



**Determinates Brand Loyalty: a Comparative Study between  
Commercial Bank of Ethiopia and Awash international bank**

**Prepared by: Betelhem Eshetu**

**Advisor: Tewodros Mesfin (PHD)**

**A thesis submitted to Addis Ababa University School of Commerce  
for the Partial fulfillment of the requirements for the Degree of  
Master of Art in Marketing Management**

**June, 2017**

**Addis Ababa**

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**Approved by Board of Examiners**

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**Chairman, Department**

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**Signature**

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**Advisor**

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**Signature**

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**Internal Examiner**

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**Signature**

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**External Examiner**

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**Signature**

# Statement of Certification

This is to certify that **Betelhem Eshetu** has carried out her research work on the topic entitled “*Determinates of brand loyalty: a comparative study between Commercial bank of Ethiopia and Awash International bank*” is her original work and is suitable for submission for the award of Masters Degree in Marketing Management.

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**Advisor: Tewodros Mesfin (PHD)**

**June, 2017**

# Declaration

I certify that this research paper entitled “*Determinates of brand loyalty: a comparative study between Commercial bank of Ethiopia and Awash International bank*” has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree. I also certify that the thesis/project has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

**By: Betelhem Eshetu**

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

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**Betelhem Eshetu**

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## **ACRONYMS**

**CBE=COMMERCIAL BANK OF ETHIOPIA**

**AIB=AWASH INTERNATIONAL BANK**

## **Abstract**

*Brand Loyalty is one of the major tools for any company to survive in a severe competition. Brand helps in creating relationship between consumer and producer. The purpose of this study was to investigate the influence of perceived value, service quality, customer satisfaction on brand loyalty of customers in a comparative study between Commercial bank of Ethiopia and Awash International bank. Perceived value, service quality and customer satisfaction were determined to be the input and intervening variables and brand loyalty was determined to be the output variable and based on this a structured questionnaire was developed. The five hypotheses were simultaneously tested on a sample of 344 customers out of 384 distributed, giving a valid response rate of 90 percent. The finding of this study shows that all of the three variables have positive and significant relationship with brand loyalty which led to the acceptance of the four hypotheses. The testing of the fifth and the final hypothesis, which set out to find any significant difference with regard to perceived value, service quality, customer satisfaction and brand loyalty between Commercial and Awash international bank; there is no significant difference in the means of service quality and brand loyalty, however there is significant difference between the means of perceived value and customer satisfaction between the two banks. This led to the partial acceptance of the fifth hypothesis. These findings are beneficial for both banks to gain brand loyal customers.*

**Key Words:** *perceived value, service quality, customer satisfaction and brand loyalty*

## CHAPTER ONE

### 1. Introduction

#### 1.1. Background of the Study

The final objective of the marketing process is to hold existing customers, to gain new ones and turn these customers into loyal ones and to keep and cultivate this relationship. From several decades, researchers and practitioners have recognized the importance of brand loyalty in the marketing literature (Aaker, 1996). Many researchers have studied brand loyalty and have found that it is an important issue of the marketing activities of an organization.

Different authors have given different definitions of loyalty. The most comprehensive definition of loyalty is forwarded by Oliver (1999). He states that brand/customer loyalty is deeply held commitment or re buy or re patronizes a preferred product/service/brand consistently in the future, thereby causing repetitive same brand or same brand set purchasing, despite situational influence and marketing efforts having the potential to cause switching behavior.

According to previous studies, Perceived value, service quality and customer satisfaction are some of the main variables that influence brand loyalty of customers in the banking industry. According to the definition by Zeithaml, (1988), value for the consumer result from the personal comparison of the benefits obtained and sacrifices made. It is therefore conceived as a highly subjective and personal concept (Parasuraman et al., 1985). Also it contains a component of benefits and another sacrifices, being and essentially utilitarian perception of the result. Service quality is the consumer's appraisal of a service's overall quality. Many service firms have been using service quality as a differentiation tool. Service quality has a significant impact on business performance, business costs, customer satisfaction, customer loyalty and profitability (Seth et al., 2005). Customer satisfaction is one of the most important issue concerning business organization of all types, which is justified by the customer oriented philosophy and the principles of continues improvement in modern enterprise (Arokiasamy, 2013) the marketing concept suggest that a satisfied customer will be more likely to repurchase again, or at least has the intention of repurchasing again, than those who are dissatisfied.

Many researchers suggest that customer perceived value is strategic weapon in attracting and retaining customer and is one of the most significant factors in the success of service providers (Zeithaml et al., 1996; Woodruff, 1997) To gain brand loyal customer, it is necessary to achieve

customer satisfaction as loyalty is consequences of consumers' satisfaction (Moliner, 2007) indeed, studies have found satisfaction to be a leading factor in determining loyalty (Anderson and Fornell, 1994). The relationship marketing literature indicated a positive relationship between satisfaction and loyalty. Higher satisfaction levels increase the attractiveness of a relationship with customers and hence, their commitment to the relationship (Morgan and Hunt, 1994).

Loyal brand users do not only spread positive word of mouth about their preferred brand as well as defending it in arguments and discussions, but also often talk competitive brands down. This suggests that brand loyalty to one brand not only influence the brand positively, but also possibly have negative effects on the competitive brands (Raju et al., 2009) and this is a significant issue for service providers such as banks in which, trading models for profitability depends on long-term relationships with customers. Loyalty to a bank can be thought of as continuing patronage over time.

Brands are considered as the more important assets of the company that make customers loyal and have value for the end consumer. Thus the brand helps customers in purchase decision making. Furthermore brand creates a relationship with the customers either the relation is positive by continuing the brand or negative by moving to the other brand. Different marketing steps are taken by banks to make customers loyal. They used different programs to attract customers. In return they get the customers to be loyal for them and talked about the brand among friends positively. This positive word of mouth is very effective for the banking sector as it helps them in gaining the great market share.

There are many studies that focused on the advantages of customer loyalty to the brand and their strength to attain great outcomes (Oliver, 1999). From the practical point of view, in order to enhance the brand experience it's important to know how loyalty to the specific brand can be reinforced. In this observation loyalty of customer shows a wider role and connects the company, its employees and shareholders with the final consumer of the product.

Cronin et al., (2000) conducted a study to examine the effects of service quality, value and customer satisfaction on consumer behavioral intention in service environment. They found out that service is received primarily from perceptions of quality, so in order to have service value consumers must first view service quality of greater importance than the sacrifices they made.

An important objective for delivering value to consumers is to develop brand loyal customers who can increase purchase frequency, purchase quantity, and avoid switching behavior (Rust et al., 2004).

The banking business has undergone changes in the regulation of the sector, changes in consumers' demand for services and technological changes (Gardener et al., 1999) because of this delivering value to customers and their satisfaction is a subject needing more concern if we want to maintain loyal customers. Due to this, an increasingly open and competitive framework has been formed, in which many financial entities are beginning to be concerned to develop defensive strategies in order to avoid indiscriminate loss of customers. According to Jacoby and Chestnut (1978), firms should strive to maintain long term relationships with their customers in order to obtain the advantages of a clientele loyal to the firm.

The present research was aimed at studying determinates of brand loyalty of customers in Ethiopia banking sector in a comparative study of between the leading government owned commercial bank which is Commercial bank of Ethiopia and private owned commercial bank Awash International bank.

## **1.2. Statement of the problem**

The success of a firm performance is affected by the level of loyalty because acquiring new customers is far more expensive than maintaining existing ones (Carbaugh, 2011). Therefore, firms that desire to remain competitive, need to build and enhance relationships with loyal customer because of its benefits that include profitability, business referral and publicity, customer share and competitive positioning (Hennih Thureau et al., 2002). Given this it is increasingly becoming difficult to achieve brand loyal customer in competitive environment and that it remains ambiguous regarding its underlying determinants (Liang and Wang, 2005), researchers have attempted to develop models suited to investigate brand loyalty in variety of contexts. In reviewing these models, it has been established that service quality, customer satisfaction, perceived value, trust and commitment are the most critical variables in creating and maintaining loyalty (Kim and Cha, 2002).

However, there is little agreement about which determinants explain the most effective way of creating and maintaining brand loyalty among customers. Whilst there are a number of variables that could be useful as determinants of brand loyalty, researchers have considered service quality, customer satisfaction and perceived value as the cornerstones in relational exchange

between service providers and customers (Liang and Wang, 2005 and Palmatier et al.,2006). Despite the recognition that service quality, customer satisfaction and value are important determinants of customer brand loyalty, critical research gaps remain regarding their combined effect on brand loyalty of customer in commercial banking. Most of the previous studies focused on the single determinants of customer brand loyalty such as the service quality, satisfaction, perceived value, trust, retention, customer loyalty programs, social capital, demographic variables as well as customer service in service firms.

Even though the banking sector of Ethiopia is thriving radically, the service quality level, perceived value and customer satisfaction has not been thoroughly examined. Since 1991, when the Derge regime was overthrown, the banking sector has been growing in many dimensions. The total banks' number has gone up from about four to nineteen and the number of branches has grown up from about less than one hundred to more than a thousand. The growth has enabled different region of the country to get banking service through different approaches (Abiyot and Gemechu, 2016). However, the increase in availability and accessibility does not guarantee competitiveness in the globalized business environment. Nowadays, perceived value, service quality and customer satisfaction are in haphazard manner the banking sector to survive and grow because of the existence of stiff competition between the government owned commercial bank and the private owned commercial banks and since most banks in Ethiopia provide similar services; it is getting incredibly challenging for banks branch managers to maintain a brand loyal customer. In the same token, the growing demand for quality service and growing expectation from the domestic consumers as a result of improving educational background and burgeoning income, it is a must to gauge service quality, perceived value and customer satisfaction in order to maintain brand loyal customers. Hence the present study was attempted to investigate the determinates of brand loyalty of customers in a comparative study between commercial bank of Ethiopia and Awash International bank within the selected branches under the district of north, south, east and west Addis Ababa districts.

### **1.3. Research question**

The answer for the following questions all together provided us the possibility to reach the objective of this research.

- How does perceived value, service quality and customer satisfaction influence brand loyalty in Commercial bank of Ethiopia and Awash international bank?
- To what extent does perceived value, service quality and customer satisfaction influence brand loyalty in the two banks?
- What is the relationship between perceived value, service quality and customer satisfaction in the two banks?
- Is there any significant difference between the two banks regarding perceived value, service quality, customer satisfaction and brand loyalty dimensions?
- How can perceived value, service quality and customer satisfaction can be improved in order to increase brand loyalty in the two banks?

### **1.4. Research objectives**

#### **1.4.1. General objectives**

The general objective of this study was to investigate determinates of brand loyalty of customers in a comparative study between Commercial bank of Ethiopia and Awash International bank.

#### **1.4.2. Specific objectives**

- To find out the extent in which perceived value, service quality and customer satisfaction influence brand loyalty of customers in CBE and AIB.
- To investigate the relationship between customer perceived value, service quality and customers satisfaction in the two banks.
- To test significant differences between Commercial bank of Ethiopia and Awash international bank regarding their perceived value, service quality, customer satisfaction and brand loyalty dimensions in the two banks.
- To find out how satisfaction, service quality and perceived value can be improved in order to increase brand loyalty of customers in the two banks.

## **1.5. Significance of the study**

In a service sector like banking industry, firms really need to be more alert of their customer needs and wants and in order to sustain competitiveness in the marketplace; each bank needs to provide excellent service towards the entire customer. If firms failed to maintain and enhance their service, it is impossible for them to achieve their target and maintain brand loyal customer. Therefore, it is important that each bank provide great service by fulfilling their entire customer needs, increase customer satisfaction and ultimately gain brand loyalty customers.

Therefore, the result of this study will be served as an input for the organization to assist in decision making, in identifying key variables in order to develop strategies to improve perceived value, service quality and customer satisfaction and by understanding these variables, the management of both banks can derive ways to improve brand loyalty of customers.

Furthermore, this study will be used as a baseline and serve as a reference for those who want to conduct further investigation in this area.

## **1.6. Scope and limitation of the study**

### **1.6.1. Scope of the study**

This study was delimited conceptually, geographically and as well as methodologically.

Conceptually: this study focused on the influence of perceived value, service quality, and customer satisfaction on brand loyalty of customers. The perceived value, service quality and customer satisfaction was determined to be the input and intervening variables and brand loyalty was determined to be the output variable.

Geographically: there are 19 commercial banks in Ethiopia, but since it is impractical and unmanageable to include all banks in Ethiopia because of time and resource limitations the study was delimited on the biggest and oldest government owned commercial bank which is Commercial bank of Ethiopia and the second biggest private owned commercial bank Awash International bank S.C.

Methodologically: this research was a sample survey research i.e. based on the representative sample conclusion for the population was made. Additionally, the main source of this data was questionnaires and secondary data.

### **2.1.1. Limitation of the study**

This research has some limitation, which are time and money. Although this sample size is proved by the Israel's formula and it is a valid sample size, but if the time allowed this research could be done in biggest sample size which needs time and money. But all attempts were used not to allow the limitations to have influence on the result.

Moreover, the study was focused only on Commercial bank of Ethiopia and Awash International bank particularly on the few branches under the four districts north, south, west and east which exists in Addis Ababa and also the result may not represent the whole population.

### **2.2. Organization of the study**

This thesis was organized into five chapters. The first chapter included the introduction which consisted background of the study, statement of problem, objectives, research questions, research hypothesis, significance of the study, scope and limitation of the study. The second chapter addressed the review of related literatures which consisted of theoretical backgrounds, review of previous empirical studies and conceptual frameworks. The third chapter consisted the research methodologies applied in the study. Chapter four focused on the result and discussion of the study. Finally, chapter five focused on conclusions and recommendations of the study.

## CHAPTER TWO

### 2. Review of related literature

#### 2.1.Introduction

This section shall provide general literature on definition of concepts which is the theoretical framework, discussion of major findings the empirical framework and the research hypotheses the conceptual framework.

#### 2.2.Theoretical review

A theoretical basis that explained the relationship between customer loyalty and service quality, customer satisfaction and value was drawn from the social exchange theory. The theory attempts to explain the nature of the relationships between service quality, perceived value, satisfaction and loyalty. The theoretical model adopted for this study was derived from the social exchange theory (Homans, 1958), which implied that all human relationships are formed by the use of cost-benefit analysis and comparisons of alternatives. Homans, (1958) suggested that when an individual perceives the cost of a relationship outweighs the perceived benefits, then the person will choose to leave the relationship. The theory further states that persons that give much to others try to get much from them, and persons that get much from others are under pressure to give much to them. The social exchange relationships between two parties develop through a series of mutual exchanges that yield a pattern of reciprocal obligations to each party.

Social exchange theory indicates that individuals are willing to maintain relationships because of the expectation that to do so will be rewarding. Individuals voluntarily sacrifice their self-benefits and contribute these benefits to other individuals with the expectation for more future gains. Thibaut and Kelly (1959) proposed that whether an individual retains a relationship with another one depends on the comparison of current relationship, past experience and potential alternatives. The constant comparison of social and economic outcomes between a series of interactions with current partners and available alternatives determines the degree of an individual's commitment to the current relationship.

The theory was appropriate for this study because service encounters can be viewed as social exchanges with the interaction between service provider and customer being a crucial component of satisfaction and providing a strong reason for continuing a relationship (Barnes, 2007). Social exchange theory attempts to account for the development, growth and even dissolution of social

as well as business relationships. In other words, people (or business firms) evaluate their reward cost ratio when deciding whether or not to maintain a relationship. Rewards and costs have been defined in terms of interpersonal (e.g. liking, familiarity, influence), personal (gratification linked to self esteem, ego, personality) and situational factors (aspects of the psychological environment such as a relationship formed to accomplish some task). In a services context, considering the level of interpersonal contact needed to produce services, there is a range of psychological, relational and financial considerations that might act as a disincentive for a hypothetical change of service providers.

### **2.2.1. Brand loyalty**

The final objective of the marketing process should be to hold existing customers, to gain new ones and to turn these customers into loyal ones and to keep and cultivate this relationship. From several decades, researchers and practitioners have recognized the importance of brand loyalty in the marketing literature (Aaker, 1996). Many researchers have studied brand loyalty and have found that it is an important issue of the marketing activities of an organization.

Different authors have given different definitions of loyalty. The most comprehensive definition of loyalty is forwarded by Oliver (1999). He states that brand/customer loyalty is a deeply held commitment to re buy or re patronize preferred product/service/brand consistently in the future, thereby causing repetitive same brand or same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior.

Loyalty can be important and valuable to both customers and the service provider. According to Aaker (1996), brand loyalty allows firms to employ price premium strategies. These strategies increase the level of cash flow. As loyal customers buy repeatedly the brand, they spend more on it and not only in one certain product but also in different products of the brand.

### **2.2.2. Customer satisfaction**

Customer satisfaction has become a key intermediary objective in service operations due to the benefits it brings to organizations (Parasuraman et al., 1988).The importance of customer satisfaction is derived from the generally accepted philosophy that for a business to be successful and profitable, it must satisfy customers. Oliver (1997) describes satisfaction as the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer's prior feelings about the consumption experience. Cronin et al. (2005) support this view in a service setting, claiming that satisfaction is the result of comparison of

expectations prior to purchase and consumption with service performance, whereas positive disconfirmation increases or maintains satisfaction while negative disconfirmation creates dissatisfaction.

Satisfaction refers to the buyer's state of being adequately rewarded in a buying situation for the sacrifice he or she has made (Al-alak, 2010). Adequacy of a satisfaction is a result of matching actual past purchase and consumption experience with the expected reward from the brand in terms of its anticipated potential to satisfy the customer's motives (Loudon et al., 1993). Oliver (1997) defined satisfaction as the customer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption-related fulfillment. Zeithaml et al. (2009) translated Oliver's definition of satisfaction to mean that satisfaction is the customer's evaluation of a product or service in terms of whether that product or service has met their needs and expectations. The customer satisfaction literature shows that expectation is the most direct determinant of satisfaction, followed by perceived performance (Kim & Lough, 2007).

Customer satisfaction depends on a variety of factors, including perceived service quality, customers' mood, emotions, social interactions, and other experience-specific subjective factors (Oliver, 1997). According to Zeithaml et al. (2009), the two constructs are likely to be positively correlated, but unlikely to be linear. Although researchers have generally agreed on the conceptions and distinctiveness of service quality and satisfaction, their causal relationship is yet to be resolved.

### **2.2.3. Perceived value**

Many researchers suggest that customer perceived value is a strategic weapon in attracting and retaining customers and is one of the most significant factors in the success of service providers (Zeithaml, 1988; Zeithaml et al., 1996; Woodruff, 1997). According to Zeithaml (1988), perceived value is the customer's overall assessment of the utility of a product based on perceptions of what is received and what is given. Gale, (1994) assesses that customer value is market perceived quality adjusted for the relative price of your product and depends on the customer's opinion of products/services as compared to that of the competitors. According to Woodruff (1997), perceived value is the result or the benefit customers receive in relation to the price paid for the product/service.

The construct of perceived value has been identified as one of the most important elements for gaining competitive advantage and a very important indicator of repurchase intentions (Parasuraman and Grewal, 2000). Several authors state that perceived value affects satisfaction, customer loyalty, and other important outcomes (Cronin et al., 2000).

