

**The Application of Customer Relationship Management and Its
Effect on Customer Loyalty in Commercial Bank of Ethiopia**

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Department of Marketing Management
Graduate Program**

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Effect on Customer Loyalty in Commercial Bank of Ethiopia**

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Statement of Declaration

I, the undersigned, declare that, this research paper is my original work, has never been presented in this or any other university, and that all resources and materials used herein have been duly acknowledged.

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Date of submission May, 2016

Statement of Certification

This is to certify that **Ermias Tesfaye Abebe** has carried out his research work on the topic entitled **The Application of Customer Relationship Management and Its effect on Customer Loyalty in Commercial Bank of Ethiopia**. The work is original in nature and is suitable for submission for the award of Masters Degree in Marketing Management.

Advisor: Gete Andualem(Dr.)

Date: _____

The Application of Customer Relationship Management and its Effect on Customer Loyalty in Commercial Bank of Ethiopia

By: Ermias Tesfaye

Approved by Board of Examiners

Name

Signature

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Signature

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Acronyms

- AIB- Awash international bank
- BPR- Business process re-engineering
- CATS- Customer account and transaction service
- CBE- Commercial bank of Ethiopia
- CLV- Customer lifetime value
- CRM- Customer relationship management
- MIS- Management information system
- RFM- Recency, frequency and monetary value
- SME- Small and medium enterprise
- SPSS- Statistical package for social science

Abstract

This paper presents the level of customer relationship management (CRM) dimensions (key customer focus, CRM organization, knowledge management and technology based CRM) as applied in the Commercial Bank of Ethiopia (CBE)-under credit process, examined from the credit customers' point of view. Then, it intends to measure their effect on customer loyalty from the credit customers' point of view. The researcher collects data from CBE-credit customers by distributing questionnaires which measured their agreement and disagreement on CRM activities of the bank credit process and their level of loyalty to the bank credit process by using five point Likert scale. To obtain representative samples, in selecting the research respondents, stratified sampling technique was applied, this sampling method helps for a population from which sample has been constitute a heterogeneous group, therefore the study takes 16 and 369 trading and none trading credit customers respectively respondents as target respondents from these customers. The response rate was 78.96 %.The study was descriptive, explanatory and cross-sectional in nature. After the data was collected through structured questionnaire, computation and analysis is done by using SPSS (Statistic Package for Social Science) version 20 software. Descriptive statistics Mean Score, Standard Deviation and inferential statistics like Correlation test using Pearson's correlation and Multiple Regression analysis are used in order to address the initial research question of the study. The findings show that the CBE-credit process applies CRM dimensions but the level of application of each dimension differs. The results showed that each CRM dimension has a significant positive effect in CBE-under credit process. The researcher recommends that applying all CRM dimension will increase customer loyalty, so CBE-credit process should work on applying CRM in a full scale and major concern should be given to knowledge management dimension because it is the least applied dimension and it is the one with highest effect on customer loyalty in CBE-credit process.

KEY WORDS: *Customer Relationship Management, Key Customer Focus, CRM Organization, Knowledge Management, Technology based CRM, Customer Loyalty*

Chapter one

Introduction

In this introductory chapter background of the study, background of Commercial Bank of Ethiopia(CBE), statement of the problem, research question, objectives of the study, definition of terms, significance of the study, scope of the study, limitation of the study and organization of the study are discussed.

1.1 BACKGROUND OF THE STUDY

Maximizing the customer lifetime value is the fundamental goal and principle of relationship marketing. Companies must recognize that not all customers are equally profitable and that they must develop/design strategies to enhance the profitability of those customers they seek to target (Anastassova, 2013).

Customer relationship management (CRM) is an approach to managing a company's interaction with current and future customers. The CRM approach tries to analyze data about customers' history with a company, in order to better improve business relationship with customers, specifically focusing on retaining customers, in order to drive sales growth.

In the 1970's customer relationship management (CRM) originated as a marketing concept from the relationship marketing literatures. Its aim is to maximize customer value in the long term, by focusing business processes, marketing and customer service on client relationship maintenance, through the coordinating agency of an information technology system (Chang, 2007).

On the other hand, CRM is recognized globally as one of the most innovative means to facilitate the creation of a customers' base in order to meet market competition requirements (Maylonakis, 2009). It appeared in the mid-1990s and was strongly promoted during the late 1990s – throughout this time period, the term CRM has obtained different meanings to different people (Goldberg, 2002).

Evidently, the CRM is regarded as a multidisciplinary topic since it deals with marketing, information systems, management, etc. (Kevork and Vrechopoulos, 2009). The CRM is seeking to establish long term, committed, trusting and cooperative relationships with customers, characterized by openness, genuine concern for the delivery of high quality services, responsiveness to customer suggestions, fair dealing and the willingness to sacrifice short term advantage for long term gains (Bennett, 1996). In applying the CRM, the goal of the organizations is to identify their own customers and to provide personalized services, in order to enhance and increase both customer satisfaction and loyalty in the long run (Shani and Chalasani, 1992; Kalakota and Robinson, 2002).

Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. At this point, close relationship with customers will require a strong coordination between IT and marketing departments to provide a long-term retention of selected customers.

In the financial service literatures there are articles on the level of CRM deployment in different country based on four behavioral dimensions of CRM. Those four behavioral dimensions are key customer focus, knowledge management, CRM organization and technology based CRM. On those articles it reveals that successful application of all CRM dimensions helps the banks to retain customers, increase satisfaction, and increase loyalty.

Banks are most important constituents of the financial infrastructure of a country. They play a vital role in bringing about a desired change in the economic development of a country. The size and banking transaction represent the economic changes in a country and also it is an established fact that banking industry by channelizing the scattered savings to productive uses and providing mobility to the capital plays an important role in achieving the desired socio-economic development of a country. This shows the economic development of a country dependence on the availability of banking industry. On the other hand, customers are regarded as the most important factor in the banking industry. That is why customers are always right is known to all employees in any organization to enable them to satisfy the customer at all times.

1.2 Background of Commercial Bank of Ethiopia (CBE)

Among the banks operating in the Ethiopian economy Commercial bank of Ethiopia (CBE) is the one. Commercial bank of Ethiopia was established in 1942. It has more than 980 branches stretched across the country. It is the leading African bank with assets of 303.6 billion as of June 30, 2015. The bank plays catalytic role in the economic progress and development of the country. Currently CBE has more than 11 million account holders and the number of mobile and internet banking users also reached more than 460,000.00 as of September 30, 2015. Active ATM card holders reached close to a million. CBE has opened four branches in South Sudan and has been in the business since June 2009.

The vision, mission and values of the bank are stated below.

Vision:

“To become a world-class commercial bank by the year 2025.”

Mission:

“We are committed to best realize stakeholders values through enhanced financial intermediation globally and supporting –national development priorities by deploying highly motivated skilled and disciplined employees as well as state of the art technology .we strongly believe that winning the public confidence is the basis of our success.”

Values

1. Integrity
 - We are committed to the highest ideals of honor and integrity.
 - We strive to act in an honest and trustworthy manner.
 - We firmly adhere to ethical principles.
2. Customer satisfaction
 - We strive to excel in our business and satisfy our customers.
 - We are committed to offer the highest quality service to our customers and aspire to be branded with quality in the mind of our customers and general public.
3. Employee satisfaction

- We are committed to employee training and professional growth.
- We distinguish our employees as valuable organizational resources.
- We recognize our employees for their achievements.

4. Learning organization

- We are committed to anticipate and respond to internal and external changes through constant improvement and adaptation.
- We strive to establish a culture that nurtures individual and group learning.

5. Teamwork and collaboration

- We recognize the importance of teamwork for our success.
- We support to one another and working co-operatively.

6. Public trust

- We understand that the sustainability of our business depends on our ability to maintain and build up the public confidence.

7. Value for money

- We use resources carefully to save expense, time or effort.
- We deliver the same level of service for less cost, time or effort.
- We deliver a better service or getting a better return for the same amount of expense, time or effort.

8. Decentralization

- We are committed to delegate operations and decision making responsibilities.

9. Corporate Citizenship

- We value the importance of our role in national development endeavor and step-up for commitment.
- We care about society's welfare and the environment.

To coup up with the competitive environment CBE has shift its focus to customers need and undertakes a BPR (business processes re-engineering) in 2008. As a result of that organizational structure has been changed and CRM concepts adopted since then. It is around seven years since CBE adopted CRM. So determining to what level CBE has implemented the CRM dimensions and also testing its effect on customer loyalty will contribute a lot.

After the implementation of BPR, the bank follows a process oriented corporate structure. As per the structure of CBE, there are core processes and support processes. Core processes can be simply defined those fundamental processes or group activities, which ought to be performed for

the accomplishment of the organization key mission. In the other hand support process are performed for effective execution of the core process.

Core processes:

- Customer accounts and transaction service(CATS)
- Credit
- Trade service
- Interest Free banking

Among those processes this study take credit process that is the segment in which the bank gets its high portion of profit and evaluate the implementation of CRM dimensions mentioned above and test their effect on customer loyalty in CBE-under credit process.

1.3 Statement of the problem

CRM if used properly would enhance a company's ability to achieve the ultimate goal of retaining customers in order to gain a strategic advantage over its competitors. Thus, the successful management of customer relationship can improve customers' satisfaction and loyalty, in order to give positive effect on upgrading business performance (Liyun, Keyi, Xiaoshu and Fangfang, 2008).

It is important for banks to focus on retention of customers, because it is more profitable to retain a customer than to obtain a new customer (Payne and Frow , 2005).

In Ethiopia there are high expansions of banking industry throughout the country. Thus, there is high competition among banks in attracting the customer of one another and difficulties in retaining the lost customers one from the other. Mainly problems in handling customers lack of advanced banking technologies, and less emphasis to customer relationship management. In addition since bank service product types in Ethiopia are not significantly different, it is important for banks to focus more on CRM kinds of approach.

Different literatures (Coltman, 2007; Sayed, 2011; Krishnamoorthy and Srinivasan, 2013; Mamo, 2014) reviles that the application of CRM helps companies to perform better in non-financial performance such as customer loyalty, customer satisfaction and retention. In our country context

different study has been done on this area. Regarding CBE- similar study has been made as well but not from the dimensions that is applied in this study. For most of the time the studies data are collected from branch customers, in which many of them does not have a credit account. The bank is becoming bigger from time to time, the researcher found it important to see things from the process perspective as well. Among these process the credit process of CBE is the one in which the bank get its high portion of profit. Trying to fill those gaps the thesis empirically describe the application and test CRM dimensions effect on customer loyalty at Commercial Bank of Ethiopia under credit process through data collected from credit customers.

1.4 Research Questions

The study aims to answer the following questions:

1. What is the magnitude of the application of the CRM dimensions (key customer focus, CRM organization, knowledge management, technology based CRM) in relative to each other in CBE under credit process?
2. What is the effect of key customer focus dimension on customer loyalty in CBE under credit process?
3. What is the effect of CRM organization dimension on customer loyalty in CBE under credit process?
4. What is the effect of knowledge management dimension on customer loyalty in CBE under credit process?
5. What is the effect of technology based CRM dimension on customer loyalty in CBE under credit process?

1.5 Research Objectives

1.5.1 General Objective of the study

The general objective of the study is to evaluate the level of CRM dimension application and test their effect on customer loyalty in commercial bank of Ethiopia under credit process.

1.5.2 Specific Objective of the study

Specifically the study has the following objectives:

- To determine the effect of key customer focus dimension on customer loyalty in CBE under credit process.
- To determine the effect of CRM organization dimension on customer loyalty in CBE under credit process.
- To determine the effect of knowledge management dimension on customer loyalty in CBE under credit process.
- To determine the effect of technology based CRM dimension on customer loyalty in CBE under credit process.

1.6 Definition of terms

1.6.1. Conceptual definition

According to (Chen and Popovich, 2003, p. 675) “Customer relationship management is a cross-functional, customer-driven and technology integrated business process management strategy that maximizes relationship”.

According to (Oliver, 1997, p. 392) “Customer loyalty is a deeply held commitment to re-buy re-patronizes a preferred product or service consistently in the future, despite situation influences and marketing efforts having the potential to cause switching behaviors”.

“Business process reengineering (BPR)-is fundamental rethinking and radical redesign of business processes to achieve dramatic improvement in critical, contemporary measures of performance, such as cost, quality, service and speed” (Hammer and Champy, 1993, p. 190).

1.6.2 Operational definition

Credit customer-customers of Commercial Bank of Ethiopia that uses credit products.

Trading customer- credit customers who are engaged in business activity.

Non trading customer -credit customers who are not engaged in business activity.

1.7 Significance of the study

As it is one of the few study on the CRM application in the banking sector it will contribute to the financial service literature. It adds knowledge to those employees of the enterprise who are entrusted in developing strategic documents. It will help in providing important information to decision makers in the financial institutions. It will help the bank (CBE) to know the level of CRM application and effects of each dimension on customer loyalty under credit process. It can also help other banks that have the same structure as CBE regarding CRM. It will provide benefits to others who will conduct a research regarding CRM in the future.

1.8 Scope of the study

The study takes the credit process of CBE, from which the bank (CBE) gets the high portion of its profit, only among the 4(four) core process and for a sample purpose it consider only credit customers the ones under Addis Ababa. Only credit customers in Addis Ababa were involved in the study. In addition the study evaluates CRM application and tests their effect on customer loyalty under credit process only from the four behavioral CRM dimensions those are key customer focus, CRM organization, knowledge management and technology based CRM. Based on related literature CRM was hypothesized as a multi-dimensional construct. The above four dimensions are the broad behavioral components. Even though there are other dimensions regarding CRM, the researcher has found that the above four are broad and convenient to the study in the banking sector based on reviews made.

