the industrial marketing and purchasing (IMP) group; the Nordic school of services; the Anglo Australian approach; and the American approach (Gummesson et al., 1997). Relationship marketing is explained by different theories each of which emphasizes different constructs. Relationship marketing however, falls short of an integrative general theory and as a result, piecemeal analytical approach is used to aid understanding relationship marketing. The following section discusses theories of relationship marketing.

2.8.1. Neoclassical Microeconomic Theory

Neoclassical microeconomic theory emphasizes profit maximization in competitive markets. The theory contends that exchange parties are price takers and maximizes utility in price equilibrium markets (Kristof and Gaby, 2001). The theory assumes a well-defined and stable preference structure where individuals independently worry about creating value (Sheth and Parvatiyar, 1995a). Transactions are considered to be independent of each other and it is assumed that decisions made by buyers are influenced exclusively by the price of the product being exchanged. This reduces the marketing function to a process of simply finding buyers and manipulating the price. It is assumed that transactions are characterized by absence of a brand name, recognition of the buyer by the seller or buyer loyalty (Webster, 1992). Gronroos (1994) argue that the marketing mix paradigm directly flows from the assumptions of microeconomic theory. The functional view of the marketing mix concept

developed from a notion of the marketer blending and manipulating different marketing elements so that a profit function is optimized (Kristof and Gaby, 2001).

The microeconomic framework has been hailed for its relevance in the development of marketing theory. According to Arndt (1983) the marketing mix tradition based upon the microeconomic profit maximization paradigm has made a strong point of distinguishing between the marketing environment and controllable decision variables. The theory has been criticized for being inadequate in the sense that it provides insufficient tools for analyzing exchange structures and processes within and between exchange parties. The theory is therefore, more applicable in low involvement buying situations (Gronroos, 1994).

2.8.2. Transaction Cost Theory

The theory was formulated by Williamson in 1975. At the core of the paradigm are the axioms that certain exchange characteristics give rise to transaction difficulties and that different governance mechanisms vary in their cost minimizing properties (Heide and John, 1990). Williamson (1975) indicated that transactions might become very costly due to human factors such as bounded rationality and opportunism, and environmental factors such as uncertainty and economically concentrated input or output markets. Transaction cost theory departs from the assumptions that individuals are limited in their cognitive capabilities and that they are inclined towards opportunistic and self-interest seeking behavior (Rindfleisch and Heide, 1997). The theory holds that in order to reduce the risks of being exploited in an exchange relationship, exchange partners can build in a safe-guarding mechanism by making substantial transaction specific investments that are uniquely related to the exchange relationship and that cannot be retrieved in case it terminates (Wilson, 1995). According to Anderson and Weitz (1992) if both partners make such investments, they create incentives to maintain or obstacles to leave the relationship. Transaction costs include costs associated with information search, reaching a satisfactory agreement, relationship monitoring, adapting agreements to unanticipated contingencies, and contract enforcement (Ganesan, 1994). The theory suggests that transaction costs are minimized by selecting a relationship governance mode that is optimal given transaction properties such as asset specificity, uncertainty and infrequency that curbs small numbers bargaining and opportunism (Sheth and Sharma, 1997).

The extremes in governance modes are arm's length spot market governance (external governance mechanism) and vertical integration (internal governance mechanism). In arm's length exchange situation, buyers pit sellers against each other in order to achieve lower costs. In vertically integrated exchange situations, buyers and sellers can reduce transaction costs by aligning their objectives and internal systems (Wilson, 1995). Bowen and Jones (1986) stated that as a general rule, an increase in transaction costs is accompanied by a movement from external to internal governance mechanisms. The main contribution of the theory is its economically rooted assumption that a party will tend to build a long term relationship if this relationship helps to reduce transaction costs and that it will rely on market mechanisms for activities that do not involve important transaction costs (Dabholkar, Johnston

and Cathey, 1994). The theory has been criticized for focusing on cost efficiency as the only single criterion for shaping transactions.

The transaction cost theory does not take into account interdependencies between the parties in a relationship. It focuses upon one party making decisions to maximize profit as a result of minimizing transaction costs rather than two parties cooperating to maximize the profit flowing from the relationship as well as their individual profits. The theory fails to consider the costs incurred by both parties in the transaction (Bendapudi and Berry, 1997). Transaction cost theory is mainly preoccupied with the conditions that motivate exchange partners to structure relationships in a particular way without specifying the mechanisms that provide the ability to implement desired structures (Heide and John, 1990). There is little empirical evidence of the performance effects of following transaction cost theory's guidelines, making it difficult to assess its true theoretical value and empirical validity (Rindfleisch and Heide, 1977). Morgan and Hunt (1994) report that human behavior in relationships is not as Machiavellian as described by transaction cost theory. Arguments drawn from sociology stress that exchange typically is embedded in social structures in which opportunism is the exception rather than the rule. As a result, transaction cost theory fails to offer predictions about the implications of a deviance from opportunism (Dabholkar, Johnston and Cathey, 1994). Many exchanges are based on gradual development of trust that helps exchange partners to lower transaction costs by safeguarding against opportunism. The implications of the effect of trusting behavior on governance structures are generally ignored in transaction cost theory. According to Kristof and Gaby (2001) transaction cost theory is narrowly focused as it addresses a limited set of control and coordinated actions.

2.8.3. Relational Contracting Theory

Relational contracting theory was proposed by MacNeil in 1980. It explicitly distinguishes intermediate types of exchange between discrete transactions and complete internalization of exchanges (Gundlach and Murphy, 1993). The theory has its roots in classical contract law which relied on legal framework as a mechanism for planning exchanges, negotiating contracts, adjusting existing contract relationship and resolving contractual conflicts (Rylander, Strutton and Pelton, 1997). Relational contracting theory states that purely relying on the law mechanism can be costly in terms of both resources and time. According to Nevin (1995) exchange relationships can be affected by unforeseen circumstances and extra-legal governance methods are needed to govern relationships. Specifically, culture that is shared by a group of decision makers is suggested as complimentary mechanism for relational governance (Dwyer, Schurr and Oh, 1987; Weitz and Jap, 1995). A general property of relational norms is their prescription of behaviours that are aimed at maintaining a relationship and their rejection of behavior that promote individual goal seeking (Heide and John, 1990). Even though relational contracting theory fails to prescribe optimal types of governance to deal with specific characteristics of the exchange, it deals with criticisms directed at transaction cost theory by including social dimension of exchange. In addition, it clarifies that hierarchical relationship governance are not the only governance mechanisms available.

2.8.4. Social Exchange Theory

Social exchange theory explicitly predicts social relationships to be based on each partner's motivational investment and anticipated social gain. The theory stresses that self-interest and relationship outcome evaluation are at the basis of maintaining and exploiting relationships (Smith and Barclay, 1997). Self-interest is at the core of social exchange theory as it assumes that exchange parties intend to derive benefits from their relationships that would not be achievable on their own. These benefits can include non-economic and altruistic rewards derived from increasing their partner's utility (Weitz and Jap, 1995). Bendapudi and Berry (1997) as well as Morgan and Hunt (1994) consider both desires and constraints as relationship determining factors. The theory further assumes that relationship outcome evaluation is at the basis of relationship maintenance and growth. A major contribution of social exchange theory is its explicit recognition of both positive and negative motivations underlying the formation and growth of relationships. On the other hand, Dwyer, Schurr and Oh (1987) criticize social exchange theory for not being able to explain the processes related to relationship dissolution. The theory assumes that parties consciously engage in a process of comparison. However, this assumption cannot hold in real life situations.

2.8.5. Equity Theory

Equity theory also referred to as distributive justice seeks to understand deviations from the norm of distributive justice in dyadic relationships. The theory postulates that parties in exchange relationships compare their ratios of exchange inputs to outcomes (Kristof and Gaby, 2001). The theory is applicable as an explanatory framework to exchange situations in which parties are unequal in size or power. Gruen (1995) argues that perceived inequalities between exchange parties lead to a feeling of under or over-rewarded, anger or resentment, to the extent that it affects behaviours in subsequent periods by encouraging parties involved to change their inputs into the relationships. Equitable outcomes stimulate confidence that parties do not take advantage of each other and that they are concerned about each other's welfare (Ganesan, 1994).

Role expectations play a crucial part in determining the equity level of a potential exchanger relationship. Role stress can affect long term relationships if role expectations are unclear or ambiguous. Role stress also affects relationships in situations where actual behaviours from one party deviate from expectations leading to role conflict. Equity theory prides in its ability to explicitly recognize inherent inequalities between exchange partners. However, the theory fails to take into account whether parties in a relationship are able and motivated to judge their respective input to output ratios.

2.8.6. Political Economy Theory

Political economy theory integrates economic efficiency theories of organizations with behavior power theories in explaining the development of relationships (Stern and Reve, 1980). Pandya and Dholakia (1992) concur to views expressed by Amdt (1983) who suggested that political economy theory was developed to explain collective, organizational and institutional behavior. The unit of analysis under this theory consists of relational exchanges between collective entities. An essential characteristic of the theory is its simultaneous and interdependent analysis of economic and political systems of production and consumption (Pandya and Dholakia, 1992). Economy refers to the economic drivers that underlie optimal governance structures. Polity refers to elements of power, authority, control and conflict, legitimizing, facilitating, monitoring and regulating exchange transactions within and between institutions (Robicheaux and Coleman, 1994).

Political economy theory is concerned with the allocation of economic resources, authority and power (Stem and Reve, 1980). A second distinctive characteristic of the theory is that it examines both the internal structures of a group as well as its external environment. More specifically, it focuses upon external as well as internal determinants of institutional exchange (Robicheaux and Coleman, 1994). It views a social system as consisting of interacting sets of internal or external forces that affect collective behavior and performance. The theory adopts a dyadic approach by integrating both economic and socio-political factors. Further, it insists that economic and socio-political forces should not be analyzed in isolation. As a general integrative theory, it supports theory construction in a wide range of marketing areas. Critics point out that the model is so comprehensive that it has proven difficult to apply empirically (Dabholkar, Johnston and Cathey, 1994). The theory has also been criticized for incompleteness, methodological problems and for being vague.

2.8.7 Resource Dependency Theory

Emerson (1962) described dependence as the extent to which each party's reward or motivation is reliant upon the reward or motivation received by the other party; and the reward or motivation exceeds what would be available outside the relationship. Resources are defined as tangible and intangible entities available to the firm that enhance its capability to serve target markets effectively and efficiently. Resources are categorized as financial, physical, legal, human, organizational, informational and relational. Resource dependence theory examines sources of power and dependence in exchange relationships. The resource-based economic theory of the firm states that a company, seen as a collection of productive resources tries to upgrade these resources as part of an attempt to initiate, develop and terminate relationships (Krapfel, Salmond and Spekman, 1991). The theory assumes that a lack of self-sufficiency with respect to acquiring and developing resources leads to dependence and introduces uncertainty in a party's decision making environment. The dependence of a party is

intrinsically tied to the power of the other party as dictated by resources controlled by that party (Wilson, 1995).