#### **2.2.4. Service quality**

In recent decades, service quality has taken a lot of attention among practitioners, managers and researchers. This is attributed to the growing role of the service sector in the global economy. Many service firms have been using service quality as a differentiation tool. Service quality has a significant impact on business performance, business costs, customer satisfaction, customer loyalty and profitability (Seth et al., 2005). In the growing competitiveness, companies selling goods also are enriching their offer by using services. It is not easy to make evaluations through services quality comparisons. This difficulty derives from the four distinct characteristics of services; intangibility, perishability, inseparability and heterogeneity. As a result, it is more complicated to achieve customer satisfaction and to establish competitive advantage in the service sector. The same, excellent quality must be delivered any time the service is delivered. So, service quality is crucial to the success of any service organization. Zeithaml (1988) defined service quality as the assessments of the costumers about a product's overall excellence or superiority. He states that services are difficult to evaluate because they contain many experience and credence attributes and because the service varies to different customers.

Different researchers state that there is no uniformly accepted definition of service quality as the service quality is difficult to define (Cronin and Taylor 1992; Parasuraman et al., 1997). The findings of the study of Athanassopoulos et al. (2001) in the banking sector indicate that when customers assess customer satisfaction to be high, they decide to stay with the existing service provider and subdue their negative behavioral intentions. Furthermore, their results indicated that customer satisfaction is associated positively with word-of-mouth communications.

#### **2.3. Empirical literature review**

The study of Bowen and Shoemaker (1998) found that loyal customers may return and purchase more in the service provider, perform partnership activities and are more likely to use other services of the service provider. Their study on the hotel industry, also showed that the loyal customer encourage other people to use the hotel service. In spreading the word of mouth they

help the organization on doing marketing for it and help in reducing the marketing expenses of the organization.

Many empirical studies show that satisfaction is a predictor of brand loyalty for consumer services (Pritchard et al., 1999). Satisfaction is the customer's post-purchase evaluation and affective (emotional) response to the overall product or service experience. It is a measure of how customer's needs, wishes, desires or expectations have been met or exceeded. Like customer loyalty, it is a behavior that customers explicitly vocalize or exhibit. It is strong indicators of behavioral variables such as repurchase intentions, word-of-mouth communications and loyalty. However, several studies indicate, customer satisfaction is no guarantee for customer loyalty.

When consumers are satisfied with the product or the service they are more prone to return and buy it again. This leads to a continuous behavior of the consumer and to a long term relationship. Studies on this field consider consumer satisfaction as a determinant construct leading to consumer behavior (Garbarino and Johnson, 1999). Different studies have proven that brand satisfaction is strongly correlated with the intention to repurchase and recommend (Kandampully and Suhartanto, 2000). Client satisfaction is generally assumed to be a significant determinant of repeat sales, positive word-of-mouth, and consumer loyalty (Kandampully and Suhartanto, 2000).

The theory of the expectancy disconfirmation was developed by Oliver (1980) and has been the base for conceptualizing customer satisfaction in retail and service industry from different researchers. Oliver (1980) proposed that satisfaction level is a result of the difference between expected and perceived performance. According to Zeithaml et al. (1996), the level of customer satisfaction depends on the ability of the supplier to meet the customer's norms and expectations. Giese and Cote (2000) state that does not appear to be a consensus regarding the definition of customer satisfaction despite many attempts to measure and explain it. They think the way satisfaction is defined is important on interpreting its response. They think customer satisfaction is an effective response that varies in intensity, pertains to a particular focus and occurs at a particular time and is limited in duration. Satisfaction with previous purchase experiences plays an important role in determining future purchase behaviors (Pritchard et al., 1999). Several studies have stated that consumer satisfaction positively influences loyalty (Bowen and Shoemaker, 1998). Empirical evidence confirmed that satisfaction has strong influence on

loyalty intention such as intention to recommend and intention to repurchase (Kandampully and Suhartanto, 2000). The study of Cronin et al. (2000) showed strong relationship between consumer satisfaction and loyalty.

In service industries is necessary a high level of contact between service providers and customers. The greater customer satisfaction with the service provider and with the all service experience, the more they feel they can trust both the organization itself and the personnel that provide its service.

Empirical research has shown that perceived value is a key determinant of repurchase intention (Cronin et al., 2000). Hu et al., (2009) performed a study to investigate the linkages among service quality, satisfaction, perceived value and image. The results indicated that that perceived value significantly affects customer satisfaction. So, the higher the perceived value the higher the client overall satisfaction with the service provider. According to Dodds et al. (1991), the perception of value directly influences willingness to buy.

The results of the study of Oh (1999) showed that perceived value is an immediate antecedent to customer satisfaction and repurchase intention. It also affects directly and indirectly word of mouth through customer satisfaction and repurchases intention.

Research studies have suggested that perceived value may be a better predictor of repurchase intentions than customer satisfaction or service quality (Cronin et al., 2000; Woodruff, 1997). Some researchers have found that service perceived value is an antecedent of satisfaction, behavioral intentions (Cronin, et al., 2000; Dodds et al., 1991) and customer loyalty (Dodds et al., 1991). So, perceived value has a critical mediating role and a direct positive relationship with customer loyalty (Lemon et al., 2001). Furthermore, perceived value is found to have a significantly positive effect on overall satisfaction and both of them reveal significant positive effects on behavioral intentions in the airline service context (Chen, 2008).

#### **i. Perceived value dimensions**

When investigating the concepts of perceived value, two major approaches to conceptualization and dimensionality of perceived value can be identified. The first approach holds that consumers derive value according to the difference between ‘utility’ provided by attributes of a product and disutility represented by price paid (Tellis and Gaeth, 1990).

There are quite number of empirical research used the value dimensions of perceived value, Sweeney and Soutar (2001) introduced functional value as cognitive base and emotional and social value as affective base. On the other hand, authors such as Gale (1994) developed economic value (products and services) and affective value (emotional and social) to manage the customer value in service. Furthermore Sanchez et al. (2006) developed perceived value as more extensively in terms of functional value in installation, functional value of contact personnel, functional value of purchase quality, functional value of price, emotional value and social value and apply all these five dimensions in the area of perceived value in purchasing a tourism product.

Since services are complex the relationship should be included when talking about value perception (Grönroos, 1996). Most of the research focused on value of physical product and neglected relational dimensions of perceived value (Dwyer and Tanner, 1999). Thus, it is necessary to understand the dynamic nature of value creation in relationship (Eggert et al., 2006) instead of just (augmented) product (Grönroos, 2000; Ravald and Grönroos, 1996). Kandampully and Duddy (1999) also commented that it is the relationship that sets the value of service and relationship must be included when there is value perception is discussed. Lindgreen and Wynstra, (2005) recommended future researcher to look into two main perspectives: one focusing on value of products and the other one dealing with value of relationships. Based on this critical reviews and recommendations, authors proposed the multidimensional perceived value as functional and relational value.

- **Functional value:** it is referred as rational and economic valuations of individuals. The quality of product and service form this dimensions (Woodruff, 1997)
- **Relational value:** it is referred to how customers assess benefits and effectiveness of working relationships with one supplier relative to alternative suppliers (Ulaga, 2003; Wilson et al., 1995).
- **Emotional value:** it is referred to the utility derived from the feelings, or affective states that a product generates. (Duman, 2002).

## ii. Service quality dimensions

A research study that was recognized as one of the most wide ranging studies in the area of service quality was conducted by Parasuraman et al. (1988). It was offered as a multidimensional construct. In their original formulation Parasuraman et al. (1985) identified ten components of

service quality; Reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer, tangibles. In their work of 1988, these components were collapsed into five service quality dimensions. The current form of SERVQUAL includes twenty two sub divisions which assist measuring service quality across the five rater dimensions which are applicable to service providing organization in general (Akter et al., 2008).

- **Reliability:** the ability to carry out the promised service dependably and accurately.
- **Responsiveness:** the willingness to support and/help the customer and provide prompt service. It emphasizes special treatment and promptness in dealing with customer query, complaints and problems. It is communicated to customers according to the length of time they have to stay in order to get support, answer their questions, or special attention to their problems.
- **Tangibility:** referring to the appearance of physical facilities, equipment and appearance of personnel or staffs. It represents the physical image of the service that the customer will use to evaluate service quality.
- **Assurance:** referring to the knowledge and courteousness of the staff and their ability to entertain trust and confidence. Assurance is significant for services that customers perceive as high risk or where they feel doubtful about their ability to measure outcomes. This is especially significant to banking services and healthcare.
- **Empathy:** providing individualized attention provided to customers. The essence of empathy is conveying, through personalized or customized or individualized services that customers are unique and special and their needs are specified.

Heskett et al. (1997) provide empirical evidence to show that creating value for customers, employees, and investors forms a reinforcing cycle of superior performance. Their findings show the existence of direct and strong relationships between profit; growth; customer loyalty; customer satisfaction; the value of goods and services delivered to customers; service quality and productivity; and employee capability, satisfaction, and loyalty. According to the definition by Zeithaml (1988), value for the consumer results from the personal comparison of the benefits obtained and the sacrifices made. It is therefore conceived as a highly subjective and personal concept (Parasuraman et al., 1985). Also it contains a component of benefits and another of sacrifices, being an essentially utilitarian perception of the result. It is thus a general view

applicable in the field of products, services and relationships. The benefits component, or what a consumer receives from the purchase, would include the perceived quality of the service and a series of psychological benefits (Zeithaml, 1988). The quality of service is a fundamental element in the perception of perceived value, as it is the most difficult thing for competitors to imitate (Parasuraman and Grewal, 2000) and the base on which differentiation (Berry, 1995) and competitive advantage (Reichheld and Sasser, 1990) are sustained. The sacrifices component, what the consumer must contribute, would be formed by the monetary and non-monetary prices, i.e. money and other resources such as time, energy, effort, etc. Thus for the customer to buy the product, or to buy it again, it has to be endowed with value, either by incorporating benefits or by reducing the sacrifices to the customer, setting a price that the latter can afford (Doddset al., 1991).

The second approach is based on the conception of perceived value as a multidimensional construct (Woodruff, 1997; De Ruyteret al., 1997 and 1998; Sweeney and Soutar, 2001; Sanchezet al., 2006, Roig, 2006). Many researchers tried to classify the underlying dimensions with regard to purchasing and consumption (Broekhuizen, 2006). In this sense authors such as Mattson (1991) deal with the multidimensionality of perceived value and capture the cognitive and affective aspects of perceived value.

Kotler (1997), also, argued that customer value can be understood in terms of values (product value, service value, employee value, and image value) and costs (Monetary cost, Time cost, Energy cost and Psychic cost).

Wang et al. (2001) developed a research and offered an integrative framework for customer value and CRM performance based on the identification of the key dimensions of customer value. Emphasizing the customer equity-based view, the paper explores the decomposed effects of customer value on CRM performance in terms of relationship quality and customer behaviors. This study adopted the framework suggested by Sweeney and Soutar (2001) and measured the customer value on the basis of benefits and costs and using questionnaire, tests it in the securities service industry of China. The questionnaire involved items of various constructs (such as customer value, customer behavior-based CRM performance, customer satisfaction, and brand loyalty). After analyzing data, it was found that all dimensions of customer value had a significant effect on customer satisfaction (Wang, 2001).

Huang and Tai (2003) developed a research aiming at developing scales to measure customer value, through a cross-cultural investigation of the similarities and differences of university female students buying habits with respect to skin care and cosmetics products from Japan, Korean, Taiwan, and China. They concluded that to market products effectively in an international market, marketing managers should understand the fundamental source of customer value for their products in each country (Huang et al. 2003).

Another research developed by Roig et al. (2009), analyzed the dimensionality of the concept of perceived value in the banking sector, adapting the scale of measurement of perceived value developed by Sanchez et al. (2009) in the tourism sector.

As it is still not clear how value interacts with related marketing constructs, Eggert and Ulaga (2002) have called for an investigation of the interrelationship between customer satisfaction and customer value to reduce the ambiguities surrounding both concepts. They investigated whether customer value and satisfaction represent two theoretically and empirically distinct concepts. Also, they addressed whether value is a better predictor of behavioral outcomes than satisfaction in a business marketing context. Two alternative models were developed and empirically tested in a cross sectional survey with purchasing managers in Germany. The first model suggested a direct impact of perceived value on the purchasing managers' intentions. In the second model, perceived value was mediated by satisfaction. The result was that value and satisfaction can be conceptualized and measured as two distinct, yet complementary constructs. Also customer satisfaction was a better predictor of behavioral outcomes.

In view of the construct's complexity and richness, a research program on customer-perceived value was set up by Lapierre (2000), in two phases, in IT industry. The goal of the first phase was to demonstrate the existence of customer value in the IT sector. The primary objectives of the second phase were to provide more information about customer-perceived value structure and to test two structures with three segments of industrial service customers that are big users of information technology (IT). The findings generally support both structures and provide empirical support for a value proposition with 13 value drivers. Furthermore, results indicate that most of the 13 drivers are assessed in a similar way by industrial customers of three service sectors surveyed, ICE (information, communication, and entertainment), distribution and finance. Flexibility and responsiveness two service-related benefits - are important value drivers

for all the business customers surveyed. Relationship value drivers are assessed the most differently in two of the three sectors studied, finance and ICE (information, communication, entertainment) (Lapierre, 2000).

Cronin et al., (2000) conduct a study to examine the effects of service quality, perceived value, and customer satisfaction on consumer behavioral intention in service environments. They found that service value is received primarily from perceptions of quality. So, in order of having service value consumers must view service quality of greater importance than the sacrifices they made. An important objective for delivering value to customers is to develop loyal customers who can increase purchase frequency, purchase quantity, and avoid switching behavior (Rust et al., 2004). According to de Ruyter et al., (1997) and Tam (2000), the role of perceived value in consumer behavior has received far lesser attention than service quality and customer satisfaction. Other studies are necessary to explore the role of perceived value.

Customer loyalty research has mainly centered on the loyalty consumers display towards tangible products that is often referred to as brand loyalty. Although the concept of customer loyalty to tangible goods (brand loyalty) has been studied extensively by marketing scholars, relatively little empirical research has examined loyalty to service organizations (service quality) significant gaps exists in marketing literature to become loyal to service organizations.

A customer who is not satisfied with the service provider cannot be expected to have a good relationship with the firm, as satisfaction of customer is at the core of exchange relationship. Hence, decisions to retain right customers and to divest wrong customers should start by examining customer satisfaction (Woo and Fock, 2004). In a study of business to business relationship, Dorsch et al. (1998) found that more satisfied buyers have high quality relationship with their vendors. Hallowell (1996) argued that customer satisfaction on its own cannot produce lifetime customers because satisfied customers may switch to other service provider. Yang and Peterson (2004) supported her view and proved that customer satisfaction together with perceived value are potentially positive contributors to consumer loyalty and their contribution is provided through dimensions of perceived value such as perceived ease of use, customer services, product portfolio, and security/ privacy. Several service marketing literatures also indicated that two important antecedents of loyalty are perceived value and customer satisfaction.

### **2.3.1. The role of brands in the service industry**

Brand, as the research of Erdem and Suites (1998) indicate, is an important communication tool in the collection of company's customer relationship management (CRM). The study that is made based on information of economic sample is used in product, and suggests that brands are valuable to consumers because of two reasons; (1) because they reduce the perceived risk of consumption and (2) because of their cost saving indecision making. The basis of these statements is that, brand is ineffective sign of market, which the company will expand it to pay attention to market asymmetry. In other words, consumers are less aware about a company's products or services in comparison to the company, therefore it will be in unfavorable conditions, which eventually will lead to consumer uncertainty about the product (Sweeney & Swait, 2008). Although the same argument directly is not applicable about services, there is also information asymmetry among consumers of service. It essentially will provide amount of uncertainty in consumers about (1) promises that the company has promised the mind the ability and willingness to their fulfillment and (2) the advantage of maintaining a long term relationship with of service providers to consumer.

This asymmetry, will lead customer to unfavorable condition in relation with company. Hence, the company to compensate this uncertainty, try to show its willingness to fulfill a service promises to customers, will be motivated. Brands will lead consumers influence companies, and encourage them to behave appropriately, i.e. makes force companies to fulfill their promises to consumers (Hanifi, 2010). Brand will adds the value of company in two ways: initially will force customers to development concentrate and awareness, then remind current customers to think about company and will do this appropriately. In latter one, the concept of developing a relationship will be significant with brand. Brand can be described as a mechanism to involve the buyer and seller in a long term relationship and play an important role to creating this relationship. Therefore, brand can be act as a defensive marketing instrument in order to retain current customers as well as, an offensive marketing instrument to attract new customers. The importance of defensive marketing in the context of services will be remarkable by knowing the fact that the cost of attracting a new customer is much more than the cost of maintaining an existent customer. It is important to understand that in the context of services, the main service brand, and relevant organization often have same meaning.

Brand development, will play a special role in service firms, because powerful brands increase the trust of customers towards invisible purchasing. Powerful brands will lead customers to better imagine and understand intangible products and goods. They reduce the customers' perceived financial, social and security risk in purchasing services that evaluating their priorities is difficult.

The intangibility of a product does not mean that brand development for services in comparison to products is less important than brand for services in comparison to products; just its application in some aspects is slightly different. Assuming natural difficulty in discriminating between products that are without physical differences and intensive competition within service markets that most of them are lawless, brand development in service is crucial. A powerful brand is "a safe place for customers". Invisibility of services will cause their purchasing from a safe place being an attractive proposition to customers (Berry, 2000).

## **2.4. Conceptual frame work and research hypothesis**

### **2.4.1. Conceptual framework**

Reichheld (1996) showed that a 5% increase in customer retention consistently resulted in 25-100% profit increase, depending on the type of the service. So, brand loyalty leads to bigger market share as the same brand is purchased continuously. As the loyal customers use the same brand they are more confidential with it and as a result the level of trust on the brand is higher and the level of the risk of the loyal customers or other customer who they advice the service provider is reduced (Bowen and Shoemaker, 1998).

Brand loyalty, as an important instrument of marketing strategy, leads to many advantages.

According to Rowley (2005), some of the benefits of brand loyalty are:

- lower customer price sensitivity
- reduced expenditure on attracting new customers
- Improved organizational profitability.

According to Delgado-Ballester and Munuera-Aleman (2001), brand loyalty generates value to companies. It leads in:

- a substantial entry barrier to competitors
- an increase in the firm's ability to respond to competitors threats
- greater sales and revenues

- a customer base less sensitive to the marketing efforts of competitors

In the existing literature, customer loyalty has been defined and measured from different perspectives. The first is the behavioral perspective, the second the attitudinal perspective and the third one is composite loyalty (behavioral and attitudinal loyalty). So there are three main views of research in loyalty: one dimension of behavioral loyalty (Kandampully and Suhartanto, 2000), one dimension of attitudinal loyalty (Bennett and Rundle-Thiele, 2004) and two dimensions or composite loyalty (Day, 1969; Jacoby and Chestnut, 1978; Dick and Basu, 1994, Pritchard et al., 1999). From the behavioral view, customer loyalty is defined as patronage, the proportion of times a consumer chooses the same service compared to the total number of purchases made by the consumer in that category (Rundle-Thiele and Bennett 2001). Attitudinal loyalty is an attitudinal predisposition that consists on commitment to a brand, intention to repurchase the brand and an overall attachment to it (Mellens et al., 1996). Attitudinal concepts are manifested in providing positive word of mouth and recommending the service to the others (Zeithaml et al., 1996) and encouraging others to use the service (Bowen and Shoemaker, 1998).

The use of both behavioral and attitudinal components of loyalty was first proposed by Day (1969). According to Dick and Basu (1994), customer loyalty is the result of psychological processes and has behavioral manifestations, and should therefore incorporate both attitudinal and behavioral components. According to Jacoby and Chestnut (1978), brand loyalty is a construct that has both attitudinal and behavioral elements when defined as the biased (nonrandom) behavioral response (purchase) expressed over time by some decision-making units with respect to one or more alternative brands out of a set of such brands, which is a function of psychological (decision making, evaluative) processes.

