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**The Effect of Customer Relationship Management on
Customer Loyalty**
**(The Case of Dashen Bank s.c and Commercial bank of
Ethiopia)**

By: Yared Deneke

Addis Ababa University School of Commerce
Department of Marketing Management
Post Graduate Program

June, 2017

Addis Ababa, Ethiopia

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Ethiopia)**

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Board of Examiners Approval

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Statement of Certification

This is to certify that **Yared Deneke** has carried out his research work on the topic entitled “**The effect of Customer Relationship Management on Customer Loyalty**” (The Case of Dashen Bank and CBE). The work is original in nature and is suitable for submission for the award of Masters of Degree in Marketing Management.

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Date: _____

Statement of Declaration

Here I Yared Deneke , the student researcher, make a declaration that this research work titled **“The effect of Customer Relationship Management on Customer Loyalty” (The Case of Dashen Bank and CBE)** is my original and genuine work and has not been presented neither in Addis Ababa University nor any other Institutions. All references or sources that have been used on this study are either been referenced in the prescribed manner or dually acknowledged.

Yared Deneke G/Giorgis

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Yared Deneke

LIST OF TABLES

Table 4.3.1	Reliability Statistics	41
Table 4.4	Demographic profile of respondents.....	43
Table 4.5	Descriptive Statistics of CRM and Customer Loyalty.....	44
Table 4.6	Group Statistics of CBE and Dashen Bank	50
Table 4.7.2	Correlation matrix of CRM variables and Customer Loyalty	52
Table 4.8.2.1	Multicollinearity Statistics.....	54
Table 4.9.1	Regression Model Summary.....	59
Table 4.9.2	Regression ANOVA	59
Table 4.9.3	Regression Coefficient.....	60
Table 4.9.4	Group Statistics of Dashen Bank and CBE for H5.....	62
Table 4.9.5	Independent Samples Test for H5.....	63
Table 4.9.6	Group Statistics of Dashen Bank and CBE for H6.....	64
Table 4.9.7	Independent Samples Test for H6.....	64
Table 4.9.8	Summery of Hypotheses Test.....	65

LIST OF FIGURES

Figure 1-	The three CRM components	19
Figure 2-	Conceptual model for CRM and Customer Loyalty	33
Figure 3-	linerarity –scattor-plot.....	55
Figure 4-	Homoscedasticity Scatter plot.....	56
Figure 5-	Histogram.....	58

Acronyms

ATM-Automated Teller Machine

CBE- Commercial Bank of Ethiopia

CL - Customer Loyalty

CLV –Customer Lifetime Value

CRM -Customer Relationship Management

POS -Point of Sales

SD - Standard Deviation

SPSS- Statistical Package for Social Science

VIF – Variance Inflation Factor

Abstract

Banking is one of the service sectors where competition is stiff to attract new or retain the existing customers among commercial banks. Customer relationship management is one of the strategies whereby banks are using to be competitive in financial sector. Customer relationship management helps banks to retain customers as the practice of CRM pays attention to the need of individual customers and eventually contributes a lot to customer satisfaction and loyalty.

The objective of this study was to examine the effect of customer relationship management on customer loyalty for the case of Dashen Bank and Commercial bank of Ethiopia. The researcher used the behavioral components of CRM i.e. Key customers focus, Knowledge management, CRM Organization and Technology based-CRM as independent variables to examine its effect on loyalty. The researcher was used descriptive and explanatory research design to meet the research objectives. The researcher was used convenient sampling method to get representative sample from the populations. The researcher collected data from ten branches of Dashen bank and CBE through structured questionnaire to assess customers' level of agreement regarding CRM practice in their respective banks. A total of 384 questionnaires were distributed to collect data and out of the total 352 questionnaires were returned. The collected data was analyzed using statistical package for social science (SPSS) version 20. The descriptive statistics (mean, standard deviation) and inferential statistics (correlation and regression) were used to described demographic facts, to test hypothesis and to answer research questions. The statistical result showed that Customer relationship management which is represented by four behavioral components has a positive and significant influence on customer loyalty. The researcher suggested that Dashen bank and CBE have to pay attention to CRM Organization dimension as it has highest influence on customer loyalty.

Keywords: Customer Relationship Management, Key customers focus, Knowledge management, CRM organization, Technology based-CRM

Table of Content

Acknowledgements.....	I
List of tables and figures.....	II
Acronyms.....	III
Table of contents.....	IV
Abstract.....	V
CHAPTER ONE- INTRODUCTION.....	1
1.1 Background of the study	1
1.1.1 Background of Banking in Ethiopia	3
1.1.2 Company profile of Dashen Bank	4
1.1.3 Company Profile of Commercial Bank of Ethiopia	5
1.2 Statement of the Problem	5
1.3 Research Questions	7
1.4 Objective of the Study.....	7
1.5 Significance of the Study	8
1.6 Scope of the Study.....	8
1.7 Limitation of the study	8
1.8 Definition of Terms.....	9
1.9 Organization of the Study	11
CHAPTER TWO- REVIEW OF LITERATURE.....	12
2.1 Chapter Overview	12

2.2 Evolution of CRM.....	12
2.3 The Theoretical Framework of CRM.....	13
2.4 Definition of Customer Relationship Management (CRM).....	16
2.4.1 Three Types of CRM Systems:	19
2.5 Dimension of Customer relationship Management (CRM) and Customer Loyalty	20
2.5.1 Key Customer Focus	20
2.5.2 Knowledge Management.....	21
2.5.3 CRM Organization	21
2.5.4 Technology-based CRM.....	22
2.5.5 Customer Loyalty	22
2.6 CRM and Customer Satisfaction.....	23
2.7 Customer Relationship Management (CRM) in Banking Sector.....	24
2.8 Benefits of CRM in Banking Sector	26
2.9 CRM Objectives in banking sector	27
2.10 CRM Concept Success Factors	28
2.11 Challenges of Implementing CRM in Banks	30
2.12 Empirical Evidence on CRM implementation	31
2.13 Conceptual Framework of CRM.....	32
2.14 Research Hypotheses.....	33
CHAPTER THREE- RESEARCH METHODOLOGY	34
3.1 Introduction	34

3.2 Research Approach	34
3.3 Research Design.....	35
3.4 Population and Sampling Techniques	35
3.5 Sample Size	36
3.6 Data source and Type.....	36
3.7 Data Collection instrument.....	36
3.8 Data Collection Procedures.....	37
3.9 Reliability and Validity	37
3.10 Data Analysis	38
3.11 Model specification.....	38
3.12 Ethical Consideration	39
CHAPTER FOUR- RESULTS AND DISCUSSION.....	40
4.1 Introduction	40
4.2 Data editing and cleaning.....	40
4.3 Reliability Test	41
4.4 Demographic Profile of Respondent.....	41
4.5 Descriptive statistics of CRM dimensions and customer loyalty.....	44
4.5.1 Descriptive Statistics of Key customers focus	45
4.5.2 Descriptive Statistics of Knowledge Management.....	46
4.5.3 Descriptive Statistics of CRM Organization	47
4.5.4 Descriptive Statistics of Technology Based-CRM.....	48

4.5.5 Descriptive Statistics of Customer Loyalty	49
4.6 Descriptive Statistics of Dashen bank and CBE	50
4.7 Correlation Analysis.....	51
4.8 The effect of Customer Relationship Management on Customer Loyalty.....	53
4.9 Multiple regression of CRM dimensions on Customer Loyalty	58
CHAPTER FIVE- CONCLUSION AND RECOMMENDATIONS	66
5.1 Summary	66
5.2 Conclusion.....	67
5.3 Recommendation.....	68
5.4 Future studies	69
REFERENCE	
APPENDEX	

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Many researchers have defined Customer relationship management (CRM) in different ways in different times. Customer relationship management has been defined as a management philosophy in literature at times and as a marketing strategy tools in other times, while different definitions have been made of it. According to Duygu and Sevcan (2012) customer relationship management is an approach that makes it necessary to form long-term relationships with customers for the purpose of increasing the profitability and productivity of the enterprise and to make use of technology for this purpose. Zakaria (2014) customer relationship management (CRM) is a concept for managing a company's interactions with customers, clients, and sales prospects which can achieve financial institutions goal such as customer satisfaction. It involves using technology to organize, automate, and synchronize business processes. The objectives of CRM are to enhance profitability, income, and customer satisfaction. CRM can also be defined as a process that maximizes customer value through on-going marketing activity founded on intimate customer knowledge established through collection, management and leverage of customer information and contact history. CRM is about perfecting relationships to maximize customer's satisfaction and Loyalty over time.

One of the sectors in which competition is experienced intensively is that of banking. Banks are the finance institutions that meet the economic needs of the individuals and businesses and that perform such economic activities as collecting bank deposits, giving credits, providing capital, and etc. In recent years there have appeared important developments in the understanding of modern banking with the transition to automation, customer satisfaction and management of customer relationships have taken place in the banking sector. CRM is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, repricing, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses (Anuboli and Thiruvengkraj ,2013).

It is clear that customer is the only source of the banks' present profit and future growth. Kotler and Keller (2012) stated that creating loyal customers is at the heart of every business. Customers are central to all marketing activities all over the world. Success and profit is not thinkable without customers. Moreover, companies incur millions of dollars to attract customers and make them loyal. With the intense competition building customer loyalty has become a critical strategy for most financial institutions. The banking industry must develop strong relationships with their customers in order to compete successfully in the competitive retail banking environment.

Amir *et al.* (2014) stated that academic research has been done to show that successful companies in the field of customer loyalty have had considerable profit and growth. Clow and Kurtz (2003) stated that banks profitability is closely related with customer's retention. They also claimed that, customer defection costs companies millions of dollars each year in lost revenue. In addition to lost revenue, defectors normally spread negative word of mouth communication which can influence other customers to purchase elsewhere. The longer a bank can retain a customer, the greater revenue and cost savings from that customer. Customer loyalty is an important factor that contributes to an organization's earning and profits. Loyal customers normally establish stable relationship with banks compared to non-loyal customers. Customer loyalty can contribute to an increase in a firm's revenue, reduce customer defection rate and develop new business through positive word of mouth advertising (Zeithaml and Bitner, 2003).

Duygu and Sevcan (2012) stated that whether enterprises can make their current customers loyal depends on whether they can manage the customer relationships well. As customers have grown to be more conscious customers, enterprises have had to pay the prices of the errors and faults they do in customer relationships. The most important phenomena in the 1990s is that customer-centric marketing approached got great value and business organization realized that customers have voice to be heard. The banks also, then, understood that they had to listen to their customers so as to be able to sustain their presence in the market. Thus, banks noticed that they could only be successful if they adopted customer-based marketing.

Amir *et al.*(2014) emphasized that the main goal of customer relationship management is simply better understanding of customer behavior and enhance loyalty and profits.

Research about CRM effectiveness have been done in service sectors such as banking, insurance, transportation and telecommunication to evaluate its effectiveness and revitalize its weak dimensions (Zuliana and Izah , 2011). Banking sector is a customer oriented services where customer is the main focus. Therefore research is needed in this sector to understand more on customers' need and their attitude so as to build a long term relationship with banks.

The study examined the impact of CRM through its behavioral dimensions on customer loyalty in Dashen Bank S.C and Commercial Bank of Ethiopia (CBE).The study also compared the effect of CRM on loyalty between Dashen Bank and CBE

1.1.1 Background of Banking in Ethiopia

The agreement that was reached in 1905 between Emperor Minilik II and Mr.Ma Gillivray, representative of the British owned National Bank of Egypt marked the introduction of modern banking in Ethiopia. Following the agreement, the first bank called Bank of Abyssinia was inaugurated in Feb.16, 1906 by the Emperor. The Bank was totally managed by the Egyptian National Bank. Within the first fifteen years of its operation, Bank of Abyssinia opened branches in different areas of the country. Mac Gillivray, the then representative and negotiator of Bank of Egypt, was appointed to be the governor of the new bank. Due to bank's poor performance it was agreed to liquidated in order to disengage banking from foreign control and to make the institution responsible to Ethiopia's credit needs. Thus by 1931 Bank of Abyssinia was legally replaced by Bank of Ethiopia shortly after Emperor Haile Selassie came to power. The new Bank, Bank of Ethiopia, which was founded in 1931was a purely Ethiopian institution. Bank of Ethiopia took over the commercial activities of the Bank of Abyssinia and was authorized to issue notes and coins. The Bank was continued successfully until the Italian invasion in 1935. During the invasion, the Italians established branches of their main Banks namely Banca d'Italia, Banco di Roma, Banco di Napoli and Banca Nazionale del lavoro and started operation in the main towns of Ethiopia. However, they all ceased operation soon after liberation except Banco di Roma and Banco di Napoli which remained in Asmara.

Then on 15th April 1943, the State Bank of Ethiopia as a brand new was formed and starts operation after 8 months of preparatory activities. It acted as the central Bank of Ethiopia and had a power to issue bank notes and coins. Then the Ethiopian Monetary and Banking law that came into force in 1963 separated the function of commercial and central banking creating National Bank of Ethiopia and commercial Bank of Ethiopia. The National Bank of Ethiopia with more power and duties started its operation in January 1964. Following the incorporation as a share company on December 16, 1963 as per proclamation No.207/1955 of October 1963, Commercial Bank of Ethiopia took over the commercial banking activities of the former State Bank of Ethiopia.

Following the declaration of socialism in 1974 the three private owned banks, Addis Ababa Bank, Banco di Roma and Banco di Napoli Merged in 1976 to form the second largest Bank in Ethiopia called Addis Bank. Then Addis Bank and Commercial Bank of Ethiopia S.C . were merged by proclamation No.184 of August 2, 1980 to form Commercial Bank of Ethiopia which was the sole commercial bank in the country till the establishment of private commercial banks in 1994. Following the demise of the Dergue regime in 1991 that ruled the country for 17 years under the rule of command economy, the EPRDF declared a liberal economy system. Monetary and Banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for investment in the banking sector. Consequently shortly after the proclamation private banks like, Awash International Bank was established in 1994 ,Dashen Bank was established in 1995 and followed by Abyssinia and Wegagen Bank. In general, at present time in Ethiopia there are 16 private banks and two state owned banks.

1.1.2 Company profile of Dashen Bank

Prompt Dashen Bank coined its name from the highest peak in the Country, mount Dashen, and aspires to be unparalleled in banking. Headquartered in Addis Ababa, the Bank is the biggest private Bank in Ethiopia. It operates through a network of 196 Branches, nine dedicated Forex Bureaus, 220 ATMs and 958 plus Point-of-Sale (POS) terminals spread across the length and breadth of the nation. It has established correspondent banking relationship with 464 banks covering 71 countries and 175 cities across the world. Dashen is the most reputable brand in the domestic banking market; a reputation earned through consistent delivery of values and

preeminence unmatched by its competitors. The Bank also works in partnership with leading brands in the electronic payments industry (American Express, VISA, MasterCard & UnionPay cards) and prominent money transfer operators (Western Union, Money Gram, Express Money, Dahabshiil, TransFast, EzRemit , FloCash , Dawit Money Transfer & Ria).

Vision of Dashen Bank

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

1.1.3 Company Profile of Commercial Bank of Ethiopia

The history of the Commercial Bank of Ethiopia (CBE) dates back to the establishment of the State Bank of Ethiopia in 1942. CBE was legally established as a share company in 1963 and later on in 1974, CBE merged with the privately owned Addis Ababa Bank. Since then, it has been playing significant roles in the development of the country. CBE are Pioneer to introduce modern banking to the country and it has more than 1,140 branches stretched across the country. CBE is the leading African bank with assets of 384.6 billion Birr as on June 30th 2016 and Plays a catalytic role in the economic progress & development of the country. CBE is the first bank in Ethiopia to introduce ATM service for local users. Currently CBE has more than 13.3 million account holders and the number of Mobile and Internet Banking users also reached more than 1,352,000 as of September 30th 2016 (68% active users). Active ATM card holders reached more than 3 million (61% active users). CBE is a bank with 29,000 talented and committed employees.

Vision of CBE

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

1.2 Statement of the Problem

Customer relationship management has gained wide attention in both business and service literatures recently and become of pivotal importance to many organizations as the key to profitability, through building and maintaining sustainable relationships with profitable customers. Zakaria (2014) stated that it is very important in our intensity changing competitive environment in the banking industry to be in direct contact with the customers in order to build up good relationship so that satisfaction can be attained. As a result of this knowing the main

elements of customer relationship management which can achieve customer satisfaction and loyalty is a critical issue for financial Institutions; especially with the intensive competition between such institutions. In applying the CRM, the goal of the banks is to identify their own profitable 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). Thus customer relationship management becomes the main tool used to satisfy and retain customers in the banking industry.

