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**DEPARTMENT OF MARKETING MANAGEMENT**

**ASSESSMENT OF RELATIONSHIP MARKETING  
PRACTICE IN WEGAGEN BANK SHARE COMPANY**

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# **Assessment of Relationship Marketing Practice**

## **In Wegagen Bank share company**

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**MA Program Assessment of relationship marketing practice in**

**Wegagen Bank s.c**

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## **ACRONYMS**

RM – Relationship Marketing

TM- Transactional Marketing

S.C – Share Company

CRM – Customer Relationship Management

ICT- Information Communication Technology

SPSS – Statistical Package for Social Science

ATM – Automatic Teller Machine

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## ***Abstract***

*Relationship marketing is a new phenomenon in the field of marketing, and it focuses on creating a long-term relationship with customers through realizing mutual benefits of both parties. The purpose of this study is to assess relationship-marketing practice of wegagen bank in terms of relationship marketing dimensions and the levels of relationship marketing strategies. In order to obtain adequate and detailed information from customers as well as marketing manager of the bank both quantitative and qualitative data collection tools were used. Non-probability sampling method was employed to select respondents; specifically convenience sampling technique was used. Accordingly, the study has selected 378 respondents from three branches of the bank that operates in Addis Ababa and 378 questionnaires were distributed to customers, 316 questionnaires were found usable. Descriptive statistics particularly mean, standard deviation and frequency were used to analyze data and to aid computation statistical package for social science (SPSS) soft ware version 20.0 was used. The findings of the study showed that, average mean score of each dimension was categorized under well practiced of relationship marketing by the bank. Therefore, the bank practiced relationship marketing well when it is evaluated from the four dimensions namely informational, management, instrumental and organizational dimensions. According to the interview conducted with marketing manager of the bank, it practiced and considered in its marketing strategies the three levels of relationship marketing strategies namely financial, social and customization bonds, whereas, the bank did not implement structural bonds levels of relationship marketing strategies.*

***Key words: Relationship Marketing, Transactional Marketing and Customer***

## CHAPTER ONE

### INTRODUCTION

#### 1.1. Background of the Study

The emergence of relationship marketing as a separate academic domain of marketing in the 1980s and 1990s becomes more comprehensible from a historical perspective. Researchers argue that RM represents a “paradigm shift in marketing” from its previous focus on “transactions,” in which firms use the “4P model” to manage marketing-mix variables (Grönroos, 1994; Sheth and Parvatiyar, 2000).

The term relationship marketing (RM) initially proposed by Berry in 1983: “attracting, maintaining and in multi-service organizations enhancing customer relationships” (Little and Marandi, 2003; Grönroos, 2004; Harker and Egan, 2006). Relationship marketing implies the development of long-term relationships between the customers and the suppliers, in order to generate advantages for all those involved and to allow the co-creation of value rather than its unilateral distribution. As opposed to the transaction marketing (TM), where the focus is on attracting new customers and generating as many transactions as possible, RM aims not only at attracting but also at retaining customers and knowing them better.

Keeping clients, by developing relationships with them, is crucial to establishing and maintaining a competitive advantage in the market. Much of the teaching and research in marketing has tended to focus on acquiring new customers by developing new products to satisfy specific needs. However, the higher relative cost of customer acquisition has shifted the emphasis to building and maintaining long-term customer relationships to improve profitability (Ennew and Binks, 1996). Additional reasons for the drive towards the development of the relationship marketing concept stems from the maturing of services marketing; increased recognition of potential benefits for the firm and the customer; and technological developments (Berry, 1995).

According to Grönroos (1994) relationship marketing is to identify and establish, maintain and enhance and when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties are met, and that this is done by a mutual exchange and fulfillment of promises.

Shani and Chalasani (1992) define relationship marketing as “an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and value-added contacts over a long period of time.

Definitions of relationship marketing emphasize a longer-term perspective, focusing on keeping customers rather than getting customers. An effective on-going relationship between the service provider and the customer can overcome the intangible nature of services by decreasing the level of perceived risk and enhancing the trust component. The development of effective relationship marketing involves a number of contacts between the service provider and the customer. Existing research suggests the presence of five levels of relationship marketing such as basic, reactive, accountable, and proactive and partnership between the service provider and the customer (Hoffman et al., 2009).

The basic level of relationship marketing consists merely of the transaction and service use as the service provider focuses on only ‘selling’ the service. In the reactive level of relationship marketing apart from selling the service, the service provider encourages the customers to contact them if any problems arise. Usually with regard to the accountable level of relationship, marketing the service provider calls the customer after the sale to ensure that the customer is satisfied. A stronger relationship develops as the service provider creates a level of accountability and a stronger commitment to the service provided (Gummerson, 2002).

The proactive level of relationship marketing involves the service organization maintaining contact with customers on their database from time to time. The service organization further enhances the customer’s knowledge by providing information about new or improved services. In the case of the partnership level of relationship marketing, the service organization focuses continuously on their customer to improve their service performance and create a stronger relationship. The customer eventually becomes a ‘partner’ in the business. This type of relationship requires the customer’s involvement in matters related to the service organization and its service offerings. While the service organizations gains clear benefits from partnership level of relationship marketing, in return the customer feels valued and involved in the entire service process (Gummerson, 2002).

According to Clark and Payne (1995) relationship marketing is the business of attracting and enhancing long-term client relationships. An integral part of service marketing is the fact that the consumption of a service is process consumption rather than outcome consumption (Groenroos, 1998). The consumer or user perceives the service production process as part of service consumption and not only the outcome of a process as in traditional consumer packaged goods marketing.

The banking sector is becoming increasingly competitive around the world. This is particularly true in the area of small-medium business banking. Further, the core and actual product being offered to business customers could be considered reasonably homogenous. Consequently, there is an increased need for banks to differentiate themselves from competitors at the augmented product level. One way that this might be achieved is to develop longer-term relationships with their key customers (Heffernan et al, 2008).

Within a retail banking setting, Walsh et al., (2004) define RM as “the activities carried out by banks in order to attract, interact with, and retain more profitable or high net-worth customers.” Customer oriented RM programs that enhance the flow of information between the bank and customers increase customers’ positive feelings towards their bank, thereby increasing satisfaction and relationship strength (Barnes and Howlett, 1998; Ennew and Binks, 1996).

Over many years, private banking has been one of the most attractive segments within the financial services industry. Private Banks have combined strong asset growth and rising profitability with low capital requirements and ample liquidity. Since 2008, however, the industry has faced a series of challenges related to the sharp increase in the volatility of capital markets, the low-rates environment and the increasing scope of regulation in the United States, Europe and elsewhere. The impact of these factors means that the profitability of most private banks worldwide is far below the levels before the financial crisis. What some industry observers were describing as cyclical changes have now become structural, hence requiring significant changes to traditional business models (Felix, et al, 2013).

Private commercial banks are a recent phenomenon in the Ethiopian economy. They came into existence after the downfall of the Dergue regime. Before the Dergue, in the Imperial regime, private commercial banks used to operate in the economy. However, after Dergue

came to power, private commercial banks were nationalized and amalgamated with the state owned banks, then after that Ethiopian economy was dominated by state owned banks. Moreover, in the time of the Dergue, they were not allowed, and not only banks but also there were no other private sector because it was a socialist economy. After the downfall of the Dergue, private commercial banks were allowed to operate and they started to have market share, and now they have some growing market share in the Ethiopian economy and are some of the major players in the Ethiopian economy. Their number is also growing from time to time and currently new commercial banks are joining the market (simeneh, 2012).

After the downfall of the Dergue, the private sectors involvement started after Monetary and Banking proclamation No.83/1994. Therefore, Wegagen Bank is one of the private banks in the country established in 1997 with 15 founding share holders and with a 30 million birr capital now has 2,157 shareholders with a paid up capital of over one billion birr and the total capital, including reserves, has reached 1.8 billion birr ([www.Wegagenbank.com](http://www.Wegagenbank.com)).

The bank, which has 88 branches throughout the country, 43 of them operated in the capital and the rest are in overall the country. Currently the bank has earned 322 million birr net profit after tax. As at June 30, 2013, total deposits of the bank reached birr 7.55 billion, rising steadily by about 31% and increasing by a net deposit amount of birr 1.8 billion (Annual report of Wegagen bank, 2012/13).

Generally, even if the definition of relationship marketing is dissimilar to different researchers there is a harmony among them. The goal of RM is to build and maintain a base of committed customers who are profitable for the organization. The research study was assessed the implementation of relationship marketing in terms of four dimensions developed by pop and plea (2006). The dimensions proposed in the study are informational, instrumental, managerial and structural dimensions.

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

Relationship marketing is emerging as the core marketing activity for businesses operating in fiercely competitive environments. On average, businesses spend six times more to acquire customers than they do to keep them (Gruen, 1997). Therefore, many firms are now paying more attention to their relationships with existing customers to retain them and increase their share of customer's purchases.

Because of the diverse ways of understanding relationship marketing, no set of best practice has been promoted although several approaches have been proposed (DeSouza, 1992; Rosenberg and Czepiel, 1984; Stone and Woodcock, 1995). It has even been suggested that no guidelines exist that guarantee an effective design, implementation, monitoring and measurement of a relationship marketing program (Grande, 1996; Pinto, 1997).

For a profit-maximizing firm, the benefits of a relationship with end users arise from the economics of retention (Reichheld, 1996), insulation from competition (Anderson and Sullivan, 1994), and so forth. For the customer, the benefits of a relationship with the organization include customization and decreased costs due to efficiencies in dealing with known suppliers, including lower search costs and risk reduction (Sheth and Parvatiyar, 1995).

A key feature of relationship marketing is its explicit recognition that exchanges between organizations and customers extend beyond strict economic boundaries (Hunt and Morgan, 1994). Relationship marketing has different advantages to the firm and customers, increased profitability, competitive advantage through benefit and creation of a firm advocates are some of the advantages to the firm. From a customer's perspective, if a product or service is variable in quality and/or complexity and if the product is of an intangible nature, these combine to create risk and uncertainty. Thus, having a long-term, ongoing, stable relationship with a provider may reduce uncertainty and risk and hence reduce customer stress as the relationship becomes more predictable.

The banking industry is dominated by the three state owned banks while the private commercial banks play a minimal role in the financial system of the country. However, they found that the state owned banks were comparatively inefficient relative to private banks. The combination of the closed characteristics of Ethiopia's banking sector and its non competitive market structure serves to weaken the link between financial intermediation and economic growth (Alemayehu, 2006).

The number of private banks in Ethiopia has been growing fast. As a result, competition among the private banks themselves and with public banks also became very strong and stiff. Public banks are the most dominant banks in the country. Thus, the private banks have faced challenges to attract and retain customers.

Relationship marketing researches in banking industries have been conducted in different countries of the world mainly focused on the impact of relationship marketing on customer satisfaction and customer loyalty. When we come to Ethiopia there are some studies conducted in customer relationship management and its impact on customer satisfaction and loyalty. However, in the area of relationship marketing practice on the banking sector there are no in-depth studies conducted.

Thus, the aim of this study is to assess implementation of relationship marketing in terms of informational, management, instrumental and structural dimensions. Therefore, this research was assessed how the bank implemented relationship marketing from customer perspective and it gives insightful recommendation in the area of RM practice in Wegagen Bank S.C.

### **1.3. Research Questions**

Based on the research objective and problem statement the research attempts to address the following questions.

- a) To what extent is Wegagen bank committed to applying relationship marketing in terms of the four dimensions (informational, instrumental, organizational, and managerial)?
- b) How does the bank develop and implement levels of relationship-marketing strategies?
- c) How do customers perceive the RM practice of the bank?

### **1.4. Objectives of the study**

#### **1.4.1. General Objective of the Study**

The general objective of this study is to assess the practice of relationship marketing in Wegagen Bank S.C.

## **1.4.2. Specific Objectives of the Study**

1. To assess RM practice from the point of relationship marketing dimensions (informational, instrumental, organizational, and managerial) in Wegagen bank S.C.
2. To assess relationship marketing awareness and perception of customers to determine the best application of RM practice in Wegagen bank S.C.
3. To explore how relationship marketing is developed and implemented in Wegagen bank S.C. in terms of the levels of relationship marketing strategies (financial, social, customization and structural) bonds.

## **1.5. Significance of the Study**

In the globalization era due to technological advancement, and other reasons customers have a plenty of information about different products and services. Thus, to service providers this is a very challenging to differentiate their products and services from rivals. Due to this reason, adoption of relationship marketing is inevitable in business organizations to solve the problem through creating a long-term relationship with their customers. Therefore, the study has the following significance:

- a) It increases the level of understanding of staff members and customers about relationship marketing concept and its implementation.
- b) The result of study provides valuable insight to managers of bank how to create long-term relationship with customers.
- c) It gives valuable insight for the future researchers on relationship marketing.
- d) The finding of the study provides valuable insight to the banking industry how to create long-term relationship with customers and how to retain profitable customers through fulfilling mutual benefit of the company and customers.

## **1.6. Delimitation of the Study**

This research study conducted to assess practice of relationship marketing in Wegagen Bank, which is one of the private banks operated in the country. Hence, the study has assessed only the implementation of relationship marketing; it does not include the impact of relationship marketing on customer satisfaction and loyalty. Even though the area of relationship

marketing is very wide and it requires studying at country level by including all private banks, due to available resources and time this research has been concentrated only on Wegagen bank S.C and it comprised branches located in Addis Ababa. Because of time and resource constraints, the study employed non-probability sampling method to select respondents and in terms of research design, it is delimited to only descriptive research design. For this reason, the generalization and applicability of this study is only limited to Wegagen bank S.C.