As posited by psychological reactance theory, dependent exchange partners may wish to regain control and influence their power balance by acquiring and defending a secure and adequate supply of critical resources or by developing substitute sources which can reduce their dependence. The work of resource dependence theorists suggest that dependencies between exchange partners are a function of multiple factors. Exchange partners become more dependent on each other as outcomes from an exchange become more important; magnitude of trade with one partner increases; the business is concentrated with fewer partners; and it becomes more difficult to locate potential alternative exchange partners. Supporters of resource dependence theory argue that its assumptions reflect characteristics of many real life exchange situations. On the contrary, critics claim that the theory cannot explain why and how exchange relationships are initiated and how exchange outcomes are evaluated by exchange partners (Dabholkar, Johnston and Cathey, 1994). Another weakness of the theory includes difficulties in explaining long-term exchange relationships resulting from behavior based on trust.

2.8.8 Commitment-Trust Theory

Commitment-trust theory draws its premise from the political economy theory. It argues that power wielded by one party in an exchange process can condition the other party to behave in a desired manner. Unlike political economy theory, commitment-trust theory assumes that trust and commitment overrides all contextual issues as well as exchange partner power in determining relationship success. Hunt and Morgan (1994) justify the key role of commitment and trust in explaining relationship marketing by insisting that they encourage marketers to work at preserving relationship investments and influencing them to resist attractive short term alternatives in favor of expected long term benefits. Hunt and Morgan (1994) further argue that commitment and trust must not be mutually exclusive to produce effective, efficient and productive relationship. Commitment to the relationship is defined as an enduring desire to maintain a valued relationship. Berry and Parasuraman (1991) maintain that relationships are built on a foundation of mutual commitment.

Trust is defined as a willingness to rely on an exchange partner in whom one has confidence. Trust therefore, exists when one party has confidence in an exchange partner's reliability and integrity. Hunt and Morgan (1994) posit that trust influences relationship commitment. Commitment-trust theory assumes that exchange relationship has both antecedent and outcome variables and that trust and commitment plays mediating role. According to Hunt and Morgan (1994), antecedent variables include: relationship termination costs, relationship benefits, shared values, communication, and opportunistic behavior. On the other hand, outcome variables are identified as acquiescence, propensity to leave, cooperation, functional conflict and uncertainty.

2.8.9 States and Stages Theories

Rao and Perry (2002) suggest two theories that explain the development of relationship marketing. The stages theory conforms to the development of relationships in an evolutionary, processual manner over time. This theory has been criticized on the basis of its inappropriateness in particular with regard to the sequential and incremental nature of relationship development as it purports (Quinn and Cameron, 1983). The states theory on the other hand proposes that relationship development is highly complex and unpredictable (Palmer, 2007). The theory suggests that relationships can improve or deteriorate over time or remain static but, do not conform to a type of processual model that can be managed from a practitioner's perspective to improve the quality of the relationship. The states theory has a number of weaknesses. The theory assumes that relationships are self-managing episodes and can either deteriorate or improve. If this was indeed true, then the practice of managing relationship would be put to question. The theory therefore, raises more questions than it provides explanations to aid our understanding of relationship marketing.

Summary of Evolution of Relationship Marketing Theories

Period	Theory	Key contribution
1950s and 1960s	Institutional economic, sociology and psychology	Integrated sociological and psychological factors into prevalent institutional economic perspective of rational economic actors
1970s	Exchange theory	Redirected marketing thought by applying exchange theory to explaining why people and organizations engage in exchange relationships; and how exchange is created, resolved or avoided
1970s and 1980s	Power and Dependence Theory	Offered power and dependence as the critical factors in understanding exchange relationship and performance
1980s and 1990s	Relational contracting theory	Integrated relational contracting theory with social exchange theory in a dynamic relationship framework
1990s	Transaction cost economics	Demonstrated that relationship governance can serve many of the same functions as vertical integration by suppressing opportunistic behaviors and reducing transaction costs
1990 to 2000	Commitment-trust theory	Extended relationship marketing beyond customer-seller interactions to offer a well-argued theory of relationship marketing
2000s	Resource-based view (Social exchange and network theories)	Demonstrated that relationship marketing's impact on performance is affected by relational bonds

Although relationship marketing is a relatively young field of inquiry, relationship marketing theory is an extremely rich area of research (Hunt *et al.*, 2006). They indicated that relationship marketing can take many forms and, as a result, relationship marketing theory has the potential to increase the understanding of many aspects of business strategy. Based on relationship marketing theory there are relational factors such as trust, commitment, conflict handling, and empathy) that influence customer loyalty. Relationship marketing theory concerned on relational factors and their influence on relationship marketing outcomes like customer loyalty and relational contracting (Hunt *et al.*, 2006). The researcher used the framework as it is without modification.

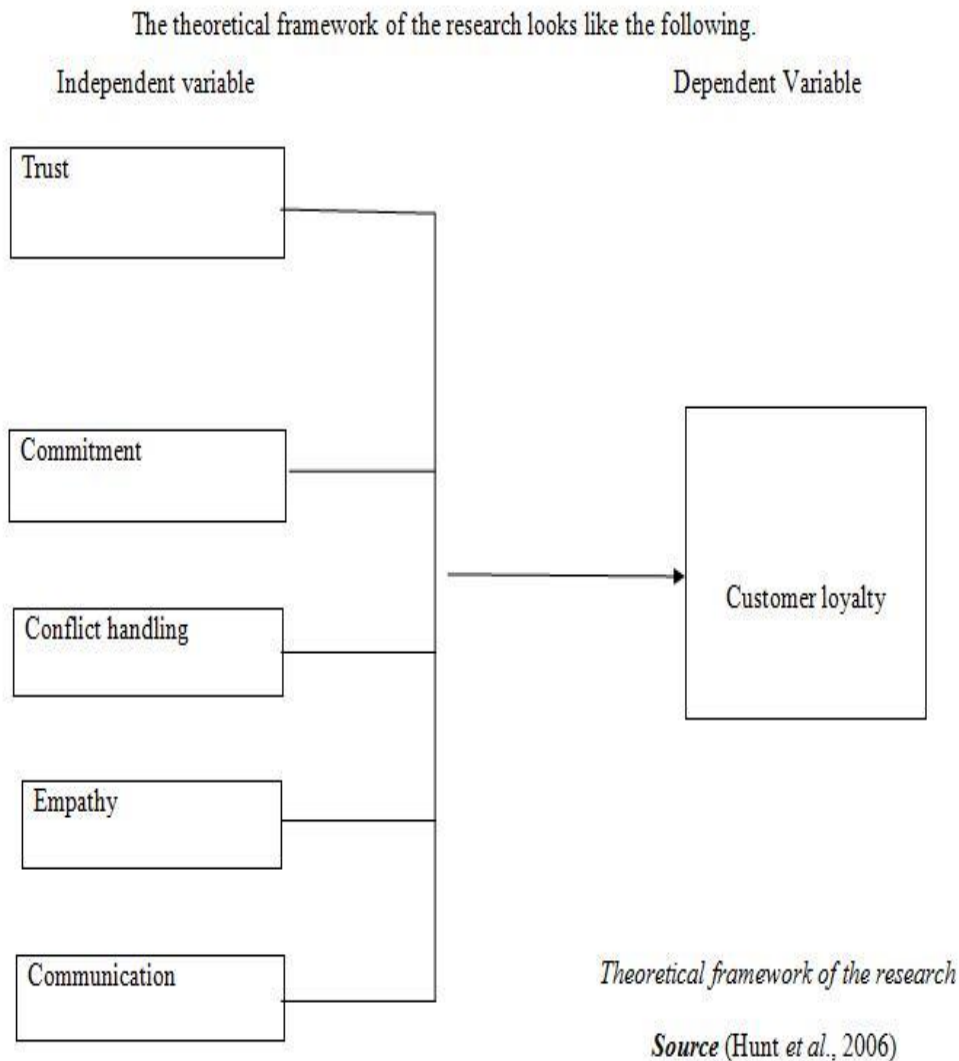


Figure 2.2 Theoretical framework of the research

In line with the stated research questions and objectives in chapter one, the theoretical and empirical works reviewed in the second chapter and the conceptual framework provided in the above figure, this

research proposed the following hypotheses to be tested with the aim of finding out how banks can make their customers to be loyal by measuring customer relationship marketing dimensions customers have for them.

2.9. Research Hypotheses

- H1: There is significant positive relationship between trust and customer loyalty.
- H2: There is significant positive relationship between commitment and customer loyalty.
- H3: There is significant positive relationship between conflict handling and customer loyalty.
- H4: There is significant positive relationship between empathy and customer loyalty.
- H5: There is significant positive relationship between communication and customer loyalty.
- H6: Public and private banks in Ethiopia have significant differences in terms of their customer relationship marketing dimensions.
- H7: Public and private banks in Ethiopia have significant differences in terms of their customer Loyalty.

Chapter Three

Research Methodology

Research Methodology, according to (Rajasekar, Philominathan & P Chinnathambi, 2013), is a systematic way to solve a problem. It is a science of studying how research is to be carried out. Essentially, the procedures 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 a research.

3.1. Research Approach

(Soiferman, 2010) refers to two broad methods of reasoning as the inductive and deductive approaches. The author defines induction as moving from specific to general, while deduction begins with the general and ends with the specific; arguments based on experience or observation are best expressed inductively, while arguments based on laws, rules, or other widely accepted principles are best expressed deductively. Furthermore, the researcher said that the deductive researcher works from the top down, from a theory to hypotheses to data, to add to or contradict the theory. In contrast, the researcher defined the inductive researcher as someone who works from the bottom up, using the participants' views to build broader themes and generate a theory interconnecting the themes. In research, the two main types of analysis typically used are quantitative (deductive) and qualitative (inductive).

Following the above guide, this research was carried out as a quantitative study with the aim of finding out the effect the different dimensions of customer relationship marketing may have on customer loyalty in the banking industry of Ethiopia. And this was done through testing different hypotheses proposed in the second chapter. To this end, financial services offered by both private and public banks in Ethiopia were investigated to meet the objectives of this study as the unit of analysis. The relatively modern and economically advanced city of Addis Ababa was selected as the sampling area to get a heterogeneous sample comprising various demographic characteristics. Within Addis Ababa, customers from two private banks namely, Bank of Abyssinia and Lion international Bank, and one public bank namely, Commercial Bank of Ethiopia, were targeted.

3.2. Research Design

A research more often than not can be designed to test existing knowledge to establish how valid it is or to establish entirely new knowledge. It may be concerned with collecting and analyzing quantitative or qualitative data. It could be designed to explore, describe, correlate or explain the phenomena in question (Wyk, 2009). Based on this, this work is an explanatory study, where the results found

attempted to clarify if there is a relationship between customer relationship marketing dimensions and customer loyalty.