During (1974-1991) the time where the Ethiopian economy was under command economy, there was no such a belief in the minds of many bankers that customers are the life blood of their business and customer-centric culture was not developed well as banks were operating in non-competitive environment. With change of regime in Ethiopia in 1991 the market oriented economy policy was put in place and operation of Private Banks by Ethiopian nationals were allowed since 1994 . As the numbers of private banks increases in Ethiopia over a time, banks start to operate in a competitive environment. Nowadays there are about 16 private banks and 2 state owned banks in Ethiopia and as a result of increasing the number of private banks in Ethiopia banks are competing to attract new customers and they are using CRM as a tool and strategy to attract, to satisfy and retain customers. Yatish and Ehtesham (2013) argued that heavy competition threatening banks revenues and putting downward pressure on operating margins and profits, so retail banks are facing increasing pressure to increase their growth rate and they are using CRM as a Main tool for competition. Cherinet(2015) stated that as financial market place becomes more dynamic and competitive in Ethiopia, banks also need to focus on retaining existing clients through effective relationship marketing. Hence, in recent times CRM is adopted as a marketing tool and strategy in Ethiopian banking industry. Therefore, undertaking studies about the practice and effectiveness of CRM in Ethiopia banking industry is quite necessary to improve it implementation and practice. The current study in general examined the effect of CRM through its four dimensions namely -Key customer focus, knowledge management, CRM organization and technology -based CRM on Customers Loyalty. Limited researches are done to examine the effect of CRM on loyalty in Ethiopia by comparing private bank versus state owned bank. Therefore, the current study filled knowledge gap by examining the effect of CRM on loyalty in this regard. The other key point that makes sense to conduct this

study is that most studies which were conducted before mainly examined the effect of CRM on loyalty in Ethiopian banks' case bases their CRM dimensions on Trust, Commitment, Conflict handling ,Empathy and Communications which are attitudinal aspect of customers. Evidence from marketing literature suggests that CRM has strong relationship with several customer behavioral outcomes (Sin et al, .2005). Therefore, the current study attempts to expand our understanding of the relationship between CRM and customer loyalty through the behavioral components of CRM i.e. Key Customer Focus, Knowledge Management, CRM organization and Technology-based CRM in the context of the banking industry.

In general, the study has significant importance in signaling which dimension of CRM has strong or weak influence on customer loyalty for Dashen Bank & CBE and this helps to identify areas of strength and weakness of banks in connection with CRM practice. The study also compared the practice of CRM and loyalty between Dashen Bank and CBE.

1.3 Research Questions

Main Research Question

How does CRM influence the degree of customer loyalty of Dashen Bank and CBE?

Sub Research Questions

- 1) What is the effect of Key customer focus on customer loyalty?
- 2) What is the effect of knowledge management on customer loyalty?
- 3) What is the effect of CRM organization on customer loyalty?
- 4) What is the effect of technology -based CRM on customer loyalty?
- 5) Is there a significant difference between Dashen Bank and CBE in terms of their CRM?
- 6) Is there a significant difference between Dashen Bank and CBE in terms of loyalty of their customers?

1.4 Objective of the Study

General Objective

The general objective of the study is to examine the effect of CRM on customer loyalty

Specific Objective

The specific objectives of the study are:

- To determine the effect of Key Customers focus on Loyalty in Dashen Bank and CBE.

- To examine the effect of Knowledge Management on Loyalty in Dashen Bank and CBE.
- To investigate the effect of CRM Organization on Loyalty in Dashen Bank and CBE.
- To determine the effect of Technology based CRM on Loyalty in Dashen Bank and CBE.
- To test if there are significant difference between Dashen Bank and CBE in terms of their CRM and customer loyalty

1.5 Significance of the Study

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 in acquiring new customers, retaining existing ones and maximizing their lifetime value.

Therefore, the study has a significant importance in strengthening the existing knowledge and understanding of CRM and customer loyalty by examining and empirically testing the relationship between CRM and customer loyalty for the case of Dashen Bank and CBE. The study will also provide some insight or recommendations to Dashen Bank and CBE to evaluate and improve their CRM practice based on the study findings. Finally, the study can serve as an additional reference to others researchers who are interested in the area of CRM and customer loyalty.

1.6 Scope of the Study

Scope of the study is limited to Dashen and CBE banks branches customers located in the city of Addis Ababa. In terms of variables the research, the study examined CRM through four-dimensional behavioral concept as proposed by Sin and Yim (2005). This means the researcher has chosen behavioral components of CRM dimensions i.e Key Customer Focus, knowledge Management, CRM Organization, and Technology based-CRM to conduct the study. The researcher has chosen Dashen Bank and CBE for this study purpose as they implement and practice CRM at bank's corporate, districts and branches levels in their respective banks.

1.7 Limitation of the study

The study is limited to Dashen and CBE banks' branches located in Addis Ababa. Thus, this limitation discriminate those bank's customers who are outside of Addis Ababa from being considered for this study. Hence, the study generalizability will have limitation as the study is limited only in Addis Ababa and may not necessarily reflect the view of all customers across the

country. Due to inaccessibility to have full list of customers' database because of privacy and confidentiality, the researcher is forced to use convenient sampling technique. In addition to time and financial budget constraint, there is also limitation of obtaining adequate data from published articles and Journals about the CRM practice and applicability in financial institutions in Ethiopia.

1.8 Definition of Terms

Here is below given conceptual definition of terms that would be mentioned quite a lot of times and words that I do believe that reader of study should know the definition for easy and better understanding of the this research.

Customer Relationship Management (CRM)

Chen, I and Popovich .K, (2003) defined Customer relationship management (CRM) as a combination of people, processes and technology that seeks to understand a company's customers. It is an integrated approach to managing relationships by focusing on customer retention and relationship development. CRM has evolved from advances in information technology and organizational changes in customer-centric processes. Companies that successfully implement CRM will reap the rewards in customer loyalty and long run profitability. Dyche (2002) defines CRM as an infrastructure that enables the delineation of an increase in customer value, and the correct means by which to motivate valuable customers to remain loyal-indeed, to buy again. CRM is a simple philosophy that places the customer at the heart of a business organization's processes, activities, and culture to improve his/her satisfaction of service and, in turn, it will maximize the profits for the organization.

Customer Loyalty

On a lot of marketing studies Loyalty is defined as a prejudice to behavioral response over time in which the person prefers a particular brand than other brands and as a mental commitment (Mc Mullan and Gilmore, 2008). Loyalty is one of the key concepts in the field of marketing management that plays an important role in creating long-term benefits for the organization because loyal customers do not require extensive promotion efforts. Loyalty is a deep commitment to purchase a product or service again in the future that means buying one brand

again despite environmental influences and marketing efforts of competitors to change behavior (Taylor *et al.*, 2004).

Key Customer Focus

Evidences from marketing literatures, IT literatures and industry practices agreed to the fact that customer centric focus is a pre-requisite to any successful CRM practices, particularly in shaping the minds and actions of the employees in becoming customer oriented. Key customer focus is a business strategy that requires management and employees to focus on the changing wants and needs of its customers. In other words, it's a company-wide philosophy that the customer's wants and needs are the first priority of all management and employees. It includes the intense focus of organization on key customers, providing superior service and added value for customers by providing customization that is composed of parts including customer-oriented marketing, customer lifetime value, customization, and interactive marketing (Lee, 2000).

Knowledge Management

From the angle of CRM concept in marketing, knowledge can be described as whatever a company or individual has learnt from experience/practice or any empirical study of consumer data (Nguyen *et al.*, 2007; Sin *et al.*, 2005). This will bring banks to the key facets of knowledge management dimension which includes a company's knowledge learning and generation, its knowledge dissemination and sharing, and knowledge responsiveness (Sin *et al.*, 2005; Yim *et al.*, 2005). Knowledge management help to enhance customer profitability, information about customers and knowledge should be gathered through interactions or touch points across all functions or areas of the firm so that a 360-degree customer view is established, maintained, and continually updated.

CRM Organization

First and foremost, to enhance service employees to conduct customer- oriented behaviors, Organizations have to develop an appropriate working environment for service in work, for instance, providing staff with the modern tools, and technology, customer-satisfaction tracking and complaints management systems, inspirational leadership, and appropriate rewards systems. As a result of the previous supportive working conditions, organizations can ensure the required customer -oriented behaviors of their employees (Mechinda and Patterson, 2011). So, it can be

said that CRM organization has to be an essential means through which firms effect fundamental changes in the way they organize their actual business processes for employees and customers (Sin et al. 2005; Yim et al., 2005).

Technology based CRM

Many CRM-oriented activities, such as knowledge management, cannot be optimized without leveraging the latest technology (Chen.I and Popovich .K,2003). Innovations in network infrastructure, client/server computing, and business intelligence applications are leading factors in CRM development. Indeed, most CRM applications take great advantage of technology innovations, with their ability to collect and analyze data on customer patterns, develop prediction models, respond with timely and effective customized communications, and efficiently deliver personalized value offerings to individual customers.

1.9 Organization of the Study

This research paper is consist five chapters. In chapter one, background of the study, statement of the problem, research questions, and research objectives, significance of the study, definition of terms, scope and limitations of the study is included. In chapter two literatures related to theoretical frame work, empirical evidence and conceptual frame work of CRM and Loyalty is reviewed in details. Chapter three, the methodology part is covered sampling methods, sources of data & data collection tools and methods of data analysis. In chapter four the analysis & interpretation and findings of the study is discussed. Finally, in chapter five the conclusion and recommendations is presented. At the end of the research paper references and questionnaires which are used for this study is attached

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Chapter Overview

The chapter discusses about Evolution of CRM, the Theoretical framework of CRM, definition of CRM along with its dimensions and Customer loyalty, Empirical framework of CRM, conceptual framework of CRM. In this chapter sincere effort is given to highlight the concept of CRM in Banking sector, Benefit of CRM, Success Factor for CRM and Challenges of implementing CRM.

2.2 Evolution of CRM

As observed by Parvatiyar and Sheth (2002), development of customer relationships has historical antecedents going back into the pre-industrial era. Much of it was due to direct interaction between producers of agricultural products and their consumers. Similarly artisans often developed customized products for each customer. Such direct interaction led to relational bonding between the producer and the consumer. It was only after industrial era's mass production society and the advent of middlemen that there were less frequent interactions between producers and consumers leading to transactions oriented marketing. The production and consumption functions got separated leading to marketing functions being performed by the middlemen. And middlemen are in general oriented towards economic aspects of buying since the largest cost is often the cost of goods sold.

In recent years however, several factors have contributed to the rapid development and evolution of CRM. These include the growing de-intermediation process in many industries due to the advent of sophisticated computer and telecommunication technologies that allow producers to directly interact with end-customers. For example, in many industries such as airlines, banks, insurance, computer program software, or household appliances and even consumables, the de-intermediation process is fast changing the nature of marketing and consequently making relationship marketing more popular. According to Chen and Popovich, (2003) The United States software vendors took up relationship marketing to market CRM. Systems Databases and direct marketing tools give them the means to individualize their marketing efforts. As a result,

producers do not need those functions formerly performed by the middlemen. Even consumers are willing to undertake some of the responsibilities of direct ordering, personal merchandising, and product use related services with little help from the producers. In the recent years, several factors have contributed to the rapid development and evolution of CRM. The rapid evolution of CRM technologies in organization has been created strong relationships and enhances customer value to improve motivation and the instruments (Day, 2003). Developed nations recent success of on-line banking, on-line Air ticket sales, direct selling of goods, automobiles and insurance, etc., on the Internet all attest to the growing consumer interest in maintaining direct relationship with marketers.

The de-intermediation process and consequent prevalence of CRM is also due to the growth of the service economy. Since services are typically produced and delivered at the same institution, it minimizes the role of the middlemen. A greater emotional bond between the service provider and the service user also develops the need for maintaining and enhancing the relationship. It is, therefore, not difficult to see that CRM is important for scholars and practitioners of services marketing (Berry and Parsuraman 1991; Bitner 1995; Crosby and Stephens 1987; Crosby, et. al. 1990; Gronroos 1995).

Another force driving the adoption of CRM has been the total quality movement.

Mack et. al.,(2005) claim that CRM evolved from total quality management in the 1980s. When companies embraced Total Quality Management (TQM) philosophy to improve quality and reduce costs, it became necessary to involve suppliers and customers in implementing the program at all levels of the value chain. This needed close working relationships with customers, suppliers, and other members of the marketing infrastructure.

2.3 The Theoretical Framework of CRM

The theoretical rationale behind the importance of and the need for CRM lies in the importance of cooperative and collaborative relationships between buyers and sellers. The root of CRM is relationship marketing, which has the objective of improving the long-term profitability of customers by moving away from product-centric marketing to customer -centric. Berry (1983) has defined relationship marketing as attracting, maintaining and enhancing the relationship with customers in a multi-service organization. Many researchers explain in their literature that CRM to have its roots in relationship marketing and to share its principles, that is the reason why the

terms CRM and relationship marketing are used almost interchangeably in the marketing literature. The evolution in relationship marketing philosophy changed the word relationship marketing to customer relationship management-(CRM) and CRM appeared in the literature after the evolution in the relationship marketing philosophy. Hence, relationship marketing is a foundation for the emergency of CRM.

Thompson (2004) stated that different definitions of customer relationship management are provided by the researchers. Some consider it as strategy, some consider as technology, some other consider it as information system. This divergence may be owed to a difference in the scientific background of these writers. As such, there is still much debate over exactly what constitutes CRM. In this context, Sin et al. (2005) explain that the CRM literature lacks a theoretical, integrative framework to delineate how the CRM concept can be properly translated into a comprehensive set of concrete organizational activities conducive to CRM success.

Many definitions of CRM have been emerging, with each successive definition supplementing the previous ones and adding more focus to the concept and delineation of its underlying principles and dimensions.

To begin with, Swift (2000) defined CRM as a method of understanding the customer behavior through intense communication with him/her to improve the performance which is represented in attracting the customer, keeping him/her and increasing his/her loyalty and profitability. Authors such as Sin et al (2005) argued that CRM is a strategic business process that involves an efficient management of detailed information about current and potential customers channeled through a carefully arranged customer "touch points" that assist in maximizing customer loyalty and minimizing costs. Brassingtor and Pattit (2000) stated that Customer Relationship Management has developed as an approach based on maintaining positive relationships with customers, increasing customer loyalty and expanding customer lifetime value. Martin et al. (2010) defined Customer relationship Management as a firm's practices to systematically manage its customers to maximize value across the relationship lifecycle. Kotler and Armstrong (2010) defined customer relationship management as the overall process of building and maintaining profitable customer relationship by delivering superior customer value and satisfaction. Further more so, it

could be defined as managing detailed information about individual customers and carefully managing customer “touch points” maximize customer loyalty (Kotler et al.,2010).

Fross & Stone(2001) defined CRM as the company use of its abilities in the field of research methodology, technology and e-commerce in order to manage customer relationships. This definition for CRM regards it as the ability to use technology in the domain of dealing with customers.

Parvatiyar & Sheth (2002) mentioned that CRM is a comprehensive strategy that includes the process of acquiring certain customers, keeping them and cooperating with them to create a distinguished value for both the company and the customer. This strategy requires integrating the functions of marketing, sales, customer service and exposition chain so as to achieve the highest competence and efficiency in delivering value to the customer.

Kim *et al.* (2010) describe CRM as a process consisting of customer supervising, appropriate data collection, data management and evaluation and finally creation of the real advantage of the extracted data in their interaction. Wilson and Mc Donald (2002) believed that CRM is a concept that makes organization able to produce product or unique services to each customer and CRM gives customers a feeling that they are in the center of attention.

Brown (2000) defined CRM as a process of acquiring retaining and growing profitable customers and business strategy that aims to understand, anticipate, manages the needs of an organization’s current and potential customers.

According to Ryals and Payne (2001), CRM is a management approach that use information technology (IT) to build a long term relationship with their customers and at the same time channel more profits to the organizations. Chen and Ching (2004) described CRM as a long term relationship that use customer database to identify which customer can give more profits to the organizations. Mylonakis (2009) recognized CRM as an innovative process to create a long term relationship with customers in order to get trust from customers towards organizations.