There are several studies exploring the antecedents of loyalty. They show that loyalty is a complex issue. Different studies have shown that service quality, customer satisfaction and perceived value are frequently viewed as good predictors of brand and customer loyalty (Chen, 2008; Cronin et al., 2000). These studies have determined the relationships among customer perceptions of service quality, perceived value, customer satisfaction and post-purchase behavioral intentions (Chen, 2008; Cronin et al, 2000). According to Cronin et al. (2000), and Chen (2008), these constructs have been shown to be good predictors of behavioral intentions.

Customer satisfaction is requisite for loyalty but it is not for sure that satisfied customers may become loyal ones. Researchers have suggested that satisfaction is a necessary but not a sufficient condition for loyalty. This because satisfied customers would turn to other service providers whom they believe could offer them better value and quality (Bennett and Rundle-Thiele, 2004). Customer loyalty is not the same as customer satisfaction. The service provider can attain customer satisfaction without their loyalty, but it is difficult to have customer loyalty without their satisfaction (Shoemaker and Lewis, 1999). According to them, loyalty extends beyond simple satisfaction.

Most of the studies according customer satisfaction and loyalty only test the relationship between customer satisfaction and loyalty (Oh, 1999). So there is need for other research on customer satisfaction and brand loyalty in different service industries as this in may lead to different results.

Empirical studies show that satisfied customers tend to be more loyal than less satisfied ones and are therefore crucial to the firm's profitability (Reichheld and Sasser 1990). Conversely, dissatisfaction may lead to customers defections. Satisfaction thus relates positively to customer loyalty and dissatisfaction may result in customer defections. Bowen and Chen (2001) say that maintaining satisfied customers alone is not sufficient, there has to be extremely satisfied customers to ensure loyalty. However, customer satisfaction in itself will not translate into customer loyalty but can foster loyalty to the extent that it is prerequisite for maintaining a favorable relative attitude, recommending others and repurchasing from a firm. Once customers recommend a firm, it fosters re-patronage and loyalty towards the firm.

Customer satisfaction and service quality are the most frequently explored antecedents of customer loyalty. The services literature is replete with examples of the attention directed to the study of satisfaction and typically identifies a positive relationship between satisfaction and loyalty-related outcomes ((Rust and Oliver, 1994).

The concept of perceived service quality is closely related with satisfaction and loyalty. In practice, service quality and satisfaction are often used interchangeably. Anderson and Sullivan (1993) state that satisfaction requires previous consumption experience and depends on price, while quality can be perceived without previous consumption experience and does not normally depend on price.

Some researchers have suggested that perceived service quality is an antecedent of customer satisfaction (Anderson and Sullivan 1993; de Ruyter et al., 1997). Others sustain that customer satisfaction precedes perceived service quality (Zeithaml and Bitner, 2003). This confusion about the relationship between satisfaction and perceived service quality may derive from absence of consensus on the definition and of the two constructs. The relationship between quality and satisfaction is complex.

The constructs of service quality, perceived value, and customer loyalty have been gaining increasing prominence in the marketing literature and in business practice and these constructs will continue to be critical (Parasuraman and Grewal, 2000). The study of Parasuraman and Grewal (2000) and previous ones support the general notion that service quality enhances perceived value, which, in turn, contributes to customer loyalty. They state that service quality is also a logical driver of perceived value and that service quality is much more difficult for competitors to copy effectively than is product quality.

Service quality and customer satisfaction alone cannot sustain competitive advantage because customer requirements are fast changing and firms have to reorient themselves to focus on delivering superior customer value (Parasuraman, 1997). Favorable customer value can lead to positive behaviors such as loyalty that will be demonstrated by word of mouth, increased purchase, willingness to pay more for products and recommending others to the firm (Zeithaml, 2000).

Bolton and Drew (1991) find a link between perceived and behavioral intentions that ultimately trigger service loyalty outcome behaviors such as more spending. Perceived value is a more viable element than customer satisfaction because it includes not only the usual benefits that most banks focus on but also a consideration of the price that a customer pays. Perceived value must be properly managed but customer satisfaction is merely a response to the value proposition offered in specific products (Reichheld, 1996).

#### **2.4.1.1. Relationship between customer satisfactions, service quality and perceived value**

Customer satisfaction has been considered a fundamental determinant of long-term customer behavior (Oliver, 1980; Yi, 1990); overall evaluation of service that shapes the future interaction (Crosby, 1990) and primary function of perceived service quality (Cronin and Taylor, 1992; Parasuraman et al., 1988). Traditionally, satisfaction has been conceptualized as a product-

related knowledge judgment that follows a purchased act or a series of consumption experiences (Yi, 1990). However, Oliver (1999) commented that satisfaction is cumulative evaluation fashion that requires overall satisfaction associated with specific products and various facets of the firm.

Lately, several additional determinants of satisfaction, such as perceived equity (Joshi, 1990), product quality (Fornell, 1992), consumption-related emotion (Mano and Oliver, 1993) and need fulfillment (Spreng et al., 1996) have also been linked to satisfaction. Rust and Oliver (1994) argued that value is specific input to satisfaction. However, Andreassen and Lindestad (1998) challenged that value has no significant impact on customer satisfaction. He further commented that use of attribute performance is more important for customer satisfaction than aggregated value perception. This statement was confirmed by Oliver's (1997) dimensions of attribute specific operations of expectancy disconfirmation model. On the other hand, in the empirical examination on the role of perceived value in explaining consumer behavior in service context, Patterson and Spreng (1997) found that customer's perceived value is positive and direct antecedent of customer satisfaction. Additionally, McDougall and Levesque (2000) found that perceived service quality and value were the most significant drivers of customer satisfaction across four service sectors.

Authors such as Caruana and Fenech (2005) studied on perceived value towards customer satisfaction and highlighted the importance of value as tangibles, service and behavior manner in customer satisfaction. Chen and Gursoy (2001) suggested that satisfactions are influenced by perceived safety, perceived cultural differences and perceived convenience. The relationship between customer perceived value and satisfaction is also investigated in the usage of short messages services (SMS) (Lai Lai, 2004). Her research was in line with Fornell et al. (1996) and Cronin et al. (2000), in which perceived value together with tangibles, reliability, responsive, empathy and assurance aspects of service quality played an important role in determining customer satisfaction.

There are continuous research done by Rust and Oliver (1994), Bojanic (1996) and Woodruff (1997) on relationship between satisfaction and perceived value. Their studies proved that customers are satisfied based on overall evaluation of perceived value. Whereas, Ndubisi and Wah (2005) recommended that banks can create customer satisfaction through developing trust, commitment to service, communicating efficiently and accurately, delivering services competently, handling potential and manifest conflicts skillfully, and improving overall customer

relationship quality. Türkyilmaz and Özkan (2007) supported their views and proved that customer satisfaction is mostly effected by perceived value. In the same way, Lee and Overby (2007) examined the multiple dimensions of perceived value and investigated how value affects satisfaction and recommendations to others. The results indicated that all of the underlying dimensions of perceived value (functional, overall and emotional value) had a significant effect on satisfaction. Their research was supported by the past findings of Wang et al. (2004).

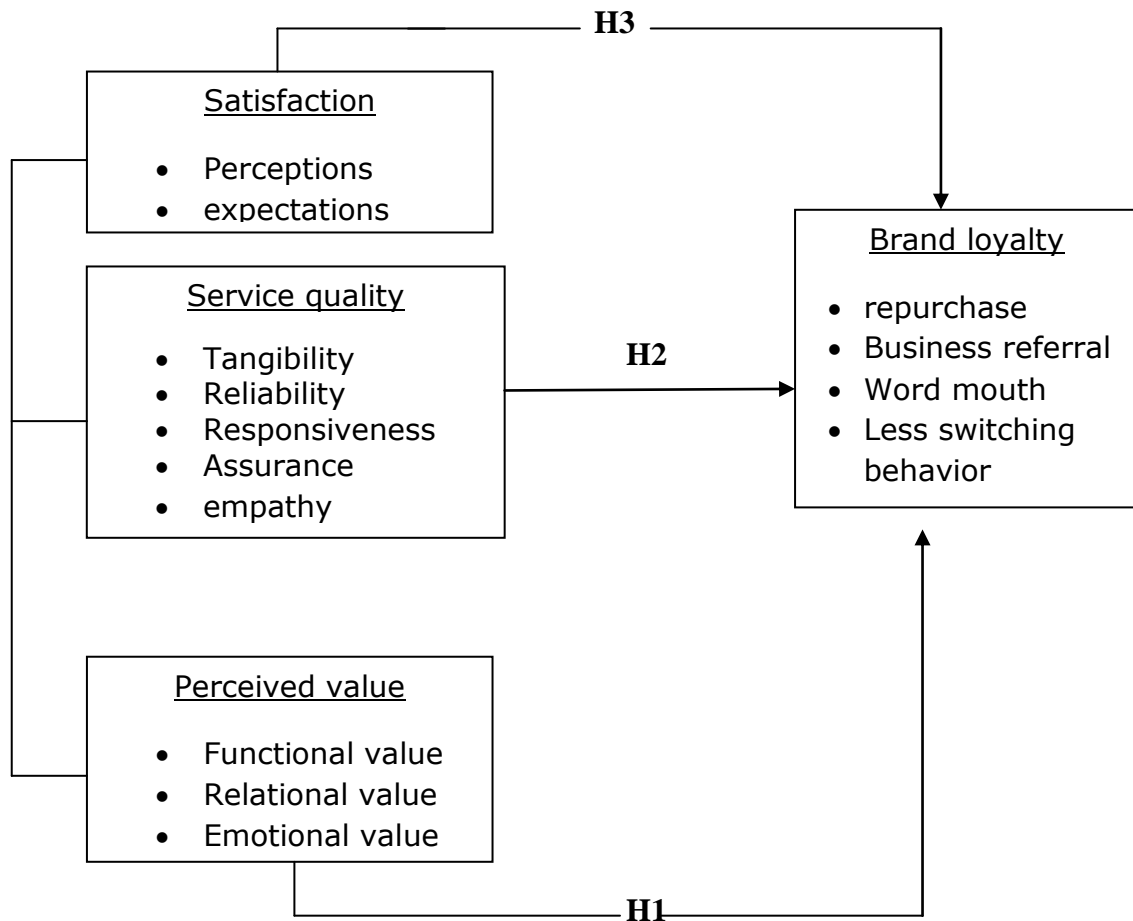
Tellefsen (2002) has stated that, loyalty represent buyers' perception that relationship with a particular supplier is so important and it is worth investing a special effort to maintain it. To gain customer loyalty, it is necessary to achieve customer satisfaction as loyalty is consequences of consumers' satisfaction (Moliner, 2007). Indeed, studies have found satisfaction to be a leading factor in determining loyalty (Anderson and Fornell 1994; Rust and Zahorik 1993). The relationship marketing literature indicated a positive relationship between satisfaction and loyalty. Higher satisfaction levels increase the attractiveness of a relationship to customers and hence, their commitment to the relationship (Morgan and Hunt, 1994). Athanassopoulos et al. (2001) proved the direct effect of customer satisfaction on behavior response in the banking context. Later, Freed (2005) also recommended that highly satisfied online bankers are more likely to purchase additional products and services from their bank. Finally, there are many research supported the relationship between perceived value and overall satisfaction (Woodruff 1997; Grönroos, 1997; Cronin et al. 2000; Petrick and Backman 2002). Whereas, according to the research findings from Parasuraman et al. (1988), Reichheld and Sasser (1990), when the customers perceived the service quality, they are willing to recommend to others.

#### **2.4.1.2. Service quality, customer satisfaction and brand loyalty in Ethiopian banking sector**

Regardless of the rapidly increasing of the banking sector of Ethiopia, there are few researches conducted on service quality, customer satisfaction and brand loyalty but none of this researches conducted on perceived value of customers. A few researches conducted in different parts of the country have been examined to have over view about the service quality, customer satisfaction and brand loyalty of customers. According to Abiyot and Gemechu, 2016 all commercial banks in Ethiopia fall short of the expectation of their customers in all service quality dimensions assessed. Moreover the study revealed that customers are not satisfied with the following dimension of service delivery: tangibility, reliability, responsiveness, assurance, and empathy. A

careful inspection indicated that customers of private banks reported higher satisfaction level as compared to commercial bank of Ethiopia. The research also identified that none of the service quality and customer satisfaction dimensions scored positive gap. despite various models including SERVQUAL were applied in the previous studies, all findings unanimously indicate the better performance of private banks as compared to public bank which is Commercial bank of Ethiopia. In the same way in line with this research previous researches indicated that both private and public bank performs below the expectation of customers.

The study also concludes that customers of Commercial bank of Ethiopia are not loyal. The study further reveals that the defection probability of CBE is greater than that of private commercial banks.



**Figure 1.2.** Service quality, customer satisfaction, perceived value, and loyalty model (Daniel Onwonga, 2012).

### **2.4.2. Research hypothesis**

The following hypothesis was formulated:

H1: Perceived value has positive and significant influence on brand loyalty of customers in the two banks.

H2: Service quality has positive and significant influence on brand loyalty of customers in the two banks.

H3: Customer satisfaction has positive and significant influence on brand loyalty of customers in the two banks.

H4: There is significant relationship between perceived value, service quality and customer satisfactions in the two banks.

H5: There is significant difference between customers of CBE and AIB with respect to their perceived value, service quality, customer satisfaction and brand loyalty dimensions.

## **CHAPTER THREE**

### **3. Research design and methodology**

#### **3.1.Introduction**

The previous chapters have provided a scientific background for the empirical research. This chapter outlines the research framework and methodology used to collect the data to test the five hypotheses developed and satisfy the five research objectives. The research plan includes research type, research design, research approach, sampling, data source, instrument design, reliability and validly test and the data analysis techniques used in this study.

#### **3.1.Research approach**

A research approach is deductive when theory and hypothesis are developed and a research strategy is designed to test the hypothesis, or it is inductive when the data is collected and the theory is developed as a result of the data analysis. The deductive approach owes to positivism and inductive approach more to phenomenology, although it is believed that such labeling is potentially misleading and of no practical value (Saunders et al., 2000).

This research is deductive because first the hypotheses are developed and then the research strategy is designed.

#### **3.2. Research design**

This study employed more of quantitative case study method to answer the research questions and also use some qualitative information to know the current conditions of Commercial bank and Awash bank with regard to brand loyalty. This quantitative approach was applied to identify the influence of perceived value, service quality and customer satisfaction on brand loyalty of customers. The related data with questionnaire was collected and analyzed. In this research a quantitative approach was used, which is cross sectional study design with deductive approach by using the customers of both banks as respondents of the questionnaires.

As we know what we want to investigate but we were not sure about the answers, we chose descriptive research and also the relationship between the variables is going to be discovered, it was also explanatory.

### 3.3. Sampling design

#### 3.3.1. Target population

The target populations of this study were customers of CBE and AIB. CBE has 1168 branches in Ethiopia with a total population 14,559,119 and AIB has 270 branches with a total population of 1,395,384. The total number of customer listed by CBE and AIB in Addis Ababa are 4,183,915 and 752,204 respectively.

#### 3.3.2. Sampling frame

As shown in the table, the target populations of this research were customers of CBE and AIB in Addis Ababa districts such as north, south, east and west districts. From those districts grade 1, 2, 3 and 4 branches were selected randomly from CBE and level one, two, three and level four branches were selected from AIB.

Bank	Total no of branches	Total no. of customers	Total no. of branches in Addis Ababa	No. of customers in Addis Ababa	No. of grade or level 4 branch selected	No. of grade or level 3 Branch selected	No. of grade or level 2 Branch selected	No. of grade or level 1 Branch selected	No. of questionnaire distributed in each Branch
CBE	1,138	14,559,119	245	4,183,915	2	2	4	2	20
AIB S.C	270	1,395,384	232	752,204	2	2	4	2	20

#### 3.3.3. Sampling technique

Only branches in Addis Ababa were selected in this study by using convenient sampling expecting that the researcher will get the necessary data and the researcher also used cluster sampling in order to choose equal number of respondents from both bank and convenient sampling, when distributing the research questionnaires.

#### 3.3.4. Sample size

The representative sample size will be determined by using estimation method given by Cochran (1963) cited in Israel (2003) as:

$$n = Z^2pq/e^2$$

Where,

n=stands for the sample size which will be drawn

e = level of precision or sometimes called sampling error (is ranges in which the true value of the population would be estimated).

P= population proportion

Z= level of confidence

The sample have been drawn from maximum variability of the population (P=0.5) with 95% level of confidence with 5% precision level.

Therefore;

$$n = 1.96^2 \times 0.5 \times 0.5 / 0.05^2 = 384$$

### **3.4. Source of data collection**

#### **Primary sources**

The main source of primary data were Respondents who are the customers of commercial bank of Ethiopia and Awash International bank through questionnaire distribution and collection.

#### **Secondary sources**

The secondary data was collected by reviewing previous research works, articles, journals, and online information available.

### **3.5. Data collection and instrument**

The study used both primary and secondary data as its source of information. Primary data was collected based on structured questionnaire. In this study, the questionnaire comprised of 41 items and was divided into five parts. Part I comprised 7 items of demographic variables, part II comprised 9 items on perceived value, part III comprised 5 items on brand loyalty, part IV comprised 15 items on service quality and part V comprised 5 items on customer satisfaction. The questionnaires for this particular research were gathered from the highly reliable and valid instrument work Roig et al. (2006) and Parasuraman et al. (1985).

The questionnaire was distributed among 384 respondents from randomly selected branches of CBE and AIB. From the starting point or before giving the questionnaire the purpose of the study was described to them so that they can easily fill up the questionnaire with appropriate response answers. The setting of the variables will be according to the five point Likert scale (1= strongly disagree, 2= disagree; 3= neutral, 4= agree; 5=strongly agree) and according to Malhotra, (2007) this rating scale is easy to construct and administer and respondents readily understand how to use the scale (Malhotra et al., 2007). Data will be coded in SPSS programme.

### **3.6. Data analysis**

After collecting the data through questionnaire, the process of analysis begins. In order to analyze the gathered data, statistical tools like regression, correlation and descriptive analysis were used. Regression analysis were used to know by how much the independent variable i.e.

perceived value, service quality and customer satisfaction influence the dependent variable which is brand loyalty of customers and correlation analysis were conducted to find out the existence and the nonexistence of the relationship between the examined variables and descriptive analysis was used for the demographic factors such as gender, age, education, occupation, monthly income and for how long the customers have been using the bank services.

The student researcher was also used independent sample t-test to analyze the difference between and among the response of profiles across customers of CBE and AIB and Cronbach's Alpha was used to test the internal reliability of various items. The data entry method was done by using statistical process for social science (SPSS). Tools like tables and charts were used.

### **3.7. Reliability and validity**

#### **3.7.1. Reliability**

Reliability assesses the degree of consistency between multiple measurements of a variable. A commonly used measure of reliability is internal consistency, which applies to the consistency among the variables in a summated scale. The most widely used measure for the consistency of a scale is the Cronbach's alpha (Hair et al., 2006), measuring internal consistency as the average of all possible split-half coefficients resulting from different ways of splitting the scale items (Malhotra et al , 2007).

In order to measure each factor's internal consistency reliability, the Cronbach's alpha method was used. Cronbach's coefficient alpha represents the average of all possible split-half coefficients resulting from different ways of splitting the scale items. In order to reduce subject bias, we tried to make the respondents certain that their answers will be confidential. The questionnaire was designed in survey format, we were hoping to not to face observer error or observer bias.