1.9 Limitation of the study

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

1.10 Organization of the study

The study contains five chapters. The first chapter introductory part that contains background of the study, background of the company, problem statement, research questions, objective of the study, definition of terms, significance of the study, scope and limitation of the study. The second chapter presents literature review that contains theoretical review, empirical review and the conceptual framework of the study. Then third chapter that deals with methodology that specifies type of research, research design, sampling design, research instrument, methods of data collection, procedures of data collection, data analysis methods, validity, reliability and research

ethics. In chapter four data analysis & discussion of result are included. Then chapter five conclusion and recommendations are presented. Finally, references and copy of the questionnaires and SPSS outputs are annexed.

Chapter two

Review of related literatures

2.1 Chapter Overview/Introduction

In this chapter theoretical review, empirical review and conceptual framework of the study are presented.

2.2 Theoretical Review

2.2.1 Meaning of CRM

With the advent of knowledgeable customer and highly competitive market, the traditional transaction based marketing is proved to be obsolete where by the need to solicit customers need before competitors do becomes the way of life for marketers. To do so, understanding and keeping track of customers' needs using relationship based marketing practice become imperative.

CRM is born from relationship marketing and is simply the practical application of long standing relationship marketing principles (Gummesson, 2004). It builds on the philosophy of relationship marketing in that it aims to create, develop and enhance relationship with carefully targeted customers to maximize customer value, corporate profitability and thus shareholders value (Payne and Frow, 2005).

Sin, Tse and Chan (2005) developed the CRM scale in which they have elicited four major constituents of CRM namely: 1. key customer focus, 2. CRM organization, 3. knowledge management, and 4. technology-based CRM. Key customer encompasses the profitable or important customers. The CRM organization encompasses organizational structure, organization wide commitment, human resource management etc., Knowledge management encompasses

knowledge generation, learning, dissemination, sharing and responsiveness, whereas technology based CRM calls for all measures to be included which make organization IT enabled.

The important objective for CRM is to increase the lifetime value of customers. RFM (recency, frequency, and monetary value), a model used to measure the lifetime value of a customer is based on three empirically based principles; customers who purchased recently and frequently and who spend the most money in total are more likely to buy again. By having an RFM score, companies can determine the lifetime value of a customer because customers with a high RFM score usually have the highest lifetime value.

There is a four-step process which is the core of CRM. In the first step, companies should identify their customers; second, they should differentiate their customers in terms of both their needs and their value to them; third, they should interact with their customers to improve cost efficiency and the effectiveness of their interaction; in the fourth and final step, they must customize products and services for their customers (A crash course in customer relationship management, 2000).

CRM lacks a generally accepted definition. Instead, there are several different definitions and the viewpoints differ considerably, and the authors view points are very different. The definition of CRM has been described in several ways, for example as a process, strategy and a technological solution (Dimitriadis and Stevens, 2008). A definition formulated by Kincaid (2003,) refers to CRM as more than the relationships, *“The strategic use of information, process, technology, and people to manage the customers’ relationship with your company across the whole customer life cycle”* (Kincaid, 2003, p. 41).

Swift (2000, p. 12) are defining CRM as an *“Enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability”*.

Parvatiyar and Sheth (2001, P. 6) have another definition of CRM; *“A comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value”*. According to Parvatiyar and Sheth, (2001) CRM is

deeper than the aforementioned, and emphasizes on the positive exchange between customers and the company.

This definition mentions, unlike the ones mentioned above, that a company should work with customers that they have selected in order to bring value to both the customers and also to the company. Not all customers are willing to develop long-term relations with a firm, thus, the company needs to select who these customers are (Peelen, 2005, p. 56).

Osarenkhoe and Bennani (2007, P.145); “*CRM is a strategy used to learn more about customers needs and behaviors in order to develop stronger relationships with them*”. This definition is short, simple, informative, and it highlights CRM with focus on the relationships.

The definition by Kincaid (2003) is wider than this one by Osarenkhoe and Bennani (2007) as it also points out that a business needs to use technology, information and employees in order to be able to handle the long-term relationships over the customer life cycle that CRM should bring. This definition by Osarenkhoe and Bennani (2007) is similar to the definition made by Swift (2000) since it aims to keep a strong communication with customers in order to learn more about their behavior. The definition by Parvatiyar and Sheth (2001) stands out since it brings up the customer value as an important part of CRM, the other definitions refers only to the relationship with the customers, customer loyalty and customer retention and do not mention the value that a company actually delivers to the customer.

What the definitions above have in common is that the customer is in focus and that it is a concern how to establish long-term relationships with them. These definitions of CRM points out how important it is to view CRM as a extensive set of strategies for managing those relationships with customers that relate to the overall process of marketing, sales, service, and support within the organization. In order to satisfy the customer, information technology and information systems can be used to support and integrate the CRM process (Ngai, 2005). Since there is no widely accepted definition about CRM, the best way to achieve a picture of what CRM stands for is to read and mix different definitions and to summarize them. Crosby and Johnson (2001) identify customer relationship management as a business strategy that multiplies the use of technology and includes it in all processes to create retention and loyalty over time. In general

terms, the focus of the CRM concept is to build a long-term and value-added relationship for both business and customers.

2.2.2 Dimensions of relationship marketing

The goal of relationship marketing programs is to deliver the highest possible customer satisfaction. The important and critical thing for companies is to deliver performance which matches or exceeds customer expectations.

Relationship marketing has the following key dimensions.

1. Trust-has been defined as “a willingness to rely on an exchange partner in whom one has confidence” (Moorman, Deshpande and Zaltman, 1993). Trust is an important component in establishing and maintaining successful inter organizational systems (Meier, 1995). A betrayal of this trust by the supplier or service provider could lead to defection.
2. Commitment –is another important determinant of marketing relationship strength and useful construct for measuring customer loyalty likelihood and producing future purchase frequency (Gundlach, Achrol, and Mentzer, 1995). In the marketing literature, Moorman et al. (1993) have defined commitment as an enduring desire to maintain a valued relationship.
3. Social bonding-bonding is defined as the dimension of business relationship between parties acting in a unified manner toward a desired goal. Various bonds exist between parties and indicate different levels of relationship (Callaghan, Mcphail, and Yau, 1995). Bonding controls social and business behavior in society and may remove doubt, creates trust and forms close relationship (Hinde, 1997).
4. Communication-is vital component in business relationship establishment (Houman Andersen, 2001). Communication is important in marketing relationship; it plays a central role in providing an understanding of exchange partner’s intentions and capabilities, thus forming ground work for building trust among exchange partners. Communication in relationship marketing means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs.

2.2.3 Major factors that establish the need for CRM

According to Alawiye-Adams and Afolabi (2014) the important factors that establish the need for customer relationship management in the banking industry are detailed below:

2.2.3.1 Intense competition

There is intense competition among the private and public sector banks all taking steps to attract and retain the customers. New technologies, research facilities, globalization of services, the flood of new products and the concept of all the facilities under one roof to provide better customer service leading to customer delight.

2.2.3.2 Well informed customers

The customers in banking industry today are well informed. With the introduction of new technology, the world has become like a small village. Thus, if a bank wants to have more customers, it should develop a good relationship with its present customers and try to maintain the same in the future also.

2.2.3.3 Declining brand loyalty

In the present scenario, brand loyalty is on decline. The customers are switching over frequently to avail the better facilities from other banks. Newer and superior products and services are being introduced continuously in the market. Thus, the banks have to upgrade their products, improve customer service and create bonds of trusts through proper care of customer needs and regular communications. With the help of CRM, strong customer loyalty and a good image for the organization can be developed.

2.2.3.4 The need to improve customer retention

In the intensely competitive banking industry, retention of existing customers is vital; this can be achieved through the process of CRM.

2.2.4 The three parts of CRM

2.2.4.1 Technology:

IT assists with the redesign of a business process by facilitating changes to work practices and establishing innovative methods to link a company with customers, suppliers and internal stakeholders. In a sense, the technology part of CRM-the database largely equates to the information that was previously stored in the heads of managers of small businesses.

2.2.4.2 Processes:

Processes of key steps have to be put into place to make sure that such data is used effectively. In fact it is the processes that hold the whole thing together. Processes is how operations are completed within organization which leads to the importance of developing processes and implementing it across all functions so as to create value for the customer and meet the CRM goals and objectives. Process includes the front office where customer communication happens and back of the house where all department work together to deliver excellent service to customers.

2.2.4.3 People

People are involved in developing CRM strategy, choosing and implementing the IT strategy, hence people must be able to work cross functionally to insure CRM meets its goals of customer satisfaction and retention by creating and maintain customer database to design appropriate marketing programs for the appropriate segments of customers(Buttle,2009).The people involved in any way with the customer have to be aware of those processes and preferably believe in those processes so that a seamless service can be delivered to the customer.

2.2.5 Types of CRM

Many authors including Buttle (2009) divide CRM into four main types namely operational CRM, strategic CRM, analytical CRM and collaborative CRM.

2.2.5.1 Operational CRM

According to Dyche (2002) an operational CRM is also known as front office CRM. It involves the areas where direct customer contact occurs which is also known touch points. Operational CRM focuses on customer-involving processes such as selling, marketing and customer service. It is about automating some of the marketing, selling and service functions of an organization (Buttle, 2009).

2.2.5.2 Strategic CRM

Strategic CRM focuses upon the development of a customer centric business culture within an organization. Customer centric business approach requires changing behavior from regular business models such as product orientation, production orientation and selling orientation (Buttle, 2009). This culture is dedicated to winning and keeping customer by creating and delivering value better than competitors. Also in such culture the resources would be allocated where they would best enhance customer value, reward system to promote employee behaviors that enhance customer satisfaction and retention and customer information to be collected, shared and applied across the business.

2.2.5.3 Analytical CRM

It is also known as back office CRM. It involves understanding the customer activity that occurred in the front office. Analytical CRM focuses on collecting, processing, interpreting and exploiting of customer related data for strategic or tactical purposes. It is highly involved with the customer related data (Buttle, 2009). It enables the value creation to both, the customer and the organization, by capturing, storing, extracting, processing, interpreting and reporting the data.

2.2.5.4 Collaborative CRM

Collaborative CRM is an approach to CRM in which the various departments of a company such as: sales, technical support and marketing etc., share any information which they collect from interaction with their customers. For instance customer feedback gathered from a technical support session could inform marketing staff about products and service that might be of interest to the customer. It is concerned with enabling better customer value delivery within entire value chain by improving cooperation and customer related data sharing across organizational boundaries.

2.2.6 Benefits of CRM

According to Milovic (2012), due to the highly competitive market in the banking sector, it is very difficult for banks to differentiate themselves from the competition because the service that they offer are very similar, which leaves the customer interaction as a way to distinguish the bank from the competition and the same goes for insurance companies. Based on different authors the following lists can be mentioned as benefits of applying CRM in banks.

- The need for recruiting many new customers decreases
- Lower cost of recruiting customers
- Higher sales productivity
- Higher customer profitability
- Added cross-selling and up-selling opportunities
- Reduced cost of selling
- Improved service, loyalty and retention
- Increases call center efficiency
- Higher closes rates
- Better profiling and targeting
- Reduced expenses
- Increased market share
- Higher overall profitability
- Marginal costing
- Integration of primary business activities
- Tracking of all customer interactions
- Storage of customer data in a single database
- Support of customer life cycle
- Being more capable of evaluating customer profitability

2.2.7 Major factors affecting CRM success

According to Payne (2006) the followings are barriers which affect CRM success.

2.2.7.1 Lack of skills

In a large scale CRM implementation project, technically skilled people always are important part. From time to time companies realize the importance of employees' skill towards CRM implementation.

2.2.7.2 Inadequate investment

To operate the CRM, adequate funding is an indispensable requirement. Particularly, for some large scale projects, adequate investment will provide the financial basis to the CRM implementation.

2.2.7.3 Poor data quality and quantity

As the combination of the management concept and the technical system, CRM needs a large number of databases. If a company cannot ensure the quality and the quantity of the data in the process of CRM implementation, CRM cannot give full scope to the company. But in companies different stages of CRM development, the emphasis level of the data quality and the data quantity are different. For some companies which at the early stage of CRM development, data quality is the key point; but for some developed companies which plan to undertake or have undertaken the data refinement and the de-duplicating data quantity is more important than data quality.

2.2.7.4 Failure to understand the business benefits

Low awareness of the business benefits will also affect the CRM success. Like some senior management of a company always have a low understanding of the marketing database which is the key issue of the CRM analysis and research. But in CRM implementation, especially in the earlier stage, data warehouse cannot be neglected because it could help the company to forecast

the potential benefits and profits after the analysis. So, for seeking the true objectives and maximizing the profits, the company really should understand the business benefits firstly.

2.2.7.5 Lack of leadership and top management involvement

For the CRM long term success, the best leadership and top management involvements play the important roles. Actually, the roles of leadership are to keep the executive in high level, make the decisions decisively and to ensure that the idea is innovative, but the most important role of leadership is to grasp the overall situation and try to be the real champion in the process of CRM implementation. Therefore, if a company lacks the powerful decision makers and the management team, the success of companies CRM will be affected by these future barriers.

2.2.7.6 Technology factors

The interface of the CRM technology in any company is appreciated by the employees. A friendly user interface makes the technological applications easy to use and understand and it increases the degree of CRM adoption.

2.2.8 The Customer Relationship Management Models

1. THE IDIC Model

The IDIC Model has been developed by Peppers and Rogers (2004) According to IDIC model, companies should take four actions in order to build closer one-to-one relationships with customers, i.e. identifying, differentiating, interacting, and customizing:

- **Identifying** who the companies' customers are and building a deep understanding of them.
- **Differentiating** their customers in order to identify which amongst them have most value now and which offer most for the future.
- **Interacting** with them in order to ensure that companies understand customer expectations and their relationships with other suppliers or brands.
- **Customizing** the offer and communications to ensure that the expectations of customers are met.

2. The Quality Competitiveness Index Model (QCI)

The model is described as a customer management model, omitting thereby the word “relationship”. At the centre of the model, they highlight a range of activities needed by companies to perform in perspective to acquire and retain customers. This model also features people performing processes and utilizing technology to assist in those activities.

