

**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION**  
**FACULTY OF BUSINESS AND ECONOMICS**  
**MBA PROGRAM**

**THE IMPACT OF RELATIONSHIP MARKETING ON**  
**CUSTOMER LOYALTY IN BANKING INDUSTRY, THE**  
**CASE OF BANK OF ABYSSINIA**

**A THESIS SUBMITTED TO THE SCHOOL OF**  
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## Table of contents

Acknowledgements .....	I
Table of contents .....	II
List of tables .....	V
Acronyms .....	VI
Abstract .....	VII
CHAPTER I.....	1
INTRODUCTION .....	1
1.1 Background of the study .....	1
1.2 Problem statement .....	2
1.3 Significance of the study .....	4
1.4 Research question .....	5
1.5 Objective of the study .....	5
1.5.1 General objective.....	5
1.5.2 Specific objectives.....	5
1.6 Delimitation and limitations.....	5
1.7 Ethical considerations .....	6
1.8 Organization of the paper.....	7
1.9 Background of the company .....	7
CHAPTER II .....	10
LITERATURE REVIEW.....	10
2.1 Theoretical framework of the research .....	10
2.2 Relationship marketing .....	12
2.3 Relationship marketing dimensions.....	13
2.3.1 Trust.....	13
2.3.2 Commitment .....	15
2.3.3 Conflict handling.....	17
2.3.4 Empathy .....	20
2.4 Customer loyalty.....	21
2.4.1 Customer loyalty in the service provider organizations .....	22

2.4.2 Customer loyalty and customer retention .....	24
CHAPTER III .....	26
METHODOLOGY .....	26
3.1 Research design .....	26
3.2 Target population and sample .....	26
3.3 Data collection instruments and variables.....	27
3.4 Data analysis.....	28
3.5 Reliability test result .....	28
CHAPTER IV .....	30
DATA ANALYSIS, FINDINGS, AND DISCUSSION .....	30
4.1 Descriptive analysis .....	30
4.1.1 Gender of respondents .....	31
4.1.2 Age of respondents .....	31
4.1.3 Education qualification of the respondents.....	32
4.1.4 Occupation of the respondents.....	32
4.1.5 Monthly income of respondents.....	33
4.1.6 Length of time the respondents uses the banks services .....	33
4.2 Correlation analysis .....	34
4.2.1 Correlation analysis between relationship marketing and customers’ loyalty.....	34
4.2.2 Correlation analysis between trust and customers’ loyalty .....	34
4.2.3 Correlation analysis between commitment and customers’ loyalty.....	35
4.2.4 Correlation analysis between conflict handling and customers’ loyalty .....	35
4.2.5 Correlation analysis between empathy and customers’ loyalty.....	36
4.3 Regression analysis.....	37
4.3.1 Regression analysis of relationship marketing and customers’ loyalty .....	37
4.3.2 Regression analysis of trust and customers’ loyalty .....	38
4.3.3 Regression analysis of commitment and customers’ loyalty.....	39
4.3.4 Regression analysis of empathy and customers’ loyalty .....	40
4.3.5 Regression analysis of conflict handling and customers’ loyalty .....	41
4.4 Results Discussion .....	42
CHAPTER V .....	49

CONCLUSION AND RECOMMENDATIONS .....	49
5.1 Conclusion.....	49
5.2 Recommendations.....	51
REFERENCES .....	54
Appendix A.....	58
Appendix B.....	65
Appendix C.....	72

## List of tables

Table 3.1: Reliability test result for the questionnaire.....	29
Table 4.1: Gender of respondents.....	31
Table 4.2: Age of respondents.....	31
Table 4.3: Education qualification of respondents.....	32
Table 4.4: Occupation of respondents.....	32
Table 4.5: Monthly income of respondents.....	33
Table 4.6: Length of time the customers uses the banks services.....	33
Table 4.7: Correlations between relationship marketing and customers' loyalty.....	34
Table 4.8: Correlations between trust dimension and customers' loyalty.....	35
Table 4.9: Correlations between commitment dimension and customer loyalty.....	35
Table 4.10: Correlations between conflict handling and customers' loyalty.....	36
Table 4.11: Correlations between empathy and customers' loyalty.....	36
Table 4.12: Regression analysis result for relationship marketing and customers' loyalty.....	38
Table 4.13: ANOVA result for relationship marketing and customers' loyalty.....	38
Table 4.14: Coefficients of relationship marketing dimensions.....	38
Table 4.15: Regression analysis result for trust and customers' loyalty.....	39
Table 4.16: ANOVA result for trust and customers' loyalty.....	39
Table 4.17: Regression analysis result for commitment and customers' loyalty.....	40
Table 4.18: ANOVA result for commitment and customers' loyalty.....	40
Table 4.19: Regression analysis result for empathy and customers' loyalty.....	40
Table 4.20: ANOVA result for empathy and customers' loyalty.....	41
Table 4.21: Regression analysis result for conflict handling and customers' loyalty.....	41
Table 4.22: ANOVA result for conflict handling and customers' loyalty.....	42

## **Acronyms**

4P's- Product, Price, Promotion, and Place or Distribution

ANOVA- Analysis of variance

BA- Bank of Abyssinia

BE- Bank of Ethiopia

FMP- Frequency marketing programs

SPSS- Statistical Package for the Social Sciences

## Abstract

The survival of any organization depends on its customers. Customers are the source of profits to be earned by a profit making organization. Due to the more and more fierce competition in today's business, many companies are required to build long-term profitable relationship with customers and to achieve customer loyalty. Therefore, relationship marketing has become more and more important since last decade of 20th century, especially in service industry.

There are many different relationship marketing dimensions implemented for retaining customers'. Therefore, this study is aimed to explore the impact of relationship marketing dimensions (trust, commitment, conflict handling, and empathy) on customer loyalty, by focusing on the Bank of Abyssinia. A theoretical framework was used as a guideline to test the relationships between relationship marketing dimensions and customer loyalty.

A quantitative method which is cross-sectional study with deductive approach is chosen in this research. In order to collect primary data, a self-completed questionnaire is designed and was randomly given to the customers of the Bank of Abyssinia. In addition to questionnaire, semi-structured interview questions are prepared to get information from the organization which is analysed qualitatively. The SPSS version 16.00 for windows is used to process the primary data which is collected through questionnaire.

The findings show that relationship marketing dimensions have impact on customer loyalty. All the independent variables are positively and directly related to customer loyalty particularly in Bank of Abyssinia and in general in banking industry. The relationship between relationship marketing and customer loyalty is significant. Therefore, banks should make the whole system on work with customers, not in opposite of customers. And also they are expected to invest more on attracting new customers and retaining the existed ones with regard to relationship marketing to increase customer loyalty.

*Key words: Relationship Marketing, Trust, Commitment, Conflict Handling, Empathy, and Customer Loyalty.*

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the study

The survival of organizations depends on its customers. Customers are the source of profits to be earned by a profit making organization and the primary reason for being in the operation for not-for-profit organizations. Thus, customers are the backbone and lifeline of organizations. Often it is said that ‘without customers there is no business’.

Worthington & Horne (1998) conducted research on a new relationship marketing model and its application and concluded that relationship marketing is being put forward as a new paradigm for marketing and is particularly relevant for the marketing of financial services, with their potential for long term and wide relationships between financial institution and customer. Ferguson & Hlavinka (2007), their deeper look into relationship marketing reveals that banks are customizing their relationship-building strategies to create value propositions as unique as the institutions and customers they serve. They also indicated that when banks use loyalty programs to bring about trust and build confidence in the brand, the customer relationship will develop organically, and so will profits. It is argued that building enduring customer relationships is the secret to furthering growth and should be an unquestioned axiom by bankers.

Relationship marketing gives a company new opportunities to gain a competitive edge by moving customers up a loyalty hierarchy from new customers to regular purchasers, then to loyal supporters of the firm’s goods and services, and finally to advocates who not only buy its products but recommend them to others (Smith, 2003). By converting indifferent customers into loyal ones, companies generate repeat sales. The cost of maintaining existing customers is far below the cost of finding new ones, and these loyal customers are profitable ones.