E. B. Khedkar(2015) defined CRM as a process that maximizes customer value through on-going marketing activity founded on intimate customer knowledge established through collection, management and leverage of customer information and contact history.

According to Jham and Kalem,(2008) CRM is a comprehensive strategy and process which focus to establish, maintain and enhance relationship with customers and to create value for the

organizations. From marketing aspect, CRM is defined by Couldwell (1998) as a combination of business process and technology that seeks to understand a company's customers from the perspective of who they are, what they do, and what they are like.

Thompson (2004) stated that Experts and theorists have different definitions for customer relationship management that can be classified in four general groups containing strategies, technologies, processes and information systems. Different definitions and theories about customer relationship management (CRM) have been given by different scholars in the field at different time and some theories are described as follows:

1- CRM is a part of the organization strategy for identifying and keeping customers satisfied and converting them to a repeat customer. In addition, in line with the customer relationship management, it helps the company in order to maximize the value of every customer (Turban et al., 2003).

2- CRM is a set of methodologies, processes, software and systems that helps institutions and companies in creation effective and organized management of customer relationship (Burnett, 2001).

3- Customer relationship management as a process, consists of monitoring clients (such as appropriate data collection of them), management, and evaluation data and finally, creating real advantage from information extracted in dealing with them (Hampe and Swatman, 2002).

4- Customer relationship management is a comprehensive business and marketing strategy that integrates process technology and all business activities around the customer (Feinberg and Romano, 2003).

From the above definitions, it can be concluded that CRM strategy is a business to optimize profitability, revenue and customer loyalty by the organizing services based on customer needs, and also improving customer satisfaction is designed accordance with the principles and implementation process customer oriented.

2.4 Definition of Customer Relationship Management (CRM)

Different definitions of customer relationship management are provided by the researchers. Some consider it as strategy, some consider as technology, some other consider it as information system. Sin et al. (2005) have defined CRM as a comprehensive strategy and process that

enables an organization to identify, acquire, retain and nurture profitable customers by building and maintaining long-term relationships with them.

According to Zakaria (2014) Customer relationship management (CRM) is a philosophy and a strategy to manage a company's interactions with customers, clients, and sales prospects which can achieve financial institutions goal such as customer satisfaction, customer loyalty and profit. It involves using technology to organize, automate, and synchronize business processes.

Sanjay(2012) stated that the goal of CRM is to manage all aspects of customer interactions in a manner that enables the organization to maximize profitability from every customer. CRM is not a concept that is really new but rather due to current development and advances in information and enterprise software technology, it has assumed practical importance. Peppers and Rogers (2004) stated that Customer relationship management (CRM) has been called an inevitable relentless movement because it represents the way customers want to be served and offers a more effective and efficient way of conducting business. Shani and Chalasani(1992) have defined relationship marketing as an integrated effort to identify, maintain and build a strong network with individual customers and continuous strengthening of relationship for mutual benefits of both sides. CRM is an enterprise wide approach to understanding and influencing customer behavior through meaningful communication to improve customer acquisition, customer retention, customer loyalty, and customer profitability. CRM plays a critical role for customers being loyal to their service provider. Bhaskar (2004) has analyzed that when good service is provided to a customer, then a loyal customer will work as an ambassador and help in the organization's growth. Vavra(1992) considers CRM as a technique of retaining customers by using various marketing tactics thus leading to bonding with customer even after sale.

Lamber(2010) defined Customer Relationship Management as one of the strategies to manage customers as it focuses on understanding customers as individuals instead of as part of a group.

Dyche (2002) defines CRM as the infrastructure that enables the delineation of an increase in customer value, and the correct means by which to motivate valuable customers to remain loyal- indeed, to buy again.

Anbuoli and Thiruvengatraj (2013) defined CRM for banks as a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, reprising, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses. CRM involves using technology to organize, automate, and synchronize business processes. The objectives of CRM are to enhance profitability, income, and customer satisfaction. To attain CRM, many organizations use set of tools, technologies, and procedures to support the relationship with the customer to enhance sales.

According to Gray & Byun(2001) CRM system consists of the following three aspects which are described as Customer, Relationship, and Management. The graphical relationship of the three aspect of CRM is presented in Figure 1 below:

- **Customer.** The customer is the only source of the company's present profit and future growth. However, a good customer, who provides more profit with less resource, is always scarce because customers are knowledgeable and the competition is fierce. Sometimes it is difficult to distinguish who is the real customer because the buying decision is frequently a collaborative activity among participants of the decision making process, information technologies can provide the abilities to distinguish and manage customers. CRM can be thought of as a marketing approach that is based on customer information.

- **Relationship.** The relationship between a company and its customers involves continuous bi-directional communication and interaction; the relationship can be short-term or long-term, continuous or discrete, and repeating or one-time. Relationship can be attitudinal or behavioral. Even though customers have a positive attitude towards the company and its products, their buying behavior is highly situational. For example, the buying pattern for airline tickets depends on whether a person buys the ticket for their family vacation or a business trip. CRM involves managing this relationship so it is profitable and mutually beneficial. Customer lifetime value (CLV), is a tool for measuring this relationship.

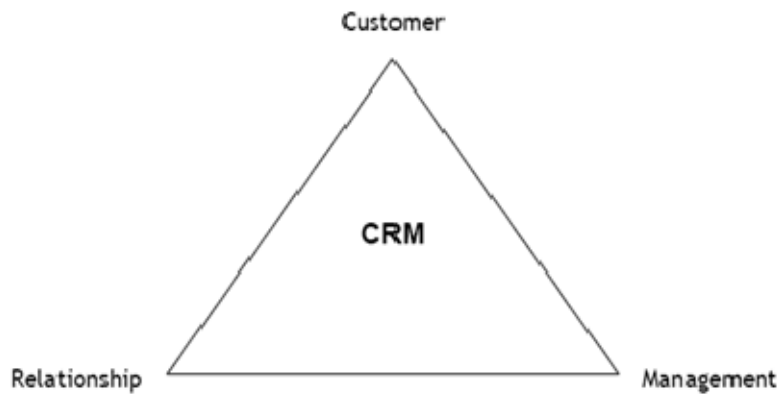


Figure 1-The three CRM components

• **Management.** CRM is not an activity only within a marketing department. Rather it involves continuous corporate change in culture and processes. The customer information collected is transformed into corporate knowledge that leads to activities that take advantage of the information and of market opportunities. RM required a comprehensive change in the organization and people.

2.4.1 Three Types of CRM Systems:

Adoption of CRM concept in the banking sector requires jointly effort on three areas: operational, analytical and organizational (Payne, 2005):

1. **Operational CRM:** Operational CRM provides a unique source of information about customers. It deals with creation of information and supports sales, marketing and customer service.
2. **Analytical CRM:** Analytical CRM is carried out through collection, processing and systematization of data in order to obtain information relevant to Customer Relationship Management.
3. **Organizational/Collaborative CRM:** Organizational/Collaborative CRM requires co-operation between marketing functions and infrastructure in order to optimize activities aimed at customers, to create value for the bank and the customer through usage of multiple channels of Communication. This CRM is responsible for establishing customer interaction through appropriate channel of communication.

2.5 Dimension of Customer relationship Management (CRM) and Customer Loyalty

Different researchers tell us that there is no one universal definition of CRM. However, occasionally, people define it based on the context within which it is being considered for specific study. Hence, some researchers described CRM dimensions from customer's attitudinal aspects like trust, commitment, conflict handling and empathy. But on this study behavioral aspect of customers is chosen to describe the CRM dimensions. Hisham,S (2011) posited that CRM means the desire and ability of the institution to custom its behavior towards every customers on the basis of information the customer tells and what the institution knows about that customers.

Sin et al. (2005) and Yim et al. (2005) suggest that the concept of CRM is a multidimensional construct consisting of four broad behavioral components. These behavioral components are: Key Customer Focus, CRM organization, Knowledge Management and Technology-based CRM. It is strongly emphasized that all behavioral components or dimensions must be integrated in order to achieve Customer Loyalty and company profitability. Other studies like those of Abdullateef et al. (2010) and Wang et al. (2010) also find customer orientation as part of behavioral components.

2.5.1 Key Customer Focus

Key customers are customers who are more important for organization strategically and who have a greater profitability (Ryals and Knox, 2001).It can be said that organizations that apply CRM are customer- driven in a sense that all their decisions must take into consideration customers' interest and welfare. In doing so, the companies should promise superior value to their customers and try to deliver the desired satisfaction more effectively and efficiently than their competitors. This involves an attempt to design its offer in a personalized way to its key customers. Key elements of this dimension consist of customer-centric marketing, key customer lifetime value identification, personalization and interactive co-creation marketing. Customer orientation refers to the employee's predisposition to meet the customers' needs. It has a positive impact on employees' performance and customers' satisfaction. Moreover, customer-oriented behaviors can maintain a good relationship between the service provider and the customers; leading to improvement in the organization's performance (Brown et al., 2002).The essence of

customer orientation is to increase long-term satisfaction and to create customer loyalty (Jain & Singh, 2002; Schmid & Weber, 1998).

2.5.2 Knowledge Management

Recent studies on CRM, suggest that customer knowledge has been considered as a valuable organizational resource such that any technique which is geared towards transmitting knowledge regarding customers are core resources that serves a sustainable competitive advantage for firms and allows a company to strengthen its link with the customers (Croteau and Li, 2003; Shi and Yip, 2007). Therefore, customers' knowledge plays a vital role in CRM. Organizations can use it to build and develop their relationship with customers (Zahay and Griffin, 2004), and it enables organizations to gain a competitive advantage in the market (Sin et al., 2005). In the words of Ryals and Knox (2001), information on customer knowledge needs to be shared and disseminated throughout the organization because the potential of knowledge occurs when it is shared within various functions of the organization in order to meet current customers and their anticipated needs. Knowledge management helps an organization to succeed by building better customer relationships and it has a positive impact on an organization's performance. (Sin et al., 2005)

2.5.3 CRM Organization

For a better CRM implementation and total quality assurance of those strategies, there is a need to employ total participation from all levels of the organization. The organizational structure is supposed to be redesigned to include proper and effective lines of communication (Liu, 2007). Mechinda and Patterson (2011) and Dutu and Halmajan (2011) stated that for service employees to display customer-oriented behavior, organizations must develop a climate for service in the work which includes providing staff with modern tools and technology, customer satisfaction tracking and complaint management systems, inspiring service leadership, and an appropriate reward system. In implementing CRM many changes are required in the way that firms are organized (Ryals and Knox, 2001), business processes are conducted (Hoffman and Kashmeri, 2000) and the qualified employees that are involved in delivering value to the target customers. The researchers also argue that CRM cannot be successful even if the organizations enjoy the most advanced technology and adapt a customer - oriented approach, unless the project

is completely integrated by them (Sin et al., 2005; Yim et al., 2005). 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. Therefore, we can say that CRM organization has to be an essential means through which firms effect fundamental changes in the way they organize their actual business processes for employees and customers (Sin et al 2005; Yim et al., 2005).

2.5.4 Technology-based CRM

With advances in information communication technology (ICT), a modern system can be used to improve the power of organizations to reduce internal costs, better interact with the environment, and increase economic profit in the long term (Mohammad, Basri, Rashid & Tahir, 2013). CRM involves gathering a lot of data about the customer. The data is, then, used to facilitate customer service and transactions in order to meet customers' needs. This results in more satisfied customers, a more profitable business and more resources available to the support staff.

Technology based CRM enables organizations to plan and implement successful marketing actions for retaining customers long-last and making them more profitable, because of the customer database and other information-storing systems (Roberts et al., 2005). Additionally, Chang et al., (2010) confirm that CRM technology improves marketing capabilities by providing valuable information about customers, which, in turn, will help both managers and employees to achieve specific marketing goals much more effectively.

2.5.5 Customer Loyalty

Loyalty is a prejudice to behavioral response over time in which the person prefers a particular brand than other brands and made decisions as a mental commitment (Mc Mullan and Gilmore, 2008). Loyalty is one of the key concepts in the field of marketing management that plays an important role in creating long-term benefits for the organization because loyal customers do not require extensive promotion efforts. Loyal customers help the organization in determining the expected increase in sales and profit. In addition, customers who are familiar with the brand are likely to recommend it to their friends and relatives and affect the feedback and evaluation cycle of the product and these issues are critical in today's business environment (Allamehand Noktedan, 2009). Beerli et al. (2004) defined Loyalty as a strong commitment to repurchase a

product or service in the future, so that the same brand or product is purchased despite the marketing efforts and potential competitors. Uncles et al. (2003) defined loyalty as customer's commitment to do business with a particular corporation, buying their products and services frequently and recommending the corporation's offerings to friends and associates. Behavioral loyalty attempts to define brand loyalty in terms of the actual purchases observed over a time period, whereas attitudinal loyalty measures are based on stated preferences, commitment or purchase intentions (Rundle-Thiele & Bennett, 2001). Another definition of loyalty from point of view of the concept of commitment is provided by Taylor et al. (2004) that customer Loyalty is a deep commitment to purchase a product or service again in the future that means buying one brand again despite environmental influences and marketing efforts of competitors to change behavior.

2.6 CRM and Customer Satisfaction

In today's business environment is characterized by increasing competition, more forward fighting is going to win every day. No matter what the type of business is, business organization can't continue to exist in competitive environment without customer satisfaction. It can be said that customer satisfaction is a major goal of business organizations, since it affects customer retention and companies' profitability.

According to Mithas et al. (2005), it has been found that CRM are likely to have an effect on customer satisfaction. This, in turn, has great implications on the economic performance of the organization (Bolton et al., 2004). The effect of CRM on customer satisfaction is due to at least three reasons.

First, CRM enables firms to customize their offerings for each customer in order to suit their individual tastes by accumulating information across customer interactions and by processing this information to discover hidden patterns. Because CRM helps firms customize their offerings, this will enhance the perceived quality of products and services from a customer's point of view. Therefore, CRM applications indirectly impact customer satisfaction through their effect on perceived quality.

Second, CRM also enables firms to promote the reliability of consumption experiences through facilitating the timely accurate processing of customer orders and requests. An improved ability to customize and a reduced variability of the consumption experience enhance perceived quality, which positively influences customer satisfaction.

Finally, CRM also helps firms manage customer relationships more effectively across the stages of relationship initiation, maintenance, and termination (Reinartz et al., 2004). Bowen and Chen (2001) argue that having satisfied customers is not sufficient. This is because customer satisfaction needs to have direct impact to customer loyalty. Sivadas and Baker-Prewitt (2000) stress that there is a rising recognition that the last objective of customer satisfaction measurement should be customer loyalty. In banking industry CRM has effect on customers' satisfaction and in return satisfaction has effect on customers' loyalty. In addition, Fecikova, (2004) stated that loyalty of customer is considered to be a function of CRM and satisfaction.

Bowen and Chen, (2001) stated that the loyal customers which are created through effective CRM practice contribute to the company's profitability by spending more on company products and services, via repeat purchasing and by recommending the organization to other customers.

2.7 Customer Relationship Management (CRM) in Banking Sector

When it first introduced in early 1990s, customer relationship management systems (CRM) were promoted as the answer for expanding relationships and building loyalty and customer-centric strategy, this led many banks to invest heavily in CRM. Since CRM plays a critical role in creating customer loyalty, it has been applied in areas such as banking; retails, insurance and telecommunication. In their efforts to increase efficiencies and reduce costs, leading banks have encouraged to spend resources on IT infrastructure and expanding the functionality of ATMs. An effective or successful implementation of the CRM system can contribute to the organization in terms of improved sales, market share profitability, customer satisfaction and reduced customer turnover, service cost and time (Rajnish et al., 2003).