3. The Customer Relationship Management CRM Value Chain Model

The CRM value chain is a model which businesses can follow when developing their CRM strategies (Buttle, 2004). This model had been developed by a range of SMEs such as IT, software, telecoms, financial services, retail, media, manufacturing, and construction. This model is built from strong theoretical principles and the practical requirements of business.

The main purpose of this model is, according to Buttle (2004), to ensure that the company builds long-term mutually-beneficial relationships with its strategically-significant customers. Thus, some customers are merely expensive to acquire and service.

4. The Payne’s Five Forces Model

This is a comprehensive model developed by Adrian Payne’ The model identifies five core processes in Customer Relationship Management CRM such as the strategy development process, the value creation process, the multichannel integration process, the performance assessment process and the information management process. They can be grouped into strategic CRM, operational CRM and analytical CRM.

5. The Forrester Model

The Forrester CRM model is grouped into four types such as: Strategy, Process, Technology and People. The model produced results in the findings on over hundreds of companies using CRM as strategically, thorough analysis of over number of vendors’ solutions providers and also with discussion with about numerous consultants. For firms willing to kick-start their CRM programs or for those that are finding it tough to get best out of their CRM programs after it has been launched. Also, the performance scorecard highlights the criteria used by companies to measure the overall performance using CRM.

6. The Maturity Model

Gartner’s CRM Maturity Model is a tool in which the group used in rating enterprises in terms of their capabilities in effectively using CRM. To determine the category in which an enterprise is placed on the model, they are first evaluated in terms of Overall CRM vision and strategy,

consistent valued-customer experience, organizational collaboration, processes, information, technology, metrics.

2.2.9 Dimensions of CRM

Based on related literature CRM was hypothesized as a multi-dimensional construct consisting of four broad behavioral components: key customer focus, CRM organization, knowledge management, and technology-based CRM.

Key customer focus

This involves an overall customer-centric focus (Sheth, Sisodia and Sharma, 2000) and continuously delivering superior and added value through customized offers to the key customers. Key elements of this dimension consist of customer-centric marketing, key customer lifetime value identification, personalization and interactive co-creation marketing. According to, Sin et al (2005) define key customer focus as a composition of dialog with customer on customizing their needs, customizing products; customer needs assessment and implementation of customer need information. Arnett and Badrinarayanan,(2005) also indicate that customer needs driven CRM strategy involves two steps: first, uncovering insights regarding customer needs and secondly, the development of special programs to meet the discovered needs. Therefore, firms as part of their CRM practice ought to develop CRM strategies that are capable of delivering both economic and non economic benefits to key customers.

CRM organization

CRM means essential changes in the way that firms are organized (Ryals and Knox, 2001) and business processes are conducted (Hoffman and Kashmeri, 2000). Therefore, firms should take into consideration the organizational challenges inherent in any CRM initiative (Agarwal, Harding, and Schumacher, 2004). The key considerations in order to successfully organize the whole company around CRM are as follows: organizational structure, organization-wide commitment of resources, and human resources management. The organizational structure need to be flexible and if necessary, reconstructed to generate customer-centric values (Homburg, Workman and Jensen, 2000) and improve coordination of customer focused cross-functional teams (Brown, 2000).

Knowledge management

To enhance customer profitability, information about customers should be gathered through interactions or touch points across all functions or areas of the firm (Brohman, Richard, Piccoli, and Parasuraman, 2003). So that all rounded customer view is established, maintained and continually updated (Fox and Stead, 2001).

According to the knowledge-based view of the organization, the creation, transfer, and the application of knowledge is the primary for a firm's existence. From a CRM perspective, knowledge can be learned from past experience or empirical study of consumer data. Key elements include knowledge learning and generation, knowledge dissemination and sharing, and knowledge responsiveness. One important feature of knowledge development is the fact that knowledge is not found in the database of any firm and can only be created from information that may be found in the database or elsewhere.

Technology-based CRM

Accurate customer data is necessary to successful CRM performance (Abbott, Stone and Buttle, 2001). Consequently, the technology has an important role in CRM in adding to firm intelligence (Boyle, 2004). In reality, the advancement in Information Technology has the capability to collect, analyze and share customer information which will lead to a customer satisfaction and thus retaining customer (Butler, 2000). The CRM call for "information-intensive strategies" which utilize computer technologies in building relationships (Agarwal et al, 2004) such as: computer-aided design/manufacturing, data warehouses, data mining and the CRM software systems that enable the firms to provide greater customization with better quality at lower cost. In addition, it helps the staff at all contact points to serve the customer in a better way. Therefore, many customer-centric activities would be impossible without the use of an appropriate technology (Sin et al., 2005).

Generally, the successful CRM implementation depends on combining the four dimensions- focusing on key customers, organizing around CRM, managing knowledge and incorporating technology based CRM in an overall CRM strategy. Falling in any of these aspects can render the firm's CRM activities incompetent.

2.2.10 Misunderstanding about CRM

According to Buttle (2009) there are five common misunderstandings about CRM.

1. CRM is database marketing

In fact most companies collect data from a number of sources, build and exploit customer databases. But CRM is much wider in scope than database marketing.

2. CRM is a marketing process

The implementation of CRM often means that customer related data is shared more widely throughout the enterprise than by marketing function only.

3. CRM is an IT issue

IT is an enabler and facilitator. Results and improvements come on the way customers are managed through a combination of improved process, the right competence and attitudes of people, the right strategies and the right enabling technologies.

4. CRM is about loyalty schemes

Whereas some CRM implementations are linked with loyalty schemes, not all are. Demographic information is used together with purchasing data to help companies become more effective at customer communication and offer development.

5. CRM can be implemented by any company

Any company can try to implement strategic and operational CRM. Analytical CRM is different from others as it is based on customer-related data. If these data are missing then analytical CRM cannot be implemented.

2.2.11 CRM in the banking industry

Bank is merely an organization that accepts deposits and lends money to the needy persons, but banking is the process associated with the activities of banks. It includes issuance of cheque and cards, monthly statements, timely announcement of new service, helping the customer to avail online and mobile banking etc. Huge growth of customer relationship management is predicted in the banking sector over the next few years. It is a sound business strategy to identify the bank's most profitable customers and prospects and devotes time and attention to expanding account relationship with those customers through individualized marketing, pricing, discretionary decision making. In banking sector, relationship management could be defined as having and acting upon deeper knowledge about customer, ensure that the customer such as how to find the customer, get to know the customer, keep in touch with the customer, ensure that the customer gets what he wishes from service provider and understand when they are not satisfied and might leave the service provider and act accordingly.

The present day CRM includes developing customer base. Accordingly, the bank has to pay adequate attention to increase customer base by all means, it is possible if the performance is at satisfactory level, the existing clients can recommend others to have banking connection with the bank he/she is operating. Hence asking reference from the existing customer can develop their client base. If the base increased, the profitability is also increase. Hence the bank has to implement lot of innovative CRM to capture and retain the customers (Saeed, Grover & Malhotra, 2011). There is a shift from bank centric activities to customer centric activities. Banks are a long way along the CRM route, recognizing the need to target customers effectively and to identify the value of particular customers and the investment needed to gain their loyalty. They use technology to;

- To collect accurate, up to date information on customers
- To target products and service to coincide with the life-stages of customers
- To provide greater customer access to products and service (24-hour banking)

They need effective processes:

- To ensure transactions are safe
- To reassure customers that their transactions are safe
- To consolidate multiple records for individual customers
- To alleviate distress when errors occur

2.2.12 Customer Loyalty

Customer loyalty is critical to the success of business in today's competitive market place, and banks are no exception (Osayawe Ehigie, 2006). Thus, a loyal customer to a bank is the one that will stay with the same service provider, is likely to take out new products with the bank and is likely to recommend the bank's service (Fisher, 2001). Therefore Kish (2002); Duncan and Elliot (2002), show the link between customer loyalty and organization profitability, implying that any organization with loyal customers has competitive advantage.

Furthermore, customers are more likely to be loyal if there is a customer-oriented climate (Clark, 1997). This climate consists of identifying genuine customers' needs and design products to meet those needs (Bridgewater, 2001). Especially, the valued customers that require truly personalized services, by knowing what they want and do not want and then ensuring that they get what they want (Szymigin and Carrigan, 2001).

If the organization can make a consumer happy by placing them at a high level in their business, that business becomes a center of attraction to the consumers, which leads to success to the company. For a management faithful customers are the money making customers since these customers lean to spend more time with them. The lifetime values of faithful customers are massive. For a customer, devotion to one organization decreases the risk of service and leads to the development of society. The loyalty can be classified on the basis of identification of product, purchase frequency, suggestions of customer and visit frequencies.

Based on literatures levels in loyalty can be classified as follows.

- a) Client: the person who purchase for a number of times of different products which are available in that company.
- b) Expect: the person who already registered as a customer but did not purchased any of the product.
- c) Sponsoring the other customers: clients who advise other customers to register in that organization by telling about the features of that organization.
- d) Primary customer: the customer who purchased the product for the first time.
- e) Prohibited prospect: the customer whose interest of buying the products is less comparing to the expectations of the management.
- f) Inactive client: the person who doesn't purchase any of the products within the given period.
- g) Repeat customer: person who purchase more than once.

2.3 Empirical Review

2.3.1 Research findings of CRM

Colgate & Danaher (2000) study the effect of implementing the strategy of customer relationship in the domain of banks on the customer's satisfaction and loyalty. In New Zealand, a systematic random sample of 1917 subjects was taken from the telephone directory. The researchers collected data by mail. They got back 784 investigation lists, which mean a response rate of 43.5%. The study noticed the presence of both positive and negative effects; the positive effects appear when the strategy of CRM is carried out in a highly skilful way, resulting in enhancing the customer's satisfaction and loyalty, while the negative effects appear when the execution of such strategy is deficient, resulting in the customer's dissatisfaction and disloyalty.

Swaminathan (2004) study on clarifying the relationship between CRM and the performance (customer outcomes). The researcher conducted a random sampling from the work directory of Hong Kong coming out with 1223 service companies. The sample included a number of different organizations such as banks, investment companies, insurance companies and other institutions characterized by good relationships with customers. Data was collected from senior managers in these organizations by means of an investigation list. 215 full lists were received, which means a response rate of 17.6%. The study concluded that there are four dimensions of CRM. Three of these four dimensions, (Key customers-organizing around CRM- managing knowledge) (directly and indirectly affected the performance (customer's satisfaction- customer retention- the growth of sales. However, the fourth dimension (technology) did not lead to increasing the customer's satisfaction and loyalty in the long run

Ndubisi & Wah (2005) having an objective of showing the relationship between relationship marketing and customer's satisfaction. The bank customers of Kota Kinablu city in Malaysia represented the society of the study. The number of banks in the city was 20 but only 15 banks agreed to have their customers interviewed by the researchers inside the banks. Likewise, only 400 customers of the banks' customers agreed to fill the investigation lists. Only 220 usable lists were authenticated, and the response average was 55%. The study concluded that all dimensions

were related to the customer's satisfaction and that the dimension of the strongest relationship was represented in the improvement in the relationship quality with the customer in general terms; the correlation coefficient was 0.88 with less than 0.05 level of significance.

Van den Brink, Odekerken-Schroder and Pauwels (2006) on the research treating the effect of CRM on the customer loyalty. The researchers designed an experiment in which 240 students shared in the library of one of the universities of Western Europe. Data was collected from them through an investigation list. The experiment lasted for more than three days after lunch. Each student was given a financial incentive to be encouraged to share and to precisely fill the investigation list. The study concluded that customer loyalty gets higher in the case of strategic orientation of CRM than in that of tactical approach. It was also found that the dimensions of CRM (the degree of harmonization, the invested resources and the support of senior management) have no effect on the customer's loyalty, except for the time span of the CRM program, which had a significant effect on the customer's loyalty

Coltman (2007) on identifying the extent to which CRM contributes to improving the performance. The researcher composed a sample of banks working in Australia upon different criteria (such as the application of the technology of CRM and the number of customers). The response rate was 32%. The abilities to apply CRM were measured by three dimensions: the human skills and experiences, the structure of Information technology and the skeleton of the organization. Performance was measured by three dimensions: the earning rate of the investment (excluding taxes), the revenue of new products and the growth of sales. The study concluded that the distinguished abilities to apply CRM lead to the improvement of performance.

Krishnamoorthy and Srinivasan (2013) an empirical study determined the impact of customer relationship management on customer loyalty. The data was collected from the customer of private sector bank and public sector bank through questionnaires. Statistical tools such as multiple regressions, factor analysis were used for data analysis. The study shows that there is an impact on customer relationship management and customer loyalty. The study also noticed that banks words and promises are reliable; banks fulfills its obligation to customer, offering advice

on how to invest are the predominant variable which has impact on customer loyalty. So the banking sector needs to focus more on these factors, thereby increasing customer loyalty.

2.3.2 Hypotheses development

2.3.2.1 Key customer focus and customer loyalty

Sadek, Youssef, Ghoneim and Tantawy (2011) presented customer relationship management (CRM) components as applied on the Egyptian Commercial Banks, examined from the banker's point of view. Then it measured their effect on the level of customer satisfaction and loyalty from the customers' point of view as examples of the non financial performance measures. The study involved first 180 employees in order to measure CRM applicability, and 270 customers to measure the level of customer satisfaction and loyalty. The objective of the study was to measure the application of CRM in banking sector in Egypt, identifying the relationship between CRM and customer satisfaction, measuring the effect of customer satisfaction on customer loyalty. The study used key customer focus, CRM organization, knowledge management and technology based CRM dimensions to measure CRM applicability. Each dimension was hypothesized with customer satisfaction and customer satisfaction hypothesized with customer loyalty. The finding revealed that there is significant positive linear relation between key customer focus dimension and customer satisfaction. The same result was achieved for the relation between customer satisfaction and customer loyalty.