Lacey and Morgan (2009) findings suggest that customers with stronger levels of commitment are indeed more willing to contribute as customer advocates. They also pointed out that relationship marketing represents a dramatic change in buyer-seller interactions from the previous transaction-based marketing that focused on a single transaction. Effective relationship

marketing heavily relies on developing strategic partnerships with customers (Boone & Kurtz, 2005).

Studies of the impact of relationship marketing on customer loyalty outcomes lean to approach the way customers encounter a problem with regard to the services provided by the banks. A small group of studies treat that customer loyalty is a function of trust, commitment and conflict handling. The evidence is almost uniformly consistent in indicating that customers are loyal when the banks relationship marketing is good. A relative handful study of Ndubisi (2006) have specifically examined that relationship marketing such as trust, commitment and conflict handling have a direct effect on customer loyalty. This study shows the impact of relationship marketing including other underpinning such as empathy on customer loyalty in Ethiopian case, Bank of Abyssinia.

## **1.2 Problem statement**

As the competitive environment becomes more turbulent, the most important issue the sellers face is no longer to provide excellent, good quality products or services, but also to keep loyal customers who will contribute long-term profit to organizations. To compete in such swarming and interactive marketplace, marketers are forced to look beyond the traditional 4Ps of marketing strategy.

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

Relationship marketing should be directed towards all customers of the bank. Most banks are characterised by having both profitable and unprofitable customers, where the former subsidise the latter. Retaining the profitable customers has become increasingly difficult in a competitive environment where other financial institutions specialise in offering attractive services and prices to this rewarding segment. Relationship marketing is often directed only at the most profitable segments defined by, for example, income and wealth (Leverin and Liljander, 2006). There is,

however, a lack of research on how relationship marketing activities affect relationship outcomes like customer loyalty in the target segment.

Sustainable and continuous survival of an organization mainly depends on its business relation with its customers. When business firms direct their resources and all their efforts for better accomplishment of their intended purposes, growth and profitability is entirely influenced by the quality and reliability of their service. These could be done through delivering a service that could increase the acceptance of the organization in the face of the customers.

To do all the above mentioned issues, organizations need some mechanisms that could increase customer loyalty in a coordinate and change oriented bases. One of the mechanisms that can give such benefit is relationship marketing. Relationship marketing is the process that organizations has to understand the customers like or/and dislike and serve the customers according to their desire to anchor them for continuous relationship (Kotler & Armstrong, 2010). It is done by gathering related information of customers' in an organized manner, analyzing and interpret it so that it can help the organization to fulfil the need of its customers.

The application of relationship marketing is crucial in these days. Because a fierce competition all over the world and the effect of globalization, being reluctant to accept relationship marketing will cost the organization a big deal of lose in many directions; losing a potential customers and market share, letting down the reputation of the organization, lagging behind industry leaders, shortage of information from customers that could give big advantage, failure of employees to understand customers' nicely and many more will be the negative impact.

So, the main reason that initiated the researcher to conduct this research is that there are little researches which are conducted on this topic independently and in detail before to indicate the impact of relationship marketing on customer loyalty in Ethiopia, specifically in Bank of Abyssinia. The aim of this study is to investigate the relationship marketing dimensions such as trust, commitment, conflict handling, and empathy of Bank of Abyssinia, in order to discover whether these dimensions has had the intended strengthening effect on customer loyalty.

### **1.3 Significance of the study**

The central thrust of marketing activities of an organization is to develop, maintain and enhance customer loyalty towards its products or services. Relationship with loyal customers are typically less expensive to serve, and loyal customers contribute to the organization by buying more and premium prices, and engaging in behaviors that are beneficial to the organization such as acting as advocates of the organization.

Customers' loyalty is important to any organization in terms of enhancing their profit. Without customers it is impossible for organization to enhance or grow their businesses. By observing and studying their customers' behavior, firms can develop strategies which can give them more profit. In the service sector like banking industry, firms really need to be more alert of their customer needs and wants. In order to sustain their competitiveness in the marketplace, each bank needs to provide the excellent service towards their entire of customers. If the firms failed to maintain and enhance their services, it is impossible for them to achieve their targets. However, it is really difficult to achieve customers' loyalty. Therefore, it is important that each bank provide great services by fulfilling their entire customer needs, increasing their customer satisfaction and ultimately gaining the loyalty of the customers.

This study will provide current information on relationship marketing and its impact on customer loyalty in Ethiopian context. It is also in the assumption that the study will provide basic data about relationship marketing and customer loyalty. Besides, the findings of the study will be used for other similar studies in the future. So, it is expected that this research can contribute a lot to the efforts made by Bank of Abyssinia for the improvement of customer loyalty through provision of appropriate service to the respected customers. The study is also being believed to benefit both academicians and other practitioners as a documented study in this area. Therefore, the findings of this research can contribute a lot to banking service providers on how to implement strategies that will meet their customers' needs and ultimately win their loyalty.

## **1.4 Research question**

The research has tried to give answers to the following research questions.

Will relationship marketing influence customers' loyalty towards their bank?

Will trust influence customers' loyalty towards their bank?

Will commitment influence customers' loyalty towards their bank?

Will conflict handling influence customers' loyalty towards their bank?

Will empathy influence customers' loyalty towards their bank?

Is there significant relationship between relationship marketing dimensions and customer loyalty?

## **1.5 Objective of the study**

### **1.5.1 General objective**

The general objective of this study is to explore the impact of relationship marketing on customer loyalty within the Bank of Abyssinia, by analyzing the relationship of every construct in the theoretical framework.

### **1.5.2 Specific objectives**

In assuring that the above general objectives can be achieved, there are few specific objectives that need to be accomplished in the case of Bank of Abyssinia. These specific objectives were the following.

- ✓ To determine whether trust influence the extent to which customers' loyalty towards their bank.
- ✓ To find out whether commitment influence the extent to which customers' loyalty towards their bank.
- ✓ To determine whether empathy influence the extent to which customers' loyalty towards their bank.
- ✓ To identify whether conflict handlings influence the extent to which customers' loyalty towards their bank.

## **1.6 Delimitation and limitations**

The study would be important in obtaining a lot of information if it covers all banks in Ethiopia. And also the magnitude of the study must not be only confined in Bank of Abyssinia in Addis

Ababa. It could also affect all the Ethiopian banks both private and governmental banks. However, it is impractical or unmanageable to include all the Ethiopian banks because of resource limitations. Therefore, this study was delimited to Bank of Abyssinia in Addis Ababa. In terms of the constructs showing in the research framework, only four ways of relationship marketing underpinnings (trust, commitment, conflict handling, and empathy) are focused and their impact on customer loyalty. Other elements or underpinnings measurements of relationship marketing are beyond this study. This study only focuses on Banking sector, Bank of Abyssinia; the other banks and sectors are not involved.

The foregoing recommendations should be considered in the light of some of the limitations of this study. Clearly cross-sectional research design does not offer nearly the same insight into the dynamics of customer relationships with a firm as a longitudinal design. As such a longitudinal design would afford greater insight into this in the future. The study's focus on cross-sectional study design may also limit the extent to which the findings can be generalized. On retaining customers, there are others important elements of relationship marketing such as values, communication and cooperation, which could influence customer loyalty, have not been discussed in this study. Thus further research needs to contain more desirable dimensions, in order to gain better insight. During filling the questionnaire, there might be hesitations from the respondents.

In this research, it uses the survey to collect the needed data from customers. The research samples were taken from the customers of Bank of Abyssinia. Inevitably, the survey findings will not be generalized across other group of population. It will bring limitation to complete a deeper research about the impact of customer relationship marketing on customer loyalty. Further research could expand the survey in order to reduce the sample errors.

### **1.7 Ethical considerations**

The study was ethically cleared from department of Business Administration and school of Business and Public administration. Since the researcher used the data from customers which was collected through questionnaire, permission was obtained from the customers. To maintain the confidentiality of the information provided by the respondents, the respondents were

instructed not to write their names on the questionnaire and assured of that the responses would be used only for academic purpose and kept confidential. Brief description of the central objectives or purpose of the study and the potential benefit of the research outcome to respondents and Bank of Abyssinia were clearly given in the introductory part of the questionnaire so as to motivate them and participate in the study and provide pertinent information about the company under study. Finally, respondents were included in the study based on their free will.