3.3. Sampling Design

This study made use of multi-stage sampling design, which refers to sampling plans where the sampling is carried out in stages using smaller and smaller sampling units at each stage (Garson, 2012). In the first stage, strata were identified using purposive sampling, where all bank users in Addis Ababa were named as public bank users and private bank users. Purposive sampling enables an initial understanding of the situation. It produces a sample where the included groups are selected according to specific characteristics that are considered to be important. With such a sample, group differences can be compared and contrasted and a range of experiences can be summarized. For example, it can help us find out whether or not there is a significant difference in customer relationship marketing dimensions and customer Loyalty between public and private banks in Ethiopia.

The second stage strata then contained:

Under the stratum public banks, only Commercial Bank of Ethiopia was included because it is the largest and the only public bank serving in the commercial banking sector.

Under the stratum private banks, Bank of Abyssinia and Lion international Bank were selected using convenience sampling as the samples are easily accessible to the student researcher at the respective bank counters.

For this work, a stratified sampling was used. Stratified random sampling according to, (Fienberg, 2003), is a technique which attempts to restrict the possible samples to those which are less extreme by ensuring that all parts of the population are represented in the sample in order to increase the efficiency (that is, to decrease the error in the estimation). From each stratum a sample, of pre-specified size, is drawn independently in different strata. Then the collection of these samples constitutes a stratified sample. If a random sample selection scheme is used in each stratum then the corresponding sample is called a stratified random sample.

Reasons for stratification:

To obtain estimates of known precision for certain sub-divisions of the population by treating each sub-division as a stratum. Since sampling is done independently in each stratum, separate stratum estimates and their precision can be obtained by treating each stratum as a "population" in its own right.

For administrative convenience

Employing stratification in a careful fashion, we can get improved precision for our estimates of population quantities

3.4. Target population and Sampling Frame

Target population is the group of customers of banks in Addis Ababa for whom the researcher wants the research results to apply to.

And sampling frame is the list or procedure defining the population or customers from which samples were drawn.

But due to unavailability of data, there was not a complete listing of the target population for this study and no formal sampling frame was recognized.

3.5. Sampling size

There are several approaches to determining the sample size. These include using a census for small populations, imitating a sample size of similar studies, using published tables, and applying formulas to calculate a sample size. According to Krejcie and Morgan (1970), Chon (1969) for the population that is more than 100,000 at the confidence level of 95% and precision level of +or -5% the number of sample size that should be obtained shall be counted, greater than or equal to 384 to represent to the population. Using the same analogy, 400 questionnaires were distributed to meet up to the required level of number of responses from customers of Commercial bank of Ethiopia, Bank of Abyssinia and Lion international bank Addis Ababa branches.

Although stratified random sampling suggests the assignment of samples from each stratum should be proportional to a certain criteria (usually the stratum's representation in the total population), this work followed a disproportionate stratified sampling, which is a stratified sampling procedure in which the number of elements sampled from each stratum is not proportional to their representation in the total population. Population elements are not given an equal chance to be included in the sample. The same sampling fraction is not applied to each stratum. On the other hand, the strata have different sampling fractions. If this research was to select its sample size proportionately, Commercial Bank of Ethiopia will take up more than half of the samples dedicated for both public and private bank strata, be it with customer base criteria or distribution of branches criteria.

Disproportionate stratified sampling may be broken into three subtypes based on the purpose of allocation that is implemented. The purpose of the allocation could be to facilitate within-strata analyses, between-strata analyses, or optimum allocation (Daniel, 2012).

Disproportionate allocation for within strata analyses: the purpose of a study may require a researcher to conduct detailed analyses within the strata of the sample. If using proportionate stratification, the sample size of a stratum is very small, it may be difficult to meet the objectives of the study. Proportionate allocation may not yield a sufficient number of cases for such detailed analyses. One option is to oversample the small or rare strata. Such oversampling would create a disproportional distribution of the strata in the sample when compared to the population. Yet, there may be a sufficient number of cases to carry out the within-strata analyses required by the study's objectives (Daniel, 2012).

Disproportionate allocation for between-strata analyses: the purpose of a study may require a researcher to compare strata to each other. If this is the case, sufficient numbers of elements must be selected for each category. A researcher may desire to maximize the sample size of each stratum. For such a study, equal allocation (also referred to as “balanced allocation” and “factorial sampling”) may be appropriate. A researcher may seek to select an equal number of elements from each stratum (Daniel, 2012).

Optimum allocation may focus on the optimization of costs, the optimization of precision, or the optimization of both precision and costs (Daniel, 2012).

From among the above stated disproportionate stratified sampling breakdowns, this study followed the “disproportionate allocation for between strata analyses” and assigned equal number of sample sizes of 192 respondent customers to each bank type. This also helped in identifying whether or not there is a significant difference in the dimensions of customer relationship marketing and Loyalty between public and private banks.

3.6. Sampling techniques

A non-probability sampling technique, Judgment Sampling, was used. 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 commercial banks in Addis Ababa. The following two reasons can be put forward in favor of using Judgment Sampling:

1. There is no complete listing of our target population; no formal sampling frame.
2. This gives a better result within a small budget and time constraints. (Farhana & Islam, 2012)

3.7. Data source and collection procedures

The study was used both primary and secondary data as its source of information. Primary data were collected based on structured questionnaires. Based on the research objective, the questionnaire was adopted to extract customers’ experience regarding the relationship marketing dimensions namely Trust, Commitment, Empathy, conflict handling and communication towards their loyalty of Ethiopian Commercial banks. The English version of the questionnaire was carefully and accurately translated in to Amharic. The questionnaires would consist of two parts. Part one was prepared to gather general information about the respondents’ gender, age, education, occupation, monthly income and for how many time the customer using the bank’s services. Part two was prepared to ask respondents to answer relationship marketing and customer loyalty questions. This part consists of 43 questions and measures the effect of customer relationship marketing on customer loyalty which is divided in six dimensions. The first dimension, trust consists of Eight questions and was adopted from Ndubisi & Wah (2005) and (Dimitriadis *et al.*, 2011). The second dimension which consists Eight questions that measure commitments to be adopted from Ndubisi & Wah (2005) and (Lacey & Morgan, 2009). The third dimension, empathy, contain six questions which was adopted from Huseyin *et al.*, (2005). The fourth dimensions that measure conflict handling was adopted from Ndubisi and Wah (2005). The fifth and six dimensions, communication and loyalty were adopted from Ndubisi & Wah (2005) The researcher

developed some questions and included in the questionnaire. Questions in part two were assessed by using a five point Lickert scale. Each question of the questionnaire were assigned a number indicating strongly disagree to be measured as 1, disagree to be measured as 2, no opinion to be measured as 3, agree to be measured as 4, and strongly agree to be measured as 5. The independent variable is relationship marketing and to be measured by five dimensions such as trust, commitment, conflict handling, empathy and communication. The dependent variable is customer loyalty and to be measured by the feelings of customers' loyalty towards their bank.

3.8 Reliability and validity test

3.8.1. Validity

Instrument Validity to ensure the instrument validity, since most of the questionnaires were adopted from Ndubisi & Wah (2005), Huseyin et al., (2005) it is believed to be valid, besides to this some 15 questionnaires were tested and refereed by scholars, professionals and some bank experts. They were asked to check the quality of the questionnaires, if they measure the intended variables, and if they serve the purposes of the research. Their comments were taken in consideration for developing the final version of the instrument and finally approved by the research advisor.

3.8.2. Reliability test

Reliability test was conducted on the dependent and independent variables, internationalization factors and entrepreneurial orientation. The Cronbach's alpha is used in this study to assess the internal consistency of the research instrument, the developed α (Alpha) is a coefficient of reliability used to measure the internal consistency of a test or scale, and it resulted as a number between 0 and 1. As the result approaches to 1 the more is the internal consistency of the items, which means all the items measure the same variable. The result of the coefficient alpha for this study's instrument was found to be 0.968, which is much higher than the threshold value of 0.65. Therefore, the scale is considered to be reliable (Nunnaly, 1978) (table 3.7.2.) as indication of acceptability of the scale for further analysis since all the items of beliefs dimensions. .

Table 3.1.: Reliability Statistics

Item	Number of Item	Cronbach's Alpha
Trust	8	0.808
Commitment	8	0.813
Conflict Handling	6	0.856
Communication	8	0.878
Empathy	6	0.845
Customer Loyalty	7	0.916
Over all reliability	43	0.956

3.9. Data analysis

After collecting the data through questionnaire, the process of analysis was done using statistical tools like regression and correlation models. Regression analysis was used to know by how much the independent variable i.e. relationship marketing (the five dimensions) explains or influences the dependent variable which is customer loyalty. Correlation analysis was conducted to measure the strength of the association between relationship marketing dimensions and customer loyalty. And also descriptive analysis was used for the demographic factors such as gender, age, education, occupation, monthly income and for how many times the customers are using the bank's services. Tools like tables and percentage was also used. Data analysis was performed by using SPSS software version 24. In order to reduce the possibility of getting wrong answers, different actions were taken to ensure the soundness of this study.

1. Data were collected from reliable sources, from respondents who are customers of the bank.
2. The questionnaire was based on literature review to ensure the soundness of the results.
3. SPSS software version 24 was employed to analyze the data and special emphasis was given during data coding.

3.10. Ethical Consideration

The study was considered some ethical issues. This was the respondent had the right to respond or not, the respondents had the right to participate or not, the study informed respondents the purpose of the questioner and the study considers the confidentiality of the response by not asking to state name. While the study was conducted, emerging ethical issues was considered and was given attention.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

Introduction

The general objective of this study was to investigate the Effect of Customer Relationship Marketing on Customer Loyalty in Ethiopian Commercial Banking Sector: The case of Commercial Bank of Ethiopia, Bank of Abyssinia and Lion International Bank Addis Ababa Branches.

Therefore, data was collected from the relevant sources through questionnaire were classified, organized and analyzed. The trends, and patterns and relationship among data were identified, grouped and interpreted. The data classification has been carried out on the basis of customers of the banks. The hypotheses formulated for this study actually guided the arrangement of the tables. Each hypothesis focuses on the variables identified a summary of the main findings follow each hypothesis.

The researcher has used the software called SPSS 24.00 to analyze the collected data statistical procedures in this part for the problems concerning customer relationship marketing and customers' loyalty, to identify the major issues and to present feasible recommendations the researcher has collected data through self administered questionnaire. In this chapter the findings of the study are presented. During the survey a total of 400 questionnaires were distributed to customers. From this 384 distributed questionnaires were returned. So the analysis was made based on 384 responded questionnaires. All questionnaires were filled by the customers of commercial bank of Ethiopia, Bank of Abyssinia and Lion international Bank. Descriptive statistics were used for demographic factors and correlation and regression analysis were conducted for scale typed questionnaires. The entire questionnaires used are attached at the back. You can refer from (Appendix one.)

4.1. Measurement of Model Validity

4.1.1. Normal Distribution

A normal distribution is one of the importantly assumed statistical procedures. Normal distributions take the form of a symmetric bell shaped curve. The standard normal distribution is one with a mean of

0 and a standard deviation of 1 (Garson, 2012). Severe asymmetry then is stated to be the result of strong outliers. A common test for normality is to run descriptive statistics to get skewness and kurtosis. Skewness should be within +2 and -2 range, if the data is normally distributed. Kurtosis is the peakedness or flatness of a distribution and this distribution shall also commonly fall between +2 and -2, although a few other authors according to (Garson, 2012), are more lenient and allow kurtosis to fall within +3 and -3.