Sayed (2011) explored the theoretical foundation of customer relationship management and its relationship to the marketing performance from several perspectives. The study treated the question of CRM and its relationship marketing performance for marketing academicians and professionals by investigating structural relationship among focus on main customer, the organizational efficiency and customer knowledge management, and marketing performance. The study hypothesized that there is no correlation between CRM and marketing performance and that no effect of statistical significance of the dimensions of CRM be found on the marketing performance. In this study only three dimensions (focus on main customer, the organizational efficiency and customer knowledge management) are taken as a measure of the independent variable CRM. The dependent variable marketing performance is explained by preserving current customers, attracting new customers, the market share, the customer satisfaction, the

sales growth, the net profit to sales. The study findings revealed that there is a positive, strong direct and statistically significant correlation between focusing on main customers and marketing performance. As it is expressed in the study financial institutions must pay attention to focus on the main customers, as it was found to have a direct, strong, positive and statistically significant correlation with the marketing performance. Therefore, the researcher recommended that the financial institutions do the following:

- Exert more effort in order to discover the needs of the main customers.
- Pay heed to providing services in line with the needs and specializations of the main customers.
- The administrations of the financial institutions must cooperate together to adapt the service that the main customers require to adapt.
- Financial institutions must continue discussions with each main customer in order to provide services that suit each and every one of them.
- It is important that all individuals in the financial institutions deal with great care with the main customers to gain their loyalty.

Mamo (2014), on her research aimed to assess the extent to which Awash International Bank(AIB) applied CRM practices across four dimensions (Key customer focus, CRM Organization, Knowledge Management, & Technology based CRM) and its effect on customer loyalty. The researcher collects data from AIB customers by distributing questionnaires which measured their agreement and disagreement on CRM activities of the bank and their level of loyalty to the bank by using five point Likert scale. For the study 385 questionnaires were distributed and 285 (74%) were returned back for analysis. As it can be seen from the result of the study AIB has been doing well in the key customer dimension as compared to the other dimensions. Among the dimensions of CRM indicated in the study key customer focus effect on loyalty is found third in compared to the other dimensions.

Thus this research developed the following hypothesis:-

H₁₀: Key customer focus dimension does not have a significant positive effect on customer loyalty in CBE under credit process.

H_{1a}: Key customer focus dimension has a significant positive effect on customer loyalty in CBE under credit process.

2.3.2.2 CRM organization and customer loyalty

Sadek et al (2011) study result revealed that there is a significant positive linear relation between CRM organization and customer satisfaction. There is also a positive relation between customer satisfaction and customer loyalty.

Sayed (2011) study result revealed that there is a positive, strong direct and statistically significant correlation between organization efficiency and marketing performance. As it is expressed in the study the study recommended that:-

- It is necessary to pay attention to the assessment of the employee performance and to reward them on basis of their ability to satisfy the needs of the customer and succeed in servicing them.
- Efforts must be exerted to enhance the skills of the employees to obtain customers and deepen relationships with them by designing qualifying training programs.
- It is necessary to take care of the accurate design of the organizational framework related to the financial institution in order to facilitate dealing with customers.
- It is necessary to assign clear goals related to obtaining and preserving new customers.
- Attention must be paid to supply the necessary marketing experiences and resources for success in CRM.
- It is necessary to assign standards of performance and monitor them in all the stages of communication with the customer.
- Attention must be paid to specify enough time and necessary resources for CRM.

Mamo (2014) study result revealed that AIB has been implementing CRM organization at the second level in compared to the other dimensions. CRM organization effect on customer loyalty was found to be second in compared to the other CRM dimensions also.

Thus this research developed the following hypothesis:-

H_{2o}: CRM organization dimension does not have a significant positive effect on customer loyalty in CBE under credit process.

H_{2a}: CRM organization dimension has a significant positive effect on customer loyalty in CBE under credit process.

2.3.2.3 Knowledge management and customer loyalty

Sadek et al (2011) study result revealed that there is a significant positive linear relation between knowledge management and customer satisfaction. There is also a positive relation between customer satisfaction and customer loyalty.

Sayed (2011) study result revealed that there is a positive, strong direct and statistically significant correlation between customer knowledge management and marketing performance. As it is expressed in the study the study recommended that:-

- It is necessary that the financial institutions completely understand the needs of the main customers.
- It is necessary to help customers exactly expect the time of services' deliverance.
- It is necessary to provide continuous two-way communication channels between the main customers and the financial institutions.

Mamo (2014) study result revealed that AIB has been implementing knowledge management at the third level in compared to the other dimensions. Knowledge management effect on customer loyalty was found to be the least in compared to the other CRM dimensions also.

Thus this research developed the following hypothesis:-

H_{3o}: Knowledge management dimension does not have a significant positive effect on customer loyalty in CBE under credit process.

H_{3a}: Knowledge management dimension has a significant positive effect on customer loyalty in CBE under credit process.

2.3.2.4 Technology based CRM and customer loyalty

Sadek et al (2011) study result revealed that there is a significant positive linear relation between technology based CRM and customer satisfaction. There is also a positive relation between customer satisfaction and customer loyalty.

Mamo (2014) study result revealed that AIB has been implementing technology based CRM at the fourth level in compared to the other dimensions. Technology based CRM effect on customer loyalty was found to be first in compared to the other CRM dimensions also.

Thus this research developed the following hypothesis:-

H_{4o}: Technology based CRM dimension does not have a significant positive effect on customer loyalty in CBE under credit process.

H_{4a}: Technology based CRM dimension has a significant positive effect on customer loyalty in CBE under credit process.

2.4 Conceptual frame work

A conceptual framework for measuring the relations between the four CRM measurement constructs (Key customer focus, CRM organization, knowledge management, & technology based CRM) and customer loyalty has been developed by other researchers. The researcher adopted the conceptual framework.

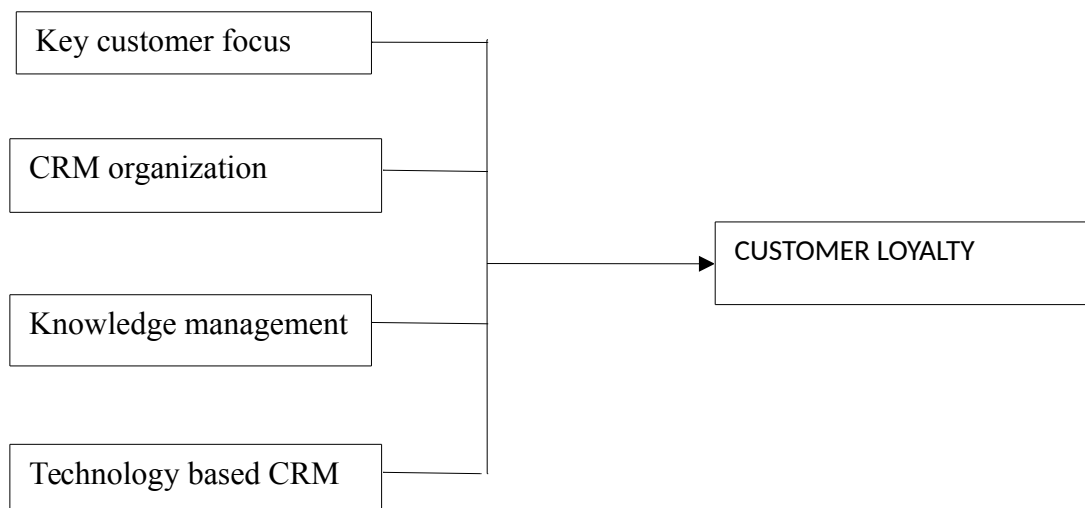


Fig 2.1 A conceptual model for measuring the relations between the four CRM measurement constructs and customer loyalty. Adopted from (Ergunda, 2003: 2)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Chapter Overview/ Introduction

This chapter of the study deals with the type of research, research design, sample, sampling techniques, data collection instrument, data collection procedures, methods of data analysis, validity, reliability and research ethics that are employed.

3.2 Research approach

Qualitative research involves studies that do not attempt to quantify their results through statistical summary or analysis. On the other hand quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and relationships.

This study is quantitative to describe CRM application in CBE under credit process by collecting quantitative data from credit customers of the bank. In addition the effect of the independent variables (CRM dimensions) on the dependent variable (customer loyalty) is quantitatively measured by this study.

3.3 Research type

Descriptive research attempts to describe systematically a situation, problem, phenomenon, service or program, or provides information about , say, living condition of a community, or describes attitudes towards an issue. Explanatory research is conducted when we encounter an issue that is already known and have a description of it, we might begin to wonder why things are the way they are. Exploratory research is conducted when there are few or no earlier studies to which references can be made for information.

This study collected data on four dimensions of CRM from credit customers of CBE to describe the present condition of CRM application in CBE under credit process across four behavioral dimensions. This makes the study descriptive and cross sectional in nature.

In addition the study analyzed the casual relations between the dependent (customer loyalty) and the independent variable (CRM dimensions) using correlation and regression, which make the research explanatory. Therefore, this study is descriptive and explanatory.

3.4 Sampling Design

3.4.1 Population of the study

A population can be defined as all people or items (unit of analysis) with the characteristics that one wishes to study. The unit of analysis may be a person, group, organization, country, object, or any other entity that you wish to draw scientific inferences about.

The study is undertaken to evaluate the application of CRM and its effect on customer loyalty under credit process in CBE. According to the CBE credit procedure credit customers are divided into customers engaged in business activities(trading customer) and customers not engaged in business activities(none trading customers) of the bank .The branches of CBE are clustered into 16 (sixteen) districts. In Addis Ababa there are four districts (West, East, North and South). None trading credit customers are served at the four district offices and trading credit customers are served at head office.

The population of the study encompasses all credit customers of commercial bank of Ethiopia. The total credit customers of CBE are 103,873 (one hundred three thousand eight hundred seventy three) as of December 31, 2015, data from MIS (management information system) of the bank. Of those 4298 (Four thousand two hundred ninety eight) are trading customers and 99,575 (Ninety nine thousand five hundred seventy five) are none trading customer of the bank.

3.4.2 Sampling techniques

Probability sampling is a technique, in which every unit in the population has a chance (non-zero probability) of being selected in the sample, and this chance can be accurately determined. All probability sampling have two attributes in common: (1) every unit in the population has a known non-zero probability of being sampled, and (2) the sampling procedure involves random selection at some point. Stratified sampling technique is employed in this study.

If a population from which a sample is to be drawn does not constitute a homogeneous group, stratified sampling technique is generally applied in order to obtain a representative sample. So there are two strata credit customer who are engaged in business activities and those who are not.

3.4.3 Sample size

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

$$n_0 = \frac{z^2 pq}{e^2}$$

Where: n_0 = the sample size

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

e = the desired level of precision

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

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

$$N_0 = \frac{(1.96)^2(0.5)(0.5)}{(0.05)^2} = 385$$

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

One approach of stratified sampling is proportionate stratification. With proportionate stratification, the sample size of each stratum is proportionate to the population size of the stratum. Strata sample sizes are determined by the following equation:

$$n_h = n * (N_h / N)$$

Where n_h is the sample size for stratum h , N_h is the population size for stratum h , N is total population size, and n is total sample size.

For the number of samples from trading credit customers= $385(4298/103,873) \approx 16$

For the number of samples from none trading credit customers= $385(99,575/103,873) \approx 369$

Samples for trading customers were taken from head office when the customers arrived there for a service at convenience.

Samples for none trading credit customers' proportionate stratification was employed according to the following data from MIS of the bank.

Table 3.1 Number of none trading customers in Addis Ababa districts, data from MIS as of December 31, 2015 and sample size taken from each district offices.

No	District Name	Number of none trading customers	Sample size from each district
1	West Addis Ababa District	14,982	88
2	East Addis Ababa District	15,905	93
3	North Addis Ababa District	19,083	111
4	South Addis Ababa District	13,109	77
	Total	63,079	369

By the same formula indicated above samples was taken from each district.

Number of samples from west Addis Ababa district = $369(14,982/63,079) \approx 88$

3.5 Sources of data

3.5.1 Primary Source

Structured questionnaires were used to collect primary data from credit customers of CBE. The questionnaire that was handed to customers was translated to Amharic for those who may not understand the English version.

3.6 Data collection instruments

The questionnaire based on literature review was adopted to undertake this study, which contains statements that are specifically designed to measure CRM practices of firms in relation to the four behavioral dimensions of CRM- key customer focus, CRM organization, knowledge management and technology based CRM.

The questionnaires compose two sections. The first section contain questioner items used to collect demographic data of respondents and the second section on five point Likert Scale to assess the CRM practices of CBE under credit process and the level of customer loyalty.

3.7 Data collection procedures

Data was collected from survey through questioners. The customer questionnaire was handed over to the trading credit customers at head office when they arrived for the service at convenience. The customer questionnaire was handed over to the officers so that they distributed to none trading credit customers at the four district offices when they arrived for the service at convenience.

3.8 Method of data analysis

The study is designed to examine the level of the application of CRM in CBE under credit process and its effect on customer loyalty. After the data was collected through structured questionnaire, computation and analysis is done by using SPSS (Statistic Package for Social Science) version 20 software. Descriptive statistics Mean Score, Standard Deviation and inferential statistics like Correlation test using Pearson's correlation and Multiple Regression analysis are used in order to address the initial research question of the study.

3.9 Validity and reliability

3.9.1 Validity

The CRM best practice scale comprises best practices that are limited to the domain of CRM as explained by well known re-searchers such as Sin et al (2005) each of which is different from any other.

The statements have been generated from an extensive review of literatures, the study assume that the construct validity will hold. For the content validity the researcher had a discussion with some customer relationship managers and operation expert of the CBE credit process. Their comments were taken in to consideration for developing the final version of the instrument and finally approved by the research advisor.

3.9.2 Reliability

Reliability concerns the extent to which an experiment, test or any measuring procedure yields the same results on repeated trials (Carmines and Richard, 1979). It is clear that when we measure anything there is always a chance for errors. In fact, the goal of error free measurements may not duplicate each other exactly even if we repeated the same study with the same sample.