Xu , et al.(2002) stated that customer Relationship Management (CRM) came into the power when banking institutions were getting more and more competitive. The focus of CRM helped banks to understand the Customer's current needs, what they have done in the past, and what

they plan to do in the future to meet their own goals. Banks in recent years have adopted the principles of Marketing Orientation and focused on relationship development. The technical revolution has had its impact on the banking industry to adopt CRM as a strategic tool. Mahaswar and sweta (2015) have said that the beginning of the millennium saw the introduction of new technology into the banking industry which has helped to remove the hurdles in the progress of banking sector. Due to the tough competition in the banking industry, it is very necessary for financial institutions to build and maintain a strong relationship with the customers in order to achieve the ultimate goal of customer Satisfaction. For this reason customer relationship management (CRM) has become more important in the service industry; especially in the banking industry. Innovation in the area of information technology which gives to banks customers great benefits and the concept of anywhere and anytime banking has puts banks in tough competition. The modern day customer is not only quality conscious but also very particular about time and services offered. Any gap in their perception and reality will prompt them to change their brand preferences. This has induced the banks to focus on relationship marketing and CRM has become paramount important for banks. Duygu and Sevcan(2012) states that in recent years, in such fields as banking, where there is a strong competition, customer satisfaction has gained a good deal of importance. It may be very easy to let another bank capture a displeased customer. To raise the customer satisfaction to the highest level and retain their customers, the banks are to attach importance to customer relationship management. Peppard (2000) described that financial service organizations are one of the early adopters of customer relationship management systems. Before applying customer relationship management systems within the industry, banks and other insurance companies developed close relationships with their customers by providing personal customized services which was mainly a costly, inefficient and time consuming process. But, according to Gupta and Shukla(2002) through CRM systems and information and communication technology (ICT) banks can provide large customer variety, lower price and customized service and all at the same time. According to Onut et al., (2006), banks and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquiring new customers, retain existing ones, and maximize their lifetime value.

Foss, B.(2002) in his work stated that most of the banks around the world are trying to use CRM techniques to achieve various outcomes. These are:

- creating customer-centric culture and organization;
- securing customer relationships;
- maximizing customer profitability and,
- aligning effort and resource behind most valuable customer groups

Many researchers have reported that banks which develop a customer-centric strategy are moving on success track and getting higher profits.

2.8 Benefits of CRM in Banking Sector

According to Chen and Popovich (2003), CRM applications have the ability to deliver storage of customer data at a much smaller cost than old network technologies. For given bank, CRM systems can accumulate, store, maintain, and distribute customer knowledge.

Peppard (2000) noted that effective management of information has a very important role to play in CRM because it can be used for product tailoring, service innovation; consolidate views of customers, and for calculating customer lifetime value. CRM systems assists banks evaluate customer loyalty and profitability based on repeat banking, the amount of transaction, and longevity.

Nguyen et al (2007) supported that the CRM if used properly, would enhance a bank's ability to achieve the ultimate goal of retaining customers in order to gain a strategic advantage over its competitors. A CRM system is a sound business strategy for banks to help create brand value and identify and understand their customers' needs by providing targeted, timely and relevant information that can add value to their customers and identify specific products and services that can benefit customers. CRM systems provide tools that can segment, and deliver the right service, at the right time, by acting on dynamic customer information. This allows the ability to track and build strong relationships with profitable customer. Lowel and Anton (2004) stated that CRM systems enable banks to better understand their customers. It allows gaining substantial market share in the shrinking market, improving customer satisfaction and retention, help to reduce operating cost thus enhances profitability and revenue. These systems improve sales process work flow and provide differentiated services for high value customers. The consolidation of customer information in single platform increases the customer services.

Customer relationship management systems facilitates knowledge integration .This integration provides organization the ability not only to determine their customers current needs and wants but the capacity to anticipate and solve future needs as well by providing customized services and goods. Customers buying habits can be analyzed by looking into the CRM database. New product information can be send to customers by looking into their previous buying behavior. New products and services can be promoted by analyzing the interest of customers and none or less used products are removed by looking into the information in the database.

The advantages gained by the banks through implementation of customer relationship managements are forming customer database, learning customer needs, making the way of bank management customer-based, utilization of technology for efficient service and using CRM as a competitive tools. CRM system helps banks to keep and record the customer information, like their goals, needs and events. Moreover, saved knowledge is updated into the CRM system, so that the customers' information will be up to date without being outdated. With these connections the information is always expands in the CRM system that enhances the profile data for customers and works like a strong instrument in making business decisions.

Greenberg (2004) stated that through developing the total lifetime value of customer, CRM can raise the true economic worth of a business. Moreover successful CRM strategies promote customers to purchase more products, stay loyal for longer periods and be in touch effectively with a company.

Most studies or research papers focused on studying about the benefits of CRM from organizational or managerial point of view but some studies also tried to see the benefits of CRM from customer's points of view. According to Mohammad and Zakaria (2012) benefits of CRM from customer point of view is described as providing improved customer services, increased personalized service, improve customization of marketing, and improve service efficiency and better customer knowledge.

2.9 CRM Objectives in banking sector

According to Vikram .B (2015) CRM, the technology, along with human resources of the banks, enables the banks to analyze the behavior of customers and their value. The main areas of focus are as the name suggests: customer, relationship, and the management of relationship. The main

objectives to implement CRM in the business strategy are to simplify marketing and sales process by making call centers more efficient and customer service oriented to discover new customers and increase customer revenue. The ultimate objective of CRM is to fully support the basic steps of customer life cycle. The basic steps are first, satisfy present customers, then acquiring new customers and serving the customers dedicatedly, finally retaining the customers and enhance loyalty

In general objective of CRM in banking industry is to help banks use technology and human resources gain insight into the behavior of customers and the value of those customers. If it works as hoped, a bank can: provide better customer service, make customer service more efficient, cross sell products more effectively, and help sales staff close deals faster, simplify marketing and sales processes, discover new customers, and increase customer revenues

2.10 CRM Concept Success Factors

According to Marko L. *et al.* (2015) CRM success factors are CRM strategies, organizational structures & cultures, employees & top management, communication channels and information technology. They can positively or negatively affect acceptance and success of CRM concept. There is cause-effect relationship between mentioned factors, since establishment of proper CRM strategy, its acceptance in organization and by employees, selection of right CRM technology and its integration with channels of communication are the key factors of a successful CRM concept.

CRM Strategy

First step in process of developing CRM concept is clear definition of business, as well as objectives and reasons why bank performs its activities. Bank should analyze characteristics of business environment and development of media and distribution channels. Also, bank should build adequate technological infrastructure which will support implementation of CRM strategy (Marko .L *et al.*, 2015).

Top Managements and Employees

Successful CRM involves definition of processes, adaptability of employees to new strategy and support of top management, with adequate organizational structure. Successful implementation

of CRM concept needs support of top management. Success of bank in today's competitive environment, depends on ability of top management to adjust business environment where employees manage business processes and implement business relationships with customers (Marko .L *et al.*, 2015). Banks often seek for employees who have appropriate leadership. Top management should be actively involved in changes in organization in order to spread positive vision of CRM concept and to support organizational change.

An important factor of success in CRM concepts are employees and their commitment to organization. Employees should have appropriate knowledge and techniques which support Customer Relationship Management. In other words, successful relationship with customers depends on customer-oriented skills of employees and their ability to better anticipate customer needs. Successful CRM concept depends on willingness of employees to continuously improve themselves and to accept change; and willingness of banks to build a reward system for employees who are oriented to customers.

Organizational Structure and Culture

The organizational structure of the bank should be adjusted to new approach and strategy of the bank. CRM concept promotes a new organizational structure based on trends and customers' needs. Organizational units in bank must be flexible to cooperate and to support new strategy of establishing long-term relationships with customers. Organizational culture reflects the way how employees feel the bank in which they work, but also the way of how bank is behaving in internal and external environment. Successful implementation of CRM concept requires close cooperation and communication between marketing managers and employees in the bank. It is necessary to build business-like atmosphere, which will be based on trust, understanding and acceptance of new solutions (Marko .L *et al.*, 2015).

Communication Channels

It is noticed that banks have remarkable investments in information technology. At the time when expansion takes place in banking business, as customers are interested in using new products and services, banks create new services that allow independent use of product with help of modern information solutions. The focus of bank's operations is on customers, as each

customer represents a separate market segment. Communication between customers and banks is built in form of a two-way dialogue, so business success is measured by participation of customers in communication. Banks are developing direct banking channels, which allow customers easier and faster banking operations like ATMs, Internet and Mobile Banking (Marko *et al.*, 2015).

CRM Technology

CRM technology, as a part of Information technology, provides better insight into profitability of the customer but, also recognizes customers' habits and needs (Marko *et al.*, 2015).

CRM technology allows bank to:

- Have information about specific needs of customers,
- Realize personalized approach to each customer,
- Identify the most profitable customers,
- Access customer's risk profile.

CRM technologies are software solutions or CRM tools, which support Customer Relationship Management. CRM technology allows gathering necessary information from different sources in order to have a unique picture of each customer in real time. By using CRM tools, employees can quickly make decisions and communicate them to customers in short term.

2.11 Challenges of Implementing CRM in Banks

Despite the above benefits of CRM, there are challenges such as insufficient resources especially when funds are less, budgets strained (Kale, 2004); lack of qualified technical staff, professional training (Joachim, 2002); need continuous maintenance, information updating, and system upgrading, costly and difficult to integrate with other management information systems (David, 2007).

According to Pokharel (2007). The challenges faced by many of the banks whilst implementing CRM can be summarized as getting management sponsorship or attention, quality of customer data, lack of skilled people, using customer data more intelligently, quality of customer data and using right technologies.

2.12 Empirical Evidence on CRM implementation

Now days CMR is being considered as one of the most important tools in most companies all over the world and numerous studies have showed a positive links among CRM, customer loyalty and firm's profitability in a fierce competitive business environment. According to Reichheld and Sasser(1990) as a customer's relationship with firm lengthens, profits rise. Reichheld (1996) state that customers who are retained through CRM are more profitable than new customers for the following reasons:

(1) Customer acquisition costs may be high, so customers may not become profitable unless they are retained for one or more years,

(2)Loyal customers buy more over time, so revenues go up; companies become more efficient at serving them, so costs go down.

(3)Loyal and satisfied customers may refer other potential customers.

(4)The relationship has a value to the customer too, so that retained customers tend to become less price-sensitive. Loyalty leads the customers to increase their volume of business with the firm and subsequent profits for the firm (Roig et al., 2006). As Reichheld and Sasser (1990) stated, reducing defections by 5% boots profit 25% to 85%, which means that a relatively small increase in customer loyalty will drive relatively large increase in firm's profits. Baldauf et al. (2003) emphasized that high level of loyalty which is created through CRM should substantially enhance sales, and higher sales are in return expected to increase profitability. Reichheld and Teal's (1996) empirical study showed that a 5 % increase in customer retention can have a 30% to 95 % effect on customer net present value and a similar effect on firm's profitability. Another support was proposed by Gupta and Lehmann (2003) who estimated a less dramatic increase of 22 % to 37 % in customer life time value (CLV) or revenue, for a 5 % increase in customer retention.

Payne and Frow, (2005) emphasizing the role of CRM in achieving value for customers and contributors, shareholders and employees and reducing costs. The study mentioned customer's satisfaction and retention have been achieved in 36% and 51% of the companies respectively when it was applied CRM.

Hisham .S(2011) stated that in a modern study of De Paul University about the best practices of sales administrator, only 50% of companies – of which sales reached more than one million dollars- admitted that they practice CRM, and only 55% of these companies made it clear that

their CRM programs greatly helped to establish relationship with customers. While,81% of the companies, which achieved sales of less than 100 million dollars adopted ready-made CRM programs, admitted that these programs were useful; 75% mentioned that this helped to establish customer relationships.

According to recent research, strong customer relationships can yield both higher profits and increased market share. Dawkins and Reichheld (1990) stated in their study that a 5 per cent increase in customer retention generated customer net present value of between 25 per cent and 95 per cent across a wide range of business environments. Stated another way, it is five times more expensive to acquire new customers than it is to keep existing customers. This means that as marketing relationships lengthen, companies can increase profits by almost 100% by retaining just 5% more of their customers (Reichheld and Sasser, 1996). That is, money invested in keeping a customer is more productive than money spent trying to replace customers that have been lost. Let us see how CRM is effective as described by Schell (1996) Royal Bank of Canada (RBC), which won the first international award for CRM excellence in large corporations was started their CRM initiative in 1995 and to date they have invested over \$100 million. Today the Vice President for CRM claims “we no longer view CRM as a program. It is our core strategy”. Revenue growth is running at 10-15%, and profit growth at 25%. He went on to say, “We absolutely conclude the CRM is paying us back. It enabled us to grow both top of the house revenue line and at the same time achieve huge cost savings”. RBC’s retention of customers is exceptionally high in an industry where some 22% of commercial customers change banks every five years (Schell 1996)

2.13 Conceptual Framework of CRM

A conceptual framework represents the researcher’s synthesis of literature on how to explain a phenomenon. It maps out the actions required in the course of the study given his previous knowledge of other researchers’ point of view and his observations on the subject of research.

In other words, the conceptual framework is the researcher understands of how the particular variables in his study connect with each other. Thus, it identifies the variables required in the research investigation. It is the researcher’s “map” in pursuing the investigation.

A conceptual framework in this study is based on Sin *et al.* (2005) and Yim *et al.* (2005) behavioral component that identified four CRM dimensions which are responsible for formation of Customer loyalty.

As it can be seen in figure (2) CRM elements, as an independent variables represented on the left side of the model with four main elements i.e Key Customer Focus, Knowledge Management, CRM organization and Technology-based CRM. On the right side of the model the dependent variable is represented by customer Loyalty.

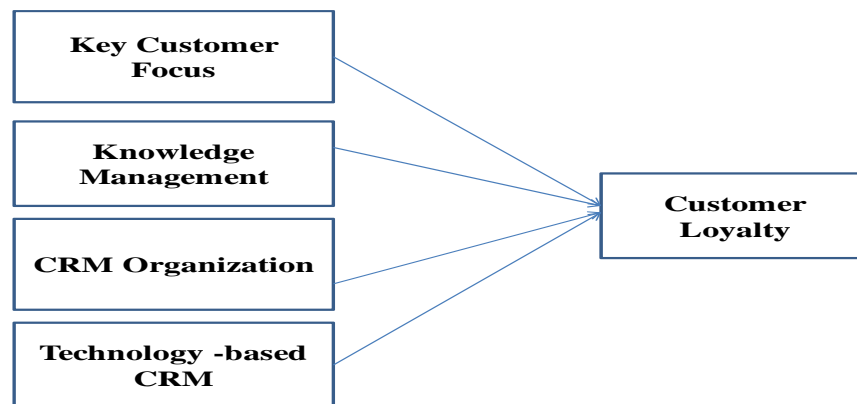


Figure 2 A conceptual model for measuring the relations between the four CRM measurement constructs (Key customer focus, knowledge management, CRM organization & technology based CRM) and customer Loyalty. Adopted from (Sin *et al.*, 2005)

2.14 Research Hypotheses

H1: Key Customers focus has a positive and significant effect on customer loyalty

H2: Knowledge management has a positive and significant effect on customer loyalty

H3: CRM organization has a positive and significant effect on customer loyalty

H4: Technology based CRM has a positive and significant effect on customer loyalty

H5: There is significant difference on CRM influence on customer loyalty between Dashen Bank and CBE

H6: There is significant difference between Dashen and CBE on customer loyalty

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is part of the study that will be used to discuss research approach & design, the research type, sample & sampling techniques, source of data collection, data collection instruments, reliability & validity of the study and the method of data analysis.

3.2 Research Approach

In terms of approach a research can be divided into qualitative and quantitative. Qualitative research is a kind of research that does not attempt to quantify the research data and findings in terms of statistical summary. It concerned with subjective assessment of attitudes, opinions and behavior. Research in such situation is a function of researcher's insights and impressions. Such an approach to research generates results either in non-quantitative form or in the form which is not subjected to rigorous quantitative and analysis. Rather it describes various dimensions about behavior and others factors in the social sciences and humanities. In qualitative research data are simply described and not presented in numbers .On the other hand, Quantitative research is the systematic and scientific investigation of quantitative properties of phenomena and relationships. What constitutes a quantitative research method involves a numeric or statistical approach to research design. The objective of quantitative research is to develop and employee mathematical models, theories and hypotheses pertaining to natural phenomena. It usually starts with a theory or a general statement proposing a general relationship between variables. Leedy and Ormrod (2001) stated that quantitative research seeks explanations and predictions that will generate to other persons and places. The intent is to establish, confirm, or validate relationships and to develop generalizations that contribute to theory. Therefore, for the purpose of this study the researcher has chosen to use quantitative research method to study the effect of CRM on Customer Loyalty as the study demands statistical model to examine the influence or prediction of CRM on Customer loyalty.