#### **3.7.2. Validity**

To maximize content validity, a comprehensive literature review was done in order to get an overall comprehension on the influence of perceived value, service quality and customer satisfaction on brand loyalty of customers more specifically. Validity was made certain by pilot testing the questionnaire in order to track obscurities and inconsistencies and used questions already validated in earlier research. All of the questions was based on well-grounded theory and

carefully worded in order to assure that the vocabulary and formulation of the questions would be correctly understood by respondents.

### **3.8. Ethical consideration**

The study was ethically cleared from department of Marketing Management. Since the researcher used the data from customers which has been collected through questionnaire, permission was obtained from the customers first. To maintain the confidentiality of the information provided by the respondents, the respondents was instructed not to write their names on the questionnaire and assured of that the responses was used only for academic purpose and kept confidential. Brief description of the central objectives, purpose of the study and the potential benefit of the research outcome was given to respondents to participate in the study and provide pertinent information about the company under study. Finally, respondents were included in the study based on their free will.

## CHAPTER FOUR

### 4. Results and Discussions

#### 4.1. Descriptive statistics

In the questionnaire, section A was designed to capture some basic demographic details of the respondents involved in the study. Section B was designed to capture items on customer satisfaction, perceived value, service quality and brand loyalty.

##### 4.1.1. Gender of respondents

The female respondents of both banks constituted the largest share of the gender composition representing 60.5% and 71.5 % respectively while 39.5% and 28.5% were males.

**Table 4:1 Gender of respondents of CBE and AIB**

Variables	Category	Frequency	Percentage
Gender (CBE)	Male	68	39.5
	Female	104	60.5
Gender (AIB)	Male	49	28.5
	Female	123	71.5

**Source: Survey data (2017)**

##### 4.1.3. Age of respondents

The table shows that 58.1% and 40.7 % were at the age of 18-30 years old, followed by respondents at the age between 31-45 years old with 31.4% and 34.3%, and 7.6% and 19.2% were at the age below 46-60 years old. The remaining of the respondents 1.5% and 5.8% were 61 years old and above.

**Table 4.2: Age of respondents of CBE and AIB**

<b>Variables</b>	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Age (CBE)	18-30 years	100	58.1
	31-45 years	54	31.4
	46-60 years	13	7.6
	61 years and above	5	1.5
Age (AIB)	18-30 years	70	40.7
	31-45 years	59	34.3
	46-60 years	33	19.2
	61 years and above	10	5.8

**Source: Survey data (2017)**

#### **4.1.3. Educational qualification of the respondents**

Regarding the educational background of the respondents 59.3 % and 52.9 % of the respondents were first degree holder, followed by the second largest respondents were second degree and above 25% and 22.7% and the rest were educated in the level of diploma 9.3% and 22.1% and below secondary 6.4% and 2.3%.

**Table 4.3: Educational qualification of the respondents of CBE and AIB**

<b>Variables</b>	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Educational qualification (CBE)	below Secondary	11	6.4
	Diploma	16	9.3
	First Degree	102	59.3
	Second Degree and above	43	25.0
Educational qualification (AIB)	below Secondary	4	2.3
	Diploma	38	22.1
	First Degree	91	52.9
	Second Degree and above	39	22.7

**Source: Survey data (2017)**

#### 4.1.4. Occupation of the respondents

The table demonstrates that 40.7% and 14.0% of the respondents are government employees, 47.1% and 50.0% of the respondents are working in the private sector, 11.0% and 31.4% of respondents already have their own business and the rest 1.2% and 4.7% are students.

**Table 4.4: Occupation of respondents of CBE and AIB**

Variables	Category	Frequency	Percentage
Occupation (CBE)	Government Employee	70	40.7
	Private Sector Employee	81	47.1
	Own Business	19	11.0
	Student	2	1.2
Occupation (AIB)	Government Employee	24	14.0
	Private Sector Employee	86	50.0
	Own Business	54	31.4
	Student	8	4.7

**Source: Survey data (2017)**

#### 4.1.5. Monthly income of respondents

The table shows that 51.2% and 36% of the respondents earn an income range of between 3,001-9,000, 20.3% and 33.7% earn an income range of between birr 9,001-20,000 monthly. On the other hand, 13.4% and 24.4% earn an income of between birr 20,000-above and the remaining respondents 15.1% and 5.8% earn an income range of below 3,000.

**Table 4.5: Monthly income of respondents of CBE and AIB**

Variables	Category	Frequency	Percentage
Monthly income (CBE)	below birr 3,000	26	15.1
	birr 3,001-9,000	88	51.2
	birr 9,001-20,000	35	20.3
	birr 20,001 and above	23	13.4
Monthly income (AIB)	below birr 3,000	10	5.8
	birr 3,001-9,000	62	36.0
	birr 9,001-20,000	58	33.7
	birr 20,001 and above	42	24.4

Source: Survey data (2017)

#### 4.1.6. Respondents who have account at other banks

According to the gathered data 65.7% of commercial bank of Ethiopia and 90.7% of Awash International bank customers has already have accounts at other private banks like Dashen bank, Awash bank, United bank, Abyssinia bank and others and 34.3% of CBE and 9.3% AIB of customers does not have account at other banks.

**Table 4.6: Monthly income of respondents of CBE and AIB**

Variable	Category	Frequency	Percent
Customers of CBE	Yes	113	65.7
	No	59	34.3
Customers of AIB	Yes	156	90.7
	No	16	9.3

Source: Survey data (2017)

#### 4.1.7. Length of year the respondents became customer of the bank

As it is shown in the table, 2.3% and 13.4% of the respondents have been customers of the banks below 1 year, 27.9% and 42.4% have been customer of the bank for about 1-3 years, 32.0% and 19.2% have been customer of the banks for about 3-5 years, 18.6% and 16.9% of the respondents have been customer of the bank for about 5-7 years and the rest 19.2% and 8.1% of the respondents are above 7 years.

**Table 4.7: Length of year the respondents became customer of CBE and AIB**

Variables	Category	Frequency	Percentage
How long has it been since you became customer of this bank (CBE)	below 1 year	4	2.3
	1-3 years	48	27.9
	3-5 years	55	32.0
	5-7 years	32	18.6
	above 7 years	33	19.2
How long has it been since you became customer of this bank (AIB)	below 1 year	23	13.4
	1-3 years	73	42.4
	3-5 years	33	19.2
	5-7 years	29	16.9
	above 7 years	14	8.1

Source: Survey data (2017)

## 4.2. Descriptive Analysis of Variables

### 4.2.1. Perceived value dimensions Analysis of CBE and AIB

The mean scores have been computed for all the nine perceived value questions and respondents were asked to rate their perception on the a five-point likert type scale ranging from 1 being strongly disagree to 5 strongly agree and mean value 3.75-5 be high, 2.50-3.74 be average and <2.49 be low. The result is presented in table 4.7 below.

**Table 4.8: descriptive statistics of perceived value dimensions**

Perceived Value	Mean (CBE)	Std. Deviation (CBE)	Mean (AIB)	Std. Deviation (AIB)
The bank deposit interest rate is good.	3.94	1.104	3.78	.910
The bank service charges are worth for the services that are provided.	3.52	1.147	4.18	.941
The bank has the ability to adjust the products and services to meet customer's unforeseen needs.	3.7	0.973	4.16	1.013
The bank strives to establish long-term relationship with customers.	4.12	0.969	3.78	.897
The bank treats all its customers equally.	3.49	1.167	4.15	.977
The bank has full commitment in improving its overall relationship with customers.	3.72	0.946	4.19	1.020
The bank creates positive atmosphere.	4.06	0.998	3.78	.910
I feel safe in keeping my deposit in this bank.	3.64	1.164	4.18	.941
I have full trust and confidence in this bank.	3.81	0.932	4.16	1.013

**Source: Survey data (2017)**

From the above table respondents think the bank deposit interest rate is good (mean=3.94 with std. deviation=1.104) for CBE and (mean=3.78 with std. deviation=.910) for AIB, they also think that the bank service charges are worth for the services that is provided (mean=3.52 with std. deviation=1.147) for CBE and (mean=4.18 with std. deviation=.941) for AIB, they also perceived that the bank has the ability to adjust the products and services to meet the customer's unforeseen needs (mean=3.70 with std. deviation=.973) for CBE and (mean=4.16 with std. deviation=1.013), they also perceived that the bank strives to establish long-term relationship with customers (mean=4.12 with std. deviation=.969) for CBE and (mean=3.78 with std. deviation=.897) for AIB, the respondents also believe that the bank treats all customers equally (mean=3.49 with std=1.167) for CBE (mean=4.15 with std. deviation=.977) for AIB. Furthermore customers perceived that the bank has full commitment in improving its overall relationship with customers (mean=3.72 with std. =.946) for CBE and (mean=4.19 with stddeviation=1.020) for AIB, they also perceived that the bank creates positive atmosphere (mean=4.06 with std. deviation=.998) for CBE and (mean=3.78 with std. deviation=.910) for AIB, given this they feel safe in keeping their deposit in the bank (mean=3.81 with std. =1.164) for CBE and (mean=4.18 with std. deviation=.941) for AIB and the respondents have full trust and confidence in the bank (mean=3.81 with std. deviation=.932) for CBE and (mean=4.16 with std. deviation=1.013) for AIB.

Therefore, the mean scores of customers perceived value of CBE for all the nine questionnaires ranges from 3.49 to 4.12 indicating that perceived value of CBE is more than average and AIB have the highest mean scores compared to CBE. Comparison of means indicates that the bank strives to establish long term relationship between customer has got the highest mean score of (4.12) with std. 4.12 where as the bank treats all customers equally has got the least mean score value (3.49) with std. 1.167.

#### 4.2.2. Brand loyalty dimensions Analysis of CBE and AIB

**Table 4.9: descriptive statistics of brand loyalty dimensions**

<b>Brand Loyalty</b>	<b>Mean (CBE)</b>	<b>Std. Deviation (CBE)</b>	<b>Mean (AIB)</b>	<b>Std. Deviation (AIB)</b>
This bank is my number one choice among other banks and it is the first bank that first comes to my mind.	3.78	1.084	3.13	1.309
My loyalty towards a particular bank brand increases when i am satisfied by the bank.	4.42	0.845	4.62	.633
I prefer to maintain a long term relationship with this bank.	3.99	0.964	3.99	.834
I would always recommend this bank to someone who seeks my advice.	3.8	0.989	3.63	1.175
I do not consider to switching to another bank.	3.08	1.078	3.47	.958

**Source: Survey data (2017)**

From the above table, respondents think that the bank is their number one choice among other banks and it is the first bank that first comes to their mind (mean=3.78 with std. deviation=1.084) for CBE and (mean=3.13 with std. deviation=1.309) for AIB, they also believe that the loyalty towards the bank brand increases when they are satisfied by the bank (mean=4.42 with std. deviation=0.845) for CBE and (mean=4.62 with std. deviation=.633) for AIB, because of this they prefer to maintain a long term relationship with the bank (mean=3.99 with std. deviation=0.964) for CBE and (mean=3.99 with std. deviation=.834) for AIB, they would always recommend this bank to someone who seeks my advice (mean=3.8 with std. deviation=0.989) for CBE and (mean=3.63 with std. deviation=1.175) for AIB and they do not consider to switch to another bank (mean=3.08 with std. deviation=1.078) for CBE and (mean=3.47 with std. deviation=1.078) for AIB.

Therefore, the mean scores of customers' brand loyalty of CBE and AIB for all the nine questionnaires range from 4.42 to 3.08 and 4.62 to 3.13 respectively, indicating that brand loyalty of both banks as measured by customers is more than average and as compared between the two AIB has the higher mean scores compared to CBE.

### 4.2.3. CBE service quality dimensions Analysis

**Table 4.10: descriptive statistics of service quality dimensions**

Service Quality	Mean (CBE)	Std. Deviation (CBE)	Mean (AIB)	Std. Deviation (AIB)
The bank has up to date equipment and technology.	3.49	1.095	3.39	1.116
The bank has sufficient number of ATM machines.	3.54	1.172	3.27	1.102
I perceive that availability of Sufficient, neat and qualified staffs in the bank aids to enhance service quality.	3.9	0.977	3.87	.738
The bank provides wide range of products and services.	3.67	0.948	3.17	1.180
The bank provides adequate information on its website.	3.37	0.93	3.83	1.003
Delivery of the bank service promised by the bank is the basic factor for choosing the bank than other banks.	3.72	0.999	3.49	1.291
The bank performs error free service.	3.41	1.053	3.17	1.180
The bank handle customer request promptly.	3.49	1.079	3.83	1.003
When I need to use the bank service this bank is the first bank that immediately come to my mind because it provides me a prompt service.	3.61	1.045	3.49	1.291
The bank has experienced management team.	3.71	0.966	3.74	.881
The bank provides excellence service as promised in its advertising.	3.58	1.103	3.60	.995
I perceived that this bank is the best commercial bank because of its excellent service.	3.66	1.033	3.57	.892
The bank understands specific customer needs.	3.51	1.034	3.66	.860
The bank gives valuable financial advices.	3.52	0.964	3.48	.753
The bank has polite and friendly staff.	3.91	1.01	4.11	.729

**Source: Survey data (2017)**

The above table regarding the effect of tangibility on brand loyalty indicates that the bank's up to date equipment and technology have positive effect on customers (M=3.49 with std.dev=.1.095) for CBE and (mean=3.39 with std. deviation=1.172) for AIB, the respondents also perceived that the bank has sufficient number of ATM machines (mean=3.54 with std. deviation=1.172) for CBE and (mean=3.27 with std. deviation=1.102) for AIB, the respondents also perceived that the availability of sufficient, neat and qualified staffs in the bank aids to enhance service quality

(mean=3.67 with std. deviation=0.948) for CBE and (mean=3.17 with std. deviation=1.180) for AIB.

Regarding effect of reliability on brand loyalty, the above table clearly shows that, most customers agrees that the bank provides wide range of products and services (mean=3.67 with std. deviation=0.948) for CBE and (mean=3.17 with std. deviation=1.180) for AIB, they also agrees that the bank provides adequate information on its website (mean=3.37 with std. deviation=0.93) for CBE and (mean=3.83 with std. 1.003) for AIB and the delivery of the bank service promised by the bank is the basic factor for choosing the bank than other bank (mean=3.72 with std. deviation=0.999) for CBE and (mean=3.49 with std. deviation=1.291) for AIB.

From the above table regarding the effect of assurance on brand loyalty, the bank performs error free service (M=3.41 with std.dev. =1.053) for CBE and (mean=3.17 with std. deviation=1.180) for AIB, Most respondents perceived that the bank handle customers request promptly (M=3.49 with std.dev.=1.079) for CBE and (mean=3.83 with std. deviation=1.003) for AIB and In line with the above idea, when customers need to use the bank service this bank is the first bank that immediately come to my mind because it provides them a prompt service (M=3.61 with std.dev.=1.045) for CBE and (mean=3.49 with std. deviation=1.291) for AIB.

Among other things the above table also shows that the effect of responsiveness on the brand loyalty. Respondents perceived that the bank has experienced management team (mean=3.71 with std. deviation=0.966) for CBE and (mean=3.74 with std. deviation=.881) for AIB, respondents also perceived that the bank provides excellence service as promised in its advertising (mean=3.58 with std. deviation=1.103) for CBE and (mean=3.60 with std. deviation=.995) for AIB and in connection with the above idea customers perceived that this bank is the best commercial bank because of its excellent service (mean=3.66 with std. deviation=1.033) for CBE and (mean=3.57 with std. deviation=.892) for AIB.

Finally, the above table exhibits the results concerning the effect empathy on brand loyalty the bank understands specific customers needs (mean=3.51 with std. deviation=1.034) for CBE and (mean=3.66 with std. deviation=.860) for AIB, the bank gives valuable financial advices (mean=3.52 with std. deviation=0.964) for CBE and (mean=3.48 with std. deviation=.753) for AIB and the bank has polite and friendly staff (mean=3.91 with std deviation=1.01) for CBE and (mean=4.11 with std. deviation=.729) for AIB.

Therefore the tangibility dimension of service quality mean ranges from 3.49 to 3.9 for CBE and 3.27 to 3.87 to AIB, reliability means ranges from 3.37 to 3.72 for CBE and 3.17 to 3.83 for AIB, assurance means ranges from 3.41 to 3.61 for CBE and 3.17 to 3.83 for AIB, reliability mean ranges from 3.58 to 3.71 for CBE and 3.57 to 3.74 for AIB and empathy mean ranges from 3.51 to 3.91 for CBE and 3.48 to 4.11 for AIB. The overall service quality of both banks, as measured by customers, is well above average. However AIB has higher mean scores as compared to CBE.

#### 4.2.4. CBE customer satisfaction dimensions Analysis

**Table 4.11: descriptive statistics of customer satisfaction dimensions**

customer satisfaction	Mean (CBE)	Std. Deviation (CBE)	Mean (AIB)	Std. Deviation (AIB)
I am satisfied with the service provided by the bank.	3.9	0.955	4.38	.576
I am satisfied with the ease of accessing the bank.	4.16	0.89	4.32	.538
I am satisfied with the type of products or types of accounts being provided by the bank.	3.93	0.869	4.15	.622
I am satisfied with the ease of obtaining credit facilities and foreign currency provided by the bank.	2.45	1.067	3.09	1.191
I am satisfied with the e-banking service that the bank provides. (ATM card, mobile banking, internet banking).	3.63	1.027	3.32	1.080

**Source: Survey data (2017)**

From the above table, respondents are satisfied with the service provided by the bank (mean=3.9 with std. deviation=0.955) for CBE and (mean=4.38 with std. deviation=.576), respondents are also satisfied with the ease of accessing the bank (mean=4.16 with std. deviation=0.89) for CBE and (mean=4.38 with std. deviation=.576) for AIB, regarding the ease of obtaining credit facilities and foreign currency provided by the bank (mean=2.45 with std. deviation=1.067) for CBE and (mean=3.09 with std. deviation=1.191) for AIB and they are satisfied with the e-banking service that the bank provides (mean=6.63 with std. deviation=1.027) for CBE and (mean=3.32 with std. deviation=1.080) for AIB.

Therefore the mean score of customer satisfaction ranges from 2.45 to 4.16 for CBE and 3.09 to 4.38 for AIB and as shown in the above table the mean scores for both banks are above well average, well except for the question regarding the ease of obtaining credit facilities and foreign currency of CBE with the mean score of 2.45 which is low. Comparing between the means of both banks, AIB has higher customer satisfaction mean scores than CBE.

### 4.3. Scale reliability analysis

For this study we used 34 items in measurement of four variables and we came to know that the items in this study are reliable According to Malhotra, (2007) the reliability coefficient which is more than or equal to 0.60 should be considered adequate to develop a questionnaire. Therefore, a low coefficient alpha indicates the sample of items perform poorly in capturing the construct motivating the measure. Conversely, a large coefficient alpha implies that the items test correlates with the true scores closely to Malhotra (2007).

**Table 4.12: reliability of measurement instrument**

Scale	Cronbach Alpha of CBE	Cronbach Alpha of AIB	Items
functional perceived value	0.737	0.894	3
relational perceived value	0.786	0.88	3
emotional perceived value	0.74	0.894	3
brand loyalty	0.857	0.798	5
service quality-tangibility	0.7	0.714	3
service quality-reliability	0.672	0.822	3
service quality-assurance	0.706	0.822	3
service quality-responsiveness	0.797	0.821	3
service quality-empathy	0.753	0.821	3
customer satisfaction	0.79	0.626	5

**Source: Survey data (2017)**

### 4.4. Correlation analysis

Like the demographic factors, the scale typed questionnaire entered to the SPSS software version 20 to process correlation analysis. Based on the questionnaire which was filled by the customers of Commercial bank of Ethiopia and Awash International bank, the following correlation analysis was made.