### **1.7. Limitation of the Study**

- ❖ It was only assessed RM practice of the bank from customer perspective and it did not include the employees' perspective towards implementation of relationship marketing.
- ❖ The study was employed convenience sampling technique to select respondents, thus, it ignored the other respondents from participating in the study.

### **1.8. Organization of Research Report**

The study divided into five chapters. Chapter One, contained background of the study, statement of the problem, research questions, objective, scope and delimitation of the study. In chapter Two, review of related literature in the area of relationship marketing has been presented. Chapter Three, highlights the description of research methodology that has used to conduct the study. In chapter Four, data was collected by both quantitative and qualitative methods, analyze, and interpret accordingly. Chapter Five, has contained conclusion and recommendation according to the research finding. This is the entire organization of the research.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

The American Marketing Association's defines marketing as an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders". Relationship marketing is one of the marketing aspects that emphasizes on creating a long-term relation with customers to fulfill mutual benefit to both parties.

#### 2.1. Evolution of Relationship Marketing

Researchers have made the compelling case that relational-based exchange was the norm for most of recorded history; the anomaly of transaction-based marketing emerged only in the early 1900s. Thus, relationship marketing is really a rebirth of marketing practices of the pre-industrial age (Sheth and Parvatiyar 1995). Prior to the industrial age, most exchange occurred in local markets where farmers and craftspeople (producers) sold their products directly to end users. Producers represented both manufacturers and retailers, and embedded relationships between producers and consumers provided the trust and business norms necessary to conduct the transaction because few institutionalized protections existed.

Similarly, relationships led to confidence among traders in the transactions of goods not locally produced. Sheth and Parvatiyar (1995) offer numerous examples of trade, which would only occur among groups with ongoing relationships such as among traders along the historical "silk route" that built trust over time and examples of the use of family names in specific industries that branded relational trust. Thus, though the terminology and specific academic focus on RM are relatively new, the underlying importance of relationships for understanding exchange performance absolutely is not. Mass production and consumption during the industrial revolution changed the dynamics between producers and consumers.

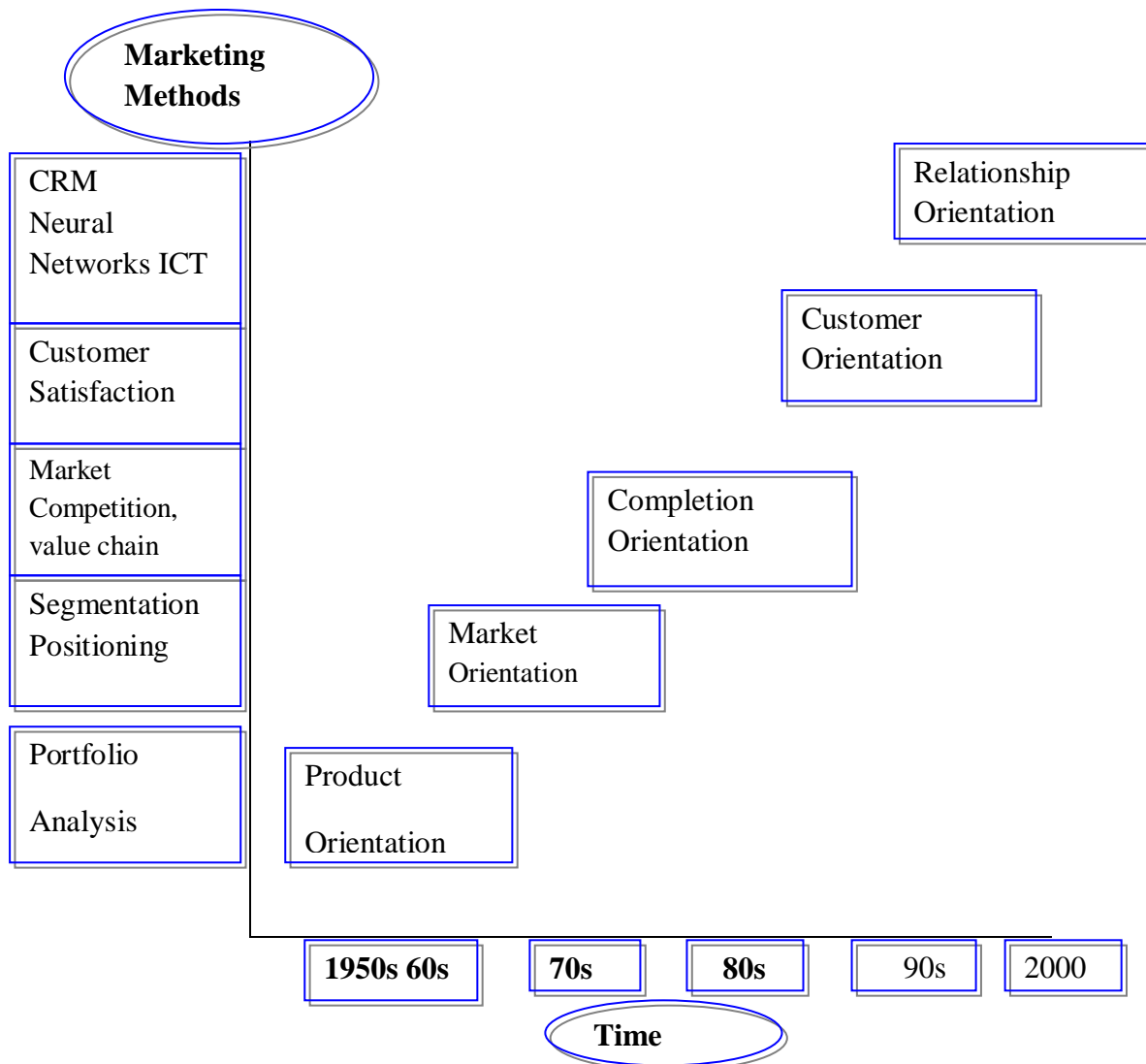
Producers took advantage of the economies of scale associated with mass production to produce a large volume of goods at low cost, but these voluminous goods also required transportation, storage, and sales across a larger geographic area and customer base to dispose of them. Many consumers relocated to manufacturing centers and cities, away from

agricultural areas, which required the transportation and storage of goods to support these new population centers (Sheth and Parvatiyar 1995).

Moreover, mass production generated the need for aggressive sales and promotions to create sufficient demand for the increased volume of goods. In aggregate, industrialization led to new industries, or “middlemen,” focused on transportation, storage, selling, and retailing (Bartels, 1962). As these new channels competed for business, often with similar or indistinguishable products, exchanges became more transactional and pricing grew to represent a more, if not the most, salient component of the offering.

Institutional and functional economists operating against this backdrop investigated the functions performed by wholesalers and retailers in an exchange to develop early marketing thought (Alderson 1965). This functional economic view of marketing evolved over time by integrating psychological and sociological viewpoints, but product-centric transactions remained the dominant paradigm: marketers varied marketing-mix factors (i.e., price, product, place, and promotion) to achieve business objectives (Gronroos 1994; Sheth and Parvatiyar 1995; Vargo and Lusch 2004).

**Figure 2.1: Evolution of Relationship Marketing**



**Source:** Mudie and Pirrie, 2006

The emergence of RM as a separate academic domain of marketing in the 1980s and 1990s becomes more comprehensible from a historical perspective. Researchers argue that RM represents a “paradigm shift in marketing” from its previous focus on “transactions,” in which firms use the “4P model” to manage marketing-mix variables (Gronroos, 1994; Sheth and Parvatiyar, 2000).

The term relationship marketing (RM) initially proposed by Berry in 1983: attracting, maintaining and - in multi-service organizations - enhancing customer relationships (Little and Marandi, 2003; Grönroos, 2004; and Harker and Egan, 2006).

## **2.2. Definition of Relationship Marketing**

Berry (1983) defines Relationship marketing is attracting, maintaining and enhancing customer relationships. Shani and Chalasani (1992) define relationship marketing as “an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and value-added contacts over a long period of time”.

According to Clark and Payne (1995) relationship marketing is the business of attracting and enhancing long-term client relationships.

According to Gronroos (1997) relationship marketing define it is to identify and establish, maintain and enhance and when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, and that this is done by a mutual exchange and fulfillment of promises.

Relationship marketing is the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value, at reduced cost (Sheth and Parvatiyar 2000).

The various definitions of Relationship Marketing prove that the concept has no single definition attached to it and as a result, it breaks away from the positivist nature of traditional marketing theory and the marketing mix. Hence, it is difficult to set a single definition to relationship marketing but most of authors define it is attracting and retain customers by creating long-term relation.

Within a retail banking setting, Walsh et al. (2004) define RM as the activities carried out by banks in order to attract, interact with, and retain more profitable or high net-worth customers. Relationship marketing thus aims at increasing customer profitability while providing better services for customers.

## **2.3. Development of Relationship Marketing**

### **2.3.1. Advances in Information Technology**

Berry (1995) summarizes a number of ways that information technology (IT) as a tool may facilitate the effectiveness of a relational perspective:

- Tracking the buying patterns of existing customers
- Customizing services, promotion and pricing to customers' specific requirements
- Co-coordinating or integrating the delivery of multiple services to the same customer
- providing two-way communication channels (company to customer and customer to Company)
- Minimizing the probability of service errors and breakdowns
- Augmenting core service offerings with valued extras
- Personalizing service encounters as appropriate ([http:// faculty.mu.edu.sa/](http://faculty.mu.edu.sa/)).

### **2.3.2. Total Quality Management**

Another major force driving the adoption of relationship marketing is the total quality movement that recently revolutionized industry's perspectives regarding quality and cost. Most companies saw the value of offering quality products and services to customers at the lowest possible prices (Sheth et al. 1988). When companies embraced Total Quality Management to improve quality and reduce costs, it became necessary to involve suppliers and customers in implementing the program at all levels of the value chain. This needed close working relationships with customers, suppliers and other members of the marketing infrastructure.

### **2.3.3. The Maturing of Services Marketing**

The importance of people has been repeatedly emphasized within services marketing literature because the service is performed and the performers are employees (often referred to as "actors"). Indeed, Gummesson (1987) coined the phrase "part time marketers" to stress the critical marketing role performed by front-line employees who interact with customers and their contribution towards delivery and service satisfaction.

Related to this was the emergence of the customer care and quality philosophies of the 1980s. Christopher et al. (1991) highlight how there was a shift of focus, particularly within service industries, towards customer care and quality as dimensions that overlap with the marketing philosophy. Interestingly, they attribute part of this shift to the popularity of Peters and Waterman's text *In Search of Excellence* (1982). They further propose that the natural outcome of quality service delivery and customer care is the development of relationships

through interaction between employees and customers. As a result, these entities are inextricably linked ([http:// faculty.mu.edu.sa/](http://faculty.mu.edu.sa/)).

### **2.3.4. Increased Competition and Concern for Customer Retention**

Finally, in the post-industrialization period the increase in competitive intensity is forcing marketers to be concerned with customer retention. As several studies have indicated, retaining customers is less expensive and perhaps a more sustainable competitive advantage than acquiring new customers. Marketers are realizing that it costs less to retain customers than to compete for new ones (Rosenberg & Czepiel, 1999). On the supply side, it pays more to develop closer relationships with a few suppliers than to develop more vendors. In addition, several marketers are also concerned with keeping customers for life, rather than merely making a one-time sale (Cannie and Caplin, 2001).

### **2.4. Difference Between Transactional and Relationship Marketing**

There have been considerable debates in the literature relating to the concepts of transaction and relationship marketing how both can manage effectively and efficiently. However, in both theory and practice it appears to be difficult to bring these two perspectives together in order to consider the conceptual and practical issues involved. Given that many service organizations aim to reach all types of customers, this issue is worthy of investigation (Gronroos, 1994).

Often, in the academic literature, transaction customers treated as one-customer segment and relationship-type customers considered a different segment. In particular, relationship marketing theorists have separated these two approaches with claims that relationship marketing is inherently different from transaction marketing (Gummesson, 1998) and that relationship marketing represents a paradigm shift where relational approaches replace more traditional marketing activities (Gronroos, 1994). Indeed, relationship marketing has called a new approach to marketing management and marketing thinking (Gronroos, 1994). Others say that relationship marketing is a new term representing an old phenomenon (Gummesson, 1994 and Piercy, 1997).

Many believe that relationship marketing is primarily relevant in the context of an organization and its customers (Gordon et al., 1998). Others expand the domain to encompass horizontal and vertical stakeholder relationships in a collaborative effort to

improve customer value (such themes originate in the work of the Industrial Management and Purchasing Group in Scandinavia). Relationship marketing has viewed as a means of implementing efficient marketing practices such as customer retention, customer responsiveness and organization-wide cross-functional involvement. These practices believed to result in increased profitability for the firm and increased value and satisfaction for the consumer (Peck et al., 1999).