Following the above justification, the normality test was done for six variables on SPSS, which resulted in all the variables' skewness to fall within +2 and -2 range and all the variables' kurtosis to fall within +3 and -3 range. Consequently, the data utilized for this research are normally distributed.

Table 4.1. Test of Normal distribution

		Statistics					
		Trust	Commitment	Empathy	Conflict_Handling	Communication	Loyalty
N	Valid	384	384	384	384	384	384
	Missing	0	0	0	0	0	0
Skewness		-.022	-.104	-.076	-.128	-.060	1.652
Std. Error of Skewness		.125	.125	.125	.125	.125	.125
Kurtosis		-1.547	-1.626	-1.498	-1.609	-1.451	.734
Std. Error of Kurtosis		.248	.248	.248	.248	.248	.248

Source: Survey Result, SPSS (2017)

4.2. Data screening and cleaning

In order to ensure the accuracy of questionnaire data analysis, the student researcher screened and cleaned the data prior to data analysis. The errors in the data file were checked. Correction was made when an error was found. According to Hair et al.(2010),cases with over 50% missing data should be deleted. There was no such poorly completed cases. If there was poorly completed cases it could affect the reliability of the results (Gill and Johnson 1997).As the two parts of the questionnaire were independent sections, there was no missing values were treated separately. Based on the data cleaning and data screening,384 out of the 400 responses were found valid for data analysis of section one and section two. Hair et al. (2010) claim factors with over 15% missing data should be deleted. No such factors were detected.

4.3 Demographic Information of Respondents

Descriptive analysis was used to present demographical data collected in relation to the demographic factors clarification.

Table 4.3. Demographic Analysis

Variables	Categories	Number of respondents	Percentages
Gender	Male	235	61.2%
	Female	149	38.8%
Age	Below 18 years	0	0%
	19-39 years	191	49.7%
	40-59 years	188	49.2%
	60 years and above	5	1.3%
Educational Qualification	Primary	20	5.2%
	Secondary	53	13.8%
	Diploma	149	38.8%
	First Degree	134	34.9%
	Postgraduate	22	5.7%
	Others	6	1.6%
Occupation of the respondents	Government sector	101	26.3%
	Private sector	85	22.1%
	Own business	189	49.2%
	Student	0	0%
	Others	9	2.3%
Monthly income of respondents	Below Birr 2350	33	8.6%
	2351-3550 Birr	85	22.1%
	3551-4999 Birr	119	31.0%
	Over Birr 5000	147	38.3%
Length of time the respondents uses the banks services	Below 1 year	20	5.2%
	From 1-3 years	97	25.3%
	From 3-5 years	95	24.7%
	Over 5 years	147	44.8%
Respondents Bank	Commercial Bank of Ethiopia	192	50.0%
	Bank of Abyssinia	115	29.9%
	Lion International bank	77	20.1%

Source: Survey Result, SPSS (2017)

The total respondents as presented in the above table revealed that a total of 235 males in the distribution representing 61.2% and 149 females representing 38.8 %, this indicates higher number of male in the distribution. The disparity between the number of male and female respondents is not too wide. This close representation signifies that whatever information obtained from these two categories of respondents will be highly representative of people. In terms of age of the respondents as presented in table revealed that a total of 191 participants were between 19-39 years which is 49.7% of the total respondents, a total of 188 participants were between 40-59years which is 49.2% of the total respondents and the rest 5 respondents which constitute 1.3% of the total respondents were 60 years and above. Looking at this table at a glance one would realize that adults dominated the participants of this study and this has indeed contributed to the quality of opinions gathered. As regards of educational qualification 20 respondents have achieved primary education which is 5.2% of the total, 53 respondents were also accomplished secondary education, which is 13.8% of the total respondents, on the other hand 149 (38.8%) respondents were diploma holder which is the highest number and 134 (34.9%) of the respondents hold a first degree. In the other way, while 22 (5.7%) respondents were hold a postgraduate degree and 6(1.6%) respondents show that they had other qualification which was not stated. The educational background of the participants revealed that first degree and diploma holders were nearly three quarter of the participants as presented in table. The high literacy level of respondents helped the researcher in getting good, well-informed and quality responses from respondents. The table also shows almost half of the respondents' occupations is own business which is 49.2% on the other hand 26.3 % and 22.1% of the respondents are working in Government sector and Private sector respectively, while none of the respondents were students and last but not least 2.3% work in other occupation which were not mentioned by the respondents. The results of monthly income of respondents are also shown in table 8.6% of the respondents had income of below 2350 birr, and 22.1% had income of between birr 2351-3550 monthly. On the other hand, 31% had income of between birr 3551-4999 and the remaining respondents 38.3% had income of birr 5000 and above. The results of length of time the customers uses the banks services are also indicated in the table. As it is shown in the table, 5.2% of the respondents have used the bank for below 1 year, 25.3% have used the bank for 1-3 years, and 24.7% have used the banks services for 3-5 years. On the other hand nearly half of the respondents i.e.44.8% have been used the bank for over 5 years, thus one can say that most of the respondents have enough knowledge to witness about the bank's services. Finally an equal number of 192 questionnaires were given out for both public and private bank customers. For the public bank, 192 customers of Commercial Bank of Ethiopia were contacted of which all 192 valid responses were obtained. For the private banks, out of the 192 questionnaires distributed,115 responses from Bank of Abyssinia and 77 responses from Lion international Bank Awash Bank, which makes it a total of 192 valid responses from private bank respondents.

4.4 Descriptive Analysis

4.4.1 Descriptive Analysis of Customer relationship marketing Dimensions

Table 4.4. Descriptive Analysis of Customer relationship marketing Dimensions

		Trust	Commitment	Empathy	Conflict Handling	Communication	Loyalty
N	Valid	384	384	384	384	384	384
	Missing	0	0	0	0	0	0
Mean		3.8900	3.9893	4.1055	4.1189	3.9639	3.9516
Std. Error of Mean		.01553	.01351	.01828	.01576	.01683	.02133
Median		3.8750	4.0000	4.1667	4.1667	4.0000	4.0000
Mode		3.88	4.00	4.17	4.17	4.00	4.00
Std. Deviation		.30435	.26475	.35821	.30876	.32985	.41793
Variance		.093	.070	.128	.095	.109	.175
Range		3.25	2.50	3.00	2.83	3.63	3.86
Minimum		1.75	2.50	2.00	2.17	1.38	1.14
Maximum		5.00	5.00	5.00	5.00	5.00	5.00

Source: Survey Result, SPSS (2017)

Table 4.4. Shows that customer trust, has a mean value of 3.89 and standard deviation of .304, commitment has a mean value of 3.9893 and standard deviation of .264, Empathy has a mean value of 4.10 and standard deviation of .358, Conflict handling has a mean value of 4.11 and standard deviation of .308, Communication has a mean value of 3.96 and standard deviation of .329, finally Customer loyalty has 3.95 and standard deviation of .417. It has been observed in the above table that almost all the Mean are similar. High Standard Deviation means that the data are wide spread, which means that customers give variety of opinion and the low standard deviation means that customers express close opinion.

Descriptive Analysis for Trust

As shown in the table below, Trust is measured by eight items for which, the mean score values were calculated and were found to range between 3.10 for respondents who said the bank has the ability to meet its promises (either private or public) and a mean score value of 4.90 for respondents who said the bank is always honest to you. By and large the mean score value of trust dimension was found to be 3.89, which is well above average. Generally, almost all items have a medium standard deviation but the highest calculated was .57479, where there was a high variation in response among sample respondents for the item that states “The bank fulfils its obligation to customers”.

Table 4.5: Descriptive Statistics of Trust

	N	Mean	Std.Deviation
The bank is very concern with security for my transactions	384	3.9740	.45053
Employees of the bank are trustworthy	384	3.1302	.55386
The bank is consistent in providing quality service	384	3.1250	.53592
You have confidence in the bank’s service quality	384	3.9922	.30220
The bank fulfils its obligation to customers	384	4.8516	.57479
In your experience, the bank taken as reliable entity	384	4.0391	.34812
The bank is always honest to you	384	4.9063	.42329
The bank has the ability to meet its promises	384	3.1016	.46563

Source: Survey Result, SPSS (2017)

Descriptive Analysis for Commitment

As shown in the table below, Commitment was also measured by eight items, the mean score of which ranged between respondents who said my relationship with the bank is worth my effort to continue (3.09) and respondents who believed my relationship with the bank is one that I really care about with a mean score of 4.91, respectively. The overall mean score of Commitment was calculated to be 3.98.

Table 4.6: Descriptive Statistics of Commitment

	N	Mean	Std.Deviation
The bank promise always to provide good and fair banking Practices	384	4.0130	.37177
The bank offers personalized services to meet customers' need	384	3.9870	.37873
The bank makes certain that, the ethical principles are based on integrity and transparency	384	3.9844	.43928
The bank is flexible in serving my needs	384	3.9349	.48844
My relationship with the bank is one that I am very committed to continuing it	384	3.9792	.38859
The Bank's commitment to its customers is always focus on providing easy and speedy procedures	384	4.0104	.31481
My relationship with the bank is one that I really care about	384	4.9115	.33503
My relationship with the bank is worth my effort to continue	384	3.0938	.47006

Source: Survey Result, SPSS (2017)

Descriptive Statistics of Empathy

As shown in the table below, Empathy was measured by six items for which the mean score values fall between 3.9427 for respondents who agreed when Employees of the bank give individual attention asked to you and 4.84 for respondents who consider Employees of the bank have the customer's best interest of spirit. The overall mean score of Empathy was calculated to be 4.10.

Table 4.7: Descriptive Statistics of Empathy

	N	Mean	Std.Deviation
The bank reacts quickly when things go wrong with your transaction	384	3.9974	.42444
Employees of the bank give individual attention to you	384	3.9427	.47589
The bank staffs always help you with any questions you have about the bank services	384	3.9453	.53066
Employees of the bank understand your specific needs	384	3.9479	.44240
Employees of the bank have the customer's best interest of spirit	384	4.8490	.60295
The bank has convenient operating hours to you	384	3.9505	.34679

Source: Survey Result, SPSS (2017)

Descriptive Analysis for Conflict Handling

The table below shows that six items were used to measure the dimension of Conflict Handling for which the calculated mean value fall between 3.95 for sample respondents' response regarding the question if the bank asks you about your feeling toward their responses for your complaints and 4.83 for sample respondents' response regarding the bank tells you how to take your compliant forward, if You are still not satisfied. And the overall mean value for the dimension was calculated to be 4.11.