#### 4.4.1. Correlation analysis between perceived value, service quality, customer satisfaction and brand loyalty in CBE

Pearson correlation test was conducted to know the degree of relationship between the independent variable i.e. perceived value and the dependent variable i.e. brand loyalty. The results of the correlation between these variables are shown in table 4.13. As it is indicated in the table there is significant correlation between perceived value, service quality, customer satisfaction and brand loyalty. In other words perceived value and brand loyalty have high relationship ( $r=0.730$  with  $p<0.05$ ), service quality and brand loyalty have high relationship ( $r=0.785$  with  $p<0.05$ ), customer satisfaction and brand loyalty have high relationship ( $r=0.678$  with  $p<0.05$ ), customer satisfaction and service quality have high relationship ( $r=0.735$  with  $p<0.05$ ), perceived value and service quality ( $r=0.769$  with  $p<0.05$ ) and perceived value and customer satisfaction have high relationship ( $r=0.620$  with  $p<0.05$ ).

**Table 4.13: correlation between perceived value, service quality, customer satisfaction and brand loyalty**

		Correlations			
		Perceived value	Brand loyalty	Service quality	Customer satisfaction
Perceived value	Pearson Correlation	1	.730**	.769**	.620**
	Sig. (2-tailed)		.000	.000	.000
	N	172	172	172	172
Brand loyalty	Pearson Correlation	.730**	1	.785**	.678**
	Sig. (2-tailed)	.000		.000	.000
	N	172	172	172	172
Service quality	Pearson Correlation	.769**	.785**	1	.735**
	Sig. (2-tailed)	.000	.000		.000
	N	172	172	172	172
Customer satisfaction	Pearson Correlation	.620**	.678**	.735**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	172	172	172	172

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

Source: Survey data (2017)

#### 4.4.2. Correlation analysis between perceived value, service quality, customer satisfaction and brand loyalty in AIB

Pearson correlation test was conducted to know the degree of relationship between the independent variable i.e. perceived value and the dependent variable i.e. brand loyalty. The results of the correlation between these variables are shown in table 4.14. As it is indicated in the table there is significant correlation between perceived value, service quality and customer satisfaction and brand loyalty. In other words perceived value and brand loyalty have high relationship ( $r=0.784$  with  $p<0.05$ ), service quality and brand loyalty have high relationship ( $r=0.822$  with  $p<0.05$ ), customer satisfaction and brand loyalty have high relationship ( $r=0.764$  with  $p<0.05$ ), perceived value and service quality have high relationship ( $r=0.752$  with  $p<0.05$ ) and perceived value and customer satisfaction have high relationship ( $r=0.752$  with  $p<0.05$ )

**Table 4.14: correlation between perceived value, service quality, customer satisfaction and brand loyalty**

		Correlations			
		Perceived value	Brand loyalty	Service quality	Customer satisfaction
Perceived value	Pearson Correlation	1	.784**	.752**	.752**
	Sig. (2-tailed)		.000	.000	.000
	N	172	172	172	172
Brand loyalty	Pearson Correlation	.784**	1	.822**	.764**
	Sig. (2-tailed)	.000		.000	.000
	N	172	172	172	172
Service quality	Pearson Correlation	.752**	.822**	1	.844**
	Sig. (2-tailed)	.000	.000		.000
	N	172	172	172	172
Customer satisfaction	Pearson Correlation	.752**	.764**	.844**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	172	172	172	172

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

**Source: Survey data (2017)**

#### 4.5. Regression analysis of consumer ethnocentrism and its antecedents

Albaum (1997) noted that regression is a technique used to predict the value of a dependent variable using one or more independent variables. Malhotra (2007) showed that regression

analysis is a statistical tool for the investigation of relationships between variables. In order to ascertain the causal influence of one variable upon another, researchers assemble data on the underlying variables of the causal variables upon the variable that they influence (Malhotra, 2007). Researchers typically evaluate the “statistical significance” of the estimated relationships, namely, the degree of confidence that the true relationship is close to the estimated relationship Malhotra (2007).

#### 4.5.1. Assumption Testing for Regression Analysis

Meeting the assumptions of regression analysis is necessary to confirm that the obtained data truly represented the sample and that researcher has obtained the best results (Hair et al., 1998). In the following paragraphs, each assumption is explained.

##### 4.5.1.1. Multi-collinearity

Before presenting and interpreting the regression analysis, it is important to evaluate the model in terms of the issue of multicollinearity. There can be problems with collinearity or multi-collinearity when several variables are involved (Hill, R.C. and Adkins, 2003). Generally, as multi-collinearity rises, it will complicate the interpretation of the variables because it is more difficult to confirm the effect of any single variable, owing to their interrelationship (Hair, Anderson and Tatham, 1996). According to (Hill and Adkins, 2003), multicollinearity is not a violation of the assumptions of regression but it may cause serious difficulties.

**Table 4.15: Multicollinearity test: dependent variable: brand loyalty of CBE**

Model		Collinearity Statistics of CBE		Collinearity Statistics of AIB	
		Tolerance	VIF	Tolerance	VIF
1	(Constant)				
	Perceived value	0.387	2.586	0.435	2.301
	Service quality	0.256	3.905	0.266	3.759
	Customer satisfaction	0.256	3.907	0.404	2.478

**Source: Survey data (2017)**

As shown on the above, based on the coefficients output (collinearity statistics), the obtained variance inflation factor (VIF) for all independent variables was found to be between 1 and 10,

which means that there is no multicollinearity problem. The independent variables also have significant relationship with the dependent variable.

#### **4.5.1.2. Normality**

The variables in the multiple linear regression models must follow normal distribution. To check the normality of variable which are incorporated in the multiple linear regression model, we use the histograms with a normal curve imposed and as it is shown in appendix 2.5 and 2.9, the variables in the multiple linear regression model followed normal distribution.

#### **4.5.1.3. Linearity**

The linearity of the relationship between the dependent and independent variable represented the degree to which the change in the dependent variable is associated with the independent variable (Hair, Anderson and Tatham, 1996) according to appendix 2.7 and 2.11, there was no linearity problems between the dependent and independent variables.

#### **4.5.1.4. Homoscedasticity**

Hair, Anderson and Tatham (1996) identified homoscedasticity as homogeneity of variance. Scatter plots between dependent variable and each of the independent variables and/or scatter plots of the residuals (ZRESID) and predicted values (ZPRED) were checked and the result showed that the variances along the line of best fit remain similar as we move along the line (Appendix 2.6 and 2.10)

### **4.5.2. Multiple linear regression analysis**

This regression analysis was conducted to know by how much the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (perceived value, service quality and customer satisfaction) explains the dependent variable that is brand loyalty.

#### **Correlation R and R<sup>2</sup> of CBE**

The “R” column represents the value of R, the multiple correlation coefficients. R can be considered to be one measure of the quality of the prediction of the dependent variable; brand loyalty. A value of 0.819, in this indicates a good level of prediction. The “R square” also called coefficient of determination, which is the proportion of variance in the dependent variable that can be explained by the independent variables (perceived value, service quality and customer satisfaction) and the value of 67% that the independent variables (perceived value, service

quality and customer satisfaction) explain of the variability of the dependent variable which is brand loyalty.

**Table 4.16: Model summary of CBE**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.819 <sup>a</sup>	.670	.665	.45988	2.050

a. Predictors: (Constant), customer satisfaction, perceived value, service quality

b..Dependent Variable: brand loyalty

**Source: Survey data (2017)**

The r-ratio in the ANOVA table tests whether the overall regression model is good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable.

**Table 4.17: ANOVA of CBE**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	72.297	3	24.099	113.949	.000 <sup>b</sup>
	Residual	35.530	168	.211		
	Total	107.828	171			

a. Dependent Variable: brand loyalty

b. Predictors: (Constant), customer satisfaction, perceived value, service quality

**Source: Survey data (2017)**

The summary table shows the various sums of squares described in the figure above and the degree of freedom associated with each. From these two values, the average sums of squares (the mean squares) can be calculated by dividing the sums of squares by the associated degree of freedom. The most important part of the table is the F-ratio, which is a test of the null hypothesis that the regression coefficients are all equal to zero. Put in another way, this F static tests whether the R<sup>2</sup> proportion of variance in the dependent variable accounted for by the predictors is zero and table also shows the associated significance value of the F-ratio (Field, 2009) for this

data F is 113.949, which is significant at  $p < 0.001$  (because the value in the column labeled Sig. is less than 0.001). This result tells us that there is less than 0.1% chance that an F-ratio this large would happen, if the null hypothesis proposed about the F-ratio were true. Therefore, we can conclude that the regression model result is significantly better prediction of brand loyalty of Commercial bank of Ethiopia and that the regression model overall predict brand loyalty significantly well.

**Table 4.18: Coefficient of variable of CBE**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.323	.196		1.644	.102
	perceived value	.269	.066	.283	4.057	.000
	service quality	.479	.090	.430	5.321	.000
	customer satisfaction	.208	.073	.186	2.829	.005

**Source: Survey data (2017)**

From the table we can say that  $\alpha$  is 0.323, and this can be interpreted as meaning that if all the independent variables, perceived value, service quality and customer satisfaction dimensions were to be zero, the model predicts that CBE can only have 32.3% of loyal customers. We can also red off the value of  $\beta$  from the table and this value represents the slope of the regression line. It is 0.269 for perceived value and although this value is slope of the regression associated with a unit change in the outcome associated with a unit change in the predictor. Therefore, if our predictor variable is increased by one unit (if respondents perceived value for CBE is increased by 1), then the model predicts that 26.9% extra customers will be loyal to CBE. The same are true for service quality (47.9%) and customer satisfaction (20.8%) for which an increase in one unit of these respective variables can result in an increase in brand loyal customers of CBE by the percentage shown in the table.

The regression model of this study can now be properly written in an equation form as the following

$$Y(BL) = (0.323) \text{ constant} + (0.269)PV + (0.479)SQ + (0.208)CS + \varepsilon(\text{Error Term})$$

**Relationship between perceived value, service quality and customer satisfaction in CBE**

As it is indicated in the model summary of table 4.26, service quality explains perceived value. In this case, the results of correlation of perceived value and service quality and R Square (0.592) are taken into consideration. This R square is the explained variance and it is actually the square of the multiple R (0.769), therefore, it is pointed out that 59.2% of perceived value is explained by service quality.

**Table 4.19: Regression analysis result of perceived value and service quality of CBE**

**Model Summary<sup>b</sup>**

Model	R	R Square	Durbin-Watson
1	.769 <sup>a</sup>	.592	2.152

a. Predictors: (Constant), service quality

b. Dependent Variable: perceived value

Source: Survey data (2017)

**Table 4.20: Coefficient of variable result of perceived value and service quality of CBE**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.530	.211		2.515	.013
	Service quality	.901	.057	.769	15.699	.000

a. Dependent Variable: perceived value

Source: Survey data (2017)

As it is indicated in the model summary of table 4.28, service quality explains perceived value. In this case, the results of correlation of perceived value and service quality and R Square (0.540) are taken into consideration. This R square is the explained variance and it is actually

the square of the multiple R (0.735), therefore, it is pointed out that 54% of customer satisfaction is explained by service quality.

**Table 4.21: Model summary result of customer satisfaction and service quality of CBE**

**Model Summary<sup>b</sup>**

Model	R	R Square	Durbin-Watson
1	.735 <sup>a</sup>	.540	1.739

a. Predictors: (Constant), service quality

b. Dependent Variable: customer satisfaction

Source: Survey data (2017)

**Table 4.22: Coefficient of variable of result of service quality & customer satisfaction of CBE**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.973	.191		5.101	.000
	Service quality	.732	.052	.735	14.115	.000

a. Dependent Variable: customer satisfaction

Source: Survey data (2017)

As shown on the above, based on the coefficients output (collinearity statistics), the obtained variance inflation factor (VIF) for all independent variables was found to be between 1 and 10, which means that there is no multicollinearity problem. The independent variables also have significant relationship with the dependent variable.

**Table 4.23: Model summary of AIB**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.868 <sup>a</sup>	.754	.750	.37590	2.237

a. Predictors: (Constant), customer satisfaction, perceived value, service quality

a. Dependent Variable: brand loyalty

**Source: Survey data (2017)**

A value of 0.868, in this indicates a good level of prediction, the value of 75.4% that the independent variables (perceived value, service quality and customer satisfaction) explain the variability of the dependent variable which is brand loyalty.

**Table 4.24: ANOVA of AIB**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	72.800	3	24.267	171.740	.000 <sup>b</sup>
	Residual	23.738	168	.141		
	Total	96.538	171			

a. Dependent Variable: brand loyalty

b. Predictors: (Constant), customer satisfaction, perceived value, service quality

**Source: Survey data (2017)**

For this data F is 171.740, which is significant at  $p < 0.005$  (because the value in the column labeled Sig. is less than 0.001). This result tells us that there is less than 0.1% chance that an F-ratio this large would happen, if the null hypothesis proposed about the F-ratio were true. Therefore, we can conclude that the regression model result is significantly better prediction of brand loyalty of Awash International bank and that the regression model overall predict brand loyalty significantly well.

**Table 4.25: Coefficient of variable of AIB**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.057	.219		.259	.796
	Perceived value	.330	.050	.381	6.558	.000
	Service quality	.374	.072	.387	5.220	.000
	customer satisfaction	.270	.084	.192	3.196	.002

a. Dependent Variable: brand loyalty

**Source: Survey data (2017)**

From the table we can say that  $\alpha$  is 0.057, and this can be interpreted as meaning that if all the independent variables, perceived value, service quality and customer satisfaction dimensions were to be zero, the model predicts that AIB can only have 0.57% of brand loyal customers. We can also read off the value of  $\beta$  from the table and this value represents the gradient of the regression line. It is 0.330 for perceived value and although this value is slope of the regression associated with a unit change in the outcome associated with a unit change in the predictor. Therefore, if our predictor variable is increased by one unit (if respondents perceived value for CBE is increased by 1), then the model predicts that 33% extra customers will be loyal to AIB. The same are true for service quality (37.4%) and customer satisfaction (27%) for which an increase in one unit of these respective variables can result in an increase in brand loyal customers of AIB by the percentage shown in the table.

The regression model of this study can now be properly written in an equation form as the following

$Y(BL) = (0.057) \text{ constant} + (0.330)PV + (0.374)SQ + (0.270)CS + \varepsilon(\text{Error Term})$
---

**Relationship between perceived value, service quality, customer satisfaction of AIB**

As it is indicated in the model summary of table 4.33, service quality explains perceived value. In this case, the results of correlation of perceived value and service quality and R Square (0.565) are taken into consideration. This R square is the explained variance and it is actually the square of the multiple R (0.752), therefore, it is pointed out that 56.5% of perceived value is explained by service quality.

**Table 4.26: Regression analysis result of perceived value and service quality of AIB**

**Model Summary<sup>b</sup>**

Model	R	R Square	Durbin-Watson
1	.752 <sup>a</sup>	.565	2.113

a. Predictors: (Constant), service quality

b. Dependent Variable: perceived value

**Source: Survey data (2017)**

**Table 4.27: Coefficient of variable result of perceived value and service quality of AIB Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.041	.206		5.045	.000
	Service quality	.838	.056	.752	14.870	.000

a. Dependent Variable: perceived value

**Source: Survey data (2017)**

As it is indicated in the model summary of table 4.36, service quality explains customer satisfaction. In this case, the results of correlation of customer satisfaction and service quality and R Square (0.596) are taken into consideration. This R square is the explained variance and it is actually the square of the multiple R (0.772), therefore, it is pointed out that 59.6% of customer satisfaction is explained by service quality.

**Table 4.28: Regression analysis result of customer satisfaction and service quality of AIB**

**Model Summary<sup>b</sup>**

Model	R	R Square	Durbin-Watson
1	.772 <sup>a</sup>	.596	1.786

a. Predictors: (Constant), service quality

b. Dependent variable, customer satisfaction

Source: Survey data (2017)

**Table 4.29: Coefficient of variable of result of service quality and customer satisfaction of AIB**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.947	.123		15.829	.000
	Service quality	.533	.034	.772	15.852	.000

a. Dependent Variable: customer satisfaction

Source: Survey data (2017)

#### 4.7. Comparative analysis between CBE and AIB using independent sample t-test

A comparison of means could be carried out by simply balance diverse means against each other. However, there need to be statistical assurance that the difference between the means is significant and not occurred by chance. Independent sample t-test is applicable in the statistical assurance of any significant difference between the means of perceived value, service quality, customer satisfaction and brand loyalty in the two banks.

**Table 4.30: Group statistics for AIB and CBE regarding brand loyalty**

brand loyalty		N	Mean	Std. Deviation	Std. Error Mean
brand loyalty	AIB	172	3.7674	.75136	.05729
	CBE	172	3.8174	.79409	.06055

**Source: Survey data (2017)**

In the group statistics table, the mean of brand loyalty for AIB is 3.7674 with std. deviation of .75136 and the mean of CBE is 3.8174 with std. deviation .79409. The number of participants in each bank (N) is 172.

**Table 4.31: independent sample test for brand loyalty**

		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
brand loyalty	Equal variances assumed	0.005	0.946	-0.6	342	0.549	-0.05	0.08336
	Equal variances not assumed			-0.6	340.959	0.549	-0.05	0.08336

**Source: Survey data (2017)**

As we can see from the table the sig. value is .549 which is greater than 0.05 and this means that the brand loyalty dimensions in the two banks is not significantly different.

**Table 4.32: Group statistics for AIB and CBE regarding perceived value**

perceived value		N	Mean	Std. Deviation	Std. Error Mean
perceived value	AIB	172	4.0394	.86666	.06608
	CBE	172	3.7778	.83529	.06369

**Source: Survey data (2017)**

In the group statistics table, the mean of perceived value for AIB is 4.0394 with std. deviation of .86666 and the mean of CBE is 3.7778 with std. deviation .83529. The number of participants in each bank (N) is 172.

**Table 4.33: independent sample test for perceived value**

		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
perceived value	Equal variances assumed	.122	.727	2.851	342	.005	.26163	.09178
	Equal variances not assumed			2.851	341.536	.005	.26163	.09178

**Source: Survey data (2017)**

The sig. (2-tailed) value in the above table is 0.005 and this value is less than .05. Because of this, we conclude that there is statistically significant difference between the mean of perceived value for CBE and AIB and we can conclude AIB has higher perceived value than CBE.

**Table 4.34: Group statistics for AIB and CBE regarding service quality**

service quality		N	Mean	Std. Deviation	Std. Error Mean
service quality	AIB	172	3.5783	.77762	.05929
	CBE	172	3.6062	.71357	.05441

**Source: Survey data (2017)**

In the group statistics table, the mean of service quality for AIB is 3.5783 with std. deviation of .77762 and the mean of CBE is 3.6062 with std. deviation .71357. The number of participants in each bank (N) is 172.

**Table 4.35: independent sample test for service quality**

		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
Service quality	Equal variances assumed	3.151	.077	-.347	342	.729	-.02791	.08047
	Equal variances not assumed			-.347	339.503	.729	-.02791	.08047

**Source: Survey data (2017)**

As we can see from the table the sig. value is .729 which is greater than 0.05 and this means that the service quality dimensions in the two banks is not significantly different.

**Table 4.36: Group statistics for AIB and CBE regarding customer satisfaction**

customer satisfaction		N	Mean	Std. Deviation	Std. Error Mean
customer satisfaction	awash	172	3.8535	.45517	.03471
	CBE	172	3.6128	.71120	.05423

**Source: Survey data (2017)**

In the group statistics table, the mean of service quality for AIB is 3.8535 with std. deviation of .45517 and the mean of CBE is 3.6128 with std. deviation .71120. The number of participants in each bank (N) is 172.