Many consider relationship marketing to be an academic concept and believe that practitioners as a matter of course carry out relation-focused marketing. It argue that in practice, business managers know the importance of focusing on the customer, the importance of retention and the significance of developing customer-oriented marketing offers. The underpinning themes of relationship marketing are an essential part of the marketing concept. Thus, a more generic definition of relationship marketing that takes account of marketing in practice may include collaborative relationships, networks and processes involving the customer, the firm and all stakeholders (Anderson and Narus, 1991; Gummesson, 1994; Piercy, 1997).

Transaction marketing defined in terms of discrete transactions and repeated transactions (Webster, 1992). Discrete transactions are both parties receive and give benefit or value, which in a commercial venture related to some form of profit achievement. Hence, the organization's primary focus is on achieving profitability through successful exchange of a product or service. In this case, the most important service dimensions related to product activities, distribution activities, pricing activities and achieving competitiveness by managing costs efficiently. Most marketing transactions happen within the context of repeated transactions where the customer repeatedly buys a product or service. In repeated transactions, there is recognition of the economic, but also the non- economic motivations, preferences and patterns of behavior of the potential exchange party, in so far as understanding these can yield additional profitability and justify higher prices (Baker et al., 1993).

Hence, while the price is still important, other activities that facilitate demand stimulation such as brand loyalty, differentiation and preference (Webster, 1992) may also be significant. Therefore, transaction marketing incorporates mass marketing but may also include more

personalized, direct interaction between the two parties to an exchange, such as the personalized interaction that may happen between the buyer and the firm’s salesperson. In moving beyond the discrete transaction, repeat purchases, brand loyalty, satisfaction with the product and repeated personal interactions mean that relationships may be established.

Relationship marketing and transactional marketing are not mutually exclusive and there is no need for a conflict between them. A relationship-oriented marketer still has choices at the level of practice, according to the situation variables. Most banks blend the two approaches to match their portfolio of products and services. Virtually all products have a service component to them and this service component has been getting larger in recent decades (Vandermerwe, & Rada, 1988).

**Table 2.1: Difference Between Transactional and Relationship Marketing**

<p><b>Extensive marketing</b></p> <ul style="list-style-type: none"> <li>- Increase customer number</li> <li>- Increase sales</li> <li>- Profit growth</li> <li>- Increased exchange trader</li> <li>- Attract new clients</li> <li>- Transaction efficiency</li> <li>- Launching new products</li> <li>- Market share growth</li> <li>- Opening new branches</li> </ul>	<p><b>Intensive marketing</b></p> <ul style="list-style-type: none"> <li>-Increase frequency of customers’ visits</li> <li>-increase the volume of sales per customer</li> <li>- developing personal relationships with clients</li> <li>-keeping old customers</li> <li>-improved relationships to the clients</li> <li>-customer retention</li> </ul>
<p><b>Transactional marketing</b></p>	<p><b>Relationship marketing</b></p>

Source: pop and Pelau, 2006

### 2.5. Problems with the Traditional Marketing Approach

However, the traditional marketing mix approach of the 4Ps criticized for a number of reasons. These summarized as follows:

- ◆ The approach assumes that all clusters or segments of customers are similar and treated in a standardized way.

- ❖ The approach assumes consumers are passive absorbers of marketing information. However, with advances in multimedia technology, there are increasing opportunities for two-way communication and interaction between consumers and marketing organizations using interactive media. Consumers are also increasingly communicating with each other about marketing organizations (e.g. blogs).
- ❖ It assumes short-term and often one-off transactions based around the exchange of goods for money. Therefore, the focus of this approach is on a core product or service that exchanged almost entirely for money with little value added in terms of additional services.

However, the notion of a product with features that customers inspect and then buy is too simplistic! In many markets, there is a periodic and ongoing demand for products or services giving the opportunities for some sort of ongoing relationship to develop between the provider and the customer (again, think of a trip to the hairdresser, dentist or corner shop!) Therefore, in a relational context, the offering includes both a core product and additional value-adding aspects. This may be something as simple as a social chat about where you are planning to go on holidays, to collecting points on a loyalty card. Thus, in a relational context, the value-adding offering and its management can become extremely complex. Finally, it over-simplifies the variables required within certain marketing contexts and fails to capture the broader complexity inherent in many markets ([http:// faculty.mu.edu.sa/](http://faculty.mu.edu.sa/)).

### **2.6. Benefits of Relationship Marketing**

According to Mudie and Pirrie (2006) benefits of relationship, marketing to the customers and service providers are:

#### **2.6.1. Benefits to the Service Provider**

- ❖ Relational customers tend to increase their purchases over time, either because they are consolidating their purchasing onto a preferred supplier or because their own business/family has grown and there is a need for more.
- ❖ Experienced customers tend to make fewer demands on the supplier and fewer mistakes in their operation of the service. Therefore, productivity is improved and operating costs has reduced.

- ❖ Long-term satisfied customers will engage in positive word-of-mouth recommendation, thereby reducing the marketing spend necessary to attract new buyers.
- ❖ There is less need to offer price promotions to this group. Indeed these customers are likely to be less price-sensitive than others (which do not mean they have no price sensitivities). In addition to economic benefits, establishing long-term relationships with customers leads to improved levels of trust and commitment. These can play a powerful role in consumer acceptance of new service initiatives, and in increased tolerance of occasional services failure (Mudie and Pirrie, 2006).

### 2.6.2. Benefits to the Customer

The benefits arising from a relational approach do not solely accrue to the service provider. There are also customer benefits. These fall under three main headings: confidence benefits, social benefits and special treatment benefits:

- ❖ **Confidence benefits** arise from feelings of trust or comfort, or conversely from fewer feelings of anxiety, with the service provider. Of the three types of benefit, confidence benefits have found to be the most important to customers.
- ❖ **Social benefits** over time, customers develop a sense of familiarity and even a social relationship with their service providers. These ties make it less likely that they will switch, even if they learn about a competitor that might have a better quality or lower price. Often arise when the customer receives more than the technical benefits of the service: the local restaurant that remembers where you like to sit, the hairdresser that knows (and asks after) your family. In such cases, there is a more intimate dimension to the customer's relationship with the service provider than with many others. The service provider has become part of the customer's (life) support system. Such relationships not confined to consumer services.
- ❖ **They can also be present in business-to-business markets.** Indeed, it has suggested that professional service companies need to be careful not to let staff form specific intimate relationships with clients since they could be vulnerable to customer attrition if they lose these members of staff.

- ❖ **Special treatment benefits** include such things as getting preferential treatment, as with the loyalty schemes operated by most major airlines. Interestingly, special treatment benefits, while important were less important than the types of benefits received in service relationship. Although special treatment benefits can clearly be critical for customer loyalty in some industries, they seem to be less important to customers overall (Mudie and Pirrie, 2006).

Generally, relationship marketing plays a vital role in many consumer and business-related services. It focuses on the needs of customers and other stakeholders in order to develop a mutually beneficial relationship. Apart from increasing the levels of involvement of both the parties, relationship marketing often leads to long-term loyalty and support. Increasingly, relationship-marketing strategies tend to focus on customer retention by offering higher levels of customer service and quality and gaining repeated customer contacts. The major goals of relationship marketing are to develop customer involvement, commitment, trust and loyalty. It has also identified as being of prime importance in business-to-business marketing. Service organizations need to shift their focus from acquisition of new customers to retaining the existing customers. Service organizations also need to identify existing customers as valuable assets to their business in the long-term, and develop strategies that result in satisfactory outcomes (Mudie and Pirrie, 2006).

### **2.7. Levels of Relationship Marketing Strategies**

With the key building blocks of relationship marketing in place, the company is ready to design its relationship strategy. Berry and Parasuraman (1991) have developed a framework to assist in the design of relationship strategies. This framework depicts four levels of bond that the service provider can deploy: financial, social, customization and structural (Mudie and Pirrie, 2006).

#### **2.7.1. Financial Bonds (Level One)**

At this level, the customer is tied to the firm primarily through financial incentives, lower price for greater volume purchase or lower price for customers who have been with the firm a long time (Zeithaml & Bitner, 2004). For many, this type of bond represents the starter pack in terms of building customer relationships. Customer is incentivizing with reduced prices over time for remaining with the company. On the other hand, some sort of volume discount

can offered for taking a larger share of the customer's business or merely increasing the volume or value of the business that done. Unfortunately, financial incentives do not generally provide long-term advantages to a firm because, unless combined with another relationship strategy they do not differentiate the firm from its competitors in the long run. While, price and other financial incentives are generally not difficult for competitors to imitate because the primary customized element of the marketing mix is price (Zeithaml & Bitner, 2004).

### **2.7.2. Social Bonds (Level Two)**

Level two strategies bind customers to the firm through more than financial incentives. Price is still important marketers build relationship through social and interpersonal as well as financial bonds (Zeithaml & Bitner, 2004).

Companies seek to build intimate relationships through social or interpersonal bonds. The customer is no longer faceless (sometimes even nameless). He is a 'client', 'partner' and in some cases even a 'stakeholder'. Historically this has predominantly practiced in business-to-business services. The advertising agency account manager will be charge by his or her agency with having a strong bond with the marketing director of the client company. The account manager will expect to socialize with the client and listen to their worries. In return, the client is not expect to complain when the agency delivers late and over-budgets. Sometimes the social bond is not between the customer and the service employee but it formed between customers. These relationships bind them to the service provider (Mudie and Pirrie, 2006).

Social bonds alone may not tie the customer permanently to the firm, but they are much more difficult for competitors to imitate. In the absence of strong reasons to shift to another provider, interpersonal bonds can encourage customers to stay in relationship. In combination with financial incentives social bonding strategies may be very effective (Zeithaml & Bitner, 2004).

### **2.7.3. Customization Bonds (Level Three)**

The service provider is attempting to create these types of bonds when it customizes the service that delivered to particular groups of customers: in other words, the provider tailor makes the service to the needs of the customer. In the arena of business-to-business services,

the service provider may have no alternative other than to customize its offering. Consider the accountancy firm or the commercial law practice: the service they offer one particular client is unlikely to be identical to that offered to any other. The customer bonded to the service provider through this customization. For many such services, there is often a high cost for the customer of switching to another service provider. Therefore, where customizing the service becomes de facto a necessary component of service delivery, the service provider should also be monitoring the relationship to ensure the customer remains positively predisposed to the company (Mudie and Pirrie, 2006).

Two commonly used terms fit within customization bonds approach: mass customization and customer intimacy. Both of these strategies suggest the customer loyalty can be encouraged through intimate knowledge of individual customers and through the development of one to one solution that fit the individual customer needs. Mass customization has defined as the use of flexible process and organizational structure to produce varied and often individually customized products and services at the price of standardized, mass produced alternatives. Mass customization does not mean providing customers with endless solutions rather it means providing them with little effort on their part with tailored services to fit their individual needs (Zeithaml & Bitner, 2004).

#### **2.7.4. Structural Bonds (Level Four)**

Level four strategies the most difficult to imitate and involve structural as well as financial, social, and customization bonds between the customer and the firm (Zeithaml & Bitner, 2004). As with customization, these types of bond are more prevalent in business-to-business markets. Structural bonds often occur where the services offered by the service provider designed into the systems or processes of the client company.

An example would be a research company that designs a system to gather electronic point of sale from every cash register of a high street retailer, and then feeds this information back in virtual real time to the retailer and their suppliers to ensure stores have the right stock on the shelves.

However, some companies that are serving the public are also building structural bonds into their service delivery, although in many cases these are reserved for their business-to-business segments (Mudie and Pirrie, 2006).

## **2.8. Dimensions of Relationship Marketing**

### **2.8.1. Informational Dimension**

Informational dimension regards the general communication of the company with the market, and with its customers, especially for gaining as much as possible information about the customer. This communication takes place carefully and directed to a target. It must be making in both directions. The information about the client must be collect systematically and rigorously. The existence of some customer databases within the marketing informational system is strictly necessary (pop and pleau, 2006).

The company has to structure its clients, according to their importance for their financial results. In the same way as the company is preoccupied to gain new customers, it must decide which customers should be give up. The selection should be doing according to some quantitative indicators as the customer lifetime value or the customer profitability (Foscht and Swoboda, 2005) or some qualitative indicators, as the customer profit, the quality of the communication, and perspectives of future developments on the market. An important source of information about the customers represents the complaint and reclamation management (Kukat, 2005).

The informational dimension of relationship marketing is very complex. Analyzing the evolution of the biunivouque relation between company and customer, the information about the state of this relation (satisfaction/ dissatisfaction with the services of the company, perspectives of fidelity, loyalty and even enthusiasm of customers) should be recorded (Pop, 2005). Similar to election barometer, there must be doing a customer barometer on base of periodic research as for instance panel research, which measures the level of satisfaction of the customer towards products, services or trademarks.

### **2.8.2. Management Dimension**

Management dimension of relationship marketing, regards all decisions about managing the relation between the company and its customers. These relations can be structure after their nature, as follows:

a) Relations regarding the contract

- Pre-contractual relations
- Contractual relations

- Post-contractual relations
- b) Relations regarding the demand and offer of information
- Available information for the customers
  - Information asked by the customers from the company
- c) Relations generated by the reaction of the customers towards the offered Service
- Satisfaction
  - Enthusiasm
  - Complaint
  - Reclamation
- d) Relations generated by the multiplication effect of satisfied / unsatisfied customers on potential customers (pop and pleau, 2006).

