ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

Department of management

THE EFFECT OF PERCEIVED DIFFERENTIATION STRATEGY ON CUSTOMER RETENTION: THE MEDIATING ROLE OF CUSTOMER SATISFACTION IN THE CASE OF COMMERCIAL BANKS IN ETHIOPIA.

BY: GETASEW TILAHUN

In partial fulfillment of requirements for the Master of Business Administration in Management degree, the Master's thesis was submitted to the Department of Management.

ADVISOR: LAKEW ALEMU (PhD)

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ADDIS ABABA, ETHIOPIA

Declaration

I confirm that the research presented in this thesis entitled “The effect of differentiation strategy on customer retention: the mediating role of customer satisfaction in the case of commercial banks in Ethiopia” provided to the College of Business and Economics, Addis Ababa University, is my own original creation for the partial fulfillment of requirements for the Master of Business Administration in Management under the guidance of Dr. Lakew A. at Addis Ababa University.

ENDORSEMENT

This confirms that the research article was written by Getasew Tilahun, entitled "The effect of differentiation strategy on customer retention: the mediating role of customer satisfaction in the case of commercial banks in Ethiopia," which is provided for the partial fulfillment of requirements for the Master of Business Administration in Management and carried out in accordance with university regulations and rules to satisfy recognized criteria for quality and uniqueness.

Approved by

Lakew A (PhD)
Advisor

Signature 22/01/25 date

Baymot T(Dr)
External examiner

Signature date

Tewodros Wekis (Asst Prof) 2/3/25
Internal examiner

Signature date

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Acronym and abbreviation

CBE: → Commercial bank of Ethiopia

NIB: → Nib international bank

BOA: → Bank of Abyssinia

RBV: → Resource based view

CRM: → Customer relationship management

SPSS: → Statistical package for social science

SEM: → Structural equation model

Amos: → Analysis moment structure

HTMT: → Heterotrait monotrait ratio of correlation

CFA: → Confirmatory factor analysis

AVE: → Average variance extracted

CR: → Composite reliability

MSV: → Maximum shared variance

SD: → Service differentiation

PD: → Product differentiation

ED: → Personnel differentiation

CD: → Channel differentiation

IMD: → Image differentiation

CS: → Customer satisfaction

CR: → Customer retention

RAMSEA → Root mean square error of approximation

SRMR→ Standardized root mean square residual

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Abstract

It is important for service industry, like banks to understand perceived differentiation strategy that affects customer retention in order to be successful in competitive business environments. The primary goal for the research was assess impact of differentiation strategies dimensions on customer retention, and mediator role of customer satisfaction in case of Ethiopian commercial banks. In particular this study try to examine the effect of service differentiation, product differentiation, personnel differentiation, channel differentiation, image differentiation on customer retention with the mediator role of customer satisfaction. Primary data collected using structural questionnaire from three banks namely CBE, NIB, and BOA. To sample banks and respondents used stratified, simple random, convenience sampling method was employed and distributed 385 questionnaire to three selected banks and 378 questionnaire used to data analysis. The SPSS software version 26 used to Descriptive statistics and EFA analysis and also AMOS version 26 were used to conduct inferential analysis by SEM and CFA model. The result of path analysis show that service differentiation, product differentiation, personnel differentiation, channel differentiation, image differentiation have positive and significant direct effect on customer retention and also these variables have significant and positive effect on customer retention through satisfaction of customer. In addition to this customer satisfaction has mediator role on the relationship between perceived differentiation strategy and customer retention. This study recommend that banks should invest on differentiation strategies to retain their customers and to become profitable.

Key words: Differentiation strategy, Mediation, Customer satisfaction, Customer retention

CHAPTER ONE

1. Introduction

This study's chapter gave General information regarding the study issue in order to describe and introduce the study's background. It provided the problem statement, which outlined the cause behind a title investigation, a research's goals (general & specific objectives), an explanation of a researcher's scope, definition of terms, & structure of the research, as well as significance of the research.

1.1. Background of the study

Retention of the customer was the ability of an organization or business to hold its customers for several years. Customers are the reason for any organization's existence, especially in the banking sector, where it may become more costly to find new client than to keep old ones (Reichheld, F. F., & Schefter, P. (2000)). In today's competitive business condition, customers contribute a crucial role to the success of an organization or business, so they are increasingly recognizing the importance of differentiated strategies to satisfy and retain their customers. Strategies of differentiation are a company approach that provides unique services or products to customers that distinguishes them from their competitors in the market. Consequently, the relationship between differentiation strategy and retention of the customers has attracted the attention of researchers.

Before release of a proclamation in 1994, the Ethiopian banking system functioned as an exclusive entity until privatization and liberalization measures were implemented. But currently there are two government and 30 private banks in Ethiopia. In addition to this there are fifty three (53) microfinance. Therefore, the industry or banks faces intense competition in a crowded business conditions. Therefore, there is no choice in providing differentiation strategies in the banking sector in order to retain customers. Organization must create their own unique products or services to differentiate their products from others to be success in business (Tanwar, R. (2013)). But businesses should conduct need assessment or a search in order to determine the demands of their target customers before providing a unique service or product (Islami, X., Mustafa, N., &

Topuzovska Latkovikj, M. (2020)). Banks can differentiate themselves from other by provide unique services, features (Brealey, R. A., Myers, S. C., & Allen, F. (2014)).

For various businesses, the major difference between higher and lower achievement was based on customer satisfaction and retention. The influenced customer satisfaction increases customer retention, and customer retention increases business performance (Hill, N., & Brierley, J. (2017)). Differentiation strategy offers companies the opportunity to maintain a competitive advantage and increase customer retention in a competitive business environment ((Ochwangi Mengo & Dr. Simon Nyakwara 2020; Daoud Abdellatef Jerab, Tarek Mabrouk, 2023).

Differentiation strategies implemented by personnel, image, channel, service, and product differentiation strategies (Kotler & Keller, 2014; Banker et al., 2014; Semuel et al., 2017). According to Idrees and Xinping (2017), a company's ability to retain customers depends primarily on the quality of service it provides to its current customers. Banks can stop customers from moving to other banks by using customer retention strategies (Haripersad & Dr. Barnes Sookdeo, 2018). Therefore differentiation strategies were important method for business that satisfy and retained their customers.

The goal of this research for investigate a function of customer satisfaction on the relationship between differentiation strategy and customer retention. Therefore, identify each types of differentiation strategies and their impact on customer retention in Ethiopian banks. Analysis and understanding main differentiation strategies that helps banks provide effective differentiation strategies to retain customers.

1.2. Back ground of Commercial bank of Ethiopia, bank of Abyssinia and Nib international bank

Commercial bank of Ethiopia (CBE): CBE have more than 1950 branches and over 40 million account holders. CBE provides banking services and products like digital banking (mobile banking, POS, ATM, internet banking, CBE Birr) and trade service. Team work, corporate citizenship, innovative organization, respect for diversity, empowerment, service excellence, integrity, and professionalism are values of bank (CBE annual report 2022/23).

Bank of Abyssinia: Integrity, customer satisfaction, care for our community, and team work and collaboration were values of banks. BoA address their customer through 849 branches, 1277 ATM machines, 1195 POS machines and 20 virtual banking sites (BoA annual report 2022/23)

Nib international bank: this bank address customers by 441branches, 353 ATM machines, 297 POS terminals, mobile banking and wining, respect, responsibility, result oriented, innovation and collaboration were guiding values to understand customers need and offer customized financial services(Nib bank annual report 2022/23).

1.3. Statement of the problem

The banking industry's competitive edge is increasingly being shaped by the ability to implement effective differentiation strategies, which are crucial for customer retention. Differentiation strategy increases customer satisfaction, which in turn leads to higher customer retention rates. For commercial banks in Ethiopia, where the banking market may be competitive, a strong differentiation strategy could be a key factor in securing a loyal customer base.

Ethiopian banks have a lot of obstacles to overcome, especially when it comes to differentiating apart in a competitive market. For example lack of innovation, a restricted regulation, and a limited technology infrastructure. Ethiopian banking sector has little competition by price (Eshete and friends (2013). In addition to these they offer equivalent services for money transfers, import and export/international banking, domestic banking, and so forth. Banks used identical technology service, reward and compensation schemes, loan provision and procedures, interest rates that are comparable, and so on (Tekestebrhan M(2016).

Branch officers are under pressure to open new accounts due to targets they have been given. In spite of concerted efforts to create new ones, a large number of accounts stay inactive, with little money being deposited and frequent withdrawal of customers because of customer open more account without interest. Customers were dissatisfied with the services they receive, because of the offerings do not the same to their expectations. It leads every bank has the possibility of losing their present customer base. Many Ethiopian private banks are now dealing with serious issues related to managing credit and liquidity. In order to retain consumers and grow their business,

banks were consequently forced to implement differentiation strategies (Mengo, O., & Nyakwara, S. (2020)).

Companies used a variety of differentiation strategies, including personnel, channel, image, and product differentiation to be compute with their competitors' (Kotler & Keller, 2014). Ethiopian banks must develop differentiation strategies to satisfy the wide range of needs of their customers in order to overcome these problems and promote long-term success. By focusing on differentiation strategies and ensuring customer satisfaction, banks can foster a stable and growing customers.

An intermediary in the causal sequence connecting an independent and a dependent variable is known as a mediating variable. Mediating variables are the method in which independent variables influences on dependent variable (Hayes, A. F., & Preacher, K. J. (2014)). Hence customer satisfaction affected by product differentiation, service differentiation, personnel differentiation, channel differentiation and image differentiation (Mihelis, G., Grigoroudis, E., Siskos, Y., Politis, Y., & Malandrakis, Y. (2001)). Nevertheless the impact of customer satisfaction on the relationship between differentiation strategy and customer retention remains uncertain.

Globally, a little number of research are being conducted to examine how differentiation strategies affect customer retention in bank sector. Jerab and Mabrouk (2023) explore the specifics of the differentiation strategy and how businesses may use it to their advantage to achieve a sustainable competitive advantage. Another researcher conducted a study on the relationship between customer retention and competitive strategies across Kenyan commercial banks (Munyiri, (2014). There was positive relationship between differentiation strategy (service quality, CRM, distribution channel) and customer retention in commercial banks of Kenyan (Munene, S. W. (2020). The relationship between differentiation strategy and customer retention in Pharmaceutical Company in kenya were positive (Gakuya and Njue (2018). In addition to these there was a study conducted by Birhanu Daniel (2022), entitled on effect of differentiation strategy on customer retention on commercial bank in Ethiopia without included mediator variable. This research used

customer satisfaction as mediator variable in the relationship between differentiation strategies and customer retention.

Hence little research has been done on Ethiopia's banking sector and Researchers focused on direct correlation between differentiation strategies and customer retention without considering a mediator variable. The researcher fills the gaps by examining a mediator impact of customer satisfaction on the relationship between differentiation strategy and customer retention in Ethiopian commercial banks. In addition to this the researcher applied structural equation model (SEM) to address the mediator role of customer satisfaction between independent and dependent variables.

1.4. Objectives of the research

1.4.1. General Objective

The main objective of this study is assess the effect of perceived differentiation strategies dimensions on customer retention, and mediator role of customer satisfaction in case of Ethiopian commercial banks.

1.4.2. Specific objective

The study's specific objectives are:

- To determine the effect of service differentiation on customer retention.
- To analyze the effect of product differentiation on customer retention.
- To identify the effect of personnel differentiation on customer retention.
- To show the effect of channel differentiation on customer retention.
- To assess the effect of image differentiation on customer retention.
- To assess the effect of customer satisfaction on customer retention.
- To assess the effect of (service, product, personnel, channel, image differentiation) on customer satisfaction
- To analyze mediating effect of customer satisfaction on the relationship between independent variables (product differentiation, image differentiation, personnel differentiation, channel differentiation and service differentiation) and customer retention.

1.5. Scope of the Study

This research provides empirical support for the effects of differentiation strategy on customer retention by mediating effect of satisfaction of the customer in Ethiopia's commercial bank. Therefore the researcher delimited by theoretically, methodologically and geographically.

Theoretically: This study was used only five differentiation strategy dimensions (service, product, channel, image and personnel) in order to examine how differentiation strategy affects consumer retention through customer satisfaction.

Geographically: This study limited on banking industry in Ethiopia and limited to a few selected commercial banks in Addis Ababa city (Commercial Bank of Ethiopia, Nib international Bank, and Bank of Abyssinia) because of time and financial constraints.

Methodologically: This research used only questionnaire to collecting data from the sample. Sampled customers from three banks are the main unit of analysis for this study.

1.6. Significance of the Study

The study focuses on analyzing the relationship between differentiation strategies, customer retention and customer satisfaction was important for a number of causes, especially considering of commercial banks in Ethiopia. Understanding these issues and bank can develop differentiation strategies and identify best differentiation strategies that used to satisfy and retain customers to allocating resources more effectively. The study used to source of data for further research or academic literature on the topic and The findings can inform policy-making and best practices within the Ethiopian banking industry. It can provide empirical evidence to support initiatives aimed at improving customer satisfaction and retention, which is vital for the overall health of the financial sector.

1.7. Organization of the Study

Chapter one: The chapter includes, statement of the problem, background of the study, objectives, scope, and significance of a study and definition of terms.

Chapter two: This chapter explained and presented a number of theoretical and empirical literatures that were relevant to product differentiation, service differentiation, personnel differentiation, channel differentiation, image differentiation, customer satisfaction and customer retention and a creation of the conceptual framework came next.

Chapter three: research design, Background of the study area, data type & source, population, data collection methods , sampling techniques, & analysis, variables measurement, reliability and also validity of variables and ethical considerations were explained under this chapter.

Chapter four: This chapter includes data Presentation, analysis, and discussion. All of the data output analysis and interpreted based on descriptive and explanatory way.

Chapter five: This chapter includes a detailed overview of the key research findings, inferences drawn from the results summary, and suggestions made by the researcher in light of the study's findings and outcomes.

CHAPTER TWO

2. Literature review

This chapter addressed study-related concerns from different sources, including books, websites, journals, and theses. This literature provides a conceptual foundation for study based on empiric al and theoretical concepts of earlier studies. This study has addressed customer satisfaction, customer retention, personnel, image, channel, product, and service differentiation.

2.1. Definition and Major Concepts

2.1.1. Customer retention

The capacity of a firm to maintain consumers as regular clients & prevent their access to moving towards competitors was called client loyalty. Client loyalty is the effort made by consumers to stick with a company's products or services for long period of time (Lenin Kumar, 2017). According to Gustavsson (2005), retaining customers is the process of managing to grow, and retain the relationship between customers with business goods or services.

One of the key marketing objectives is the retention of customers, but achieving this and benefiting from it are still difficult (Watson et.al (2015)). Most businesses have developed customer retention as a strategic goal because acquiring new clients by itself won't guarantee sustained success. In order to maximize profits, business must be focused customer retention (Duffy, D. L. (2003)).

Customer retention is an important focus for the success of organizations by winning customer behavior & achieve their needs (Al-Hawary et.al, 2014). There are personality &behavioral strategies to keep customer in the business. As per the behavioral approach, a customer who always and consistently purchases from the same organization. In contrast, attitudinal is psychological attachment with goods or services (Tabaku,et.al. (2015)). Customer retention is staying the relationship between customers and organization or business in multiple way (Ascarza et. al (2018).

According to Rahim, A. G., Ignatius, I. U., & Adeoti, O. E. (2012), behaviors and attitudes to retain customers that expected the following concepts:-

- Willingness for sharing the word for others for the business's goods & services.
- A tendency to keep buying the company's goods and services.
- The tendency to buy additional goods and services from the business.
- Thinking that the company's goods and services are better than those of rivals.
- Not making an effort to find other service providers.
- Offering the business the chance to address issues and avoiding from using them as a reason to destroy the partnership.

2.1.2. Customer satisfaction

A measure of how happy clients are regarding of services or products that a company offers is known as customer satisfaction. According to Herington and friends (2009), customer satisfaction is determined by contrasting the recognized level of customer expectation and they received. This term refers to the process by which a business evaluates the caliber of the products and services it provides to ensure that their customers are satisfied. Customer happiness is a critical distinction in a market where companies compete from competitor.

The percentage of customers that businesses are able to retain determines whether they succeed or fail. Retaining consumers is crucial to success and customer retention dependent on customer satisfaction level. Customer satisfaction used to Measuring business product and actual consumer initiatives (Fečiková, I. (2004)). Given that customer satisfaction directly affects customer retention, and corporate success (Oliver, 2014).

Banks must promote concepts /idea and procedures in order to increase customer satisfaction (Khadka, K., & Maharjan, S. (2017)). Several variables affect customer happiness, including service, personal characteristics, product features, consumer emotion, and perceptions of equality or fairness. Organization used place, pricing, promotion, distribution channel, and product differentiation to satisfy their own customers (Nga Ri, N. K., & Bichanga, D. 2017)).

Customer satisfaction was measured by looking at a variety of factors, including the physical appearance of the branches, the bank's efforts to inform customers about new products and services, accessibility, personnel, effectiveness of customer service, and convenience of branch locations (A. W. Inkumsah, 2013). But according to Mihelis, G.,and colleagues (2001), the primary requirements personnel, products, image, service, and access/channel differentiation strategies were primary requirement to satisfy their customers in bank industry.

2.1.3. Differentiation Strategy

A differentiation strategy is a business approach that works to give an organization's products and services a unique position within its industry. A differentiation strategy is a combined set of actions performed to provide services or goods at a reasonable price that customers view as being distinct with manners to be crucial to them (Hitt et.al (2011)).

A fundamental objective for differentiation strategy to provide customers with something that they consider exceptional or uncommon. The goal of differentiation strategy is to make unique a good or service rather than cost (Michael E. Porter (1980)). The differentiation strategy mainly used basic talents, resources, and abilities as a way to differentiate products or services. By providing differentiation strategy, organizations make higher pricing and obtain a competitive edge from competitors (Jerab, D. A., and Mabrouk, T. (2023)).