In general we can say that reliability of a study is a pre-requirement for the result to be interpretable and help for generalization (Ghiselli, 1981). Internal consistency reliability is used to assess the consistency of results across items within a test and the method for assessing reliability of the current study. Typically this is done either by using Cronbach alpha or by split halves method where total set of items is divided into halves and scores of the halves are correlated to obtain an estimate of reliability (Carmines and Richard, 1979). The advantage of internal consistency measures is that there is no need for a second test, and thus they are also widely used in practice. For this study reliability was checked by using Cronbach's alpha. The alphas for the current study were presented together with the research results in order to make the presentation more logical.

3.10 Ethical consideration

Every one of the respondents had the right to participate or not, to be safe from physical or psychological harm, to be informed of all aspects of research task and to privacy.

Moreover regarding confidentiality individual respondents was never being identified in reporting survey findings.

Chapter Four

FINDINGS AND DISCUSSION

4.1 Chapter Overview/Introduction

In this chapter, the collected data from the credit-customers of the Commercial Bank of Ethiopia are summarized and analyzed in order to realize the ultimate objective of the study.

4.2 Survey Response Rate and Reliability Test

The 385 questionnaires were administered in the second and third weeks of the month of April 2016 and customers were contacted at the head office where trading credit customers are served and district offices where non trading credit customers are served at convenience. However, a total of 340 questionnaires were collected, of which 36 were incomplete. Thus, 304 questionnaires were found to be usable and ready for analysis, which is 78.96 % response rate. Sixteen of the questionnaires were collected from trading customers and 288(65-from west, 85-east, 70-north, 68-south Addis Ababa district) of the questionnaires from none trading customers. After coding and entry of data into SPSS version 20, the first analysis conducted was to check the reliabilities of the scales used in the data collection instrument. According to Malhotra & Birks (2007), reliability is the extent to which a measurement reproduces consistent results if the process of measurement were to be repeated. Cronbach-alpha, a widely used measure of internal consistency, was run using SPSS version 20 and all of the scales used for this study are found to be reliable as their respective alpha values are higher than 0.6, and for most closer to 1. The cronbach - alpha of each scale is presented in the following table.

Table 4.1: - Reliability Test

Measurement Scale	Cronbach-Alpha	No. of items
KEY CUSTOMER FOCUS	0.81	7
CRM ORGANIZATION	0.804	7
KNOWLEDGE MANAGEMENT	0.808	8
TECHNLOGY BASED CRM	0.836	2
CUSTOMER LOYALTY	0.897	5

Source: - Own survey result, May 2016

4.3 Respondents' Profile

Results of the demographic characteristics of respondents are shown in table 4.2 below. As observed from the table the gender composition of the respondents is male 48.7% while the rest 51.3% are female respondents.

Concerning the purpose for which the customers use the services rendered by CBE, 48% of the respondents were found to be using the services for personal purpose; the other 17.1% and 34.9% of the respondents use the bank service for commercial purposes and both for personal & commercial purposes respectively. This shows that most of the respondents are the ones that use the bank service for personal purpose, implying that majority of the credit customers uses the bank service for personal purpose.

For the inquiry regarding the length of relationship with the bank either for personal or commercial purpose, (21.1%) were found to be using CBE's services for years < 5 and the other 39.8% & 39.1% of respondents used the bank service for years that range from 5-10 and years > 10 respectively. This shows that 78.9% of the respondents have been using the bank service for 5 and more than 5 years implying that most of the respondents have had a reasonable length of working with the bank to evaluate the CRM-dimensions application.

Table 4.2: - Respondents background

Variable	Categories	Frequency	Percent
Gender	Male	148	48.7
	Female	156	51.3
	Total	304	100
Purpose used	Personal	146	48
	Commercial	52	17.1
	Both	106	34.9
	Total	304	100
Length of relationship with CBE	<5 Years	64	21.1
	5-10 Years	121	39.8
	>10 years	119	39.1
	Total	304	100

Source: Own survey result, May 2016

Regarding the kind of service that the customer used all 304 respondents, 100% of the respondents are credit customers.

4.4 Level of CRM Practices

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

Table 4.3 Level of practice of the dimensions of CRM- Credit Customer`s Perception

Descriptive Statistics			
	N	Mean	Std. Deviation
CRM organization	304	3.6530	.81111
Technology based CRM	304	3.5674	1.22860
Key customer focus	304	3.5545	.82468
Knowledge management	304	3.4432	.79450
Valid N (listwise)	304		

Source:- Own survey result, May 2016

As it can be seen from table 4.3 above CBE-credit process has been doing better in the CRM organization dimension as compared to the other dimensions with the mean score of 3.6530 while it is of at the lowest performance level in the knowledge Management dimension of mean score of 3.4432. Hence, its customers perceive CBE-credit process as a highly organized around CRM while its performance regarding knowledge management is low in compared to the other dimensions.

4.4.1 Key Customer Focus

This assessment is done to appraise to what level credit customers perceive CBE-credit process endeavor to meet the needs of its most valuable customers by providing customized products that are in agreement with their prevailing requirements.

Key customer focus is all about developing a strong customer focus and continuously delivering superior value to selected key customers to achieve a deep customer relationship that enable an organization to become a necessary partner to its most profitable customers.

The most important components of the key customer focus are customer selection and offering of customized or personalized services to those high value customer segments.

The result of the sample statistics show to what level credit customers perceive CBE-credit process as a bank that focus on its key customers. The highest mean figure shows high level of

agreement with the scale item while the lowest indicate high level of disagreement with the particular item being tested.

Table 4.4 Sample statistics - Key Customer Focus

Descriptive Statistics			
	N	Mean	Std. Deviation
The bank strengthens the emotional bonds with its key customers by wishing them on important occasions.	304	3.89	1.225
The bank provides customized services and products to its key customers	304	3.80	1.094
The bank always strives to constantly surprise and delight its key customers.	304	3.78	1.059
The bank does cross selling of products/service to increase customer share. For example; instigate saving customers to use the credit products of the bank and the like.	304	3.67	1.101

The bank leverage the power of word of mouth by using referral marketing program i.e. marketing programs that make use of satisfied customers to promote the Bank for related others.	304	3.51	1.237
The bank does co-branding/affinity partnering programs i.e. programs that associate the bank with reputable organs to provide increased value to its customers.	304	3.41	1.279
The bank uses the concept of 'relationship pricing' in pricing its different products/services.	304	2.82	1.416
Valid N (listwise)	304		

Source:- Own survey result, May 2016

As can be seen from the table above, the output of the sample statistics reveal that the highest mean was recorded for CBE-credit process strengthen emotional bonds with key customers by wishing them on important occasions (3.89) while the bank uses the concept of 'relationship pricing' in pricing its different products/services has been found to be with the least mean score of 2.82 in the CBE-credit process.

4.4.2 CRM Organization

CRM organization dimension implies organizing around CRM which leads to considerations like the availability of sales and marketing experts, trained employees on customer relations and CRM oriented organizational structure (Sin et al., 2005). According to Sin et al. (2005) this calls for an organizational structure that is flexible and, if necessary, reconstructed to generate customer centric value.

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

The output of the sample statistics shows that providing increased customer convenience using a variety of distribution channels/branches score highest mean of 4.21 and the bank top management accepts and provides leadership for building and maintaining customer relationship as a major goal of the bank score the lowest mean 3.37.

Table 4.5 Sample statistics - CRM organization

Descriptive Statistics			
	N	Mean	Std. Deviation
The bank provides increased customer convenience using a variety of distribution channels/branches.	304	4.21	.970
The bank systems are designed in a way that is easy for customers to do business with it.	304	3.72	1.113
The bank delivers a reliable customer experience across all credit customer contact points.	304	3.69	1.233
The bank employees are well trained and have skills required for acquiring and deepening customer relationship.	304	3.66	1.250
The bank commits time and resources in managing customer relationship.	304	3.48	1.218

The bank frontline employees are encouraged and empowered to positively exceed customer expectations.	304	3.44	1.288
The bank top management accepts and provides leadership for building and maintaining customer relationship as a major goal of the bank.	304	3.37	1.272
Valid N (listwise)	304		

Source: Own survey result, May 2016

4.4.3 Knowledge Management

The assessment to evaluate to what level CBE-credit process practice the knowledge management dimension of CRM is done using a five-point scale that measures the level of agreement or disagreement with the respective statements to be measured. The items that are included in this dimension represent practical aspects of knowledge management which is mainly manifested by uncovering customer needs through the analysis of customer information. This involves tactful customer information management that is used as a knowledge power to align the products and service of the firm to the dynamic needs of the customers.

Customer's perception of the level CBE-credit process has been deploying the knowledge management aspects of CRM is shown in the sample statistic output of table 4.6 where the mean and standard deviation results are used in a way that analyze the higher level of agreement to have high mean score while the low score representing high level of disagreement with the particular statement to be tested.

Table 4.6 Sample statistics - Knowledge Management

Descriptive Statistics			
	N	Mean	Std. Deviation

The bank process has a well developed privacy policy to ensure confidentiality of data collected from customers.	304	3.93	1.126
The bank has effective customer recovery strategies.	304	3.64	1.096
The bank checks and obtain customers permission to interact with them using various channels like telephone, internet etc.	304	3.53	1.177
The bank does customer classification using customer lifetime value (CLV)/ revenue contribution or other related metrics.	304	3.50	1.229
The bank has a reward system that rewards customers based upon their profit/revenue contribution.	304	3.44	1.220
The bank takes customer feedback seriously and replies.	304	3.39	1.228
The bank analyzes the causes of customer defection through exit interviews and lost customer surveys with the aim to win back customers.	304	3.29	1.272
The bank has guarantees for service failures.	304	2.80	1.367
Valid N (listwise)	304		

Source: Own survey result, May 2016

As observed from the above table 4.6 the highest mean figure 3.93 is recorded for CBE-credit process developed privacy policy to ensure confidentiality of data collected from customers. While its guarantees for service failures mean figure of 2.80

Therefore from the analyzed data it is possible to say that customers perceive that CBE-credit process developed privacy policy to ensure confidentiality of data collected from customers but guarantees for service failures do not done properly in relative sense.

4.4.4 Technology-Based CRM

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

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

As shown below the bank uses technology to automate its service has a mean of 3.60 and the bank information system is designed to have a comprehensive data about all aspect of its customers, the bank is responsive to the customer has a mean score of 3.53.

Table 4.7 Sample statistics - Technology-based CRM

Descriptive Statistics			
	N	Mean	Std. Deviation
The bank uses technology to automate its service.	304	3.60	1.351
Since the bank information system is designed to have a comprehensive data about all aspect of its customers, the bank is responsive to the customer.	304	3.53	1.299
Valid N (listwise)	304		

Source:- Own survey result, 2016

From the above data we can say that CBE-credit process has done better on using technology to automate its service than having information system that is designed to have a comprehensive data about all aspect of its customers that makes CBE-credit process responsive to the customer.

4.5 Level of customer loyalty

The table below shows the level of customer loyalty in CBE-credit process.

Table 4.8 Level of customer loyalty

Descriptive Statistics			
	N	Mean	Std. Deviation
I will say positive things about CBE credit process.	304	3.71	1.170
Even if close friends recommended another bank for credit service, my preference is CBE credit process.	304	3.60	1.314
I recommend others to use CBE credit process.	304	3.60	1.150
I consider myself to be a loyal customer of CBE credit process.	304	3.56	1.212
I choose the CBE credit process whenever I think of using credit service	304	3.55	1.151
Valid N (listwise)	304		

Source:-Own survey result, May 2016

Customers say positive things about CBE-credit process scores the highest mean 3.71 and customers choose the CBE-credit process whenever they think of using credit process scores the lowest mean 3.55. Here it shows that there is a room for improvement.

4.6 The relationship between the study variables

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

Table 4.9 correlations

Correlations						
		Key customer focus	CRM organization	Knowledge management	Technology based CRM	Customer loyalty
Key customer focus	Pearson Correlation	1	.773**	.689**	.598**	.667**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	304	304	304	304	304
CRM organization	Pearson Correlation	.773**	1	.678**	.632**	.657**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	304	304	304	304	304
Knowledge management	Pearson Correlation	.689**	.678**	1	.567**	.655**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	304	304	304	304	304
Technology based CRM	Pearson Correlation	.598**	.632**	.567**	1	.646**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	304	304	304	304	304
Customer loyalty	Pearson Correlation	.667**	.657**	.655**	.646**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	304	304	304	304	304

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

Source:-Own survey result, May 2016

To determine the existence and level of association, the researcher used bivariate correlation. Pearson's correlation coefficient falls between -1.0 and +1.0, indicates the strength and direction of association between the two variables. (Field, 2005) The Pearson's correlation coefficient (r) was used to conduct the correlation analysis to find the level and direction of the relationships between the dimensions of CRM and customer loyalty. The classification of the correlation

efficient (r) is as follows: 0.1 – 0.29 is weak; 0.3 – 0.49 is moderate; and > 0.5 is strong (Field, 2005).

Key customer focus has the highest correlation of $r=0.667$, followed by CRM organization ($r=0.657$), Knowledge management ($r=0.655$) and technology based CRM ($r=0.646$). That means, all the CRM-application indicators have positive and strong relationship with customer loyalty in CBE-under credit process.

The same result with the previous studies on the area such as (Sadek et al, 2011; Sayed, 2011 and Mamo, 2014) regarding the positive and strong correlation of each CRM dimensions to the performance of companies.

4.7 Test of Regression Assumptions

4.7.1 Linear Relationship

Customer loyalty is assumed to be linearly related with customer relationship management; meaning the dependent variable customer loyalty is assumed to be impacted with changes in customer relationship management (the independent variable) linearly. The plot that shows the linear relationship of each independent variable with the dependent one is annexed.

