

**ADDIS ABABA UNIVERSITY**

**SCHOOL OF COMMERCE**

**DEPARTMENT OF MARKETING MNAAGEMENT**



**THE EFFECT OF RELATIONSHIP QUALITY ON CUSTOMER  
LOYALTY IN COMMERCIAL BANK OF ETHIOPIA BRANCHES IN  
ADDIS ABABA**

**BY: Metasebia Kassaye ID NO GSE0768/05**

**A Thesis Submitted to Addis Ababa University School of Commerce in  
Partial Fulfillment of Award of the Degree of Maters of Arts in Marketing  
Management**

**May, 2015**

**Addis Ababa Ethiopia**

## DECLARATION

I hereby declare that “**the effect of Relationship Quality on Customer Loyalty in Commercial Bank of Ethiopia Branches in Addis Ababa**” is done by close supervision of advisor, **Dr.Negi Rakshit**. I declare that this study is my original work and has not been presented for a degree or diploma to any other University and that all the materials used for this study have been duly acknowledged.

Signature of the Candidate

Metasebia Kassaye

May, 2015

## APPROVAL

This is to certify that this thesis entitled “**The effect of Relationship Quality on Customer Loyalty in commercial Bank of Ethiopia Branches in Addis Ababa**” submitted in partial fulfillment of the requirements for the Award of the Degree of Masters of Arts, to Addis Ababa University School of commerce, through the Department of Marketing Management, done by Metasebia kassaye is an authentic work carried out by her under my guidance.

Signature of Advisor

Date

---

Signature of internal examiner

Date

---

Signature of External Examiner

Date

---

## **ACKNOWLEDGEMENT**

First of all I wish to thank God Almighty for the strength and guidance throughout the course and the completion of this Thesis.

Then, my deepest gratitude and appreciation goes to my advisor Rakshit Negi (Dr) for his frank and genuine comments throughout the accomplishment of this paper.

My appreciation and thanks also go to my family for their moral support and encouragement throughout my post-graduate study.

I am very grateful to the customers of CBE branches for responding positively to my questionnaires. I wish to thank the staff and management of MIS of commercial bank of Ethiopia for their warm cooperation during this study.

Finally, I wish to thanks Yonas Abate, customer service manager of CBE Sengatera branch for his kind cooperation, advising and moral supports right from the conception of ideas to finalization of this paper.

## TABLE OF CONTENTS

Declaration.....	II
Approval.....	III
Acknowledement.....	IV
Table of Contents.....	V
List of Tables.....	VIII
List of Figures.....	IX
Acronyms and Abbreviations.....	X
Abstract.....	XI

### CHAPTER ONE: INTRODUCTION

1.1. Background of the Study.....	1
1.2. Statement of the Problem.....	3
1.3. Research Question.....	4
1.4. Objectives of the Study.....	4
1.5. Hypothesis of the Study.....	5
1.6. Definition of Terms.....	5
1.7. Significance of the Study.....	6
1.8. Scope of the Study.....	6

### CHAPTER TWO: REVIEW OF RELATED LITERATURE

2.1. Theoretical Framework .....	7
2.1.1. Dimensions of Relationship Quality.....	9
2.1.2. Customer loyalty.....	13
2.1.3. Customer loyalty in the service provider organizations.....	16
2.1.4. Components of Customer Loyalty.....	18
2.2. Review of Empirical Studies.....	19
2.3. Conceptual Framework and Hypothesis.....	20

## **CHAPTER THREE: RESEARCH METHODOLOGY**

3.1. Research Design.....	24
3.2. Population and Sampling Techniques.....	25
3.3. Types of Data Instrument and Data Collection.....	27
3.4. Procedure of Data Collection.....	28
3.5. Method of Analysis.....	29
3.6. Reliability and Validity.....	29

## **CHAPTER FOUR: RESULTS AND DISCUSSIONS**

4.1. Demographic profile of respondents.....	31
4.2. Descriptive statistics of Relationship Quality Dimensions and Customer loyalty.....	34
4.3. Correlation Analysis .....	40
4.4. Regression Analysis.....	42
4.4.1. Multicollinearity Analysis.....	42
4.4.2. Multiple Regression Analysis.....	42
4.5. Summary of Hypothesis testing.....	45

## **CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS**

5.1. Summary of Findings.....	46
5.2. Conclusions.....	48
5.3. Recommendations.....	49
5.4. Limitations and Directions for Further Research.....	50

REFERENCES.....51  
APPENDIX.....60

## LIST OF TABLES

Table 3.1. List of branches and number of Private account holders.....	26
Table 3.2 Reliability statistics of the five points Likert scale questions.....	30
Table 4.1 Gender of Respondents.....	31
Table 4.2 Ages of Respondents.....	32
Table 4.3 Educational Background of Respondents.....	32
Table 4.4 Descriptive Statistics for Trust Dimensions.....	35
Table 4.5 Descriptive Statistics for Customer Satisfaction Dimensions.....	36
Table 4.6 Descriptive Statistics for Commitment Dimensions.....	37
Table 4.7 Descriptive Statistics for Communication Dimensions.....	38
Table 4.8 Descriptive Statistics for Customer Loyalty Dimensions.....	39
Table 4.9 Guideline for the Pearson Correlation Analysis.....	40
Table 4.10: Correlations for RQ dimensions and Customer Loyalty .....	41
Table 4.11: Result of R Square .....	44
Table 4.12: Table 4.12: Result of Multiple Regression and Multicollinearity.....	44
Table 4.13. Table summary of hypothesis tests.....	45

LIST OF FIGURES

Figure 1. Conceptual Framework.....21

Figure 2. List of Branches.....33

Figure 3. years spent as a client.....34

## **ACRONYMSANDABBREVIATIONS**

**CBE** Commercial Bank of Ethiopia

**WOM** Word- of- mouth

**RQ** Relationship Quality

**MIS** Management Information Service

**CL** Customer Loyalty

**SD** Standard Deviation

**VIF** variance inflation factor

## **ABSTRACT**

*The objective of this study was to examine the effect of Relationship Quality on customer loyalty in the context of Commercial Bank of Ethiopia Addis Ababa.*

*The study used quantitative research approach to achieve the associated objectives. A survey was made by taking 100 samples of CBE private current account holders as respondents through conveniencesamplingmethod techniques to distribute structured questionnaire and finally analysis and conclusion were made based on the data obtained from these respondents.*

*The findings show that relationship quality dimensions have impact on customer loyalty. All the independent variables are positively and directly related to customer loyalty particularly in Commercial bank of Ethiopia. The relationship between customer satisfactions, communication, and trust and customer loyalty is significant. The results indicate that communication is the most determinant of customer loyalty among relationship quality dimensions, thus affecting the firm's relationship quality leading to customer intention through effective communication with customers.*

**Key words: Relationship quality, Customer loyalty, Trust, Communication, Commitment and Customer satisfaction**



# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

As the competitive environment becomes more unsettled, the most important issue the sellers face is no longer to provide excellent, good quality products or services, but also to keep loyal customers who will contribute long-term profit to organizations (Tseng, 2007). To compete in such overcrowded and interactive marketplace, marketers are forced to look beyond the traditional 4Ps of marketing strategy, which are no longer enough to be implemented for achieving competitive advantage.

Therefore, relationship marketing has become an alternative means for organizations to build strong, ongoing associations with their customers. As a part of marketing strategy, relationship marketing seek to acquire and retain customers by providing good quality customer services, and therefore has become one of the keys to success in acquiring strong competitiveness in the present markets, because of its implications for access to markets, generation of repeat purchase, creation of exit barriers, and the view that it benefits all parties (Andaleeb, 1996).

Relationship quality it is usually used to assess the effectiveness of relationship marketing tactics. According to (Susanta et al., 2013) relationship quality and managing it properly has become the core activity of marketing. Quality products and services into a common standard in many industries and is no longer a major source of competitive advantage, organizations adopt a relationship marketing as a means to differentiate themselves.

The literature on relationship quality suggests that the quality of relationship between the parties involved is an important determinant of loyalty (Leverin & Liljander 2006) it is also

considered to be antecedent of achieving customer loyalty. Customer satisfaction and trust are two basic components for measuring relationship quality. Higher level of relationship quality is reflected by higher level of customer satisfaction and trust.

Customer loyalty was defined by (Oliver 1997,) as deeply held commitment to rebuy or patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts have the potential to cause switching behavior. Customer loyalty is thought to be the final goal that a firm applies relationship marketing tactics, by building long-term mutual relationship with customers.

Relationship quality is the overall appraisal tool relationship intensity and the degree to which a relationship encounter the requirements and expectations between the service provider and customer, based on a history of effective or ineffective encounters or events (Crosby et al, 1990 ).

Chakrabarty et al (2007) and Shwu-Ing& Pei-Chi (2011) concluded that the relationship quality is formed by satisfaction, trust, communication and commitment. Therefore, in this study, four variables of trust, communication, satisfaction and commitment are considered to be variables related to relationship quality.

The researcher was conducting a thesis on the effect of customer relationship quality on customer loyalty in the case of commercial bank of Ethiopia Addis Ababa. The banking industry is chosen as the industry sector for this research as it presents rich information for relationship practices. Even though several researches are undertaken in the subject area the concept of customer relationship quality is an emerging thought for CBE and the study will point out its effects on maintaining customer loyalty. Therefore according to the researcher it becomes fascinating researchable area.

## **1.2. Statement of the Problem**

Relationship marketing has emerged over the years as an exciting area of marketing that focuses on building long-term relationships with customers and other parties. Relationship marketing is particularly important to service industries because of the intangible nature of service and high level of interaction with customers.

In the banking industry, offering quality services is very important to create closer relationship with the entire customers. Quality of services has the power to create customer satisfaction. On the other hand poor quality of services results in customer dissatisfaction and customer defection by going to other competitors.

Sustainable and continuous survival of an organization mainly depends on its business relation with its customers. When business firms direct their resources and all their efforts for better accomplishment of their intended purposes, growth and profitability is entirely influenced by the quality and reliability of their services.

Relationship Quality is one of the important outcomes of relationship marketing activity and it is a critical success factor that influences the competitiveness of an organization. However, very little attention had been paid to the concept of customer relationship quality in the context of Commercial Bank of Ethiopia according to Customer service manager of CBE Sengatera branch. This may be due to the fact that the effect of relationship quality to customer loyalty is an emerging phenomenon to CBE. Therefore, these have left a huge gap in literature concerning customer relationship quality and its effect on customer loyalty in the banking industry of Ethiopia.

In addition most of the published studies like Mesay (2012) conducted in the banking industry touched on the subject area of service quality and not relationship quality. Therefore, this research seeks to make a contribution towards filling the knowledge gap

regarding the customer relationship quality in CBE by examining the role it plays in developing loyal customers.

### **1.3. Research Questions**

**The followings are research questions are addressed by this study:**

1. How does relationship quality influence customer loyalty of CBE?
2. How does relationship quality dimensions influence customer loyalty of CBE?
3. Which relationship quality dimension extremely affects customer loyalty?
4. How is relationship quality practiced in CBE to maintain loyalty of CBE customers?
5. Is there significant relationship between relationship quality dimensions and customer loyalty?

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

#### **A. General Objective**

The main objective of this study was to examine the effects Relationship quality on Customer Loyalty in CBE branches in Addis Ababa.

#### **B. Specific Objective**

1. To assess the influence of relationship quality on customer loyalty.
2. To examine how relationship quality is practiced in the CBE.
3. To examine the influence of customer satisfaction, trust, commitment and communication to loyalty.
4. To assess the most determinant of customer loyalty among the relationship quality dimensions used for this study.
5. To determine the significant effect of relationship quality dimensions on customer loyalty.

## **1.5. Hypothesis of the Study**

This section discusses the related hypothesis based on the literature review and the related previous works by researchers. Therefore the study presents the following hypothesis:

**H1:** Trust significantly and positively affect customer loyalty.

**H2:** Commitment significantly and positively affects customer loyalty.

**H3:** Communication significantly and positively affects customer loyalty.

**H4:** Customer Satisfaction significantly and positively affects customer loyalty.

## **1.6. Definition of Terms**

### **Relationship Quality:**

Relationship Quality refers to the overall assessment of the strength of relationship between two parties.