**Table 4.37: independent sample test for customer satisfaction**

		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
customer satisfaction	Equal variances assumed	31.320	.000	3.738	342	.000	.24070	.06438
	Equal variances not assumed			3.738	290.960	.000	.24070	.06438

**Source: Survey data (2017)**

The sig. (2-tailed) value in the above table is 0.005 and this value is less than .05. Because of this, we conclude that there is statistically significant difference between the mean of customer satisfaction for CBE and AIB and based on the above table we can conclude that AIB customers are more satisfied than CBE.

**Validating the proposed Hypotheses**

**H1: perceived value has positive and significant influence on brand loyalty of customers in the two banks.**

The coefficient of perceived value was 0.269 for CBE and 0.330 for AIB; this tells us that a unit change in this variable increases brand loyalty of customers by 26.9% for CBE 33% for AIB, keeping other variables constant. The t-statistic value of perceived value was 4.057 at p-value of 0.000 for CBE and 6.558 at p-value of 0.000 for AIB, which makes the relationship between this variable and customer brand loyalty positive. Therefore we accept H1.

**H2: service quality has positive and significant influence on brand loyalty of customers in the two banks.**

The coefficient of service quality was 0.479 for CBE and 0.374 for AIB; this tells us that a unit change in this variable increases brand loyalty of customers by 47.9% for CBE and 37.4% for AIB, keeping other variables constant. The t-statistic value of service quality was 5.321 at p-value of 0.000 for CBE and 5.220 at p-value of 0.000 for AIB, which makes the relationship between this variable and customer brand loyalty positive. Therefore we accept H2.

**H3: customer satisfaction has positive and significant influence on brand loyalty of customers in the two banks.**

Based on the tables and explanations provided in the preceding paragraphs, customer satisfaction has a positive and significant relationship with the dependent variable brand loyalty, where the t statistic value was calculated to be 2.829 for CBE at p value of 0.005 and 3.196 for AIB at p value of 0.002. The value of the coefficient of customer satisfaction was also found to be 0.208 for CBE and 0.270 for AIB which means that, if both banks increase their customers satisfaction they will be able to have 20.8 % and 27% of brand loyal customers other factors remaining constant. Therefore, H3 is accepted.

**H4: there is significant relationship between perceived value, service quality and customer satisfactions in the two banks.**

The coefficient of service quality was computed to be 0.901 for CBE and 0.838 for AIB; this means that a unit change in service quality has the influence to increase perceived value of customers by 90.1% for CBE and 83.8% for AIB assuming all other variables constant. The calculated t-statistic value of this independent variable is 15.699 at p-value of 0.000 for CBE and 14.870 at p-value of 0.000 for AIB, which proves a positive and significant relationship with the dependent variable, customer satisfaction.

The coefficient of perceived value was 0.26.9% for CBE and 0.330 for AIB; this tells us that a unit change in this variable increases brand loyalty of customers by 26.9% for CBE 33% for AIB, keeping other variables constant. The t-statistic value of service quality was 4.057 at p-value of 0.000 for CBE and 6.558 at p-value of 0.000 for AIB, which makes the relationship between this variable and customer brand loyalty positive. Therefore we accept H4.

**H5: There is significant difference between customers of CBE and AIB with respect to their perceived value, service quality, customer satisfaction and brand loyalty dimensions.**

For this hypothesis, independent sample t-test was used to determine whether to check or not there is difference between the means of CBE and AIB. SPSS produces the exact significance value of t, and we are interested in whether this value is less than or greater than 0.05. In this case the two-tailed value of p for service quality and brand loyalty were, 0.729, and 0.549, respectively, which are greater than 0.05, and so we would have to conclude that there was no significant difference between the means of the above variables (service quality and brand loyalty) for Commercial bank of Ethiopia and Awash International bank.

The two tailed p-value for perceived value and customer satisfaction were calculated to be 0.005 and 0.000, respectively, which are less than 0.05. Therefore, there was a significant difference between the means of perceived value and brand loyalty for CBE and AIB. Therefore, this led to the partial acceptance of the fifth hypothesis. These two variables (perceived value and customer satisfaction) can be point of difference and source of differentiation for their respective banks.

## CHAPTER FIVE

### 5. Major findings, Conclusion and Recommendations

#### 5.1. Introduction

In this chapter, an attempt has been made to present the conclusions, summary and recommendations. At the end of the chapter, limitations and suggestions for future research are discussed.

#### 5.2. Major findings

- ❖ According to the gathered data 65.7% of commercial bank of Ethiopia and 90.7% of Awash International bank customers has already have accounts at other private banks like Dashen bank, Awash bank, United bank, Abyssinia bank and others and 34.3% of CBE and 9.3% AIB of customers does not have account at other banks.
- ❖ The coefficient of perceived value was 0.269 for CBE and 0.330 for AIB; this tells us that a unit change in this variable increases brand loyalty of customers by 26.9% for CBE 33% for AIB, keeping other variables constant. The t-statistic value of perceived value was 4.057 at p-value of 0.000 for CBE and 6.558 at p-value of 0.000 for AIB, which makes the relationship between this variable and customer brand loyalty positive.
- ❖ The coefficient of service quality was 0.479 for CBE and 0.374 for AIB; this tells us that a unit change in this variable increases brand loyalty of customers by 47.9% for CBE and 37.4% for AIB, keeping other variables constant. The t-statistic value of service quality was 5.321 at p-value of 0.000 for CBE and 5.220 at p-value of 0.000 for AIB, which makes the relationship between this variable and customer brand loyalty positive.
- ❖ Based on the tables and explanations provided in the preceding paragraphs, customer satisfaction has a positive and significant relationship with the dependent variable brand loyalty, where the t statistic value was calculated to be 2.829 for CBE at p value of 0.005 and 3.196 for AIB at p value of 0.002. The value of the coefficient of customer satisfaction was also found to be 0.208 for CBE and 0.270 for AIB which means that, if both banks increase their customers satisfaction they will be able to have 20.8 % and 27% of brand loyal customers other factors remaining constant.
- ❖ From the generated tables we can say that  $\alpha$  is 0.057 for AIB and  $\alpha$  is 0.323 for CBE, and this can be interpreted as if all the independent variables, perceived value, service quality and customer satisfaction dimensions were to be zero, the model predicts that AIB can

only have 0.57% of brand loyal customers and CBE can only have 32.3% brand loyal customers.

- ❖ According to the independent sample t-test result there is no significant difference between the means of CBE and AIB. SPSS produces the exact significance value of t, and we are interested in whether this value is less than or greater than 0.05. In this case the two-tailed value of p for service quality and brand loyalty were, 0.729, and 0.549, respectively, which are greater than 0.05 and the two tailed p-value for perceived value and customer satisfaction were calculated to be 0.005 and 0.000, respectively, which are less than 0.05.

### **5.3. Conclusion**

The purpose of this study was to investigate the influence of perceived value, service quality and customers satisfaction on brand loyalty of customers. This study entails that the major goal of brand loyalty is to maintain long lasting relationship with customers that untimely makes them to be loyal to the brand in this case to the bank. Brand loyal customers are the basic requirement to survive in this competitive banking industry of Ethiopia and to generate profit. And to gain brand loyal customers we need to know factors that influence brand loyalty of customers.

Based on previous theories and researches regarding brand loyalty and its outcomes, this study shows clear links between the variables perceived value, service quality, and customer satisfaction and their effect on brand loyalty of customers. The findings of the five hypotheses were verified by running a multiple liner regression analysis and independent sample t- test and these findings showed that the variables perceived value, service quality and customer satisfaction has positive and significant influence on brand loyalty of customers in Commercial and Awash International bank. This leads to the conclusion that the one unit increase in the above variables results in positive increase in brand loyalty of customers in the two banks. Therefore all the four hypotheses were accepted.

The fifth hypotheses which was Commercial bank of Ethiopia and Awash international bank has significant differences regarding their perceived value, service quality, customer satisfaction, and brand loyalty dimensions was partially accepted after running independent sample t-test and the result showed that the means of service quality and brand loyalty of Commercial bank and Awash International bank were not found to be that much significant and this is because 78.9% of CBE and 90.7% of AIB customers has already have accounts on different private banks which

entails that both banks customers are not loyal to a certain bank and this is created because the existence of intense competition between banks which led customers to jump from one bank to other because if one bank couldn't maintain a consistent service and make customers satisfied, that customer can easily change to the bank next door who is willing to serve customers the same service better. However the means of perceived value and customer satisfaction were calculated to be significantly different for Commercial bank of Ethiopia and Awash International bank and the group statics table also revealed that the mean of perceived value and customer satisfaction for AIB was greater than the mean of CBE and thus leads to the partial acceptance of the fifth hypotheses. We can also conclude that AIB have higher perceived value of customers and more satisfied customers than CBE.

This study was aimed at finding the influence of the three variables perceived value, service quality and customers satisfaction on brand loyalty of customers of Commercial bank of Ethiopia and Awash International bank. Most of the previous studies focused on the single determinants of brand loyalty such as the service quality, satisfaction, perceived value, trust, retention, customer loyalty programs and from these variables perceived value is the mostly ignored variable especially in researches in Ethiopian context. So, this study gives details of the combined effect of the three variables perceived value, service quality and customers satisfaction on brand loyalty of customers.

#### **5.4. Recommendations**

Based on the findings, this study proposes the following recommendations.

- ❖ The management team of both banks should implement brand loyalty improvement program in order to create and maintain long lasting relationships with customers so as to have competitive advantage and improve performance.
- ❖ Both banks should pursue brand loyalty as a marketing strategy which requires long-term commitment and understanding of perceived value, service quality and customer satisfaction from customer's perspective on the total bank experience because according to the research findings on chapter four those three things significantly influence customers brand loyalty.
- ❖ The banks managements should adopt the loyalty multidimensional model consisting of the three constructs of perceived value, service quality and customer satisfaction which will contribute to improve bank performance in both banks.

- ❖ Bank managers should regularly conduct customer survey and should incorporate feedback in the changes desired by the customers. The banks can provide training programs for their employees in order to make them more effective while dealing with the customers, especially in handling customer complaints. This can help to improve satisfaction and customer loyalty by reducing defections of dissatisfied customers especially for Commercial bank of Ethiopia since it has lower satisfied customers than Awash International bank.
- ❖ Based on the finding in chapter four, AIB has a stronghold in customer satisfaction than CBE. Therefore CBE should make an effort to simplify the procedures and to open all counters in a unit when necessary. Thus, the waiting time decreases which will positively affect customers' level of satisfaction.
- ❖ CBE and AIB should develop marketing strategies based on the value perceived by customers and for the concept perceived value to be operational in achieving and maintaining a competitive advantage, marketing managers must have a deep understanding of its meaning and of the relative importance of the dimensions studied when the customer comes to make his/her evaluations and as employees of the bank play a very important role it will be fundamental to make a great effort when selecting and training the employees of the banks, and to monitor over time appropriateness of their level of knowledge and their attitude towards customers.
- ❖ Both banks can differentiate themselves from competitors by providing high quality service and this can be done by using service quality dimensions to attract and maintain their customers. To survive in the competitive banking industry, banks have to develop new strategies which will satisfy their customers and make them loyal.
- ❖ It is important for the bank managers to understand the relevant service quality dimensions in banking that could reinforce positive perceived value and customer satisfaction assessments. Managers of both banks need to develop systematic assessment programs to monitor service quality, perceived value and customer satisfaction overtime. The bank staffs should also be kept informed of results and be encouraged to take part in formulating an effective loyalty strategy.

- ❖ Top management of both banks should ensure that whatever services they advertise, should be available to the customers in every branch of the banks in order to increase their trust.
- ❖ Managers of both banks should always consider the needs of their customers because loyalty comes in the customers stated and unstated needs.

### **5.3. Recommendation for future research**

Although data collection in this research was based on questionnaire which the bank customers responded to, it is recommended that in future studies, other tools can be used such as structured interviews, focused group discussion and observations in order to study and investigate the variables.

This research was focused on the influence of perceived value, service quality and customer satisfaction on brand loyalty of customers. Future research can determine other factors that influence brand loyalty in the banking sector. Also it is recommended, that future research uses observation methods or interviews with experts in order to identify, measure and prioritize the indices (indicators) for measuring the variables.

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## **Appendixes 1.**

### **Appendix 1.1: Questionnaire (English)**

**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE  
DEPARTMENT OF MARKETING MANAGEMENT  
MARKETING MANAGEMENT GRADUATE PROGRAM**

#### **Dear Sir/Madam**

This questionnaires are prepared by Masters of Marketing Management graduate student for the purpose of writing thesis on “the influence perceived value, service quality and customer satisfaction on brand loyalty of customers”. As a customer of this bank, your participation in this study will be valuable and greatly appreciated. I assure you that the Information gathered will be kept confidential and will not be used for any other purposes.

#### **Instruction for filling the questionnaire**

I know that your time is valuable, but I hope that you will take the time (an estimated 10.-15 minute) to complete the questionnaire. Please read each statement carefully and tick (✓) or encircle the box that best suits your perspective for each statement.

Thank you for your kind cooperation.

Betelhem Eshetu

Phone number: 0913358762

Email address: ebetelhm@yahoo.com



## Part II. Perceived value

Please, indicate your opinion by marking the appropriate box on the five point scale where:

This part is kindly requires you to express your view on the issue being asked appropriately; 1 = strongly Disagree, 2 =Disagree, 3=Neutral, 4=Agree, 5=strongly agree.

Functional perceived value		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	The bank deposit interest rate is good.	5	4	3	2	1
2	The bank service charges are worth for the services that are provided.	5	4	3	2	1
3	The bank has the ability to adjust the products and services to meet the customer's unforeseen needs.	5	4	3	2	1
Relational perceived value						
1	The bank strives to establish long-term relationship with customers.	5	4	3	2	1
2	The bank employees have ability to openly discuss solutions when problem arise.	5	4	3	2	1
3	The bank has full commitment in improving its overall relationship with customers.	5	4	3	2	1
Emotional perceived value						
1	The bank creates positive atmosphere.	5	4	3	2	1
2	I feel safe in keeping my deposit in this bank.	5	4	3	2	1
3	I have full trust and confidence in this bank.	5	4	3	2	1

## Part III. Brand loyalty

Brand Loyalty		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	This bank is my number one choice among other banks and it is the first bank that first comes to my mind.	5	4	3	2	1
2	My loyalty towards a particular Bank brand increases when I am satisfied by the bank.	5	4	3	2	1
3	I prefer to maintain a long term relationship with this bank	5	4	3	2	1
4	I would always recommend the bank to someone who seeks my advise	5	4	3	2	1
5	I do not consider switching to another bank.	5	4	3	2	1

## Part IV. Service Quality

Tangibility		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	The bank has up to date equipment and technology.	5	4	3	2	1
2	The bank has sufficient number of ATM machines.	5	4	3	2	1
3	I perceive that availability of Sufficient, neat and qualified staffs in the bank aids to enhance service quality.	5	4	3	2	1
<b>Reliability</b>						
1	The bank provides wide range of products and services.	5	4	3	2	1
2	The bank provides adequate information on its website.	5	4	3	2	1
3	Delivery of the bank service promised by the bank is the basic factor for choosing the bank than other banks.	5	4	3	2	1
<b>Assurance</b>						
1	The bank perform error free service.	5	4	3	2	1
2	The bank handle customer request promptly.	5	4	3	2	1
3	When I need to use the bank service this bank is the first bank that immediately come to my mind because it provides me a prompt service.	5	4	3	2	1
<b>Responsiveness</b>						
1	The bank has experienced management team	5	4	3	2	1
2	The bank provides excellence service as promised in its advertising	5	4	3	2	1
3	I perceived that this bank is the best commercial bank because of its excellent service.	5	4	3	2	1
<b>Empathy</b>						
1	The bank understands specific customer needs.	5	4	3	2	1
2	The bank gives valuable financial advices.	5	4	3	2	1
3	The bank has polite and friendly staff.	5	4	3	2	1

**Part V. Customer Satisfaction**

<b>Customer Satisfaction</b>		<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
1	I am satisfied with the service provided by the bank.	5	4	3	2	1
2	I am satisfied with the ease of accessing the bank.	5	4	3	2	1
3	I am satisfied with the type of products or types of accounts being provided by the bank.	5	4	3	2	1
4	I am satisfied with the ease of obtaining credit facilities and foreign currency provided by the bank.	5	4	3	2	1
5	I am satisfied with the e-banking service that the bank provides. ( ATM card, mobile banking, internet banking)	5	4	3	2	1

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**Appendix 1.2: Questionnaire (Amharic)**

**አዲስ አበባ ዩኒቨርሲቲ ግንድ ስራ ት/ቤት**

**ማርኬቲንግ ማኔጅመንት ክፍል**

**ለደንበኞች የተዘጋጀ መጠይቅ**

እነዚህ ጥያቄዎች በማርኬቲንግ ማኔጅመንት የማስተርስ ዲግሪዬን በአሁኑ ወቅት የደንበኞች እርካታ፣ የአገልግሎት ጥራት እና የጥቅምን መረዳት (Perceived Value) የደንበኞች ታማኝነት ላይ ያላቸው ተፅዕኖ በባንኩ ዘርፍ ላይ በሚል ላይ የተዘጋጁ ናቸው።

የዚህ ባንክ ደንበኞች እንደመሆናችሁ በዚህ ጥናት ላይ ያለው ተሳትፎአችሁ በጣም ጠቃሚ እንደሚሆንና ለሌላ ጥቅም እንደማይውል አረጋግጣለሁ።

**አጠቃላይ መመሪያ**

ምንም እንኳን ሰዓታችሁ ጠቃሚ ቢሆንም ያላችሁን ጥቂት ሰዓት ሰውታችሁ (10 ደቂቃ) ይህን መጠይቅ እንድትሞሉልኝ እጠይቃለሁ። ሁሉንም ጥያቄዎች በማንበብ በሣጥኑ ውስጥ ይህን ምልክት (✓) በማድረግ መመለስ ይችላሉ።

ስለ መልካም ትብብራችሁ በጣም አመሠግናለሁ።

ቤተሰብዎን አሸቱ

ስልክ: 0913 35 87 62

ኢ-ሜይል [ebetlhem@yahoo.com](mailto:ebetlhem@yahoo.com)

**ክፍል አንድ**

**የምላሽ ሰጪዎች መረጃ**

1. የታ  ወንድ  ሴት
2. እድሜ  ከ18 - 30  ከ31 - 45  
 ከ46-60  ከ60 በላይ
3. የትምህርት ደረጃ  ሁለተኛ ደረጃ እና ከዛ በታች  ዲፕሎማ  
 ዲግሪ  ሁለተኛ ዲግሪ እና ከዛ በላይ
4. ስራ  የመንግስት ድርጅት ተቀጣሪ  የግል ድርጅት ተቀጣሪ  
 የግል ስራ  ተማሪ
5. ወርሃዊ ገቢ  ከ3,000 በታች  ከ3,000 - 9,000  
 ከ9,000 - 20,000  ከ20,000 በላይ
6. ሌላ ባንክ ላይ ሂሳብ ካለዎት ይግለጹ

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7. የባንኩ ደንበኛ ከሆኑ ስንት አመት ሆኖዎታል?
- ከ1 አመት በታች  ከ1 - 3 ዓመት  ከ3 - 5 ዓመት  
 ከ5 - 7 ዓመት  ከ7 ዓመት በላይ