3.3 Research Design

John, A. *et al.* (2007) stated that research design is the blueprint for fulfilling research objectives and answering research questions. In other words, it is a master plan specifying the methods and procedures for collecting and analyzing the needed information. Therefore, research design is a detailed plan for how a research study is to be completed-operationalizing variables so they can be measured, selecting a sample of interest to Study, collecting data to be used as a basis for testing hypotheses, and analyzing the results.

The researcher has chosen the descriptive and explanatory research design to answer the problem statement and meet the research objectives on this study. The researcher described demographic facts or characteristics of respondents using descriptive research design. The researcher prefers descriptive research as it is convenient for model testing and description of the correlation of CRM and loyalty. According to Kothari (2004) the main characteristic of descriptive method is that the researcher has no control over the variables; he/she can only report what has happened or what is happening. Explanatory design is sought because of its suitability for explaining the relationships between the CRM and customer loyalty using multiple regression and correlation analysis. The researcher prefers explanatory research design as it is convenient for explanation of cause and effect relationships between dependent and independent variables.

3.4 Population and Sampling Techniques

Ranjit Kumar (2011) described Sampling as the process of selecting a few (a sample) from a bigger group (the sampling population) to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group. Therefore it is necessary to survey a sample of the population as an alternative in order to formulate predictions about the entire population.

The target population for this study encompassed all Dashen Bank and CBE customers in Addis Ababa City. Due to time and budget constraint, the study is focused on undertaking survey on conveniently selected samples branches of Dashen Bank and CBE. Therefore, the researcher has used convenience sampling technique to collect the required data.

3.5 Sample Size

There are various formulas for calculating the required sample size based upon whether the data collected is to be of a categorical or quantitative nature. For populations that are large, Cochran (1977) developed the below formula to yield a representative sample for proportions.

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

Where, n_o is the sample size, Z is value for alpha level of .05 i.e 1.96, p is the estimated proportion of an attribute that is present in the population, $q=1-p$ and e is the desired level of precision.

For example, suppose we want to calculate a sample size of a large population whose degree of variability is not known. Assuming the maximum variability, which is equal to 50% ($p=0.5$) and taking 95% confidence level with $\pm 5\%$ precision, the calculation for required sample size will be as follows $p=0.5$ and hence $q=1-0.5=0.5$; $e=0.05$; $z=1.96$

$$n_o = \frac{1.96^2 * 0.5 * 0.5}{0.05^2} = 384$$

Where, Z is found in statistical tables which contain the area under the normal curve $p=0.5$ (maximum variability), $q=1-p$, 95% is the desired confidence level and $e=\pm 5\%$ which shows the desired precision.

Accordingly, the researcher has used Cochran's formula for sample size determination

3.6 Data source and Type

There are two types of sources when collecting data; primary and secondary data sources. The researcher collected primary data using structured questionnaires directly from customers who are selected for this study purpose. Moreover, secondary data which has already been gathered by someone else like books, websites, various published journals and annual reports are used on this study.

3.7 Data Collection instrument

According to Cohen (2011) questionnaire is a set of questions designed to produce the statistical information from the respondents in order to accomplish research objectives. It allows the

researcher to collect the relevant information necessary to address research question or model hypothesis testing.

Questionnaire method is used as a method of data collection under this study. The questionnaire is contained statements that are specifically designed to measure the effect of CRM on customer loyalty through the four behavioral dimensions of CRM-Key Customer Focus, CRM organization, Knowledge Management and Technology-based CRM. The questionnaire has two parts, the first part is used to collect demographic data of respondent and the second part is used to collect respondent's view about CRM and Customer loyalty. Five point Likert scale which is useful method for measuring opinions, attitude and behavioral tendencies is used on this study and Likert scale scoring from strongly agree=5 to strongly disagree=1, is used to measure the effect of CRM on customer loyalty. These responses can easily be quantified, and thus get equipped for any mathematical analysis.

3.8 Data Collection Procedures

The questionnaire is contained statements that are specifically designed to measure CRM practices of banks in relation to the four behavioral dimensions of CRM – Key Customer focus, CRM organization, Knowledge Management and Technology-based CRM and customer loyalty. Customers of grade IV branches of Dashen Bank and CBE in Addis Ababa were asked to fill out questionnaires by their own free will during their business visit of the Branches. Questionnaires that were filled out by bank customers were immediately collected for further statistical data process.

The Structured questionnaire is used to collect primary data from customers of the Banks. The questionnaire is prepared in bilingual i.e Amharic and English having same content and Amharic version is used for those respondents who may not understand the English version.

3.9 Reliability and Validity

Reliability is the extent to which measurements are repeatable –when different persons perform the measurements, on different occasions, under different conditions, with supposedly alternative instruments which measure the same thing. In sum, reliability is consistency of measurement (Bollen, 1989), or stability of measurement over a variety of conditions in which basically the same results should be obtained (Nunnally, 1978).

To investigate the reliability of the questionnaire, the researcher has undertaken pre-test to ensure the reliability using Cronbach's coefficient on all constructs. A pilot test was conducted on 30 respondents to measure the reliability and consistency of the research instrument. Cronbach's alpha was used to measure the reliability and internal consistency and the result showed the alpha coefficients of 0.96 that is above 0.7 which is acceptable value used by Nunnally (1987) as an indicator of reliability.

Validity is often defined as the extent to which an instrument measures what it purports to measure. Before development of the questionnaire the researcher has conducted extensive CRM literature review which are done by Sin and Yim et al., (2005) and other researchers who study about CRM behavioral components and customer loyalty. Since the questionnaire is developed after a thorough review of CRM academic literatures, it is assumed that the construct validity is hold.

3.10 Data Analysis

The structured questionnaire is designed to examine the effect of CRM behavioral components on customer loyalty for Dashen Bank and CBE. The data is analyzed using the Statistical Package for Social Science 20(SPSS 20). Data is analyzed by using descriptive & inferential statistics and correlation analysis as well as multiple regression methods are used. Frequency distribution and mean values is used to describe the state of Key customers focus, Knowledge management, CRM organization, and Technology-based CRM and Customer loyalty. Pearson correlation and multiple regression analysis are performed to analyze the association and effect of each CRM dimensions on loyalty. Independent t-test is used for hypotheses testing and to asses if there is a statistical significant difference between public and private bank in terms of their CRM and customer loyalty. ANOVA is used to determine whether the model as a whole has statistically significant predictive capability or not.

3.11 Model specification

The researcher has discovered that the degree of customer loyalty can be determined by those independent variables. The researcher, as indicated below, adopted a regression model:

$$Y = (\beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4) + \text{error term}$$

Where: Y = the outcome variable (dependent variable)

β_0 = the coefficient of the constant or y-intercept, β_1 = the coefficient of the first predictor (X_1)

β_2 = the coefficient of the second predictor (X_2), β_3 = the coefficient of the third predictor (X_3)

β_4 = the coefficient of the fourth predictor (X_4)

Error term = the difference between the predicted and observed value of Y

3.12 Ethical Consideration

Before respondents proceed on filling out the questionnaires they are briefed about the purpose of the study genuinely and respondents are asked to fill out the questionnaire based on their free will. Assurance has given to respondents that their personal information shall be kept confidentially and will be used only for this specific study.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

In this chapter, the data that are collected through the structured questionnaire from the customers of ten branches of Dashen Bank and CBE are summarized and analyzed in order to realize the ultimate objective of the study. This chapter contained the major findings, analysis and discussion of the sample population based on the primary data collected from customers of Dashen Bank and CBE. The demographic facts obtained from the respondents were summarized using frequency distribution. Scale typed questionnaires were analyzed by using descriptive statistics, correlation, regression, T-test and ANOVA and particularly regression and independent t-test are used to test the research hypotheses and answering the research questions. The data was analyzed using SPSS version 20. A total of 385 questionnaires were distributed to customers of both banks in ten branches that are located in Addis Ababa. Out of the 385 questionnaires 352 were returned, which is about 91% of the total distributed.

4.2 Data editing and cleaning

Before data is processed for statistical analysis and interpretation, data cleaning and editing must be done to ensure missing responses are treated carefully to minimize their adverse effects by assigning a suitable value (neutral or imputed) or discarding them methodically (case wise or pair wise deletion). Missing responses pose problems if their proportion to the total is significant (more than 10 percent). The data cleaning process demands careful consideration, as it will significantly affect the final statistical results. Data editing also checks that the maximum and minimum values are within the range of the values on the survey. For instance, if the survey measured the question using a five-point Likert scale the values should lie somewhere between 1 and 5 and values outside this range would indicate data that has been entered incorrectly. Hence, the researcher has done both data cleaning and editing to ensure data is properly or correctly entered into SPSS and missing elements are properly treated.

4.3 Reliability Test

Reliability test was conducted to ensure internal consistency of the research instrument and Cronbach's alpha is used to measure the internal consistency of the measurement items and the pilot test result found to be 0.96 which is much higher than the acceptable threshold value of 0.7 for the instrument to be reliable. Therefore, the scale is considered to be reliable (Nunnally, 1978).

Table 4.3.1 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.96	0.96	24

Sources: Own Survey, 2017

As shown below in Table 4.3.2 all dimensions of CRM or constructs have appropriate reliability. The results of Cronbach's alpha test for each CRM construct and Customer Loyalty showed that the instrument is consistent and reliable.

Table 4.3.2 CRM Dimensions Reliability Statistics

Items	Number of items	Cronbach's Alpha
Key Customers Focus	5	0.80
Knowledge Management	5	0.88
CRM-Organization	5	0.78
Technology-based CRM	4	0.86
Customer Loyalty	5	0.96
Overall reliability	24	0.96

Sources: Own Survey, 2017

4.4 Demographic Profile of Respondent

The demographic characteristics of respondents are showed in table 4.4 below. As the table showed the respondents' gender composition is 32.1% and 67.9% for female and male respondents respectively. The numbers of male respondents are 239 whereas, female respondents are 113 and the gender composition is dominated by male respondents. When we look at table

4.4 in terms of age of respondents, 93 respondents were aged between 18-25 years which accounted for 26.4 % of total respondents. Out of the total respondents 166 respondents are aged between 26-35 years, which is 47.2% of total respondents. The majority respondents are fall on this age group and it implies that the majority respondents were matured and young. As we go through the table, we can see that 65 respondents were aged between 36-45 years, which is accounted for 18.5% of the total respondent. Out of the total respondents 21 respondents were aged between 46-55 years, which represents 6.0% of the total respondents. In addition to above, 7 respondents were aged 56 and above years which accounted for 2.0% of the total respondents.

As regards to educational qualification of respondents, 17 respondents educational level is primary education which is 4.8% of the total, the below table 4.4 also tell us that 104 respondents educational level is secondary education, which is 29.5% of the total respondents. 177 respondents which are the majority respondents in terms of educational qualifications are first degree holders and they represent 50.3% of the total respondents. Master degree holders, PhD degree holders and other educational qualification are 29,1,24 respectively and they accounted for 8.2%, 0.4% and 6.8% from total respondents respectively.

when we look at the length of relationships that customers have with their bank, the below table indicated us that 183 respondents have a length of relationship with their bank for less than five years and they represent 52% of the total respondents. 100 respondents have a customer relationship that spanned between 5-10 years, which accounted for 28.4% of the total respondents. In terms of length of relationship customers have with their banks, 69 respondents have greater than 10 year customer relationship with their banks and they represent 29.6 % of the total respondents.

In terms of purpose that customers are using the bank service the below table 4.4 indicated that 223 respondents used the bank service for private bank service, which represents 63.4% of the total respondents. 35 respondents were using the bank service for company business purpose, which represents 10% of the total respondents. Out of the total respondents, 94 respondents used the banks' service both for personal and business purpose, which is 26.6% of the total respondents. Respondents from CBE were 169, which accounted for 48% of the total

respondents; whereas, 183 respondents were from Dashen Bank which are accounted for 52% of the total respondents.

Table 4.4 Demographic profile of respondents

Variables	Categories	Frequency	Percentage
Gender	Male	239	67.9%
	Female	113	32.1%
Age of Respondents	18-25 Years	93	26.4%
	26-35 Years	166	47.2%
	36-45 Years	65	18.5%
	46-55 Years	21	6.0%
	56 and Above	7	2.0%
Respondents Educational Qualifications	Primary	17	4.8%
	Secondary	104	29.5%
	First degree	177	50.3%
	Master degree	29	8.2%
	Ph.D degree	1	0.4%
	Others	24	6.8%
Length of relationships with the bank	<5 Years	183	52.0%
	5-10 Years	100	28.4%
	>10 Years	69	19.6%
Service that customers are using	Private	223	63.4%
	Business	35	10%
	Both	94	26.6%
Customers who are banking with	CBE	169	48%
	Dashen	183	52%
	Toal	352	100%

Source: Own Survey, 2017

4.5 Descriptive statistics of CRM dimensions and customer loyalty

Illustration of the descriptive statistics for each main constructs and its dimensions using Mean and Standard deviation is given on this part. CRM is represented by four behavioral dimensions. A total of 24 statements were presented to bank customers through the structured questionnaire to measure their degree of agreement or disagreement over bank's CRM practice and customer loyalty. A statistical mean value and standard deviation which is calculated based on customers' response on the questionnaire for four constructs is presented below for discussion.

Table 4.5 Descriptive Statistics of CRM dimensions and Customer loyalty

CRM Dimensions & Customer Loyalty	N	Mean	Std. Deviation
Key customer focus	352	3.7080	.79640
Knowledge Management	352	3.8006	.75628
CRM Organization	352	3.6790	.79701
Technology based CRM	352	3.8033	.80938
Customer Loyalty	352	3.9574	.99073
Valid N (listwise)	352		

Source: Own Survey, 2017

As shown in table 4.5 from all CRM dimensions Technology based CRM has the highest mean value of (3.8033)with standard deviation (0.80938) whereas ,CRM Organization has the least mean value (3.6790)with standard deviation (0.79701). The dependent variable, Customer loyalty has a mean value of (3.9574) with standard deviation of (0.99073). High Standard Deviation means that the data are wide spread, which means that customers give variety of opinion and the low standard deviation means that customers express close opinion.

4.5.1 Descriptive Statistics of Key customers focus

Key customers are customers who are more important for organization strategically and who have a greater profitability (Ryals and Knox, 2001). According to Sin et al., (2005) focus on key customers is combining counseling with customers in order to need customization and product customization and evaluation of customer needs and performing the customer need information. Descriptive statistics was conducted on the five items of key customers focus which measures how bank customers were perceived the way the bank focus on key customers using five point likert scale with the highest being strongly agree and the least- strongly disagree. The result of the descriptive statistics showed to what degree customers agree or disagree on the way Dashen Bank and CBE focus on their key customers. The highest mean figure shows high level of agreement while the least indicate high level of disagreement with the particular items.

Table 4.5.1 Descriptive Statistics of Key Customers focus

Key Customers focus-Statements	N	Mean	Std. Deviation
The bank provides customized products and service	352	3.98	.96215
The bank work with individual key customers to customize its offering through ongoing dialogue.	352	3.27	1.14207
The bank makes an effort to find out what key customers' needs.	352	3.55	1.06362
The Bank takes customer feedback seriously and replies to them.	352	3.74	1.09902
The Bank strives to constantly surprise and delight its key customers.	352	3.99	.95030
Valid N (listwise)	352		

Source: Own Survey, 2017

As you can see from the above table 4.5.1 the statements “The bank strives to constantly surprise and delight its key customer” has the highest mean value (3.99) with SD(0.95030) which means most respondents agree that Dashen bank and CBE are striving to constantly surprise and delight its key customers. While, the statement “The bank work with individual key customers to customize its offering through ongoing dialogue” has the least mean value (3.27) with SD (1.14207) and the least mean value implies that respondents have low level of agreement regarding banks’ effort to work with key customers to customize its service and product through dialogue and discussion.

4.5.2 Descriptive Statistics of Knowledge Management

Knowledge management refers to creation, transmission and efficiently utilizes its available knowledge. Knowledge can be gained by understanding customer experiences and information. Major aspects of knowledge management consist of knowledge creation, knowledge sharing and accountability. Knowledge management from the angle of CRM concept in Marketing, can be describe as whatever a company or individual has learnt from experience/practice or any empirical study of consumer data (Nguyen et al., 2007; Sin et al., 2005).