Differentiate products or services based on customer focus, adaptability, adding value to services or products (Campbell, D., Stonehouse, G., & Houston, B. (2002)). Because the unique product can meet a customer's need in a manner that its rivals cannot, the business is able to set an expensive price that is significantly higher than the market average (Hill, C. W., & Jones, G. R. (2009)). So that differentiation is commonly considered a necessary precondition for obtaining a competitive advantage over competitors in the business sector. Product flexibility, more compatibility, better service, increased convenience, or more features are used to successfully differentiate a strategy from the competitor (David, F. R. (2011)).

Businesses use personnel, image, and product and service differentiation as differentiation advantage tactics to improve profit and achieve long-term growth and sustainability, businesses should proactively use unique marketing strategies (Ali, N., Salamat, A. S. A., and Bakar, S. A.,

2023). Differentiation strategy can be applied through product, image, service, or any other aspect of the product that satisfies the customer (Armstrong and friends (2014)). To give a business a competitive edge, its products, services, and brand must differentiate it from its competitors and satisfy consumers.

2.2. Major dimensions of Differentiation strategy

Financial institutions can become more competitive in the market by implementing differentiation strategies. Kotler and Armstrong (2010) identified five primary tactics for obtaining a competitive advantage over competitors in the business sector. These are product, service, image, channel and personnel differentiation strategies.

2.2.1. Service Differentiation

The process of creating a service offering that clients find distinctive is known as service differentiation. By creating a better, quicker delivery system that offers customers more effective and efficient solutions, a service provider can set itself apart from the competition (Kotler & Keller, 2016). Service differentiation is a critical concept in a number of industries, including banking, where businesses aim to keep clients different from competitors by offering distinctive services. Service differentiation considers customer perception of value, competitive advantage, and market condition (Chenet, et.al (2010)). Businesses become successful by knowing what clients want and what satisfies their expectations, because customers do not worry about price of product or services that business offered, when they apply service differentiation (Agus, A., and Ismail, R. (2016)). Such that service differentiation is an important strategy used by financial institutions to set themselves apart from rivals in the highly competitive market.

Service differentiation focuses on easy and quick deliver, and other related services that enhance the number of customers (Kotler, P., and Armstrong, G. (2010)). Service covers the appearance of the office, how long customers must wait, the processes of providing services, and the information that is given to customers in clear explanations of services and other information, and updating them on new products and services (Mihelis, G., and colleagues (2001)). In addition to these, reliability, accuracy, information access, and value added service are consider during providing service (Hutt, M. D., & Speh, T. W. (2021)).

Waiting time is the mean duration for which customers from a specific channel wait to receive their services or goods (Kotler, P. (2001)). Minimize waiting time for customers in terms of both delivered and process time to satisfied customers (Hutt, M. D., & Speh, T. W. (2021)). Reliability is primarily concerned with a capacity to meet customer needs with products that are available (Hutt, M. D., & Speh, T. W. (2021)). According to Binks and friends (1989) financial institutions should consider accessibility, working environment and overall customer service delivery to provide service conveniently.

2.2.2. Product Differentiation

Product differentiation is a method of marketing that involves developing a unique range of goods or services that sets it apart from competitors (Kotler and Armstrong, 2010). Product differentiating constitutes a strategic practice through which an enterprise distinguishes itself from its market rivals by offering unique products. Dirisu J and colleagues (2013) propose techniques for diversifying products as a mechanism to gain a competitive edge that aligns with customer requirements. The financial services industry is characterized by intense competition, rendering product differentiation a pivotal component of differentiation strategies. Within the framework of product differentiation, consumers may perceive a particular organization's offerings as distinctive (Hitt and friends (2011)). The application of product differentiation can facilitate financial advancement when it is conceptualized as a strategy to effectively distinguish offerings (Holcombe, R. G. (2009)).

Product differentiation describes the special qualities that set a bank's products apart from those of its rivals. This can involve customized services, innovative financial products, or excellent quality (Kotler & Keller, 2016). Credit cards, loans, savings and checking accounts, investment products, and more, can be included in bank products. These products are created by banks to satisfy the various financial needs of its customers and bring in money for them.

Differentiate the product itself by variations in the product's functional characteristics, variations in quality, and variations in price (Adio, A. I., & Robinson (2018); Hill, C. W., & Jones, G. R.

(2009)). According to Shammot (2011), quality has emerged as a key differentiator for products in meeting the demands of customers. Companies that distinguish product from competitor's product by distinctive features, performance, style, design consistency, durability, reliability, and capacity to be repaired to satisfy customers (Kotler, P., and Armstrong, G. (2010); Kotler, P. (2001)). Product differentiation are measured by variety, return, cost, and special services to satisfy their customers (Mihelis, G., and colleagues (2001)).

2.2.3. Personnel Differentiation

Personnel differentiation constitutes a pivotal strategy within the realm of the service industry. The differentiation predicated on employee attributes presents significant challenges for competitors attempting to replicate it (Bokhari, R. P., & Chowdhury, S. (2014)). Organizations that are capable of evolving into enduring assets following their establishment will gain a competitive advantage attributable to personnel differentiation. Variations in personnel are crucial for service-oriented enterprises, as human resources represent a fundamental element, particularly in addressing customer requirements and achieving a competitive edge over adversaries (Agus and Ismail (2016); Chiguvi and friends(2020)).

The difference may be related to the staff of the banks concerning their friendliness, knowledge, and relationship with the customers. The friendliness, knowledge, and training are the criteria on which employees can be evaluated in comparison with those working for other institutions (Kotler, P., and Armstrong, G. (2010)). This is because effective workers who are well-trained can provide excellent customer service, which in turn increases productivity (Mbugua & Kinyua, 2019). According to Rowden and Conine (2005), workers with specialized knowledge and skills are more likely to meet consumer needs. While skills, expertise, flexibility, communication, teamwork, and empathy are some of the variables measuring personnel differentiation necessary for customer satisfaction, according to Mihelis, G. and others (2001). On the other hand, another author has defined that competency, credibility, courtesy, reliability, responsiveness, and communication are the attributes of differentiated personnel, according to Kotler, P. (2009).

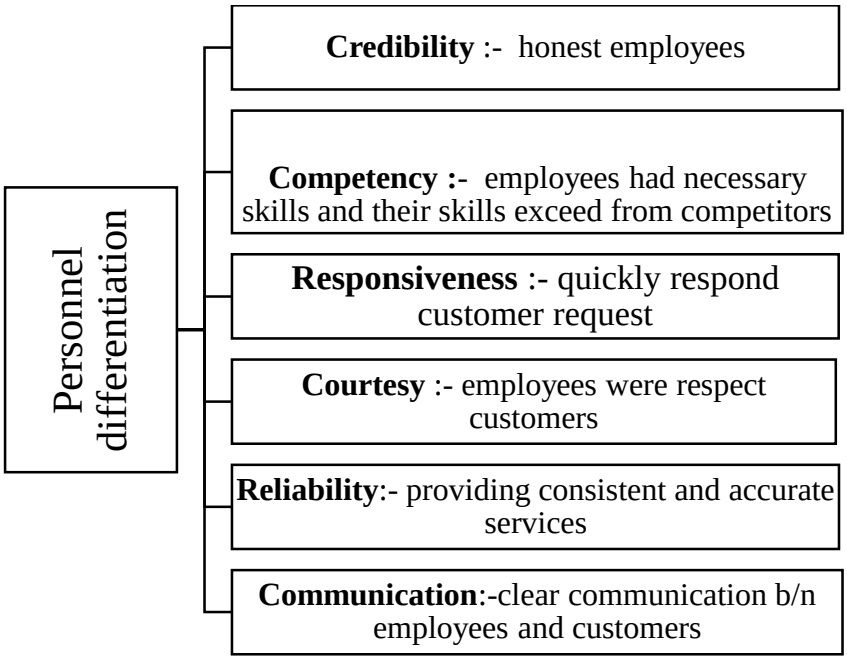

Figure 1: personnel differentiation measuring variables

Source: adapted from Kotler, P. (2009)

2.2.4. Channel Differentiation

Channel differentiation refers to the approach taken to deliver products and services to consumers. It encompasses the various pathways through which goods and services reach the market (Dent, J. (2011)). Using various distribution channels to obtain a competitive edge is known as channel differentiation. This may involve changing the methods by which goods are delivered to clients, such as through exclusive partnerships, online platforms, better logistics, and a variety of store formats (Kotler, P. (2001)).

The primary objective for channel of delivery was to guarantee appropriate quantity of at appropriate service or goods is accessible at correct time and location (Pitt and colleagues (1999)). In the banking sector, channel differentiation manifests in the various ways services are offered, such as the contrast between online banking platforms and traditional branch services (Chaffey & Ellis-Chadwick, 2019).

Distinctive parameters such as specialized distribution channels, coverage, competence, and performance have been utilized to set apart various channels from those of competitors (Kotler P. and Armstrong G. (2010); Kotler (2001)). Banks facilitate customer access to their services through a range of digital options, including internet-based platforms. The technique enables to be

greater adaptable & convenient experience for users seeking financial solutions. A capacity to businesses for provided services or goods directly to consumers via the internet has transformed the landscape of customer engagement and service delivery (Gallaugher, J. M. (2002)).

Choudhury and Karahanna (2008) identify several key factors for evaluating electronic channels, including the effectiveness of information acquisition, convenience, and trust. The convenience of these channels is assessed based on the effort and time customers expend during transactions. Additionally, Devaraj, Fan, and Kohli (2002) highlight that transactional costs for electronic channels can be gauged through price savings, ease of completion, and time efficiency.

Trust emerges as a critical element for ensuring customer retention, as noted by Reichheld and Schefter (2000). Without a solid foundation of trust, retaining customers becomes increasingly challenging. This underscores the importance of establishing reliable and trustworthy electronic channels to foster long-term relationships with consumers. Furthermore, the ability of a company to provide timely and accurate information is essential for customer satisfaction. Hutt and Speh (2021) emphasize that effective information access involves responding to inquiries about product availability and order status. This capability not only enhances the customer experience but also reinforces trust and convenience in electronic transactions.

Bank channel differentiation measuring parameters were branch locations, network expansion for the bank, and any service system issues that have been noticed, such as ATM damage or strikes (Mihelis, et.al (2001)). Banks should enhance the functionality and style of their websites, simplify the process for customers to use different websites, improve the security of websites, Give customers additional options for verifying the accuracy of the data related to their transactions, and give more organized and relevant financial information in order to get market share through internet services (Wan, et.al (2005)).

2.2.5. Image Differentiation

Image differentiation is the method of makes image of an organization in customer's mind. Because financial services are so dependent on trust and reliability, image distinction is essential. According to Kiprono, B. K., & Kinyua, G. M. (2021), image differentiation was measured in terms of company logos and symbols, known personality brands. According to Kotler and Keller (2016), image differentiation is the process of making a unique impression or image in the minds

of consumers that distinguishes one product or service from another. Businesses can create strong, enticing visuals that speak to the psychological and social needs of their customers.

Because of influence decisions about what products or services to offer or not, image differentiation requires creativity and effort. Additionally, image must be reflected in all that the business does (Kotler, P., & Armstrong, G., 2010). Image refers to how the general public views a firm or its products, identification refers to the way that an organization seeks to identify itself or its products. Numerous external elements influence a company's image out of control of organization (Kotler, P. 2001).

In the fiercely competitive banking industry, banks use image differentiation as an essential strategy to set themselves apart from rivals. This tactic entails forging a distinctive brand identity and idea in consumers' thoughts, which has a big impact on revenue and retention of customers. The bank's image comprises its technological competence, ability to meet the demands of its future customers, and credibility (Mihelis et.al (2001)).

2.3. Theories on differentiation strategy

2.3.1. Porter's generic strategy

An organization find business area and learn more about its customers by developed effective strategy and company's optimal performance can be achieved by depending on three fundamental business strategies (differentiation, cost leadership, and focus) (Porter, 1980; Porter (1985)). Using A strategy of cost leadership, a company locates and takes advantage of every possible cost benefit but differentiation strategy is a company aiming to differentiate goods or services based on customer needs and Focus Strategy produce product or services based on specific target customers or market. The company looks for a limited competitive range, picks one or more categories in the industry, and then designs its strategy to target to those categories alone (Tanwar, R. (2013)). So our study uses differentiation strategies as independent variables.

2.3.2. Theory of resource based view (RBV)

RBV concept evolved in response in the 1980s to the inadequacies of traditional theories of industrial organization in providing an explanation of corporate performance. The resource-based view suggested that internal environment of the company as a key origin of an advantage over others and focuses resources that a firm has developed to compete in the business environment.

Resources found within a company that contribute to its ongoing competitive edge (Kraaijenbrink, Spender, & Groen, (2010)).

By generating unique and essential organization level staff resources gives a company a competitive edge and Business used its internal resources to create and preserve a competitive advantage(Collins, C. J., 2022); David (2011)). According to Teece (2010), the resource-based view assumes that in order to meet customer needs and take advantage of emerging opportunities and threats, a firm must adapt to changing market and business environments by utilizing its resources, which include abilities and capabilities, to complete tasks quickly and effectively. Wealth, machinery, cash, trademarks, individual employee abilities, and effective leadership are examples of resources. According to Hitt et.al (2011), firm resources include institutional asset, human beings, and real estate.

Companies aim were concentrate on figuring out and refining the unique skills and group knowledge that are embedded in the organization as their core competencies. Core competencies are the skills, expertise, and technological know-how that enable a company to offer a distinct value to its customers, according to Prahalad and Hamel (2003). All things considered, RBV offers a thorough framework for understanding how businesses can strategically utilize their internal resources develop differentiation strategy dimensions, including service, personnel, product, image building, and channel optimization, to achieve a long-term advantage over rivals in the rapidly changing business environment of today.

2.4. Related theories on customers

2.4.1. Customer relationship management (CRM)

CRM encompasses comprehensive set of principles, strategies, and guidelines that businesses employ when interacting with their customers. It spans every facet of a bank's customer interactions, from direct service encounters to the analysis of customer behavior and trends. CRM is a methodology for overseeing all aspects of a company's customer engagements (Buttle, F., & Maklan, S. (2019)). It represents a holistic approach aimed at enhancing shareholder value by fostering appropriate relationships with key clients. This process involves the strategic management of customer interactions, often utilizing technology (Frow, P. E., & Payne, A. F. (2009)). Winer, R. S. (2001) suggests that CRM holds diverse meanings for different individuals

and involves developing models to understand customers and establish strong connections with them.

Iriana, R., and colleagues (2004) emphasized the significance of people, process, and technology as crucial components for successful CRM implementation. They stressed the importance of comprehending customer needs and behaviors to craft tailored marketing approaches and deliver exceptional experiences across all interaction points. Customer relationship management encompasses a range of technological infrastructures, business practices, marketing techniques, and communication strategies. These elements are designed to foster ongoing relationships with consumers by ensuring their needs are identified, recognized, and satisfied (Chalmeta, R. (2006)).

Kincaid (2003) defines CRM as a comprehensive approach that utilizes data, processes, technology, and human resources to manage customer relationships with a business. CRM aims to enhance value for both the company and its clients. It encompasses a holistic strategy and methodology for attracting, retaining, and building partnerships with specific customers. The implementation of CRM involves the coordination of various organizational departments, including supply chain, marketing, sales, and customer service, to deliver enhanced value to customers in a more efficient and effective manner (Parvatiyar, A., & Sheth, J. N. (2001)).

2.5. Empirical review

The effect for service differentiation (SD) on customer retention (CR) among satisfaction of the customer (CS) to be mediator variables

Research by Gebauer, H. and colleagues (2011) explored how businesses could achieve a competitive advantage through service differentiation. Their research revealed that service differentiation enhances an organization's capacity to adapt to major shifts in customer requirements. The study suggests that companies should prioritize service differentiation to address the increasingly complex needs of their clientele. In a separate investigation published in the Journal of Business Research, researchers compared e-consumers in rural and urban areas of Sweden to examine the relationships between service differentiation, satisfaction, and retention. The findings demonstrated that service differentiation led to increased satisfaction among urban residents, but no such correlation was found for rural inhabitants (Vakulenko and friends (2022)).

A study in Ghana's banking industry examined variables including service delivery, service innovation, customer loyalty and client happiness. The research revealed it service innovation directly affects customer satisfaction, retention, and service delivery (YuSheng, K., & Ibrahim, M. (2019)). Similarly, a Malaysian study focusing on banks investigated influence quality of service on client retention, concluding that quality of service influences customer retention (Kheng and collegues (2010)). Mbugua, J. W., & Kinyua, G. M. (2020) conducted research on deposit-taking Saccos in Nairobi City County, Kenya, demonstrating that service differentiation significantly and positively impacted performance. The study evaluated factors such as consistent service provision by employees, rewards for referrals, diverse mobile banking platforms, and prompt resolution of customer inquiries. The researchers recommended that management utilize customer feedback and establish standardized processes and guidelines to enhance service differentiation.

However, empirical research on Ethiopian customers' satisfaction with bank services in Jimma city. The findings demonstrated that several obstacles, such as network problems and loan approval delays, were preventing the smooth provision of banking services and satisfied customers. The study suggests that fixing these issues could raise client happiness (Deribe, B., & Deribie, E. (2013).). The study's findings provide important insights for commercial banks looking to improve customer satisfaction by differentiating their services in a way that is efficient and unique.

The effect of product differentiation (PD) on customer retention (CR) among satisfaction of the customer (CS) to be intervening variables

The impact of product differentiation strategy on commercial banks' ability to gain a competitive edge in the case of Equity Bank Limited was carried out in 2016 by Kireru, and Omwenga, J and indicated that financial institutions use product differentiation techniques to give their clients the best deposit options at the most competitive rates and also providing clients with products that meet their needs over time has a significant impact on banks' long-term profitability and that process design and optimization go beyond the use of tools and procedures.