Accordingly to this, the decision making process has to be adapted to this kind of relations in order to assure a continuity for the economic activity of the company. If the first kind of relation (a) represents the formal frame of the cooperation and belongs to the tasks of the sales department, all other relations (b, c and d) have an informal character and they belong to the responsibility field of the marketing department (pop and pleau, 2006).

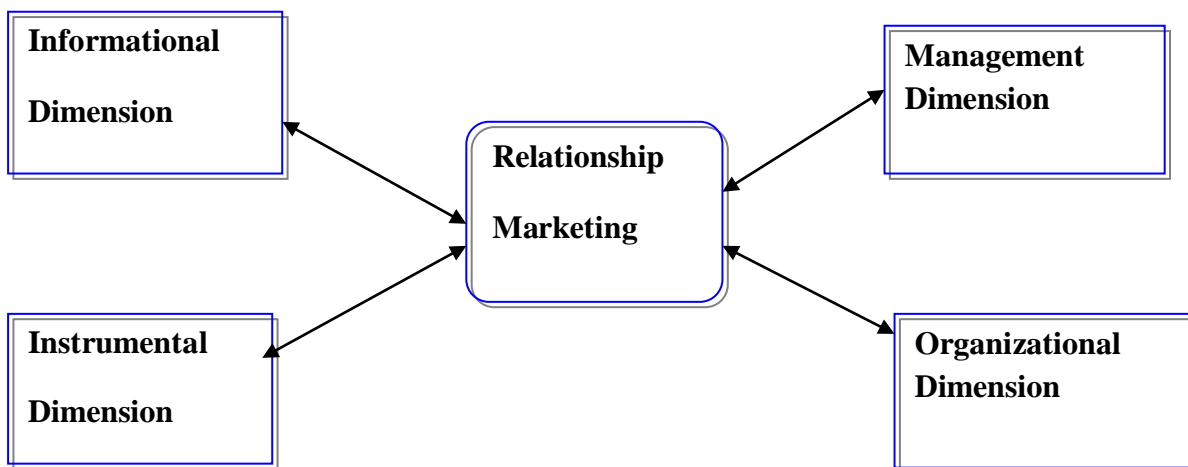
### **2.8.3. Instrumental Dimension**

Instrumental dimension refers to all instruments that the company uses in order to attach its clients to its products, services or trademarks for the long term. This dimension should not be regarded as an inventory of methods used occasionally, depending on the market situation. It rather refers to the way in which the company combines all methods in one system in order to make customers loyal. For instance, a company introduces a bonus system for trustworthiness or a collection of books. Nevertheless, the only listing of such instruments is not enough to define the instrumental dimension of relationship marketing. The various methods of attaching the customers have to be applying in a certain order and in a certain combination, depending on the nature, characteristics and particularities of each client. The way, in which a financial institution tries to attach one commercial client, for instance a building entrepreneur differs from the way in which they attach a private person. In the use of the instruments for attaching customers, one will take in account the costs involved for the attachment in comparison with the expected effects (pop and pleau, 2006).

#### 2.8.4. Organizational Dimension

Organizational dimension needs a certain structure of the company according to the efforts used for the management of the relationship with the customers. Within the functional departments of the company, new jobs appear with new responsibilities, tasks and different functions. For instance in the marketing department, the personnel responsible with the market research will be divided, and a new job responsible for the management of the customer databases will appear. As mentioned before, a new position will be the relationship manager. To his responsibilities belong the politic of assisting the relationship with the customers, depending on their importance for the company (principal customer, permanent customer, occasional customer etc.). The responsibilities of the personnel, which are in permanent contact with the customers (sales persons, service personnel, call centre personnel) should be permanent up to date with the expectations of the different categories of the representative of the demand (pop and pleau, 2006).

**Figure 2.2: Dimensions of relationship marketing**



Source: Pop and Pelau, 2006

#### 2.9. Necessary Conditions for Relationship Marketing

A relationship develops between a customer and an organization when there are benefits to both from one or more exchanges. For a profit-maximizing firm, the benefits of a relationship with end users arise from the economics of retention (Reichheld, 1996), insulation from competition (Anderson and Sullivan, 1994), and so forth. For the customer, the benefits of a relationship with the organization include customization and decreased costs due to

efficiencies in dealing with known suppliers, including lower search costs and risk reduction (Sheth and Parvatiyar, 1995).

### **2.9.1. Customization**

Relationship marketing in mass markets requires that the market consist of different benefit segments that can potentially be serving by differentiated products (Bolton and Bhattacharya, 2000). In other words, customization must be possible within the product category for relationships to develop via products (including branding and image), people or technology. Mass customization is generally considering a tool to build loyalty when mass-market quality is no longer a sufficient differentiator (Gilmore and Pine, 1997).

Mass customization began in service industries, where customization is necessary due to simultaneity of production and consumption. Service operations or employees may customize the process and/or the outcome of the service for the customer (Bolton and Bhattacharya, 2000).

### **2.9.2. Customer Intimacy**

Relationships involve one or more exchanges over time. However, a key feature of relationship marketing is its explicit recognition that exchanges between organizations and customers extend beyond strict economic boundaries (Hunt and Morgan, 1994). For example, it recognizes that emotions -- as well as cognition -- play a role in the relationship between the buyer and the seller. In mass markets, relationship marketing can facilitate customer intimacy by invoking emotions in a variety of contexts. Broadcast media can create a sense of identification or affiliation with the organization. Organizational procedures can influence customers' perceptions of the fairness of the exchange relationship (Lind and Tyler, 1988).

Substantively personalized service can influence customers' perceptions of the helpfulness and friendliness of the organization (Surprenant and Solomon, 1987). In favorable situations, these circumstances can invoke emotions such as happiness, pride, and achievement. In unfavorable situations, these same circumstances can invoke emotions such as anger and frustration. Customers and employees in organizations who engage in favorable relationships feel a sense of "commitment" or "connection" towards one another (Morgan and Hunt, 1994)

### **2.9.3. Two Way Interactions**

The very notion of an exchange relationship between the organization and the customer requires a (direct) two-way interaction. In mass markets, organizations typically have a variety of ways of contacting customers via the marketing mix. To practice relationship marketing in mass markets, managers must ask. Can customers contact the organization? In service organizations, the customer frequently interacts with the organization when he/she is exposed to service employees, such as salesperson, a customer service representative or a service provider e.g., the claim taker at an insurance company (Bolton, and Bhattacharya, 2000).

### **2.9.4. Extended Time Intervals**

The relationship between an organization and a customer occurs over a time interval that may encompass one or more exchanges. However, even if the interval includes a single monetary transaction, the exchange relationship often extends beyond the time of the actual sale. Since the exchange involves psychological/social resources, as well as economic resources, the duration of the relationship includes the various stages of the selling process either prior to a particular sales transaction (e.g., interior decoration or real estate), during the sale (e.g., automobiles), or afterwards e.g., maintenance and repair of appliances (Bolton, and Bhattacharya, 2000).

## **2.10. Relationship Marketing in the Banking Sector**

The banking sector is becoming increasingly competitive around the world. This is particularly true in the area of small-medium business banking. Further, the core and actual product being offered to business customers could be considered reasonably homogenous. Consequently, there is an increased need for banks to differentiate themselves from competitors at the augmented product level. One way that this might be achieved is to develop longer-term relationships with their key customers (Heffernan et al, 2008).

Customer oriented relationship marketing program that enhance the flow of information between the bank and customers increase customers' positive feelings towards their bank, thereby also increasing satisfaction and relationship strength (Barnes and Howlett, 1998; Ennew and Binks, 1996).

Relationship marketing need not be, directed towards all customers of the bank. Most retail banks characterized by having both profitable and unprofitable customers, where the former subsidize the latter (Carson et al., 2004; Zeithaml et al., 2001). Retaining the profitable customers has become increasingly difficult in a competitive environment where other financial institutions specialize in offering attractive services and prices to this lucrative segment.

In the increasingly competitive global financial world, relationship marketing has been advocated as an excellent way for banks to establish a unique long-term relationship with their customers. Thus, recognition of the importance of relationship marketing has grown in recent years (Man so and Speece, 2000).

Relationship marketing strategy, apart from its ability to help understand customers' needs, can also lead to customer loyalty and cost reduction (Ndubisi, 2004). In fact, the popularity of relationship marketing is fed by the fact that building relationships is beneficial for both customers and the enterprise. Long-term relationship between a bank and its customers brings numerous financial benefits to both bank and customer, which have a real economic value (Bae et al., 2002; Ashton and Pressey, 2004).

Reichheld (1993) reported that a 5 percent increase in customer retention typically grew the company's profit by 60 percent by the fifth year. In addition, long-term relationships between banks and their customers allow for the systematic monitoring of borrowers for credit assessment, enforcing contract compliance and as a conduit to gather information for profitability, distribution and pricing which leads to greater satisfaction, repurchase, and positive word of mouth (Ashton and Pressey, 2004).

Moreover, if a bank builds and maintains good relationships with customers it cannot be easily replaced by the competitors and therefore provides for a sustained competitive advantage. Thereby relationship marketing is about the mutually beneficial relationship that can be established between customers and the bank (Gilbert and Choi, 2003).

### **2.11. Review of Empirical Literature**

Pop and pleau, (2006) conducted a case study research on relationship marketing in BRD express one of the retail bank in Romania. Relationship marketing dimensions was used to measured the implementation of RM in the bank from customer perspectives

**Informational dimension** In the case of BRD Express, there is a possibility of gaining more information about the customers through the individualization. So not only the formal information are gathered such as name, surname, address, working place and others, but also informal information through the discussions and more personal relation with the BRD employees.

**Management dimension** on one hand there are the formal aspects such as contracts, on the other hand there are informal aspects as information given to the customers, reactions of customers. For the formal part, there must be a frame, which all BRD Express should respect. Through the well-trained employees, information about all BRD products can be given to the customers. On the other hand, the employees through the individualized relationship can better observe reactions and feedback of customers. Through better knowledge of the reactions of customers, there can also be a faster reaction of BRD in order to avoid negative opinions and negative recommendation.

**The instrumental dimension** refers to the development of the new concept consisting in a new type of agency BRD Express, which should fit more to the needs and expectations of the customers. Therefore, the proximity to potential customers, simple and fast operations and the comfort should increase the customer satisfaction, so that new customers should be gained and old customer stimulated to buy new products or services.

By BRD Express, the organizational structure was developed horizontally very much. Many positions with equal responsibilities were introduced in order to serve better the customer. For this reason many investments were done, not only in material objects, such as buildings, furniture and others, but also in human capital.

Rootman et al (2011) conducted a research on the title of “Relationship marketing and customer retention lessons for South African banks”. The primary objective of the research was to identify and investigate the influence of relationship marketing on customer retention in South African, Canadian and UK banks. Therefore, this article addresses the need for

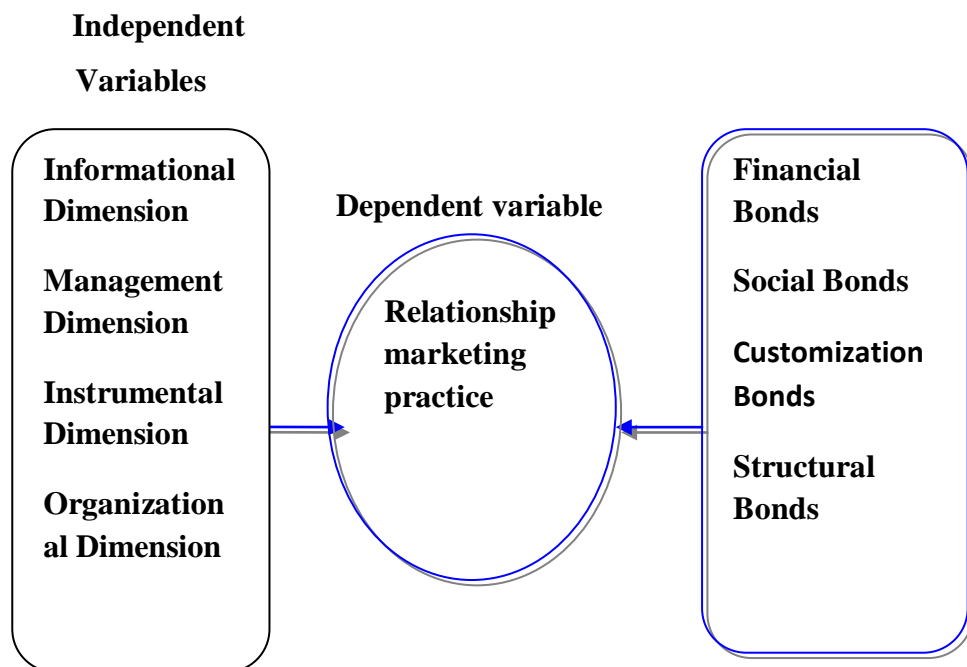
further understanding of relationship marketing and customer retention of banks, and related lessons that can be learned from banks in Canada and the United Kingdom (UK). A self-developed, structured questionnaire was distributed via convenience snowball sampling to banking clients in South Africa, Canada and the UK. 637 banking clients were as sample size from three countries that were addressed through email and different social Medias.