Table 4.5.2 Descriptive Statistics of Knowledge Management

Knowledge Management-Statements	N	Mean	Std. Deviation
The Bank’s employees are willing to help customers in a responsive manner.	352	4.17	.88744
The Bank provides channels to enable ongoing two way communication between key customers and the Bank	352	3.13	1.04694
Customers can expect prompt service from employees of the Bank.	352	3.98	1.06193
The bank fully understands the needs of key customers via knowledge leaning.	352	3.89	.95996
Employees of the bank have enough experience and information about customers.	352	3.83	1.08488
Valid N (listwise)	352		

Source: Own Survey, 2017

As it is showed in table 4.5.2 above from knowledge management statements “The Bank’s employees are willing to help customers in a responsive manner” has the highest mean value (4.17) with SD (0.88744) and it indicated that from knowledge management point of view most Dashen bank and CBE customers are agree on the proposition that “the bank’s employees are willing to help customers in responsive manner”. As we go through the above table 4.5.2 the proposition that says” The Bank provides channels to enable ongoing two way communication between key customers and the Bank” has the least mean value (3.13) with SD (1.04694) which implies Dahren bank and CBE customers has low level of agreement over the proposition which says “The Bank provides channels to enable ongoing two way communication between key customers and the Bank”.

4.5.3 Descriptive Statistics of CRM Organization

CRM organization has been argued as an essential means through which fundamental changes in terms of how firms organized and conduct its business processes around employees and customers can be actualized (Wang et al., 2006; Sin et al., 2005; Yim et al., 2005).

Table 4.5.3 Descriptive Statistics of CRM Organization

CRM Organization-Statements	N	Mean	Std. Dev.
The Bank employee encourage customers to use more service of the Bank	352	4.04	1.03698
What makes the Bank different from its rivals is that it can make good relationship with its customers	352	3.58	1.10693
The bank has established clear business goals related to customer acquisition, development, retention, and reactivation	352	3.79	1.00690
The bank structure is meticulously (thoroughly) designed around its customers	352	3.77	1.01529
The Bank has effective customer recovery strategy including guarantee for service failure.	352	3.23	1.03698
Valid N (listwise)	352		

Source: Own Survey, 2017

Based on the statistical results of table 4.5.3 the statement which says “The bank employees encourage customers to use more service of the bank” has the highest mean value(4.04) with SD (1.03698) ,which represents that the majority respondents perceived or agreed that the bank employees encourage customers to use more service of the bank; whereas, the statement which says ”The bank has effective customer recovery strategy including guarantee for service failure” has the least mean value (3.23) with SD (1.03698) which implies that on average the banks customers have least level of agreement over the statement that “The bank has effective customer recovery strategy including guarantee for service failure”.

4.5.4 Descriptive Statistics of Technology Based-CRM

Many Customer relationship management oriented activities, such as knowledge management, can’t be optimized without leveraging the latest technology. Zeblah (2004) described Customer relationship management technology as one of the organizational resources that serves as an input into the Customer relationship management process and is intended to enhance firms’ ability to productively build and maintain a profit maximizing portfolio of customer relationships.

Table 4.5.4 Descriptive statistics of Technology based-CRM

Technology based-CRM-Statements	N	Mean	Std. Dev.
The Bank has the right soft and hardware to serve their customers.	352	3.82	1.09258
The bank maintains a comprehensive database of its customers	352	3.86	.96800
The bank is providing reliable internet and mobile banking service to its customers	352	3.74	1.02598
The bank has a dedicated Customer Relationship Management (CRM) technology in place	352	3.80	.97647

Source: Own Survey, 2017

Customers perceptions towards banks utilization of technology that aids banks to provide better service and build profitable relationship with customers is rated using 5 point Likert scale. Accordingly, among the propositions of Technology Based-CRM independent variable the statements “The bank maintains a comprehensive database of its customers” has the highest mean value (3.86) with SD (0.96800) , which implies that most Dashen bank and CBE customers have agreed that the banks have properly maintained customers data bases. The proposition that “The bank is providing reliable internet and mobile banking service to its customers” has the least mean value (3.74) with SD (1.02598) which, implies that both banks’ customers have the least level of agreement on the proposition that the bank is providing reliable mobile banking and internet service.

4.5.5 Descriptive Statistics of Customer Loyalty

Loyalty is defined as a prejudice to behavioral response over time in which the person prefers a particular brand than other brands and made decisions as a mental commitment (Mc Mullan and Gilmore, 2008). Loyalty is one of the key concepts in the field of marketing management that plays an important role in creating long-term benefits for the organization because loyal customers do not require extensive promotion efforts. Loyal customers help the organization in determining the expected increase in sales and profit. In addition, customers who are familiar with the brand are likely to recommend it to their friends and relatives.

Table 4.5.5 Descriptive statistics of Customer Loyalty

Customer Loyalty-Statements	N	Mean	Std. Dev.
I consider the bank as my first choice among others bank in the area.	352	4.03	1.17360
I will recommend this bank to friends and family members	352	3.89	1.16875
It is highly likely that I will be the customer of this bank in the long run	352	4.04	1.07862
I am confident of giving positive word of mouth testimonies to others about this bank	352	3.88	1.07314
I am satisfied with the Bank service provided	352	3.93	1.17123
Valid N (listwise)	352		

Source: Own Survey, 2017

As it is showed in the above table 4.5.5 Dashen bank and CBE customers have showed their high degree of agreement to the statement” It is highly likely that I will be the customer of this bank in the long run” with mean value 4.03 and SD 1.1760. It implies that majority respondents have agreement to the statement” It is highly likely that I will be the customer of this bank in the long run”. On the other hand the statement which says “I am confident of giving positive word of mouth testimonies to others about this bank” has the least mean value (3.88) with SD 1.07314, which implies that respondents have low level of agreement on this statement.

4.6 Descriptive Statistics of Dashen bank and CBE

It is known that on this research CRM is represented by four behavioral components i.e. Key Customer focus, Knowledge Management, CRM Organization and Technology based-CRM. The descriptive statistics of Dashen bank and CBE which is in table 4.6 showed that there is no fundamental or a significant difference between Dashen bank and CBE in terms of CRM dimensions means score. But as it is showed in the table below there is a slight difference between Dashen bank and CBE in terms of CRM dimensions mean score, which means Dashen bank’s CRM dimensions mean score is a bite higher than CBE’s mean score.

Table 4.6 Group Statistics of CBE and Dashen Bank

CRM Dimensions		N	Mean	Std. Deviation	Std. Error Mean
Key customer focus	CBE	169	3.66	0.79324	0.06102
	Dashen	183	3.75	0.7995	0.0591
Knowledge management	CBE	169	3.77	0.74375	0.05721
	Dashen	183	3.83	0.76866	0.05682
CRM Organization	CBE	169	3.67	0.77843	0.05988
	Dashen	183	3.69	0.81588	0.06031
Technology based CRM	CBE	169	3.78	0.80546	0.06196
	Dashen	183	3.82	0.81479	0.06023

Source: Own survey, 2017

4.7 Correlation Analysis

The correlation analysis is performed to see the association between CRM dimensions and customer loyalty. Therefore, the correlation analysis revealed the relationship among Key customer focus, Knowledge Management, CRM Organization and customer loyalty. Pearson Correlation analysis is used to determine the level of association among variables and to examine the degree of linear relationship between two variables. Coefficient of correlations lies between -1 and 1. If coefficient of correlation lies between -1 and 0, the two variables are negatively related. But if the correlation result of the two variables lies between 0 and 1, the two variables are positively related. Furthermore, if coefficient of the correlation of two variables is equal to zero, it implies that there is no relationship between them at all. According to Sekaran, U.(2000) general guidelines for correlations $\pm 0.1 - \pm 0.29$ are considered weak, correlations of $\pm 0.30 - \pm 0.49$ are considered moderate and correlations above ± 0.5 are considered strong.

Table 4.7.1 Guideline for the Pearson Correlation Analysis

Pearson Correlation	Strength of Association
$r = 0.10$ to 0.29 or $r = -0.1$ to -0.29	Weak
$r = 0.30$ to 0.49 or $r = -0.30$ to -0.49	Moderate
$r = 0.50$ to 1.00 or $r = -0.50$ to -1.00	Strong

Source: Sekaran U. (2000). Research methods for business: A skill building approach. (3rd ed).

Pearson correlation is used to examine the correlation among variables and to identify variables that have strong correlation. As it can see from the below table 4.7.2 all customer relationship management dimensions have a strong and positive association to customer loyalty which is significant at the $p < 0.01$ level. According to table 4.7.2 correlation matrix, the four independent variables have a significant and positive association with dependent variable (customer loyalty). Knowledge management has the strongest association with customer loyalty than others independent variables with coefficient of correlation ($r = 0.688$, $p < 0.01$); whereas the association between CRM Organization and Key customers focus is the strongest one among the independent variables with coefficient of correlation ($r = 0.731$, $p < 0.01$). In general speaking all independent variables are positively associated with dependent variable which is statistically significant at p -

value < 0.01 levels. Correlation coefficients say nothing about which variable causes the other to change. Although it cannot make direct conclusion about causality, we can take the correlation coefficient a step further by squaring it (Field, 2005). The correlation coefficient squared (known as the coefficients of determination, R²) is a measure of the amount of variability in one variable that is explained by the other .In the next section we are going to see in details the relationship between correlation coefficient and coefficients of determination, R².

Table 4.7.2 Correlation matrix of CRM independent variables and Customer Loyalty

		Key Customer focus	Knowledge Management	CRM Organization	Technology based CRM	Customer Loyalty
Key Customer focus	Pearson Correlation	1	.731**	.721**	.612**	.667**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000
	N	352	352	352	352	352
Knowledge Management	Pearson Correlation	.731**	1	.694**	.589**	.620**
	Sig. (2-tailed)	0.000		0.000	0.000	0.000
	N	352	352	352	352	352
CRM Organization	Pearson Correlation	.721**	.694**	1	.645**	.688**
	Sig. (2-tailed)	0.000	0.000		0.000	0.000
	N	352	352	352	352	352
Technology based CRM	Pearson Correlation	.612**	.589**	.645**	1	.568**
	Sig. (2-tailed)	0.000	0.000	0.000		0.000
	N	352	352	352	352	352
Customer Loyalty	Pearson Correlation	.667**	.620**	.688**	.568**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	352	352	352	352	352

Source: Own Survey,2017

4.8 The effect of Customer Relationship Management on Customer Loyalty

Regression is one of the tools that used to explain to what extent the customer relationship management explains the customer loyalty.

4.8.1 Regression Analysis

The researcher has undertaken data cleaning process before running regressions to ensure that all data are properly entered into SPSS and no outlier is found as outliers can radically alter the outcome of analysis and are violation of normality.

Regression is a statistical technique to determine the linear relationship between two or more variables. Regression is primarily used for prediction and causal inference. Regression thus showed us how variation in one variable co-occurs with variation in another. In this study regression analysis is conducted to know to what extent the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (Key Customer focus, Knowledge Management, CRM Organization and Technology based –CRM)) explains the dependent variable that is customer loyalty.

4.8.2 Assumptions

When someone choose to analyze the data using linear regression, part of the process involves checking to make sure that the data that one wants to analyze can actually be analyzed using linear regression. Therefore, it is needed to do this because it is only appropriate to use linear regression if the required data "passes" four assumptions that are required for linear regression to give a valid result. Let us look at whether the following assumptions are met or not. One can check assumptions using SPSS Statistics and linearity assumptions should be checked first, before moving into others assumptions.

4.8.2.1 Multicollinearity Analysis

The researcher has checked if multicollinearity problem exist or not before running the regression. Multicollinearity refers to the situation in which the independent/predictor variables are highly correlated. When independent variables are multicollinear, there is “overlap” or sharing of predictive power. Multicollinearity can be checked using the tolerance and variance inflation factors (VIF) which are the two Collinearity diagnostics factors.

Table 4.8.2.1 Multicollinearity Statistics

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
1 Key customer focus	.364	2.744
Knowledge management	.398	2.510
CRM Organization	.380	2.630
Technology based CRM	.527	1.898

Source: Own Survey, 2017

Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is calculated using the formula $1-R^2$ for each variable. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity.

Accordingly, as per table 4.8.2.1 the tolerance value for all independent variables is greater than 0.1, which implies that there is no multicollinearity problem in connection with tolerance. Variance Inflation Factor (VIF) which calculates the influence of correlations among independent variables on the precision of regression estimates. The VIF factor should not exceed 10, and should ideally be close to one. As per the above table 4.8.2.1 for all independent variables VIF value is less than 10, which implies there is no multicollinearity problem.

4.8.2.2 Linearity

Test for nonlinearity is necessary because of correlation, regression and others members of the general linear model (GLM) assumes linearity. The study checks for patterns in scatter plots of CRM against customer loyalty if they have linear relation and the assumption have met or not. The scatter plot in figure 3 below indicated that the customer loyalty and CRM have linear relationship. In regression as a rule of thumb, an indicator of possible nonlinearity is when the standard deviations of the residual exceed the standard deviations of the dependent. Therefore, as residual statistics in Table 4.8.2.2 showed that the standard deviation of the dependent is exceeding the standard deviation of the residual. Therefore, there is a liner relationship between CRM variables and customer loyalty.

Figure 3 linerarity –scattor-plot



Source: Own Survey, 2017

Table 4.8.2.2 Residuals Statistics^a

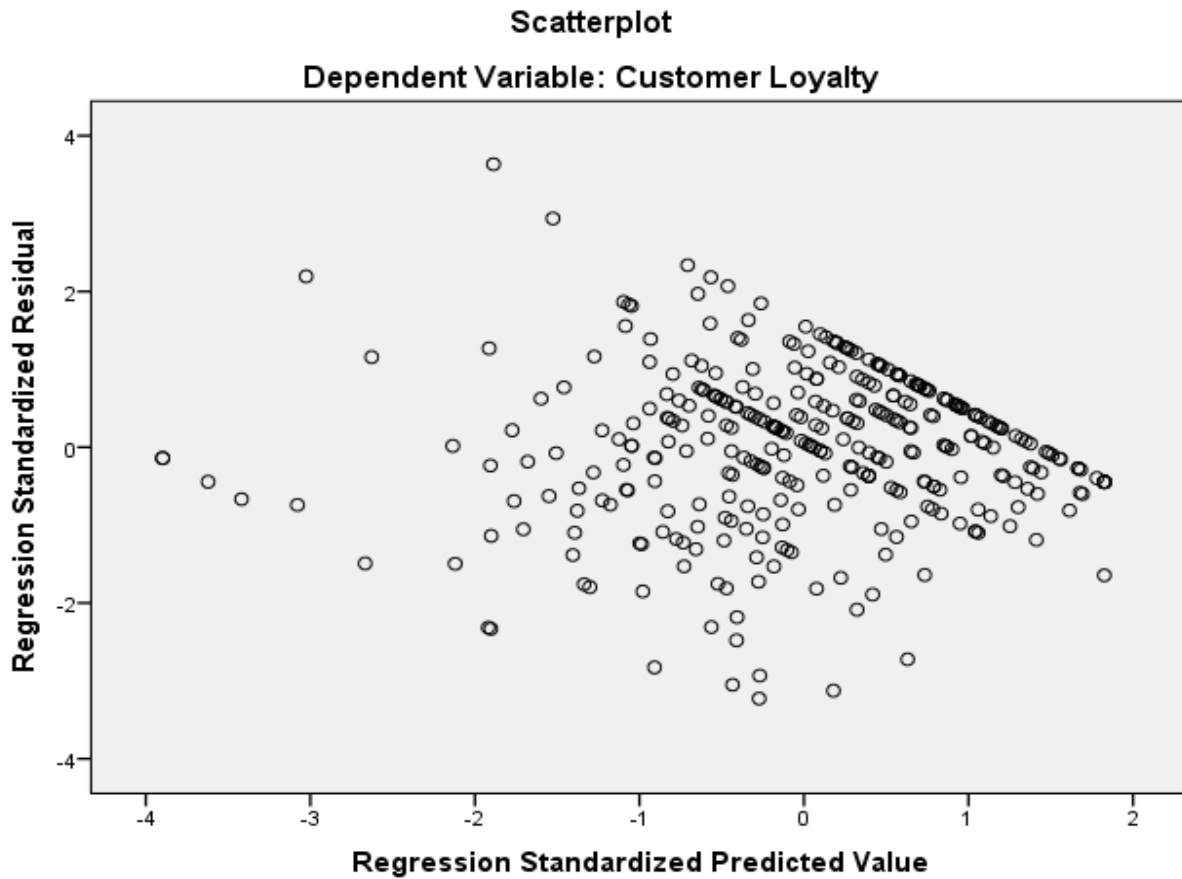
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.0932	5.2988	3.9574	.73475	352
Residual	-2.15695	2.42902	.00000	.66460	352
Std. Predicted Value	-3.898	1.826	.000	1.000	352
Std. Residual	-3.227	3.634	.000	.994	352

a. Dependent Variable: Customer Loyalty
Source: Own Survey, 2017

4.8.2.3 Homoscedasticity

There should be homoscedasticity check 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. Figure 4 has demonstrated homoscedasticity of the variables. Homoscedasticity is meant by where the variances along the line of best fit remain similar as you move along the line.