Table 4.8: Descriptive Statistics of Conflict Handling

	N	Mean	Std.Deviation
The bank tries to avoid potential conflict	384	3.9844	.35367
The bank tries to solve obvious conflicts before the customers create problems	384	3.9896	.34640
The bank shows a sincere interest in solving customers' problems rapidly	384	3.9870	.32692
The bank clearly communicates to you about how and where to complain in case of problems happens	384	3.9557	.36221
The bank tells you how to take your compliant forward, if You are still not satisfied	384	4.8385	.59147
The bank asks you about your feeling toward their responses for your complaints	384	3.9583	.38690

Source: Survey Result, SPSS (2017)

Descriptive Analysis for Communication

The last descriptive statistics table below shows that communication was measured by eight items whose mean value was found to be between 3.93 (the item which asked the bank keeps in touch constantly) and 3.99 (for the item that asked customers if they freely express their opinions to the staff of their bank) . And the total mean score value was calculated to be 3.96.

Table 4.9: Descriptive Statistics of Communication

	N	Mean	Std.Deviation
The bank gives me sincere and about all the conditions of the service	384	3.9505	.45146
I can show my discontent towards the staff of CBE through communication	384	3.9427	.42977
Employees devote enough time to customers to be able to answer his/her questions.	384	3.9740	.43878
The staffs in CBE frequently communicate to me.	384	3.9479	.41812
The bank keeps in touch constantly.	384	3.9323	.49604
I freely express my opinions to the staff of this bank.	384	3.9974	.36490
When there is a change in any relevant issue, the staff in the bank communicates to me in time.	384	4.8776	.50905
Adequate and timely information gives you confidence to continue using the services offered By the bank.	384	3.0885	.47107

4.5 Inferential Analysis of Variables

The next paragraphs will deal with testing the hypotheses proposed in the second chapter of this study. To this end, hypotheses one through five were tested using multiple regression as expressed in chapter three after making sure the model fulfills all the assumptions related with multiple regression and the last two hypotheses were tested using t-test table.

4.5.1 Correlation analysis

Correlation analysis is used when independent variables are correlated with one another and with the dependent variable.

4.5.1.1 Correlation analysis between trust and customers' loyalty

Since both variables are interval, Pearson Correlation test was conducted and the results are shown in Table 4.10. There is a significant positive correlation between trust dimension and customers' loyalty. In other words trust dimension and customers' loyalty are related with moderate relationship ($r = 0.328^{**}$). Which means the more the bank enhances the level of trust provided, the more customer are loyal.

Table 4.10 - Correlation between Trust Dimension and Customers' Loyalty

		Trust	Loyalty
Trust	Pearson Correlation	1	.328 ^{**}
	Sig. (2-tailed)		.01
	N	384	384
Loyalty	Pearson Correlation	.328 ^{**}	1
	Sig. (2-tailed)	.000	
	N	384	384

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

Source: Survey Result, SPSS (2017)

4.5.1.2 Correlation analysis between commitment and customers' loyalty

Since both variables are interval, Pearson Correlation test was conducted and the results are shown in Table 4.10. There is a significant positive correlation between Commitment dimension and customers' loyalty. In other words commitment dimension and customers' loyalty are related with high relationship ($r = 0.591^{**}$). Which means the more the bank reinforces the commitment level, the more customers are loyal.

Table 4.11 - Correlation between Commitment Dimension and Customers' Loyalty

		Commitment	Loyalty
Commitment	Pearson Correlation	1	.591 ^{**}
	Sig. (2-tailed)		.01
	N	384	384
Loyalty	Pearson Correlation	.591 ^{**}	1
	Sig. (2-tailed)	.000	
	N	384	384

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

Source: Survey Result, SPSS (2017)

4.5.1.3 Correlation analysis between Empathy and customers' loyalty

Table 4.12. - Correlation between Empathy Dimensions and Customers' Loyalty

		Empathy	Loyalty
Empathy	Pearson Correlation	1	.779 ^{**}
	Sig. (2-tailed)		.01
	N	384	384
Loyalty	Pearson Correlation	.779 ^{**}	1
	Sig. (2-tailed)	.000	
	N	384	384

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

Source: Survey Result, SPSS (2017)

Since both variables are interval, Pearson Correlation test was conducted and the results are shown in Table 4.11. There is significant positive correlation between Empathy dimension and customers' loyalty. In other words Empathy dimension and customers' loyalty are related with high relationship ($r = 0.779^{**}$). This means the more the banks reinforce the level of empathy, the more customers are loyal.

4.5.1.4 Correlation analysis between Conflict Handling and customers' loyalty

Since both variables are interval, Pearson Correlation test was conducted and the results are shown in Table 4.12. There is a significant positive correlation between Conflict Handling dimension and customers' loyalty. In other words Conflict handling dimension and customers' loyalty are related with a strong relationship ($r=0.685^{**}$). This means the more the banks handling conflicts effectively, the more customers are loyal.

Table – 4.13.: Correlation between Conflict Handling Dimension and Customers’ Loyalty

		Conflict Handling	Loyalty
Conflict Handling	Pearson Correlation	1	.685 ^{**}
	Sig. (2-tailed)		.01
	N	384	384
Loyalty	Pearson Correlation	.685 ^{**}	1
	Sig. (2-tailed)	.000	
	N	384	384

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

Source: Survey Result, SPSS (2017)

4.5.1.5 Correlation analysis between Communication and customers’ loyalty

Since both variables are interval, Pearson Correlation test was conducted and the results are shown in Table 4.13. There is a significant positive correlation between Communication dimension and customers’ loyalty. In other words Communication dimension and customers’ loyalty are related with a strong relationship ($r=0.590^{**}$). This means the more the banks communicate effectively, the more customers are loyal.

Table – 4.14: Correlation between Communication Dimension and Customers’ Loyalty

		Communication	Loyalty
Communication	Pearson Correlation	1	.590 ^{**}
	Sig. (2-tailed)		.01
	N	384	384
Loyalty	Pearson Correlation	.590 ^{**}	1
	Sig. (2-tailed)	.000	
	N	384	384

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

Source: Survey Result, SPSS (2017)

4.5.2 Regression analysis

Regression analysis is a way of predicting an outcome variable from one predictor variable (simple regression) or several predictor variables (multiple regressions) (Field, 2009). But before carrying out a regression analysis, there are a few assumptions of linear regression analysis that must be maintained.

4.5.2.1 Assumptions of linear regression analysis

4.5.2.1.1 Multicollinearity test

The researcher uses Variance Inflation factor (VIF) to check the Multicollinearity among the independent variables. Multicollinearity exists if VIF is greater than 10. (Freund and Littell 2000: 98). Table 4.4.1 shows that the value of VIF for each independent variable is smaller than 10, so the problem of Multicollinearity does not exist.

Table 4.17 Multicollinearity test

Independent Variables	Collinarity statistics VIF
Trust	2.104
Commitment	4.626
Empathy	3.324
Conflict Handling	3.297
Communication	3.617

Source: Survey Result, SPSS (2017)

4.5.2.2 Regression analysis of relationship marketing and customers' loyalty

The regression model was used to determine how the five RM dimensions and mediating variables affect on customers' decision to remain loyal to their banks (Table 4.17). The results showed that there is a significant relationship between RM and customer loyalty ($p < 0.05$). This means Trust, commitment, empathy, conflict handling and communication determine customer loyalty. An Adjusted R-Square of 0.621 was obtained indicating that all five relationship marketing practices jointly determine 62.1 % of customer loyalty. An attempt made to estimate how the individual variables contribute to customer loyalty revealed that amongst the five dimensions of RM, Table 4.19. Titled as coefficients of relationship marketing dimensions, helps us to understand which variables among the

five independent variables is the most important in explaining the variance in customers' loyalty. If we can see the Beta column under standardized coefficients below, we can understand that the highest number in the beta is empathy, as it indicated in the table; high beta value shows that it is significant in explaining the dependent variable (Customer Loyalty). 0.606 for empathy is the leader driver of customer loyalty, followed by Conflict handling, with 0.468 Commitment, Communication and Trust respectively.

The findings also revealed that all the dimensions have significant relationship with customer loyalty with ($p < 0.05$) hence they constitute the major determinants of customer loyalty in Ethiopian public and private Commercial Banks. Relationship marketing as used for prediction was found to be significantly related to customers' loyalty as the p-value is less than 0.05.

Table 4.18. Model Summary^b

Model	R	R Square	AdjustedR Square	Std. Error of the Estimate	Durbin-Watson
1	.791 ^a	.626	.621	.25714	1.793

a. Predictors: (Constant), Communication, Trust, Empathy, Conflict_Handling, Commitment

b. Dependent Variable: Loyalty

Source: Survey Result, SPSS (2017)

Table 4.19. ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	41.903	5	8.381	126.744	.000 ^b
	Residual	24.994	378	.066		
	Total	66.898	383			

a. Dependent Variable: Loyalty

b. Predictors: (Constant), Communication, Trust, Empathy, Conflict_Handling, Commitment

Source: Survey Result, SPSS (2017)

Table 4.20. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.316	.222		-1.425	.155
	Trust	.328	.063	.105	.452	0.04
	Commitment	.591	.107	.348	.317	0.01
	Empathy	.779	.067	.606	10.382	0.00
	Conflict Handling	.685	.077	.468	3.274	0.01
	Communication	.590	.076	.346	.433	0.04

Source: Survey Result, SPSS (2017)

4.5.2.3 Regression analysis of trust and customers' loyalty

Hypothesis One: There is significant positive relationship between trust and customer loyalty.

As it is indicated in the model summary of table 4.20., trust can explain customers' loyalty in relatively lesser extent. In this case, the results of correlation of relationship marketing and R Square (0.105) are taken into consideration. This R square is the explained variance and it is actually the square of the multiple R (0.328)² which is 0.105. Therefore, it is pointed out that 10.50% of customers; loyalty is explained by trust. The R square value of 0.105 confirming that, 10.5% of the variation in customer loyalty is explained by trust. Trust as used for prediction was found to be significantly related to customers' loyalty as the p-value is less than 0.05. Therefore, H1 is accepted.

Table 4.21: Regression analysis result for trust and customers' loyalty
Table 4.21. Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.328 ^a	.108	.105	.39534	1.077

a. Predictors: (Constant), Trust b. Dependent Variable: Loyalty

Source: Survey Result, SPSS (2017)

Table 4.22. ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.193	1	7.193	46.023	.000 ^b
	Residual	59.705	382	.156		
	Total	66.898	383			

a. Dependent Variable: Loyalty

b. Predictors: (Constant), Trust

*Source: Survey Result, SPSS (2017)***Table 4.23. Coefficients^a**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.200	.259		8.495	.000
	Trust	.450	.066	.108	6.784	.000

a. Dependent Variable: Loyalty
Trust

b. Predictors: (Constant), Trust

Source: Survey Result, SPSS (2017)

4.5.2.4 Regression analysis of commitment and customers' loyalty

Hypothesis Two: There is significant positive relationship between commitment and customer loyalty.

Table 4.26 Shows the result of regression analysis for commitment and customers' loyalty. In this case, the results of correlation of these two variables and R Square (0.348) are taken into consideration. Here the R square is the explained variance and it is actually the square of the multiple R (0.591)² which is 0.348. Therefore, it is possible to state that 34.8% of customers' loyalty is explained by commitment. Commitment as used for prediction was found to be significantly related to customers' loyalty as p-value is less than 0.05. Therefore, H2 is accepted.