The findings revealed that six banking service delivery variables influence banks' relationship marketing and customer retention. Fee structures and the ethical behavior of banks are regarded as the most important focus areas for banks. Canada was identified as the country with the most highly regarded banks in terms of relationship marketing, customer retention, empowerment of bank employees and personalization of banking services. UK banks were highlighted as superior in setting fee structures, communication strategies and ethical behavior. Therefore, strategies implemented by Canadian and UK banks relating to the variables were adapted to fit South African banks as well as institutions in other developing countries.

### 2.12. Framework of the Study

The student researcher designed this framework based on the theories in the literature review. It shows that there are four types of relationship marketing dimensions and four types of level relationship marketing strategies. Thus, the study was evaluated the practice of relationship marketing in Wegagen bank S.C. based on the four dimensions and assess how the bank uses the four levels of relationship marketing strategies in its marketing strategies. Dimensions of relationship marketing are independent variables in the study, relationship-marketing practice also taken as a dependent variable. Therefore, it assessed the impact of relationship marketing dimensions on relationship marketing practice of the bank.

**Figure 2.3 Conceptual Framework of the Study**



## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1. Description of the Study Area

After the downfall of the Dergue, the private sectors involvement started after Monetary and Banking proclamation No.83/1994. Therefore, Wegagen Bank is one of the private banks in the country established in 1997 with 15 founding share holders and with a 30 million birr capital now has 2,157 shareholders with a paid up capital of over one billion birr and the total capital, including reserves, has reached 1.8 billion birr ([www.Wegagenbank.com](http://www.Wegagenbank.com)).

The bank, which has 88 branches throughout the country, 43 of them operated in the capital and the rest are in overall the country. Currently the bank has earned 322 million birr net profit after tax. As at June 30, 2013, total deposits of the bank reached birr 7.55 billion, rising steadily by about 31% and increasing by a net deposit amount of birr 1.8 billion (Annual report of Wegagen bank, 2012/13).

#### **Vision**

“Becoming the most preferred bank in Ethiopia”

#### **Mission**

To provide a wide range of quality banking services through a dynamic work force and up to date information technology solutions to satisfy the desire of all stakeholders

#### **Values**

- ❖ Outstanding customer service
- ❖ Business integrity, honesty and loyalty
- ❖ Effective, efficient and expanding operations,
- ❖ Strong capital and liquidity position,
- ❖ Prudent lending,
- ❖ Reasonable cost control disciplines
- ❖ Fair and objective employment practices,
- ❖ Play a reasonable role in aligning objectives of the bank with those of local communities, and
- ❖ Commitment to comply with the spirit and letter of the law

### **3.2. Research Design**

Descriptive research is used to describe some aspect of a phenomenon, i.e., the status of a given phenomenon. It can help understand a topic and lead to causal analysis. It aims to describe the state of affairs as it exists and interpret what is (Kothari, 2004). Accordingly, the study is a descriptive type of research because it describes how the bank practiced relationship marketing based on the theories drawn from the literature.

### **3.3. Research Approach**

Both qualitative and quantitative research approaches have been employed. Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior (Kothari, 2004). Such an approach to research generates results either in non-quantitative form or in the form that are not subjected to rigorous quantitative analysis. Generally, the techniques of focus group interviews, projective techniques and in-depth interviews are used. In addition, the purpose of qualitative research is to gain a deeper understanding and describe a problem.

Quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena that can be express in terms of quantity (Kothari, 2004). The purpose of quantitative research is to gather, analyze, and measure statistical data. In a quantitative research approach, a number of objects selected and studied in order to increase the ability to draw general conclusions. Many researchers who use both methods gain the best of both quantitative and qualitative research approaches (Creswell, 2003)

The student researcher used both qualitative and quantitative research approaches to find out detail and vivid information from customers and manager of the bank.

### **3.4. Population and Sampling Technique**

Population of this study included customers of Wegagen bank in Addis Ababa branches. To select the sample population of the study the student researcher has applied non-probability sampling method specifically convenience sampling technique, because it is difficult to access all customers of the bank with in specific period of time to collect data so it is best to collect data from customers at hand. Research carried out on relationship marketing in the banking industry indicates that researchers used large sample sizes ranging from about 200 to 1000 respondents (Narteh, 2009). Burns (2000), advises novice researchers to use large

sample sizes as much as possible because it maximizes the possibility that the mean, percentages and other statistics will reflect the true estimates of the population. Again, large sample sizes give the effects of randomness the chance to work of errors are reduced as the sample size increases (Malhotra and Birks, 2007).

Wegagen bank has more than 336,790 customers over all the country. For the purpose of this study, the student researcher has taken 20,044 customers registered in three branches of the bank database as a sample frame. The branches were selected based on number of customers they have from their category and convenience to the student researcher. Therefore, the student researcher has selected 378 respondents from three branches of the bank located in Addis Ababa, by applying 95% confidence level, 5% margin of error ([www. research advisor .com](http://www.researchadvisor.com))

Questionnaire was distributed to three hundred seventy eight (378) customers of the bank served at those three branches. Wegagen bank has a system of grading branches based on their time of establishment and number of customers served at the branch. Thus, there are three grades in the bank. Among the branches located in Addis Ababa there are eight branches categorized in grade (Tier) one, grade (Tier) two contained two branches, the rest are categorized under grade (Tier) three. Therefore, the sample was taken from one branch of three grades respectively. The branches selected for the study are Bole branch from grade one, Habte Giorgis branch from grade two and Kazanchis branch from grade three of the bank. Questionnaire was distributed to the branches based on their category status. To investigate how the bank is developed and implement relationship marketing the student researcher was conducted interview with marketing manager of Wegagen bank S.C.

Convenience sampling was applied to select the respondents of the questionnaires due to the accessibility of participants while they are at the bank.

### **3.5. Sources of Data**

Both primary and secondary sources have been used to acquire data from different research participants. Primary data was acquired from respondents through questionnaires and interview. Secondary data was obtained from books, reports and database of the bank.

### **3.6. Data Collection Instrument**

The two categories of data collection techniques used in scientific research are quantitative or a qualitative research design (Kothari, 2004). Within each category are hosts of specific

designs such as experiments, field surveys, case research, ethnographic studies, and so forth. Quantitative designs are intended to collect primarily quantitative data such as numeric scores and metrics, while qualitative designs are aimed at collecting qualitative data, such as interview or observational data. Accordingly, this study has collected both qualitative and quantitative data. Quantitative data was collected by using close-ended questionnaires that managed by Likert five scale points starting from strongly agree up to strongly disagree and qualitative data collected through semi-structured interview with marketing manager of the bank.

### **3.7. Data Analysis**

Data analysis consists of examining, categorizing, tabulating, testing or otherwise recombining both quantitative and qualitative evidence to address the objective of the study (Yin, 2003). The data of the questionnaires was input in an electronic spreadsheet to organize and for further analysis of results. Statistical analysis was conducted by using version 20.0 SPSS (Statistical Package for the Social Sciences) software. The data analysis has used descriptive statistics tools such as frequencies distributions, mean, standard deviation, table, graph, and reliability analysis.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

The purpose of this study is to assess the practice of relationship marketing in Wegagen bank by asked customers different questionnaires designed in terms of the four dimensions stated in the literature review and through conducted interview with the marketing manager of the bank. Thus, this chapter encompasses analysis and interpretation of data acquired from the questionnaire and analysis of data that was obtained from interview with marketing manager of the bank. To analyze the data descriptive statistics was employed by using tables and graphs. In the first part, profile of respondents and summary of findings has been analyzed; lastly, summary of interview has been presented.

In the study, 378 questionnaires were distributed to three selected branches of the bank and 334 of them were returned among them due to incompleteness only 316 questionnaires were found to be usable. The questionnaire was translated into Amharic by the student researcher and it was distributed to the customer the Amharic version of questionnaires.

Table 4.1 Distribution of questionnaires to the branches of wegagen bank and rate of returned and unreturned questionnaires

<b>Branches</b>	<b>Distributed questionnaires</b>	<b>Percentage</b>	<b>Valid Returned Questionnaires</b>	<b>Percentage</b>	<b>Unreturned</b>	<b>improperly filled</b>	<b>Unreturned and improperly filled</b>
<b>Bole Branch</b>	<b>143</b>	<b>38</b>	<b>120</b>	<b>83.91</b>	<b>15</b>	<b>8</b>	<b>23</b>
<b>Habte Giorgis Branch</b>	<b>125</b>	<b>33</b>	<b>106</b>	<b>84.8</b>	<b>13</b>	<b>6</b>	<b>19</b>
<b>Kazanc his Branch</b>	<b>110</b>	<b>29</b>	<b>90</b>	<b>81.81</b>	<b>16</b>	<b>4</b>	<b>20</b>
<b>Total</b>	<b>378</b>	<b>100</b>	<b>316</b>	<b>83.50</b>	<b>44</b>	<b>18</b>	<b>62</b>

## 4.1. Analysis of Data Collected From Survey

### 4.1.1. Data Coding

After the data file was checked and adjusted, the coding phase followed. Coding is “The process of assigning a numerical score or other character symbol to previously edited data” (Zikmund et al. 2010). The statements in the first part of the questionnaires demographic characteristics were investigate.

Accordingly, male was coded as 1 and female was coded as 2, other demographic factors were coded from 1 to 5 in the case of age and, from 1 to 6 for education level, from 1 to 5 for occupation. Second parts of the questionnaires were used with a five-point Agree-Disagree scale. In this scale, strongly disagree was coded as 1 and strongly agree was coded as 5. The points in between were coded as 2, 3, and 4.

### 4.1.2. Analysis of Demographic Data

Demographic analysis included sex, age, occupation, experience, and educational background of the respondents. These demographic variables make the research easily understand by the readers who were involved in the study and it helps to identify characteristics (background) of the respondents.

Table 4.2 summary of demographic variables

	<b>Variables</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
<b>Sex of respondents</b>	Male	211	66.8	66.8	66.8
	Female	105	33.2	33.2	100.0
	<b>Total</b>	<b>316</b>	<b>100.0</b>	<b>100.0</b>	
<b>Age of Respondents</b>	18-30	128	40.5	40.5	40.5
	31-40	136	43.0	43.0	83.5
	41-50	40	12.7	12.7	96.2
	51-60	12	3.8	3.8	100.0
	<b>Total</b>	<b>316</b>	<b>100.0</b>	<b>100.0</b>	
<b>Educational background of respondents</b>	Elementary school	14	4.4	4.4	4.4
	Secondary School	51	16.1	16.1	20.6
	Diploma	114	36.1	36.1	56.6

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	Degree	117	37.0	37.0	93.7
	Masters	12	3.8	3.8	97.5
	Other	8	2.5	2.5	100.0
	<b>Total</b>	<b>316</b>	<b>100.0</b>	<b>100.0</b>	
<b>Experience with the bank</b>	Below one year	45	14.2	14.2	14.2
	1-3	164	51.9	51.9	66.1
	3-5	70	22.2	22.2	88.3
	Above 5 years	37	11.7	11.7	100.0
	<b>Total</b>	<b>316</b>	<b>100.0</b>	<b>100.0</b>	
<b>Occupation of respondents</b>	Government	40	12.7	12.7	12.7
	Private	115	36.4	36.4	49.1
	Self	137	43.4	43.4	92.4
	Student	15	4.7	4.7	97.2
	Unemployed	9	2.8	2.8	100.0
	<b>Total</b>	<b>316</b>	<b>100.0</b>	<b>100.0</b>	

Source: Researcher's Survey Finding 2014

As it mentioned in table 4.2, 66.8% of the respondents are male and the remaining 33.2% of the respondents are female. The respondents age category is divided into five intervals based on inclusive type but the respondents are only included within four of them. 43% of the respondents are 31-40 years old, 40.5% of the respondents are 18 -30, 12.7% of the respondents are 41-50, 3.8% of the respondents are 51-60 and there is no respondents who are over 60. Most of the respondents involved in the study are 18-40, for that reason, they are matured enough to provide reliable data and they might be able to evaluate the relationship marketing practice of the bank in detail.

As shown in table 2.2, 37% of the respondents involved in this study are degree holders, 36.1% of the respondents are diploma graduates, 16.1 of them are secondary school completion, 4.4% of the respondents are elementary school, 3.8% are master graduates and 2.5% of the respondents have other background. The higher percentages of respondents are degree holders and diploma graduates, relatively they have a good understanding about relationship marketing, and thus they can assess critically relationship-marketing practice of the bank. 51.9% of the respondents have an experience with the bank 1-3 years, 22.2% of them have 3-5 years experience, 14.2% of the respondents have an experience with the bank

below one year and the rest 11.7% of the respondents are a customer of the bank for more than five years. The majority of the respondents have an experience more than one year of using the services of the bank, hence, they are well informed about the relationship marketing practice of the bank and they can evaluate the implementation of RM in detailed.

The above table showed that, the highest percentage of respondents are self employ 43.4%, 36.4% are working in private sectors as an employee, 12.7 % are working in government, 4.7% are students and the remaining 2.8 % are unemployed. Therefore, customers of the bank involved in the study are working in different sectors, they could investigate RM practice of the bank from different perspectives, and it helps to obtained reliable data.

### 4.1.3. Reliability Test

Cronbach's Alpha coefficient of reliability (or consistency) is a measure of squared correlation between observed scores and true scores. Zikmund and Babin (2010b) noted, "Reliability is an indicator of a measure's internal consistency". Reliability is thus measured in terms of the ratio of true score variance to observed score variance (Garson, 2005). (Garson) also adds that the more consistent within-subject responses are, and the greater the variability between subjects in the sample, the higher Cronbach's alpha will be; also, the alpha will be higher when there is homogeneity of variances among items than when there is not.