### **Trust:**

Trust is defined as the customers' willingness to rely on the banks for conducting various banking activities and transactions.

### **Commitment:**

Commitment is customers' future intention to return, indicating that the relationship exists over time to predict the continuity of the relationship with the banks.

### **Satisfaction:**

Satisfaction is an affective or emotional state toward a relationship, typically evaluated cumulatively over the history of the exchange.

### **Communication:**

Communication implies maintaining relationship with valuable clients; supplying timely and reliable information on services provided.

### **Customer loyalty:**

Customer loyalty is a buyer's overall attachment or deep commitment to a product, service, brand, or organization.

## **1.7. Significance of the Study**

The study primarily serves as a base for other studies into the field of relationship marketing in Ethiopia, especially for the banking industry. It is hoped that information collected by the researcher, would be of benefit to corporate bodies, academia and researchers.

The study would be significant in that it assess the effects of relationship quality on customer loyalty; in turn it benefits the management and employees of CBE, the opportunity to critically evaluate their relationship quality strategy and make the necessary changes to it. In addition it provides customers the opportunity to see themselves as partners of the bank.

In general the finding of the research could contribute a lot to the banking service providers on how to implement strategies that will meet their customer's needs and ultimately win their loyalty.

## **1.8. Scope of the Study**

The study is delimited as both geographically and methodologically.

- Geographically, it is delineated on Commercial Bank of Ethiopia, grade four branches, in Addis Ababa city.
- Methodologically, it is delimited to private (other than saving and government accounts) current account holders.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

This chapter discusses the theoretical framework, review of empirical studies and conceptual framework of the study.

#### **2.1. Theoretical Framework**

The concept of relationship quality arises from theory and research in the field of relationship marketing. Due to the importance of relationship marketing in today's businesses, relationship quality is essential for the assessment of relationship strength and satisfied degree of customer needs and expectations (Crosby et al., 1990; Smith, 1998).

Relationship quality is defined as when the customers are able to rely on the salesperson's integrity and has confidence in the salesperson's future performance because the level of past performance has been consistently satisfactory (Crosby et al., 1990). In some service contexts, since service is invisible and heterogeneous, customers would feel high uncertainty and risk in the transaction (Li & Ho, 2008). Whereas, good relationship quality could reduce service uncertainty and risk for the purpose of increasing customers' reliability to develop long-term relationships (Crosby et al., 1990; Li & Ho, 2008). In other words, higher quality of relationship creates association between service providers and customers, and fosters long-term stable exchanges where both parties can gain mutual benefits (Singh, 2008).

Relationship quality is the overall evaluation of the strength of relationship and its conceptualization as a composite and multidimensional structure. To achieve a better understanding of the relationship quality is important for several reasons:

1. The relationship quality represents a tool for diagnosing problems in establishing and maintaining relationships with customers,
2. The relationship quality can be used as an efficient and useful tool in solving similar problems and

3. The relationship quality is considered as a key element of customer value; which is an important part of information when deciding in the field of investments (Kim et al, 2011).

Relationship quality does not have a widely accepted definition and measures (Singh, 2008). Relationship quality had been regarded as a higher-order construct and critical role in the customer decision-making or post-purchase process in marketing concept (Morgan & Hunt, 1994; Crosby et al., 1990). It has been viewed as one of the critical indicators that measure the strength of the customer relationship (Garbarino & Johnson, 1999).

Crosby et al., (1990) thought that relationship quality is the main factor that affects customers' repurchasing behavior. High relationship quality means that the customers are consistently satisfied with the performance provide by firms in the past consumption experience.

Various dimensions have been used to measure relationship quality within marketing researches. One attempt to conceptualize relationship quality has been proposed by (Crosby et al., 1990) who viewed relationship quality as a high-order construct and should contain at least two dimensions: trust and satisfaction. Morgan & Hunt (1994) drew the commitment-trust theory by proposing that trust and commitment are two basic constructs for measuring relationship quality. By integrating different research viewpoint, (Chakrabarty et al., 2007) discussed that relationship quality is measured in terms of trust, commitment, and communication.

Especially in the context of service markets, high relationship quality perceived by customers is achieved through customer trusts and customer satisfaction, which are two key points for service providers to consolidate stable long-term relationship with their customers, and in turn achieve customer retention and loyalty behavior.

Although there are no consensuses regarding the components that form up relationship quality, the study accepted that trust, satisfaction, commitment and communication are significant factors for measuring relationship quality from customers' perspectives.

### **2.1.1. Dimensions of Relationship Quality**

#### **a. Commitment**

Goodman & Dion (2001) state that commitment takes place when a company wishes to continue and strengthen relationship with the other party. (Shwu-Ing & Pei-Chi Li, 2011) stated that commitment includes willingness to establish a stable relationship, willingness to short term sacrifice in relationship duration and ensure a stable relationship. (Haghighinasab et al., 2010) define commitment as the strongest sign to loyalty and continue the relationship.

Relationship marketing theory has extensively considered the roles of relationship commitment in customer relationships. Morgan & Hunt (1994) define relational commitment as existing when an exchange partner believes that an ongoing relationship with another is sufficiently important to warrant maximum efforts at maintaining the relationship. Commitment reflects the consumer's voluntary willingness to remain in and make efforts towards maintaining a relationship (De Wulf, et al., 2001).

Relationship commitment is an important component of relational exchanges. Research shows that relationship commitment is at the core of all successful working relationship and it is an essential ingredient for successful long-term relationships because committed customers are the basis for business continuity and bring future value or benefits to those they are committed to (Lemon et al., 2001). Committed customers feel loyal to the service provider and are willing to put extra efforts or even sacrifice short-term benefits to maintain the relationship. They are also more tolerant of minor errors from the service provider.

Two dimensions have been assigned to commitment in the marketing literature: credible and attitudinal.

- ❖ Credible commitment is behavioral in nature and comprises the investments and actions that keep parties attached.
- ❖ Attitudinal is the attachment bond itself, independent of past actions. Attitudinal commitment can take two forms: an emotional, social sentiment (loyalty) and a rational, economic calculation (calculative) (Gilliland & Bello, 2002).

Committed customers are positive in both attitude and behavior and they are described as delighted with the brand. They can be depended up on continuing purchases and to engage in positive word-of-mouth exchanges with other potential customers; this contribution is particularly important in service settings in which customer-to-customer interaction is significant element of the service experience (Rowyel, 2005).

### **b. Customer Satisfaction**

Customer satisfaction has been paid much attention among theoretical literatures and practical researches. It is also an expected outcome of implementing marketing activities, as providing satisfying products or services to customers relates to success achieved in today's tensely competitive world of business. Fornell (1992) defined satisfaction as an overall evaluation dependent on the total purchase and consumption experience of the target product or service performance compared with repurchase expectations over time. Oliver (1997, 1999) reviewed satisfaction as pleasurable fulfillment which is sensed by customers in the consumption. It means that "the consumer senses that consumption fulfills some need, desire, goal, or so forth and that this fulfillment is pleasurable".

In relationship marketing literatures, customer satisfaction has also been thought to be a key performance indicator for evaluating the quality of a relationship between service provider and customers. Customers' expectations regarding costs and benefits of the relationship mainly depend on past experience, and satisfying experiences increase the motivation and the likelihood that an individual stays in the relationship (Mouri, 2005).

Customer perception to products or services has been widely used to measure customer satisfaction. According to Li (2008), five emotions perceived by customers as below are satisfactory:

- (1) Satisfaction: the products can be accepted or tolerated;
- (2) Content: the products bring people with a positive and happy experience;
- (3) Relieved: the products remove people's negative state;
- (4) Novelty: the products bring people with freshness and exciting;
- (5) Surprise: the products make customer unexpectedly pleased.

Most studies (Kotler & Armstrong ,2011) show that higher levels of customer satisfaction lead to greater customer loyalty, which in turn results in better company performance.

In general, customer satisfaction enhances the quality of relationship between customers and service providers, and increases the repeat purchase behavior.

### **c. Trust**

Trust is generally regarded as a fundamental element for the success of relationship marketing. Relationships between consumers and companies require trust to become a long-term relationship (Berry and Parasuraman, 1991).

(Morgan & Hunt, 1994) define trust as an expectation or willingness to believe that an organization can be relied upon to do what it has promised. The nature of trust in an organizational relationship is the knowledge that the seller will not act in a risky manner that is considered a threat by the buyer (Koeszegi, 2004).

(Ganesan,1994) states that trust is multidimensional in nature in that it can be attained (or lost) by the seller's keeping (or not keeping) promises to the buyer (credibility) or from not behaving (or behaving) in opportunistic ways that harm the buyer (benevolence). In other words credibility refers to the belief that a partner has the expertise and capabilities to meet the expectations of the other partner in the relationship, so such partner's promises can be

relied on. Benevolence refers to a firm's confidence that the exchange partner will act in the best interest of the firm and will not act opportunistically.

Trust or distrust often takes place with a relationship built up. As a supplier actively makes relationship efforts, it provides evidence to customers that the supplier can be trusted, concerns about the customers' interests and is willing to make sacrifices for satisfying customers' needs in the relationship (Liang & Wang, 2008).

Investing in long-term relationship with customers thus helps to develop customer trusts and improve the effective quality of a relationship in order to obtain mutual interests (Anderson & Weitz, 1989). Customers with trusts in service providers' capability would probably be willing to commit to a service relationship for meeting their expectations (Morgan & Hunt, 1994). Even when the environment is changing, the customers would believe that the service provider will take customers' interests into account instead of doing anything harmful to the development of relationship (Liet al., 2008).

In practical business activities, therefore, the development of trust is considered to be a critical result of establishing a long-term successful relationship between all the parties involved. In face of complicated service markets, customers tend to behave and make purchasing decision depending on their previous consuming experiences. Investing in long-term relationship with customers helps to develop customer trusts and improve the effective quality of a relationship in order to obtain mutual interests.

Thus, Trust is considered so important to long-term relationships and enhancing customer loyalty. Many researches have suggested that customers' trust is a significant role in building long-term relationship and achieving customer loyalty (Bowen & Shoemaker, 2003).

#### **d. Communication**

Communication is the basic component of business relationship initiation and development, besides it is a variable that is frequently measured in order to estimate relationship

development (Andersen, 2001). In the context of relationship marketing, communication implies maintaining relationship with valuable clients; supplying timely and reliable information on services provided or planned changes and alterations of services as well as proactive collaboration when problems occurs.

The goal of communication is formation of mutual understanding in early phases of relationships, development of client loyalty and encouragement of desired client decisions (Ndubisi, and Chan, 2005). Clients should feel that company demonstrates genuine interest in the clients themselves as well as in their demands, requirements, and value systems and in persuasive way introduce products, services or any other elements of general offer. Furthermore, they should apparently see that company appreciates feedback and makes adequate decisions (Grönroos, 2004).

Sharma & Patterson (1999) state that communication efficiency increases commitment in respect to relationship. This justified Morgan & Hunt (1994) proposition that ensuring easy communication flow is an important feature of strong relationship. Therefore, efficient communication between institution and clients determine better relationship and client loyalty (Ndubisi, 2007).

### **2.1.2. Customer Loyalty**

Customer loyalty is the most important goal of implementing relationship marketing activities. (Oliver, 1997) defined customer loyalty as a deeply held commitment to rebury or patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior .

Customers are the driving force for profitable growth and customer loyalty can lead to profitability (Hayes, 2008). Loyal customers are less likely to switch to a competitor solely because of price, and they even make more purchases than non-loyal customers (Bowen and Shoemaker, 2003).

It is thus essential for vendors to keep loyal customers who will contribute long-term profit to the business organizations (Tseng, 2007). Attempt to make existing customers increase their purchases is one way to strengthen the financial growth of a company (Hayes, 2008). The main theme in customer relationship marketing is to gain and retain customers (Grönroos, 1995) Because of the positive influence that customer loyalty has on profitability.