Table 4.24. Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.591 ^a	.349	.348	.33754	1.208

a. Predictors: (Constant), Commitment

b. Dependent Variable: Loyalty

Source: Survey Result, SPSS (2017)

Table 4.25. ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.375	1	23.375	205.160	.000 ^b
	Residual	43.523	382	.114		
	Total	66.898	383			

a. Dependent Variable: Loyalty

b. Predictors: (Constant), Commitment

Source: Survey Result, SPSS (2017)

Table 4.26. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.229	.260		.880	.379
	Commitment	.933	.065	.349	14.323	.000

a. Dependent Variable: Loyalty

Source: Survey Result, SPSS (2017)

4.5.2.5 Regression analysis of empathy and customers' loyalty

Hypothesis Three: There is significant positive relationship between empathy and customer loyalty.

As the result of regression analysis of empathy and customers' loyalty indicates, empathy can explain customers' loyalty. In this case again, the correlation result of these variables and the R square are taken. The R square is the explained variance and it is actually the square of the multiple R (0.779)² which is 0.606. Therefore, it is possible to conclude that 60.6 % of customers' loyalty is explained by empathy. Empathy as used for prediction was found to be significantly related to customers' loyalty as p-value is less than 0.05. It is the highest of all the independent variables in explaining customers' loyalty. Therefore, H3 is accepted.

Table 4.27. Model Summary^b

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.779 ^a	.607	.606		.26234	1.893

a. Predictors: (Constant), Empathy

b. Dependent Variable: Loyalty

Source: Survey Result, SPSS (2017)

Table 4.28. ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	40.608	1	40.608	590.041	.000 ^b
	Residual	26.290	382	.069		
	Total	66.898	383			

a. Dependent Variable: Loyalty

b. Predictors: (Constant), Empathy

Source: Survey Result, SPSS (2017)

Table 4.29. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.220	.154		1.425	.155
	Empathy	.909	.037	.607	24.291	.000

a. Dependent Variable: Loyalty

Source: Survey Result, SPSS (2017)

4.5.2.6 Regression analysis of conflict handling and customers' loyalty

Hypothesis Four: There is significant positive relationship between conflict handling and customer loyalty.

We can also look the regression analysis result of conflict handling and customers' loyalty in table 4.29. As it is clearly indicated in the table, conflict handling can explain customer loyalty in Ethiopian Commercial Banks. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R (0.685)² which is 0.468. Therefore, it is possible to state that 46.8% of customers' loyalty is significantly and highly explained by conflict handling. Conflict handling as used for prediction was found to be significantly related to customers' loyalty as p-value is less than 0.05. Therefore, H4 is accepted.

Table 4.30: Regression analysis result for conflict handling and customers' loyalty**Table 4.30. Model Summary^b**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.685 ^a	.469	.468	.30491	1.252

a. Predictors: (Constant), Conflict_Handling

b. Dependent Variable: Loyalty

Source: Survey Result, SPSS (2017)

Table 4.31.ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31.383	1	31.383	337.566	.000 ^b
	Residual	35.514	382	.093		
	Total	66.898	383			

a. Dependent Variable: Loyalty

b. Predictors: (Constant), Conflict_Handling

Source: Survey Result, SPSS (2017)

Table 4.32.Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.
		B	Std. Error			
1	(Constant)	.133	.208		.638	.524
	Conflict_Handling	.927	.050	.469	18.373	.000

a. Dependent Variable: Loyalty

Source: Survey Result, SPSS (2017)

4.5.2.7 Regression analysis of communication and customers' loyalty

Hypothesis Five: There is significant positive relationship between communication and customer loyalty.

We can also look the regression analysis result of communication and customers' loyalty in table 4.32. As it is clearly indicated in the table, communication can explain customer loyalty in Ethiopian Commercial Banks. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R (0.590)² which is 0.346. Therefore, it is possible to state that 34.6% of customers' loyalty is significantly and highly explained by communication. Communication as used for prediction was found to be significantly related to customers' loyalty as p-value is less than 0.05. Therefore, H5 is accepted.

Table 4.33: Regression analysis result for conflict handling and customers' loyalty

Table 4.33: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.590 ^a	.348	.346	.33789	1.176

a. Predictors: (Constant), Communication

b. Dependent Variable: Loyalty

Source: Survey Result, SPSS (2017)

Table 4.34. ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.286	1	23.286	203.967	.000 ^b
	Residual	43.612	382	.114		
	Total	66.898	383			

a. Dependent Variable: Loyalty

b. Predictors: (Constant), Communication

Source: Survey Result, SPSS (2017)

Table 4.35. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.988	.208		4.748	.000
	Communication	.748	.052	.348	14.282	.000

a. Dependent Variable: Loyalty

Source: Survey Result, SPSS (2017)

Hypotheses 6: Public and private banks in Ethiopia have significant differences in terms of their customer relationship marketing dimensions.

Hypotheses 7: Public and private banks in Ethiopia have significant differences in terms of their customer Loyalty.

For the above two hypotheses, t-test was used to determine whether or not two group means are different. There are two different *t*-tests and their use depends on whether the independent variable was manipulated using the same or different participants.

Independent-means *t*-test: This test is used when there are two experimental conditions and different participants were assigned to each condition (this is sometimes called the *independent-measures* or *independent-samples t*-test) (Field, 2009).

Dependent-means *t*-test: This test is used when there are two experimental conditions and the same participants take part in both conditions of the experiment (this test is sometimes referred to as the *matched-pairs* or *paired-samples t*-test) (Field, 2009).

Both the **independent *t*-test** and the **dependent *t*-test** are parametric tests based on the normal distribution. Therefore, they assume:

The sampling distribution is normally distributed

The independent *t*-test, because it is used to test different groups of people, further assumes:

Variances in these populations are roughly equal (homogeneity of variance).

For the purpose of this research, the independent *t*-test was chosen to test if the means of the entire consumer relationship marketing dimensions and Loyalty are significantly different for the two bank categories namely, public and private.

Normal distribution of samples was tested in the previous section of this chapter and homogeneity of variance is discussed in the paragraphs below.

Homogeneity of Variance

This assumption means that as one goes through levels of one variable, the variance of the other should not change. If groups of data are collected, then, this means that the variance of the outcome variable or variables should be the same in each of these groups. If continuous data are collected (such as in correlational designs), this assumption means that the variance of one variable should be stable at all levels of the other variable. A test called Levene's test is usually used to test homogeneity of variance for a group of data (Field, 2009).

Levene's test tests the null hypothesis that the variances in different groups are equal (i.e. the difference between the variances is zero). If Levene's test is significant at $p \leq 0.05$, then, we can conclude that the null hypothesis is incorrect and that the variances are significantly different – therefore, the assumption of homogeneity of variances has been violated. If, however, Levene's test is non-significant (i.e. $p > 0.05$) then the variances are roughly equal and the assumption is tenable (Field, 2009).

The SPSS output table below shows that Levene's test is non-significant for the entire dimensions of customer relationship marketing dimensions and customer Loyalty (values in the Sig. column are all more than 0.05), indicating that the variances are not significantly different (i.e. they are similar and the homogeneity of variance assumption is tenable).

Now that the assumptions were satisfied, the next step in testing the sixth hypothesis is to carry out an independent t-test, the output of which SPSS provides us with two tables. The first table shows that both public and private banks have 192 participants who responded to the five customer relationship marketing dimensions, with their respective mean, standard deviation and standard error mean.

Table 4.15: Descriptive Group Statistics

Group Statistics					
	Bank	N	Mean	Std. Deviation	Std. Error Mean
Trust	PublicBank	192	3.2022	1.06199	.07664
	PrivateBank	192	2.1341	1.12993	.08155
Commitment	PublicBank	192	3.2680	1.05072	.07583
	PrivateBank	192	2.1458	1.14388	.08255
Empathy	PublicBank	192	3.1808	.97769	.07056
	PrivateBank	192	2.1341	1.12993	.08155
Conflict_Handling	PublicBank	192	3.3012	1.02474	.07395
	PrivateBank	192	2.1341	1.12993	.08155
Communication	PublicBank	192	3.0935	.93360	.06738
	PrivateBank	192	2.1146	1.10562	.07979

Source: Survey Result, SPSS (2017)

Table 4.16: Independent Samples test

		Independent Samples Test								
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Trust	Equal variances assumed	.757	.385	9.545	382	.000	1.06813	.11191	.84809	1.28816
	Equal variances not assumed			9.545	380.540	.000	1.06813	.11191	.84809	1.28816
Commitment	Equal variances assumed	.108	.743	10.011	382	.000	1.12216	.11209	.90176	1.34256
	Equal variances not assumed			10.011	379.276	.000	1.12216	.11209	.90176	1.34256
Empathy	Equal variances assumed	.967	.326	9.706	382	.000	1.04664	.10783	.83462	1.25866
	Equal variances not assumed			9.706	374.269	.000	1.04664	.10783	.83460	1.25868
Conflict Handling	Equal variances assumed	.000	1.000	10.602	382	.000	1.16708	.11009	.95063	1.38353
	Equal variances not assumed			10.602	378.409	.000	1.16708	.11009	.95063	1.38354
Communication	Equal variances assumed	2.586	.109	9.374	382	.000	.97893	.10443	.77360	1.18427
	Equal variances not assumed			9.374	371.572	.000	.97893	.10443	.77358	1.18429
Loyalty	Equal variances assumed	1.780	.183	13.200	382	.000	1.71135	.12965	1.45645	1.96626
	Equal variances not assumed			13.200	378.364	.000	1.71135	.12965	1.45644	1.96627

Source: Survey Result, SPSS (2017)

In the above table , we can see that there are two rows containing values for the test statistics: one row is labeled Equal variances assumed, while the other is labeled Equal variances not assumed. In the assumptions for independent t-test, we saw that Levene’s test was insignificant at p-value greater than 0.05. Hence, we should read the test statistics in the row labeled Equal variances assumed. Had Levene’s test been significant, then we would have read the test statistics from the row labeled Equal variances not assumed.

SPSS produces the exact significance value of t, and we are interested in whether this value is less than or greater than 0.05. In this case the two-tailed value of p for trust, commitement,empathy,conflict handling, communication and customer Loyalty were below 0.05, and so we would have to conclude that there was significant difference between the means of the above variables (trust, commitement,empathy,conflict handling,communication and Customer Loyalty) for public and private banks in Ethiopia. Therefore, H6 and H7 are accepted.