4.7.2 No Multicollinearity

Multicollinearity is tested in this study using the variance inflation factor (VIF) which quantifies the severity of multicollinearity in regression analysis. The VIF factor should not exceed 10, and should ideally be close to one. The below table shows there is no multicollinearity exist. Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity (Field, 2005). The below table confirms the absence of multicollinearity according to Collinearity Statistics.

Table 4.10 Level of multicollinearity in the model

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.096	.189		.512	.609		
	Key customer focus	.263	.078	.215	3.378	.001	.344	2.909
	CRM organization	.176	.080	.141	2.192	.029	.335	2.988
	Knowledge management	.315	.070	.248	4.489	.000	.457	2.187
	Technology based CRM	.237	.041	.288	5.749	.000	.553	1.809

a. Dependent Variable: Customer loyalty

Source:-Own survey result, May 2016

4.7.3 No Auto-correlation

To determine the autocorrelation between observations Durbin – Watson test was used. The Durbin-Watson statistic ranges in value from 0 to 4. A value near 2 indicates non-autocorrelation; a value toward 0 indicates positive autocorrelation; a value toward 4 indicates negative autocorrelation (Field, 2005). With Durbin Watson value of 1.967, which is very close to 2, it can be confirmed that the assumption of independent error has almost certainly been met.

Table 4.11 Level of auto-correlation

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.764 ^a	.584	.579	.65564	1.967

a. Predictors: (Constant), Technology based CRM, Knowledge management, Key customer focus, CRM organization

b. Dependent Variable: Customer loyalty

Source:-Own survey result, May 2016

4.7.4 Homoscedasticity (Equal Variance)

The variability in scores for independent variables should be similar at all values of the dependent variable. The scatter plot should show a fairly even rectangular shape along its length. There should be homoscedasticity before running multiple regression analysis, this means that the residuals (the differences between the values of the observed and predicted dependent variable) are normally distributed, and that the residuals have constant variance (Burns & Burns, 2008). If the assumption of homoscedasticity is violated (i.e. there is heteroscedasticity). The graph has demonstrated homoscedasticity of the study.

Figure 4.1 homoscedasticity

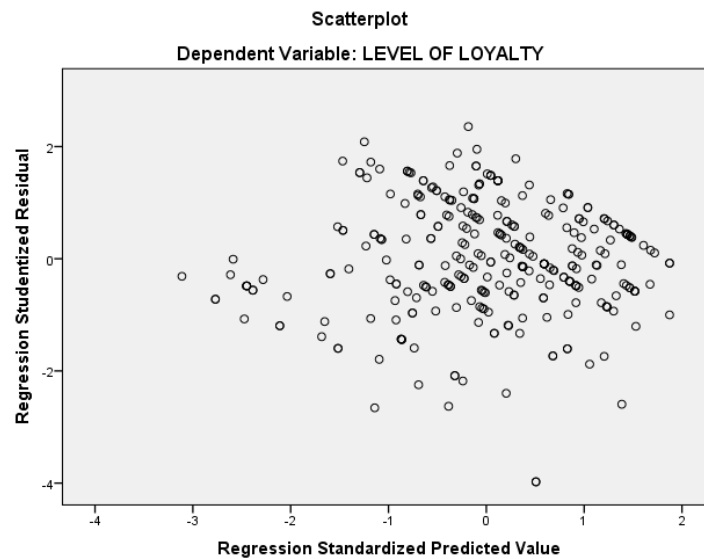


Figure 4.1 Homoscedasticity plot

Source: - Own survey result, May 2016

4.7.5 Normality

In terms of this assumption, a check for normality of the error term is conducted by a visual examination of the normal probability plots of the residuals. The plots are different from residuals plots in that the standardized residuals are compared with the normal distribution. In general, the normal distribution makes a straight diagonal line, and the plotted residuals are compared with the diagonal. If a distribution is normal, the residual line will closely follow the

diagonal (Ghozali, 2001). The normality plot of this study fit with the assumption. The plots are annexed.

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

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

Table 4.12 R square level of the study

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.764 ^a	.584	.579	.65564

a. Predictors: (Constant), Technology based CRM, Knowledge management, Key customer focus, CRM organization
 Source:- Own survey result, May 2016

The result of regression analysis of the independent variables on the dependent variable customer loyalty indicates existence of positive and statistically significant effect on customer loyalty.

The model summary table R-Square value is 0.584 which means that 58.4% of the customer loyalty was explained by the variation of the four CRM dimensions and the other 41.6 % is due to other independent variables not included in the model and the random error.

Table 4.13 significance of the mode

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	180.747	4	45.187	105.120	.000 ^b
Residual	128.528	299	.430		
Total	309.275	303			

a. Dependent Variable: Customer loyalty

b. Predictors: (Constant), Technology based CRM, Knowledge management, Key customer focus, CRM organization

Source:- Own survey result, May 2016

The ANOVA tells us whether the model, overall, results in a significantly good degree of prediction of the outcome variable (Field, 2005). Since the significance result on the ANOVA table is 0.000 which is $p < 0.05$, the regression analysis proved the presence of a good degree of prediction. The contribution of each dimension can be seen from the results of multiple regressions in the coefficient table below.

Table 4.14 coefficients of the variables

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.096	.189		.512	.609		
Key customer focus	.263	.078	.215	3.378	.001	.344	2.909
CRM organization	.176	.080	.141	2.192	.029	.335	2.988
1 Knowledge management	.315	.070	.248	4.489	.000	.457	2.187
Technology based CRM	.237	.041	.288	5.749	.000	.553	1.809

a. Dependent Variable: Customer loyalty

Source:- Own survey result, May 2016

From the above table one can see that all the dimension of CRM positively affects customer loyalty. Unstandardized coefficient (Beta value) indicates the degree of importance of each CRM dimensions towards customer loyalty; accordingly, the dimensions can be ranked in the

following manners on the basis of their contribution.

1. Knowledge management B=.315
2. Key customer focus B=.263
3. Technology based CRM B=.237
4. CRM organization B=.176

The beta value on the coefficient table indicates level of effect each dimension has on the dependent variable customer loyalty. The highest beta level is for knowledge management of B=.315. This means that the more CBE-credit process works on knowledge management the more customers become loyal. Hence, if assumed other things being constant and knowledge management increased by one unit, it increases customer loyalty by .315.

The second highest beta value is key customer focus which means that when other things are constant if key customer focus increased by one unit, customer loyalty increases by 0.263.

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

Regarding this Mamo (2014) the order of prediction power rank in the dimensions of CRM on customer loyalty in Awash International Bank has been found to be technology based CRM, CRM organization, key customer focus and knowledge management, this implies that the prediction power of the CRM-dimensions is different for different companies.

Regression Equation

$$\text{Customer Loyalty} = .096 + 0.263 (\text{Key customer focus}) + 0.176 (\text{CRM organization}) + 0.315 (\text{Knowledge management}) + 0.237 (\text{Technology based CRM})$$

Hypothesis testing

H₁₀: Key customer focus dimension does not have a significant positive effect on customer loyalty in CBE under credit process.

H_{1a}: Key customer focus dimension has a significant positive effect on customer loyalty in CBE under credit process.

As shown from above table the key customer focus dimension, p-value is significant ($p < 0.05$), and the beta value is positive. Therefore, the study accepts (support) the alternate hypothesis that key customer focus has a significant positive effect on customer loyalty in CBE under credit process.

H₂₀: CRM organization dimension does not have a significant positive effect on customer loyalty in CBE under credit process.

H_{2a}: CRM organization dimension has a significant positive effect on customer loyalty in CBE under credit process.

As shown from above table the CRM organization dimension, p-value is significant ($p < 0.05$), and the beta value is positive. Therefore, the study accepts (support) the alternate hypothesis that CRM organization has a significant positive effect on customer loyalty in CBE under credit process.

H₃₀: Knowledge management dimension does not have a significant positive effect on customer loyalty in CBE under credit process.

H_{3a}: Knowledge management dimension has a significant positive effect on customer loyalty in CBE under credit process.

As shown from above table the knowledge management dimension, p-value is significant ($p < 0.05$), and the beta value is positive. Therefore, the study accepts (support) the alternate hypothesis that knowledge management has a significant positive effect on customer loyalty in CBE under credit process.

H₄₀: Technology based CRM dimension does not have a significant positive effect on customer loyalty in CBE under credit process.

H_{4a}: Technology based CRM dimension has a significant positive effect on customer loyalty in CBE under credit process.

As shown from above table the technology based CRM dimension, p-value is significant ($p < 0.05$), and the beta value is positive. Therefore, the study accepts (support) the alternate hypothesis that technology based CRM has a significant positive effect on customer loyalty in CBE under credit process.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Chapter Overview/ Introduction

Based on the findings this chapter provides the conclusions reached as to CBE-credit process level of CRM application and its effect on customer loyalty and forward recommendations.

5.2 Conclusions

According to literatures, CRM involves cross-functional integration i.e the integration of marketing, sales, customer service, IT and supply –chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value. To do so, organizing around CRM, focusing on key customers, utilizing customer data to build knowledge about them and enhancing technological capability as an enable is essential and imperative.

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

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

The findings show the mean result of the dimensions show that the CRM organization dimension has the highest mean score (3.6530), followed by Technology based CRM mean score(3.5674), Key customer focus mean score (3.5545) and Knowledge management(lowest 3.4432). Since all the mean results show room for improvement the bank can work to improve

all dimensions especially on the lowest scoring dimension knowledge management. The descriptive analysis of the study shows that regarding the customer loyalty level the highest mean value is 3.71 for customers say positive things about CBE-credit process and the lowest score is mean value 3.55 for customer chose CBE-credit process when they think of using credit service. The same as the four dimensions in customer loyalty there is a room for improvement. In addition regarding correlation of each CRM dimensions with customer loyalty the highest correlation coefficient is that of key customer focus ($r=.667$) followed by CRM organization ($r=.657$), knowledge management ($r=.655$) and technology based CRM ($r=.646$). The multiple regression also shows that knowledge management has the highest effect on customer loyalty with Beta value ($B=0.315$), followed by key customer focus ($B=0.263$), technology based CRM ($B=0.237$) and CRM organization ($B=0.176$)

5.3 Recommendations

This study has confirmed the importance of studying and understanding the CRM, for the purpose of improving it in CBE-credit process in order to obtain customer loyalty. Thus, the results of the present study have a number of meaningful implications that could help.

Since the highest mean value is 3.71 in customer loyalty of CBE-credit process, the bank has room for improvement. As per the customers' perception, CBE-credit process has done less in some areas of CRM in relative to each other. Therefore the researcher appreciates the bank's effort to apply CRM in its full dimension and suggest some possible recommendation on relatively less applied areas of CRM.

- CBE-credit process has to uses the concept of 'relationship pricing' in pricing its different products/services to improve in the key customer focus dimension. CBE-credit process can improve the effectiveness of its CRM by identifying the most profitable customers by ranking them according to their value and then differentiating them based on what they need from the bank. After that working on interaction and customization can improve CRM practice.
- CBE-credit process top managements shall accept and provide leadership for building and maintaining customer relationship as a major goal of the bank to apply CRM organization dimension in better way. In the bank structure, each

employee should work effectively as a team member to support each other in order to serve the customers in a better way and to enhance the CRM. In addition, the employees have to be well educated and well trained about the bank's products, policies, procedures, rules and regulations.

- CBE-credit process shall have guarantees for service failures to improve in knowledge management dimension of CRM. It is crucial to set up an ongoing dialogue between the customers and the employees to learn more about the customers' interests, needs and priorities. By acting on what the employee has learned about individual customers and by sharing the information among departments, the bank will be able to offer customized products/services in response to a particular customer desires.
- CBE-credit process has relatively shown less effort on having information system that is designed to have a comprehensive data about all aspect of its customers to be responsive to the customer. Therefore it has to work hard to close this gap. In implementing the CRM, it is better to use specialized CRM software to help the bank's employees in segmenting customers and in cross-selling bank's products/services.

Finally the researcher recommends that even if applying all dimensions of CRM is important, applying knowledge management dimension has the highest effect on customer loyalty with Beta value ($B=0.315$), so CBE-credit process should give priority for the application of this dimension in compared to the other dimensions.

5.4 Future Research

The researcher suggests some researches that the academics and the researchers can conduct in the future:

- Studying the application of CRM and its impact on non financial performance (e.g customer loyalty, customer satisfaction, customer retention) of commercial banks under any other process or by taking samples from each process.

- The same kind of study could be done with in other services (e.g., insurance company, hospitals, hotels, airlines and universities) because the applicability of CRM may vary from one service to another.
- Future studies could collect time-series data for testing the relationship between CRM and customer loyalty or any other non financial performance measure of banks or any other service.
- Studying the application of CRM from employees' perspective can also be future research areas.
- Studying the application of CRM in Ethiopian financial institutions (comparative study).

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APPENDIX

Appendix I

Credit customers' questioner

Addis Ababa University School of Commerce

Department of Marketing Management Post

Graduate Program Customer Questionnaire

Purpose of the questionnaire

This questionnaire is prepared to collect primary data from the customers of the Commercial bank of Ethiopia- credit process to measure **the level of Customer Relationship Management (CRM) Application in Commercial Bank of Ethiopia(under credit process) and its effect on customer loyalty** –for the partial fulfillment of MA in Marketing Management from Addis Ababa University School of Commerce.