(Hennig-Thurau et al., 2002) state that customer loyalty is the “primary goal” of relationship marketing. Development of customer loyalty has become an important focus for research marketing strategy in recent years (McMullan, 2005).

According (Olorunniwo et al., 2006) loyal customers’ affects profitability and overall success of the organization in three ways. First, repeat customer purchases generate revenue for the company, second, organizations can reduce the financial commitment in retaining customers than to recruit new customers and third, loyal and satisfied customers are spreading the good news and recommend the service to others.

Nowadays researchers define Loyalty in relation to different marketing features such as service loyalty, product loyalty, chain or store loyalty and brand loyalty (Rauyruen & miller, 2007). The service market and consumer context are two important aspects of Loyalty which have been studied by investigators (Rauyruen & miller, 2007). Repeat purchase behavior was the first view of Loyalty which started in past and was extended by comprise consequences, factors and antecedents. Loyalty has a direct effect on company performance (Zineldin, 2006).

To understand Loyalty concept provides the firms with a better management of their relationship with customers or consumers in order to develop long-term investment and profitability (Zineldin, 2006). According to literature review, there are three principal areas of Loyalty: Behavioral loyalty, Attitudinal Loyalty and Composite Loyalty.

### **a. Behavioral Loyalty**

(Rauyruen & Miller 2007) stated that behavioral loyalty can be defined as the tendency of average client to repeat the purchase of the goods and products or services, and retain a relationship with company. Behavioral loyalty studies have focused on interpreting patterns of repeat purchasing as a manifestation of loyalty. The emphasis is on past rather than on future actions (Zins, 2001).

### **b. Attitudinal Loyalty**

Attitudinal loyalty, in contrast to behavioral loyalty, is distinguished from repeat Buying. (Zins, 2001) mentioned that the customers' emotional and intellectual process is affected by stimuli and responses. (Reuyruen& Miller, 2007) identified attitudinal loyalty as the degree of clients' psychological attachments and attitudinal advocacy into company. Attitude determines the grade to which a customer's position towards a product or service is desirable. Variables of attitudinal loyalty include recommendation of the service to others, positive word of mouth, and commitment to a preferred firm (Reuyruen&Miller, 2007).

Several researchers reported that in the attitudinal approach, loyalty has three phases: cognitive, affective and conative (Oliver, 1997).

1. Cognitive loyalty- is considered to be the first phase in the loyalty formation process. Cognitive loyalty is based on belief and consists of prior knowledge or recent experience, including product or service features such as price;
2. Affective loyalty- it is characterized by emotional preferences for products and is represented by a liking or positive attitude towards the brand, which can emerge from satisfaction and
3. Conative loyalty, which is considered to be a behavioral intention. It characterized by repeat purchase and brand specific commitment.

### **c. Composite Loyalty**

Composite loyalty is a merger of behavioral and attitudinal loyalty, and is expected to have a better anticipative power (Reuymen & Miller, 2007; Zins, 2001). (Dick & Basu, 1994) suggested that loyalty status can be assessed in terms of the strength of the relationship between relative attitude and repeat patronage, which could be compared with competing offerings. The composite definitions suggest that loyalty should always comprise favorable attitudes, intentions and repeat-purchase.

#### **2.1.3 Customer loyalty in the service provider organizations**

Customers remain loyal, not because of promotions and marketing programs, but because of the value they receive (Payne et al., 1995). Key findings of Gee et al (2008) indicates that organizations must understand what drives both value and delight for their customers and adopting a customer centric vision enables an organization understand their customers, deliver customer delight and drive for loyalty. They also pointed out different customers have different requirements and will be delighted in different ways and appropriate monitoring of customers is important to ensure that customer defections are not masked by customer acquisitions. This is essential for the sustainable growth of an organization. Analysis of defecting customers allows an Organization to profile at risk customers where appropriate preventive measures can be put in place to reduce customer defection (Gee et al., 2008).

According to Huseyinet al (2005) findings, it is more expensive to find and attract a new customer than it is to retain an existing one and banks need to redefine their corporate image to one that emphasizes service quality by introducing standards for service excellence to make loyal. The study conducted by Huseyinet al (2005) has shown that customers are looking for banks that keep their promises, instill confidence in the customer about the way they handle transactions, provide prompt service and have employees that are competent and always willing to help the customer. They also argued that due to the highly interactive nature of the employee-customer relationship, including input from employees on what constitutes service excellence would be beneficial for banks and need to reassess what

customers expect from them in terms of products and services and thus, provide client specific services is very important.

As Balakrishnan and Els (2008) states service initiatives aimed at customer relationship management often look at four areas such as satisfaction, retention, loyalty and lifetime profitability. They also suggest a fundamental criterion for the success of customer initiative schemes is making sure that customer perceived value is met or better still, whether it is exceeded and organizations should evaluate future service schemes with respect to cost and results. They also pointed out that in a competitive environment where the customer has myriad choices and few switching costs, loyalty could from the organization point of view decrease costs and increase revenues.

According to Gee et al., (2008) the need for businesses to retain customers is an important issue in today's global marketplace. They also suggested that to retain customers, a business must build long-term relationships with profitable customers. Good communication in service organizations should affect all aspects of the relationship, but largely trust, satisfaction, and loyalty (Ball et al., 2004). Interactions between the customer and the service organization lie at the heart of service delivery and people who deliver the service are of key importance to both the customer they serve and the employer they represent (Huseyinet al., 2005). They also indicated that bank customers want a high degree of interaction with bank staff that are sensitive to their needs and expect personalized service.

The findings of Ndubisi (2007) suggested that the greater the trust in the bank, the higher the level of the bank's commitment, the more reliable and timely its communications and the more satisfactorily it handles conflicts, the more loyal its customers will tend to be. Effective communication affects customers to stay with a provider of banking services. Loyalty can be nurtured by providing timely and reliable information, for example about the uses and benefits of new banking services or about the status of transactions. It can also be reinforced by the provision of honest information on what the bank is doing about existing problems and what it does to anticipate potential ones.

#### **2.1.4. Components of Customer Loyalty**

##### **A. Word-of- Mouth Communication**

Word of mouth evaluates the effectiveness of products and services offered by the company based on available customer recommendations to the potential customer (Shwu-Ing et al., 2011). Word of mouth is to talk about products and services between those who offer a product or service independent of the company. This could take the form of bilateral talks or just unilateral recommendations and suggestions. But the main point is that these conversations take place among people who are thought to have little benefit in encouraging others to use the product (Sweeny et al., 2007).

Consumer's response probability to the proposal of a friend, colleague or trusted advisor is much more than the reaction to a commercial message and this reaction are not solely limited to data collection but often results in purchasing the product. Consumers trust to all comments from friends, family and acquaintances, because these comments are sincerely and without prejudice (Podoshen, 2008).

Effectiveness power of other's recommendations comes from three key factors:

- ❖ First, how to communicate verbally is a key factor in advertising. Most of arguments with family or friends lead to build support for them to perform certain behaviors.
- ❖ Second, unlike the one-way communication, such as commercials, advertising, customers' word of mouth applies a two-way flow. Power of two-way communication flow comes from the fact that a person can ask questions, receive comments and follow useful results.
- ❖ Third, customer's verbal advertising has the vicarious experience characteristic which means that the people who are talking with each other about products and services, they have experienced that product or service. Verbal advertising is even more important in the final stages of the buying process, since it causes assurance of consumer (Ranjbaran et al, 2011).

## **B. Re-Purchase Intention**

Repurchase intentions simply refer to the likelihood of using a brand again in the future (Fornell, 1992) the concept of repurchase and the factors influencing it has been investigated by many scholars.

Repurchase is defined as a consumer's actual behavior resulting in the purchase of the same product or service on more than one occasion. The majority of consumers' purchases are potential repeat purchases (Peyrot & Van Doren, 1994). Customers buy similar products repeatedly from similar sellers, and most purchases represent a series of events rather than a single isolated event. While repurchase is the actual action, repurchase intent is defined as the customer's decision to engage in future activities with the retailer or supplier (Hume et al., 2007). Two forms of repurchase are identified: the intention to re-buy (repurchase), and the intention to engage in positive word-of-mouth and recommendation (referral) (Zeithaml et al., 1996).

## **2.2. Review of Empirical Studies**

Theoretical literature review shows that several studies on this topic have been carried in which each of them have looked over the subject of relationship quality from a special insight and have examined it in different aspects and the following are some of them.

(McDonnell et al., 2011) in a study showed that the relationship quality has a positive impact on customer loyalty. Key factors related to the relationship quality in (Wei- Ming et al., 2011) include satisfaction, trust and commitment and customers with higher relationship quality have more loyalty to the company.

Research conducted (Majid et al., 2012) aims to evaluate the effect of relationship quality on lifetime value of bank customer. Research findings show that the studied Banks are at a fairly good level in relationship quality and good level in customer lifetime value. Also by examining the study hypothesis and test of the model, the positive effect of relationship quality on customer loyalty is confirmed.

(Mousavi, 2012) the main aim of this study is to describe the main components of Relationship Quality and Loyalty, also their importance in success of companies. The study concludes that there is a strong positive correlation between customer satisfaction, trust, commitment and customer loyalty, thus the major dimensions of Relationship Quality influence customer loyalty.

(Vuuren et al., 2012) following the research findings, customer satisfaction seems to have the largest influence on customer loyalty. In addition to customer satisfaction, the other two variables investigated (trust and commitment), as the analysis of the empirical results showed that, consistent with the literature review, they too could have an impact on the loyalty of customers.

In general, the above empirical findings of previous researches help us to aware and understand the relationship between relationship quality customer value and customer loyalty.

### **2.3. Conceptual framework and Hypothesis development**

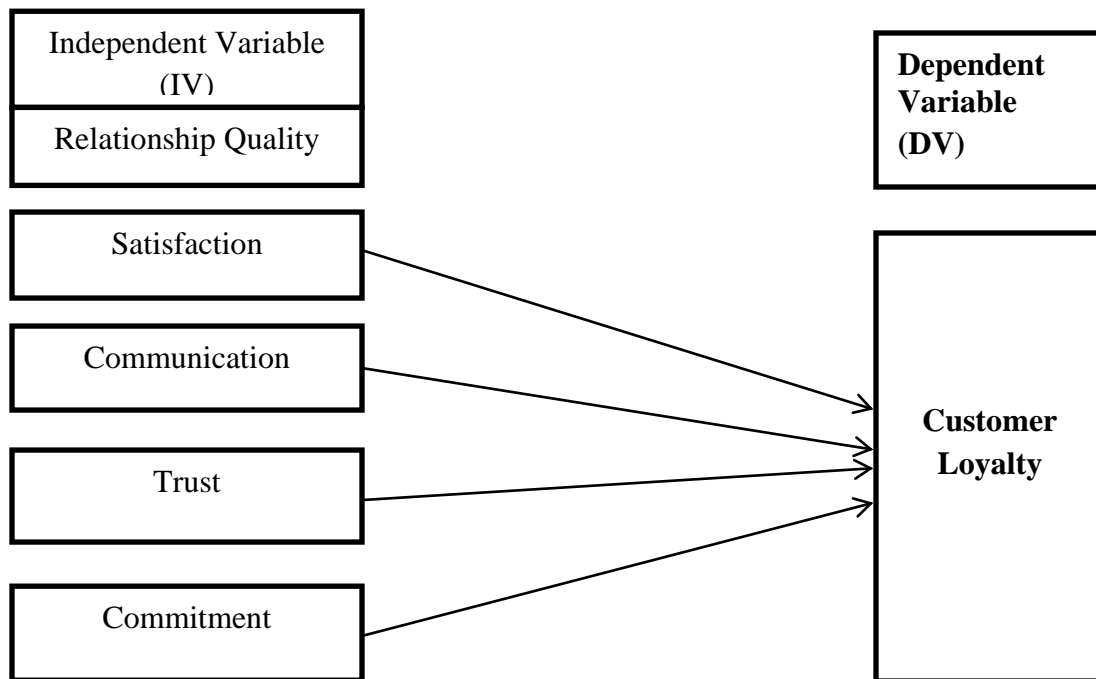
The chart below shows the proposed framework that was used in this research project. The proposed framework is adapted from the study of Roberts et al. (2003) and Rauyruen and Miller (2007). The purpose of this study is to examine the effect of relationship quality on customer loyalty. There are four independent variables that would be used to study the effect of relationship quality on customer loyalty. The independent variables are trust, satisfaction, commitment and communication. Dependent variable is customer loyalty that is measured by customers' willingness to share information, say positive things to others, recommend the service providers to friends, continue purchasing the service, purchase additional services and test new services.