An additional investigation into observed performance in finance of Ugandan commercial banks and their product differentiation strategy was conducted by Wambaka, K., and Adegbuyi, O. in 2021 and concluded, product differentiation strategy had a major effect on banks' financial

performance, especially when it comes to return on investment. According to research by Rezeki and colleagues that was published in the International Journal of Tourism and Management in 2023 and indicated that significant & positive correlation among product differentiation & client retention.

During Kenyan oil marketing sector, Aballa L. (2018) investigated the relationships among market share, product differentiation, and customer retention and concluded, customer retention & product differentiation had positive and significant association. Additionally, this show significant association among customer retention & customer satisfaction. An additional research that was published in Analytical Review and the International Journal of Research looked at product differentiation as a crucial success factor. According to the study, a differentiated product enhances the chances that customers will make additional purchases since it increases customer retention (Shrotriya, V., 2019).

A study on the utilization of product differentiation as a competitive advantage and maximum organization performance was undertaken by Dirisu, and colleagues (2013) and published in the European Scientific Journal. The variables had a positive relationship with one another, regardless of how much product differentiation matters in terms of organizational success and it need to focus more on the high-quality design, cutting-edge features, and distinctive qualities of the items they produce.

The effect of Personnel differentiation (ED) on customer retention (CR) among satisfaction of the customer (CS) to be intervening variables

According to Budur, T., & friends(2021),They found that although customer opinions of employees' work had considerable influence on client retention and client happiness was mediation effect between them when conducting a study of customer satisfaction was the mediator variable within the relationship of personnel performance and customer retention In the Kurdistan Region of Iraq.

Bokhari, R. P., and a Colleague conducted a study on factors that determine employee differentiation for an advantage in competitiveness under customer satisfaction perspective

published on journal of business and management and found that a significant emphasis on human distinction can result in higher customer satisfaction. Furthermore advise that for the purpose of Service Company to obtain an edge in competition, must differentiate workforce in order to satisfy its clients. Satisfied clients are more likely to be retain to the business, which boosts sustainability and profitability (R. P. Bokhari and S. Chowdhury (2014)).

Darzi, M., and colleagues look into how customer satisfaction and personnel capability affect consumer retention in banking industry, using gender as a control variable and customer happiness as a mediator variable published on international journal of bank marketing and the study show that client satisfaction & personnel capability had significant impact on client loyalty. Customer satisfaction has a positive role among personnel competence & client retention and it suggested that employee competency has a greater impact on customer retention than does customer satisfaction. Nonetheless, there is a substantial correlation between employee competency and customer satisfaction (Darzi, M. A., and Bhat, S. A (2018)).

The effect of channel differentiation (CD) on customer retention (CR) among satisfaction of the customer (CS) to be intervening variable

A comprehensive investigation was undertaken to evaluate the influence of pricing strategies, quality of product, and distribution mechanisms on satisfaction of the customers and retention rates. Channel of delivery serves as a critical variable that necessitates assessment in order to determine the degree to which satisfaction of the customers' expectations and retention were achieved concerning the quality of product or goods that have been manufactured and promoted (Yusuf Saleh, M., and colleagues A., (2019)).

A study examined on the effect of marketing strategy on an Ethiopian bank's performance, and it was published in the Journal of Positive School Psychology. The study states that a bank's ability to succeed is significantly impacted by its ability to provide consumers with high-quality services, use technology successfully, apply product differentiation methods correctly, expand its product offerings, and provide items that meet their needs. Bank performance is positively impacted by the physical layout of banks as well as the accessibility of ATMs, mobile banking, and internet banking. Furthermore, a bank's performance is significantly impacted by its numerous branches

dispersed across different areas, its convenient placement near one's house or place of business, and its convenient opening and closing hours (Mekonen, M., Nair, P., and Deogaonkar, A.(2022)).

B. Deribe and associates, in their scholarly investigation titled "an empirical assessment of quality for Customer Services Provided to commercial banks in Ethiopia's Jimma branch,"and conclude that despite the integration of electronic banking services as a component of the service delivery channel, customers do not derive substantial benefits from these offerings. This suggests that, for the purpose of enhancing consumer satisfaction, it is imperative that these services undergo significant improvements (Deribe, B., & Deribie, E. (2013)). In a similar vein, Aghdaie, S. A., and Faghani, F. (2012) conducted a study examining the correlation between satisfaction of the customers and mobile banking service quality in the context of Iran. Their findings indicate that an elevation in the quality of services rendered by mobile banking institutions can lead to increased customer satisfaction, which subsequently aids in the retention of valued customers.

K.I. Hadid Researchers in Malaysia investigated the function of customer satisfaction as a mediator in the association b/n caliber of digital banking services and retain customers, revealing that satisfaction of the customer indeed plays mediation function in the connection between client retention & the quality of digital banking services, while also indicating that the quality of digital banking services have a significant & positive effect on both retain and satisfaction of the customers within the commercial banking sector (Hadid, K. I. (2021)). Conversely, Hossain and associates conducted a distinct study entitled Mobile Banking and Customer Satisfaction in the Context of Dhaka City, which concluded that the mobile banking sector does not exhibit a significant correlation with customer retention; however, it does demonstrate a positive relationship with customer satisfaction (Hossain, N., & Hossain, Y. (2015)).

An empirical investigation was carried out by Aslam, W., and colleagues to determine how customer satisfaction and customer retention in Pakistan are affected by the quality of automated ATM service. Although responsiveness and convenience have a positively insignificant correlation with customer satisfaction, fulfillment, security and privacy, ease of use, and reliability have a positively significant correlation on client retention, which is significantly impacted by

client satisfaction. According to the study, bank management-specific solutions are provided to improve the ATM experience for clients while also outlining the issues that must be resolved to increase the quality of ATM services (Aslam, W., Tariq, A., & Arif, I. (2019)).

The effect of image differentiation (IMD) on customer retention (CR) among satisfaction of the customer (CS) to be intervening variables

An empirical study on the image differentiation's impact on the service delivery of particular Kenyan insurance organization. The research show that services delivery was positively and significantly impacted by image differentiation. The author suggested that, in order to gauge the public's opinion of their company, insurance companies should regularly survey their customers and welcome their input. Kiprono, B. K., and Kinyua, G. M. (2021).

Onyancha, G. K., conducted research on the impact of bank image on client satisfaction and retention in Kenya Commercial Bank. The study's findings indicate that creating a unique brand identity that distinguishes a bank from its rivals is part of the process of image differentiation. In addition to improving perceptions of quality service and boosting customer happiness, a good bank brand image also directly boosts client retention. Customers grow more loyal as a result, indicating that consumer happiness, image, and retention are cyclical (Onyancha, G. K. (2013)).

Furthermore, Alene, A., conducted effects of image on client loyalty & satisfaction in Ethiopia insurance company. The study found that brand image, customer retention and customer satisfaction had a significant and positive relationship (Alene, A., 2022). But according to other researcher, brand image did not significantly affect client satisfaction (Rusmahafi, F. A., and R. Wulandari (2020); Adi, and colleague (2019)) and brand image had no significant impact on client retention (Halim P and colleagues (2014)).

Effect of Customer satisfaction on customer retention

According to the study by Chiguvi, D., & Guruwo, P. T. (2017) on entitled influence of Customer Satisfaction on customer retention in the banking industry in Botswana and concluded that there

was a direct correlation among retention and happiness of customers and also recommended that customer satisfaction increase by quality, convenience.

Various studies conducted in different country, used different variables and concluded that customer satisfaction and customer retention had positive correlation(Mohsan, F., and colleagues (2011) ; Tweneboah & Farley, A. Y. D. (2016); Ibojo, B. O., & Asabi, O. M. (2015) and Al-Msallam, S. (2015)).

It is implied by the different literature that there was positive relationship b/n customer retention and customer satisfaction. According to these scholarly works, a customer's retention will rise in proportion to how satisfied they are with their satisfaction level. The results of these studies show a strong correlation between customer pleasure and retention. So that Customer satisfaction seems to be one of the main elements driving customer retention, according to the empirical literature that was previously discussed.

2.6. Hypothesis test

Hypothesis test used to decide the relationship between variables based on empirical review. Therefore the researcher develop the following hypothesis:

H1: There is significance relationship between Service differentiation and customer retention

H2: There is significance relationship between Product differentiation and customer retention

H3: There is significance relationship between Personnel differentiation and customer retention

H4: There is significance relationship between Channel differentiation and customer retention

H5: There is significance relationship between Image differentiation and customer retention

H6: There is significance relationship between Customer satisfaction and customer retention.

H7: There is significance relationship between (service, product, personnel, channel, image differentiation) and customer satisfaction

H8: customer satisfaction mediated relationship between differentiation strategy and customer retention

2.7. Theoretical and Conceptual framework

The theoretical framework highlights the relationship marketing concept that states businesses provide unique services or products that increase customer satisfaction, which leads to customer retention (Ravald, A., & Grönroos, C. (1996)).The conceptual framework highlights the relationship between variables (Service differentiation strategy, Personnel differentiation strategy, Channel differentiation strategy, image differentiation strategy, Product differentiation strategy, customer satisfaction and customer retention).

- The conceptual framework for the relationships among differentiation strategy, customer satisfaction and customer retention can remain illustrated as follows:

Service differentiation strategy → Customer satisfaction → Customer retention

Personnel differentiation strategy → Customer satisfaction → Customer retention

Channel differentiation strategy → Customer satisfaction → Customer retention

Product differentiation strategy → Customer satisfaction → Customer retention

Image differentiation strategy → Customer satisfaction → Customer retention

- Furthermore, researcher investigate the connection between each differentiation strategies & customer retention without including any mediator variable:

Service differentiation strategy → Customer retention

Personnel differentiation strategy → Customer retention

Channel differentiation strategy → Customer retention

Product differentiation strategy → Customer retention

Image differentiation strategy → Customer retention

- Lastly, a researcher look at the relationship between customer satisfaction and customer retention. Customer satisfaction → Customer retention

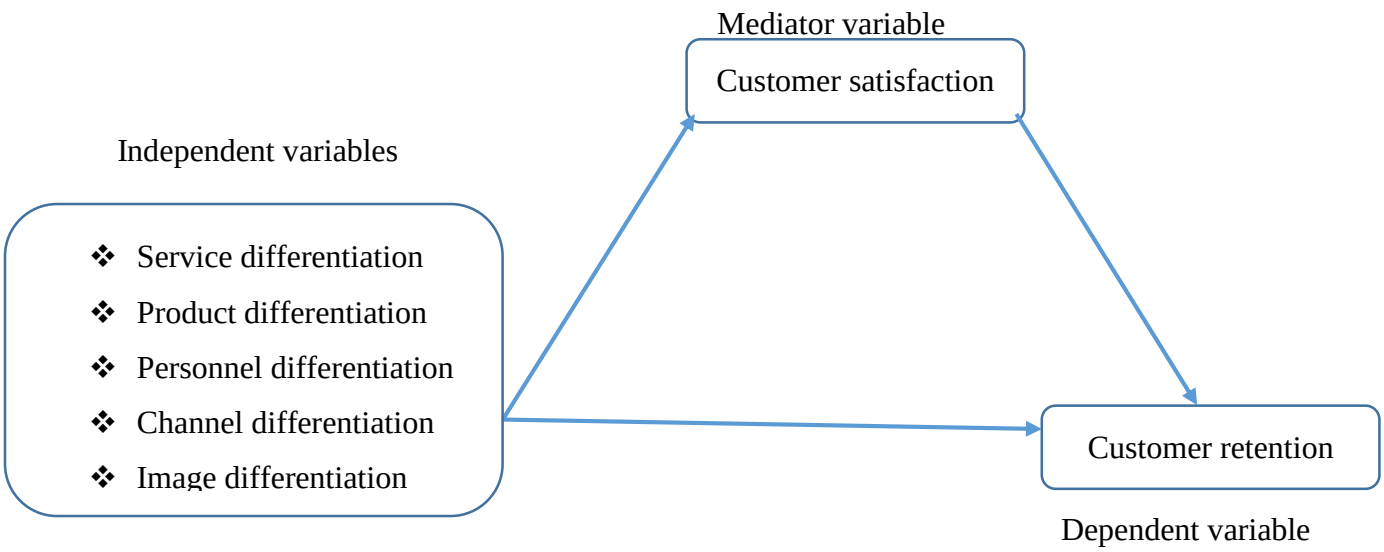

Figure 2: conceptual framework

Source; adapted from Kotler and Armstrong (2010); Mihelis, G. and others (2001)

CHAPTER THREE

3. Research Methodology

These section of a study offered an extensive overview of methodology of research, such as a approaches of research, research design, research target population, sample size, sampling techniques, instruments of data collection and sources, use to acquire data provided by researchers, which were also covered, as were the sample strategies, which related to the ways use to choose people in the research populations. Additionally described were the procedures and methods utilized for interpreting and organizing the data as part of the data analysis process. This section also covered ethical considerations that needed to be made when conducting the research project.

3.1. Research Approach

A research approach is a broad technique or plan that guides researchers during their investigation process. There are both deductive as well as inductive research approach. Deductive study generating hypotheses based on theories and verified assumptions by means of data but inductive approach is the reveres process of deductive approach (Lancaster, G. (2007)).

Three categories of approaches to research exist. Quantitative, qualitative & mixed research approaches. Each kind has diverse functions and uses various techniques for data collection and analysis. The purpose of qualitative research is exploration social phenomena, human behavior, and experiences (Creswell and Creswell (2017); Goundar, S. (2012); Mohajan, H. K. (2018)). Quantitative approaches enable us to establish correlations between two or more variables in addition to providing a numerical description of occurrences (Stockemer, D., Stockemer, G., & Glaeser, J. (2019); Creswell and Creswell (2017)).

Quantitative data collection collect primary data from sample by using structural questionnaire (Hair Jr, J., Page, M., & Brunsveld, N. (2019)). Because it is an appropriate method for doing a measurable effect &cause relationship among a studies variables, the quantitative research technique were selected. Therefore this study used deductive research approach and followed by quantitative research method.

3.2. Research design

The framework of research methodologies that a researcher selects to carry out a study is known as the research design. A research design is a strategy for gathering and evaluating data in an economical, effective, and relevant way. It takes time frames, options, and research methodologies into account and Studies that demonstrate causal relationships between variables are referred to as explanatory research (Saunders, M., Lewis, P., & Thornhill, A. (2003); Goundar, S. (2012). Descriptive research is to properly explain the existing or current variables (Grimes, D. A., & Schulz, K. F. (2002); Hair Jr, J., Page, M., & Brunsveld, N. (2019)).

Therefore descriptive research used to describe the current status of differentiation strategies, there impacts on customer retention and mediating effect of customer satisfaction. Explanatory research design shows cause and effect relationships and draws conclusions on the connection between differentiation strategy and customer retention with mediator variable of customer satisfaction. Therefore study use both descriptive and explanatory research design. Consequently, the cross-sectional method of data collection was used at one point in time to gather useful information.

3.3. Data type and source

Secondary data are used for studies that were not specifically and directly collected for the study in question but the Primary data are those that were gather information from the actual location where events occur (Hair Jr., J., Page, M., & Brunsveld, N. (2019); Ajayi, V. O. (2017)). The researcher used primary data to collect information from respondents because it is useful for study since it contains specific and up-to-date information, which makes it helpful for learning firsthand knowledge. The researcher gathered primary data from respondents and secondary data from bank website/annual reports used to write background information selected banks.

3.4. Population, sampling technique and sample size

3.4.1. Target population

Population was the entire set of individuals, occasions, or subjects that a researcher wants to study (Sekaran & Bougie, 2016, Zikmund (2003),). Thirty two (32) banks that are currently in operation in Ethiopia were used as target population and classified as large, medium, and small category based on total asset and capital.

Every commercial bank has a minimum one branch in the city of A.A. Select commercial bank of Ethiopia from large category, Bank of Abyssinia from medium category and Nib international bank from small category. As a result, the study's target customers and employees from three particular banks in each category in Addis Ababa city.

Table 1.List of banks based asset and capital

	Large category bank; 49.5% asset, 48.7% deposit, and 27.5% capital	Medium category bank (28% asset 29.4% deposit and 31% capital)	Small category bank(22.5%asset, 21.9%depositand 41.5%capital)
	CBE	Dashen bank Awash bank Bank of Abyssinia Cooperative Bank of Oromia Hibret Bank	Nib international bank Abay bank, Omo bank AddisBank, Berhan Bank, Bunna Bank, Global Bank, Enat bank Lion bank, Oromia bank Wegagen bank, Zemen bank Zam zam bank , Hijra bank Development bank of Ethiopia Siinqee bank ,Shabelle bank Ahadu bank, Tsedey bank Goh betoch bank Tsehay bank, Gadaa bank Amhara bank, Rammis bank Siket bank, Sidama bank

Source: national bank of Ethiopia report (April 2024)

3.4.2. Sample Size determination

A sample needs to proportionally represent the population it is taken from, according to Joseph, F., Hair, Arthur, H., Money, Phillip, Samouel, Michael, J., and Page (2016). The intended level of accuracy, the degree of variation, and the risk or degree of confidence in the attributes being examined are in order get acceptable sample, along with the goal of a study and the size of the population. The simplified method created by Cochran, W. G. (1963) is widely used by researchers to get the correct sample numbers for infinite population.