A benchmark alpha of .70 was set as an acceptable measure of reliability (Cronbach, 1951). Thus, the variables reliability test of this research is summarized as follows.

Table 4.3 Reliability Test of the Research

Variables	Cronbach's alpha
Informational dimension	.978
Management dimension	.984
Instrumental dimension	.986
Organizational dimension	.991

Source: Researcher's Survey Finding 2014

Variables of the study scored more than the benchmark alpha which is .70 considered by different researchers. As it mentioned in the above table informational dimension scored .978, management dimension scored .984, instrumental dimension scored .986, and organizational dimension scored .991. Therefore, there is high internal consistency among the variables and they evaluate the same things.

## 4.2. Analysis of Relationship Marketing Dimensions

### 4.2.1. Informational Dimension

Informational dimension deals with the communication of the company with its customers in different perspective (pop and pleau, 2006). The study considered informational dimension as one of the variables to assess RM practice of the bank. Accordingly, there were different statements designed to assess implementation of RM in Wegagn bank from the point of informational dimension. Thus, availability of all necessary information about the customer on the bank database scored the highest mean that is 3.95. Employees' communication with customer intimately scored the second highest mean in this dimension 3.92. Reliability of information provided by the bank to its customers scored 3.85, interest and kindness of employees to provide information to their customer scored 3.74, the commitment of the bank to listen and correct customers complain scored 3.60, the bank conducts survey to identify interest of customer periodically scored 3.52. The lowest mean in this dimension scored providing information to customers about new service by using mobile message, email so on 3.41.

Table 4.4 Informational Dimension of RM

Informational Dimension	N	Minimum	Maximum	Mean	Std. Deviation
1.The bank periodically conducts survey to identify interest of customers and to maintain its relationship	316	1	5	3.52	1.114
2. The employees of the bank discuss with me intimately to fulfill my interest	316	1	5	3.92	1.136
3. I believe the bank has all necessary information about me in its database	316	1	5	3.95	1.061
4. The employees of the bank provide me all necessary information that I want at any time kindly	316	1	5	3.74	.951
5. The bank informs me periodically about new service by mobile, email messages etc	316	1	5	3.41	1.238
6.The information provided by the bank is reliable and updated	316	1	5	3.85	.914

7.The bank uses customers' complaints as a source of information to improve its service	316	1	5	3.60	1.023
<b>Average</b>	316			<b>3.712</b>	<b>1.076</b>

Source: researcher's survey finding 2014

#### 4.2.2. Management Dimension

The management dimensions of relationship marketing are regarding all decisions about managing the relation between the company and its customer (pop and pleau, 2006). Thus, to assess how wegagen bank managing the relation with its customer was designed as one dimension in the study. Therefore, excellent treatment of employees to their customers scored the highest mean value in management dimension 4.12. Dedication to keep on the relationship scored the second highest mean 4.02. Good attitude of customers towards the way Wegagen bank manages relationship marketing scored 3.84. Satisfaction of customers to their relationship with the bank scored 3.83 and knowledge of the employees about relationship marketing and how managed it scored 3.81. Commitment of the bank to sustain the relationship it has with customers scored 3.70, and listening and correct complains came from customers scored 3.62. The bank participated customers on decisions that affect the relationship scored 3.27 that is the lowest mean value in this dimension.

Table 4.5 Management Dimension of RM

Management dimension	N	Min.	Max.	Mean	Std. Dev.
1. The bank allows me to participate on decisions that affect our relationship	316	1	5	3.27	.969
2. The bank is devoted to sustain the relationship we have	316	1	5	3.70	1.114
3. I am dedicated to keep on the relationship with the bank	316	1	5	4.02	.941
4. The bank listens and corrects complaints that come from customers immediately	316	1	5	3.61	1.026

5. The staff members are knowledgeable about relationship marketing and how it is managed	316	1	5	3.81	1.030
6. The employees of the bank identify their customers and treat them in good manner	316	1	5	4.12	1.036
7. I am satisfied with the relationship I have with the bank	316	1	5	3.83	1.291
8. I am happy about the way Wegagen Bank manages relationship marketing	316	1	5	3.84	1.128
Average	316			3.775	1.116

Source: Researcher's Survey Finding 2014

#### 4.2.3. Instrumental Dimension

Instrumental dimension refers to all instruments that the company uses in order to attach its clients to its products, services or trademarks for long term (pop and pleau, 2006). Delivery of service to customers promptly scored 4.02 of mean that is the highest in the dimension. Preparation of all necessary materials for customers in order to get the service easily and quickly scored 3.90 mean values. Customization of service to customer interest scored 3.66, and the ambiance of the room to get service scored 3.52. Attractive arrangement of the room scored 3.51 mean. Availability of ATM machines at convenient places scored 3.24, and functionality of the ATM machines including weekend scored the least mean that is 3.12 in instrumental dimension.

Table 4.6 Instrumental Dimension of RM

Instrumental dimension	N	Min.	Max.	Mean	Std. Deviation
1. The bank operates ATM (automatic teller machine) at convenient places to customers	316	1	5	3.24	1.240
2. The ATM is always working including on weekends	316	1	5	3.12	1.239
3. The room arrangement of the bank is attractive and comfortable	316	1	5	3.51	1.103
4. Colour of the wall and lighting of the room is attractive and convenient to stay	316	1	5	3.52	1.040
5. The employees of the bank delivered service to customer quickly	316	1	5	4.02	1.094
6. The bank always prepares materials needed to facilitate the service like pen, transaction forms etc.	316	1	5	3.90	1.023
7. The bank customized its service to satisfy my interest	316	1	5	3.66	1.293
<b>Average</b>	316			<b>3.567</b>	<b>1.158</b>

Source: Researcher's Survey Finding 2014

#### 4.2.4. Organizational Dimension

Organizational dimension needs a certain structure of the company according to the efforts used for the management of the relationship with the customers (pop and pleau, 2006). Well practice of relationship marketing by the bank scored 3.82 the highest mean value in the dimension. Easiness to contact and discuss with managers and employees of the bank scored 3.76 mean values. Recommended to others by customers about the good treatment of the bank has scored 3.72. Easily socialize with employees and customers of the bank have scored 3.65 mean. Categorization of customers based on their financial importance and experience with the bank scored 3.62 mean. Availability of a unit or department to manage the

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relationship with customers, and relationship-marketing practice of the bank exceeds my expectation scored 3.33 mean values. The bank arranges a platform for customers to discuss about the relationship they have with the bank scored the least mean in the dimension that is 2.84.

Table 4.7 Organizational Dimension of RM

Organizational dimension	N	Min.	Max.	Mean	Std. Deviation
1. The bank has a unit or department with the responsibility of managing relationship with its customers	316	1	5	3.33	1.160
2. It is easy to contact and discuss with staff members of the bank including managers	316	1	5	3.76	1.143
3. I socialize myself with customers and staff members of the bank easily	316	1	5	3.65	1.245
4. I tell to others about the good treatment the bank makes to its customers	316	1	5	3.72	1.300
5. The bank categorized customers according to their financial importance and their relationship	316	1	5	3.62	1.078
6. The bank arranges a platform for customers to discuss about their relationship with it	316	1	5	2.84	1.038
7. The organizational structure is convenient to work business and create relationship with the bank	316	1	5	3.29	1.210
8. I found the relationship practice of the bank exceed my expectation	316	1	5	3.33	1.299
9. I believe the bank practiced relationship marketing well	316	1	5	3.82	1.083
<b>Average</b>	<b>316</b>			<b>3.484</b>	<b>1.169</b>

Source: Researcher's Survey Finding 2014

### 4.3. Summary of Survey Findings

Likert scale was used to measure the importance level of factors affecting practices of relationship marketing. The higher the score, the more the variable are practiced. Five point scales were used to measure the importance of factors in such a way that mean score could be calculated to determine the importance of factors in the RM practice. With five point scales, the intervals for breaking the range in measuring each variable are calculated as follows: (Kidane, 2012)

**Max.-Min. divided to total number of options  $5-1/5 = 0.8$**

Therefore, in the difference of 0.8 the mean value categorized from the lowest up to the highest score. It means that the scores falling between the following ranges can be considered as:

The score between 1.00-1.80 mean lowest practiced (Lowest)

The score between 1.81-2.61 mean low practiced (Low)

The score between 2.62-3.41 mean averages practiced (Average or Medium)

The score between 3.42-4.21 mean well practiced (High)

The score between 4.22-5.00 mean very well practiced (Highest)

The average mean of informational dimension is 3.71; it scored maximum 3.95 and minimum 3.41. Relationship marketing practice in Wegagen bank in terms of informational dimension categorized under “**well practiced**” which is an average mean value of between “3.42-4.2”. This shows that Wegagen bank could provide all necessary information to its customers, the information is reliable and updated, and the bank tries to identify the need of customers through different ways. Additionally, the bank works to solve complaints raised from customer and uses the complaints as a source of information to improve its service and the bank have all necessary information about its customers on the database. Therefore, as far as the informational dimension is concerned, Wegagen bank practiced relationship marketing in a good manner. Due to this fact, the mean score has shown that, majority of the customers have agreed that the bank practiced RM well in terms of the dimension.

Management dimension scored an average mean of 3.77 with maximum 4.12 and minimum 3.27. Accordingly, when the relationship marketing practice of the bank measured in terms of this dimension it categorized under “**well practiced**” similar to informational dimension. It means that the bank is committed to sustain the relationship with its customers, the employees of the bank treated customers well and the employees have good knowledge about the concept of relationship marketing as well as how to manage it. Besides this, customers are devoted to continue their relationship with the bank, they are happy about the relationship they have with bank, and the bank is committed to listen plus to correct complains raised by customers. The bank allowed customers on decisions that affect the relationship with the bank obtained the least mean 3.27; this means majority of the customers are neutral in the statement while they measured the bank’s implementation of relationship marketing. In general, Wegagen bank practiced relationship marketing well in terms of management dimension.

Instrumental dimension attained an average mean of 3.56 with maximum 4.02 and minimum 3.12. It sorts out under “**well practiced**” value because, the mean value is more than average and below the highest mean value. Thus, Wegagen bank customized its service to meet the need of customers, it prepared all necessary materials to facilitate the service for customers, the room arrangement is good, lighting and color of the wall is attractive to stay as well as to get service, and employees of the bank provide service quickly to customers. The bank operates ATM machines in different places and the ATM machines provide service including weekend scored 3.24 and 3.12 respectively. An average mean value of these two statements is below high and it is moderate or neutral. This means among the items tested in the dimension, the bank did not practice well the activities related with those two statements. Generally, in terms of instrumental dimension Wegagen bank has been implemented relationship marketing well, however when we see specifically, providing of service by ATM machines including weekend scored the least mean among the statements included in the dimension, whereas, providing prompt service by the employees to their customers scored the highest mean in the dimension.

Organizational dimension attained an average mean of 3.48 within the highest mean of 3.82 and the lower 2.84. Statements of the dimension scored mean between the lowest 2.84 and highest 3.82. Therefore, an average mean value of the dimension categorized under “**well**

**practiced”** value the same to the other dimensions. This indicates that, customers socialize themselves easily with employees and other customers of the bank and it is easy to contact as well as to discuss with employees and managers of the bank. Additionally, the current customers tell to others about good treatment of the bank make to its customers, the bank practiced relationship marketing well and the bank categorized its customers based on their financial importance to the bank. The bank has a department or unit to manage relationship-marketing, customers perceived relationship marketing practice of the bank exceeds their expectation, the organizational structure of bank is convenient to work business and to create a relationship with the bank and the bank arranges a platform to discuss with its customers scored 3.33, 3.33, 3.29, 2.84 mean respectively. Even if an average mean value of the dimension is high, the statements listed above scored neutral mean. Whereas, when relationship-marketing implementation of the bank evaluates in terms of the dimension it has implemented in an encouraging ways. Arrangement of a platform to discuss customers with the bank on the relationship they have scored the lowest mean which is 2.84 whereas, the bank implements relationship marketing well scored the highest mean which is 3.82 in this dimension.

Generally, among the four relationship marketing dimensions management dimension scored the highest mean an average of 3.77, on the other side organizational dimension scored the least mean 3.48, thus, the bank practiced RM in terms of management dimension relatively from the others in better way. Whereas, implementation of relationship marketing from the perspective of organizational dimension is relatively low. While, assessing relationship marketing practice in terms of the four dimensions the average mean of all dimensions are categorized under the **“well practiced”** level. Thus, the bank established good trend of implementing RM and it tries to focus on relationship marketing for the assurance of mutual benefits of the bank and customers. Even though an average mean value shows that, the practice is good but there is a mean differentiation among the statements used to measure some of them scored high and some scored an average mean value.

Standard deviation provides an indication of how far the individual responses to question vary or deviate from the mean and it tells the researcher how spread out the responses is, are they concentrated around the mean, or scattered far or wide. Hence, the relationship marketing dimensions scored an average of 1.076 for informational dimension, 1.116 for

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management dimension, 1.158 for instrumental dimension and 1.169 for organizational dimension. It indicates that average standard deviation of the dimensions is close to one therefore; it is not too far from the mean values of the dimensions.