The framework was developed as a result of thorough reviewed and analysis of past studies grounded on the issue of relationship quality and customer loyalty. The purpose of this

framework is to serve as a guidance which governs the research towards achieving its objectives. The previous model suggested by Roberts et al. (2003) and Rauyruen and Miller (2007) was being modified to adapt and fit in the nature of banking industry which intended to study. This is due to the possibility that the relationship among constructs stated in the framework might differ from one industry to another industry as a result of different business nature.

In this framework, there are four hypotheses identified to test the relationship between variables that will be discussed further in hypotheses development.

**Figure 1: Conceptual framework**



Source: Developed for research

### **Hypotheses Development**

#### **a. The Relationship between Trust and Customer Loyalty.**

Numerous studies indicated that trust has a significant positive relationship with customer loyalty (Roberts et al., 2003; Rauyruen & Miller, 2007).

Based on several studies reviewed earlier, the fundamental and core component of establishing as well as maintaining a long-term relationship with the individual or business customers is trust (Morgan & Hunt, 1994; Wong & Sohal, 2002; Roberts et. al., 2003).

In addition, trust builds up the confidence of parties that engaging in a relationship and result in extended benefit for both parties (Roberts et al., 2003). Therefore the following hypothesis is developed and proposed in the research based on the review of past studies conducted by various researchers.

**H1: Trust significantly and positively affect customer loyalty of CBE customers.**

**b. The Relationship between Satisfaction and Customer Loyalty.**

A negligible variation in customer satisfaction can result in a significant alteration in customer loyalty towards the relationship between themselves with the service provider (Oliva, Oliver & MacMillan, 1992). Customers are expected to have little engagement in loyal actions when they are not satisfied with the services provided by the firm. Dissatisfied customer who have little engagement in loyal conduct is a signal to dissolution of relationship between the customer and the service provider (Butcher et al., 2001).

Based on past researches conducted by multiple researchers, a sense of satisfaction by customer during and after the service delivery process with the service provider would directly and positively influence their loyalty towards the company. Besides that, past research also shows that customer satisfaction will influence customer loyalty significantly (Butcher et al., 2001; Rauyrueen & Miller, 2007).

The hypothesis below is developed and proposed in the research based on reviewed of past studies conducted by several researchers.

**H2: Customer Satisfaction significantly and positively affects customer loyalty of CBE customers.**

**c. The Relationship between Commitment and Customer Loyalty.**

Commitment is shown to have positive impact on customer loyalty and their loyal behavior including repurchases based on a number of past studies conducted by various researchers (Morgan & Hunt, 1994; Rauyruen & Miller, 2007). Customer's willingness to continue actively involved in developing and maintaining relationship with its service provider play an essential role in influencing relationship performance (Morgan & Hunt, 1994). It is because loyalty that the customers have towards in a business relation is parallel to their commitment they have towards their relationship with the firms (Morgan & Hunt, 1994). A hypothesis is developed on the relationship between customer commitment and their loyalty as shown in various past researches.

**H3: Commitment significantly and positively affects customer loyalty of CBE customers.**

**d. The Relationship between Communication and Customer Loyalty.**

Studies revealed that communication is also an important dimension of relationship quality and it is positively and directly related to the creation of customer loyalty (Meng& Elliott, 2008; Alrubaiee& Al-Nazer, 2010). Perceived risk of services can be reduced when customers are well-informed by their service providers and so customers are more likely to engage in enduring relationship with the organization (Ndubisi, 2007).Timely and truthful information that is communicated to the customers also helps to develop and sustain an enduring relationship with customers (Alrubaiee& Al-Nazer, 2010).

The hypothesis below is formed and proposed in our research after the review of past studies.

**H4:Communication significantly and positively affects customer loyalty of CBE customers.**

.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter covers the research design, population and sampling techniques, type of data, instruments of data collection, procedures of data procedures and methods of data analysis of the study.

#### **3.1. Research Design**

This study was conducted on deductive approaches because there are available literatures that describe relationship quality and customer loyalty, so this helps the researcher to develop easier way based on the solid theoretical backgrounds.

The theme of the research was based on quantitative approaches to collect and analyze the data having quantitative nature. Quantitative approach was used for the data collected from respondents through structured questionnaire.

As this study aims to examine the impact of relationship quality on customer loyalty of banks from the viewpoints of banking clients, thus it targets to measure relationships between variables, a combination of descriptive and explanatory type of research were used.

- Descriptive type of research was used because it involves investigation which provides detailed picture of the situation and detail description of the findings displayed in tables and charts as well as to develop inferences on the relationship between Relationship Quality and Customer loyalty.
- Explanatory type of research was also applied since it enriches and Support the previous theories through comparing our findings with research questions.

## **3.2. Population and Sampling Techniques**

### **A. Population of the Study**

The population of the study encompassed private current account holders' of commercial bank of Ethiopia grade four branches in Addis Ababa which are twenty two in numbers (MIS of CBE at march, 2015); The population is a composition of varied background characteristics in terms of sex, ages, level of education and experiences.

### **B. Sampling Techniques**

The sample units for this study are private current account holders of grade four branches under Addis Ababa city constituting sample of eight branches were selected each of two from the four districts. Accordingly

- ✓ Sengatera and Finfine were selected from south Addis district;
- ✓ Addis Ababa and Bole branches were selected from east Addis Ababa districts;
- ✓ Mehal Gebeya and Addis ketema were selected from west Addis Ababa district and
- ✓ Arada Georges and Gulele branches selected from north Addis Ababa district.

The sample size of private current account customers of the branches was determined by using estimation method given by Yamane (1967) cited in Israel (2003) as:

Yamane's formula:

$$n = N/1 + N (e)^2$$

Where, N= total number of customers/employees in the selected eight branches

n=stands for the sample size which will be drawn

e= level of precision or sometimes called sampling error (is ranges in which the true value of the population would be estimated. the study was used 10% level of precision because the target population is homogeneous, as suggested by Kish (1965), cited in Israel, 2003).

Accordingly Sample Size of the customers using the Formula is:

$$n=N/1+N (e)^2$$

$$n=19,689/1+19,689(0.1)^2$$

**=99.49=99.5=100 customers were respondents of the questionnaire**

Therefore the following table shows the number of private current account customer in eight branches in the four Addis Ababa districts.

**Table 3.1.List of branches and number of private account holders**

Name of districts	Name of Branches	Number of private current account holders	percentage	Sample size
South Addis Ababa district	Finfine branch	2,931	14.87	15
	Sengatera branch	1,599	8.12	9
West Addis Ababa district	Addis ketema	1,739	8.83	9
	Mehal Gebeya	2,258	11.47	11
East Addis Ababa district	Bole	2,178	11.10	11
	Addis Ababa	6,674	33.89	33
North Addis Ababa district	Arada Georges	1,498	7.60	8
	Gulele	812	4.12	4
<b>Total</b>		19,689	100	100

**Source: MIS of CBE, at March, 2015**

Therefore, the unit of analysis was 100 private current account holders in the selected branches, 15 from Finfine, 8 from Arada Giorgis, 9 each from Sengatera and Addis ketema,

11 each from Mehal Gebeya and bole and 4 from Gulele branch were selected as a respondent.

Non-Probability sampling technique was used as a sampling technique in which some units of the population have zero chance of selection or where the probability of selection cannot be accurately determined. Thus, the study used convenience sampling method to survey the effect of relationship quality on customer loyalty from the perception of CBE private current account holders as the samples are accessible to the researcher, expecting that the researcher would get the necessary data.

### **3.3. Type of Data and Instruments of Data Collection**

The researcher was used quantitative type of data. Data obtained through questionnaire, data that describes numerical figures such as number of clients in different branches, total number of grade four branches in Addis Ababa and the like obtained from MIS of CBE etc. were quantitative data types that were used in this research,

Quantitative data were collected from primary and secondary source of data.

#### **The primary source of data was:**

- Respondents (selected customers) that were willingly filled and returned the questionnaire

#### **The secondary source of data was:**

- MIS department of commercial bank of Ethiopia providing valuable data for this study.
- Company manuals and brushes.

In addition to the primary and secondary data sources, other sources through reviewing recent and relevant literatures from online sources especially journal articles.

### 3.4. Procedures of Data Collection

Two categories of data collection techniques used in scientific research are quantitative or a qualitative research design. However for this study quantitative design was intended to collect primarily quantitative data such as numeric scores and metrics.

The research instruments was structured questionnaires, designed relevant to the problem statement, related research objectives and hypotheses which was distributed to private current account holders' clients in order to identify the impact of relationship quality on customer loyalty from the client viewpoint.

Section one of the questionnaires gathered demographic data of the banking clients. Section two gathered the perceptions of banking clients on the four relationship quality dimensions (trust, commitment, customer satisfaction and communication) and customer loyalty, specifically in terms of the selected independent variables and dependent variables.

A 5-point Likert-type scale designed by Rensis Likert; this is a very popular rating scale for measuring ordinal data in social science research. This scale includes Likert items that are simply-worded statements to which respondents can indicate their extent of agreement or disagreement on a five or seven-point scale ranging from "strongly disagree" to "strongly agree". A 5-point Likert-type scale was used as this form of scale is generally regarded as the most suitable for respondents.

The relevant data were also collected from different data sources that help to fill the knowledge gap and understand the concepts, definitions, theories and empirical results through reviewing various relevant journals articles from internet sources.

The questionnaires were designed from the literature review.

- ❖ To measure Trust, Ulaga and Eggert (2004); Morgan and Hunt (1994); Crosby *et al.* (1990); Wong and Sohal (2002).

- ❖ To measure commitment Adapted from Ulaga and Eggert (2004); Morgan and Hunt (1994); Wongand Sohal (2002).
- ❖ To measure customer satisfaction, the researcher used a scale, which was a modification of the one developed by Morgan and Hunt(1994)
- ❖ To measure communication adapted from Sharma and Patterson (1999).
- ❖ To measure loyalty the statements were adapted from Sharma and Patterson (1999); Palaima and Auruskeviciene (2007) and
- ❖ To measure customer value were adapted from (Khan, Kadir and Wahab, 2010) and (Anguelov and Hilgert, 2004).

### **3.5. Methods of Data Analysis**

After the data have been collected, then the researcher made post coding so as to minimize the complexity of data entry. The data entry method was done by using statistical process for social science (SPSS, version 16.0).

After the accomplishment of this all process, the analysis of data was started to draw important conclusions that reflect the researcher's interest of inquiry stated right at the beginning of the study (Arega, 2007).

Quantitative analysis techniques were employed to demonstrate processed data in absolute terms through the use of descriptive statistical tools such as frequency, mean and standard deviation of results with the help of statistical process for social science (SPSS). The researcher was also used correlation and regression method of analysis to identify and examine the link between basic variables.

### **3.6. Reliability and Validity**

Reliability and Validity are the two important characteristics of every measure of materials such as questionnaire. Reliability is defined as be fundamentally concerned with issues of

consistency of measures. (Bryman&Bell, 2003) Reliability analysis involves ascertaining the extent to which measurements of a particular test are repeatable.

Validity is defined as how much any measuring instrument measures what it is intended to measure. Bryman& Bell (2003) also suggested that the important issue of measurement validity relates to whether measures of concepts really measure the concept. Content validity in this study would be ensured as most of the scales employed would be adopted from established scales that have been already subjected to content validity tests or analyses.