4.6. Summary of Hypothesis Testing

Table 4.36. Table summary of Hypotheses tests

Hypotheses	Statement of Hypothesis	Method of analysis used	Result
H1	There is significant positive relationship between trust and customer loyalty	Multiple Regression.	Supported
H2	There is a significant positive relationship between commitment and customer loyalty.	Multiple Regression.	Supported
H3	There is a significant positive relationship between Empathy and customer loyalty	Multiple Regression.	Supported
H4	There is a significant positive relationship between Conflict Handling and customer loyalty.	Multiple Regression.	Supported
H5	There is a significant positive relationship between Communication and customer loyalty.	Multiple Regression.	Supported
H6	Public and private banks in Ethiopia have significant differences in terms of their customer relationship marketing dimensions.	Independent T-test table	Supported
H7	Public and private banks in Ethiopia have significant differences in terms of their customer Loyalty.	Independent T-test table	Supported

Source: Survey Result, SPSS (2017)

Generally, appropriate measures were identified based on the empirical research to test the hypothesized relationships. Quantitative data that are obtained and gathered were being treated by using the statistical software program namely statistical package for social science (SPSS) which were proposed earlier were answered by using a sample of version 24.0 for analysis and for summarization purpose, several techniques of analysis were used including ANOVA test, Correlation and linear regression, therefore from the analysis it is clearly indicated that relationship marketing and customer loyalty are related and the measure of correlation between these variables as it is indicated in the correlation analysis is positive. And also it is noticed that the independent variables which are included in the elements of relationship marketing have the power to explain the dependent variable as it is indicated in the regression analysis. Therefore, all the research questions are answered based on the test conducted and relationship marketing has the power to explain customer loyalty in Ethiopian public and private banks. And also it is found that there is significant difference between public and private banks in Ethiopia in terms of their customer relationship marketing dimensions and customer Loyalty.

4.7. Results Discussion

This discussion is very important to provide more clarification on the above results. This research is related with the elements of relationship marketing towards customers' loyalty of banks in Ethiopia. The objective of this study is to examine the effect of customer relationship marketing on customer loyalty of banks in Ethiopia, by analyzing the relationship of every construct in the theoretical framework. Demographic factors such as gender, age, occupation, educational qualification, monthly income and length of time the customers uses the banks services have been used to know the general characteristics of the respondents. Based on the results from this research, relationship marketing is correlated with customers loyalty. The findings show that relationship marketing activities can explain 62.1% of customers loyalty in Ethiopian public and private banks. Relationship marketing elements particularly Empathy and conflict handling have greater effect on customers loyalty and it is more important in shaping what customers prefer about the banks.

The research used 61.2% male and 38.8% of female as respondents. In terms of age, the majority of respondents are in between 19-39 years old which was accounted 49.7% and followed by 40-59 which constituted 49.2%. With regard to the education qualification of respondents, the majority are diploma holder with 38.8% which is followed by degree holder which accounted 34.9%. When we see the occupation of the respondents, most of them are working in their own business which accounted 49.2% and followed by 26.3% government sector. In terms of the monthly income of the respondents, the majority had income of Birr 5000 and above which accounted 38.3% and followed by 31% having income in between birr 3551-4999. When we look at the length of time customers uses the banks services, most of the customers used the banks services for more than 5 years accounted 44.8% followed by 25.3% used the banks services for 1-3 years.

In today's competitive environment, banks should build and maintain good relationship with the target customers in order to succeed and survive. To maintain good relationship with customers, relationship marketing is an important tool. In this case, banks must prepare invaluable information to build strong relationship with the customers for the purpose of gaining their loyalty and preventing customers from switching to other banks. Customers can be remaining loyal towards a bank for a number of reasons. This research have identified five elements of relationship marketing that will have effect on customers loyalty in Ethiopian commercial banking industry namely trust, commitment, conflict handling, empathy and Communication. The findings of Ndubisi (2007) suggested that the greater the trust in the bank, the higher the level of the bank's commitment, the more reliable and timely its communications and the more satisfactorily it handles conflicts, the more loyal its customers will tend to be. Therefore, the result of this research is consistent with the findings of Ndubisi (2007). The findings of Foster & Cadogan (2000) showed that the quality of the relationship customers have built with their organization positively influences their assessment of their relationship with the organization. Again the result of this research is also similar with the findings of Foster & Cadogan (2000). Another study which is conducted by Gee *et al.*, (2008) suggested that the need for businesses to retain customers is an important issue in today's global marketplace.

Based on the Pearson correlation test of correlation results, trust dimension positively correlated with customers' loyalty ($r=0.328$). In other words if customers trust the bank, they will be loyal to their banks otherwise they will not be loyal to their banks. Because of this result the bank should be able to promise and deliver what it promised is important to encourage repeat purchase by the customers and to establish strong relationship. In addition, trust only will exist if customers have confidence in a bank's ability to perform satisfactorily. Therefore, trust has power to determine the loyalty of customers. With regard to trust dimension, a bank can be perceived by its customers as honest in its performance if the bank has strong and lasting relationship with customers. Customer trust has a significant role in building long-term relationship and achieving customer loyalty (Berry, 1983). So, the finding of Berry (1983) is similar with the results of this research. When customers trust the bank, they will leave all the activities to be performed by the bank and they will talk freely about the banks strengths and weaknesses. Because of this reason, all customers feel that they are responsible for the banks operation. So, it is best for the banks to be trusted by the entire customers.

The regression analysis of trust dimension and customer loyalty indicates that 10.5% of the variance R square in customers loyalty has been moderately explained by trust. The finding of Ndubisi (2007) showed that trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty. And also the finding of Morgan and Hunt (1994) concluded that customers with trusts in service providers' capability would probably be willing to commit to a service relationship for meeting their expectations. Therefore, the result of this study on trust dimension is similar with the above findings that trust has the power to increase customers' loyalty. A thesis conducted by Xuan Zhang and Yuanyuan Feng (2009) on the Impact of Customer Relationship Marketing Tactics on Customer Loyalty in Sweden, Halmstad University suggested that relationship quality like trust is positively related to loyalty. This result also provides empirical evidence supporting previous theories that higher level of trust perceived by customers, the higher level of customer loyalty achieved by service providers.

Commitment is another element of relationship marketing that is taken into account to explain Customer's loyalty. Based on the correlation result as it is shown by Pearson correlation test, commitment dimension is positively and highly correlated with customers' loyalty. The correlation coefficient between commitment and customers' loyalty is 0.591. This shows that commitment dimension is a major determinant of customers' loyalty and customers will critically evaluate the commitment of the banks employees towards the services gained from the bank. The commitment of the banks will help to retain customers by improving the services of the bank. By having committed employees, banks can continue retaining existed customers and attracting new customers to generate more profit. To this extent the commitment dimension of relationship marketing plays great role. Therefore, banks are expected to have committed employees to offer appropriate services and treat the customers as they want. This result is supported by the study of Fullerton (2003). According to this researcher, commitment has a strong positive effect on the softer aspects of customer loyalty such as advocacy and willingness to pay more for the service.

With regard to the regression analysis of commitment dimension and customers' loyalty, 34.8% of the variance R square in customers loyalty is moderately explained by commitment. It is the result of

Morgan and Hunt (1994) viewed that a committed partner wants the relationship to endure indefinitely and is willing to work at maintaining it. Lacey (2009) research's also suggested that committed customers are not just expected to maintain current purchasing activities, but to increase both the level and proportion of their purchasing activities over time. Therefore, the result of this research on commitment dimension is similar with the above findings that commitment has the power to increase customers' loyalty.

The other factor that is included in the dimensions of relationship marketing is empathy. It has positive and strong relationship with customer's loyalty. The correlation coefficient between these variables is 0.779. Empathy is one of the important tools to create long term relationship with customers in service provider organizations. Nearly high number of customers wanted to be treated as they want to be treated by the banks employees. If this is the case, banks have the responsibility to treat customers as they want to be treated to have loyal customers. When the customers are treated in a good way they become satisfied and loyal to their banks. As a result, empathy has power to create lasting relationship with customers and shaping the minds of the existed customers to talk favorably about the banks to other customers. Therefore, banks need to understand their customers' needs and wants and continuously evaluate their services to satisfy and attract customers in the better way.

With regard to the regression analysis of empathy and customers' loyalty, 60.6% of the variance R square in customers loyalty is significantly explained by empathy. The finding of Zeithaml and Bitner (2003) showed that it is difficult to imagine an organization would deliver caring, individualized attention to customers independent of its employees. As it is mentioned by Parasuraman *et al.*, (1988) empathy is one of the important elements to measure the service quality in service industries area. So, the result of this research on empathy dimension of relationship marketing supports the above findings that empathy has power to make customers' loyal.

The other factor that is included in the dimensions of relationship marketing is Communication. It has positive and strong relationship with customer's loyalty. The correlation coefficient between these variables is 0.590. Communication is one of the important tools to create long term relationship with customers in service provider organizations. With regard to the regression analysis of communication and customers' loyalty, 34.6% of the variance R square in customers loyalty is significantly explained by communication.

The last but not the least factor included in the relationship marketing underpinnings is conflict handling. As it is indicated in the correlation analysis, conflict handling dimension has positive and high relationship with customers' loyalty. The correlation coefficient between conflict handling and customers' loyalty is 0.685. It is the second highest of all correlation results of relationship marketing elements. When banks have good conflict handling procedures and solving the manifested problems successfully, the customers express their complaints or any feelings they have freely and will become loyal customers. In order to encourage customers to complain when there is problem, banks are responsible to aware and inform in advance how and where to complain. Generally, appropriate and acceptable conflict handling procedure will create strong relationship with customers'. The above result

is supported by Tax (1998). The results indicate that investments in complaint handling can improve evaluations of service quality, strengthen customer relationships, and build customer commitment.

The regression analysis result for conflict handling and customers' loyalty shows that 46.8% of the variance R square in customers loyalty has been significantly explained by conflict handling. It is the second highest of all the independent variables in explaining customers' loyalty. The result of Ndubisi (2007) indicated that customers tend to be loyal to banks that handle customer complaints which will always happen and other conflicts satisfactorily. Ndubisi and Wah (2005) found a significant relationship between conflict handling and customer loyalty. And also the result of Yekunoamlak Hailu (2004) proved that to maintain good relationship with customers, the way customers are handled such as proper acts of frontline employees and proper customer service are significantly important for customer loyalty. Therefore, the result of this research on conflict handling dimension is similar with the above results in indicating that proper conflict handling can increase customers' loyalty.

When we see the regression analysis result for all variables against customers' loyalty it is assured that all independent variables can explain customers' loyalty in Ethiopian public and private commercial banks.

Chapter Five

Conclusion and Recommendation of the Study

Introduction

The fifth and last chapter of this study revolves around the major findings of the study and what we can conclude from the findings and give recommendation based on these findings. This chapter, moreover, highlighted the limitations of this work and indicated future research areas for anyone interested in the applicability of customer relationship marketing in customers Loyalty.

5.1 Conclusions drawn from the study

At the heart of this study was the objective proposed to be achieved in chapter one of this work, which generally was to find the effect of customer relationship marketing on customer loyalty of commercial banks in Ethiopia. The results found from this study were the following.

Customer relationship marketing dimensions consists of trust, commitment, empathy, conflict handling and communication. These dimensions were used as explanatory variables for the purpose of this study and the effect of these variables on customer loyalty was the main concern of this work. Following this, 384 questionnaires were distributed to customers of both public and private banks in Ethiopia.

Among the distributed questionnaires, all 384 workable data was added on the SPSS program where the descriptive analysis of the data assigned respondents to the different categories of gender, age, monthly net income, educational level and the type of bank (public or private) the respondents use.