The needed sample size can be determined with the help of formula. This formula helps determine the necessary sample size. 385 samples of respondents were drawn from the study region of the chosen commercial banks in the A.A. city branches, representing customers from the total population size. For this reason, the researcher used Cochran, W. G. (1963) formula to calculate the anticipated respondent's sample size. This is ascertained in the following way:

Assumption: A 95% confidence level, and e = ±5%

$$n=\frac{z^2pq}{e^2} \quad \rightarrow \quad \text{where:}$$

n = Number of sample

z^2 = The abscissa of the normal curve

p= estimated proportion of an attribute that present in the population (0.5)

q= 1-p

e = 0.05= the desired level of precision

$$n=\frac{1.96^2\times0.5\times0.5}{0.05^2}=\frac{0.9604}{0.0025}=384.16\sim 385$$

3.4.3. Sampling Technique

There are nonprobability and probability sampling methods. The researcher used multi stage sampling techniques. Using a stratified sample technique, the researcher separated all banks into third category according to asset and capital and Select three banks from all category based on simple random sampling namely Bank of Abyssinia, NIB, and CBE. A respondents were selected by figuring out their proportion rate after target population. Convenience sampling is the process

of choosing sample components that are most easily accessible or readily available participants to do the research and can supply the collect necessary data (Joseph, F., and colleagues, 2016); Marczyk, G. R., DeMatteo, D., & Festinger, D. (2010); Hair Jr, J.; Page, M., & Brunsveld, N. (2019) ;Rahi, S. (2017); Etikan, I., Musa, S. A., & Alkassim, R. S. (2016)). The researcher used non probability sampling technique (Convenience sampling) used to select respondents and branches because difficult to get all customers in each banks and to save time and cost.

Table 2.proportionate sample distribution for each sample

No	List of sample banks	Population	Percentage from the total population(r)	Sample size=385×r
1	BOA	2,050,662	$\frac{2,050,662}{7,312,652}$ =28%	108
2	NIB	945,247	$\frac{945,247}{7,312,652}$ =13%	50
3	CBE	4,316,743	$\frac{4,316,743}{7,312,652}$ =59%	227
TOTAL		7,312,652	100%	385

Source: own computation (2024)

3.5. Method of data collection

In order to collect data, a research issue must be addressed. When data related to study variables are gathered and evaluated according to a recognized, systematic approach, researchers can test hypotheses, answer research questions, and evaluate results. Using structured questionnaires or observation guides to obtain primary data from individuals is known as quantitative data collection (Joseph, F., and colleagues, 2016).To gather primary data, the researcher use structured questionnaires were developed in English and translated into Amharic. There were just closed-ended questions on the questionnaire. Both researchers and respondents like closed-ended questions to be quicker and simpler. Most closed-ended questions employ a Likert scale with five points, which goes from strongly disagree (1) up to strongly agree (5). When the clients of the

selected bank arrived for the service, the questionnaire was given to them inside the guest room. The following changes were made to the questionnaire.

3.6. Variable measurement

Modifying the measurement Structured questionnaires were developed for this study using various previous research papers and literature in order to collect a data to answer research questions.

The study's questionnaire is divided into two parts. Age, gender, job, education, banks service experiences and income are the demographic characteristics found in the first section. Variables including image differentiation, product differentiation, service differentiation, personnel differentiation, channel differentiation, customer satisfaction, and customer retention can be found in the second section. Five-point likert scale is used to indicate the strength of disagreement or agreement of statement (Hair Jr, J., Page, M., & Brunsveld, N. (2019)). For each statement, respondent are requested to score each agreement or disagreement on a Likert scale with five points, with five being strongly agree, four representing agree, three representing neutral, two representing disagree and one representing strongly disagree.

Table 3: sources of variables measurement

No	Variables	No of questions	Source
1	Product differentiation	6	Njue, L. M., Kambura, S., & Moguche, A. (2023).
2	Service differentiation	6	Mbugua, J. W., & Kinyua, G. M. (2020).
3	Personnel differentiation	6	Ghahroudi, M. R., & Sagheb, S. (2018).
4	Channel differentiation	6	Wan, W. W., Luk, C. L., & Chow, C. W. (2005)
5	Image differentiation	5	Kiprono, B. K., and Kinyua, G. M. (2021)
6	Customer satisfaction	5	Chikazhe, L., Makanyeza, C., and Chigunhah, B. (2021).
7	Customer retention	5	Chikazhe, L., Makanyeza, C., and Chigunhah, B. (2021).

Source: from researcher (2024)

The researcher consulted with highly experienced bankers, advisor and academic doctors to ensure the study's validity. Furthermore, a comprehensive and sufficient literature review is used to ensure the study's validity measure. The questionnaire was updated in light of the comments received from the opinions obtained.

3.7. Method of data Analysis

After gathered information were error-checked, sorted & filtered, SPSS software version 26 used to Descriptive statistics and EFA analysis and also AMOS were used to conduct inferential analysis by SEM and CFA model. CFA used to test the relationship among latent variables and items (Harrington, D. (2009). SEM used to test direct and indirect relationship between variables (hypothesis test) (Fan, Y., Chen, J., Shirkey, G., John, R., Wu, S. R., Park, H., & Shao, C. (2016); Byrne, B. M. (2016)). Therefore this study tested customer satisfaction as the mediator role for differentiation strategies and customer retention.

Correlation shows the relationship between two or more quantitative variables (Gogtay, N. J., & Thatte, U. M. (2017)). Therefore it show the relationship between independent (service differentiation, product differentiation, personnel differentiation, channel differentiation, image differentiation) and dependent variable (customer retention).

Mediator variable used to indicate how or why the impact of independent variables on dependent variables. By include one or more variables b/n independent and dependent variables, mediation is formed (Abu-Bader, S., & Jones, T. V., 2021). The researcher use SEM to test mediation role between independent and dependent variables.

3.8. Reliability test and Validity

Explanatory factor analysis (EFA)

Explanatory factor analysis (EFA) is a technique that finds the underlying components that account for the correlations between a set of observed variables; hence, it reveals the latent structure of the set (Kyriazos, T. A. (2018)). KMO provides sample adequacy (KMO>0.5) and Bartlett's Test of Sphericity show data relationship patterns and Bartlett's Test of Sphericity less than 0.05 (Sürücü, L., Yıkılmaz, İ., & Maşlakçı, A. (2022)).Eigen value is the amount of variance in the variable taken for the study that is associated with factors and it is acceptable when greater than one(Kaise (1960)). Hence KMO value was 0.95 and Bartlett's Test of Sphericity was significant as shown in

table4 below and in table 5 show that all Eigen values were greater than one. Therefore this study satisfied the requirement.

Table 4: KMO and Bartlett's test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.950
Bartlett's Test of Sphericity	Approx. Chi-Square	17845.299
	Df	741
	Sig.	.000

Source: own SPSS, v26 analysis result

Table 5: Total variance explained

Total Variance Explained									
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	16.949	43.460	43.460	16.949	43.460	43.460	5.477	14.043	14.043
2	4.197	10.761	54.220	4.197	10.761	54.220	5.302	13.596	27.639
3	3.445	8.833	63.053	3.445	8.833	63.053	5.227	13.403	41.042
4	2.968	7.612	70.665	2.968	7.612	70.665	5.191	13.309	54.351
5	2.261	5.798	76.463	2.261	5.798	76.463	4.594	11.780	66.132
6	2.255	5.782	82.245	2.255	5.782	82.245	4.459	11.434	77.565
7	1.062	2.724	84.969	1.062	2.724	84.969	2.888	7.404	84.969
Extraction Method: Principal Component Analysis.									

Source: own SPSS, v26 analysis result

3.8.1. Reliability

Reliability refers to consistency of measurement of research instrument. Reliability means the output of instrument or questionnaire of the research were the same during different time or in different circumstance (Roberts, Paula, and Helena Priest (2006)). The stability or uniformity of the result produced from a measure or evaluation across time and across settings or conditions is referred to as reliability or it also refers to the dependability or consistency of a measurement procedure (Marczyk, G. R., DeMatteo, D., & Festinger, D. (2010); Goundar, S. (2012)). Reliability testing was done using the internationalization factor orientation as one of the independent and dependent variables. Internal consistency measure relationship of items with each variables before test research (Tavakol, M., & Dennick, R. (2011)). Internal consistency was Excellent ($0.91 \leq \alpha \leq 1$), good ($0.81 \leq \alpha \leq 0.9$), acceptable ($0.71 \leq \alpha \leq 0.8$), questionable ($0.61 \leq \alpha \leq 0.7$), poor ($0.51 \leq \alpha \leq 0.6$), and unacceptable ($0 \leq \alpha \leq 0.5$). Composite reliability used to measure internal consistency or show the correlation among indicators in the same group. The researcher used composite reliability (CR) and maximal shared variance (MSV) to test reliability of instrument, which show in table4&5; Cronbach's alpha value (α)>0.9, CR & MSV >0.7, that satisfies reliability requirement.

3.8.2. Validity test

Validity measure of how well the indicators for the variables actually measured. Convergent and discriminant validity used to test validity this study.

3.8.2.1. Convergent validity

The degree to which a given indicator both correlates with other indicators of the same latent variable and accurately characterizes the desired latent variable is known as convergent validity (Hair, Money, Samouel, and Page, 2007). As a result, AVE was used in this investigation; this is possible when the AVE is higher than 0.5 (Fornell & Larcker, 1981). Convergent validity means the items or indicators of specific construct should converge to proportion of variance. In table 5 below AVE > 0.5 and CR >AVE so that indicators in each variables satisfies convergent validity.

3.8.2.2. Discriminant validity

The goal of discriminant validity is to demonstrate how one concept in a research model differs from other constructs. Ensure that no concept measures the same phenomenon more than once. The Fornell-Lacker Criterion, item cross-loadings, and HTMT Criterion are used to measure discriminant validity. Discriminant validity means indicators of one construct/variable should be

different from other variables indicators. In table5; below show that MSV < AVE and table6; shows that HTMT< 0.9 that means the instruments were satisfy discriminant validity.

Table 6: Cronbach's alpha value

Variables		Number of Items	Cronbach's alpha value
Differentiation strategy	Service differentiation	6	0.956
	Product differentiation	6	0.905
	Personnel differentiation	6	0.961
	Channel differentiation	6	0.962
	Image differentiation	5	0.859
Customer satisfaction		5	0.958
Customer retention		5	0.968

Source: own analysis SPSS result 2024/25

Table 7: validity and reliability analysis

	CR	**AVE**	**MSV**	**MaxR(H)**	**SD**	**PD**	**ED**	**CD**	**IMD**	**CS**	**CR**
SD	0.956	0.784	0.237	0.956	**0.885**						
PD	0.955	0.780	0.290	0.956	0.354***	**0.883**					
ED	0.961	0.805	0.337	0.966	0.289***	0.298***	**0.897**				

CD	0.962	0.808	0.227	0.963	0.368***	0.413***	0.178***	**0.899**			
IMD	0.960	0.826	0.315	0.960	0.354***	0.473***	0.328***	0.353***	**0.909**		
CS	0.958	0.819	0.525	0.958	0.419***	0.475***	0.392***	0.477***	0.419***	**0.905**	
CR	0.968	0.859	0.525	0.968	0.487***	0.538***	0.581***	0.472***	0.561***	0.725***	**0.927**

Source: own analysis Amos result 2024/25

Table 8: HTMT analysis

	SD	**PD**	**ED**	**CD**	**IMD**	**CS**	**CR**
SD							
PD	0.352						
ED	0.301	0.300					
CD	0.366	0.411	0.191				
IMD	0.353	0.475	0.325	0.350			
CS	0.419	0.472	0.401	0.475	0.422		
CR	0.489	0.538	0.578	0.471	0.562	0.723	

Source: own analysis Amos result 2024/25

3.10. Ethical Issues

All research participants were informed of the study's purpose in detail prior to starting to complete the questionnaires, and their consent was sought. Tight confidentiality protocols were used to safeguard the identities of all participants, upholding the respondents' right to privacy. According to research ethics, researchers have to protect the dignity of the people they study and properly deliver their findings or study (Fouka & Mantzorou, 2011). To maintain confidentiality, generic identifiers such as respondents were utilized/fill questionnaire instead of revealing or writing their personal identities. The privacy of the data collection, processing, and publication of the findings was maintained. In addition, all of the research's sources received due acknowledgment.

Chapter four

4. Data analysis and interpretation

The fourth chapter includes of finding from survey and analysis of the result. The collected data were analysis and interpreted using inferential and descriptive statistics. The descriptive part summarize mean and standard deviation of variables. This is followed by testing hypotheses and output of the study represented by estimation of the model.

4.1. Data cleaning

Questionnaire were used to gather primary data and 385 questionnaire were distributed to chosen bank customers and 383 of them returned, indicating 99.48 response rate. A non-response rate was 0.5percent. Furthermore, exactly 378 of the questionnaires (98.18%) were valid during the process of cleansing the data for its completeness response pattern. SPSS and Amos Version 26 used to utilized analysis of data for 378 completed responses that were received from respondents.

4.2. Demographic characteristics of respondents

Demographic data used to understand the information of individuals or samples during the study. In the case of banks, knowing demographic characteristic of their customer used to understand which customers were more committed to retain by using bank products. Therefore age, gender, educational level, monthly income and length of service used were used to demographic characteristics for this study.

Table 9: Demographic characteristics of respondent

Description		Frequency	Percent
Gender of respondent	Male	202	53.94
	Female	176	46.06
	Total	378	100.0
Age group	18-25 year	37	9.9
	26-33 year	87	23
	34-41year	134	35.4
	above 41 year	120	31.7
	Total	378	100.0
Education level	Primary school and below	15	4
	Secondary school	80	21.2
	Diploma	84	22.2
	First degree	127	33.6
	Masters and above	72	19
	Total	378	100.0
Monthly income level	Below 3000 Birr	68	18
	3001-6000 Birr	124	32.8
	6001-9000 Birr	115	30.4
	above 9000 Birr	71	18.8
	Total	378	100.0
Number of years to use this bank services	1-5 years	49	13
	6-10 years	130	34.4
	11-15 years	127	33.6

	More than 15 years	72	19
	Total	378	100.0

Source: own SPSS analysis result 2024/25

Gender

As displayed in table 4.1 above 53.9% are male and 46.1% were female respondents. These indicated that a slight most of the people who responded were male compared to female. That means when the banks develop differentiation strategies based on gender interests to retain customers.

Age

With regards of Age respondent were 9.9% were between 18 and 25 years, 23% were between 26 and 33 years, 35.4% were between 34 and 41 years, and 31.7% were above 41 years old. Analysis of age used to understand customer behavior and intention, which are essential to develop effective differentiation strategy to retain customers.

Education level

The education level of respondent were 4% primary school and below, 21.2% secondary school, 22.2% diploma, 33.6% have first degree, 19% have masters and above. This means that majority of the respondent are educated, therefore bank strategic personnel should consider education level of customers to develop differentiation strategy.

Monthly income level

Income level of the respondents were 18% of the respondents got below 3000 birr, 32.8% between 3001 and 6000 birr, 30.4% between 6001 and 9000 birr and 18.8% above 9000 birr. Customers with different income levels have different expectations from commercial bank services. Hence, customers with high income levels need top priority to upscale services or special deals that fit their style of living, but low-income customers focus on main bank services. Therefore, commercial banks should develop different differentiation strategies by considering income levels to satisfy customers.

Service usage

The study considers bank customer establish time to used banks service. From table 7, result show that 13% of customers used bank services for 1-5years, 34.4% for 6-10 years, 33.6% for 11-15

years, and 19% for more than 15 years. This show that more customers not retain for long period of time. Therefore commercial banks develop differentiation strategies to retain customers.

4.3. Descriptive Analysis of study variables

Descriptive analysis mean show the relationship between study variables by using mean and standard deviation (Marczyk, G. R., DeMatteo, D., & Festinger, D. (2010)). Conducting descriptive analysis of study variables using straightforward assessments of standard deviation and mean of independent, mediator and dependent variables. Higher mean, most respondents agree on the indicators and lower mean, most respondent disagree on the indicators.

Table 10: Service differentiation

No	Item	N	Mean	Std. D
1	Bank have commission incentives to customers who give us referrals.	378	2.53	1.191
2	Bank services provide unique experiences to customers.	378	3.94	.988
3	Bank staffs provide consistent service to customers.	378	4.11	.906
4	Bank provide customer portal services and other unique online services.	378	4.00	.997
5	There is promptness in handling customer's complaints.	378	3.96	1.140
6	Bank use customer feedback to improve services.	378	4.05	1.030

Source: own survey 2024

The above Table 8 focuses on service differentiation in Ethiopian banks. The following insights are drawn from the data: Commission Incentives for Referrals (Mean = 2.53): This item is rated low, indicating that providing commission-based incentives for referrals is not a widely adopted or effective strategy in Ethiopian banks. Unique Experiences (Mean = 3.94): Rated high, this suggests that offering distinctive and memorable customer experiences is an important and well-executed strategy, resonating positively with customers. Customer Portal Services (Mean = 4.00): This factor also received a high rating, reflecting the effectiveness and value of user-friendly online platforms and portals in enhancing customer satisfaction and convenience. Prompt Handling of Complaints (Mean = 3.96): The high rating for this item highlights the significance of efficient complaint resolution in building trust and maintaining customer retention. Use of Feedback (Mean = 4.05): This is highly rated, emphasizing that actively utilizing customer feedback to improve

services is both valued by customers and effectively implemented by the banks. Consistent Service (Mean = 4.11): With the highest mean score, this factor demonstrates that consistency in service delivery is the most critical strength of Ethiopian banks, underscoring its importance in maintaining customer satisfaction and customer retention.

Overall, the table suggests that Ethiopian banks excel in areas such as consistent service delivery, feedback utilization, and prompt handling of complaints, while commission incentives for referrals remain underutilized or ineffective.