Before analyzing the collected data the reliability of the main items of the questionnaire was tested by using Cronbach’s alpha.

**Table 3.2. Reliability statistics of the five point Likert scale questions**

<b>Reliability Statistics</b>		
<b>Cronbach's Alpha</b>	<b>Cronbach's Alpha Based on Standardized Items</b>	<b>No. of Items</b>
.886	.89	20

**Source: own survey, 2015**

Therefore, the reliability of 20 items that are critical to measure the effect of relationship quality and customer value on customer loyalty has been tested by using Cronbach’s alpha.

Reliability coefficient which are more than or equal to 70 % ( $A > 0.7$ ) is acceptable. So, Reliability of the question was evaluated and the result Cronbach’s Alpha was used to test the reliability of the materials used in this research. Thus, the reliability coefficient of the above item is above 70% and/or the overall reliability test for the item is 89%. This implies that the item were reliable and understandable to the respondents.

## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

This chapter deals with the results and discussion of data collected through questionnaire in the study. It includes descriptive statistics, correlation, multicollinearity analysis, multiple regressions and summary of hypothesis testing.

#### 4.1. Demographic profile of Respondents

##### I. Gender of Respondents

Based on the findings in table 4.1, males were 59% out of the total respondents while the females were 41%. Therefore, the majority of respondents were males. It can therefore be said that majority of the bank's private current account holders in Addis Ababa are males.

**Table 4.1: Gender of Respondents**

Items	Frequency	Percent	Cumulative Percent
Male	59	59.0	59.0
Female	41	41.0	100.0
Total	100	100.0	

Source: own Survey, 2015

##### II. Age of Respondents

Based on Table 4.2, 100 respondents are involved in this survey. The respondents who are aged between 18 and 25 made up of 31% (31 respondents) of the total respondents, those whose age in the range of 26 to 35 years old which formed the highest age group constitute 38% (38 respondents) of the total respondents, 36 to 45 years old comprises 14% (14 respondents) of the total respondents, followed by 46 to 55 years old constitute 11% (11 respondents) of the total respondents and 6% of respondents (6 respondents) are represented

by those whose aged of 56 and above.. This implies that the bank has youthful and very energetic customers.

**Table 4.2: Age of Respondents**

Items	Frequency	Percent	Cumulative Percent
18-25	31	31.0	31.0
26-35	38	38.0	69.0
36-45	14	14.0	83.0
46-55	11	11.0	94.0
56 and above	6	6.0	100.0
Total	100	100.0	

Source: own Survey, 2015

### III. Educational Background of Respondents

Table 4.3 displays 5% of the respondents had basic educational background, 6% had professional certificate, Respondents with college diploma recorded as of 23%. Those who have first degree or more share 66% of the respondents. Therefore, it is possible to say that, the majority of private current account holder clients in CBE at Addis Ababa have high educational backgrounds, so their business know how and understanding might be satisfactory.

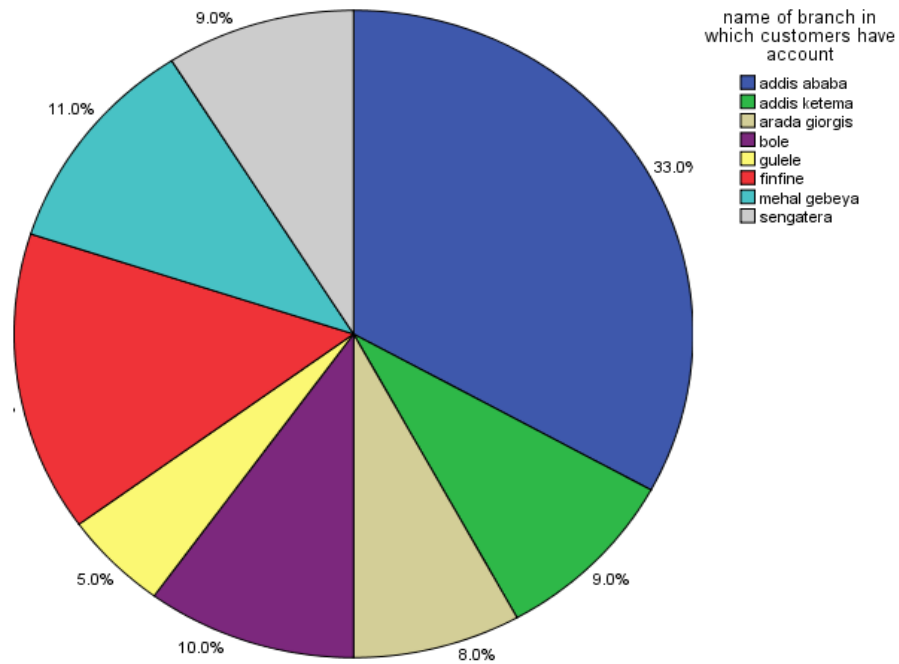
**Table 4.3. Educational Background of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid basic education	5	5.0	5.0	5.0
professional certificate	6	6.0	6.0	11.0
college diploma	23	23.0	23.0	34.0
first degree or more	66	66.0	66.0	100.0
Total	100	100.0	100.0	

Source: own Survey, 2015

#### IV. CBE Branches in which customers have account

Figure 4.1: List of Branches



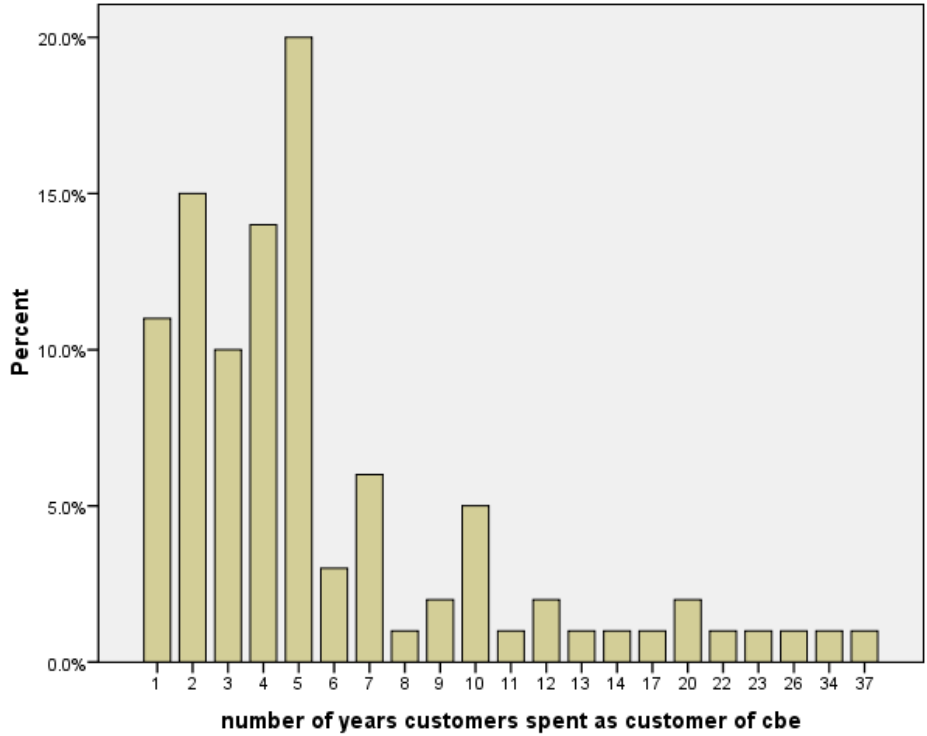
Source: own Survey, 2015

Form the data presented in figure 4.1; 33% of the respondents were from Addis Ababa branch, 15% were from Finfine branch 11% were from Mehal Gebeya, 10% of them from bole branch, 9% of the respondents were each from Addis ketema and Sengatera and the remaining 8% and 5% from Arada Giorgis and Gulele respectively. From this the study concludes that Addis Ababa branch has large number of private current account holder customers comparatively to other branches.

**V. Number of Year Spent as a Client of Commercial Bank of Ethiopia**

The number of years spent as a client of CBE was considered to determine the longevity of relationships existed between CBE and CBE customers. The findings were exhibited in the chart below.

**Figure 4.2: Years Spent as a Client**



**Source: own Survey, 2015**

The above figure shows that majority of the respondents spent 1-5 years as customer of CBE and the others spent 6- 37 years as customers of CBE. According to the figure above there are few customers who spent longer period of time with the bank.

**4.2. Descriptive statistics of Relationship Quality Dimensions and customer loyalty**

This section illustrates the descriptive statistics for each main constructs and its dimensions using Mean and Standard deviation.

Relationship quality, the main variable was measured by (30) items divided in to (4) dimensions: Trust which measured by (6) statements, Customer satisfaction, Commitment and Communication each measured by (8) statements within the questionnaire. The other variable, which was customer loyalty measured by (9) statements within the questionnaire respectively.

Trust is related to the customers' willingness to rely on CBE. Accordingly the above table 4.4 shows (mean value = between 3.92 & 4.07 with std. deviation=between 0.983 &1.119). Therefore, for most of respondents, agree on the trustworthiness of CBE and "Reliability" appears to be the attribute for trust which has the highest mean value of 4.07. On the other hand, the statement "trust the bank" is the attribute which has the lowest mean with a value of 3.92.

**Table 4.4: Descriptive Statistics for Trust Dimensions**

Items	n	Mean	Std. Deviation
	Statistic	Statistic	Statistic
The bank is trustworthy on important things	100	4.02	1.119
I trust the bank on anything I ask of them	100	3.92	1.041
the bank's relationship has made us trust each other	100	3.95	1.009
Kindness of bank staff makes you continue trusting the bank	100	4.01	1.030
I feel more confident when I purchase services from this bank	100	4.06	.983
according to our past business relationship, I think CBE is a reliable bank	100	4.07	1.008
Valid N (list wise)	100		

Source: own Survey, 2015

Satisfaction is related to the customers' positive emotional state resulting from utilizing services that are provided by CBE. Thus, Table 4.5 shows that majority of the respondents were satisfied by commercial bank of Ethiopia as the mean value ranges between 3.62 and 3.96 with standard deviation ranges between 0.989 and 1.129. In addition Based on the statistical result displayed in the table “comfortable relationship” is the statement under the independent variable of satisfaction which has the highest mean with a value of 3.96. In opposition to the statement “comfortable relationship”, “quickly solve problems” appears to be the statement which has the lowest mean of 3.62.

**Table 4.5: Descriptive statistics for Customer Satisfaction Dimensions**

items	N	Mean	Std. Deviation
	Statistic	Statistic	Statistic
Generally, I am satisfied with the services of this bank	100	3.77	1.062
I am very pleased with what this bank has done for me over time	100	3.74	1.001
I am comfortable about the relationship with CBE	99	3.96	.989
The bank quickly solves my problems	100	3.62	1.062
I will always choose this bank over any other banks	100	3.72	1.129
I made the right decision when I decided to use this bank	100	3.87	1.107
I always feel satisfied in the relationship with CBE	100	3.74	1.021
The personnel of the bank are courteous and friendly	100	3.92	1.032
Valid N (list wise)	99		

**Source: own Survey, 2015**

The table below demonstrates perceptions of respondents on the following selected commitment items such as customers' commitment to maintain and develop strong relationship with CBE. The findings were represented at mean score of each items with corresponding standard deviation based on the five point Likert scale with strongly disagree as minimum score and strongly agree as a maximum score.

Commitment is related to the customers' future intention to return indicating that the relationship exists over time to predict the continuity of the relationship with CBE. The result from the above table revealed that mean value ranges between 3.70 & 3.96 with SD between 0.963 & 1.150. Therefore, Table 4.6 indicates, there is high commitment between the customers and CBE to build long term relationship for the mutual benefit of the two parties.