### **1.8 Organization of the paper**

The paper is organized into five chapters. The first chapter deals with the introduction of the topic and the second chapter presents review of related literature which is about relationship marketing and customer loyalty. The third chapter deals with the methodology of the research and the fourth chapter presents data analysis, findings and discussion of the data gathered. The fifth chapter presents the conclusion and recommendations of the research.

### **1.9 Background of the company**

Ethiopia began rendering banking services on February 15, 1906 when Emperor Menelik II officially opened the Bank of Abyssinia (BA) in Addis Ababa-months after he set up a national monetary system (based on Ethiopian Thalers) and signed a convention with the national bank of Egypt for establishing the BA. Initially, the BA was a syndicate bank whose major shareholders were English, Egyptian, French and Italian nationals. Public share subscriptions were floated for only one day (November 17, 1906) on the stock markets of London, Cairo, Paris, Rome, Vienna, Berlin, and New York. Soon after that, the bank opened domestic branches at Harar, Dire Dawa, Gore, and Dessie as well as a foreign branch in Djibouti. As such, it was able to finance a number of projects, including the construction of Djibouti-Addis Ababa railway, which was completed in 1917. The BA can thus be considered to be the mother of all the banks in Ethiopia.

In 1930, Emperor Haile Selassie, who was a member of the board of Directors of the BA when he was Regent to the Throne, liquidated the foreign-dominated bank, BA, by paying a sum of 40,000 pounds to its shareholders as compensation.

Then, on August 29, 1931, he issued the first banking law in the country and set up a new bank, which he christened “Bank of Ethiopia (BE).” About 95% of the new bank’s capital came from the Ethiopian government. And the BE served as both the Central Bank of Ethiopia and Commercial Bank of Ethiopia up until the 1935 Italian invasion. It is, therefore, undoubtedly one of the first indigenous central banks of Africa.

The present-day Bank of Abyssinia was established on February 15, 1996 (90years to the day after the first bank was established) with a subscribed capital of Birr 25 million, an authorized capital of Birr 50 million and a paid-up capital of Birr 25 million. The bank has since registered tremendous growth. For instance, as of June 2006, its total asset has reached Birr 3.0 billion, whereas its subscribed, authorized, and paid-up capital has gone up to Birr 265 million, 530 million and 265 million, respectively. The bank now boasts 51 branches and over 916 employees and, most importantly, about over 150,000 customers-which is no mean feat, considering the fact that it is only ten years old.

#### Ü **Vision of the bank**

Even as Abyssinia-which is the name Ethiopia used to go by-was one of the cradles of civilization, and even as the Bank of Abyssinia was the first bank in Ethiopia, the present-day Bank of Abyssinia shall be a standard bearer within the banking industry in Ethiopia as well as an international player capable of being compared favorably with the best institutions of its kind anywhere in the world.

#### Ü **Mission of the bank**

The mission of the Bank of Abyssinia is to provide domestic and international banking services through an innovative and optimal utilization of state-of-the-art technology as well as its human and other resources, and be recognized as a quality-focused, result-oriented, financially sound and socially responsible Bank.

#### Ü **Products/Services provided by the bank**

The bank provides various local and international services.

1. Local banking services
  - 1.1 Savings products

- 1.2 Credit products
- 2. International banking services
  - 2.1 Import
  - 2.2 Export
  - 2.3 Foreign Transfer Payments
  - 2.4 Foreign Exchange Services (Forex services)
  - 2.5 Check Services
  - 2.6 Non-resident Account
  - 2.7 Foreign Guarantees

## CHAPTER II

### LITERATURE REVIEW

#### 2.1 Theoretical framework of the research

Although relationship marketing is a relatively young field of inquiry, relationship marketing theory is an extremely rich area of research (Hunt *et al.*, 2006). They indicated that relationship marketing can take many forms and, as a result, relationship marketing theory has the potential to increase the understanding of many aspects of business strategy. They also argued that in the development of the explanatory foundations of relationship marketing theory, it provides answers to three “why” questions:

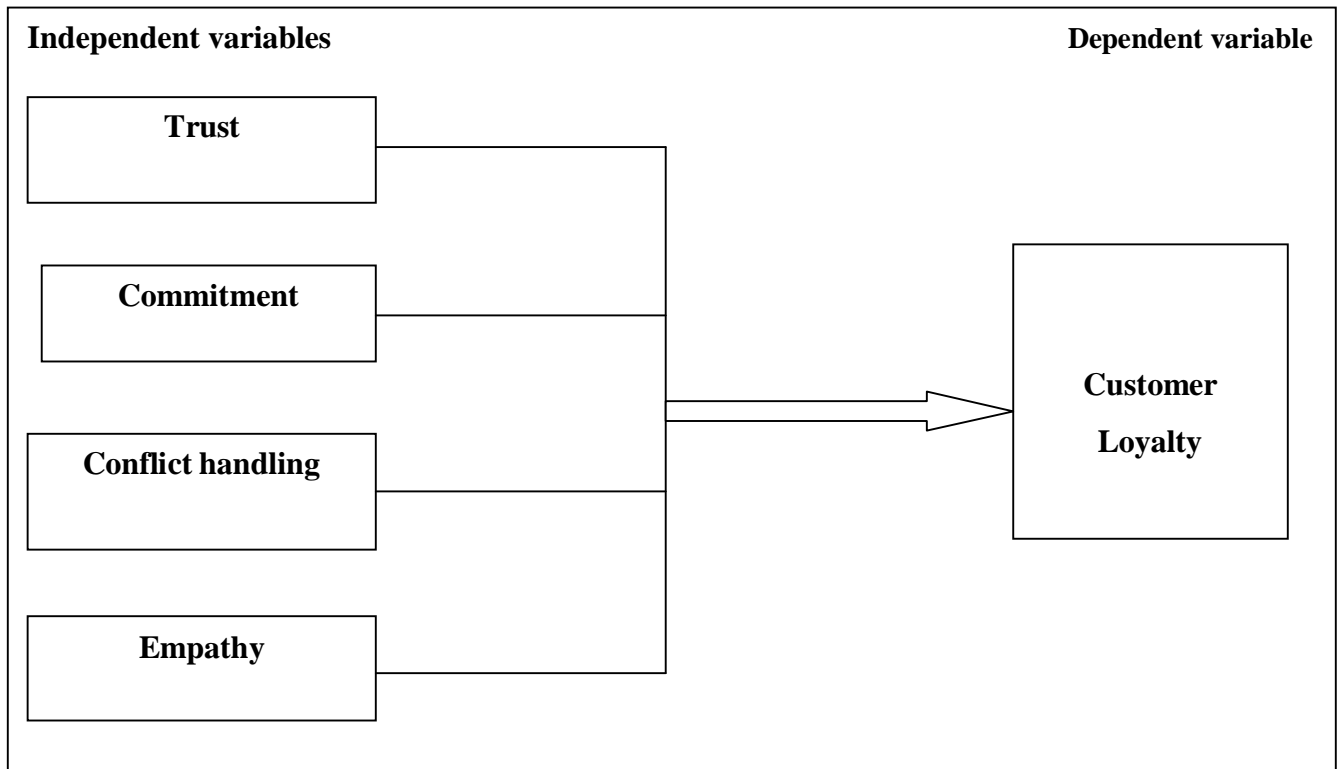
- ✓ Why is relationship marketing so prominent now?
- ✓ Why do firms and consumers enter into relationships with other firms and consumers?
- ✓ Why are some efforts at relationship marketing more successful than others?