**ክፍል 1 - ጥቅሙን መረዳት**

	ጥቅሙን መረዳት	በጣም እስማማለሁ	እስማማለሁ	አስተያየት የለኝም	አልስማማም	በጣም አልስማማም
1	ባንኩ የሚያስበው የቁጠባ ወለድ መጠን ጥሩ ነው።	5	4	3	2	1
2	የባንኩ የአገልግሎት ክፍያዎች ከሚሰጠው አገልግሎት አንፃር ተመጣጣኝ ነው።	5	4	3	2	1
3	ባንኩ የሂሳብ አይነቶችን እና አገልግሎቶችን የደንበኞችን ያልታዩ ፍላጎቶች ጋር የማስተካከል ብቃት አለው።	5	4	3	2	1
4	ባንኩ ከደንበኞች ጋር የረጅም ጊዜ ግንኙነት ለመመስረት ይጥራል።	5	4	3	2	1
5	ባንኩ ሁሉንም ደንበኞችን እኩል ይንከባከባል።	5	4	3	2	1
6	ባንኩ ከደንበኞች ጋር ያለውን ግንኙነት ለማሻሻል ሙሉ የሆነ ዝግጁነት አለው።	5	4	3	2	1
7	ባንኩ ምቹ የሆነ ሁኔታ ይፈጥራል።	5	4	3	2	1
8	ገንዘቤን እዚህ ባንክ ውስጥ ተቀማጭ በማድረግ ደንበኛነት ይሰማኛል።	5	4	3	2	1
9	በዚህ ባንክ ሙሉ እምነት እና መተማመን አለኝ።	5	4	3	2	1

**ክፍል 2 - ለባንኩ ታማኝነት**

	ለባንኩ ታማኝነት	በጣም እስማማለሁ	እስማማለሁ	አስተያየት የለኝም	አልስማማም	በጣም አልስማማም
1	ይህ ባንክ ካሉት ባንኮች አስበልጬ የምመርጠው እና በመጀመሪያ በአእምሮዬ የሚመጣ ባንክ ነው።	5	4	3	2	1
2	ለአንዱ ባንክ ታማኝነቴ የሚጨምረው በባንኩ አገልግሎት ስረካ ነው።	5	4	3	2	1
3	ከዚህ ባንክ ጋር ረዘም ያለ ግንኙነት እንዲኖረኝ እመርጣለሁ።	5	4	3	2	1
4	ምክሬን ለሚሹ ሰዎች ሁሌም ቢሆን ይህን ባንክ እንዲጠቀሙ እመክራለሁ።	5	4	3	2	1
5	ወደ ሌላ ባንክ ለመቀየር መቼም ቢሆን አላስብም።	5	4	3	2	1

**ክፍል 3 - የአገልግሎት ጥራት**

የአገልግሎት ጥራት		በጣም እስማማለሁ	እስማማለሁ	አስተያየት የለኝም	አልስማማም	በጣም አልስማማም
1	ባንኩ ከጊዜው ጋር የሚሄድ የተሻለ እቃ እና ቴክኖሎጂ አለው።	5	4	3	2	1
2	ባንኩ በቂ የሆኑ የኤቲኤም ማሸኛች አሉት።	5	4	3	2	1
3	በባንኩ በቂ፣ ጥሩ እና ብቁ የሆኑ ሠራተኞች አገልግሎቱን ለማቀላጠፍ እንደሚተጉ ታዝቤአለሁ።	5	4	3	2	1
4	ባንኩ በዛ ያሉ የሂሳብ አይነቶች እና አገልግሎቶች ይሠጣል።	5	4	3	2	1
5	ባንኩ በድህረ ገፁ ላይ በቂ የሆነ መረጃ ይሠጣል።	5	4	3	2	1
6	በባንኩ ቃል የተገባው የአገልግሎት አጠጣጥ ባንኩን ከሌሎች ባንኮች ለይቼ እንድመርጠው ያደረገኝ ዋነኛው ምክንያት ነው።	5	4	3	2	1
7	ባንኩ ከስህተት የፀዳ አገልግሎት ይሠጣል።	5	4	3	2	1
8	ባንኩ የደንበኞቹን ጥያቄ በአፍጣኝ ያስተናግዳል።	5	4	3	2	1
9	የባንክ አገልግሎት መጠቀም በፈለጉ ሰዓት በፈጣን አገልግሎቱ ምክንያት ቶሎ በአእምሮዬ የሚመጣው ይህ ባንክ ነው።	5	4	3	2	1
10	ባንኩ ልምድ ያላቸው የአስተዳደር ቡድን አሉት።	5	4	3	2	1
11	ባንኩ በማስታወቂያው ቃል እንደገባው አይነት የተቀላጠፈ አገልግሎት ይሰጣል።	5	4	3	2	1
12	ይህ ባንክ በተቀላጠፈ የአገልግሎት አሰጣጡ ምክንያት ምርጥ የሆነ ባንክ እንዲሆን ተረድቻለሁ።	5	4	3	2	1
13	ባንኩ የደንበኞቹን የተለየ ፍላጎት ይረዳል።	5	4	3	2	1
14	ባንኩ ጠቃሚ የሆነ ገንዘብ ነክ ወይም ፋይናንሻል ምክር ይሰጣል።	5	4	3	2	1
15	ባንኩ ትሁት እና ተግባቢ ሠራተኞች አሉት።	5	4	3	2	1

**ክፍል 4 - የደንበኞች እርካታ**

የደንበኞች እርካታ		በጣም እስማማለሁ	እስማማለሁ	አስተያየት የለኝም	አልስማማም	በጣም አልስማማም
1	ባንኩ በሚሰጠው አገልግሎት እረካለሁ።	5	4	3	2	1
2	ባንኩን በቀላሉ ማግኘት ስለምችል እረካለሁ።	5	4	3	2	1
3	ባንኩ በሚሰጠው የሂሳብ አይነቶች እረካለሁ።	5	4	3	2	1
4	ባንኩ በቀላሉ በሚፈቅደው የብድር እና የውጪ ምንዛሬ አገልግሎት እረካለሁ።	5	4	3	2	1
5	ባንኩ በሚሰጠው የኢ-ባንኪንግ አገልግሎት /ኢንተርኔት ባንኪንግ፣ ሞባይል ባንኪንግ እና የኤቲኤም ካርድ አገልግሎቶች እረካለሁ።	5	4	3	2	1

## Appendix 2: Statistical Outputs

### Appendix 2.1: Demographic Variable

**Gender\_CBE**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	68	19.8	39.5	39.5
	Male	104	30.2	60.5	100.0
	Total	172	50.0	100.0	
Missing	System	172	50.0		
Total		344	100.0		

**age\_CBE**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30years	100	29.1	58.1	58.1
	31-45years	54	15.7	31.4	89.5
	46-60years	13	3.8	7.6	97.1
	61yearsandabove	5	1.5	2.9	100.0
	Total	172	50.0	100.0	
Missing	System	172	50.0		
Total		344	100.0		

**educational qualification\_CBE**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below secondary	11	3.2	6.4	6.4
	diploma	16	4.7	9.3	15.7
	first degree	102	29.7	59.3	75.0
	second degree and above	43	12.5	25.0	100.0
	Total	172	50.0	100.0	
Missing	System	172	50.0		
Total		344	100.0		

**occupation\_CBE**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	government employee	70	20.3	40.7	40.7
	private sector employee	81	23.5	47.1	87.8
	ownbusiness	19	5.5	11.0	98.8
	student	2	.6	1.2	100.0
	Total	172	50.0	100.0	
Missing	System	172	50.0		
Total		344	100.0		

**Monthly income\_CBE**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	belowbirr3000	26	7.6	15.1	15.1
	birr3001-9000	88	25.6	51.2	66.3
	birr9001-20000	35	10.2	20.3	86.6
	birr20000andabove	23	6.7	13.4	100.0
	Total	172	50.0	100.0	
Missing	System	172	50.0		
Total		344	100.0		

**how long has it been since you became customer of this bank\_CBE**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below1year	4	1.2	2.3	2.3
	1-3year	48	14.0	27.9	30.2
	3-5years	55	16.0	32.0	62.2
	5-7year	32	9.3	18.6	80.8
	above7years	33	9.6	19.2	100.0
	Total	172	50.0	100.0	
Missing	System	172	50.0		
Total		344	100.0		

**Gender\_AIB**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	female	49	14.2	28.5	28.5
	male	123	35.8	71.5	100.0
	Total	172	50.0	100.0	
Missing	System	172	50.0		
Total		344	100.0		

**age\_AIB**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30years	70	20.3	40.7	40.7
	31-45years	59	17.2	34.3	75.0
	46-60years	33	9.6	19.2	94.2
	61 years and above	10	2.9	5.8	100.0
	Total	172	50.0	100.0	
Missing	System	172	50.0		
Total		344	100.0		

**educational qualification\_AIB**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below secondary	4	1.2	2.3	2.3
	diploma	38	11.0	22.1	24.4
	first degree	91	26.5	52.9	77.3
	second degree and above	39	11.3	22.7	100.0
	Total	172	50.0	100.0	
Missing	System	172	50.0		
Total		344	100.0		

**occupation\_AIB**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	government employee	24	7.0	14.0	14.0
	private sector employee	86	25.0	50.0	64.0
	own business	54	15.7	31.4	95.3
	student	8	2.3	4.7	100.0
	Total	172	50.0	100.0	
Missing	System	172	50.0		
Total		344	100.0		

**Monthly income\_AIB**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below birr 3000	10	2.9	5.8	5.8
	birr 3001-9000	62	18.0	36.0	41.9
	birr 9001-20000	58	16.9	33.7	75.6
	birr 20000 and above	42	12.2	24.4	100.0
	Total	172	50.0	100.0	
Missing	System	172	50.0		
Total		344	100.0		

**Appendix 2.3: Reliability Measurements**

Scale	Cronbach Alpha of CBE	Cronbach Alpha of AIB	Items
functional perceived value	0.737	0.894	3
relational perceived value	0.786	0.88	3
emotional perceived value	0.74	0.894	3
brand loyalty	0.857	0.798	5
service quality-tangibility	0.7	0.714	3
service quality-reliability	0.672	0.822	3
service quality-assurance	0.706	0.822	3
service quality-responsiveness	0.797	0.821	3
service quality-empathy	0.753	0.821	3
customer satisfaction	0.79	0.626	5

## Appendix 2.4: Multiple linear regression of AIB

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.868 <sup>a</sup>	.754	.750	.37590	2.237

a. Predictors: (Constant), CUSTOMER\_SATISFACTION, perceived value, service quality

b. Dependent Variable: brand loyalty

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	72.800	3	24.267	171.740	.000 <sup>b</sup>
	Residual	23.738	168	.141		
	Total	96.538	171			

a. Dependent Variable: brand loyalty

b. Predictors: (Constant), CUSTOMER\_SATISFACTION, perceived value, service quality

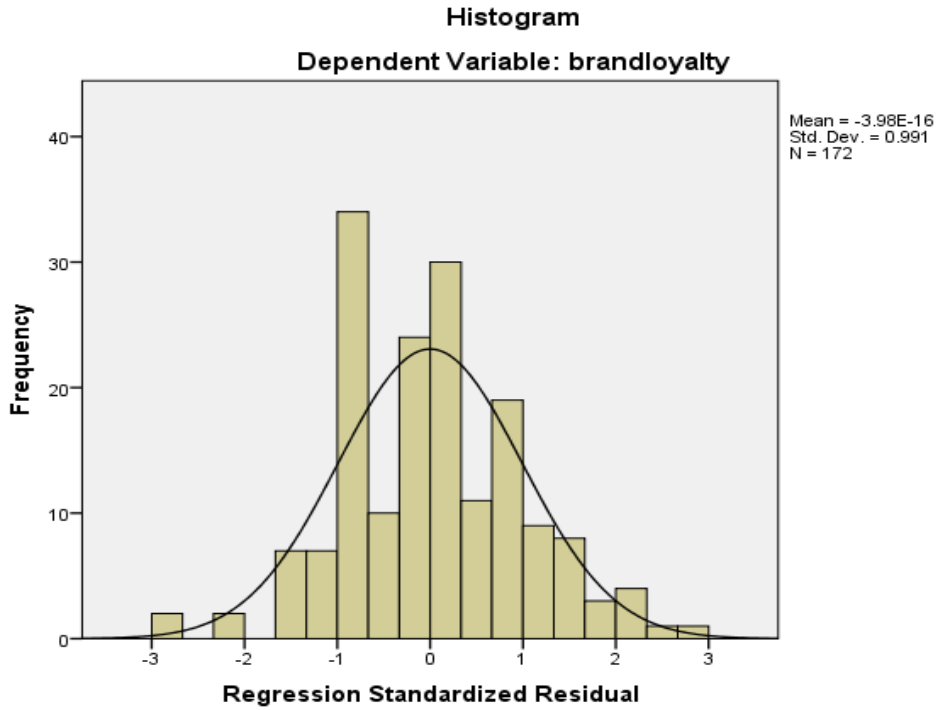
**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.057	.219		.259	.796
	Perceived value	.330	.050	.381	6.558	.000
	Service quality	.374	.072	.387	5.220	.000
	customer satisfaction	.270	.084	.192	3.196	.002

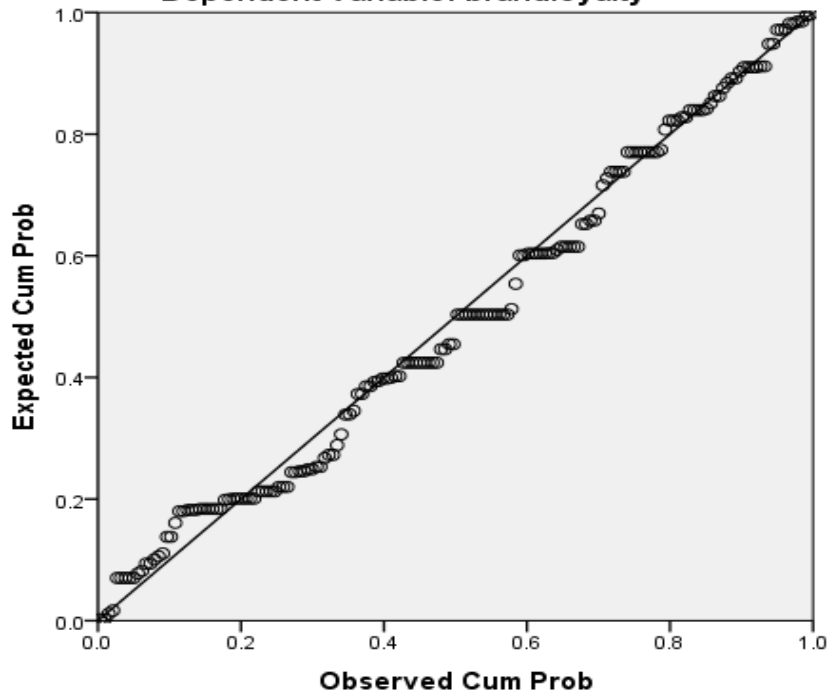
**Collinearity Diagnostics<sup>a</sup>**

Model	Eigenvalue	Condition Index	Variance Proportions				
			(Constant)	Perceived value	Service quality	Customer satisfaction	
1	1	3.953	1.000	.00	.00	.00	.00
	2	.028	11.868	.98	.04	.05	.03
	3	.012	18.091	.00	.96	.17	.11
	4	.007	24.383	.01	.00	.78	.86

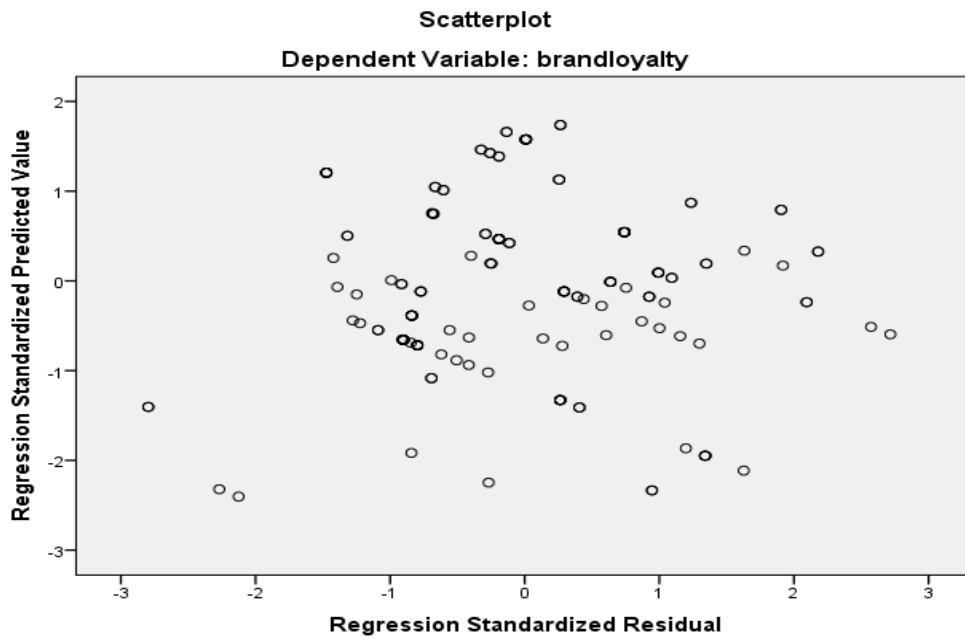
## Appendix 2.5: Normality test



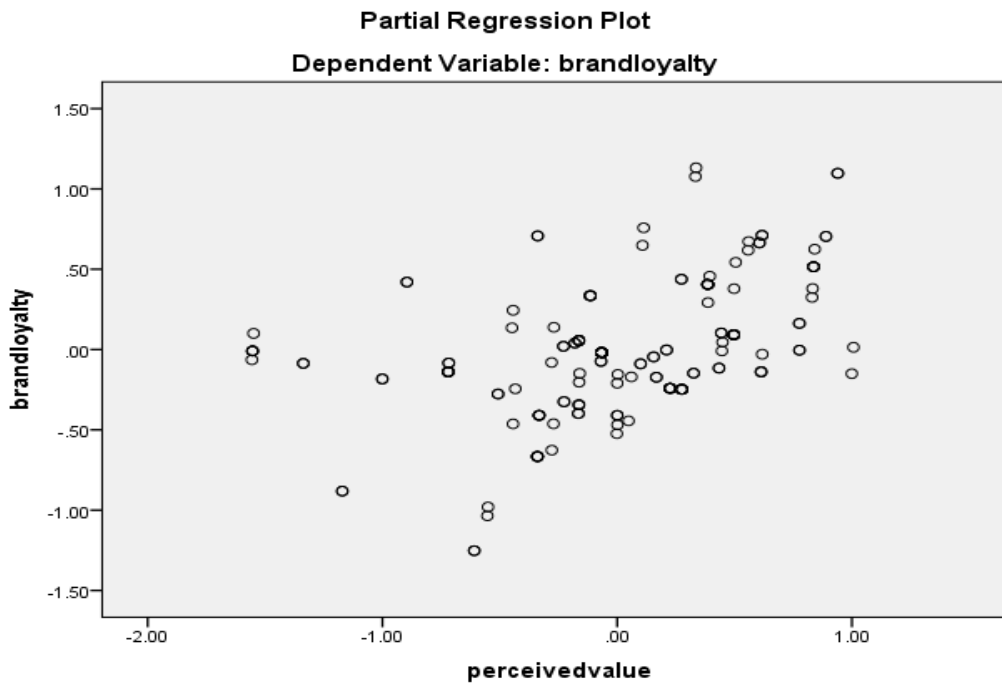
**Normal P-P Plot of Regression Standardized Residual**  
Dependent Variable: brandloyalty