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

Part I .General and Demographic Information

Direction: - Please select the appropriate option by circling the number

1. Please indicate your gender.
 1. Male
 2. Female
2. Use the bank service for
 1. Personal
 2. Commercial
 3. Both
3. For how many years you use the bank?
 1. (<5 year)
 2. (5-10 years)
 3. (>10 years)
4. Which service you need from the bank? (you can indicate more than one)

2	The bank commits time and resources in managing customer relationship.	1	2	3	4	5
3	The bank systems are designed in a way that is easy to do business with it.	1	2	3	4	5
4	The bank provides increased customer convenience using a variety of distribution channels/branches.	1	2	3	4	5
5	The bank delivers a reliable customer experience across all credit customer contact points.	1	2	3	4	5
6	The bank employees are well trained and have skills required for acquiring and deepening customer relationship.	1	2	3	4	5
7	The bank frontline employees are encouraged and empowered to positively exceed customer expectations.	1	2	3	4	5
III.	knowledge management dimension					
1	The bank takes customer feedback seriously and replies to them.	1	2	3	4	5
2	The bank has effective customer recovery strategies.	1	2	3	4	5
3	The bank has guarantees for service failures.	1	2	3	4	5
4	The bank has a well developed privacy policy to ensure confidentiality of data collected from customers.	1	2	3	4	5
5	The bank has a reward system that rewards customers based upon their profit/revenue contribution.	1	2	3	4	5
6	The bank check and obtain customers permission to interact with the customer using various channels like telephone, internet etc.	1	2	3	4	5
7	The bank analyzes the causes of customer defection through exit interviews and lost customer surveys with the aim to win back customers.	1	2	3	4	5
8	The bank do customer classification using customer lifetime value (CLV)/ revenue contribution or other related metrics.	1	2	3	4	5
IV.	Technology based CRM dimension					
1	The bank uses technology to automate its service.	1	2	3	4	5

2	Since the bank information system is designed to have a comprehensive data about all aspect of its customers, the bank is responsive to the customer.	1	2	3	4	5
V	Customer loyalty					
1	I will say positive things about CBE credit process.	1	2	3	4	5
2	I recommend others to use CBE credit process.	1	2	3	4	5
3	I choose the CBE credit process whenever I think of using credit service.	1	2	3	4	5
4	I consider myself to be a loyal customer of CBE credit process.	1	2	3	4	5
5	Even if close friends recommended another bank for credit service, my preference is CBE credit process.	1	2	3	4	5

Thank you for your cooperation!

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

ይህ መጠይቅ የተዘጋጀው በኢትዮጵያ ንግድ ባንክ-የብድር ክፍል የደንበኞች ግንኙነት አገልግሎት
አሰጣጥን ለመመዘን ነው።

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

ክፍል 1 - መሠረታዊ መረጃዎች

አቅጣጫ:-ከዚህ በታች ለተዘረዘሩት መግለጫዎች በማክበብ የሚመርጡትን ያመልክቱ።

1. ያታ፤

- 1. ወንድ
- 2. ሴት

2. የባንኩን አገልግሎት የሚጠቀሙት፤

- 1. ለግል
- 2. ለንግድ ሥራ
- 3. ለሁለቱም

3. ከዚህ ባንክ ጋር በደንበኝነት ምን ያህል ዓመት ቆይተዋል?

- 1. < 5 ዓመት
- 2. ከ 5-10 ዓመት
- 3. > 10 ዓመት

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

- 1. የተቀማጭ ሂሳብ
- 2. ተንቀሳቃሽ ሂሳብ
- 3. ብድር አገልግሎት
- 4. የሃዋላ አገልግሎት
- 5. ኢ.ቲ.ኤ.ም
- 6. ሌላ

ክፍል 2-የደንበኞች ግንኙነት አገልግሎትን እና የደንበኞች ታማኝነትን በተመለከተ

አቅጣጫ:-እባኩን ከዚህ በታች ለተዘረዘሩት አርፍተ ነገሮች በምን ያህል እንደሚስማሙ/እንደማይስማሙ ያመልክቱ። በጣም አልስማማም የሚለው 1 ነጥብ ሲይዝ በጣም እስማማለሁ የሚለው ደግሞ 5 ነጥብ ይይዛል። ምርጫዎት ላይ \surd ምልክት በማድረግ ያመለክቱ።

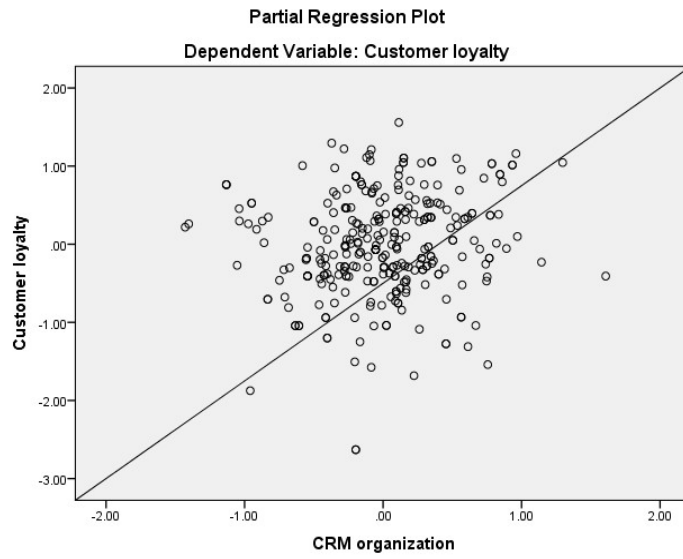
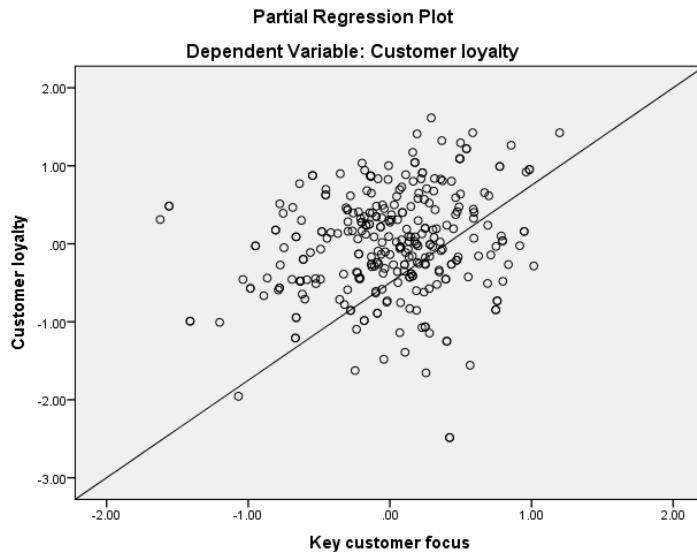
ተ.ቁ	መግለጫ	በጣም አልሰማማም(1)	አልሰማማም(2)	አስተያየት የለኝም(3)	አሰማማለሁ(4)	በጣም አሰማማ ለሁ(5)
I.	ለተቀዳሚ ደንበኞች ትኩረት ስለመስጠት					
1	ባንኩ ለተቀዳሚ ደንበኞች ክፍላጎታቸው ጋር የሚጣጣም አገልግሎት ይሰጣል።	1	2	3	4	5
2	ባንኩ ተቀዳሚ ደንበኞቹን ለማርካት ሁልጊዜ ይጥራል።	1	2	3	4	5
3	ባንኩ በህዝባዊ በዓላት ለተቀዳሚ ደንበኞች የመልካም ምኞት መግለጫ ይሰጣል።	1	2	3	4	5
4	ባንኩ ለሚሰጣቸው አገልግሎቶች ከደንበኞች ጋር ባለው የስራ ግንኙነት መሰረት በስምምነት የተለያዩ የአገልግሎት ዋጋ ያስቀምጣል።	1	2	3	4	5
5	ባንኩ ለደንበኞች የላቀ አገልግሎት ለመስጠት ከስሙጥር ተቋማት ጋር በሀብረት ይሰራል።	1	2	3	4	5
6	የባንኩ ሰራተኞች ደንበኞች የባንኩን የተለያዩ አገልግሎቶች እንዲጠቀሙ ያበረታታሉ።	1	2	3	4	5
7	ባንኩ የደንበኞችን ቁጥር ለማሳደግ ደንበኞች ሌሎች ደንበኞችን እንዲያመጡ ተገቢውን ጥረት ያደርጋል።	1	2	3	4	5
II.	የተቋሙ አወቃቀር ከደንበኞች ግንኙነት አስተዳደር አንጻር					
1	የባንኩ አመራር ከደንበኞች ጋር መልካም ግንኙነት መገንባት አስፈላጊ እንደሆነ ያምናል፤ ለተግባራዊነቱም ይሰራል።	1	2	3	4	5
2	ባንኩ ያለውን የገንዘብ እና የሰው ሃይል ተጠቅሞ ከደንበኞቹ ጋር መልካም ግንኙነት ለመፍጠር ይጥራል።	1	2	3	4	5
3	የባንኩ አሰራር ቀልጣፋና ምቹ ነው።	1	2	3	4	5
4	ባንኩ ለደንበኞች ምቹ አገልግሎት ለመስጠት ተደራሽ የሆኑ ቅርንጫፎች አሉት።	1	2	3	4	5

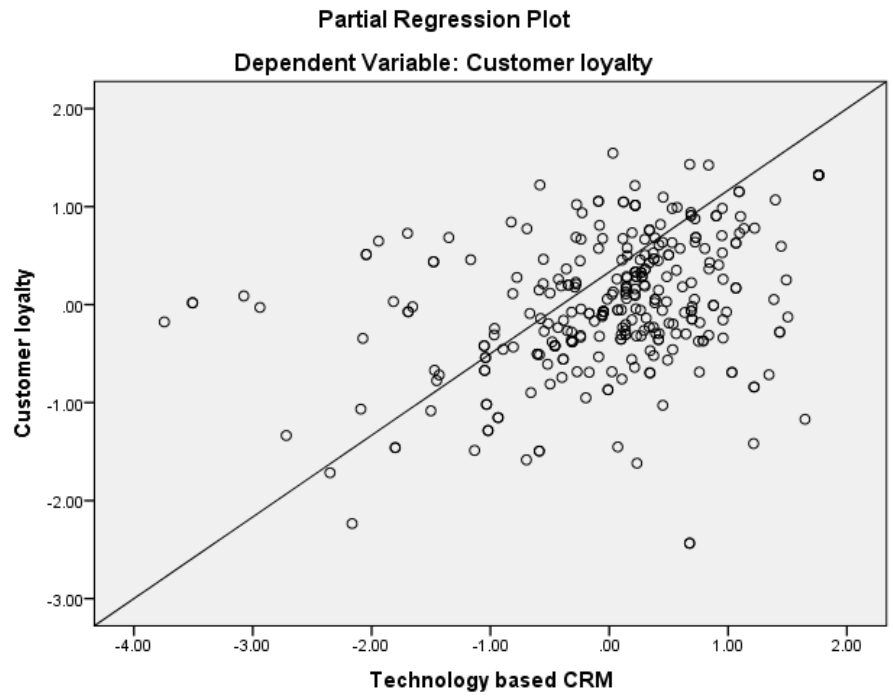
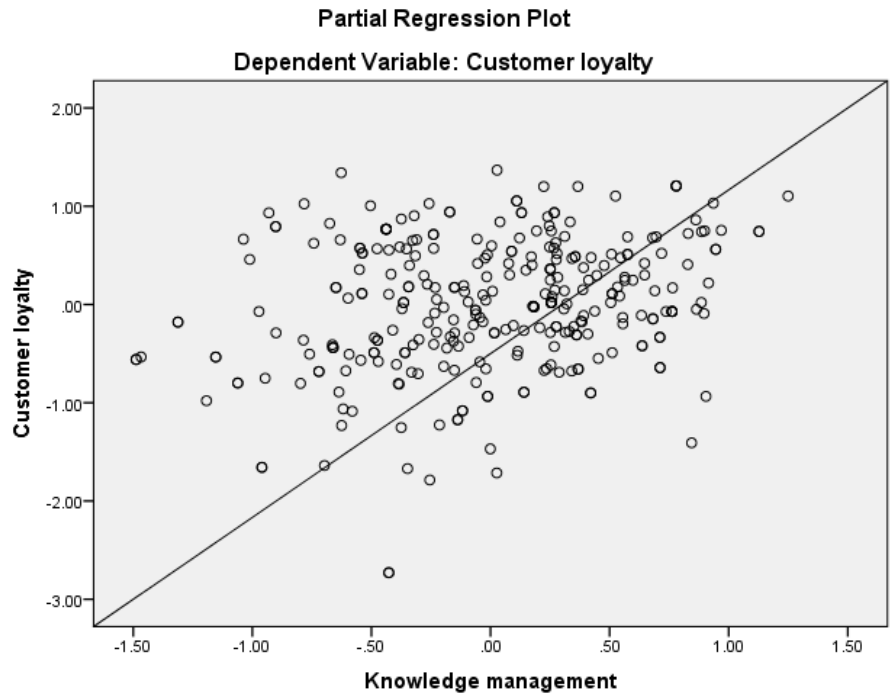
5	ባንኩ ቡብድር አገልግሎት ዘርፎች አስተማማኝ አገልግሎት ይሰጣል።	1	2	3	4	5
6	የባንኩ ሰራተኞች ደንበኛን ለማገልገል የሰለጠኑና ብቁ ናቸው።	1	2	3	4	5
7	የባንኩ ሰራተኞች ከተሰጣቸው ሃላፊነት በተጨማሪ በግል ተነሳሽነት ደንበኛን የበለጠ ለማገልገል ይጥራሉ።	1	2	3	4	5
III.	የአውቀት እና መረጃን ባግባቡ ስለማስተዳደር-ክደንበኞች ግንኙነት አስተዳደር አንጻር					
1	ባንኩ የደንበኞችን አስተያየት ተቀብሎ ተገቢውን ምላሽ ይሰጣል።	1	2	3	4	5
2	ባንኩ የደንበኞቹን አስተያየት እንደግብአት ተጠቅሞ የሚሰጠውን አገልግሎት ያሻሽላል፣ እዳዲስ አገልግሎቶችንም ያስተዋውቃል።	1	2	3	4	5
3	ባንኩ ለአገልግሎት መጓደል/መቋረጥ ዋስትና ይሰጣል።	1	2	3	4	5
4	ባንኩ የደንበኞቹን መረጃ በሚስጥር ይይዛል።	1	2	3	4	5
5	ባንኩ ለትርፋማነቱ ክፍተኛ አስተዋጾ ላደረገ ደንበኞች ሽልማት ይሰጣል።	1	2	3	4	5
6	ባንኩ የደንበኞቹን ፍቃደኝነት መረጃ ሁሉን አቀፍ በሆነ መልኩ ይይዛል።	1	2	3	4	5
7	ባንኩ ደንበኝነታቸውን ያቋረጡ ተቀዳሚ ደንበኞችን በማነጋገር ወደ ባንኩ እንዲመለሱ ጥረት ያደርጋል።	1	2	3	4	5
8	ባንኩ ለትርፋማነቱ በሚለበረክቱት አስተዋጾ መሰረት ደንበኞቹን በተለያዩ ክፍሎች በመመደብ አገልግሎት ይሰጣል።	1	2	3	4	5
IV.	የደንበኞች ግንኙነት አስተዳደር በቴክኖሎጂ የታገዘ ስለመሆኑ					
1	ባንኩ በዘመናዊ ቴክኖሎጂ የታገዘ አገልግሎት ይሰጣል።	1	2	3	4	5