**Table 4.6: Descriptive Statistics for Commitment Dimensions**

Items	N	Mean	Std. Deviation
	Statistic	Statistic	Statistic
I have strong commitment with CBE	100	3.70	1.150
I have intention to maintain and develop strong relationship with CBE	100	3.77	1.081
This relationship requires a lot of efforts and involvement	98	3.73	1.099
CBE spends enough efforts to keep quality relationship with its customers	100	3.82	1.009
Bank employees are willing to help customers and to provide quick services	100	3.96	.963
I feel the staff of CBE have commitment towards my needs	100	3.85	1.029
I expect my relationship with CBE to continue for a very long time	100	3.95	1.067
I want to remain a customer of this bank because, I genuinely enjoy my relationship with them	100	3.80	.964
Valid N (list wise)	98		

Source: own Survey, 2015

Communication is formation of mutual understanding between the bank and its customers. Therefore from Table 4.7 above, (mean= between 3.60 & 3.78; SD between 0.95 & 1.112). According to the respondents' perception, there is good communication between the customers and the bank. The highest means score (3.78) is for the item "I freely express my opinions to the staff of this bank" which implies customers could freely express their dissatisfaction towards the staff of CBE through effective communication.

**Table 4.7: Descriptive statistics for communication Dimensions**

Items	N	Mean	Std. Deviation
	Statistic	Statistic	Statistic
The bank gives me sincere and detailed information about all the condition of the service	100	3.71	1.047
I can show my discontent towards the staff of CBE through communication	99	3.74	1.112
Employees devote enough time to customers to be able to answer his/her questions	100	3.71	1.038
The staff in CBE frequently communicate to me	100	3.65	1.132
The bank keeps in touch constantly	100	3.60	1.005
I freely express my opinions to the staff of this bank	100	3.78	.905
When there is a change in any relevant issue, the staff in the bank communicate to me in time	100	3.72	1.092
Adequate and timely information gives you confidence to continue using the services offered by the bank	100	3.77	.983
Valid N (list wise)	99		

**Source: own Survey, 2015**

Customer loyalty is related to customers' attitude to the bank to re-purchase services and would recommend to others through word-of mouth. From the table displayed below the mean value ranges between 3.50 and 3.89 whereas, Standard deviation between 0.992 and 1.086. Among the items of customer loyalty "I will recommend this bank to friends and family members" has the highest mean score (3.89).Therefore, the researcher realize that majority of the respondents are loyal to CBE and provide positive word of mouth to others like friends and families. Furthermore they wish to stay with the bank for the future.

**Table 4.8.Descriptive Statistics for Customer Loyalty Dimensions**

Items	N	Mean	Std. Deviation
	Statistic	Statistic	Statistic
I will encourage friends and relatives to open bank account with CBE	100	3.88	1.018
I do not intend leaving this bank in the future	100	3.67	1.111
As compared to other banks, my loyalty is with this bank	100	3.84	.992
I find it difficult to switch to other banks because of what I get from this bank	100	3.55	1.086
if I have to open a different account, it will be with this bank	100	3.50	1.059
I consider myself to be a loyal customer of this bank	100	3.75	.999
I will recommend this bank to friends and family members	99	3.89	.968
I am confident of giving positive word of mouth testimonies to others about this bank	100	3.78	1.050
I expect to stay with this bank for a long period of time	100	3.86	1.015
Valid N (list wise)	99		

**Source: own Survey, 2015**

### 4.3. Correlation Analysis

The statistical treatment of the study included the determination of correlation between relationship quality dimensions and Customer Loyalty. These were carried out using Pearson's coefficient to determine the level of association. Pearson Correlation analysis is used to examine the degree of linear relationship between two quantitative variables. Strength and direction of the relationship existing between the two variables can be determined through the computation of Pearson Correlation.

Correlation ranges from -1 to +1 in which the value of 0 indicates no linear relationship, a value of +1 shows positive relationship and the value of -1 means perfect negative relationship. The closer the  $r$  to  $\pm 1$ , the stronger is the relationship between X and Y. If  $r$  is equal to zero, then there is no correlation between X and Y.

**Table 4.9** Guideline for the Pearson Correlation Analysis

Pearson Correlation	Strength of Correlation Relationship
$r = 0.10$ to $0.29$ or $r = -0.10$ to $-0.29$	Weak
$r = 0.30$ to $0.49$ or $r = -0.30$ to $-0.49$	Moderate
$r = 0.50$ to $1.00$ or $r = -0.50$ to $-1.00$	Strong

Source: Sekaran, U., & Bougie, R. (2010). Research methods for business: A skill building approach. (5th ed). United Kingdom: John Wiley & Son Ltd

In this study correlation analysis was used to examine the relationships among variables and to identify variables that have strong correlation. In table 4.10 Table 4.13 shows the result of correlation matrix which is used to measure the relationship between all the independent variables towards dependent variable. Based on the result, all the four independent variables (trust, satisfaction, commitment and communication) have positive relationship with dependent variable (customer loyalty). Satisfaction has the strongest association with customer loyalty than the other relationship quality dimensions which has displayed a

correlation value,  $r=0.883$ . However among the relationship quality dimensions the correlation between commitment and satisfaction (.889) is stronger than the other variables. All independent variables are statistically significant with dependent variable as they show the p-value of less than 0.05 levels.

**Table 4.10: Correlations for RQ dimensions and Customer Loyalty**

ITEM		TRUST	Customer Satisfaction	Commitment	communication	Customer Loyalty
Trust	Pearson correlation	1	.819**	.790**	.705**	.793**
	Sig.(2-tailed)		.000	.000	.000	.000
	N	100	99	98	99	99
Customer Satisfaction	Pearson correlation	.819**	1	.889**	.843**	.883**
	Sig.(2-tailed)	.000		.000	.000	.000
	N	99	99	97	98	98
Commitment	Pearson correlation	.790**	.889**	1	.847**	.825**
	Sig.(2-tailed)	.000	.000		.000	.000
	N	98	97	98	97	98
Communication	Pearson correlation	.705**	.843**	.847**	1	.860**
	Sig.(2-tailed)	.000	.000	.000		.000
	N	99	98	97	99	98
Customer Loyalty	Pearson correlation	.793**	.883**	.825**	.860**	1
	Sig.(2-tailed)	.000	.000	.000	.000	
	N	99	98	98	98	99

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

**Source: own Survey, 2015**

#### **4.4. Regression Analysis**

Regression analysis is a tactical process for estimating the relationships among variables. In this study regression analysis was conducted to know by how much the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (trust, commitment, customer satisfaction and communication) explains the dependent variable that is customer's loyalty.

##### **4.4.1 Multicollinearity Analysis**

Multicollinearity analysis is the computation that used to identify whether there is occurrence of more than one variable in a multiple regression model that are found to be highly interrelated (Zikmund et al., 2010). Multicollinearity can be assessed by examining the tolerance and variance inflation factors (VIF) which are the two Collinearity diagnostics factors. Table 4.12 indicates the multicollinearity of relationship quality dimensions. Accordingly, VIF of customer satisfaction, communication and trust are less than ten (5.341, 3.400 and 3.089) and their tolerance is more than 0.1 (0.187, 0.294 and 0.324) respectively. This implies there is no multicollinearity problem among the three independent relationship quality dimensions customer satisfaction, communication and trust. In addition commitment is excluded as it has multicollinearity problem with low tolerance and high VIF.

##### **4.4.2 Multiple Regression Analysis**

Multiple regression analysis is the computation that used to identify the relationship between a dependent variable with more than one independent variable (Zikmund et al., 2010). In this research, the relationship between a dependent variable (customer loyalty) and multiple independent variables (Trust, Satisfaction, Commitment and Communication) is determined using multiple regression analysis.

The result of multiple regression analysis shows that 84% of the variance ( $R^2 = 0.838$ ) in customer loyalty has been significantly explained by the independent variables (Trust, Customer Satisfaction, and communication). Based on the statistical result shown in Table 4.16, the  $\beta$ -value of unstandardized coefficient in the regression model indicates that when

one unit increase in Customer Satisfaction, Communication and Trust would affect an increase of 0.393,0.443 and 0.313 units respectively in customer loyalty.

A change in communication results in greatest impact on customer loyalty. The result of the regression analysis shows that the three independent variables; Satisfaction, communication and Trust are significant at 0.05 levels since they have P value of less than 0.05 and they have positive effect on customer loyalty with Beta value of 0.364, 0.400 and 0.219 respectively. In addition Commitment is excluded as it is insignificant and has negative effect on the dependent variable customer loyalty with the alpha value of 0.515 Beta value of -0.068.

Multiple regressions will be computed by adapting the formula of:

$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4$  in which "Y" represents the dependent variable, "a" represents the intercept or constant, "b" refers to the partial regression coefficients and "X" represents the independent variable.

Therefore the following multiple regression equation is formed:

**Multiple Regression Equation**

$$CL = a + b_1 T + b_2 SA + b_3 CT + b_4 CM + b_5 SQ$$

$$\text{Customer Loyalty} = 1.240 + 0.313T^{**} + 0.443CM^{**} + 0.393SA^{**}$$

$$(t=2.977) (t=5.174) (t=3.754)$$

Whereby, \*\* = significant at 0.05 level

T = Trust

CM = Communication

SA = Satisfaction

**Table 4.11: Result of R Square****Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.880 <sup>a</sup>	.774	.772	3.67896
2	.907 <sup>b</sup>	.823	.819	3.27468
3	.916 <sup>c</sup>	.838	.833	3.14442

a. Predictors: (Constant), customer satisfaction

b. Predictors: (Constant), customer satisfaction, communication

c. Predictors: (Constant), customer satisfaction, communication, trust

Source: own Survey, 2015

**Table 4.12: Result of Multiple Regression and Multicollinearity Coefficients <sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity coefficients	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.982	1.647		3.025	.003		
	Customer satisfaction	.951	.053	.880	17.942	.000	1.000	1.000
2	(Constant)	2.805	1.528		1.836	.070		
	Customer satisfaction	.581	.087	.538	6.685	.000	.294	3.396
	communication	.451	.089	.407	5.064	.000	.294	3.396
3	(Constant)	1.240	1.559		.795	.428		
	Customer satisfaction	.393	.105	.364	3.754	.000	.187	5.341
	communication	.443	.086	.400	5.174	.000	.294	3.400
	trust	.313	.105	.219	2.977	.004	.324	3.089

a. Dependent Variable: customer loyalty

Source: own Survey, 2015

## 4.5. Summary of Hypothesis Testing

**Table 4.13. Table summary of Hypothesis tests**

<b>Hypothesis</b>	<b>Statement of Hypothesis</b>	<b>Method of analysis used</b>	<b>Result Support</b>
<b>H1</b>	Trust significantly and positively affects customer loyalty	MultipleRegression	<b>S</b> upport
<b>H2</b>	Commitment significantly and positively affects customer loyalty	MultipleRegression	Not support
<b>H3</b>	Communication significantly and positively affect customer loyalty	MultipleRegression	<b>S</b> upport
<b>H4</b>	Customer Satisfaction significantly and positively affect customer loyalty	MultipleRegression	<b>S</b> upport

**Source: own Survey, 2015**

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter focuses on the basic findings, conclusions and recommendations based on the analysis conducted.

#### 5.1. Summary of Findings

The purpose of this study was examining the effect of relationship quality on Customer loyalty on commercial bank of Ethiopia in Addis Ababa. Several findings emerged that contributed to solve the study problem, gave logical answers to the study questions, and interpreted the hypotheses. Therefore the results of the study can be summarized as follows:

Demographic factors such as gender, age, education qualification, and length of time the Customers' uses the bank's services have been used to know the general characteristics of the respondents. Thus, the research used 59 % male and 41 % of female as respondents. In terms of age, the majority of respondents were in between 26-35 years old which was accounted 38% and followed by 18-25 which constituted 31%. With regard to the education qualification of respondents, the majority of the respondents were first degree holder with 66% which is followed by diploma holder which accounted 23%. In addition the study look at the length of time customers uses the bank's services; most of the customers used the Bank's services for 1-5 years.