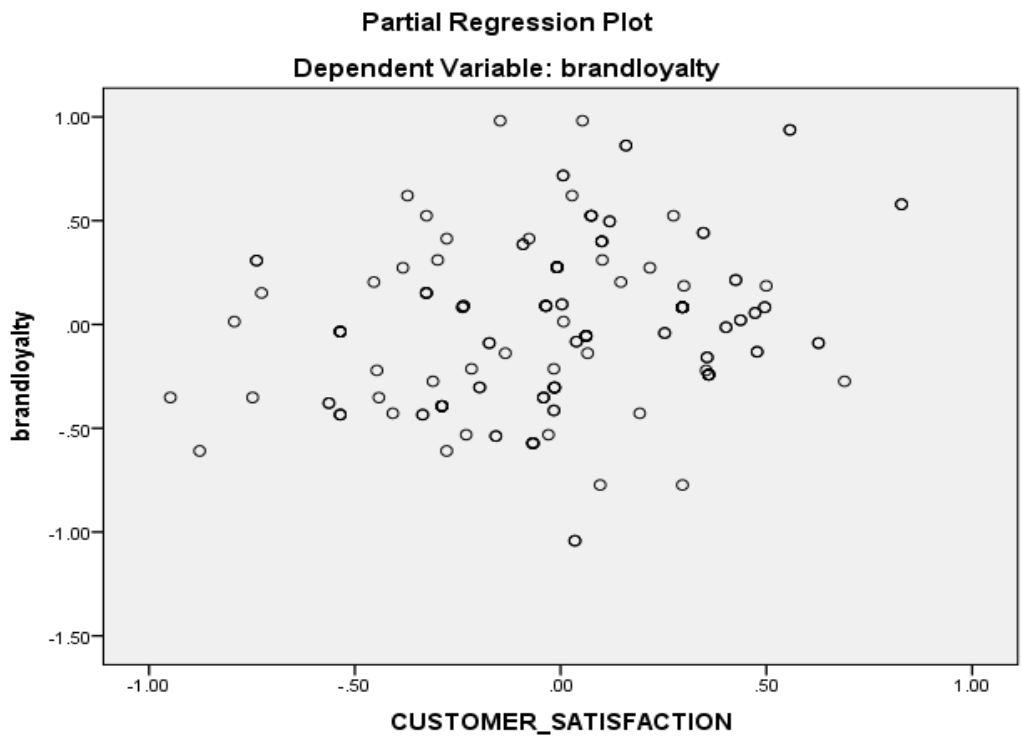
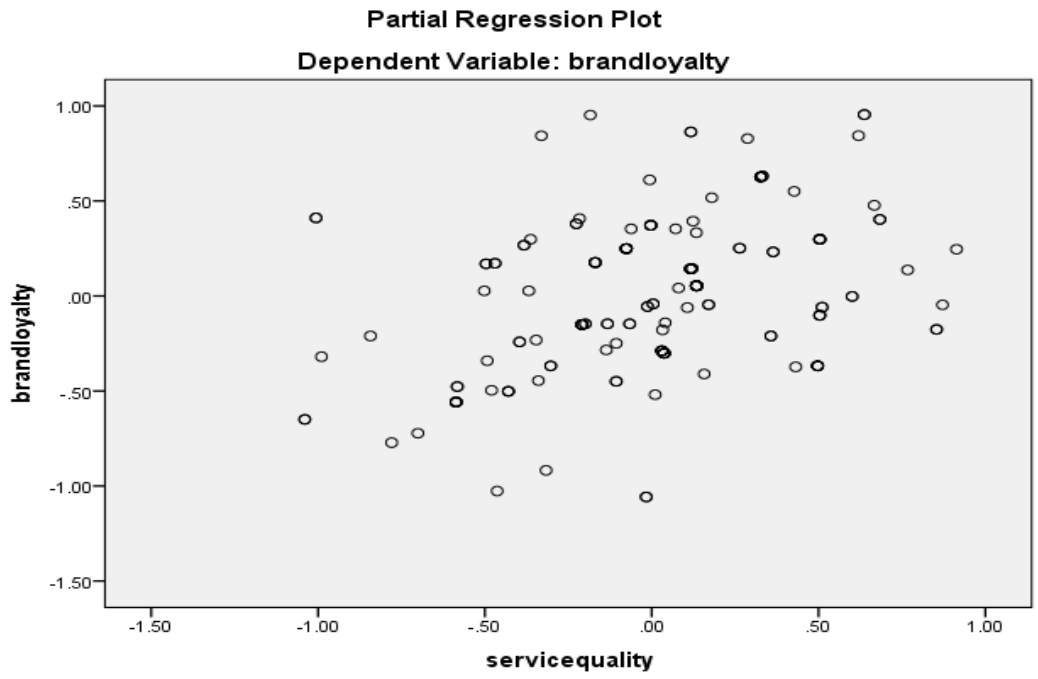


## Appendix 2.6: Homoscedasticity test



## Appendix 2.7: Linearity test





## Appendix 2.8: Multiple linear regression of CBE

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.819 <sup>a</sup>	.670	.665	.45988	2.050

a. Predictors: (Constant), customer satisfaction, perceived value, service quality

b. Dependent Variable: brand loyalty

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	72.297	3	24.099	113.949	.000 <sup>b</sup>
	Residual	35.530	168	.211		
	Total	107.828	171			

a. Dependent Variable: brand loyalty

b. Predictors: (Constant), customer satisfaction, perceived value, service quality

**Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.323	.196		1.644	.102
Perceived value	.269	.066	.283	4.057	.000
Service quality	.479	.090	.430	5.321	.000
Customer satisfaction	.208	.073	.186	2.829	.005

**Collinearity Diagnostics<sup>a</sup>**

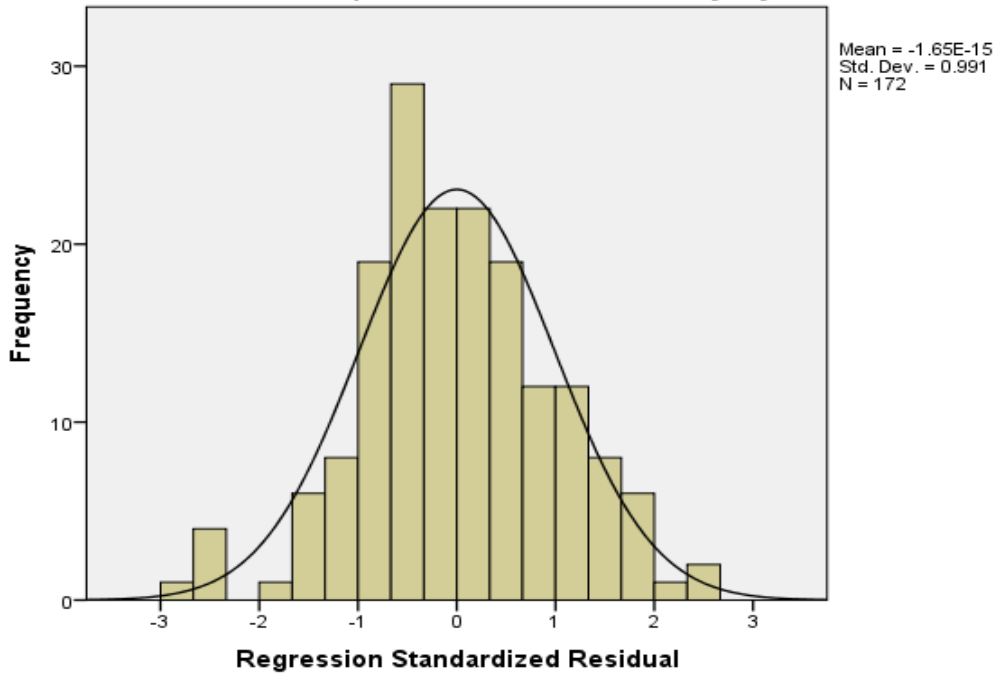
Model	Eigenvalue	Condition Index	Variance Proportions			
			(Constant)	perceived value	Service quality	Customer satisfaction
1 1	3.952	1.000	.00	.00	.00	.00
2	.025	12.458	.86	.17	.03	.00
3	.015	16.151	.14	.43	.00	.65
4	.008	22.481	.00	.40	.96	.35

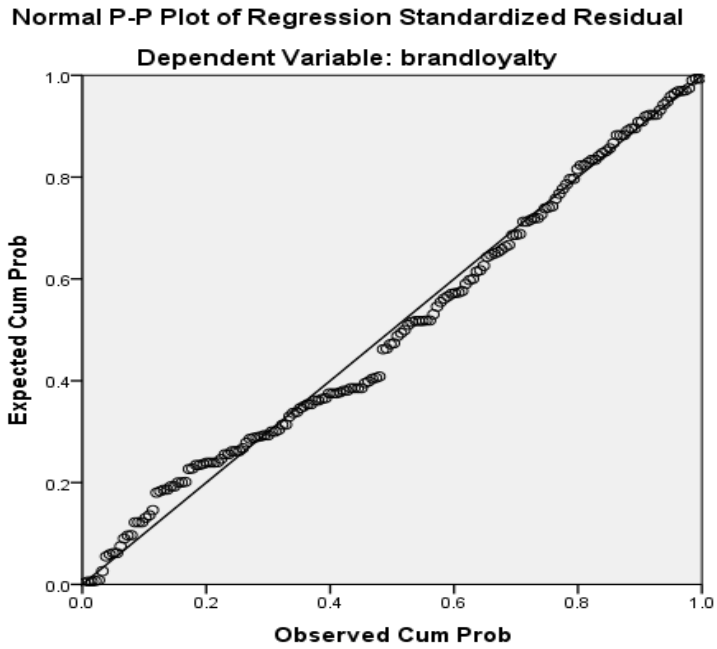
a. Dependent Variable: brand loyalty

**Appendices 2.9: Normality test**

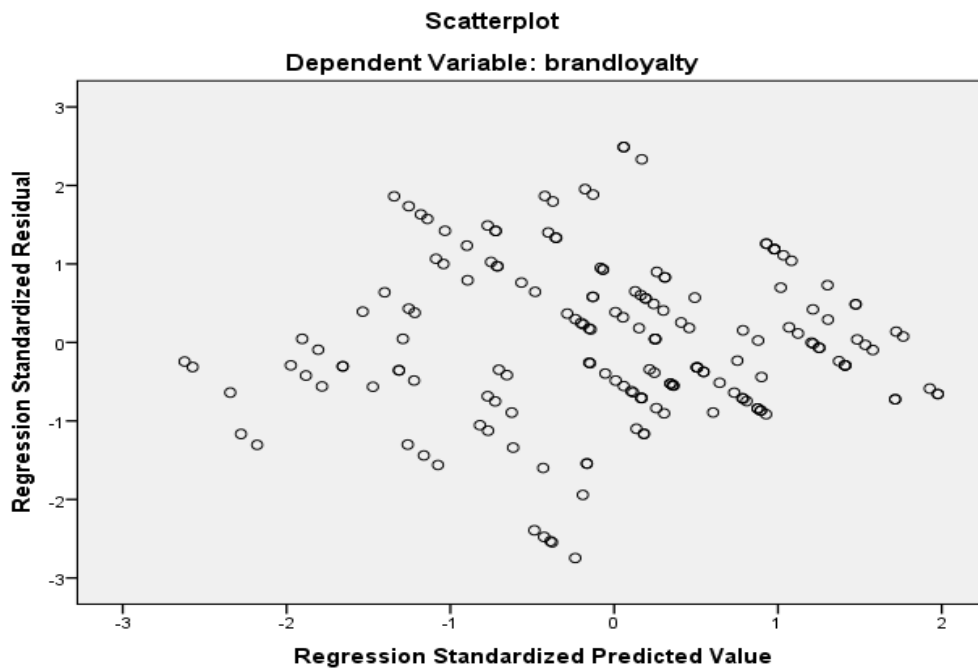
**Histogram**

**Dependent Variable: brandloyalty**

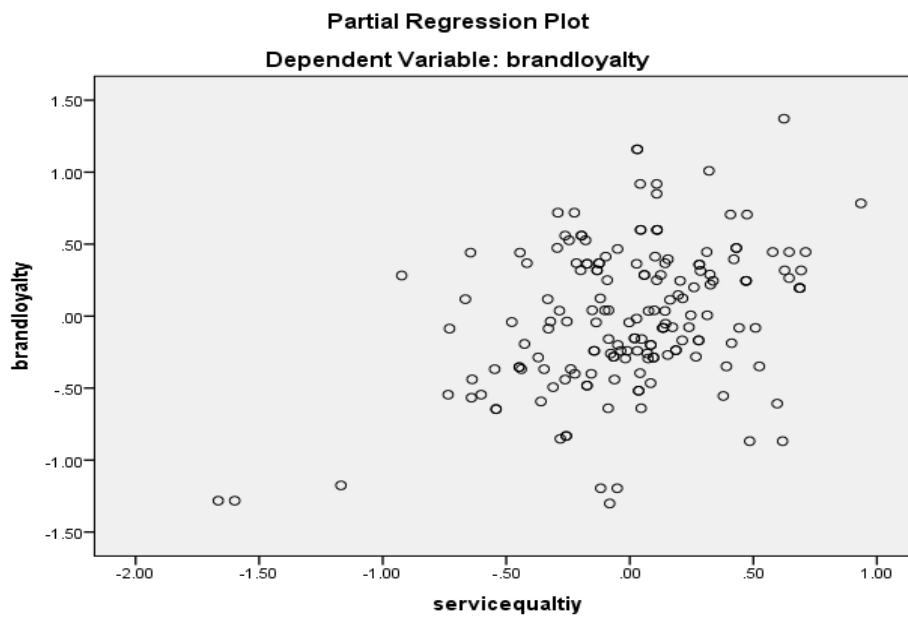
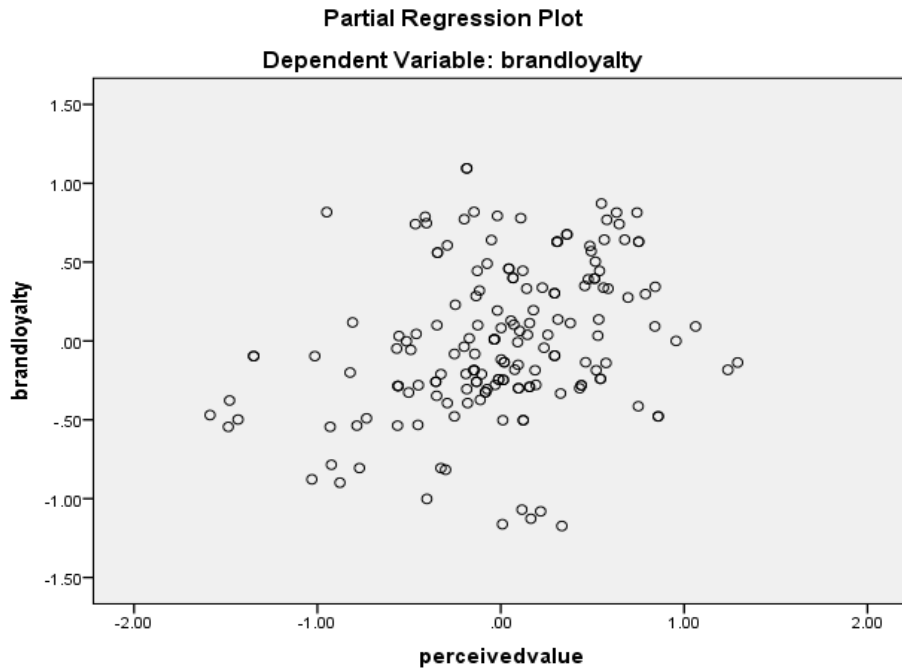


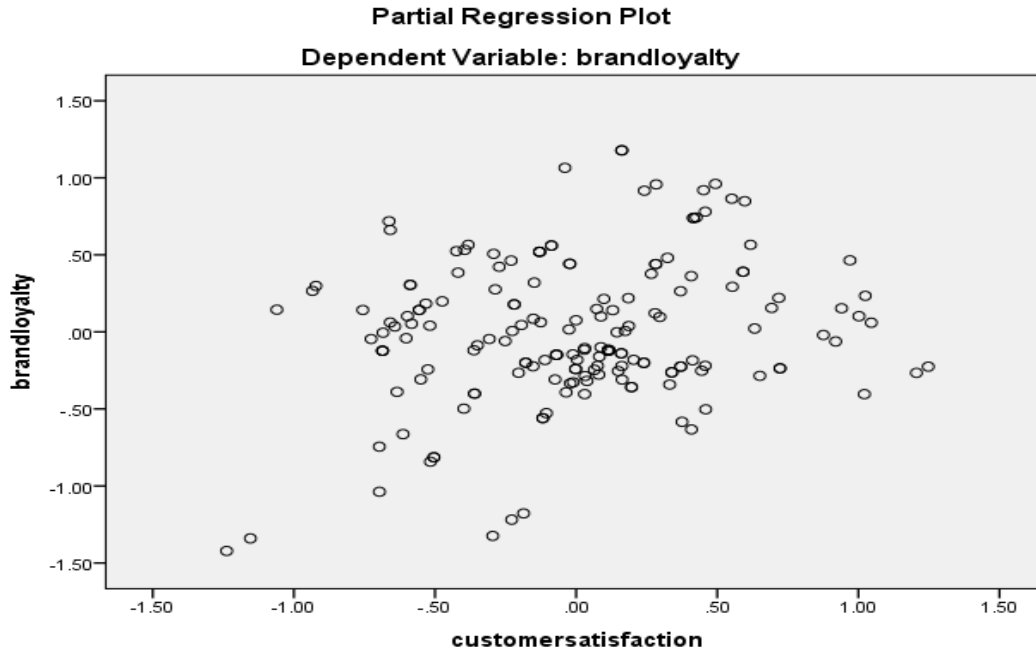


### Appendices 2.10: Homoscedasticity test



## Appendices 2.11: Linearity test





**Appendix 2.12: Independent sample t-test**

**Group Statistics**

	ID of brand loyalty	N	Mean	Std. Deviation	Std. Error Mean
brand_loyalty_A	awash	172	3.7674	.75136	.05729
	cbe	172	3.8174	.79409	.06055

**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
brand_loyalty_A	Equal variances assumed	.005	.946	-.600	342	.549	-.05000	.08336
	Equal variances not assumed			-.600	340.959	.549	-.05000	.08336

**Group Statistics**

	ID of perceived value	N	Mean	Std. Deviation	Std. Error Mean
perceived_value_awash	awash	172	4.0394	.86666	.06608
	cbe	172	3.7778	.83529	.06369

**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
perceived_value_awash	Equal variances assumed	.122	.727	2.851	342	.005	.26163	.09178
	Equal variances not assumed			2.851	341.536	.005	.26163	.09178

**Group Statistics**

	ID service quality	N	Mean	Std. Deviation	Std. Error Mean
service_quality_A	awash	172	3.5783	.77762	.05929
	cbe	172	3.6062	.71357	.05441

**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
service_quality_A	Equal variances assumed	3.151	.077	-.347	342	.729	-.02791	.08047
	Equal variances not assumed			-.347	339.503	.729	-.02791	.08047

**Group Statistics**

	ID of customer satisfaction	N	Mean	Std. Deviation	Std. Error Mean
Customer satisfaction	awash	172	3.8535	.45517	.03471
	CBE	172	3.6128	.71120	.05423

**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
customer satisfaction	Equal variances assumed	31.320	.000	3.738	342	.000	.24070	.06438
	Equal variances not assumed			3.738	290.960	.000	.24070	.06438