The answers to these questions provide a broad base from which to view relationship marketing theory. First, it is suggested that the prominence of relationship marketing is due not just to the rise of services, technology, and information-oriented firms, but also to the rise of strategic network competition. Strategic network competition, which involves independent owned and managed firms agreeing to become partners within a network, emphasizes the importance of inter-firm cooperation as a means to compete successfully with other networks. To be successful (both individually and as a network), the firms in a strategic network must become proficient at relationship marketing. Second, relationship marketing theory implies that consumers enter into relational exchanges with firms when they believe that the benefits derived from such relational exchanges exceed the costs. The benefits to include:

- Ø The belief that a particular partner can be trusted to reliably and competently provide quality market offerings;
- Ø The belief that the partnering firm shares values with the consumer;
- Ø The customer experiences decreases in search costs;
- Ø The customer perceives that the risk associated with the market offering is lessened;
- Ø The exchange allows for customization that results in better satisfying the customer’s needs, wants, tastes, and preferences.

Based on relationship marketing theory firms engage in relationship marketing because it increases their competitiveness. It is noted that customers do so when relationships contribute to the firm's ability to efficiently/effectively produce market offerings that have value for some market segment(s). That is, they do so when relationships become resources. Relational resources have the potential to improve a firm's marketplace position and, in turn, its financial performance. Based on relationship marketing theory there are relational factors such as trust, commitment, conflict handling, and empathy) that influence customer loyalty. Relationship marketing theory concerned on relational factors and their influence on relationship marketing outcomes like customer loyalty and relational contracting (Hunt et al., 2006). The researcher will use the framework as it is without modification.

The theoretical framework of the research looks like the following.



*Figure 2.1: Theoretical framework of the research*

*Source* (Hunt et al., 2006)

## 2.2 Relationship marketing

Relationship marketing emerged in the 1980s as an alternative to the prevailing view of marketing as a series of transactions, because it was recognised that many exchanges, particularly in the service industry, were relational by nature within a banking setting (Berry, 1983). This author viewed relationship marketing as a strategy to attract, maintain and enhance customer relationships. Gummesson (1994) defined relationship marketing as a strategy in which interactions, relationships and networks are managed. According to Gronroos (1994), the aim of relationship marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. The author also suggested that the goal of relationship marketing is to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides. This implies that the key objective of relationship marketing is to foster customer loyalty.

A definition of relationship marketing that encapsulates most of the viewpoints of the various authors is that relationship marketing refers to all the activities necessary to identify, establish, maintain and enhance profitable relationships with internal and external customers and other stakeholders, so that the objectives of all parties involved are met through mutual exchanges and the making, enabling and keeping of promises (Payne *et al.*, 1995).

Leverin & Liljander (2006) conducted research and concluded that relationship marketing aims at increasing customer profitability while providing better services for customers. They indicated that to be attractive, relationship marketing strategies should enhance customers' perceived benefits of engaging in relationships. It is argued that relationship marketing has been put forth as a way for firms to develop mutually beneficial and valuable long-term relationships with customers. Relationship marketing is believed to work most effectively when customers are highly involved in the good or service, there is an element of personal interaction, and customers are willing to engage in relationship building activities. Customer oriented relationship marketing programmes 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 (Leverin & Liljander, 2006).

The findings of Foster & Cadogan (2000) showed that the quality of the relationship customers have built with their organization positively influences their assessment of their relationship with the organization. Furthermore, they indicated that customers propensity to do further business with the organization, their likelihood of recommending the organization to others, and the probability that they would pay a premium price for the organization's products or services were shown to be positively influenced by both the strength of their relationship with the employees and the organization as a whole.

There is undoubtedly a growing interest in the subject of relationship marketing. The strong rivalry characterising today's business environment has resulted to the building of stronger firm-customer relationships. Lacey (2009) noted that the phenomenon described by this concept is strongly supported by on-going trends in modern business. This author also suggested that more and more firms are capitalising on strong firm-customer relationship to gain invaluable information on how best to serve customers and keep them from defecting to competing brands. Hence, customer relationship building creates mutual rewards which benefit both the firm and the customer and by building relationship with customers, an organisation can also gain quality sources of marketing intelligence for better planning of marketing strategy.

Compared with traditional or transactional marketing, relationship marketing is more concerned about building customer relationships in order to achieve long-term mutual benefits for all parties involved in the exchanges (Kotler & Armstrong, 2010). They also argued that relationship marketing essentially means developing customers as partners, where an approach is different from traditional transaction.

## **2.3 Relationship marketing dimensions**

### **2.3.1 Trust**

Relationship marketing is built on the foundation of trust, as research demonstrates (Morgan and Hunt, 1994). They define trust as a willingness to rely on an exchange partner in whom one has confidence. Trust ensures that the relational exchange is mutually beneficial, as the good intentions of partners are not in doubt. Customers buying services are specially benefited by the existence and development of trust (Berry, 1983).

Trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty (Ndubisi, 2007). Therefore, banks should strive to win customers' trust. The ways in which this can be achieved include the giving and keeping promises to customers, showing concern for the security of transactions, providing quality services, showing respect for customers through front-line staff, fulfilling obligations, and acting to build customers' confidence in the bank and its services.

Morgan and Hunt (1994) conceptualize trust as existing when one party has confidence in an exchange partner's reliability and integrity. They indicated that trust is a generalized expectancy held by an individual that the word of another can be relied on. Their definition highlights the importance of confidence. The literature on trust suggests that confidence on the part of the trusting party results from the firm belief that the trustworthy party is reliable and has high integrity, which is associated with such qualities as consistent, competent, honest, fair, and responsible. Trust in relationship marketing is very important. This is the main focus in service organizations. It needs to go along with commitment. If deliverable is good then trust increases.

Ndubisi (2007) emphasized that an integral element of the relationship marketing approach is the promise concept. He argued that the responsibilities of marketing do not only, or predominantly, include giving promises and thus persuading customers as passive counterparts in the marketplace to act in a given way, but also in keeping promises, which maintains and enhances evolving relationship. He also pointed out that fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retaining the customer base, and securing long-term profitability.

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

Customers with trusts in service providers' capability would probably be willing to commit to a service relationship for meeting their expectations (Morgan and Hunt, 1994). They argued that even when the environment is changing, the customers would believe that the service provider will take customers' interests into account instead of doing anything harmful to the development of relationship. They conceptualized organizational trust by proposing three core elements as: trustee's ability, trustee's kindness and trustee's integrity. Cumulative process in a relationship was considered to construct trust on the basis of a party's capability of implementing its obligations continuously. Trust is considered so important to long-term relationships and enhancing customer loyalty. Many authors have suggested that customers' trust has a significant role in building long-term relationship and achieving customer loyalty (Berry, 1983; Kotler & Armstrong, 2010).

According to Clow & Kurtz (2003), the key to developing a customer relationship competitive advantage is not merely obtaining a contractual agreement, it is developing mutual trust. They argued that the customers must be able to trust the seller and know that he or she will provide the service when needed at the service quality level desired and the seller must be able to trust and work with the customer in a mutually beneficial relationship. This relationship involves both parties sharing information and working together to solve problems. The primary action in gaining customer acceptance of service process modification is to develop customer trust (Clow & Kurtz, 2003). They pointed out that service modifications are much easier to accomplish if customers trust the service providers. Service providers must understand customer habits and know how, when, and why customers purchase the service. The more the services providers know about the customer's use of services the easier the change will be to implement. The results of Taylor, Celuch and Goodwin (2004) suggest that trust is consistently the most important antecedents to customer loyalty.

### **2.3.2 Commitment**

Commitment is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Morgan and Hunt, 1994). These authors defined commitment as an enduring desire to maintain a valued relationship. This implies a higher level of obligation to make a relationship

succeed and to make it mutually satisfying and beneficial. They also suggested when commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received and highly committed firms will continue to enjoy the benefits of such reciprocity.

In the services relationship marketing area, Berry (1983) maintains that relationships are built on the foundation of mutual commitment. He also argued that a common theme emerges from the literatures on relationship that parties identify commitment among exchange partners as key to achieving valuable outcomes for themselves, and they endeavour to develop and maintain this precious attribute in their relationships. Therefore, commitment is central to all the relational exchanges between the firm and its various partners. As for commitment as a critical factor in building customer loyalty, consisting in the study of accommodating to customers' needs, tailoring products to requirements, and being generally flexible in their customer relationships is needed Ndubisi (2007). He also indicated that banks should recognize the influence of service commitment in keeping loyal customers, and act accordingly. They must also show genuine commitment to customer relations.