Table 11: Product differentiation

Descriptive Statistics			
	N	Mean	Std. Deviation
Products are customized according to the customer requirements.	378	3.41	1.215
The products are differentiated based on socio demographic such as age, gender and income levels	378	3.58	1.157
The bank products are differentiated based on the operating region.	378	3.46	1.276
The product quality, and reliability is better than the competitors.	378	3.63	1.198
The pricing model for the products is unique.	378	3.68	1.163
The bank promotes product credibility and transparency	378	3.78	1.112

Source: own analysis result 2024

Table 9 examines product differentiation in Ethiopian banks, with the following key observations: Customized Products (Mean = 3.41): This score falls at the lower end of the moderate range, indicating that while some efforts toward product customization exist, it is not perceived as a significant strength or a standout strategy among Ethiopian banks. Socio-Demographic Differentiation (Mean = 3.58): Rated moderately, this suggests that banks offer products tailored to specific demographic groups, but there is considerable scope for enhancing these efforts to better address the diverse needs of their customer base. Regional Differentiation (Mean = 3.46): Also in the moderate range, this score reflects some degree of regional tailoring in products and services but highlights a need for more localized or region-specific differentiation strategies. Quality and Reliability (Mean = 3.63): Moderately rated, this indicates that customers perceive the bank's products as slightly superior in quality and reliability compared to competitors, though not

exceptionally so. Unique Pricing Model (Mean = 3.68): Another moderately rated factor, suggesting that while some differentiation in pricing strategies exists, it does not strongly set the banks apart from their competitors. Credibility and Transparency (Mean = 3.78): This factor has the highest mean score in the table, reflecting that Ethiopian banks place a relatively stronger emphasis on promoting trustworthiness and openness in their product offerings. Customers likely appreciate efforts to maintain transparency and build credibility. In summary, while Ethiopian banks demonstrate moderate strengths in areas like socio-demographic and regional differentiation, quality and reliability, and unique pricing, the standout factor is credibility and transparency. However, there remains considerable room for improvement in all areas to achieve a more distinctive and competitive product differentiation strategy.

Table 12: Personnel differentiation

Descriptive Statistics			
Item	**N**	**Mean**	**Std. D**
The employees of the bank have the skills to do the job	378	3.75	1.172
Employees of the bank are attentive and polite to deal with customers.	378	3.70	1.182
The employees of this company are honest and intimate.	378	3.76	1.116
Bank employees provides accurate and stable services.	378	3.79	1.149
Bank's staff collaborates to respond customer requests and fix their problems.	378	3.68	1.180
Employees of the bank have the ability to understand the needs and preferences of their customers.	378	3.78	1.076

Source: own survey 2024

Table 10 evaluates personal differentiation in Ethiopian banks, highlighting the role of employee interactions in enhancing customer experiences. The following insights emerge: Skills to Perform Tasks (Mean = 3.75): This score, near the upper end of the moderate range, suggests that employees are generally well-equipped with the necessary skills to handle tasks effectively, though there is still room to enhance proficiency. Attentiveness and Politeness (Mean = 3.70): Also rated moderately high, this indicates that employees exhibit a courteous and attentive demeanor, contributing positively to customer interactions and satisfaction. Honesty and Intimacy (Mean =

3.76): This slightly higher score reflects that employees are perceived as trustworthy and approachable, fostering a sense of reliability and building stronger customer relationships. Accuracy and Stability of Services (Mean = 3.79): Near the threshold of the high range, this score underscores the employees' reliability and consistency in service delivery, marking it as a significant strength for Ethiopian banks. Collaboration in Problem-Solving (Mean = 3.68): A moderate score here indicates some effectiveness in teamwork and responsiveness to customer concerns, but it also points to opportunities for further improvement in collaborative problem-solving. Understanding Customer Needs (Mean = 3.78): This near-high score highlights that employees are adept at recognizing and addressing customer preferences and requirements, making this an area of notable strength. In summary, Ethiopian banks exhibit moderate to high strengths in personal differentiation, particularly in areas like service stability, employee honesty, and understanding customer needs. However, improving collaboration in problem-solving and further enhancing task-related skills could boost overall performance and differentiation.

Table 13: Channel differentiation

Item	N	Mean	Std. D
The services delivered by the channel are efficient	378	3.77	1.163
The location of the channel is convenient	378	3.86	1.063
The channel's communication system ensures speedy service delivery	378	3.77	1.155
The bank secures customer information properly.	378	3.64	1.232
The bank provides clear and easy-to-follow service instructions	378	3.71	1.131
The bank offers sufficient and timely financial information.	378	3.82	1.041

Source: own survey 2024

Table 11 evaluates channel differentiation in Ethiopian banks, analyzing the effectiveness of various service delivery aspects. The key findings are: Efficiency of Services (Mean = 3.77): This score is in the moderate range, indicating that customers perceive the efficiency of service delivery through the bank's channels as reasonable. However, there is room for further optimization to enhance customer satisfaction. Convenience of Location (Mean = 3.86): Rated high, this reflects that customers find bank branches and service outlets conveniently located and accessible,

contributing positively to their overall experience. Communication System (Mean = 3.77): The moderate score suggests that while communication systems are effective, there is potential for improvement to elevate customer perceptions into the high range. Security of Customer Information (Mean = 3.64): This moderate rating indicates that while banks have adequate measures to protect customer data, there are concerns about security that need to be addressed to build stronger customer trust. Service Instructions (Mean = 3.71): With a moderate score, service instructions are viewed as relatively clear and user-friendly. Simplifying and refining instructions further could enhance this aspect of service delivery. Financial Information (Mean = 3.82): The high score here highlights the banks' success in providing timely and sufficient financial information, an essential factor in fostering customer trust and satisfaction. In summary, Ethiopian banks demonstrate strengths in location convenience and financial information dissemination. However, areas such as service efficiency, communication systems, and security measures present opportunities for improvement to further enhance channel differentiation and customer satisfaction.

Table 14: Image differentiation

Item	N	Mean	Std. D
Customers perceive the image of bank positively.	378	3.59	1.204
Bank's products and services appeal to customers.	378	3.72	1.193
Bank development constant of distinct image.	378	3.48	1.240
Bank built and established personality brand.	378	3.44	1.261
Advertising and communication shapes the image of the bank.	378	3.59	1.217

Source own survey 2024

Table 12 analyzes image differentiation in Ethiopian banks, focusing on how customers perceive the bank's identity and branding efforts. The findings are as follows: Positive Perception of the Bank's Image (Mean = 3.59): This moderate score suggests that customers have a generally favorable view of the bank's image. However, there is significant potential to enhance the bank's reputation and strengthen its market position. Appealing Products and Services (Mean = 3.72): At the upper end of the moderate range, this indicates that the bank's products and services resonate

with customers but are not perceived as particularly outstanding or innovative. Development of a Distinct Image (Mean = 3.48): This moderate score highlights the bank's efforts to create a unique identity, though these efforts may not yet be significantly impactful or distinguish the bank from its competitors. Established Personality Brand (Mean = 3.44): Positioned at the lower end of the moderate range, this score reflects that the bank's branding is recognized but lacks the distinctiveness or memorability needed to make a lasting impression in the market. Advertising and Communication (Mean = 3.59): This moderate performance suggests that while marketing strategies contribute positively to the bank's image, there is room for more creative and impactful communication efforts to enhance visibility and customer connection. Ethiopian banks exhibit moderate strengths in image differentiation, with customers perceiving the banks favorably but not exceptionally. To stand out in the competitive market, banks could focus on creating a distinctive brand identity, innovative products, and more impactful advertising strategies. This would help enhance customer satisfaction and build a more compelling image in the financial sector.

Table 15: Customer satisfaction

Item	N	Mean	Std. Deviation
The bank satisfies customers	378	3.56	1.329
The bank provides adequate services	378	3.77	1.182
The bank meets customer expectations	378	3.72	1.065
The bank fulfil promises.	378	3.84	1.121
The bank ensures security or privacy	378	3.88	1.072

Source: own survey 2024

Table 13: Customer Satisfaction in Ethiopian Banks. This table assesses various dimensions of customer satisfaction in Ethiopian banks, providing insight into their performance and areas for improvement. Key findings are: The Bank Satisfies Customers (Mean = 3.56).This moderate score indicates that while customers are generally content with the bank's services, there is potential to enhance satisfaction by addressing specific unmet needs or expectations. The Bank Provides Adequate Services (Mean = 3.77): This score, at the upper end of the moderate range, suggests that the bank's services meet customer expectations, but do not consistently go above and beyond. The Bank Meets Customer Expectations (Mean = 3.72): A moderate rating reflects that customers

perceive alignment between their expectations and the services offered, though opportunities exist for exceeding these expectations to foster higher satisfaction. The Bank Fulfills Promises (Mean = 3.84): This high score highlights a significant strength in the bank's ability to deliver on its commitments, building trust and reliability among its customers. The Bank Ensures Security or Privacy (Mean = 3.88): The highest score in this evaluation underscores that the bank excels in maintaining security and protecting customer information, a critical factor in customer satisfaction and loyalty. The findings illustrate that Ethiopian banks perform well in trust-building areas, such as fulfilling promises and ensuring privacy, which scored in the high range. However, overall customer satisfaction remains moderate, suggesting the need to go beyond meeting expectations and focus on exceptional service delivery. Enhancements in service innovation, responsiveness, and customer engagement could further elevate satisfaction levels.

Table 16: Customer retention

Item	N	Mean	Std. D
I prefer my bank to any other bank in Ethiopia	378	3.80	1.109
I shall continue to hold an account with this bank	378	3.88	1.048
I talk positive things about this bank.	378	3.98	.998
I have encouraged others to bank with this bank	378	4.03	.905
I consider this bank as my first choice	378	4.05	.922

Source: own survey 2024

Table 14: Customer Retention in Ethiopian Banks This table evaluates the retention levels of customers in Ethiopian banks, highlighting key factors that contribute to loyalty and long-term engagement. The findings are as follows: Preference for the Bank (Mean = 3.80): This high score reflects that customers have a strong preference for the bank compared to competitors, indicating that the bank effectively meets customer needs and expectations. Continuing to Hold an Account (Mean = 3.88): The high retention score here demonstrates a strong likelihood of customers maintaining long-term relationships with the bank, reflecting confidence in its services and stability. Talking positively about the Bank (Mean = 3.98): Near the upper end of the high range, this score signifies that customers often share favorable opinions about the bank, enhancing its reputation through word-of-mouth. Encouraging Others to Bank with the Bank (Mean = 4.03):

This high score indicates active customer advocacy, showing that existing customers are likely to recommend the bank to others, which is a critical factor in attracting new clients. Considering the Bank as the First Choice (Mean = 4.05): This is the highest score in the table, signifying that the bank is a top priority for customers when making financial decisions, underscoring its strong market position and customer retention. The results highlight high customer retention levels in Ethiopian banks, driven by strong customer preferences, positive word-of-mouth, and a willingness to recommend the bank to others. These findings suggest that the banks have successfully established trust, satisfaction, and loyalty among their customers. To further strengthen retention, banks could focus on enhancing customer experiences, diversifying products, and leveraging existing advocacy efforts.

4.4. Inferential analysis

4.4.1. Measurement model assumptions

Factor loading

Indicators that used to measured customer retention, customer satisfaction, service differentiation, product differentiation, personnel differentiation, channel differentiation, image differentiation consists of 39 items (6 service differentiation, 6 product differentiation, 6 personnel differentiation, 6 channel differentiations, 5 image differentiations, 5 customer satisfactions and 5customer retention). The model show in fig4 or appendix F; list all indicators' based on analysis result. Different researchers put their factor loading cutoff point, FL>±0.3 satisfies minimum requirement, FL>±0.5 is significance (Hair and friends (2006)). Therefore all factors loading shown in figure4 or appendix F; below were greater than 0.7 that satisfies the requirements, which all indicators more significance.

Multicolinearity

Multicolinearity means one or more independent variables were highly correlated (Vatcheva, K. P., Lee, M., McCormick, J. B., & Rahbar, M. H. (2016)). If those variables were highly correlated, then it is difficult to interpretation of the result. Tolerance value is less than 0.1 and VIF values greater than 10 indicates highly multicolinearity problems. Therefore tolerance close to one or greater than 10% and VIF values were less than 10, in which no multicolinearity issue for this study.

Table 17: Multicolinearity test

Models	Considers independent variables	Collinearity Statistics	
		Tolerance	VIF
Dependent variable Customer retention	Service differentiation	.775	1.290
	Product differentiation	.659	1.519
	Personnel differentiation	.819	1.222
	Channel differentiation	.758	1.320
	Image differentiation	.709	1.411
Dependent variable Customer retention	Service differentiation	.755	1.324
	Product differentiation	.636	1.573
	Personnel differentiation	.775	1.290
	Channel differentiation	.697	1.434
	Image differentiation	.697	1.434
	Customer satisfaction	.605	1.653
Dependent variable Customer satisfaction	Service differentiation	.775	1.290
	Product differentiation	.659	1.519
	Personnel differentiation	.819	1.222
	Channel differentiation	.758	1.320
	Image differentiation	.709	1.411

Source: own survey result, SPSSv26, 2024/25

Univaraiate normality and Multivariate normality

Univariate normality and multivariate normality test used to check normal distribution of variables. Univariate normality is statistical method, which used to determine a single variable follows normal distribution or not (Tabachnick, B. G. (2007)). Kurtosis and Skewness were use to check a normality distribution of data.

Maximum likelihood is used in Amos software analysis to check multivariate normality assessment rather than univariate normality. For univariate normality $-1.96 \leq C.r \leq 1.96$, $-3 \leq$ Skewness ≤ 3 and $-7 \leq$ kurtosis ≤ 7 but for multivariate normality values skewness range from -2 to 2, and kurtosis values between -10 and 10 are considered normal because of the large sample size, but Mahalanobis distance squared values of P1 and P2 result in less than 0.001, deleting indicators to improve multivariate normality. Collier, J. E. (2020). In appendix G shown, no items are deleted because Mahalanobis distance squared value is not far away from the centroid, and skewness and kurtosis fall in the range; it satisfies the multivariate normality assumption, and the

mean critical ratio of kurtosis is less than 5; data satisfies multivariate normality (Savalei, V., & Bentler, P. M. (2006)). Hence, the critical ratio (2.966) of kurtosis was less than 5.0, indicating the data satisfies multivariate normality.

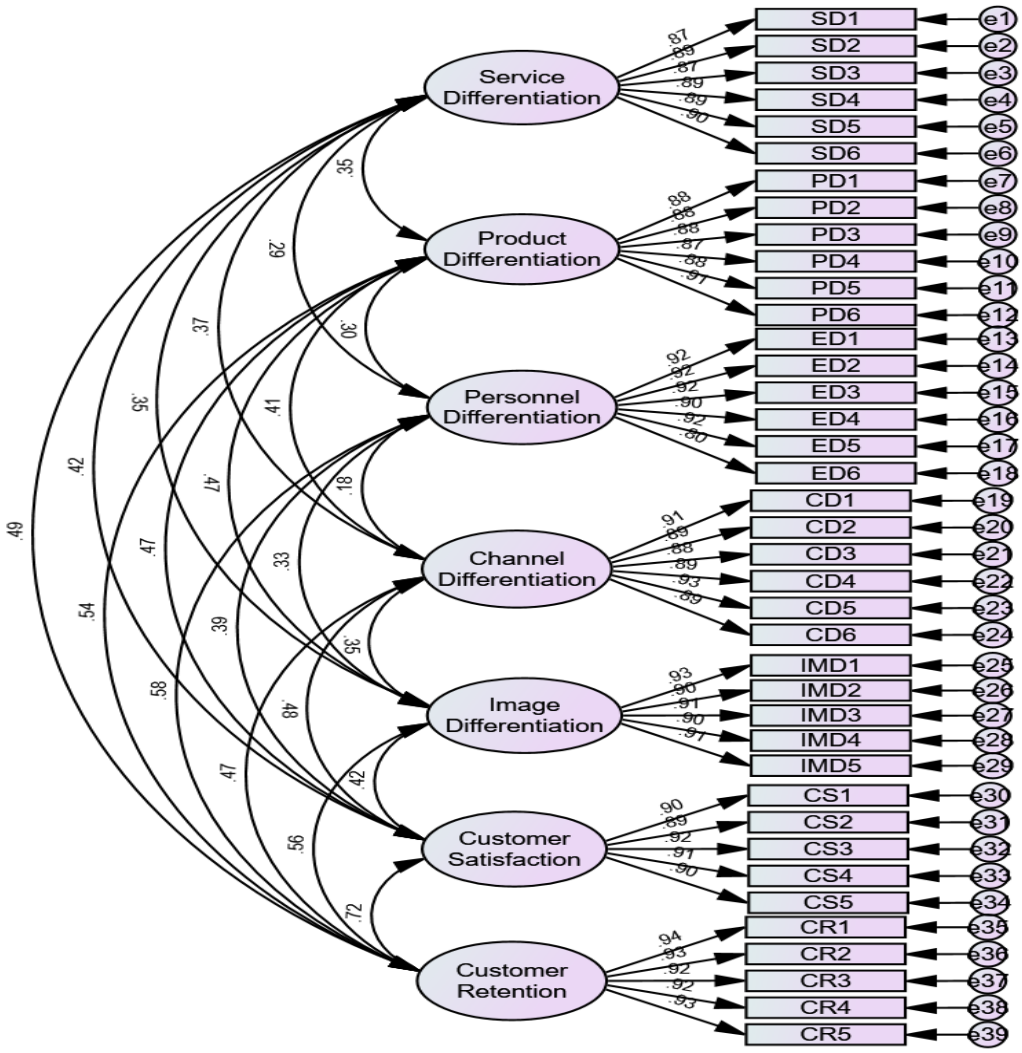

Figure 3: CFA model

Source: own Amos v26 analysis result 2024/25

4.4.3. Model fit test

Several fit indices are used in AMOS method, to evaluate how well the suggested model matches the data that has been obtained. These indicators assist researchers in assessing how well their theoretical model captures the real data that was gathered. Chi-square used to test the model fit, in which the null hypothesis was non-significant, that indicate model fit. The CFI evaluates how well

a user-specified model fits against a standard framework, typically an independent framework. TLI compared the given model to a null modeling while accounting for the complexity of the model. Threshold value of GFI is close to 0.9,AGFI,TLI,CFI were greater than 0.9 and also RMSEA, SRMR value less than 0.08 regarded as indicating good fit (Byrne, B. M. (2001)); Kline, R. B. (2023); Schumacker, R. E., & Lomax, R. G. (2004); Gaskin, J., & Lim, J. (2016)).