The study provides the evidence that relationship quality has relationship with customer loyalty. This finding agrees with the study of (McDonnell et al., 2011) in a study showed that the relationship quality has a positive impact on customer loyalty. Therefore, relationship quality could enhance the mutual benefit of the parties involved in the relationship. Trust, Communication, Commitment and Satisfaction are the main dimensions of relationship Quality that have been used in most investigations including this study and have been verified in different concepts.

Based on the Pearson correlation test, all the independent variables (trust, satisfaction, commitment and communication) appear to have a positive relationship with the dependent variable (customer loyalty). Among the independent variables communication has the strongest positive correlation with the customer loyalty with the correlation value of ( $r=0.860$ ). Quality of communication is determined through several characteristics that consist of accuracy, timeliness, completeness, adequacy and credibility. Therefore; communication has power to determine the loyalty of customers. Efficient communication between institution and clients determine better relationship and client loyalty (Ndubisi, 2007). In other words if CBE could maintain quality communication customers would be loyal to their banks otherwise they will not be loyal to their banks.

The multicollinearity analysis shows that all the independent variables are not highly correlated among one another hence, there is no independent variable needed to be excluded from this research.

Based on the result of multiple regression analysis, communication appears to be the dimension in relationship quality that has strongest positive influence on customer loyalty with the unstandardized coefficient value,  $\beta = 0.433$  which implies a unit increase in communication would increase customer loyalty by 43.3% units. Customer satisfaction is ranked as second important independent variable as it has a regression coefficient of 0.393 and followed by Trust with regression coefficient of 0.313.

Trust, customer satisfaction, and communication are the variables that found to have relationship with customer loyalty at 0.05 significant levels. In addition the multiple regression analysis indicates that 83.8% of the Variance R square in customer's loyalty has been significantly explained by trust, communication and satisfaction. Commitment is the only variable in multiple regression analysis which demonstrates the result of insignificant with the alpha value of 0.515. The finding of Ndubisi (2007) showed that trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty. Satisfaction is found to be important as it will lead to increase cooperation between

channel partners and fewer termination of relationship (Ganesan, 1994). By constantly providing high value to customers, the customers are highly satisfied and lead to customer loyalty (Innis & LaLonde, 1994). Communication is also an important dimension of relationship quality and it is positively and directly related to the creation of customer loyalty (Meng & Elliott, 2008; Alrubaiee & Al-Nazer, 2010).

## **5.2. Conclusions**

Based on previous theories and researches conducted in the area of relationship quality this study could show the clear links between relationship quality dimensions and customer loyalty. Relationship quality in the service industry has become a major objective of relationship marketing in order to maintain loyalty of customers and improve company performance. Relationship Quality dimensions is considered to be essential for building long-term relationship with customers in order to achieve mutual benefits of all parties.

Therefore, this study was conducted to examine the effect of relationship quality dimensions (trust, commitment customer satisfaction and communication) on customer loyalty within CBE Addis Ababa branches.

The findings support the viewpoints that relationship quality dimensions can enhance the quality of a buyer-seller relationship and in turn increase customer loyalty. Customer trust, communication and customer satisfaction are not the only the desired outcomes of relationship marketing but also the antecedents of customer loyalty.

The findings of the survey can be concluded based on CBE Addis Ababa customers' perception on customer loyalty, relationship quality and its dimensions and it is presented as follows.

- Relationship quality positively and significantly affects customer loyalty.
- Customer satisfaction positively and significantly affects customer loyalty.
- Communication significantly and positively influences customer loyalty.
- Trust positively and significantly influence customer loyalty.

Commitment is the only variable which has found to be insignificant towards its relationship with customer loyalty.

### **5.3. Recommendations**

As discussed earlier in chapter two, relationship quality represents a tool for diagnosing problems in establishing and maintaining relationships with customers. The study found that quality of relationship between the parties involved is an important determinant of customer loyalty. Thus according to the results, the researcher forward the following recommendations as follows:

1. In addition to attracting new customers, CBE should focus on maintaining long term relationships and keeping loyal customers in order to obtain the advantages of a customer base loyal to the Bank. It is also necessary to develop strategies that prevent loss of customers.
2. The main objective of CBE should be to satisfy its' customers as the finding indicates customer satisfaction significantly and positively affects customer loyalty and customer value, satisfied customer is much more valuable to an organization of service compared with dissatisfied customers When customers are satisfied, they may participate in good behavior to the service providers, which is positive advertising through word of mouth, willingness to recommend, intention to repurchasing.
3. CBE should have to offer personalized attention to clients who may so need. This will bring a feel of belongingness which eventually builds long term relationships with customers.
4. CBE should be emphasized on maintaining its relationship quality with customers to enhance their loyalty.
5. Comprehensive programs undertaken should be which involve identifying customer needs and tailoring services to meet their needs which in turn enhance the customer value.

In general, CBE should make the whole system on work with customers, not inopposite of customers. As it is known, customers are the reason for the survival of the bank. So,the bank is expected to invest more on attracting new customers and retaining the existed ones.The bank should recognize the importance of relationship quality in creating loyal customersand implement appropriately.

#### **5.4. Limitations and Directions for Further Research**

Every research could not be without limitation, so like any other researches this study was faced with a number of limitations.

The practice of keeping quality relationship with customers to create and maintain loyal customers in banking industry of Ethiopia has been dealt with in this study. However, the researcher is not accessible to all branches and customer of CBE only a few branches eight in number and private current account holders would be included for this study.

Thus, its representativeness would be in question. This imposes limitations on the generalization of the results of the study to the CBE population as well as to the banking industry of Ethiopia.

The other limitation of this research is regarding the measurement of relationship quality. Relationship quality consists of many dimensions which represent the overall strength of the relationship and in this research only on four dimensions were included trust, satisfaction, commitment and communication.

In future, it is recommended that a study be conducted on a greater variety of banks, other service industries and customers including other relationship quality dimensions.

## REFERENCES

- Andaleeb, S. S. (1996). An Experimental Investigation of Satisfaction and Commitment in Quality, European Journal of Marketing, 40, 3 /4, pp. 311-327.
- Andersen, P.H. (2001) .Relationship Development and Marketing Communication: an Interactive model, journal of business & industrial marketing, Vol.16 No 2 pp. 167-182.
- Anderson, E. and Weitz, B. (1989).Determinants of continuity in conventional industrialchannel dyads, Marketing Science, Vol.8, No.4, pp.310-323.
- Anguelov, C. &Hilgert, M. (2004) “U.S. Consumers and Electronic Banking, 1995–2003”, Federal Reserve Bulletin, Vol. 13, No. 5, page (1-18).
- Alrubaiee, L., & Al-Nazer, N. (2010).Investigate the impact of relationship marketing orientation on customer loyalty: The customer's perspective. International Journal of Marketing Studies, 2(1), 155-173
- Arega, S.(2007). Assessment of the financial and operating performance and challenges of MFIs in Addis Ababa”. Addis Ababa University School of graduate studies Addis Ababa, Ethiopia.
- Balakrishnan and Lien Els. (2008). Customer Relationship Management:Are Companiesgetting Divorced From Reality? Oxford Business &Economics Conference Program.
- Ball Dwayne, Pedro Simoes Coelho and Alexandra Macha´s. (2004).European Journal of Marketing.The role of communication and trust in explaining customer loyalty, Vol. 38 No. 9/10, pp. 1272-1293.

Berry, L. L. and Parasuraman, A. (1991).Marketing Services Competing Through quality.Lexington, MA: Free Press/Lexington Books.

Bowen, J. T. and Shoemaker, S. (2003). Loyalty: A Strategic Commitment, Cornell Hotel and Restaurant Administration Quarterly, Oct-Dec 2003, Vol.44, N.5/6, pp.31-46.

Butcher, K., Sparks, B., & Callaghan, F. (2001).Evaluative and relational influences on service loyalty.International Journal of Service Industry Management, 12(4), 310-327.

Bryman, A. and Bell, E. (2003).Business Research Methods, New York: Oxford Channel dyads. Journal of marketing science, Vol.8, No.4, pp.310-323.

Chakrabarty, S. Whitten, D. and Green, K. (2007).Understanding Service Quality and Relationship Quality in IS Outsourcing: Client Orientation & Promotion, Project Management Effectiveness, and the Task-Technology-Structure Fit, Journal of Computer Information Systems, Vol. 48, No.2, pp.1-15.

Crosby, L. A., Kenneth R. E, and Deborah C. (1990).Relationship quality in services selling: an interpersonal influence perspective, Journal of Marketing, V 54, PP.68–81.

DeWulf, K. Odekerken-Schroder, G. and Iacobucci, D. (2001) Investments in Consumer Relationships: A Cross-Country and Cross-Industry Exploration, Journal of Marketing, Vol.65, No. 4, pp. 33-50.

Dick, A.S. and K. Basu. (1994). Customer loyalty: toward an integrated conceptual framework, Journal of the academy of marketing science, 22(2): p. 99-113.

Fornell, C. (1992). A national customer satisfaction barometer: The Swedish experience. Journal of Marketing, Vol. 56, No.1, pp.6-21.

Ganesan, S. (1994).Determinants of long-term orientation in buyer-seller relationships, Journal of Marketing, Vol.58, pp.1-19.

Garbarino, E. and Johnson M.S. (1999).The different roles of satisfaction, trust, and commitment in customer relationships, Journal of Marketing Vol.63 N2, pp70–87.

Gee Robert, Graham Coates and Mike Nicholson. (2008). Understanding and profitably Managing customer loyalty.*Marketing Intelligence & Planning*Vol. 26 No. 4, 2008 pp. 359-374.

Gilliland, D. I., & Bello, D. C. (2002).Two Sides to Attitudinal Commitment: The Effect of Calculative and Loyalty Commitment on Enforcement Mechanisms in Distribution Channels. Journal of the Academy of Marketing Science, Vol.30 No1 pp 24-43.

Goodman, L.E.and Dion, P.A. (2001). The determinants of commitment in the distributor manufacturer.*Industrial Marketing Management*, Vol.30 N.3,pp 287–300.

Grönroos, C. (1995). Relationship marketing: the strategy continuum, Journal of the Academy of Marketing Science, Vol.23 N.4 pp252-254.

Grönroos, C. (2004). The Relationship Marketing Process: Communication, Interaction, Dialogue Value, Journal of Business & Industrial Marketing, Vol.19, N.2, pp. 99-113.

Haghighinasab, M., Heydarzadeh, K. and Shariyatzadeh, H. (2010).Identify the factors affecting the quality of the relationship between industrial crane markets in Iran, Journal of Management Studies.

Hayes, B. E. (2008). The True Test of Loyalty, *Quality Progress.*, Vol.41, N.6, pp.20-26.

Hennig-Thurau, T., Gwinner, K.P., and Gremler, D.D. (2002).Understanding relationship marketing outcomes: an integration of relational benefits and relationship quality. Journal of Service Research, Vol. 4 No. 3, pp 230-247.

Hume, Margee, Gillian Sullivan Mort and Hume Winzar (2007), Exploring repurchase intention in a performing arts context: Who comes? And why do they come back? International Journal of Nonprofit and Voluntary Sector Marketing, Vol. 12 No.2, pp. 135-148.

HuseyinArasli, SalihTuranKatircioglu and SalimeMehtap-Smadi. (2005). A comparison of service quality in the banking industry. International Journal of Bank Marketing Vol. 23, No. 7, pp. 508-526

Innis, D.E., &LaLonde, B.J. (1994).Customer service: the key to customer satisfaction, customer loyalty, and market share.Journal of Business Logistics, 15(1), 1-28.

Khan, N., Kadir, S.L., &Wahab, S.A., (2010) “Investigating Structure Relationship from Functional and Relational Value to Behavior Intention: The Role of Satisfaction and Relationship Commitment”, International Journal of Business and Management, Vol. 5, No. 10, pp20 -38.

Kim, Y., Jae Ko, Y., & James, J. (2011).The impact of relationship quality on attitude toward a sponsor.Journal of Business & Industrial Marketing, Vol26N.8 pp, 566–576.