Morgan and Hunt (1994) viewed that a committed partner wants the relationship to endure indefinitely and is willing to work at maintaining it. Lacey (2009) research's suggested that committed customers are not just expected to maintain current purchasing activities, but to increase both the level and proportion of their purchasing activities over time. He argued that customers who remain within a firm are more likely to increase business volume in the future. Based on this study through the level of customer participation the highest spending customers receive the greatest rewards.

Committed customers are positive in both attitude and behaviour and they are described as delighted with the brand. They can be depended upon to make continuing purchases and to engage in positive and delighted word-of-mouth exchanges with other potential customers. In a number of service settings, they can also make a positive contribution to the environment of the service experience for other customers; this contribution is particularly important in service

settings in which customer-to-customer interaction is an important element of the service experience (Rowley, 2005).

Committed customers are resistant to competitors' attempts to persuade them and likely to be willing to extend their business with the brand, and to evolve their relationship with the brand over a period of time (Rowley, 2005). More specifically, they hardly consider other brands. Information search and the decision-making associated with switching is regarded as too labor intensive, and switching, in general, is regarded as too risky. Such loyal customers are very susceptible to marketing communications from brands to which they are loyal, and can even communicate the messages surrounded in those marketing communications to other actual or potential customers. Clearly, every business would wish to convert as large a proportion as possible of their customers into committed loyal. They are the true loyal, add value to the brand, and are almost as enthusiastic to continue the relationship with the seller, as the seller might be to continue the relationship with them. Both sides recognise the mutual benefits of the relationship, in minimising risk.

### **2.3.3 Conflict handling**

In interpersonal communication, conflict occurs when an individual perceives incompatibility between his or her own personal goals, needs, or desires and those of the other party. In dealing with conflict, people use different strategies to accomplish their goals. Dwyer (1987) defined conflict handling as the ability of each supplier's to minimize the negative consequences of manifest and potential conflicts. Conflict handling reflects the supplier to avoid any potential conflict, solve that particular conflict before they create problems and the ability to discuss the solution openly when the problem arises. Conflict handling requires cooperative behavior from exchange partners. According to Evans & Beltramini (1987), in a negotiation setting, cooperative versus competitive intentions have been found to be linked to satisfactory problem solution. In short, good conflict resolution will result relationship quality positively. Conflict handling is an important relationship builder. Even though it is difficult to service industries especially in banking sector to achieve zero service failure all a time, but it is so important that the particular banks put in place effective conflict resolution or problem solving mechanism.

A major problem which had been resolved satisfactorily may leave in its wake a happy and loyal customer, but may be minor issues if not handled carefully will result in defection. A more excellent approach, for example proactive in planning and implementations includes, identifying potential conflicts, solving conflict before they manifest, avoiding potential conflict and blocking them. Those efforts could bring the better relationship and loyalty to the particular bank or service firm (Ndubisi, 2007). Ndubisi and Wah (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. As mentioned earlier, the ability of the product or service provider to handle conflict well will also directly influence customer loyalty. Clow & Kurtz (2003) identified and explained the four types of conflict faced by customers.

### **1. Employee-Customer conflict**

Conflict can occur between employees and customers when either party does not follow the expected role. Conflict also occurs between the employee and the customer if the customer does not take care of the facility the way the employees feels. Both customers and service personnel are expected to behave in accordance with their role scripts. When behavior deviates from scripts, a conflict will arise. To reduce employee-customer conflict, both customers and service providers must understand their roles. Company personnel should instruct new customers about their roles and may need to remind current customers occasionally. Teaching employees how to deal with different types of customers and their behaviors can also be beneficial.

### **2. Customer-Role conflict**

Occasionally there is a conflict between the customers and their expected roles. In these situations, the service provider must provide instructions to the client on his or her role without insulting the customer. The service provider should also attempt to give the client a sense of cognitive control through providing information about the service to be provided.

### **3. Customer-Organization conflict**

Conflict between the customer and the organization is common. Most of these situations occur as a result of policies of the service organization. In most cases, the individual's conflict is with the organization and not with the service personnel. Dealing with customer-organization conflict is difficult to alleviate because most organizations do not want to change policies. When conflict

occurs, service providers should analyze their policies and decide if it is time to modify or eliminate the policy.

#### 4. **Customer-Customer conflict**

Conflicts sometimes arise among customers when they are served simultaneously or when one customer is served in the presence of other customers. Conflicts also sometimes occur among customers who have different expectations. A customer who wants quick, speedy service may be aggravated at the customer in front of him who wants to talk and wants personalized service. Handling conflict among customers is difficult. Employees of all types of services should be trained to handle conflicts among customers and how to minimize such conflict.

Yekunoamlak (2004) conducted survey and proved that to maintain good relationship with customers, the way customers are handled such as proper acts of frontline employees and proper customer service are significantly important for customer loyalty. He also suggested that proper complaints handling and efficient service failure recovery procedures are considered as very important factors for customer satisfaction by many customers. This author argued that having clear and easy procedures to handle customers' complaints and communicating it to the customers properly is equally important to get customer loyalty. Complaint handling is a special case of customer interactions.

Customers tend to be loyal to banks that handle customer complaints which will always happen and other conflicts satisfactorily (Ndubisi, 2007). It is therefore important that effective conflict resolution mechanisms are not only in place but are proactive, so as to identify potential sources of conflict and address them before problems become manifest. Effective reactive solutions should also be organized decisively and in time to resolve problems and protect customers from avoidable losses. Sometimes, what may cause a customer to defect is not so much the occurrence of a problem but how it is handled.

Clow and Kurtz (2003) suggested that customers follow a different sequence in handling conflicts. The most common technique is avoidance. They do this through patronizing another firm. In addition to the avoidance strategy, customers will often use retaliation in the form of negative word-of-mouth. Customers also will use direct confrontation in the way that they are

planning to switch vendors and they have nothing to lose. Psychological withdrawal and automatic behavior is used by customers only when they are forced to stay with the service firm. By understanding these methods of dealing conflict, managers can recognize conflict at an early stage and can find the source of conflict. Information should be gathered from all parties concerned as well as others who are familiar with the situation. Once the source has been identified, efforts can then be initiated to eliminate or reduce the conflict.

#### **2.3.4 Empathy**

According to Ndubisi (2004) Empathy is the capacity to share and understand another's state of mind or emotion. This author also pointed out that the basic idea of empathy should be characterized is that by looking expressions of the people facial or body movement, or by hearing their tone of voice, which will have immediate sense on how they feel. Empathy often characterized as the ability to put oneself into another, or in some way experience the outlook or emotions of another being within oneself. Empathy has the added value of reducing reliance on legal governance, since exchange partners who are governed by the principle of empathy are more likely to treat others in the manner they would like to be treated.

Clow and Kurtz (2003) define empathy as the ability of a person to identify with the feelings or thoughts of another person. This skill is necessary because customer contact personnel serve as the interface between customers and the organization. If customers have special requests or problems, they want employees to understand the problem from their point of view. Zeithaml and Bitner (2003) argued that it is difficult to imagine an organization would deliver caring, individualized attention to customers independent of its employees. According to these authors empathy implies that employees will pay attention, listen, adapt, and be flexible in delivering what individual customers need.

As mentioned by Parasuraman *et al.*, (1988) empathy is one of the important elements to measure the service quality in service industries area. It is so important to each banks manager to recruit staff with social skills that will assist the development of long-standing relationship with customers. And the most important thing is that banks should provide reliable services in order to achieve high level of customer satisfaction, an antecedent of sustainable competitive advantage.

They argued that Service organizations are expected to provide care and individualized attention to its customers, as well as having convenient operating hours.

## **2.4 Customer loyalty**

Customer loyalty is the most important goal of implementing relationship marketing activities. Oliver (1997) defined customer loyalty as a deeply held commitment to re-buy a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour. It is assumed that customers who are behaviourally loyal to a firm display more favourable attitudes towards the firm, in comparison to competitors. Customer satisfaction and loyalty are highly correlated. Customer satisfaction with a bank relationship is a good basis for loyalty (Leverin and Liljander, 2006).