Table 18: Model fit measures

Measure	Estimate	Terrible	Acceptable	Excellent	Threshold	Interpretation
CMIN	1281.407				--	--
DF	681.000				--	--
CMIN/DF	1.882	>5	>3	>1	Between 1 and 3	Excellent
CFI	0.967	<0.9	<0.95	>0.95	>0.95	Excellent
SRMR	0.030	>0.1	>0.08	<0.08	<0.08	Excellent
RMSEA	0.047	>0.08	>0.06	<0.06	<0.06	Excellent
PClose	0.867	<0.01	<0.05	>0.05	>0.05	Excellent

Source: own analysis result 2024/25

4.5. Path analysis

Squared multiple correlation coefficient (R^2) indicates that how much the independent variables explain dependent and mediator variables. Where Squared multiple correlation coefficient(R^2) is 0 means not relationship, 0-0.3 low relationship, 0.3-0.7 moderator relationship 0.7-1 high relationship and 1 all variance of dependent variable, mediator variable explained independent variables (Hair, J. (2009); Kline, R. B. (2023);Byrne, B. M. (2001)). Hence the path analysis result in table 10; show that 41.1% of the variance of Customer satisfaction explained by Service differentiation strategy, product differentiation strategy, personnel differentiation strategy, channel differentiation strategy, and image differentiation strategy variables and the remaining 58.9% explained by other variables. Similarly 70.1% the variance of customer retention explained by

these variables but the remaining 29.9% explained by others variables. Therefore the relationship among independent variables and mediator variable was moderate but the relationship among dependent variable & independent variables were high.

Table 19: Squared multiple correlations

	Estimate
Customer Satisfaction	.411
Customer Retention	.707

Source: own analysis result2024/25

Correlation

According to Gogtay and Thatte (2017), correlation indicates if there is a positive or negative link between variables.0 to 0.5 suggests a weak positive association, -0.5 to 0 shows a weak negative relationship, ±0.5 to ±1 indicates a strong positive/negative link, and ±1 represents a perfect positive/negative relationship.

In Figure 4, the CFA model above shows the correlation of independent and dependent variables.

A moderately positive and statistically significant correlation between service differentiation strategy and customer retention was found ($r = 0.487$, $p < 0.05$), indicating that increase the level of service differentiation would result in a higher level of customer retention. Likewise, a moderately positive and statistically significant relationship was found between the service differentiation strategy and satisfaction of the customer (r equals to 0.419, p-value<0.05), indicating that increase the level of service differentiation would result in a higher level of customer satisfaction.

Product differentiation strategy and customer retention were found to have a statistically significant and strongly positive correlation ($r = 0.538$, $p < 0.05$), indicating that a higher level of product differentiation would result in a higher level of customer retention. An increase in product differentiation would result in a higher level of customer satisfaction, as evidenced by the moderately positive and statistically significant relationship between the strategy and customer satisfaction ($r = 0.475$, $p < 0.05$).

The correlation coefficient between the personnel differentiation strategy and customer retention was identified as strongly positive and statistically significant ($r=0.581$, $p<0.05$); this indicates that

an enhancement in personnel differentiation is associated with an increase in customer retention. The correlation coefficient between the personnel differentiation strategy and customer satisfaction was determined to be moderately positive and statistically significant ($r=0.392$, $p<0.05$); this suggests that an improvement in personnel differentiation correlates with a rise in customer satisfaction.

The correlation coefficient between the channel differentiation strategy and customer retention was identified as moderately positive and statistically significant ($r=0.472$, $p<0.05$); this indicates that an enhancement in channel differentiation is associated with an increase in customer retention. The correlation coefficient between the channel differentiation strategy and customer satisfaction was similarly determined to be moderately positive and statistically significant ($r=0.477$, $p<0.05$); this implies that an augmentation in channel differentiation correlates with elevated levels of customer satisfaction.

An improvement in image differentiation is likely to lead to higher customer retention, according to the statistically significant and strongly positive correlation coefficient between image differentiation strategy and customer retention ($r=0.561$, $p<0.05$). Additionally, it was found that there was a moderately positive and statistically significant correlation between image differentiation strategy and customer satisfaction ($r=0.419$, $p<0.05$), indicating that higher customer satisfaction is linked to improved image differentiation.

The correlation of customer satisfaction and customer retention was found to be strong positive and statistically significant ($r = 0.725$, $p < 0.05$); this shows that an increase of customer satisfaction would lead to a higher customer retention.

4.6. Testing for hypothesis

The data was tested and provided basic data on the effects of differentiation strategy on customer retention based on the results shown in table below; To gather useful information and prevent achievements relate to in the results, the one conducting the study in this study employs a different test to assess individual hypothesis.

In order to determine the mediating effect of satisfaction between differentiation strategy and customer retention, as suggested by Baron and Kenny (1986), the researcher first examines the effect of differentiation strategy on customer retention, followed by the effects of differentiation

strategy on customer satisfaction and customer satisfaction on customer retention. To examine the effect of each differentiation strategy on customer retention used p-value and standardized coefficient.

Total effect of variables

Total effect of independent variables included both the direct effect and indirect effect of variables. The total effect of Service differentiation strategy, product differentiation strategy, personnel differentiation strategy, channel differentiation strategy, and image differentiation strategy variables on customer retention indicates the sum of direct and indirect effect of these variable.

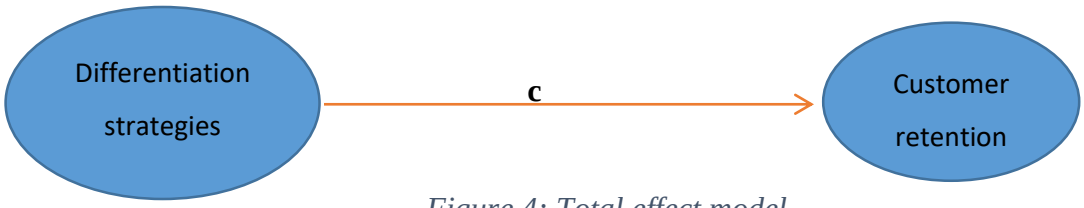

Figure 4: Total effect model

Source; own researcher 2024/25

H1: There is significant relationship between service differentiation and customer retention

Hence, the p-value is less than 0.05, and zero is not falling between the upper and lower bounds in tables 11 & 12 given below, in which the relation between service differentiation and customer retention is positive and significant. Reject a null hypothesis (there isn't positive and significant relationship among service differentiation & customer retention) and accept the alternative hypothesis; therefore, service differentiation have significant and positive impact on customer retention in commercial banks in Ethiopia. This study argues the study conducted by Kumar, V., & Reinartz, W. (2016) and Birhanu, D. (2022). Commercial banks that differentiate their service from other competitors can attract more customers to stay working for a long period of time.

H2: There is significance relationship between product differentiation and customer retention

Hence, the p-value is less than 0.05, and zero is not falling between the upper and lower bounds in tables 11 & 12 given below. Reject a null hypothesis (there isn't positive and significant

relationship among product differentiation and customer retention) and accept the alternative hypothesis, which states that product differentiation have significant and positive impact on customer retention. This supports the idea of Wambaka, K., and Adegbuyi, O. (2021) and Shrotriya, V. (2019), Birhanu, D. (2022), and Aaker, D. A., and Jacobson, R. in 2001. Commercial banks effectively improve customer retention rates by providing product differentiation strategies.

H3: There is significance relationship between personnel differentiation and customer retention

Hence, the p-value is less than 0.05, and zero is not falling between the upper and lower bounds given in tables 11 & 12. Reject a null hypothesis (there isn't positive and significant relationship among personnel differentiation & customer retention) and accept the alternative hypothesis. Personnel differentiation have significant and positive impact on customer retention. Commercial banks effectively improve customer retention rates by providing personnel differentiation strategies. This idea argues the study conducted by Darzi, M. A., and Bhat, S. A. (2018); Gustafsson et al. (2005); Lemon & Verhoef (2016), and Birhanu D (2022). Commercial banks effectively improve customer retention rates by providing personnel differentiation strategies.

H4: There is significance relationship between channel differentiation and customer retention

Hence, the p-value is less than 0.05, and zero is not falling between the upper and lower bounds given in tables 11 & 12; the relation between channel differentiation and customer retention is significant. Reject a null hypothesis (there isn't positive and significant relationship among channel differentiation and customer retention) and accept the alternative hypothesis. Channel differentiation have significant and positive impact on customer retention. Banks used different channel types to address their products or services to customers, like branches and digital technology. Furthermore, banks have convenient placement near one's house or place of business and convenient opening and closing hours (Mekonen, M., Nair, P., and Deogaonkar, A. (2022)). This study argues that Lemon and Verhoef (2016) and Birhanu, D. (2022) studies show businesses may enhance customer retention by implementing channel differentiation strategies to create more channel types based on customer needs. Commercial banks effectively improve customer retention rates by providing channel differentiation strategies.

H5: There is significance relationship between image differentiation and customer retention

Hence, the p-value is less than 0.05, and zero is not falling between the upper and lower bounds given in Tables 11 & 12. Reject a null hypothesis (there isn't positive and significant relationship among channel differentiation & customer retention) and accept the alternative hypothesis. The relation between image differentiation and customer retention is positive and significant. This study argues that the studies conducted by Kiprono, B. K., and Kinyua, G. M. (2021) and Birhanu, D. (2022) argue and do not support Halim P. and colleagues (2014) studies. Customers are more likely to stick with a brand over time when they believe it to be distinctive and attractive as a result of a successful image differentiation strategy. By offering solutions for image distinction, commercial banks successfully raise customer retention rates.

H6: There if significance relationship between Customer satisfaction and customer retention.

According to table 11, given below, the p-value is significant in the relationship between customer satisfaction and customer retention; customer satisfaction had significant and positive impact on customer retention. This study supports the study conducted by Al-Msallam, S. (2015) and Chiguvi, D., & Guruwo, P. T. (2017) that a statistically significant and positive correlation was found among customer retention and customer satisfaction.

H7: There is significance relationship between service, product, personnel, channel, image differentiation and customer satisfaction

Hence p-value of each differentiation strategy types and customer satisfaction are positive and significant, service differentiation strategy has positive and significance effect on customer satisfaction, product differentiation has positive and significance effect on customer satisfaction, personnel differentiation has positive and significance effect on customer satisfaction, channel differentiation has positive and significance effect on customer satisfaction and image differentiation has positive and significance effect on customer satisfaction

Table 20: Regression weights

Hypothesis			Estimates	S.E	C.R	P	
Customer Satisfaction	<---	Service differentiation	.157	.049	3.206	.001	Supported
Customer Satisfaction	<---	Product differentiation	.200	.052	3.848	***	Supported
Customer Satisfaction	<---	Personnel differentiation	.195	.043	4.518	***	Supported
Customer Satisfaction	<---	Channel differentiation	.254	.047	5.417	***	Supported
Customer Satisfaction	<---	Image differentiation	.105	.048	2.211	.027	Supported
Customer Retention	<---	Service differentiation	.107	.037	2.909	.004	Supported
Customer Retention	<---	Product differentiation	.107	.039	2.727	.006	Supported
Customer Retention	<---	Personnel differentiation	.278	.034	8.291	***	Supported
Customer Retention	<---	Channel differentiation	.083	.036	2.301	.021	Supported
Customer Retention	<---	Image differentiation	.178	.036	4.956	***	Supported
Customer Retention	<---	Customer Satisfaction	.412	.042	9.701	***	Supported

Source: own Amos v26 analysis result 2024/25

Table 21: Total effect

Path	Lower bound	Upper bound	P-value
Image differentiation → Customer retention	.128	.323	0.001
Channel differentiation →Customer retention	. 097	.279	0.001
Personnel differentiation →Customer retention	.288	.466	0.001
Product differentiation →Customer retention	.082	.292	0.001
Service differentiation →Customer retention	.078	.262	0.002
Customer satisfaction → Customer retention	.269	.509	0.001

Source: own analysis 2024/25

Direct and indirect effect of variables

In SEM model path analysis, the direct relationship between differentiation strategies and customer retention is analyzed without the mediator role of customer satisfaction, and the effect of differentiation strategies on customer retention is also analyzed with the mediator role of customer satisfaction.

The paths shown in Fig5 illustrate the effect of independent variables (service differentiation strategy, product differentiation strategy, personnel differentiation strategy, channel differentiation strategy, and image differentiation strategy variables) on customer retention without customer satisfaction and with customer satisfaction. That means the effect of each differentiation variable on customer retention without customer satisfaction used as a mediator shows a direct effect, and the effect of each differentiation variable on customer retention through customer satisfaction shows an indirect effect. Such that the indirect effect should be partially or fully describe the relationship between differentiation strategies and customer retention. The indirect effect of each independent variable on dependent variables through a mediator is measured as "ab" (Hayes, A. F., & Scharkow, M. (2013)). Full mediation happens when c' is not significant, but if c' is

significant, there is partial mediation (Baron, R. M., & Kenny, D. A. (1986); Preacher, K. J., & Hayes, A. F. (2004)). Full mediation happens when differentiation strategy affects customer retention through customer satisfaction, which means no direct effect of differentiation strategy on customer retention or c' is not significant.

Differentiation strategies ⟹ Customer retention

Differentiation strategies ⟹ Customer satisfaction ⟹ Customer retention

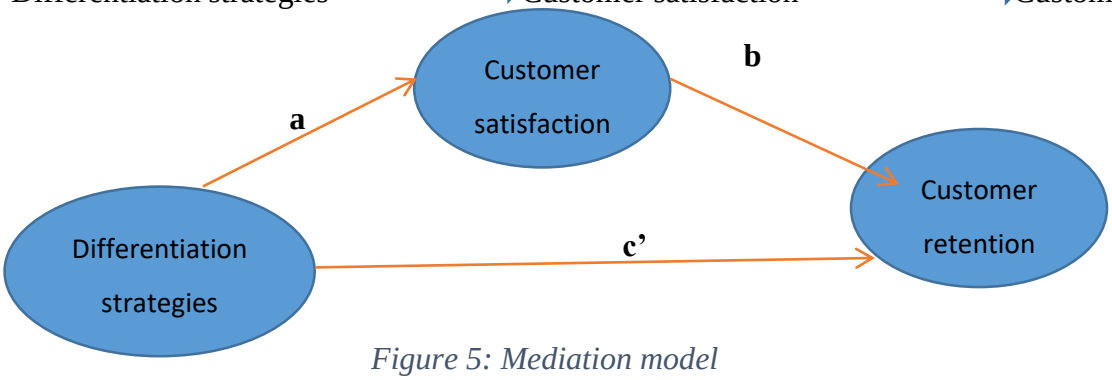

Figure 5: Mediation model

Source; own the researcher 2024/25

H8a: customer satisfaction mediates the relationship among service differentiation & customer retention.

Because of, the p-value values cited are 0.002 and 0.006 from tables 13 and 14, which are significantly less than 0.05. Researchers could reach the conclusion that customer satisfaction partially mediates between service differentiation and customer retention. This indicated that although service differentiation has a direct impact on customer retention, a portion of the effect is brought about by its impact through customer satisfaction. Vakulenko, Y., Arsenovic, J., Hellström, D., & Shams, P. (2022) support this study; service differentiation increases satisfaction and retention. This means customer satisfaction mediates between service differentiation and customer retention.

H8b: customer satisfaction mediates the relationship between product differentiation and customer retention.

Hence, the p-value values cited are 0.02 and 0.002 from table 13 and table 14, which are significantly less than 0.05. Researchers could reach the conclusion that customer satisfaction partially mediates between product differentiation and customer retention. This indicated that although product differentiation has a direct impact on customer retention, a portion of the effect

is brought about by its impact through customer satisfaction. This study argues Aballa L. (2018) study that product differentiation, customer satisfaction, and customer retention have positive and significant relationships between them. These indicate that customer satisfaction has a mediating role between product differentiation and customer retention.

H8c: customer satisfaction mediates the relationship between personnel differentiation and customer retention.

As a result, the p-value values cited are 0.001 from table 13 and table 14, which are significantly less than 0.05. Researchers could reach the conclusion that customer satisfaction partially mediates the relationship between personnel differentiation and customer retention. This indicated that although personnel differentiation has a direct impact on customer retention, a portion of the effect is brought about by its impact through customer satisfaction. This study has similar results to Darzi, M. A., and Bhat, S. (2018) and Budur, T., & friends (2021); there were a significant and positive relationship among personnel differentiation, customer satisfaction, and customer retention. This means personnel differentiation has positive significance on customer retention and customer satisfaction, and customer satisfaction mediates between personnel differentiation and customer retention. The researcher concludes that customer satisfaction has a mediating role between differentiation strategy and customer retention.

H8d: customer satisfaction mediates the relationship between channel differentiation and customer retention.

As a result, the p-value values cited are 0.048 and 0.001 from table 13 and table 14, which are significantly less than 0.05. Researchers could reach the conclusion that customer satisfaction partially mediates between channel differentiation and customer retention. This indicated that although personnel differentiation has a direct impact on customer retention, a portion of the effect is brought about by its impact through customer satisfaction. Hence, digital banking services are one of the channels; this study has supports the study conducted by Hadid, K. I. (2021). There was a significant and positive relationship between digital quality, customer retention, and customer satisfaction in the commercial banking sector. The researcher concludes that customer satisfaction has a mediating role between channel differentiation and customer retention in commercial banks in Ethiopia.

H8e: customer satisfaction mediates the relationship between image differentiation and customer retention.

P-values are 0.001 and 0.27, less than 0.05 from direct table 13 and indirect effect table 14, respectively. Image differentiation had a significant and positive impact on customer retention, and customer satisfaction has a positive and significant effect on customer retention. These indicate that customer satisfaction mediates the relationship between image differentiation and customer retention in commercial banks in Ethiopia. This has a similar result to Alene, A., in 2022, and Onyancha, G. K., in 2013, who argued that brand image, customer retention, and customer satisfaction had a significant and positive relationship. But not support idea of Rusmahafi, F. A., and R. Wulandari (2020); Adi, P. and colleagues (2019)) that brand image did not significantly affect client satisfaction. Therefore, customer satisfaction mediates between brand image differentiation and customer retention.