Evaluation of customer awareness and perception towards relationship marketing is assessed in the questionnaire in different ways. Customers of the bank are well aware about relationship marketing for the reason that they answered each question easily by assessing what the bank did for them related to relationship marketing.

There was a statement designed to assess how customers perceived relationship marketing practice of the bank by comparing with their expectation.

Table 4.8 Perception of Customers Toward RM

RM practice of the bank exceeds my expectation	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	56	17.7	17.7	17.7
Disagree	16	5.1	5.1	22.8
Neutral	60	19.0	19.0	41.8
Agree	137	43.4	43.4	85.1
strongly agree	47	14.9	14.9	100.0
Total	316	100.0	100.0	

Source: Researcher's Survey Finding 2014

Average mean of the question is 3.33, which is rated under neutral or moderate mean value. Therefore, customers perceived the relationship marketing practice of the bank as moderate when it is compared with their expectation. It showed that, the bank should work strongly to balance expectation and perceived value of customers about relationship marketing practice.

#### **4.4. Analysis of Data Collected From Interview**

Under this section, the analysis was conducted on the data collected through interview based on questions designed to assess how the bank considered in its marketing strategies and implemented the levels of relationship marketing strategies. The interview was conducted with marketing manager of the bank in the area of, how the bank designed and practiced its relationship marketing strategies from the levels of relationship marketing strategies, namely, financial, social, customization and structural bonds. Marketing activities of the bank has been designed from the center (head office) marketing department and downward to the branches for implementation. The bank did not have marketing department at branch level, thus, interview was conducted only with marketing manager of the bank at the center.

##### **1. What Does Relationship Marketing Mean to You?**

Scholars define relationship marketing differently based on their knowledge and understanding to the field, for that reason it is difficult to come up with one acceptable standard definition. The above question was posed to the marketing manager of the bank and he defined RM that, “it is a process of creating relation with customers (depositors, creditor and others) in favor of having mutual benefit to the bank as well to the customer”. Relationship marketing is practiced at all levels (positions) of the bank but mainly it is implemented (practiced) at the branches. Because, the branches are interacting with customers every time and they are very close to customers. Due to, increase number of banks in the country there is stiff competition in the banking industry. Thus, Wegagen bank has been practice relationship marketing widely to serve its customers in a better ways and to create customer loyalty. Hence, every employee of the bank in every position has implemented relationship marketing at the bank.

##### **2. In the literature, there are four levels of RM strategies, namely financial bonds, social bonds, customization bonds and structural bonds. Do you consider the levels of relationship marketing strategies while developing your bank’s RM strategies? If yes how?**

Levels of relationship marketing strategies (bonds) are a mechanisms how a company establishes long-term relationship with its customers and they enable a company to get

competitive advantage through differentiation its strategy from rivals. The levels of relationship marketing strategies are arranged from the easiest one up to the complex one and it is difficult to assure competitive advantage by implementing one of them, however, it needs to implement them together (Mudie and Pirrie, 2006).

Marketing manager of the bank responded to the above question that “Wegagen bank considered more or less the levels of relationship marketing strategies while develop its strategy”. The manager explained how and when the bank implements the levels of relationship marketing strategies:

- ❖ **Financial Bonds** are designed and implemented while providing credit facilities to our customers, while we accept deposits from customers and in the import export activities especially in case of the letter of credit.
- ❖ **Social Bonds** are practiced in Wegagen bank mainly by involving in different society’s problems and social responsibilities. The bank donates every year huge amount of money to different charity organizations and it participates in sponsorship of different events. Therefore, the bank works to establish good social bondage and to create good social image.
- ❖ **Customization Bonds** are practiced in the bank by providing service to customers by tailored to their needs and interests. The bank tries to treat customers as individual and groups have the same interests. Nevertheless, there is a shortage of resource and capital to fulfill to every individual customer’s interest like deposit of foreign currency in the country, in case of providing credit service to the customers there is an imbalance of demand and supply so we cannot fulfill the interest of individual customers as what customers need and as we intended to achieve.
- ❖ **Structural Bonds** are dealing with shared process and equipment, joint investment with customers, having an integrated information system and volume and frequency rewards to prominent (key) customers. “These kinds of bonds are uncommon in our country’s banking industry however; there is an indication of structural bonds in different banks related with starting of Islamic banking”. Therefore, Wegagen bank did not practice these kinds of bonds yet.

**3. Among these, four levels of RM, which one is given more emphasis by the bank? and why?**

The above question was posed to the marketing manager of the bank and he replied that, “Wegagen bank has given emphasis equal to those three levels of RM strategies that are financial bonds, social bonds and customization bonds”. Because, if you are not considered and practiced the levels of relationship marketing strategies or customer retention strategies it is difficult to survive in the banking industry as well as to achieve the intended goal of the bank. Therefore, the bank gives more emphasis to those first three bonds. Whereas, structural bond is not implemented by the bank so far because, it is uncommon in the country banking industry.

**4. What benefits, do you think, the bank gained by practicing relationship marketing?**

In the literature, benefit of relationship marketing to customers and service providers has explained in detail. Accordingly, there are different benefits that a service provider can get through implementing relationship marketing; it helps to increase productivity of the company through creating long-term relationship with customers, satisfied customers engaged in positive word of mouth because of that it create good public image and reduce promotion costs to attract new customers. The above question was asked to the marketing managers of the bank and he replied that, “Relationship marketing has a multi dimensional benefit in the banking sector. It has a financial benefit by increasing the deposit of banks by creating long-term relationships with customers. It has social benefit through participate in different society’s problems and building good image and increase customer intimacy with the bank”. According to the manager, specifically RM has the following benefits to the bank:

- ♠ It enables to create a close relationship with customers like family and friends and it helps to prolong the relationship.
- ♠ It enables to increase the number of customers and flow of customers to the bank
- ♠ It enables to obtained a lot of deposits

- ♠ Because of intimacy and closeness, customers could understand the problems of the bank and works with the bank closely to propose solutions and they could not terminate their relationship with the bank easily.
- ♠ It helps to establish a good image in the public. When the bank-practiced relationship marketing it will be very close with customers and it listens complains come from the customers. Because of that, customers will be very happy about the treatment given by the bank, therefore, they will engage in positive word of mouth about the bank. Thus, it will have a good social image.

### 5. What challenges are faced by the bank in implementing relationship marketing?

According to the marketing manager, the following challenges are faced the bank to implement relationship marketing:

“Obviously, there is a shortage of resource in the country especially in the banking sector there is a shortage of foreign currency. Consequently, it is difficult to serve our customers as what they want and what we want to provide them”.

“The other challenge is there is an imbalance of supply and demand in the banking sector especially in the credit service customer demand is very high whereas the supply is somewhat low”. Therefore, it is challenging to provide customers what they want at the time they want.

There are also some external factors complicated the implementation of relationship marketing. “A network problem is one of the factors hindered the implementation of relationship marketing in the banking sector”. As far as relationship marketing needs a close relationship with customers and accesses the service to customers whenever they want, network problem delays the service process in so many ways. Providing banking service without network is very difficult consequently because of unavailability of sufficient and consistent network the bank might lose its customers and it is a challenge to implement RM as what we planned.

### **6. What is the cost of implementing relationship marketing in the bank?**

This question was posed to the marketing manager of the bank and he responded that “To implement relationship marketing in one organization it needs to have well aware of employees and necessary materials and technology”. Therefore, it needs training costs of employees and costs related to hired competent employees who have a good knowledge about RM. The trainings costs are related to training of employees on the concept of relationship marketing, and its advantage for the organization and customers as well.

“Implementation of relationship marketing desires to have new technologies and instruments that enable the company very close to its customers”. Like ATM machines, point of sale machines, and well organized and arranged equipments, to bring these kind of equipment it needs high investment cost. Therefore, to implement relationship marketing in the bank it needs different costs and it has a good return to the bank.

### **7. Finally, do you have anything to say about relationship marketing?**

Finally, this question was asked to the manager to share his opinion on the practice of relationship marketing in general and he replied that, “Relationship marketing is a way of interacting with customers closely and in friendly way to share all the problems and benefits of the organization”. When one organization established a good atmosphere of relationship with its customers even if the organization has different problems customers can able to share, the problem and they will be a source of solution to that problem. Therefore, it is important every service organization in the country to focus on creating a good relationship with its customers for the benefit of both parties and every bank should focus on RM, because as far as we are a service provider’s practice of relationship marketing is the best way to be very close with our customers.

## CHAPTER FIVE

### CONCLUSIONS AND RECOMMENDATIONS

Based on the aforementioned findings this chapter has explained major conclusions of the study and recommendations that are useful for the bank to practice RM in better ways.

#### 5.1. Conclusions

The study assesses implementation of relationship marketing from different perspectives (dimensions) which are stated in the literature review. More specifically, it assessed RM practice of the bank from four dimensions, namely: informational, management, instrumental and structural. To assess these dimensions, the researcher used a questionnaire to be filled by customers of the bank. It also assessed how the bank designed and practiced levels of RM strategies while it develops its marketing strategy, which are financial, social, customization and structural bonds. To assess this interview was conducted with marketing manager of Wegagen bank. Based on these assessments, the following conclusions are drawn:

- The bank practiced relationship marketing from Informational dimension perspectives well. Majority of the customers agreed with the statements designed to evaluate RM in terms of informational dimension. Therefore, Wegagen bank has implemented RM in a good manner from the informational dimension perspective.
- Management dimension is all about how an organization manages the relationship that it has with customers. Hence, when RM of the bank is evaluated in terms of management dimension more or less it is well practiced. Majority of the customers were showed their agreement to the statements designed to evaluate RM practice of the bank in management dimension perspectives.
- Instrumental dimension is focused about all materials (instruments) that the bank uses to create and sustain the relationship with its customers. Majority of the customers have witnessed for availability of all necessary materials to get services from the bank at the time they need. Customers assured that the bank tries to supply all necessary materials to keep going the relation it has with customers.
- Organizational dimension is about arrangement of a defined structure for managing the relationship it has with customers. Similar with the other dimensions organizational dimension also scored an average mean of 3.48 that is categorized

under well practiced. Therefore, Wegagen bank has practiced the dimension more or less in a promising way.

- To conclude, based on the findings of the study, relationship marketing practice of Wegagen bank in terms of the four dimensions are going on in an encouraging way and majority of the customers has shown their agreement that the bank practiced relationship marketing in a good manner.
- Regarding the levels of relationship marketing strategies, Wegagen bank has designed and practiced financial bonds, social bonds and customization bonds in its marketing strategy. The bank did not practice structural bonds in its relationship marketing strategies, due to complexity of the bond to implement. A structural bond includes shared process and equipment with customers, joint investment, having integrated information system and frequent rewards to customers. Therefore, the bank did not implement this kind of bonds in its service delivery process.

### 5.2. Recommendations

As discussed earlier in chapter two relationship marketing is an important technique to enable an organization to be very close and interactive with its customers and it focuses on how to sustain the relation that it have with its customers instead of getting new customers. Thus, the study attempted to assess relationship-marketing practice of Wegagen bank from different perspectives, and obtained constructive findings that have a significant implication on the management and staff members of the bank.

Based on the finding of the study the following recommendations are forwarded:

- ☞ The finding of the study has shown that, the bank did not operate enough number of ATM machines at hub of the city and the available ATM machines do not provide services consistently including weekend. This kind of problems affects the bank's relationship with customers because customers do not obtain services when they want. Therefore, it is better to solve these kinds of problems and to become very close and convenient to customers.
- ☞ Arrangement of platform by the bank to discuss with customers about the relationship they have scored an average mean value. Therefore, the bank should arrange regularly a platform to discuss with its customers about the relationship they have and based on suggestions that come out from the discussion it will be able to provide the service in better ways and it is helpful to sustain its relationship with customers.
- ☞ The finding of the study showed that, availability of department and unit to follow customer relationship in the bank is perceived as moderate by customers. This means that customers of the bank do not recognize well the activities of the department and the department is not very close to them. As far as having, well-structured unit or department is important to implement RM, the bank should create (arrange) a unit or department to follow the relationship with customers and it should be very close as well as interactive with customers.
- ☞ The bank's structure should be convenient to customers to get services quickly and to do business with the bank. When an organization practiced relationship marketing, it needs to collaborate with customers in every aspect. Subsequently, it is possible to do

business with customers as partners. Therefore, the structure should be attractive and convenient to do such kind of activities with the bank.

- ☞ Customers perceived relationship marketing practice of the bank as moderate when they compared with their expectation. Hence, Wegagen bank should work strongly to balance what customers perceived and expect about the implementation of relationship marketing.
- ☞ The bank did not practice a structural bond that is one level of relationship marketing strategies. Structural bonds are not practiced in most of the banks in the country. As a result, if Wegagen bank implements that it will get a competitive advantage in the banking industry.

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[WWW.Wegagen bank.com](http://www.wegagenbank.com)

[WWW. Research advisor .com](http://www.researchadvisor.com)

# Appendix I

**Addis Ababa University**

**School of Commerce**

**Department of Marketing Management**

**Questionnaire to be filled by customers of Wegagen Bank S.C**

This questionnaire is designed to collect data on the practice of relationship marketing in Wegagen Bank S.C. The research is being conducted by a student of Addis Ababa University as a partial fulfillment of the requirement for a master's degree in marketing management. The questionnaire is organized in two sections, the first section is general information and the second one is basic information. The information gathered through this questionnaire will be accessed only by the student researcher and will be kept strictly confidential and the result of the study will be used for academic purpose only. I kindly request you to take a few minutes and respond to all questions honestly.