Lacey (2009) undertaken research and concluded customers are vital sources for future revenue streams and marketing intelligence to the firm and loyal customers are willingly share insight about their needs and provide the opportunity for firms to tailor products, pricing, distribution channels, and marketing communications. This author also indicated that relational outcomes reflect the combination of marketing resources that contribute to a more efficient and effective marketing enterprise, including personal referrals, sharing personal information, engaging in firm-sponsored marketing research activities, providing complaint feedback, being more open to firm promotions and increasing purchasing activities. Results of Pantouvakis and Lymperopoulos (2008) support that in order for service company services strategies and tactics to yield desired results; attention should be given to the increasing loyalty of customers.

Knowing the buying motivations of customers has been an important part of understanding customer loyalty and brand switching behaviour. Oliver (1997) describes four levels of loyalty based on these components:

1. Cognitive – one brand is preferable based on superior brand attributes.
2. Affective – liking towards brand has developed over the course of multiple purchase situations that were satisfying.
3. Conative – Affective stage with the express intention to re-buy.

4. Action – Conative stage plus the active desire to overcome situational influences and marketing efforts that may have the potential to cause switching behavior.

On reaching the action phase, the customer possesses a deep commitment to repurchase but also is active in blocking the influence of alternative brands. Action level loyalty will be created when consumers intentionally immerse themselves in a social system that rewards brand patronage. As Oliver (1997) lists the requirements for this state to occur are the following.

1. The product must be perceived as superior by a large enough segments of the firm's customers in order to be profitable.
2. The product must be subject to respect (or focused commitment).
3. The product must have the ability to be embedded in a social network.

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

Customers remain loyal, not because of promotions and marketing programs, but because of the value they receive (Payne *et al.*, 1995). Key findings of Gee *et al* (2008) indicates that organisations must understand what drives both value and delight for their customers and adopting a customer centric vision enables an organisation understand their customers, deliver customer delight and drive for loyalty. They also pointed out different customers have different requirements and will be delighted in different ways and appropriate monitoring of customers is important to ensure that customer defections are not masked by customer acquisitions. This is essential for the sustainable growth of an organisation. Analysis of defecting customers allows an organisation to profile at risk customers where appropriate preventive measures can be put in place to reduce customer defection (Gee *et al.*, 2008). According to Huseyin *et al* (2005) findings, it is more expensive to find and attract a new customer than it is to retain an existing one and banks need to redefine their corporate image to one that emphasizes service quality by introducing standards for service excellence to make loyal.

The study conducted by Huseyin *et al* (2005) has shown that customers are looking for banks that keep their promises, instill confidence in the customer about the way they handle transactions, provide prompt service and have employees that are competent and always willing to help the customer. They also argued that due to the highly interactive nature of the employee-

customer relationship, including input from employees on what constitutes service excellence will be beneficial for banks and need to reassess what customers expect from them in terms of products and services and thus, provide client specific services is very important.

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

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

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

### **2.4.2 Customer loyalty and customer retention**

Today companies are target on developing stronger bonds and loyalty with their ultimate customers. In the past, many companies took their customers for granted. Their customers either did not have many alternative suppliers, or the market was growing so fast that the company did not worry about fully satisfying its customers. These companies need to pay closer attention to their customer defection rate and undertake measure to reduce it. Today's companies are going all out to retain their customers. They are struck by the fact that the cost of attracting new customer may be five times the cost of keeping a current customer happy (Kotler & Armstrong, 2010).

Good customer relationship management creates customer delight. In turn, delighted customers remain loyal and talk favorably to others about the company and its products. Studies show big differences in the loyalty of customers who are less satisfied, somewhat satisfied, and completely satisfied (Kotler & Armstrong, 2010). Even a slight drop from complete satisfaction can create an enormous drop in loyalty. Thus, the aim of customer relationship marketing is to create not just customer satisfaction, but customer delight and customer loyalty. Companies are now realizing that losing a customer means losing more than a single sale. It means losing the entire stream of purchases that the customer would make over a lifetime of patronage.

As companies move form a transaction-oriented view of their customers to a relationship-building view, they will create and sponsor programs to keep their customers coming back, buying more, and staying loyal. The challenges is to develop a special relationship with the companies best customers in which they experience good two-way communication and see themselves as receiving special privileges and awards. Among the most promising programs are frequency marketing programs and club marketing programs (Kotler, 1994). Frequency marketing programs (FMP) are designed to provide rewards to customers who buy frequently and/or in substantial amounts. Kotler (1994) defined frequency marketing as the effort to identify, maintain, and increase the yield from best customers, through long-term, interactive, and value added relationships. Frequency marketing is an acknowledgement of the Pareto principle – which 20% of a company's customers might account for 80% of its business. In club marketing programs- many companies have created club concepts around their product (Kotler,

1994). Club membership can be offered automatically upon purchase or promised purchase of a certain amount.

## CHAPTER III METHODOLOGY

### 3.1 Research design

This study employed more of quantitative case study method to answer the research questions and used some qualitative information to know the current conditions of Bank of Abyssinia with regard to relationship marketing and customer loyalty. This quantitative approach was applied to identify the impact of relationship marketing on customer loyalty. Some qualitative information was gathered from the organization by using semi-structured interview. The related data with questionnaire were collected and analysed. In this research a quantitative approach was used which is cross sectional study design with deductive approach by using the customers' of Bank of Abyssinia as respondents of the questionnaires.

### 3.2 Target population and sample

The study was undertaken to examine the impact of relationship marketing on customer loyalty by the customers of the Bank of Abyssinia. The bank has 51 branches in Ethiopia with total population of 275,103 customers', in which 27 branches are found in Addis Ababa. Addis Ababa branches are selected by using convenient sampling expecting that the researcher will get the necessary data. To obtain representative samples, simple random sampling technique was used to select customers who were willing to complete the questionnaire. Simple random sampling technique was used in this research because it provides an equal and nonzero chance of being selected for each customers of the bank (Abiy *et al.*, 2009). The researcher's focus is on customers of the bank. In order to get access, it is important to have list of existing customers of the company. The total numbers of customers listed by the company are 145,638 in Addis Ababa branches. 10 branches (19.6%) are selected from Addis Ababa branches by using simple random sampling technique. In order to answer the research questions of this study a sample of 250 customers were selected randomly from 10 branches to fill the questionnaire. This means that 25 customers' were taken from each branch. The 10 branches taken and the 250 customers' selected were considered to representative of the target population. This is based on preparatory module which is prepared by Graduate Studies and Research Office. According to this module, in designing a study; the researcher chooses the size of effect that is considered important (Abiy *et*

*al.*, 2009). The branches that were considered in this research are Bole, Olympia, Fil wuha, Genet, Gofa, Abamela, Arada, Legahar, Merkato, and Raguel branch.

### **3.3 Data collection instruments and variables**

The study used both primary and secondary data as its source of information. Primary data was collected based on structured questionnaire and semi-structured interview. The secondary data was collected by reviewing books, previous research works, articles and journals related, and online information available.

Based on the research objective, a questionnaire was prepared to elicit customers' experience and semi-structured interview questions also prepared to get information about relationship marketing and customer loyalty of Bank of Abyssinia. The questionnaire consists of two parts. Part one was prepared to gather general information about the respondents' gender, age, education, occupation, monthly income and for how many time the customer using the bank's services. Part two was prepared to ask respondents to answer relationship marketing and customer loyalty questions. This part consists of 44 questions and measures the impact of relationship marketing on customer loyalty which is divided in five dimensions. The first dimension, trust consists of 11 questions and was adopted from Ndubisi & Wah (2005) and (Dimitriadis *et al.*, 2011). The second dimension which consists 8 questions that measure commitments were adopted from Ndubisi & Wah (2005) and (Lacey & Morgan, 2009). The third dimension, empathy, contained five questions which were adopted from Huseyin *et al.*, (2005). The fourth and fifth dimensions that measure conflict handling and customer loyalty contained 10 questions each which were adopted from Ndubisi and Wah (2005). The researcher developed some questions and include in the questionnaire. Part three consists of 21 semi-structured interview questions with regard to the bank's relationship marketing activities and customer loyalty. The bank's business development and marketing division manager of the company was interviewed.