Table 22: Direct effect

Path	Lower bound	Upper bound	P-value
Image differentiation → Customer retention	. 094	.275	.001
Channel differentiation →Customer retention	.001	.170	.048
Personnel differentiation →Customer retention	.206	.383	.001
Product differentiation →Customer retention	.016	.199	.020
Service differentiation →Customer retention	.031	.183	.006
Customer satisfaction→ Customer retention	.290	.509	.001

Source: own analysis result 2024/25

Table 23: Indirect effect

Path	Lower bound	Upper bound	P-value
Image differentiation → Customer retention	.002	.097	.027
Channel differentiation →Customer retention	.059	.162	.001
Personnel differentiation →Customer retention	.041	.136	.001
Product differentiation →Customer retention	.031	.137	.002
Service differentiation →Customer retention	.018	.115	.002
Customer satisfaction→ Customer retention	.000	.000	…..

Source: own analysis result 2024/25

Table 24: Mediation test

Hypothesis	Total effect	Indirect effect	Direct effect	Result
SD	+ Significant	+ Significant	+ Significant	Partial mediation
PD	+ Significant	+ Significant	+ Significant	Partial mediation
ED	+ Significant	+ Significant	+ Significant	Partial mediation
CD	+ significant	+ Significant	+ Significant	Partial mediation
IMD	+ Significant	+Significant	+ Significant	Partial mediation

Source: own analysis result 2024/25

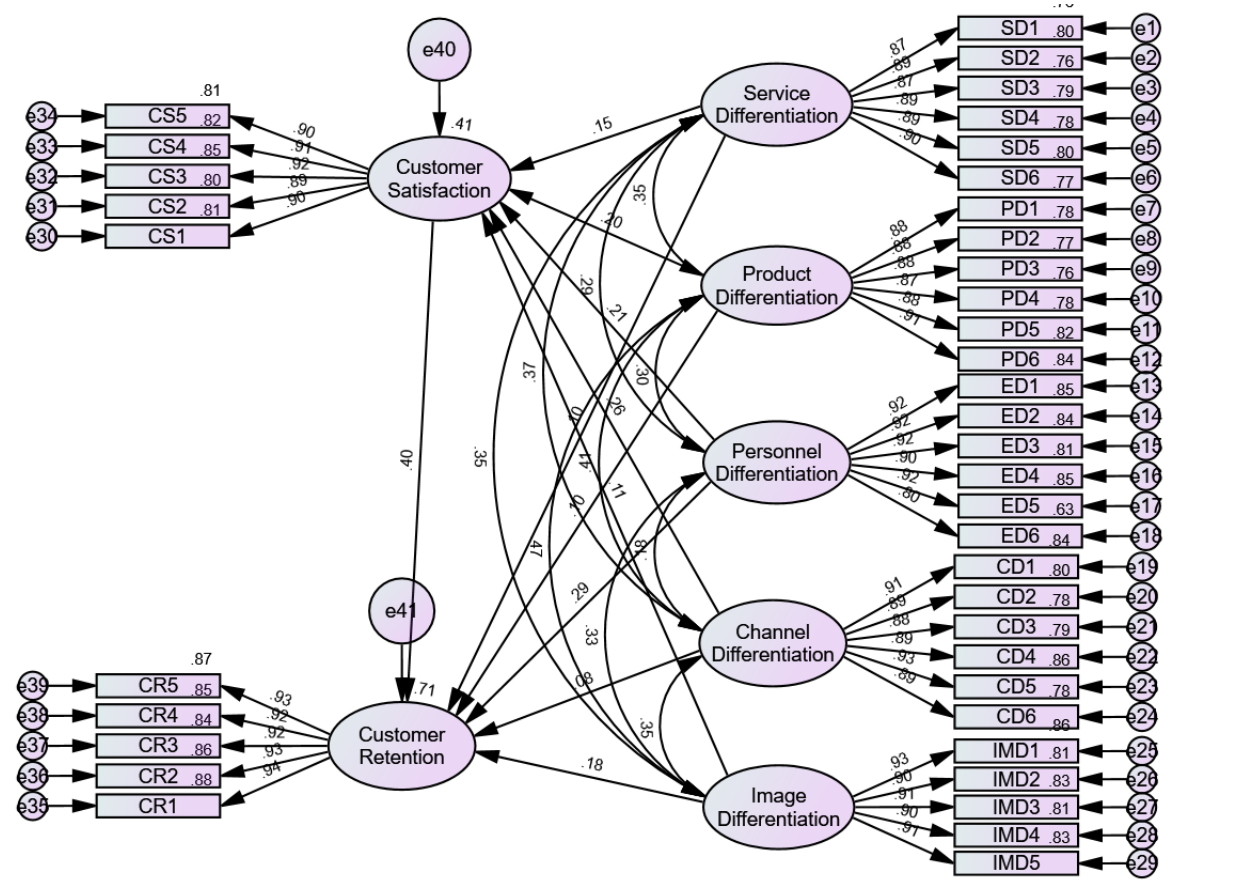

Figure 6: Structural equation model

Source; own Amos v26 result 2024/25

4.7. Total mediation effect

Total mediation test used to test mediation impact of customer satisfaction on a relationship among differentiation strategy and customer retention.

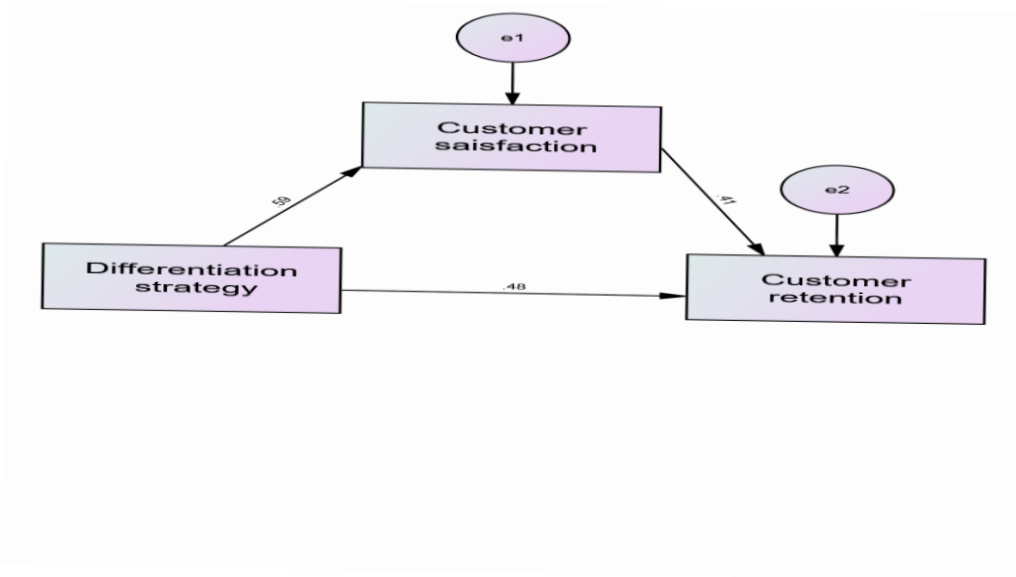

Figure 7: total mediation test model

Source: Amos v26 result2024/25

Table 25: overall mediation test

Variables	Standardized coefficient	Effects	p-value	Result
DS—CR	0.724	Total effect	0.001<0.05	Significant
DS---CR	0.484	Direct effect	0.001<0.05	Significant
DS-CS-CR	0.24	Indirect effect	0.001<0.05	Significant

Source: own result Amos v26 analysis result 2024/25

Hence, the p-value of the total, direct, and indirect effects of the model was less than 0.05 (the p-value was significant), which means customer satisfaction mediates between differentiation strategy and customer retention. Which means any positive effect of differentiation strategy has kept customers using bank services because it initially improved customer satisfaction levels.

CHAPTER FIVE

5. Summary of finding, conclusion and recommendation

A purpose of this research was examine the influence of differentiation strategy on customer retention; the mediator role of customer satisfaction on three selected commercial banks in Ethiopia. This chapter consists of summary of finding, conclusion, recommendation and limitation and next researcher.

5.1. Summary of finding

The key objectives of this research were to figure out how differentiation strategy (service, product, personnel, channel, and image differentiation) impacts customer retention in commercial banks in Addis Ababa city, Ethiopia. Additionally, the research looked at the mediating function of customer satisfaction in a relationship among dependent and independent variables.

A slight majority of the respondents were male (53.9%) compared to female (46.1%), with regards to age; the majority of respondents were adults and old. 75.1% of the respondents were educated. Almost 49% of the respondents have an income level above 6000 birr. 13% of customers used bank services for 1-5 years, 34.4% for 6-10 years, 33.6% for 11-15 years, and 19% for more than 15 years.

Hence, the threshold values of GFI, AGFI, TLI, and CFI were greater than 0.9, and also RMSEA and SRMR values were less than 0.08; the research model was fit. Variables were satisfied by both reliability and validity, in which composite reliability (CR), MSV > 0.7, AVE > 0.5, CR > AVE, and MSV < AVE HTMT < 0.9.

To determine how the independent variable affects the mediator and dependent variables, the researcher uses squared multiple correlation (R2). Therefore, the variables of service, product, personnel, channel, and image differentiation contribute to 41.1% of the variance in customer satisfaction, while other variables account for the remaining 58.9%. Similarly, these factors contribute to 70.1% of the variance in customer retention, with other factors contributing to the

remaining 29.9%. Consequently, there was a high correlation among dependent and independent variables, but a moderate relationship among independent variables and the mediator variable.

Hence, the p-value total effect (0.002), direct effect (0.006), and indirect effect (0.002) of service differentiation were significant, in which service differentiation has a positive and significant effect on customer retention, and customer satisfaction has the mediator role between them. Similarly, the total effect of product differentiation, personnel differentiation, channel differentiation, and image differentiation on customer retention is positive and significant at a p-value of 0.001. Direct effects of product differentiation (0.02), personnel differentiation (0.001), channel differentiation (0.48), and image differentiation (0.001) and indirect effects of product differentiation, personnel differentiation, channel differentiation, and image differentiation are 0.002, 0.001, 0.001, and 0.037, respectively. Which indicated that product differentiation, personnel differentiation, channel differentiation, and image differentiation have positive and significant effects on customer retention, and customer satisfaction has the mediating role between them. Hence p-value of the total mediation model was less than 0.05, in which customer satisfaction mediated between differentiation strategy and customer retention in commercial banks in Ethiopia.

5.2. Conclusion

The main objective of this research to examine perceived the effect of differentiation strategy on customer retention on the mediator role of customer satisfaction in commercial banks in Addis Ababa, Ethiopia. The existence of differentiation strategies contribute to customer satisfaction and customer retention in commercial banks in Ethiopia.

Service differentiation, product differentiation strategy, channel differentiation, personnel differentiation and image differentiation strategy have positive and significant effect on customer retention. Customer satisfaction serves as partial mediator on the relationship between differentiation strategy (Service differentiation, product differentiation strategy, channel differentiation, personnel differentiation, and image differentiation strategy) and customer retention. Differentiation strategy have positive and significant effect on customer satisfaction and customer retention. Customer satisfaction has mediator role of the relationship between

differentiation strategy and customer retention. Therefore customer satisfaction mediates b/n differentiation strategy and customer retention in the case of commercial banks in Ethiopia.

5.3. Recommendation

Among other things, it was suggested based on the results, discussions, and conclusion that: Banks should provide differentiation strategy to satisfy and retain their customers.

Creating an excellent interaction with customers requires differentiating employees. Banks may significantly enhance customer interactions by building a responsive culture and training staff to deliver exceptional customer service. Employing skilled people and providing ongoing training are crucial for businesses to make sure that their employees have the skills to address a range of client needs.

Businesses should concentrate on product differentiation by developing offerings that are superior in terms of quality, functionality, or design in order to increase consumer satisfaction. Product development by understanding customer behaviors and preferences, ensuring that final products meet or exceed consumer expectations. For example commercial banks give high interest rate on saving account or providing flexible repayment option on loan for loyal customers.

Banks should improve their methods for service differentiation in order to increase customer retention and happiness. This can be accomplished by offering distinctive offerings that rivals don't provide, such as, providing customized financial solutions that address particular client requirements, including investment plans or loan packages customized to each client's financial objectives. Offering extra services to assist clients in better managing their money, like budgeting tools, financial education seminars, or access to financial consultants.

Banks should improve their distribution channels to increase convenience and accessibility to customers. Banks provide more channel option to customer to satisfy their needs. Making sure that mobile apps, ATM, physical branches, and internet banking platforms all integrate smoothly so that users may move between channels with easily.

5.4. Limitation and direction of further research

This study focus on three banks in Addis Ababa city. Future researcher ought to involve customers outside Addis Ababa city and include other banks customers.

This study consider service differentiation strategy, product differentiation strategy, personnel differentiation strategy, channel differentiation strategy, image differentiation strategy variables that affect customer retention through the mediator role of customer satisfaction. But other factors can affect customer retention. Future researcher should include other variables that impact on customer retention for the purpose of further evidence.

This study focus on customer perception, did not include employee perception. Future researcher include both bank's employee and customers.

This study used quantitative data only. Future researcher should include qualitative data like interview type for further generalization of the result.

This study used customer satisfaction as mediator variable, but the next researcher should include other mediator variables or moderator variable for the relationship between differentiation strategy and customer retention and also implement this study on other industry.

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Appendix A; questionnaire

Addis Ababa University

College of business and economics

Dear respondents: I appreciate the topic at hand and would like to clarify that I am a second-year Master of Art student at the university mentioned above studying business administrations. I need to gather material for my thesis, thus I appreciate your help and readiness to provide accurate data. Please be aware that any information you submit will be kept private and used exclusively for academic purposes. Although I am aware of how essential your time is, I respectfully ask that you take a few minutes to complete the questionnaire. If you have any problems. You can reach me at tilahungetasewtilahun4@gmail.com.

Regards

Getasew Tilahun

PART ONE: DEMOGRAPHIC DATA

Kindly select the correct response and put (√) to each question of the space provided.

NO	Item	Category	Response
1	Gender	Male	
		Female	
2	Age	18-35	
		36-53	
		Above 54	
3	Level of education	Below diploma	
		Diploma	
		Degree	
		Masters	
		PhD and above	
4	Monthly income level	Below 3000 Birr	
		3001-6000 Birr	
		6001-9000 Birr	
		above 9000 Birr	
5	Number of years to use this bank services	1-5 years	
		6-10 years	
		More than 10 years	

PART TWO: questionnaires related to differentiation strategies, customer satisfaction and customer retention. Please indicate your level of agreement with each statement by placing a (√) mark under the designated location.

Note: 1 = Strongly Disagree 2 = Disagree

3 = Neutral 4 = Agree

5 = Strongly Agree

Measuring item		Measuring scale				
		1	2	3	4	5
	1. Differentiation strategy					
SD	Service differentiation					
SD1	Bank have commission incentives to customers who give us referrals.					
SD2	Bank services provide unique experiences to customers.					
SD3	Bank staffs provide consistent service to customers.					
SD4	Bank provide customer portal services and other unique online services.					
SD5	There is promptness in handling customer's complaints.					
SD6	Bank use customer feedback to improve services.					
PD	Product differentiation					
PD1	Products are customized according to the customer requirements.					
PD2	The products are differentiated based on socio demographic such as age, gender and income levels					
PD3	The bank products are differentiated based on the operating region.					
PD4	The product quality, and reliability is better than the competitors.					
PD5	The pricing model for the products is unique.					
PD6	The bank promotes product credibility and transparency					
PED	Personnel differentiation					
ED1	The employees of the bank have the skills to do the job					
ED2	Employees of the bank are attentive and polite to deal with customers.					
ED3	The employees of this company are honest and intimate.					
ED4	Bank employees provides accurate and stable services.					
ED5	Bank's staff collaborates to respond customer requests and fix their problems.					
ED6	Employees of the bank have the ability to understand the needs and preferences of their customers.					

CD	Channel differentiation					
CD1	The services delivered by the channel are efficient					
CD2	The location of the channel is convenient					
CD3	The channel's communication system ensures speedy service delivery					
CD4	The bank secures customer information properly.					
CD5	The bank provides clear and easy-to-follow service instructions					
CD6	The bank offers sufficient and timely financial information.					
IMD	Image differentiation					
IMD1	Customers perceive the image of bank positively.					
IMD2	Bank's products and services appeal to customers.					
IMD3	Bank development constant of distinct image.					
IMD4	Bank built and established personality brand.					
IMD5	Advertising and communication shapes the image of the bank.					
CS	2. Customer Satisfaction					
CS1	The bank satisfies customers					
CS2	The bank provides adequate services					
CS3	The bank meets customer expectations					
CS4	The bank fulfil promises.					
CS5	The bank ensures security or privacy					
CR	3. Customer Retention					
CR1	I prefer my bank to any other bank in Ethiopia					
CR2	I shall continue to hold an account with this bank					
CR3	I talk positive things about this bank.					
CR4	I have encouraged others to bank with this bank					
CR5	I consider this bank as my first choice					

I TRULY THANK YOUR COOPERATION!!!!!!

Appendix B; ጥያቄዎች

አዲስ አበባ ዩኒቨርስቲ

ቢዝነስ እና ኢኮኖሞክስ ኮሌጅ

የተከበራችሁ ምላሽ ሰጪዎች: በቅድሚያ ለምትሰጡን ምላሽ እያመሰገንሁ ፤ በአዲስ አበባ ዩኒቨርስቲ በቢዝነስ እና ኢኮኖሚክስ ኮሌጅ የ2ኛ አመት ተማሪ ስሆን ለመመረቂያ ፅሑፌ ከደንበኞች መልሶችን ማሰባሰብ አለብኝ፣ ስለዚህ ለእርዳታዎ እና ትክክለኛ መረጃ ለመስጠት ዝግጁነትዎን ከወዲሁ አመሰግናለሁ። እባኮትን የምታስገቡት ማንኛውም መረጃ በምስጢር ተጠብቆ ለአካዳሚክ ዓላማ ብቻ ጥቅም ላይ እንደሚውል አስታውስ። ጊዜህ ምን ያህል አስፈላጊ እንደሆነ ባውቅም፣ መጠይቁን ለመሙላት ጥቂት ደቂቃዎችን እንድትወስድ በአክብሮት እጠይቃለሁ። ማንኛውም ችግር ካጋጠመዎት ከዚህ በታች ባለዉ ኢሜል ልትደርሱኝ ትችላላችሁ

ኢሜል አድራሻ፤tilahungetasewtilahun4@gmail.com.