Thank you in advance for your cooperation

**Note**

**Use a tick mark '√' to show your preference in the box provided**

**No need of writing your name or any address**

**Part 1: General Information**

<b>Sex</b>	female	<input type="checkbox"/>	male	<input type="checkbox"/>
<b>Age</b>	18-30	<input type="checkbox"/>	40-50	<input type="checkbox"/>
	30-40	<input type="checkbox"/>	50-60	<input type="checkbox"/>
<b>Education</b>	elementary	<input type="checkbox"/>	high school	<input type="checkbox"/>
	Degree	<input type="checkbox"/>	Masters	<input type="checkbox"/>
<b>Experience with the bank</b>	below 1 year	<input type="checkbox"/>	3-5	<input type="checkbox"/>
	1-3 year	<input type="checkbox"/>	above 5 years	<input type="checkbox"/>
<b>Occupation</b>	Government	<input type="checkbox"/>	private	<input type="checkbox"/>
	Unemployed	<input type="checkbox"/>	self	<input type="checkbox"/>

## Assessment of Relationship Marketing Practice in Wegagen Bank S.C

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### Part 2: Basic Information

Item	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
<b>Informational dimension</b>					
1. The bank periodically conducts survey to identify interest of customers and to maintain its relationship					
2. The employees of the bank discuss with me intimately to fulfill my interest					
3. I believe the bank has all necessary information about me in its database					
4. The employees of the bank provide me all necessary information that I want at any time kindly					
5. The bank informs me periodically about new service by mobile and email messages					
6. The information provided by the bank is reliable and updated					
7. The bank uses customers' complaints as a source of information to improve its service					
<b>Management dimension</b>					
1. The bank allows me to participate on decisions that affect our relationship					
2. The bank is devoted to sustain the relationship we have					
3. I am dedicated to keep on the relationship with the bank					
4. The bank listens and corrects complaints that come from customers immediately					
5. The staff members are knowledgeable about relationship marketing and how it is managed					
6. The employees of the bank identify their customers and treat them in good manner					
7. I am satisfied with the relationship I have with the bank					
8. I am happy about the way Wegagen Bank manages relationship marketing					
<b>Instrumental dimension</b>					

## Assessment of Relationship Marketing Practice in Wegagen Bank S.C

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1. The bank operates ATM (automatic teller machine) at convenient places to customers					
2. The ATM is always working including on weekends					
3. The room arrangement of the bank is attractive and comfortable					
4. Colour of the wall and lighting of the room is attractive and convenient to stay					
5. The employees of the bank delivered service to customer quickly					
6. The bank always prepares materials needed to facilitate the service (pen, transaction forms etc).					
7. The bank customized its service to satisfy my interest					
<b>Organizational dimension</b>					
1. The bank has a unit or department with the responsibility of managing relationship with its customers					
2. It is easy to contact and discuss with staff members of the bank including managers					
3. I socialize myself with customers and staff members of the bank easily					
4. I tell to others about the good treatment the bank makes to its customers					
5. The bank categorized customers according to their financial importance and their relationship					
6. The bank arranges a platform for customers to discuss about their relationship with it					
7. The organizational structure is convenient to work business and create relationship with the bank					
8. I found the relationship practice of the bank exceed my expectation					
9. I believe the bank practiced relationship marketing well					

# Appendix II

## **Interview questions**

These interview questions are designed to collect data about relationship marketing practice of Wegagen Bank S.C. Interview will be conducted with Bole, Habte Giorgis and Kazanchis branches marketing managers.

Q1. What does relationship marketing mean to you?

Q2. In the literature, there are four levels of RM strategies, namely: financial bonds, social bonds, customization bonds and structural bonds. Do you consider the levels of relationship marketing strategies while developing your bank's RM strategies? If yes how?

Q3. Among these, four levels of RM, which one is given more emphasis by the bank? And why?

Q4. What benefits, do you think, the bank gained by practicing relationship marketing?

Q5. What challenges are faced by the bank in implementing relationship marketing?

Q6. What is the cost of implementing relationship marketing in the bank?

Q7. Finally, do you have anything to say about relationship marketing?

**በአዲስ አበባ ዩኒቨርሲቲ የንግድ ስራ ት/ቤት**

**የንግድ ስራ አስተዳደር(Marketing Management) ድህረ-ምረቃ ትምህርት ክፍል**

**በ ወጋገን ባንክ አ.ማ ደንበኞች የሚሞላ መጠይቅ**

ውድ ደንበኞች ይህ መጠይቅ የተዘጋጀው በወጋገን ባንክ አ.ማ ስላለው የደንበኞች ግንኙነት(Relationship) አሰራርን ለመዳሰስ ነው። ይህ ጥናት የሚሰራው በአዲስ አበባ ዩኒቨርሲቲ በገበያ ስራ አመራር(marketing management) ተማሪ ለሁለተኛ ዲግሪ ሚሟያ ነው። መጠይቁ ሁለት ክፍል ሲኖረው አንደኛው ግላዊ መረጃ የያዘ ሲሆን ሁለተኛው ደግሞ ዝርዝር መረጃ የሚያካትት ነው። በዚህ መጠይቅ የሚሰበሰብ መረጃ ለትምህርት አላማ የሚውል ሆኖ ሚዲያዊነቱ የተጠበቀ ነው። በመሆኑም ትንሽ ጊዜ ወስዳችሁ መጠይቁን እንድትሞሉልኝ ስል በትህትና እጠየቃለሁ።

ለትብብርዎ በቅድምያ ምስጋናየን አቀርባለሁ

መመርያ

ሳጥኑ ውስጥ ካሉት መግለጫዎች የእርሶን ምርጫ ለማመልከት የ  ምልክትን ይጠቀሙ።

ስመዎትን ሆነ ሌላ አድራሻዎትን መጻፍ አይጠበቅበዎትም

**ክፍል 1**

**ጥሬ ሀቆች**

<b>ጾታ</b>	ሴት	<input type="checkbox"/>	ወንድ	<input type="checkbox"/>		
<b>እድሜ</b>	18-30	<input type="checkbox"/>	30-40	<input type="checkbox"/>	40-50	<input type="checkbox"/>
	50-59	<input type="checkbox"/>	60ና ከዚያ በላይ	<input type="checkbox"/>		
<b>የትምህርት ደረጃ</b>	1ኛ ደረጃ	<input type="checkbox"/>	2ኛ ደረጃ	<input type="checkbox"/>	ዲፕሎማ	<input type="checkbox"/>
	ዲግሪ	<input type="checkbox"/>	ማስተርስ	<input type="checkbox"/>	ሌላ	<input type="checkbox"/>
<b>ከባንኩ ጋር ያለዎትን የጊዜ ቆይታ ከ1 አመት በታች</b>		<input type="checkbox"/>	<b>ከ1-3 አመት</b>		<input type="checkbox"/>	
			<b>ከ 3-5 አመት</b>	<input type="checkbox"/>	<b>ከ 5 አመት በላይ</b>	<input type="checkbox"/>
<b>የስራ ሁኔታ</b>	የመንግስት	<input type="checkbox"/>	በግል ድርጅት ተቀጣሪ	<input type="checkbox"/>	የግል ስራ	<input type="checkbox"/>
	ተማሪ	<input type="checkbox"/>	ስራ የሌለው	<input type="checkbox"/>		

**ክፍል 2 ዝርዝር መረጃ**

መግለጫ	በጣም አልሰማም (1)	አልሰማም (2)	አስተያየት የለኝም (3)	እስማማለሁ (4)	በጣም እስማማለሁ (5)
<b>ከመረጃ አኳያ (Infomational Dimension)</b>					
1. ባንኩ በየጊዜው ጥናቶችን በማካሄድ የደንበኞችን ፍላጎት ለማወቅና ግንኙነቱን ለማጠናከር ይሰራል።					
2. የባንኩ ሰራተኞች የእኔን ፍላጎት ለሟሟላት በቅርበት እና በትጋት ይሰራሉ።					
3. ባንኩ በመረጃ ቋቱ(Database) ውስጥ ስለ እኔ የተሟላ መረጃ አለው ብዬ አስባለሁኝ።					
4. የባንኩ ሰራተኞች የሚያስፈልገኝን መረጃ በቅንነት በፈለግኩት ሰዓት ይሰጡኛል።					
5. ባንኩ በየጊዜው ስለ አዳዲስ አገልግሎቶች(service) ሞባይልና ኢሜይል(Email) በመጠቀም መረጃ ይሰጣል።					
6. ባንኩ የሚሰጠው መረጃ ተአማኒነት ያለውና ወቅቱን የጠበቀ ነው።					
7. ባንኩ በደንበኞች የሚቀርቡ ቅሬታዎችን እንደ ግብአት በመጠቀም አገልግሎቱን ለማሻሻል ጥረት ያደርጋል።					
<b>ከአስተዳደር አኳያ (Management Dimension)</b>					
1. ባንኩ በግንኙነታችን ዙርያ የሚደረጉ ውሳኔዎች ላይ እንድሳተፍ እድል ይሰጠኛል ወይም በአግባቡ ያሳውቀኛል።					
2. ባንኩ ያለንን ግንኙነት ለማስቀጠል በጣም ቁርጠኛ ነው።					
3. ከባንኩ ጋር ያለኝን ግንኙነት(Relationship) ለማስቀጠል ፍላጎቱ አለኝ።					
4. ባንኩ ከደንበኞቹ የሚነሱትን ቅሬታዎችን በአግባቡ ያዳምጣል እንዲሁም እንዲስተካከሉ ፈጣን እርምጃ ይወስዳል።					
5. የባንኩ ሰራተኞች ስለ ደንበኞች ግንኙነት(Relationship Marketing) የተሟላ እውቀት አላቸው።					
6. የባንኩ ሰራተኞች ቋሚ ደንበኞቻቸውን በአግባቡ በመለየት በጥሩ ሁኔታ ያስተናግዳሉ።					
7. ከባንኩ ጋር ባለኝ ግንኙነት በጣም ረክቻለሁ።					
8. ወጋግን ባንክ ግንኙነታችንን በሚያስኬድበት(የሚይዝበት) መንገድ ደስተኛ ነኝ።					
<b>ከግብአት አኳያ (Instrumental Dimension)</b>					

Assessment of Relationship Marketing Practice in Wegagen Bank S.C

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1. ባንኩ ለደንበኞች አመቺ በሆኑ ቦታዎች የኤቲኤም(ATM) ማሸን ተክሏል።					
2. ባንኩ የተከላቸውን የኤቲኤም ማሸኖች ቅዳሜና እሁድ ጨምሮ ያለማቋረጥ አገልግሎት ይሰጣሉ።					
3. ባንኩ አገልግሎት በሚሰጥበት ክፍል ውስጥ ያሉ ግብአቶች አቀማመጣቸው በጣም ሳቢና አገልግሎት ለማግኘት ምቹ ነው።					
4. የግድግዳው ቀለም እንዲሁም የክፍሉ መብራት አመቺና ሳቢ ነው።					
5. የባንኩ ሰራተኞች ለደንበኞቻቸው በፍላጎት ፈጣን አገልግሎት ይሰጣሉ።					
6. ባንኩ ሁሉም ለስራው የሚያስፈልጉት ግብአቶችን አንደ እስኪርቢቶና ፎርም (Forms) የመሳሰሉትን ያሟላል።					
7. ባንኩ አገልግሎቱን በእኔ ፍላጎትና መጠን ያቀርብልኛል።					
<b>ከአወቃቀር አኳያ (Organizational Dimension)</b>					
1. ባንኩ ውስጥ የደንበኞች ግንኙነትን በተመለከተ የሚቆጣጠር እና ሀላፊነት ያለው ራሱን የቻለ አካል አለ።					
2. የባንኩ ሀላፊዎችን ሆነ ሰራተኞችን ለማግኘት ሆነ ለማወያየት ቀላል ነው።					
3. ከባንኩ ሰራተኞች እንዲሁም ሌሎች ደንበኞች በቀላሉ ለመግባባት ችያለሁኝ።					
4. ስለ ባንኩ ጥሩ የሆነ የደንበኞች አያያዝ ለሌሎች ሰዎች ተናግራለሁኝ።					
5. ባንኩ ደንበኞች ባላቸው ቅርበትና አስፈላጊነት በተለያዩ ምድቦች ከፍሎ እንዲስተናገዱ ያደርጋል።					
6. ባንኩ መድረክ አዘጋጅቶ ደንበኞች ከባንኩ ጋር ያላቸውን ግንኙነት በተማለከተ እንዲወያዩ ያደርጋል።					
7. አወቃቀሩ ከባንኩ ጋር ግንኙነት ለመመስረት ሆነ ቢዝነስ ለመስራት አመቺ ነው።					
8. ባንኩ ከደንበኞች ጋር ግንኙነት መፍጠርና ለደንበኞች የሚሰጠው እንክብካቤ ከጠበቅኩት በላይ ሆኖ አግኝቻለሁኝ።					
9. እኔ እንደማምነው ባንኩ የደንበኞች ግንኙነት በተመለከተ በአግባቡ እየሰራ ይገኛል።					