Questions in part two were assessed by using a five point Lickert scale. Each question of the questionnaire is assigned a number indicating strongly disagree measured as 1, disagree measured as 2, no opinion measured as 3, agree measured as 4, and strongly agree measured as

5. The independent variable is relationship marketing and measured by four dimensions such as trust, commitment, conflict handling, and empathy. The dependent variable is customer loyalty and measured by the feelings of customers' loyalty towards their bank.

### **3.4 Data analysis**

After collecting the data through questionnaire and interview, the process of analysis begins. Analysis of data in this research was done by using statistical tools like regression and correlation models. Regression analysis was used to know by how much the independent variable i.e. relationship marketing explains or influences the dependent variable which is customer loyalty. Correlation analysis also conducted to measure the strength of the association between relationship marketing dimensions and customer loyalty. And also descriptive analysis used for the demographic factors such as gender, age, education, occupation, monthly income and for how many times the customers are using the bank's services. The results of semi-structured interview questions was analysed qualitatively. Tools like tables and percentage are used. Data analysis was performed by using SPSS software version 16.

In order to reduce the possibility of getting wrong answers, different actions were taken to ensure the soundness of this study.

1. Data was collected from reliable sources, from respondents who are customers of the bank.
2. The questionnaire was based on literature review to ensure the soundness of the results.
3. SPSS software version 16.0 used to analyse the data and special emphasis was given during data coding.

### **3.5 Reliability test result**

Alpha reliability is regarded as a measure of internal consistency of the mean of the items at the time of administration of the questionnaire. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively related to one another (WWW.Wikipedia.com). It is computed in terms of the average inter correlations among the items measuring the concept. Reliability is calculated in such a way that it represents the reliability of the mean of the items, not the reliability of any single item. So, the alpha reliability of 10 items would be higher than that of 5 similar items. This coefficient can hold a value of 0 to

1. The result of 0.7 and above implies an acceptable level of internal reliability. The result of reliability test for the questionnaire is shown in the following table. As it is indicated in the table, the test result is between 0.86 and 0.94. Therefore, based on the test, the results for the items are reliable and acceptable.

Table 3.1: Reliability test result for the questionnaire

Item	Number of Item	Cronbach's Alpha
Trust	11	0.926
Commitment	8	0.882
Empathy	5	0.865
Customer handling	10	0.918
Customer loyalty	10	0.947

## **CHAPTER IV**

### **DATA ANALYSIS, FINDINGS, AND DISCUSSION**

To analyse the collected data in line with the overall objective of the research undertaking, statistical procedures were carried using SPSS 16.00. In this part to indentify the major issues and to provide workable recommendations for the problems concerning customer relationship marketing and customers' loyalty, the researcher has collected data through self administered questionnaire and semi-structured interview. In this chapter the findings of the study are presented. During the survey a total of 250 questionnaires were distributed to customers. All 250 distributed questionnaires were returned. So the analysis was made based on 250 responded questionnaires.

The questionnaire were developed in five scales ranging from five to one; where 5 represents strongly agree, 4 agree, 3 no opinion, 2 disagree, and 1 strongly disagree. All questionnaires were filled by the customers of Bank of Abyssinia. Customers were selected based on random sampling and efforts have been made to have representative sample and the results are considered as representative of the population. Descriptive statistics were used for demographic factors and correlation and regression analysis were conducted for scale typed questionnaires. In order to know the current information of the bank with regard to relationship marketing and customers' loyalty, interview was conducted with the bank business development and marketing division manager. The entire questionnaires used and the interview questions are attached at the back. You can refer from appendix A.

#### **4.1 Descriptive analysis**

This descriptive analysis is used to look at the data collected and to describe that information. It is used to describe the demographic factors for more clarification. It is mainly important to make some general observations about the data gathered for general or demographics questions. The demographics factors used in this research are gender, age, education qualification, occupation, monthly income, and length of time the respondents uses the banks services. For the scale typed questionnaires for all variables mean or average response of respondents was used. The mean response for all independent variables and dependent variable is 4 and above which was stated as agree. This average response shows that most of the respondents agreed that the bank's

relationship marketing activities are good and also they are loyal to the bank. Descriptive statistics analysis for the scale typed questionnaires (Part II) is presented under Appendix C titled as descriptive statistics for scale typed questionnaires.

#### 4.1.1 Gender of respondents

The gender of the respondents is shown in table 4.1. The table shows that most of the respondents are male (61.2%) while 38.8% are female.

Table 4.1: Gender of respondents

	Frequency	Percent
Female	97	38.8
Male	153	61.2
Total	250	100.0

#### 4.1.2 Age of respondents

The respondents' age is shown in the following table. The table shows that 73.6% are the age of 20-39 years old, followed by respondent at the age between 40-59 years old with 20%, 3.6% were at the age below 20 years old. The remaining of the respondents 2.8% were 60 years old and above.

Table 4.2: Age of respondents

	Frequency	Percent
Below 20 years	9	3.6
20-39 years	184	73.6
40-59 years	50	20.0
60 years and above	7	2.8
Total	250	100.0

### 4.1.3 Education qualification of the respondents

The education qualifications of respondents are shown in table 4.3. As it is indicated in the table, 40% hold a first degree. In the other way, 29.2% were diploma holder, while 16.4% of the respondents achieved secondary education. 10.8% hold a postgraduate degree and 2.4% achieved primary education. 3 (1.2%) respondents show that they had other qualification.

Table 4.3: Education qualification of respondents

	Frequency	Percent
Primary	6	2.4
Secondary	41	16.4
Diploma	73	29.2
Degree	100	40.0
Postgraduate	27	10.8
Others	3	1.2
Total	250	100.0

### 4.1.4 Occupation of the respondents

The results of respondents' occupation are indicated in table 4.4. The table demonstrates that 44% of the respondents are working in private sector, 27.6% are having their own business, 18.4% are working in government sector and 8.8% work in other occupation. 3 (1.2%) indicated that they are students.

Table 4.4: Occupation of respondents

	Frequency	Percent
Government sector	46	18.4
Private sector	110	44.0
Own business	69	27.6
Student	3	1.2
Others	22	8.8
Total	250	100.0

#### 4.1.5 Monthly income of respondents

The results of monthly income of respondents are shown in table 4.5. The table shows that 34.4% of the respondents had income of 5000 birr and above and 31.6% had income of between birr 1000-2999 monthly. On the other hand, 24.4% had income of between birr 3000-4999 and the remaining respondents 9.6% had income of below 1000 birr.

Table 4.5: Monthly income of respondents

	Frequency	Percent
Below birr 1000	24	9.6
Birr 1000-2999	79	31.6
Birr 3000-4999	61	24.4
Birr 5000 and above	86	34.4
Total	250	100.0

#### 4.1.6 Length of time the respondents uses the banks services

The results of length of time the customers uses the banks services are indicated in table 4.6. As it is shown in the table, 30.8% of the respondents have used for 1-3 years, 24.4% have used for 3-5 years and 20.8% have used the banks services for above 7 years. On the other hand 14.8% and 9.2% of the respondents have used the banks services for 5-7 years and below 1 year respectively.

Table 4.6: Length of time the respondents uses the banks services

	Frequency	Percent
Below 1 year	23	9.2
1-3 years	77	30.8
3-5 years	61	24.4
5-7 years	37	14.8
above 7 years	52	20.8
Total	250	100.0

## 4.2 Correlation analysis

Like the demographic factors, the scale typed questionnaire entered to the SPSS software version 16.00, to process correlation analysis. Based on the questionnaire which was filled by the customers of Bank of Abyssinia, the following correlation analysis was made.

### 4.2.1 Correlation analysis between relationship marketing and customers' loyalty

Pearson correlation test was conducted to know the degree of relationship between the independent variable i.e. relationship marketing and the dependent variable i.e. customers' loyalty. The results of the correlation between these variables are shown in table 4.7. As it is indicated in the table there is significant correlation between relationship marketing and customers' loyalty. In other words relationship marketing and customers' loyalty have high relationship ( $r=0.806$  with  $p<0.01$ ).