Figure 4 Homoscedasticity Scatter plot



Source: Own Survey, 2017

4.8.2.4 Testing for Normality

An assessment of the normality of data is a prerequisite for many statistical tests as normal data is an underlying assumption in parametric testing. There are two main methods of assessing normality - graphically and numerically. Statistical tests have the advantage of making objective judgments of normality. Skewness and Kurtosis descriptive statistics is one of the numerical tests used to check normality. The value of asymmetry and kurtosis between -2 and +2 are considered as acceptable in order to prove normal distribution. Hence, as it is depicted in table 4.8.2.4 CRM's dimensions and loyalty skewness and kurtosis statistics are within the range of -2 and +2 so that the assumption of normal distribution is met (George & Marllery, 2010).

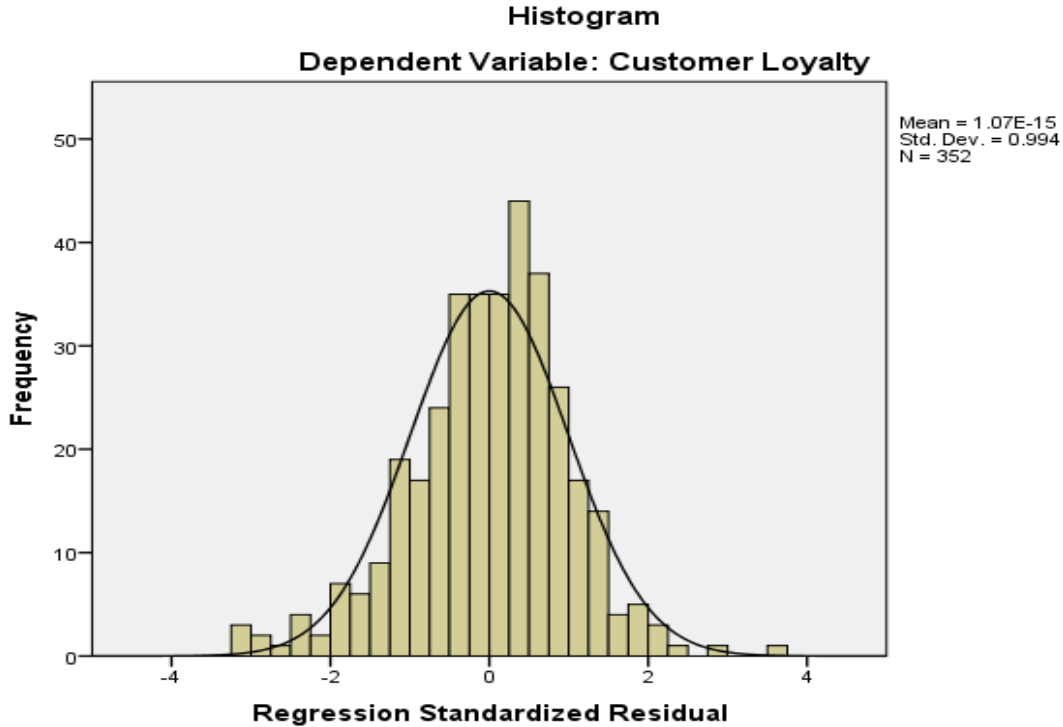
The above numerical test of normality is supplemented by the histogram on the next page and the histogram of standardized residual should show a roughly normal curve when the assumption of regression and most technique met that error terms are normally distributed. The histogram figure 5 on the next page showed us that the assumption of normally distributed error is met.

Table 4.8.2.4 Normality test

	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Key customer focus	352	3.7080	-.776	.130	1.116	.259
Knowledge management	352	3.8006	-.878	.130	1.469	.259
CRM Organization	352	3.6790	-.632	.130	.706	.259
Technology based CRM	352	3.8033	-.564	.130	.611	.259
Customer Loyalty	352	3.9574	-1.028	.130	.521	.259
Valid N (listwise)	352					

Sources: own survey, 2017

Figure 5 Graph of Histogram



Source: Own Survey, 2017

4.9 Multiple regression of CRM dimensions on Customer Loyalty

Multiple regression is a model for the relationship between a dependent variable and a collection of independent variables. It also used to model the value of a dependent scale variable based on its linear relationship or “straight line” relationship to one or more predictors. The researcher determine the relationship between a dependent variable (customer loyalty) and multiple independent variables (Key Customer focus, Knowledge Management, CRM Organization and Technology based –CRM) using multiple regression analysis. Out of the six hypotheses that the researcher initially set for test, six of them are tested using multiple regression model.

Table 4.9.1 Table of Model Summary

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.742 ^a	.550	.545	.66842

a. Predictors: (Constant), Technology based CRM, Knowledge management, CRM Organization, Key customer focus
 b. Dependent Variable: Customer Loyalty

Source: Own Survey,2017

The model summary in the above table 4.9.1 reports the strength of relationship between the independent variable (Customer relationship management dimensions) and the dependent variable (customer loyalty). In the above table the R is a Pearson correlation between predicted values and actual values of dependent variable, with a value of 0.742. R² is multiple correlation coefficients that represent the amount of variance of dependent variable i.e. customer loyalty is explained by the combination of four independent variables of CRM(Key customers focus, Knowledge Management, CRM Organization and Technology based-CRM) and 55% variance of customer loyalty is explained by four predictors. Value of R square implies 55% of the variance in the dependent variable (customer loyalty) can be predicted from the independent variables.

Table 4.9.2 ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	189.489	4	47.372	106.030	.000 ^b
Residual	155.032	347	.447		
Total	344.521	351			

a. Dependent Variable: Customer Loyalty

b. Predictors: (Constant), Technology based CRM, Knowledge Management, CRM Organization, Key customer focus

Source: Own Survey,2017

The ANOVA tells us whether the model, overall, results is a significantly good degree of prediction of the outcome variable (Field, 2005). F-ratio is the test statistic used to decide whether the model as a whole has statistically significant predictive capability, considering the

number of variables needed to achieve it. Since the significance result on the ANOVA table 4.9.2 is 0.000 which is $p < 0.05$ and the regression mean square is greater than residual mean square with F value 106.03, the regression model fit to a good degree of prediction.

Table 4.9.3 **Coefficients^a**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	β	Std. Error	β			Tolerance	VIF
¹ (Constant)	.042	.201		.208	.836		
Key customer focus	.321	.074	.258	4.329	.000	.364	2.744
Knowledge Management	.167	.075	.128	2.237	.026	.398	2.510
CRM Organization	.419	.073	.337	5.772	.000	.380	2.630
Technology based CRM	.144	.061	.118	2.373	.018	.527	1.898

a. Dependent Variable: Customer Loyalty
Source: Own Survey,2017

The β values indicate the relationship between customer loyalty and each predictor. If the value is positive; it shows that there is positive relationship between predictor and the outcome; whereas a negative coefficient represents negative relationship. According to table 4.9.3 all the four predictors have positive β value which indicates a positive relationship. Therefore, one can say that based on β value in table 4.9.3 that all independent variables have a positive relationship with customer loyalty. Unstandardized coefficient β value indicates the degree of influence or effect of each CRM dimensions towards customer loyalty. Highest β value mean the independent value has highest influence or effect on dependent value. Therefore, as per coefficient table 4.9.3 CRM Organization has the highest β value(0.416), which implies that out of all independent variables CRM Organization has the highest effect or influence on customer loyalty. Assumed that others independent variables remain constant, one unit increase in CRM Organization can increases customer loyalty by 0.419.The second highest β value (0.321) belongs to Key

Customers focus and one unit increase in Key Customer focus given others independent variables remain constant customer loyalty will increase by 0.321. Knowledge Management and Technology based-CRM having beta value 0.167 and 0.144 respectively ranked third and fourth in influencing customer loyalty. CRM Organization is the best predictor of all independent variables and a lot attention must be given for it. Multiple regressions equation can be calculated using the following formula.

$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4$ in which “Y” represents the dependent variable, ”a” represents constant, ”b” refers to the regression coefficients and “X” represents the independent variables.

Multiple Regression Equation $CL = a + b_1(KCF) + b_2(KM) + b_3(CRMO) + b_4(TBCRM)$

Customer Loyalty = 0.42 + 0.321(KFC) + 0.167(KM) + 0.419(CRMO) + 0.144(TBCRM)

KFC=Key Customer focus, KM=Knowledge Management, CRMO=CRM Organization, TBCRM=Technology based-CRM

4.8 Hypotheses Testing

The researcher initially asserted six hypotheses to be tested on this research and out of six hypotheses four of them (H1, H2, H3, H4) are tested using the above regression table 4.9.3; whereas H5 and H6 are tested using independent t-value. As it is shown in table 4.9.3 β value for all predictors are positive and it implies that all predictors (independent variables) have a positive relationship with customer loyalty.

H1: Key Customers focus has a positive and significant effect on customer loyalty.

The result of the regression analysis which is showed in table 4.9.3 shows that Key Customers focus variable has a positive and statistically significant effect on customer loyalty at $p < 0.05$ level as p value of the predictor in the table 4.9.3 is 0.00. Therefore the study fails to reject H1 rather it accept H1.

H2: Knowledge Management has a positive and significant effect on Customer Loyalty.

The result of the regression analysis which is showed in table 4.9.3 shows that Knowledge Management has positive and statistically significant effect on customer loyalty at $p < 0.05$ level as a regression output in table 4.9.3 has sig. value 0.026 which is less than 0.05. Therefore, the study fails to reject rather it accept H2.

H3: CRM Organization has a positive and a significant effect on Customer loyalty.

The result of the regression analysis which is showed in table 4.9.3 shows that CRM Organization variable has a positive and statistically significant effect on Customer Loyalty at $p < 0.05$ level as sig. value in same table shows 0.00 which is less than 0.05. Hence, the study fail to reject H3 rather it accept H3.

H4: Technology based-CRM has a positive and significant effect on Customer Loyalty

The result of the regression analysis which is showed in table 4.9.3 shows that Technology based-CRM has a positive and statistically significant effect on customer loyalty at $p < 0.05$ level as regression output sig. value is 0.018, which is less than 0.05. Therefore, the study fail to reject H4 rather than it accepts H4.

The Independent Sample t-test

The t-test assesses whether the means of two groups, or conditions, are statistically different from one other. They are reasonably powerful tests used on data that is parametric and normally distributed. Therefore, the researcher used independent t-test to test hypotheses H5 and H6 as the hypotheses testing involves comparison of CBE and Dashen Banks' CRM and Customer Loyalty mean value.

H5: There is significant difference on CRM influence on customer loyalty between Dashen Bank and CBE

Table 4.9.4 displays the descriptive statistics or mean values for CBE and Dashen bank in terms of CRM dimension.

Table 4.9.4 **Group Statistics**

		N	Mean	Std. Deviation	Std. Error Mean
Customer Relationship Management(CRM)	CBE	169	3.7224	.65042	.05003
	Dashen	183	3.7735	.71344	.05274

Source: Own Survey, 2017

Table 4.9.5**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CRM	Equal variances assumed	.638	.425	-.700	350	.484	-.05107	.07296	-.19457	.09243
	Equal variances not assumed			-.703	349.944	.483	-.05107	.07270	-.19405	.09190

Source: Own Survey, 2017

In the above table 4.9.4 you can see that the mean CRM score for CBE and Dashen bank is 3.7224 and 3.7735 respectively. In addition you can see from table 4.9.4 that the standard deviations that the variation in the data (i.e. spread of scores) for Dashen bank and CBE is 0.65042 and 0.71344 respectively.

How should one interpret the difference between the means? To find out whether this observed difference between the mean values is statistically significant or not, we need to look at the table of inferential statistics. Table 4.9.5 displays the inferential statistics of the independent t-test. Table 4.9.5 has two rows: we use one when variances are equal and the other when they are not. In this case the variances can be assumed to be equal as the F-value is not significant ($p=0.425$). As such, we only need to read the values from the first row of the table 4.9.5. The significance level (also called the probability or p-value) tells us the likelihood that the results have occurred by chance. If this value is smaller than 0.05 then there is support for our hypothesis. If it is larger than 0.05, then we reject our hypotheses, which means there is no differences between the two groups. Accordingly the p-value labeled as “sig” (0.48) under t-test for equality of means from table 4.9.5 is greater than the significance level 0.05.

Therefore; H_5 is rejected as there is no significant difference on CRM influence on customer loyalty between Dashen Bank and CBE.

Table 4.9.6 Group Statistics

		N	Mean	Std. Deviation	Std. Error Mean
Customer Loyalty	CBE	169	3.9136	1.02137	.07857
	Dashen	183	3.9978	.96259	.07116

Source: Own Survey, 2017

Table 4.9.7 Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Customer Loyalty	Equal variances assumed	1.629	.203	-.796	350	.426	-.08420	.10575	-.29219	.12378
	Equal variances not assumed			-.794	343.379	.428	-.08420	.10600	-.29270	.12429

Source: Own Survey, 2017

H6: There is significant difference between Dashen and CBE on customer loyalty

Table 4.9.6 displays the descriptive statistics for CBE and Dashen bank in terms of customer loyalty dimension. In this table you can see that the mean customer loyalty score for Dashen bank and CBE is 3.9136 and 3.9978 respectively. In addition you can see from the table 4.9.6 that standard deviations (i.e. spread of scores) for Dashen bank and CBE is 1.02137 and 0.96259 respectively

Table 4.9.7 displays the inferential statistics of the output from the independent t-test. Table 4.9.7 has two rows: we use one when variances are equal and the other when they are not. In this case the variances can be assumed to be equal as the F-value is not significant (p =0.203). As p-value 0.203 is greater than the significance level 0.05 we need to read the values from the first

row of the table 4.9.7. The significance level (also called the probability or p-value) tells us the likelihood that the results have occurred by chance. If this value is smaller than 0.05 then there is support for our hypothesis. If it is larger than 0.05, then we reject our hypotheses, which is that there are no differences between the two groups. Accordingly the p-value labeled as “sig” (0.42) under t-test for equality of means from table 4.9.7 is greater than the significance level 0.05.

Therefore H6 is rejected as there is no significant difference between Dashen Bank and CBE on customer loyalty.

Discussions

The study in general indicated that the four CRM dimensions have significant effect on customer loyalty. In conformity with the current study, Amir *et al.* (2014) found that CRM the four dimensions have significant effect on customer loyalty. In consistent with the current study, Kura,K.(2015) found that four CRM behavioral dimensions have significant influence in generating positive behavioral intentions and loyalty

Table 4.9.8 Summery of Hypotheses Test

Hypothesis	Statement of Hypothesis	Method of analysis used	Result
H1	H1: Customer orientation has a positive and significant effect on customer loyalty	Multiple regression	Support
H2	H2: Knowledge management has a positive and significant effect on customer loyalty	Multiple regression	Support
H3	H3: CRM organization has a positive and significant effect on customer loyalty	Multiple regression	Support
H4	H4: Technology based CRM has a positive and significant effect on customer loyalty	Multiple regression	Support
H5	H5: There is significant difference on CRM influence on customer loyalty between Dashen Bank and CBE	Independent t-test	Reject
H6	H6: There is significant difference between Dashen and CBE on customer loyalty	Independent t-test	Reject

Sources: Own Survey, 2017

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

This chapter mainly deals about the summary, study findings, conclusions and recommendations based on the analysis conducted in the previous chapter.

5.1 Summary

The ultimate objective of the study is to examine the effect of CRM on Customer loyalty for the case of Dashen bank and CBE. Descriptive and explanatory research approach was used for this study purpose and 384 questionnaires were distributed to ten branches of CBE and Dashen Bank in Addis Ababa. Out of the total distributed questionnaires 352 were returned being properly filled out by bank customers. The respondents were asked to assess the banks' CRM practice and their intentions to be loyal. Demographic profiles such as gender, age, education qualification, and length of time the Customers' uses the bank's services are used to know the general profile of the respondents.