Koeszegi, S.T. (2004).Trust-building in inter-organizational negotiations, Journal of Managerial Psychology, Vol.19 N.6pp, 640-660.

Kotler, P. and Armstrong.G. (2011).Principles of marketing.14<sup>th</sup> edition, pp.13.

Lemon, K.N., Rust, R.T. and Zeithaml, V.A. (2001).What Drives Customer Equity. Marketing Management Vol.10N. 1),PP 20- 25.

Leverin, A and Liljander, V. 2006).Does relationship marketing improver customer relationship satisfaction. Journal of bank marketing, vol.24, no p.232-251.

Li Liu (2008). Study of the relationship between customer satisfaction and loyalty in telecom enterprise. IEEE International Conference on Service Operations and Logistics, and Informatics, Vol. 1, pp. 896-901.

Li, Ye-Chuen and Ho, Yung-Ching (2008). Discuss the Impact of Customer Interaction on Customer Relationship in Medical Service. The Business Review, Cambridge, Vol.11, No.1, pp.152-158.

Liang, Chiung-Ju and Wang, Wen-hung (2008). Do Loyal and More Involved Customers Reciprocate Retailer's Relationship Efforts? Journal of Services Research, Vol.8, No.1, pp.63-90.

Majid Esmailpour<sup>1</sup> and Maryam SaadatAlizadeh(2012). Surveying the Effect of Relationship Quality on Customer Lifetime Value in the Banking System. Management and Administrative Sciences Review Volume: 3, Issue: 2, Pages: 226-240

McDonnell, J., Amanda, B, and Chih, H. (2011). Investigating relationships between relationship quality customer loyalty and cooperation: Asia Pacific Journal of Marketing and Logistics, Vol 23 N(3), PP367-385.

McMullan, R. A. (2005). Multiple-item scale for measuring customer loyalty development. Journal of Services Marketing, Vol 19 N(7), pp470-481.

Meng, G. J., & Elliott, K. M. (2008). Predictors of relationship quality for luxury restaurants. Journal of Retailing and Consumer Services, 15, 509-515.

Messay, S.S. (2012). Bank service quality, customer satisfaction and loyalty in Ethiopian banking sector. Journal of business administration and social science vol.1 pp 1-9.

Morgan, R. M. & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. Journal of Marketing, Vol.58 nN (3): pp20–38.

Mouri, N. (2005). A Consumer-based Assessment of Alliance Performance: An Examination of Consumer Value, Satisfaction and Post-purchase behavior: University of Central Florida, 156 pages.

Mousavi, B. (2012). Relationship Quality Strategy and Customer Loyalty, Islamic Azad University, IRAN V57. 27 PP 143-147.

Ndubisi, N.O. (2007). Relationship Marketing and Customer Loyalty.Marketing Intelligence & Planning, 25, 1, pp. 98-106.

Ndubisi, N.O. and CHAN (2005) .Factorial and Discriminant Analyses of the Underpinnings of Relationship Marketing and Customer Satisfaction. International Journal of Bank Marketing, 23, 3, pp. 542-557.

Oliva, T. A., & Oliver, R. L., & MacMillan, I. C. (1992). A catastrophe model for developing service satisfaction strategies.The Journal of Marketing, 56(3), 83-95.

Oliver, M. (1997).Emancipatory research: realistic goal or impossible dream. Doing disability research, p. 15-31.

Oliver, R. L. (1997) Satisfaction: A behavioral perspective on the consumer. London: McGraw-Hill.

Oliver, R. L. (1999). When consumer loyalty? Journal of Marketing, Vol.63, pp.33-44.

Olorunniwo, F., Hsu, M. K., and Udo, G. J. (2006).Service quality, customer satisfaction, and behavioral intentions in the service factory.Journal of Services Marketing, Vol. 20N.1 PP59-72.

Palaima, T. and V. Auruskeviciene (2007) "Modelling Relationship Quality in the Parcel Delivery Services Market", Baltic Journal of Management, Vol.2,N.1, pp. 37-54.

Payne Adrian, Martin Christopher, Moira Clark, & Helen Peck. (1995). Relationship Marketing for competitive advantage: Winning and keeping customers, 1st Ed. Butterworth-Heinemann Ltd.

Peyrot, Mark and Doris Van Doren (1994), Effect of a class action suit on consumer repurchase intentions. The Journal of Consumer Affairs, Vol. 28 No.2, pp. 361-379.

Podoshen, J. (2008). The African-American consumer revisited: brand loyalty, word of mouth and the effects of the black experience, Journal of Consumer Marketing, Vol.245N. (4),pp 211-222.

Ranjbarian, B. Jalil wand, MR. AndFathi, S. (2011).Effect of verbal advertisement in attracting foreign tourists: The study case: Isfahan. Geographical Research Quarterly, Vol26 N.(5), pp103.

Rauyruen, P. and K.E. Miller.(2007). Relationship quality as a predictor of B2B customer loyalty.Journal of Business Research, Vol 60 N.1 pp. 21-31.

Roberts, K., Varkie, S., & Brodie, R. (2003).Measuring the quality of relationships in consumer services: An empirical study. European Journal of Marketing, 37(1), 169-196.

Rowley Jennifer. (2005). the four Cs of customer loyalty.Marketing Intelligence & Planning, Vol. 23 No. 6.

Sekaran, U., & Bougie, R. (2010). Research methods for business: A skill building approach. (5th ed). United Kingdom: John Wiley & Son Ltd

Sharma, N. and P. Patterson (1999) .The Impact of Communication Effectiveness and Service Quality on Relationship Commitment in Consumer Professional Services.The Journal of Services Marketing, 13, 2, pp. 151-170.

Shwu-Ing W., Pei-Chi Li. (2011).The relationships between CRM, RQ, and CLV based on different hotel preferences.International Journal of Hospitality Management, Vol 30, pp262–271.

Singh, R. (2008).Relational embeddedness, tertiusiungens orientation and relationship quality in emerging markets.Asia Pacific Journal of Marketing and Logistics, Vol.20, No.4, pp.479-492.

Smith, B. (1998).Buyer-seller relationships: Bonds, relationship management and sex-type. Canadian Journal of Administrative Sciences, VOL 15 (1): PP 76-92.

Susanta, Alhabsji,T. Idrus & Nimran, M.S (2013), the Effect of Relationship Quality on Customer Advocacy: The Mediating Role of Loyalty. Journal of business management, vol, 10, pp41-52

Sweeny, J., Soutar, G., &Mazzarol, T. (2007).Factors influencing word of mouth effectiveness: receiver perspectives. European Journal of Marketing, VOL42 N. (3/4), PP 344-364.

Tseng, Yi Ming (2007). The Impacts of Relationship Marketing Tactics on Relationship Quality in Service Industry.The Business Review, Cambridge; Summer 2007, 7 (2), pp.310-314.

ULAGA, W. and A. EGGERT (2004) Relationship Value and RelationshipUniversity Press Inc.

Van Vuuren,T.. Lombard,M& van Tonder E.(2012).Customer satisfaction, trust and commitment as predictors of customer loyalty within an optometric practice environment, Southern African Business ReviewVol, 16 PP,81-96.Vol.72, No.1, pp.77-93, ISSN 0022-4359.

Wei-Ming, O., Chia- Mei, S., Chin-Yuan Ch., and Kuo-Chang, W,(2011). Relationships among customer loyalty programs, service quality, relationship quality and loyalty an empirical study, Chinese Management Studies, vol 5 No(2), pp194-206.

WONG, A. and A. SOHAL (2002) "An Examination of the Relationship Between Trust, Commitment and Relationship Quality", International Journal of Retail & Distribution Management, 30, 1, pp. 34-50.

Zeithaml, V.A., Berry, L. L., &Parasuraman, A. (1996).The behavioral consequences of service quality.Journal of Marketing, Vol.60, No.2, pp. 31-46.

Zikmund, W.G., Babin, B.J., Carr, J.C., & Griffin M. (2010).Business research methods.(8th Ed.). Canada: South-Western, Cengage Learning.

Zineldin, M. (2006) .the royalty of loyalty: CRM, quality and retention. Journal of Consumer Marketing, vol23 No(7): p.430-437.

Zins, A.H. (2001). Relative attitudes and commitment in customer loyalty models: some experiences in the commercial airline industry. International Journal of Service Industry Management, 2001. Vol 12 No(3): p. 269-294.

## APPENDIX

### Structured Questionnaire

ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

DEPARTMENT OF MARKETING MANAGEMENT

Dear respondent, I want to inform you that this questionnaire is designed for the partial fulfillment of MA of marketing management. Thus, it is fully for academic purpose and all the information provided will be treated with maximum caution and confidentiality. I thank you in advance, for your concern and time.

#### Instruction for filling the questionnaire

Please read each statement carefully and put the tick (√) mark under the choice and write your opinion on the blank space provided.

### PART ONE

#### 1. Demographic Data: (please tick (√) mark)

A. Gender     male                       female

B. Age  18-25                       26-35                       36-45  
 46-55                       56 and above

#### C. Educational Background

Basic Education                       college diploma  
 Professional Certificate                       first degree or more

Others [ ] Please specify.....

**D. In which branch of CBE you are customer?**

\_\_\_\_\_

**E. How long have you been a customer of the bank?** Please state in years.....

**PART TWO**

*Please indicate the extent to which you agree with the following statement by ticking the appropriate answer using the scale below:*

**Strongly agree (SA) =1, Agree (AG) =2, Neutral (NE) =3, Disagree (DA) =4, strongly disagree (SD) =5**

*Please tick (√) appropriately*

NO	ITEMS	SA (1)	AG (2)	NE (3)	DA (4)	SD (5)
<b>TRUST</b>						
1	The bank is trustworthy on important things.					
2	I trust the bank on anything I ask of them.					
3	The bank’s relationship has made us trust each other.					
4	Kindness of bank staff makes you Continue trusting the bank.					
5	I feel more confident when I purchase services from this bank.					
6	According to our past business relationship, I think CBE is a reliable bank.					
<b>Customer Satisfaction</b>						

7	Generally, I am satisfied with the services of this bank.					
8	I am very pleased with what this bank has done for me over time.					
9	I am comfortable about the relationship with CBE.					
10	The bank quickly solves my problems.					
11	I will always choose this bank over any other banks.					
12	I made the right decision when I decided to use this bank.					
13	I always feel satisfied in the relationship with CBE.					
14	The personnel of the bank are courteous and friendly.					
<b>Commitment</b>						
15	I have strong commitment with CBE.					
16	I have intention to maintain and develop strong relationship with <b>CBE</b> .					
17	This relationship requires a lot of efforts and involvement.					
18	CBE spends enough efforts to keep Quality relationship with its customers.					
19	Bank employees are willing to help customers and to provide quick services.					
20	I feel the staff of CBE have commitment towards my needs.					
21	I expect my relationship with CBE to continue for a very long time.					
22	I want to remain a customer of this bank because I genuinely enjoy my relationship with them.					
<b>Communication</b>						
23	The bank gives me sincere and detailed information about all the conditions of the service.					
24	I can show my discontent towards the staff of CBE through communication					

25	Employees devote enough time to customers to be able to answer his/her questions.					
26	The staffs in CBE frequently communicate to me.					
27	The bank keeps in touch constantly.					
28	I freely express my opinions to the staff of this bank.					
29	When there is a change in any relevant issue, the staff in the bank communicates to me in time.					
30	Adequate and timely information gives you confidence to continue using the services offered By the bank.					
<b>Customer loyalty</b>						
31	I will encourage friends and relatives to open bank account with CBE.					
32	I do not intend leaving this bank in the future.					
33	As compared to other banks, my loyalty is with this bank.					
34	I find it difficult to switch to other banks because of what I get from this bank.					
35	If I have to open a different account, it will be with this bank.					
36	I consider myself to be a Loyal customer of this bank.					
37	I will recommend this bank to friends and family members.					
38	I am confident of giving positive word of mouth testimonies to others about this bank.					
39	I expect to stay with this bank for a long period of time.					

Please, give any other information that you feel relevant to this study.

---



---

**Thank you!!!**