Coefficient alpha was then used to measure the reliability of the respective variables stated to explain the dependent variable; customer loyalty, which was found to be well above the threshold level at 0.97. Then, correlation analysis, regression analysis and an independent t-test were run to test the acceptance or rejection of the hypotheses that were put forward by this work.

Fitness of the model or the power of the independent variables in explaining customer loyalty of commercial banks in Ethiopia has found that the dependent variable was positively explained (62%) by the five dimensions of customer relationship marketing which are known, for all uses and purposes of this study, as independent variables. The findings of hypotheses one through five were verified by running a multiple regression analysis, which then showed that all the dimensions of customer relationship marketing have a positive and significant effect on customer loyalty of commercial banks in Ethiopia. The findings of hypotheses six through seven were verified by running an independent t-

test which then showed that Public and private commercial banks in Ethiopia have significant differences in terms of their customer relationship marketing dimensions and Customer Loyalty.

This leads to the conclusion that a one unit increase in all of the dimensions, results in a positive increase in customer loyalty of banks in Ethiopia. Therefore, all the five hypotheses proposed were accepted. The six and seven hypotheses, which were tested using independent t-test, proposed that private and public commercial banks in Ethiopia have a significant difference in terms of their respective customer relationship marketing dimensions and Customer Loyalty. These hypotheses were also accepted.

This study was aimed at finding out if there is a possibility to use customer relationship marketing dimensions to make loyal customers of commercial banks in Ethiopia. Much of previous literature concentrated on relating customer relationship marketing with customer loyalty with only one bank public or private bank with same and limited dimensions. So, this study confirmed to us that there is significant difference between public and private banks in Ethiopia in their orientation towards customer relationship marketing dimensions and customer Loyalty.

5.2 Recommendations of the study

In light of the findings and conclusions made above, the following possible recommendations are suggested as being valuable to public and private commercial banks in Ethiopia for improving their relationship marketing activities to assure customer loyalty.

- When hiring employees, both public and private commercial banks in Ethiopia should look at the ability and interest of an employee to establish and maintain strong relationship with the customers and other employees of the organization. Potential candidates who are strong in trusting behavior, conflict resolution ability, strong commitment to the assigned tasks and adding with empathy should be considered.
- Both public and private commercial banks in Ethiopia should consider offering some shares with small amounts to their loyal customers, according to their level of participation, experience, loyalty and other factors to develop belongings on the mind of customers. This is eventually helpful in developing strong trust, commitment, empathy with the Banks and resolve and protect potential and actual conflicts.
- More efforts are needed to improve the level of trust by the continuous development of the services and benefits, training of employees to perform the service effectively, being consistent in providing quality services; fulfill the obligations to the customers, keeping a closed eye to the customer transaction. To motivate employees and get their commitment, the bank should offer them a challenging work, attractive salary that recognizes the contribution of their effort towards the overall success of the business. Besides these, actions to make them participate in decision making activities, to provide an opportunity to learn and advance, and reward for their contribution have a lot to play in employees' motivation. Especially in the frontline and

knowing how much each customer is worth to the business. The more employees work together to keep existing customers satisfied, the lesser customer slow destruction will be.

- More efforts are needed to improve the level of commitment, where customers must be the core of the marketing process, must be given a special attention, the banks must be flexible in serving the customers' needs, offer price reduction for existing customers, provide consultancy for them, and offering personalized services to satisfy the customers. Once they are satisfied with the services that were provided by the banks, they will communicate about the banks or services to the other customers.
- Developing empathy through dealing with customers in a caring fashion, giving individualized attention to the customers, understand their specific needs and having the customers' best interest at heart. The banks should have also operating hours which are convenient to all customers. In other words banks employees must treat their customers, in the way they would like to be treated.
- Eliminating the problems by solving conflicts as soon as possible in order to assure that the banks system are well managed, have the ability to openly discuss solutions when problem arise, service providers show a sincere interest in solving customer complaints and making regular meetings to revise the conflicts and find solutions establish more efficient and effective ways of complaint handling procedures and communicate those procedures to customers'.
- It is also advisable to management to keep customers informed about changes that take place in the company well in advance instead of leaving them to know by chance.
It's therefore important that effective conflict resolution mechanisms aren't only in placing but proactive, so as to pre-empt potential sources of conflict and address them before problems become manifested.
- Both public and private commercial banks in Ethiopia should give greater attention to both getting new customers and retaining the existing ones in the advertisement and other promotional activities by using relationship marketing as strategy.

It is also recommended that the banks should have the system to ask customers to comment about the service either verbally or on phone or in writing about their satisfaction. Collecting feedback is not an end by itself; the bank should analyze the feedback periodically and must use them as a means of problem identification.

- Both public and private commercial banks in Ethiopia should invest in their employees, especially on the frontline, to motivate them to serve customers best. Frontline employees should be trained to act in a manner that recognizes customers as a valuable asset.

In general, both public and private commercial banks in Ethiopia should make their whole system on work with customers' preferential .As it is known, customers are the reason for the survival of banks. So, banks are expected to invest more on attracting new customers and retaining the existed ones. The banks should recognize the importance of relationship marketing in creating loyal customers and implement properly.

5.3 Limitations and Future Research

The recommendations to be given should be considered in the light of some limitations of this study. Clearly cross-sectional research design does not offer nearly the same insight into the dynamics of customer relationships with the firms as a longitudinal design. As such a longitudinal design would afford greater insight into this in the future. The study's focus on cross-sectional study design may also limit the extent to which the findings can be generalized. On retaining customers, there are others important elements of relationship marketing such as values and cooperation, which could influence customer loyalty, will not be discussed in this study. Thus further research needs to contain more desirable dimensions, in order to gain better insight. When filling the questionnaire, there may be hesitations from the respondents.

The research samples will be taken from the customers of Commercial bank of Ethiopia, Bank of Abyssinia and Lion International Bank. Inevitably, the survey findings will not be generalized across other groups of population. It will bring limitation to complete a deeper research about the impact of customer relationship marketing on customer loyalty. Further research could expand the survey in order to reduce the sample errors.

This research will use non random convenient sampling technique to select sample branches and respondents; however this sampling technique has the opportunity for bias to cloud the results of the survey.

Interested researchers may seek a comparative study to find out which type of bank (public or private) holds the most strong in applying customer relationship marketing dimensions. Future researches may also want to collect their data from different cities of Ethiopia and may incorporate banks other than mentioned in this work.

Interested researchers may seek to know why public and private banks customers in Ethiopia show significant differences in their responding of different questions towards customer relationship marketing dimensions and customer Loyalty standing from the finding of this study.

Last but not least, future researchers may seek to know and carry out a study on the financial impact of relationship marketing underpinnings.

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Questionnaire in English

ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE MASTERS OF MARKETING MANAGEMENT
QUESTIONNAIRE TO BE FILED BY CUSTOMER

Researcher: KASSA ASSEFA

Contact Address: +251-913-971958

E-mail:kassaassefa11@gmail.com

Research topic: *The effects of customer relationship marketing dimensions on customer Loyalty of Public and Private commercial banks in Ethiopia.*

Dear respondents: I would like to express my earnest appreciation for your generous time, honest and prompt responses.

Objective: *The effects of customer relationship marketing dimensions on customer Loyalty of Public and Private commercial banks in Ethiopia.*

This questionnaire is designed to collect data about the *effects of customer relationship marketing dimensions on customer Loyalty of Public and Private commercial banks in Ethiopia.*

The information that you offer me with questionnaire will be used as a primary data in my case research which I am conducting as a partial fulfillment of the requirements for the degree of Master's of marketing management at Addis Ababa University under the school of commerce. Therefore, this research is to be evaluated in terms of its contribution to our understanding of relationship marketing and its effect on customers' loyalty and its contribution to improve the area.

I need your help and would appreciate your sparing 20 minute to complete the attached questionnaire and answer the questions related to RM practices in your bank that you are customer to. Results will be used to help and expand our knowledge and understanding of any major shift in relationship marketing practices. All answers will be kept strictly confidential and only aggregate results will be reported.

General Instructions

- There is no need of writing your name.
- In all cases where answer options are available please tick()on the space provided

or circle it on the five point scale accordingly.

Part I: Demographic or General information

Choose the suitable answer and tick () in the box given for each question.

1. Gender (1) Male (2) Female

customers' need					
11. The bank makes certain that, the ethical principles are based on integrity and transparency	1	2	3	4	5
12. The bank is flexible in serving my needs	1	2	3	4	5
13. My relationship with the bank is one that I am very committed to continuing it	1	2	3	4	5
14. The Bank's commitment to its customers is always focus on providing easy and speedy procedures	1	2	3	4	5
15. My relationship with the bank is one that I really care about	1	2	3	4	5
16. My relationship with the bank is worth my effort to continue	1	2	3	4	5
Empathy					
17. The bank reacts quickly when things go wrong with your transaction	1	2	3	4	5
18. Employees of the bank give individual attention to you	1	2	3	4	5
19. The bank staffs always help you with any questions you have about the bank services	1	2	3	4	5
20. Employees of the bank understand your specific needs	1	2	3	4	5
21. Employees of the bank have the customer's best interest of spirit	1	2	3	4	5
22. The bank has convenient operating hours to you	1	2	3	4	5
Conflict Handling					
23. The bank tries to avoid potential conflict	1	2	3	4	5
24. The bank tries to solve obvious conflicts before the customers create problems	1	2	3	4	5
25. The bank shows a sincere interest in solving customers' problems rapidly	1	2	3	4	5
26. The bank clearly communicates to you about how and where to complain in case of problems happens	1	2	3	4	5
27. The bank tells you how to take your complaint forward, if You are still not satisfied	1	2	3	4	5

28. The bank asks you about your feeling toward their responses for your complaints	1	2	3	4	5
Communication					
29. The bank gives me sincere and about all the conditions of the service.	1	2	3	4	5
30. I can show my discontent towards the staff of CBE through communication	1	2	3	4	5
31. Employees devote enough time to customers to be able to answer his/her questions.	1	2	3	4	5
32. The staffs in CBE frequently communicate to me.	1	2	3	4	5
33. The bank keeps in touch constantly.	1	2	3	4	5
34. I freely express my opinions to the staff of this bank.	1	2	3	4	5
35. When there is a change in any relevant issue, the staff in the bank communicates to me in time.	1	2	3	4	5
36. Adequate and timely information gives you confidence to continue using the services offered By the bank.	1	2	3	4	5
Customer Loyalty					
37. The Bank is your first bank choice among other banks in the area when you need bank services	1	2	3	4	5
38. I do not like to change to another bank because I value the bank	1	2	3	4	5
39. I would always recommend the bank to someone who seeks my advise	1	2	3	4	5
40. It would difficult to change my beliefs about the bank	1	2	3	4	5
41. I would not change this bank, even close friends suggests to switch to another bank	1	2	3	4	5
42. I am satisfied with the banks services provided	1	2	3	4	5
43. I am a loyal customer to the bank	1	2	3	4	5