ከሰላምታ ጋር

ጌታሰዉ ጥላሁን

ክፍል አንድ: ስለመላሾች አጭር ታሪክ

መመሪያ፡እባክዎ ከቀረቡት አማራጮች ዉስጥ ትክክለኛ መልስ ራይት ምልክት (√) ያድርጉ

ተ.ቁ	ጥያቄዎች	ምድብ	ምላሽ
1	ፆታ	ወንድ	
		ሴት	
2	እድሜ	18-35	
		36-53	
		ከ 54 በላይ	
3	የትምህርት ደረጃ	ከዲፕሎማ በታች	
		ዲፕሎማ	
		ዲግሪ	
		ማስትርስ	
		ፒኤችዲ እና በላይ	
4	ወራዊ ገቢ	ከ 3000 ብር በታች	
		ከ3001-6000 ብር	
		6001-9000 ብር	
		ከ9000 ብር በላይ	
5	ከባንኩ አገልግሎት የጀመሩበት አመት	1-5 አመት	
		6-10 አመት	
		ከ 10 አመት በላይ	

መመሪያ ሁለት፡ ከልዩነት ስልቶች፣ የደንበኞች እርካታ እና የደንበኛ ማቆየት ጋር የተያያዙ መጠይቆች። እባኮትን በተዘጋጀው ቦታ ስር (√) ምልክት በማድረግ ከእያንዳንዱ መግለጫ ጋር የስምምነት ደረጃዎን ያመልክቱ። 1 = በፍፁም አልስማማም 2 = አልስማማም

3 = ገለልተኛ 4 = እስማማለሁ 5 = በጣም እስማማለሁ

የመለኪያ አይነቶች		መለኪያ መስፈርቶች				
		1	2	3	4	5
SD	የአገልግሎት ልዩነት					
SD1	ደንበኛ ለሚያመጡ ደንበኞች ባንክ የኮሚሽን ማበረታቻ አለው።					
SD2	የባንክ አገልግሎቶች ለደንበኞች ልዩ ልምዶችን ይሰጣሉ.					
SD3	የባንክ ሰራተኞች ለደንበኞች የማያቋርጥ አገልግሎት ይሰጣሉ.					
SD4	ባንክ ለደንበኛ ፖርታል አገልግሎቶች እና ሌሎች ልዩ የኦንላይን አገልግሎቶችን ይሰጣል።					
SD5	ባነኩ የደንበኛ ቅሬታዎችን በማስተናገድ ረገድ ፈጣንነት አለዉ					
SD6	ባንክ አገልግሎቶችን ለማሻሻል የደንበኞችን አስተያየት ይጠቀማል።					
PD	የምርት ልዩነት					
PD1	ምርቶቹ ደንበኞች በሚፈልጓቸዉ መሰረት የተዘጋጁ ናቸዉ					
PD2	ምርቶቹ የሚለያዩት እንደ ዕድሜ፣ ጾታ እና የገቢ ደረጃዎች ባሉ ማህበራዊ ስነ-ሕዝብ ላይ በመመስረት ነው።					
PD3	የባንኩ ምርቶች በአሠራራቸዉ ከቦታ ቦታ ይለያሉ					
PD4	የምርት ጥራት, እና አስተማማኝነት ከተወዳዳሪዎቹ የተሻለ ነው.					
PD5	የባንኩ ምርቶች ዋጋ ወጥ ነዉ					
PD6	ባንኩ በታማኝነት እና በግልጽነት ምርቱን ያበረታታል					
PED	የሰራተኞች ልዩነት					
ED1	የባንኩ ሰራተኞች ስራውን ለመስራት ክህሎት አላቸው።					

ED2	የባንኩ ሰራተኞች ከደንበኞች ጋር ለመነጋገር በትኩረት እና በጨዋነት የተሞሉ ናቸው.					
ED3	የዚህ ባንክ ሰራተኞች ታማኝ እና ቅርብ ናቸው.					
ED4	የባንክ ሰራተኞች ትክክለኛ እና የተረጋጋ አገልግሎት ይሰጣሉ.					
ED5	የባንኩ ሰራተኞች የደንበኞችን ጥያቄ ለመመለስ እና ችግሮቻቸውን ለማስተካከል ይተባበራሉ።					
ED6	የባንኩ ሰራተኞች የደንበኞቻቸውን ፍላጎት እና ምርጫ የመረዳት ችሎታ አላቸው.					
CD	ተደራሽ ማድረጊያ ልየነት					
CD1	በቻናሉ የሚሰጡ አገልግሎቶች ቀልጣፋ ናቸው።					
CD2	ማሰራጫ ቻናሎች ምቹ ናቸዉ					
CD3	ቻናሎች የሚሰጡት አገልግሎቶች ፈጣን ናቸዉ					
CD4	የደንበኞችን ሚስጢር ይጠብቃሉ					
CD5	ባንኩ ግልጽ እና ለመከተል ቀላል የአገልግሎት መመሪያዎችን ይሰጣል					
CD6	ባንኩ በቂ እና ወቅታዊ የፋይናንስ መረጃዎችን ያቀርባል.					
IMD	ገፅታዊ ልዩነት					
IMD1	ደንበኞች የባንኩን ገፅታ በአዎንታዊ መልኩ ይገነዘባሉ.					
IMD2	የባንኩ ምርቶች እና አገልግሎቶች ደንበኞችን ይማርካሉ.					
IMD3	ባንኩ የተለየ መለያ ገፅታ አለዉ					
IMD4	ባንኩ በግለሰቦች መሰረት ያረገ መለያ አለዉ					
IMD5	ማሰታወቂያዎች የባንኩን ገፅታ ይገነባሉ					
CS	የደንበኞች እርካታ					
CS1	በናኩ ደንበኞችን ያረካል					
CS2	ባንኩ በቂ አገልግሎት ይሰጣል					
CS3	ባንኩ የደንበኞችን ፍላጎት ያሟላል					

CS4	ባንኩ የገባውን ቃል ያሟላል					
CS5	ባንኩ ሚስጥር ጠባቂ ነዉ					
CR	የደንበኞች ማቆያ					
CR1	ኢትዮጵያ ውስጥ ካሉ ባንኮች ይልቅ እኔ ይህንን ባንክ እመርጣለሁ።					
CR2	ከዚህ ባንክ ጋር አብሬ እሰራለሁ					
CR3	ስለዚህ ባንክ ጥሩ ነገር እናገራለሁ					
CR4	ሌሎች ይህንን ባንክ እንዲጠቀሙ አበረታታለሁ					
CR5	ይህ ባንክ የመጀመሪያየ ምርጫነዉ					

ስለትብብርዎ እናመሰግናለን!!!!!!

Appendix C: total effect out put

Total Effects - Two Tailed Significance

	IMD	CD	ED	PD	SD	CS	CR
CS	.042	.001	.001	.002	.003	...	...
CR	.001	.001	.001	.001	.001	.001	...

Standardized Total Effects - Two Tailed Significance (BC)

	IMD	CD	ED	PD	SD	CS	CR
CS	.044	.001	.001	.002	.003	...	...
CR	.001	.001	.001	.001	.002	.001	...

Standardized Total Effects - Lower Bounds

	IMD	CD	ED	PD	SD	CS	CR
CS	.001	.156	.112	.074	.047	.000	.000
CR	.128	.097	.288	.082	.078	.290	.000

Standardized Total Effects - Upper Bounds

	IMD	CD	ED	PD	SD	CS	CR
CS	.222	.374	.305	.314	.263	.000	.000
CR	.323	.279	.466	.292	.262	.509	.000

Standardized Total Effects - Two Tailed Significance

	IIMD	CD	ED	PD	SD	CS	CR
CS	.044	.001	.001	.002	.003	...	...
CR	.001	.001	.001	.001	.002	.001	...

Appendix D: direct effect output

Direct Effects - Two Tailed Significance

	IMD	CD	ED	PD	SD	CS	CR
CS	.042	.001	.001	.002	.003	...	...
CR	.001	.048	.001	.020	.006	.001	...

Standardized Direct Effects - Two Tailed Significance

	IMD	CD	ED	PD	SD	CS	CR
CS	.044	.001	.001	.002	.003	...	...
CR	.001	.048	.001	.020	.006	.001	...

Standardized Direct Effects - Lower Bounds

	IMD	CD	ED	PD	SD	CS	CR
CS	.001	.156	.112	.074	.047	.000	.000
CR	.094	.001	.206	.016	.031	.290	.000

Standardized Direct Effects - Upper Bounds

	IMD	CD	ED	PD	SD	CS	CR
CS	.222	.374	.305	.314	.263	.000	.000
CR	.275	.170	.383	.199	.183	.509	.000

Standardized Direct Effects - Two Tailed Significance

	IMD	CD	ED	PD	SD	CS	CR
CS	.044	.001	.001	.002	.003	...	...
CR	.001	.048	.001	.020	.006	.001	...

Appendix E: indirect effect output

Indirect Effects - Two Tailed Significance (BC)

	IMD	CD	ED	PD	SD	CS	CR
CS	...	...	...	...	...	...	...
CR	.038	.001	.001	.002	.002	...	...

Standardized Indirect Effects - Two Tailed Significance

	IMD	CD	ED	PD	SD	CS	CR
CS	...	...	...	...	...	...	...
CR	.037	.001	.001	.002	.002	...	...

Standardized Indirect Effects - Lower Bounds

	IMD	CD	ED	PD	SD	CS	CR
CS	.000	.000	.000	.000	.000	.000	.000
CR	.002	.059	.041	.031	.018	.000	.000

Standardized Indirect Effects - Upper Bounds

	IMD	CD	ED	PD	SD	CS	CR
CS	.000	.000	.000	.000	.000	.000	.000
CR	.097	.162	.136	.137	.115	.000	.000

Standardized Indirect Effects - Two Tailed Significance

	IMD	CD	ED	PD	SD	CS	CR
CS	...	...	...	...	...	...	...
CR	.037	.001	.001	.002	.002	...	...

Appendix F: Standardized Regression Weight (factor loading)

			Estimate
SD1	<---	Service Differentiation	.874
SD2	<---	Service Differentiation	.892
SD3	<---	Service Differentiation	.874
SD4	<---	Service Differentiation	.891
SD5	<---	Service Differentiation	.885
SD6	<---	Service Differentiation	.896
PD1	<---	Product Differentiation	.879
PD2	<---	Product Differentiation	.884
PD3	<---	Product Differentiation	.876
PD4	<---	Product Differentiation	.873
PD5	<---	Product Differentiation	.883
PD6	<---	Product Differentiation	.905
ED1	<---	Personnel Differentiation	.919
ED2	<---	Personnel Differentiation	.921
ED3	<---	Personnel Differentiation	.918
ED4	<---	Personnel Differentiation	.900
ED5	<---	Personnel Differentiation	.924
ED6	<---	Personnel Differentiation	.796
CD1	<---	Channel Differentiation	.915
CD2	<---	Channel Differentiation	.894

			Estimate
CD3	<---	Channel Differentiation	.881
CD4	<---	Channel Differentiation	.891
CD5	<---	Channel Differentiation	.926
CD6	<---	Channel Differentiation	.886
IMD1	<---	Image Differentiation	.927
IMD2	<---	Image Differentiation	.901
IMD3	<---	Image Differentiation	.910
IMD4	<---	Image Differentiation	.898
IMD5	<---	Image Differentiation	.908
CS1	<---	Customer Satisfaction	.901
CS2	<---	Customer Satisfaction	.894
CS3	<---	Customer Satisfaction	.922
CS4	<---	Customer Satisfaction	.907
CS5	<---	Customer Satisfaction	.901
CR1	<---	Customer Retention	.936
CR2	<---	Customer Retention	.926
CR3	<---	Customer Retention	.916
CR4	<---	Customer Retention	.922
CR5	<---	Customer Retention	.933

Appendix G: Assessment of normality

Variable	Min	Max	skew	c.r.	Kurtosis	c.r.
CR5	1.000	5.000	.248	2.005	-1.472	-5.955
CR4	1.000	5.000	.247	1.997	-1.458	-5.898
CR3	1.000	5.000	.261	2.111	-1.413	-5.716
CR2	1.000	5.000	.232	1.874	-1.420	-5.747
CR1	1.000	5.000	.222	1.798	-1.460	-5.909
CS5	1.000	5.000	.085	.684	-1.488	-6.022
CS4	1.000	5.000	.155	1.257	-1.534	-6.209
CS3	1.000	5.000	.121	.976	-1.518	-6.142
CS2	1.000	5.000	.143	1.154	-1.482	-5.995
CS1	1.000	5.000	.153	1.241	-1.465	-5.928
IMD5	1.000	5.000	.180	1.459	-1.508	-6.104
IMD4	1.000	5.000	.120	.975	-1.479	-5.986
IMD3	1.000	5.000	.102	.827	-1.511	-6.114
IMD2	1.000	5.000	.150	1.216	-1.533	-6.204
IMD1	1.000	5.000	.215	1.743	-1.499	-6.065
CD6	1.000	5.000	.141	1.144	-1.462	-5.916
CD5	1.000	5.000	.175	1.420	-1.536	-6.215
CD4	1.000	5.000	.177	1.432	-1.517	-6.139
CD3	1.000	5.000	.195	1.578	-1.473	-5.962
CD2	1.000	5.000	.173	1.397	-1.512	-6.120

Variable	Min	Max	skew	c.r.	Kurtosis	c.r.
CD1	1.000	5.000	.118	.958	-1.520	-6.150
ED6	1.000	5.000	-.299	-2.420	-1.473	-5.959
ED5	1.000	5.000	-.174	-1.407	-1.497	-6.056
ED4	1.000	5.000	-.187	-1.517	-1.455	-5.888
ED3	1.000	5.000	-.197	-1.598	-1.509	-6.105
ED2	1.000	5.000	-.178	-1.440	-1.476	-5.972
ED1	1.000	5.000	-.147	-1.191	-1.537	-6.218
PD6	1.000	5.000	.031	.247	-1.566	-6.335
PD5	1.000	5.000	-.100	-.813	-1.402	-5.675
PD4	1.000	5.000	-.024	-.195	-1.336	-5.407
PD3	1.000	5.000	-.088	-.708	-1.370	-5.545
PD2	1.000	5.000	.020	.165	-1.439	-5.821
PD1	1.000	5.000	.078	.627	-1.539	-6.228
SD6	1.000	5.000	.154	1.244	-1.595	-6.453
SD5	1.000	5.000	.128	1.039	-1.521	-6.157
SD4	1.000	5.000	.025	.202	-1.445	-5.849
SD3	1.000	5.000	-.006	-.046	-1.411	-5.710
SD2	1.000	5.000	.106	.858	-1.427	-5.776
SD1	1.000	5.000	.106	.856	-1.476	-5.971
Multivariate					16.923	2.966

Appendix H: total variance explained

Total Variance Explained									
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	16.949	43.460	43.460	16.949	43.460	43.460	5.477	14.043	14.043
2	4.197	10.761	54.220	4.197	10.761	54.220	5.302	13.596	27.639
3	3.445	8.833	63.053	3.445	8.833	63.053	5.227	13.403	41.042
4	2.968	7.612	70.665	2.968	7.612	70.665	5.191	13.309	54.351
5	2.261	5.798	76.463	2.261	5.798	76.463	4.594	11.780	66.132
6	2.255	5.782	82.245	2.255	5.782	82.245	4.459	11.434	77.565
7	1.062	2.724	84.969	1.062	2.724	84.969	2.888	7.404	84.969
8	.356	.912	85.881						
9	.323	.829	86.710						
10	.306	.784	87.494						
11	.285	.730	88.224						
12	.276	.709	88.932						
13	.268	.687	89.619						
14	.258	.663	90.282						
15	.248	.637	90.918						
16	.238	.611	91.529						
17	.230	.589	92.118						
18	.218	.559	92.678						
19	.212	.542	93.220						
20	.194	.499	93.718						
21	.183	.469	94.188						
22	.181	.463	94.651						
23	.177	.455	95.106						
24	.166	.426	95.531						
25	.161	.413	95.945						
26	.158	.405	96.350						
27	.152	.390	96.740						
28	.143	.366	97.106						
29	.139	.357	97.462						
30	.134	.342	97.805						
31	.122	.312	98.117						

32	.117	.299	98.416						
33	.116	.297	98.713						
34	.108	.276	98.989						
35	.098	.251	99.240						
36	.094	.240	99.480						
37	.074	.191	99.670						
38	.067	.172	99.842						
39	.062	.158	100.000						
Extraction Method: Principal Component Analysis.									

Appendix I: Rotated component matrix

Rotated Component Matrix[a]							
	Component						
	1	2	3	4	5	6	7
SD1			.831				
SD2			.860				
SD3			.864				
SD4			.861				
SD5			.857				
SD6			.871				
PD1				.840			
PD2				.854			
PD3				.822			
PD4				.852			
PD5				.825			
PD6				.846			
ED1	.892						
ED2	.891						
ED3	.897						
ED4	.864						
ED5	.890						
ED6	.819						
CD1		.851					
CD2		.853					
CD3		.885					
CD4		.863					
CD5		.881					
CD6.		.845					
IMD1						.868	
IMD2						.851	
IMD3						.831	
IMD4						.850	
IMD5						.857	
CS1					.830		
CS2					.809		
CS3					.797		
CS4					.814		
CS5					.833		

CR1							.677
CR2							.656
CR3							.673
CR4							.687
CR5							.677

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.