Respondents were asked to assess CBE and Dashen banks' CRM practice and its potential impact on customer loyalty. Accordingly, the descriptive statistics mean value of the four CRM dimensions indicated that Technology based –CRM has the highest mean score 3.8033 followed by knowledge management with mean score 3.8006 and CRM Organization has the least mean score 3.6790 among the four CRM dimensions. The mean score of the four CRM dimensions indicates that there are rooms which banks can improve to have better CRM practices. Particularly, efforts must be exerted to improve CRM Organization dimension which scores the least mean value. When we look at the CRM dimensions mean score of Dashen and CBE in comparative form, there is no a such significant difference between them.

Multiple Correlations was conducted to assess the relationship that exists among CRM dimensions and Customer loyalty. The correlation matrix indicated that all CRM dimensions have a positive and significant correlation with customer loyalty with value of coefficient of correlation r ranging from 0.568 to 0.731, which implies that as the CRM dimensions performs better ,the customer loyalty also do same and vice-versa. Multiple regression analysis also was conducted to see to what extent the independent variables have influence to explain or to predict the variation in dependent variable. According to the regression model summary table Customer

relationship management (CRM) explained 55% of variation in dependent variable i.e. customer loyalty. The ANOVA table showed us that the regression model is fit to a good degree of prediction. According to the result of multiple regression CRM organization appears to be the dimension that has strongest positive influence on customer loyalty with the unstandardized coefficient value $\beta = 0.419$ which implies a unit increase in CRM Organization, would increase customer loyalty by 41.9% units assuming that all others dimensions remain constant. Key Customer focus is ranked as second important independent variable as it has the second highest a regression coefficient of $\beta = 0.321$. The hypotheses that the researcher hypothesize earlier in chapter one had tested using regression model and t-test. The hypothesis test supported H1, H2, H3, and H4; whereas H5 and H6 are rejected. The first four hypotheses test results implies that all CRM dimensions are positively and significantly affected customer loyalty and H5 and H6 test results indicated that there is no significant difference between CBE and Dashen bank in terms of CRM practice and Customer loyalty. The similarity of services offered and CRM technology between the Dashen bank and CBE have make the banks indifferent in terms of CRM and customer loyalty.

5.2 Conclusion

The present study examined the effect of customer relationship management on customer loyalty and the research findings indicated that CRM behavioral dimensions namely: key customer focus, Knowledge management, CRM Organization and Technology based-CRM have positive and significant effect on dependent variable customer loyalty. According to the regression model summary table, R2 value indicated that 55% of the variance on customer loyalty can be predicted by the independent variables. The regression coefficient table also indicated that among the four CRM dimensions CRM organization is the best predictor as its influence on loyalty is greater than others dimensions with β value (0.419). The independent t-test outcome for hypotheses (H5) and (H6) showed that there is no such a significant difference between Dashen bank and CBE in terms of CRM and customers loyalty. The homogeneity of service offering and similarity of CRM technology among commercial banks in Ethiopia may have caused Dashen Bank and CBE not to be in a significant difference. The previous theories and studies in the area of Customer relationship management showed us that there is a link and positive association between CRM and customer loyalty. Therefore, the more CRM dimensions are effective, the more likelihood customers

become loyal. In general the study findings support the view point that CRM can enhance customer satisfaction and in turn increase customer loyalty.

5.3 Recommendation

Based on the conclusions drawn in the above section , the following measures are recommended for CBE and Dashen banks in order to realize ultimate benefits of Customer relationship management that create customer satisfaction and loyalty.

- As the findings of the study showed CRM organization dimension has the highest ($\beta=0.419$) influence on customer loyalty. Hence, CBE and Dashen banks should be very conscious in strengthening CRM organization. Therefore, CBE and Dashen bank need to focus more attention in the above stated variable which has a potential to increase customer loyalty. Both banks can strengthen CRM Organization through employees training, enhancing the existing relationship with the bank customers and having meticulous organizational structure that can makes customer service more efficient.
- As Unstandardized coefficient β showed on this study CBE and Dashen banks should have to pay attention to strengthen or improve Technology based-CRM as it has the lowest effect or influence on customer loyalty ($\beta=0.144$) .The more banks excel in Technology based-CRM, the more customers are satisfied and become loyal. Therefore, both banks must strengthened their Technology based –CRM to provide reliable and fast CORE banking, Mobile banking, internet banking ,ATM service and Customer call center service.
- The findings in this study indicated that CRM is explained only 55% variation in customer loyalty. Therefore, there is a strong need to improve the existing CRM practice and implementations in CBE and Dashen banks to explain variation in loyalty at higher percentage. In other way saying, both banks' CRM practice must be improved to influence customer loyalty in a better way.
- As the independent t-test outcome in hypotheses testing H5 and H6 indicated that CBE and Dashen bank did not have significant difference in terms of CRM and Customer loyalty. This may happened due to one is copying or following the CRM strategy of the other and that is why the reason customers in both banks respond to CRM questionnaire in the same way and the hypothesis test speaks that no significant difference. This

showed that both banks worked less to have unique and different CRM practice that can help them to take competitive advantage in banking industry. Therefore, both banks need to work hard to have their own unique CRM strategy and practice that can help them to be competitive in banking industry.

5.4 Future studies

The study mainly examined the effect of customer relationship management on customer loyalty for Dashen bank and Commercial bank of Ethiopia. The study mainly focused only branches located in Addis Ababa and also CRM is represented by four behavior dimensions. Therefore, it is recommendable to consider bank branches outside Addis Ababa and other dimensions of CRM like trust, commitment, conflict handling and communication for future studies. Moreover, it is recommendable to examine the effect of CRM on loyalty by considering all private banks to be included on future studies.

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APPENDIX

Addis Ababa University School of Commerce
Department Of Marketing Management Post Graduate Program
Questionnaires to be filled out by bank customers

Dear Respondent,

I am a post graduate student of Marketing Management at Addis Ababa University, School of Commerce and conducting a research on “**The effect of Customer Relationship Management on Customer Loyalty**”. The questionnaire will be used for research paper which is a partial fulfillment of the requirements for the degree of Masters of art in Marketing Management. The objective of this questionnaire is to assess the effect of Customer Relationship Management on Customer Loyalty.

Therefore, I would like assure you that your responses will be used for academic research purpose only and shall be kept confidential.

Instruction for filling the questionnaire.

Please read each statement carefully and put the tick (✓) mark under the choice and no need of writing your name.

Part I. Demographic Information (please tick (✓) mark)

1. Please indicate your Gender Male Female
2. Age Group 18-25 26-35 36-45 46-55 56 and above
3. Educational Background Primary Secondary First Degree
 Masters Degree Ph.D. degree others, please specify.....
4. For how many years you are customer to the Bank? < 5 year 5-10 years
 >10years
5. The Bank service that you are using Personal Business Both
6. You are banking with CBE Dashen Bank

(If you are banking with both banks, please choose the one that present you this questionnaire)

Part II. Customer's opinion on Customer Relationship Management practice

Please indicate on a five point scale the extent to which you agree/disagree with the following statements by ticking the appropriate answers on the box in the columns.

5=Strongly Agree, 4=Agree 3=Neutral, 2=Disagree, 1=Strongly Disagree

Sr. No	1 Key Customer Focus	Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree(1)
1.1	The bank provides customized product and service to key customers.					
1.2	The bank work with individual key customers to customize its offering through ongoing dialogue					
1.3	The Bank makes an effort to find out what key Customer needs.					
1.4	The Bank takes customer feedback seriously and replies to them.					
1.5	The Bank strive to constantly surprise and delight its key customers.					
	2 Knowledge Management					
2.1	The Bank's employees are willing to help customers in a responsive manner.					
2.2	The Bank provides channels to enable ongoing two way communication between key customers and the Bank					
2.3	Customers can expect prompt service from employees of the Bank.					
2.4	The bank fully understands the needs of key customers via knowledge leaning.					
2.5	Employees of the bank have enough experience and information about customers.					

	3 CRM Organization	Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
3.1	The Bank employee encourage customers to use more service of the Bank					
3.2	What makes the Bank different from its rivals is that it can make good relationship with its customers					
3.3	The bank has established clear business goals related to customer acquisition, development, retention, and reactivation					
3.4	The bank structure is meticulously (thoroughly) designed around its customers					
3.5	The Bank has effective customer recovery strategy including guarantee for service failure.					
4 Technology-based CRM						
4.1	The Bank has the right soft and hardware to serve their customers.					
4.2	The bank maintains a comprehensive database of its customers.					
4.3	The bank is providing reliable internet and mobile banking service to its customers.					
4.4	The bank has a dedicated Customer Relationship Management (CRM) technology in place.					

	5 Customer Loyalty	Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
5.1	I consider the bank as my first choice among others bank in the area.					
5.2	I will recommend this bank to friends and family members.					
5.3	It is highly likely that I will be the customer of this bank in the long run.					
5.4	I am confident of giving positive word of mouth testimonies to others about this bank.					
5.5	I am satisfied with the Bank service provided.					

አዲስ አበባ ዩኒቨርሲቲ ንግድ ስራ ት/ቤት
ማርኬቲንግ ማኔጅመንት ድህረ-ምረቃ ትምህርት ክፍል
በባንክ ደንበኞች የሚሞላ መጠይቅ

የተከበራችሁ የባንክ ደንበኞች

በአዲስ አበባ ዩኒቨርሲቲ በንግድ ሥራ ት/ቤት በማርኬቲንግ ማኔጅመንት የትምህርት ክፍል የድህረ ምረቃ ተመራቂ ተማሪ ስሆን። የመመረቂያ ዕውቀትን “The effect of customer relationship Management on Customer Loyalty” በሚል ርዕስ እየሰራሁኝ እገኛለሁ። በመሆኑም ለጥናቴ የሚያግዙኝ መረጃዎችን ለመሰብሰብ ይህን መጠይቅ ያቀረብኩኝ ሲሆን በዚህ መጠይቅ ላይ የምትሰጡት መልስ ሚስጥራዊነቱ ተጠብቆ ለትምህርት ምርምር ብቻ እንደሚውል አረጋግጣለሁ።

ስለመጠይቁ አሞላል የተሰጠ መመሪያ

እባክዎትን እያንዳንዱን መጠይቅ ካነበቡ በኋላ (✓) ምልክት በማድረግ የሚመርጡትን ያመልክቱ።

ክፍል I መሠረታዊ መረጃ

1. ፆታ ወንድ ሴት
2. እድሜ 18-25 26-35 36-45 46-55
 56 እና ከዚያ በላይ
3. የትምህርት ደረጃ አንደኛ ደረጃ ሁለተኛ ደረጃ የመጀመሪያ ድግሪ
 ማስተርስ ዲግሪ ፒ.ኤች.ዲ ድግሪ ሌላ ትምህርት.....
4. ከባንኩ ጋር ለምን ያህል ጊዜ ደንበኛ ነዎት? < 5 year 5-10 ዓመት
 >10 ዓመት
5. የባንኩን አገልግሎት የሚጠቀሙት ለግል ለድርጅት ለሁለቱም
6. እርስዎ የየትኛው ባንክ ደንበኛ ነዎት? የኢትዮጵያ ንግድ ባንክ ዳሽን ባንክ
 (እባክዎ የሁለቱም ባንክ ደንበኛ ከሆኑ ይህን መጠይቅ ላቀረበልዎት ባንክ ብቻ (✓) ምልክት ያስቀምጡ)

ክፍል II. የደንበኞችን ግንኙነትን ማኔጅመንትን በተመለከተ

ከዚህ በታች ለተዘረዘሩት ጥያቄዎች መስማማትዎን ወይም አለመስማማትዎን ሳጥን ውስጥ (✓)ምልክት በማኖር ሀሳብዎን ይግለጹ።

5=በጣም እስማማለሁ, 4=እስማማለሁ, 3=አስተያየት የለኝም, 2=አልስማማም, 1=በጣም አልስማማም

ተ. ቁ	1. ለቁልፍ ደንበኞች ስለሚሰጥ ትኩረት	በጣም እስማማለሁ (5)	እስማማለሁ (4)	አስተያየት የለኝም (3)	አልስማማም (2)	በጣም አልስማማም (1)
1.1	ባንኩ ቁልፍ ለሆኑ ደንበኞች ከፍላጎታቸው ጋር የሚጣጣም አገልግሎት ይሰጣል።					
1.2	ባንኩ ለእያንዳንዱ ቁልፍ ደንበኛ ፍላጎታቸውን መሰረት ባደረገ መልኩ አገልግሎት ለመስጠት ከደንበኞች ጋር ውይይት ያደርጋል።					
1.3	ባንኩ የቁልፍ ደንበኞች ፍላጎት ምን እንደሆነ ለማወቅ አስፈላጊውን ጥረት ያደርጋል።					
1.4	ባንኩ የደንበኞችን አስተያየት በመቀበል ተገቢውን ምላሽ ይሰጣል።					
1.5	ባንኩ ቁልፍ ደንበኞችን በአገልግሎት ለማስደሰት ጥረት ያደርጋል።					
	2. እውቀትን መሰረት ያደረገ የደንበኞች ግንኙነት ማኔጅመንት					
2.1	የባንኩ ሰራተኞች ደንበኞችን ለማገልገል እና ለማገዝ ፍላጎት አላቸው።					
2.2	ባንኩ በደንበኞች እና ለባንኩ መካከል የሁለት-ዮሽ ወይይት እንዲካሄድ መድረኮችን ይፈጥራል።					
2.3	ደንበኞች ከባንኩ ሰራተኞች ፈጣን አገልግሎት ማግኘት ይችላሉ።					
2.4	ባንኩ እውቀትን መሰረት ባደረገ መልኩ የደንበኞችን ፍላጎት ይረዳል።					
2.5	የባንኩ ሰራተኞች ስለደንበኞች አያያዝ በቂ ልምድ እና መረጃ አላቸው።					

	3.የደንበኞችን ግንኙነት ማጎደብን መሰረት ያደረገ የባንክ መዋቅር	በጣም እስማማለሁ (5)	እስማማለሁ (4)	አስተያየት የለኝም (3)	አልስማማም (2)	በጣም አልስማማም (1)
3.1	የባንኩ ሰራተኞች ደንበኞች የባንኩን የተለያዩ አገልግሎቶች እንዲጠቀሙ ያበረታታሉ።					
3.2	ባንኩ ከሌሎች ባንኮች ልዩ የሚያደርገው ከደንበኞች ጋር ያለው መልካም ግንኙነት ነው።					
3.3	ባንኩ አዲስ ደንበኞችን በማግኘት እና ያሉትንም ደንበኞች በመጠበቅ ዙሪያ ግልፅ የሆነ አላማ አለው።					
3.4	የባንኩ ድርጅታዊ መዋቅር መሰረት ያደረገው ደንበኛ ተኮር በሆነ መልኩ ነው።					
3.5	ባንኩ ለአገልግሎት መጓደል /መቋረጥ ዋስትና ይሰጣል።					
	4. ቴክኖሎጂን መሰረት ያደረገ የደንበኞች ግንኙነት ማጎደብን					
4.1	ባንኩ ደንበኞችን ለማስተናገድ ተገቢ የሆነ ሶፊትዌር እና ሀርድዌር ቴክኖሎጂ አለው።					
4.2	ባንኩ አጠቃላይ የደንበኞች መረጃ ቋት አለው።					
4.3	ባንኩ ለደንበኞቹ አስተማማኝ የሞባይል እና የኢንተርኔት ባንክ አገልግሎት እየሰጠ ነው።					
4.4	ባንኩ ለደንበኞች ግንኙነት ማጎደብን የሚያስፈልጉ ቴክኖሎጂ አሉት።					
	5. ደንበኞች ለባንኩ ስላላቸው ታማኝነት					
5.1	አሁን የምጠቀምበትን ባንክ በአካባቢዬ ካሉ ባንኮች ውስጥ ቀዳሚ ምርጫዬ ነው።					
5.2	እኔ የምጠቀምበትን ባንክ ለጓደኞቼ ና ለቤተሰቦቼ እንዲጠቀሙ እመክራለሁኝ።					
5.3	ለወደፊት ለረጅም ጊዜ የባንኩ ደንበኛ ሆኜ ለመቆየት ሀሳብ አለኝ።					
5.4	ስለባንኩ በሙሉ መተማመን ለሌሎች ሰዎች ጠንካራ ጎኑን እናገራለሁ።					
5.5	ባንኩ በሚሰጠው አገልግሎት እርካታ አለኝ።					