2	ባንኩ የደንበኞቹን መረጃ ሁሉን- ዓቀፍ በሆነ መልኩ ስለሚይዝ ለደንበኞቹ ፈጣን ምላሽ ይሰጣል።	1	2	3	4	5
V	የደንበኞች ታማኝነትን በተመለከተ					
1	ስለ ባንኩ የብድር አገልግሎት ክፍል መልካመ ወይም ጥሩ የሆነ ነገር እናገራለው።	1	2	3	4	5
2	ሌሎች ሰዎች በባንኩ የብድር አገልግሎት እንዲጠቀሙ እጠቁማለው።	1	2	3	4	5
3	የብድር አገልግሎትን ስለመጠቀም ሳስብ የኢትዮጵያ ንግድ ባንክ የብድር አገልግሎት ክፍል ምርጫዬ ነው።	1	2	3	4	5
4	እራሴን የባንኩ የብድር አገልግሎት ታማኝ ደንበኛ አድርጌ እቆጥራለው።	1	2	3	4	5
5	የቅርብ ጓደኞቹ እንኳ ለብድር አገልግሎት ሌላ ባንክ ቢጠቁሙኝ የኔ ምርጫ የኢትዮጵያ ንግድ ባንክ የብድር አገልግሎት ክፍል ነው።	1	2	3	4	5

አመሰግናለሁ!

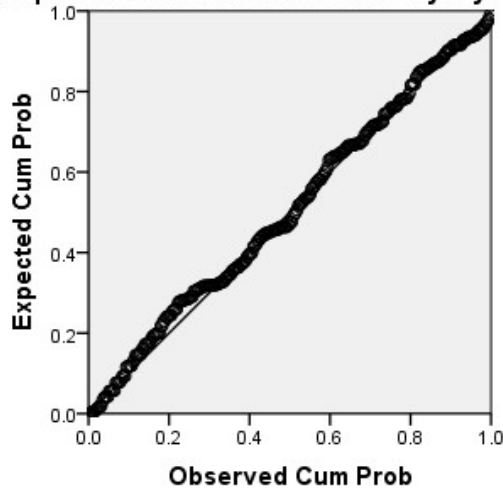
Appendix II
SPSS output





Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Customer loyalty



CURRENT ACCOUNT HOLDER

	Frequency	Percent	Valid Percent	Cumulative Percent
NON HOLDER OF				9.2
				10.0

CREDIT ACCOUNT HOLDER

REMITTANCE SERVICE USER

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid NON REMITTANCE SERVICE USER	159	52.3	52.3	52.3
REMITTANCE SERVICE USER	145	47.7	47.7	100.0
Total	304	100.0	100.0	

ATM USER

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid FOR NON USER OF ATM SERVICE	190	62.5	62.5	62.5
ATM SERVICE USER	114	37.5	37.5	100.0
Total	304	100.0	100.0	

OTHER SERVICE USER

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid FOR NON OTHER SERVICE USERS	228	75.0	75.0	75.0
FOR OTHER SERVICE USERS	76	25.0	25.0	100.0
Total	304	100.0	100.0	

The bank provides customized services and products to its key customers

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	16	5.3	5.3	5.3
Disagree	35	11.5	11.5	16.8
Neutral	17	5.6	5.6	22.4
Agree	162	53.3	53.3	75.7
Strongly Agree	74	24.3	24.3	100.0
Total	304	100.0	100.0	

The bank always strives to constantly surprise and delight its key customers.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	9	3.0	3.0	3.0
Disagree	47	15.5	15.5	18.4
Valid Neutral	15	4.9	4.9	23.4
Agree	163	53.6	53.6	77.0
Strongly Agree	70	23.0	23.0	100.0
Total	304	100.0	100.0	

The bank strengthens the emotional bonds with its key customers by wishing them on important occasions.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	20	6.6	6.6	6.6
Disagree	31	10.2	10.2	16.8
Valid Neutral	32	10.5	10.5	27.3
Agree	99	32.6	32.6	59.9
Strongly Agree	122	40.1	40.1	100.0
Total	304	100.0	100.0	

The bank uses the concept of 'relationship pricing' in pricing its different products/services.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	88	28.9	28.9	28.9
Disagree	37	12.2	12.2	41.1
Valid Neutral	58	19.1	19.1	60.2
Agree	85	28.0	28.0	88.2
Strongly Agree	36	11.8	11.8	100.0
Total	304	100.0	100.0	

The bank does co-branding/affinity partnering programs i.e. programs that associate the bank with reputable organs to provide increased value to its customers.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	33	10.9	10.9	10.9
Disagree	41	13.5	13.5	24.3
Valid Neutral	68	22.4	22.4	46.7
Agree	91	29.9	29.9	76.6
Strongly Agree	71	23.4	23.4	100.0
Total	304	100.0	100.0	

The bank does cross selling of products/service to increase customer share. For example; instigate saving customers to use the credit products of the bank and the like.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	13	4.3	4.3	4.3
Disagree	44	14.5	14.5	18.8
Neutral	41	13.5	13.5	32.2

Agree	139	45.7	45.7	78.0
Strongly Agree	67	22.0	22.0	100.0
Total	304	100.0	100.0	

The bank leverage the power of word of mouth by using referral marketing program i.e. marketing programs that make use of satisfied customers to promote the Bank for related others.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	21	6.9	6.9	6.9
Disagree	59	19.4	19.4	26.3
Valid Neutral	41	13.5	13.5	39.8
Agree	111	36.5	36.5	76.3
Strongly Agree	72	23.7	23.7	100.0
Total	304	100.0	100.0	

The bank top management accepts and provides leadership for building and maintaining customer relationship as a major goal of the bank.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	39	12.8	12.8	12.8
Disagree	35	11.5	11.5	24.3
Valid Neutral	64	21.1	21.1	45.4
Agree	108	35.5	35.5	80.9
Strongly Agree	58	19.1	19.1	100.0
Total	304	100.0	100.0	

The bank commits time and resources in managing customer relationship.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	28	9.2	9.2	9.2
Disagree	44	14.5	14.5	23.7
Valid Neutral	46	15.1	15.1	38.8
Agree	127	41.8	41.8	80.6
Strongly Agree	59	19.4	19.4	100.0
Total	304	100.0	100.0	

The bank systems are designed in a way that is easy for customers to do business with it.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	10	3.3	3.3	3.3
Disagree	53	17.4	17.4	20.7
Valid Neutral	23	7.6	7.6	28.3
Agree	144	47.4	47.4	75.7
Strongly Agree	74	24.3	24.3	100.0
Total	304	100.0	100.0	

The bank provides increased customer convenience using a variety of distribution channels/branches.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	1	.3	.3	.3
Disagree	33	10.9	10.9	11.2
Neutral	12	3.9	3.9	15.1
Agree	112	36.8	36.8	52.0
Strongly Agree	146	48.0	48.0	100.0

Total	304	100.0	100.0	
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The bank delivers a reliable customer experience across all credit customer contact points.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	23	7.6	7.6	7.6
Disagree	36	11.8	11.8	19.4
Valid Neutral	45	14.8	14.8	34.2
Agree	107	35.2	35.2	69.4
Strongly Agree	93	30.6	30.6	100.0
Total	304	100.0	100.0	

The bank employees are well trained and have skills required for acquiring and deepening customer relationship.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	26	8.6	8.6	8.6
Disagree	39	12.8	12.8	21.4
Valid Neutral	32	10.5	10.5	31.9
Agree	121	39.8	39.8	71.7
Strongly Agree	86	28.3	28.3	100.0
Total	304	100.0	100.0	

The bank frontline employees are encouraged and empowered to positively exceed customer expectations.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	33	10.9	10.9	10.9
Disagree	48	15.8	15.8	26.6

Neutral	43	14.1	14.1	40.8
Agree	113	37.2	37.2	78.0
Strongly Agree	67	22.0	22.0	100.0
Total	304	100.0	100.0	

The bank takes customer feedback seriously and replies.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	31	10.2	10.2	10.2
Disagree	50	16.4	16.4	26.6
Valid Neutral	40	13.2	13.2	39.8
Agree	134	44.1	44.1	83.9
Strongly Agree	49	16.1	16.1	100.0
Total	304	100.0	100.0	

The bank has effective customer recovery strategies.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	17	5.6	5.6	5.6
Disagree	39	12.8	12.8	18.4
Valid Neutral	37	12.2	12.2	30.6
Agree	154	50.7	50.7	81.3
Strongly Agree	57	18.8	18.8	100.0
Total	304	100.0	100.0	

The bank has guarantees for service failures.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	79	26.0	26.0	26.0

Disagree	48	15.8	15.8	41.8
Neutral	65	21.4	21.4	63.2
Agree	78	25.7	25.7	88.8
Strongly Agree	34	11.2	11.2	100.0
Total	304	100.0	100.0	

The bank has a well developed privacy policy to ensure confidentiality of data collected from customers.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	13	4.3	4.3	4.3
Disagree	28	9.2	9.2	13.5
Valid Neutral	42	13.8	13.8	27.3
Agree	106	34.9	34.9	62.2
Strongly Agree	115	37.8	37.8	100.0
Total	304	100.0	100.0	

The bank has a reward system that rewards customers based upon their profit/revenue contribution.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	29	9.5	9.5	9.5
Disagree	41	13.5	13.5	23.0
Valid Neutral	60	19.7	19.7	42.8
Agree	114	37.5	37.5	80.3
Strongly Agree	60	19.7	19.7	100.0
Total	304	100.0	100.0	

The bank check and obtain customers permission to interact with the customer using various channels like telephone, internet etc.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	24	7.9	7.9	7.9
Disagree	37	12.2	12.2	20.1
Valid Neutral	60	19.7	19.7	39.8
Agree	120	39.5	39.5	79.3
Strongly Agree	63	20.7	20.7	100.0
Total	304	100.0	100.0	

The bank analyzes the causes of customer defection through exit interviews and lost customer surveys with the aim to win back customers.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	38	12.5	12.5	12.5
Disagree	45	14.8	14.8	27.3
Valid Neutral	67	22.0	22.0	49.3
Agree	99	32.6	32.6	81.9
Strongly Agree	55	18.1	18.1	100.0
Total	304	100.0	100.0	

The bank does customer classification using customer lifetime value(CLV)/ revenue contribution or other related metrics.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	30	9.9	9.9	9.9
Disagree	40	13.2	13.2	23.0
Valid Neutral	43	14.1	14.1	37.2
Agree	130	42.8	42.8	79.9
Strongly Agree	61	20.1	20.1	100.0
Total	304	100.0	100.0	

The bank uses technology to automate its service.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	38	12.5	12.5	12.5
Disagree	34	11.2	11.2	23.7
Valid Neutral	31	10.2	10.2	33.9
Agree	109	35.9	35.9	69.7
Strongly Agree	92	30.3	30.3	100.0
Total	304	100.0	100.0	

Since the bank information system is designed to have a comprehensive data about all aspect of its customers, the bank is responsive to the customer.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	41	13.5	13.5	13.5
Disagree	27	8.9	8.9	22.4
Valid Neutral	33	10.9	10.9	33.2
Agree	135	44.4	44.4	77.6
Strongly Agree	68	22.4	22.4	100.0
Total	304	100.0	100.0	

I will say positive things about CBE credit process.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	28	9.2	9.2	9.2
Disagree	19	6.3	6.3	15.5

Neutral	40	13.2	13.2	28.6
Agree	144	47.4	47.4	76.0
Strongly Agree	73	24.0	24.0	100.0
Total	304	100.0	100.0	

I recommend others to use CBE credit process.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid STRONGLY DISAGREE	21	6.9	6.9	6.9
DISAGREE	42	13.8	13.8	20.7
NEUTRAL	34	11.2	11.2	31.9
AGREE	148	48.7	48.7	80.6
STRONGLY AGREE	59	19.4	19.4	100.0
Total	304	100.0	100.0	

I choose the CBE credit process whenever I think of using credit service

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid STRONGLY DISAGREE	18	5.9	5.9	5.9
DISAGREE	42	13.8	13.8	19.7
NEUTRAL	65	21.4	21.4	41.1
AGREE	112	36.8	36.8	78.0
STRONGLY AGREE	67	22.0	22.0	100.0
Total	304	100.0	100.0	

I consider myself to be a loyal customer of CBE credit process.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid STRONGLY DISAGREE	25	8.2	8.2	8.2
DISAGREE	42	13.8	13.8	22.0
NEUTRAL	42	13.8	13.8	35.9

AGREE	127	41.8	41.8	77.6
STRONGLY AGREE	68	22.4	22.4	100.0
Total	304	100.0	100.0	

Even if close friends recommended another bank for credit service, my preference is CBE credit process.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONGLY DISAGREE	35	11.5	11.5	11.5
DISAGREE	35	11.5	11.5	23.0
Valid NEUTRAL	32	10.5	10.5	33.6
AGREE	117	38.5	38.5	72.0
STRONGLY AGREE	85	28.0	28.0	100.0
Total	304	100.0	100.0	

⊘ All the above SPSS output results are own survey results of May, 2016.