Table 4.7: Correlations between relationship marketing and customers' loyalty

		customer loyalty	relationship marketing
Pearson Correlation	customer loyalty	1.000	.806
	relationship marketing	.806	1.000
Sig. (2-tailed)	customer loyalty	.	.000
	relationship marketing	.000	.
N	customer loyalty	250	250
	relationship marketing	250	250

### 4.2.2 Correlation analysis between trust and customers' loyalty

Pearson correlation test was also conducted for these variables and the results are shown in table 4.8. As it is indicated in the table, there is significant positive correlation between trust dimension and customers' loyalty. In other words trust dimension and customers' loyalty are correlated in a moderate relationship ( $r=0.624$ ).

Table 4.8: Correlations between trust dimension and customers’ loyalty

		customer trust	customer loyalty
customer trust	Pearson Correlation	1	.624**
	Sig. (2-tailed)		.000
	N	250	250
customer loyalty	Pearson Correlation	.624**	1
	Sig. (2-tailed)	.000	
	N	250	250

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

#### 4.2.3 Correlation analysis between commitment and customers’ loyalty

For these variables Pearson correlation test was conducted and the results are shown in table 4.9. As it is shown in the table, there is significant correlation between commitment dimension and customers loyalty. In other words commitment dimension and customers’ loyalty have high relationship ( $r=0.806$ ).

Table 4.9: Correlations between commitment dimension and customer loyalty

		Commitment	customer loyalty
Commitment	Pearson Correlation	1	.806**
	Sig. (2-tailed)		.000
	N	250	250
customer loyalty	Pearson Correlation	.806**	1
	Sig. (2-tailed)	.000	
	N	250	250

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

#### 4.2.4 Correlation analysis between conflict handling and customers’ loyalty

For these variables Pearson correlation test was also conducted and the results are shown in table 4.10. As it is clearly indicated in the table, there is significant positive correlation between

conflict handling and customers' loyalty. In other words conflict handling dimension and customers' loyalty have high relationship or correlation ( $r=0.742$ ).

Table 4.10: Correlations between conflict handling and customers' loyalty

		customer loyalty	conflict handling
customer loyalty	Pearson Correlation	1	.742**
	Sig. (2-tailed)		.000
	N	250	250
conflict handling	Pearson Correlation	.742**	1
	Sig. (2-tailed)	.000	
	N	250	250

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

#### 4.2.5 Correlation analysis between empathy and customers' loyalty

Pearson correlation test was conducted to know whether there is significant correlation or not between empathy and customers' loyalty and the results are shown in table 4.11. As it is clearly indicated on the table, there is positive correlation between empathy and customers' loyalty. The result of correlation analysis prove that empathy dimension and customers' loyalty are correlated with a moderate relationship ( $r=0.581$ ).

Table 4.11: Correlations between empathy and customers' loyalty

		customer loyalty	empathy of customers'
customer loyalty	Pearson Correlation	1	.581**
	Sig. (2-tailed)		.000
	N	250	250
empathy of customers'	Pearson Correlation	.581**	1
	Sig. (2-tailed)	.000	
	N	250	250

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

### 4.3 Regression analysis

This regression analysis was conducted to know by how much the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (trust, commitment, conflict handling and empathy) explains the dependent variable that is customers' loyalty. The results of the regression analysis are the following.

#### 4.3.1 Regression analysis of relationship marketing and customers' loyalty

The Results of regression analysis against customers' loyalty can be seen in table 4.12. The result shows that relationship marketing has the power to explain customer loyalty. In this case the results of correlation of relationship marketing and customers' loyalty and R Square (0.650) are taken into consideration. The regression analysis model summary indicates that relationship marketing which is entered into the regression model on SPSS has relationship with customers' loyalty with correlation coefficient of 0.806. The R square is the explained variance and it is actually the square of the multiple R  $(0.806)^2$ . Therefore, it is pointed out that 65.00 percent of relationship marketing can explain the dependent variable that is customers' loyalty. As it is indicated in table 4.13, total relationship marketing was considered as predictors of customers' loyalty and reported high level of significance  $p < 0.01$ . And also the R square value of 0.650 confirming that, 65% of the variation in customer loyalty is explained by relationship marketing. Relationship marketing as used for prediction was found to be significantly related to customers' loyalty as the p-value is less than 0.01.

Table 4.14 titled as coefficients of relationship marketing dimensions, helps us to understand which variables among the four independent variables is the most important in explaining the variance in customers' loyalty. As it is indicated in the table, high beta value shows that it is significant in explaining. If we can see the Beta column under standardized coefficients below, we can understand that the highest number in the beta is 0.806 for commitment dimension and the second highest is conflict handling with 0.742. Therefore, commitment and conflict handling are the major determinant of customers' loyalty. It can be seen also from the table that the four independent variables were significant in explaining customers' loyalty.

Table 4.12: Regression analysis result for relationship marketing and customers’ loyalty

Model Summary

Model	R	R Square	Durbin-Watson
1	.806	.650	1.739

Table 4.13: ANOVA result for relationship marketing and customers’ loyalty

Model		F	Sig.
1	Regression	460.016	.000 <sup>a</sup>
	Residual		
	Total		

Table 4.14: Coefficients of relationship marketing dimensions

Model	B	Beta	T	Significant
Trust	0.757	0.624	12.566	0.000
Commitment	0.973	0.806	21.430	0.000
Conflict handling	0.885	0.742	17.425	0.000
Empathy	0.882	0.581	11.238	0.000

### 4.3.2 Regression analysis of trust and customers’ loyalty

As it is indicated in the model summary of table 4.15, trust explains customers’ loyalty. In this case, the results of correlation of relationship marketing and customers’ loyalty and R Square (0.389) are taken into consideration. This R square is the explained variance and it is actually the square of the multiple R  $(0.624)^2$  which is 0.389. Therefore, it is pointed out that 38.90% of customers’ loyalty is explained by trust. As it is indicated in table 4.16, trust was considered as predictors of customers’ loyalty and reported high level of significance  $p < 0.01$ . And also the R square value of 0.389 confirming that, 38.9% of the variation in customer loyalty is explained by

trust. Trust as used for prediction was found to be significantly related to customers’ loyalty as the p-value is less than 0.01.

Table 4.15: Regression analysis result for trust and customers’ loyalty

Model summary

Model	R	R Square	Durbin-Watson
1	.624	.389	1.661

Table 4.16: ANOVA result for trust and customers loyalty

Model		F	Sig.
1	Regression	157.914	.000
	Residual		
	Total		

### 4.3.3 Regression analysis of commitment and customers’ loyalty

Table 4.17 shows the results of regression analysis for commitment and customers’ loyalty. In this case, the results of correlation of these two variables and R Square (0.649) are taken into consideration. Here the R square is the explained variance and it is actually the square of the multiple R (0.806)<sup>2</sup> which is 0.649. Therefore, it is possible to state that 64.9% of customers’ loyalty is explained by commitment. As it is indicated in table 4.18, commitment was considered as predictors of customers’ loyalty and reported high level of significance p<0.01. And also the R square value of 0.649 confirming that, 64.9% of the variation in customer loyalty is explained by commitment. Commitment as used for prediction was found to be significantly related to customers’ loyalty as p-value is less than 0.01. It is the highest of all the independent variables in explaining customers’ loyalty.

Table 4.17: Regression analysis result for commitment and customers’ loyalty

Model summary

Model	R	R Square	Durbin-Watson
1	.806 <sup>a</sup>	.649	1.924

Table 4.18: ANOVA result for commitment and customers’ loyalty

Model		F	Sig.
1	Regression	459.256	.000
	Residual		
	Total		

**4.3.4 Regression analysis of empathy and customers’ loyalty**

As the result of regression analysis of empathy and customers’ loyalty indicates, empathy can explain customers’ loyalty in some extent. In this case again, the correlation result of these variables and the R square are taken. The R square is the explained variance and it is actually the square of the multiple R  $(0.581)^2$  which is 0.337. Therefore, it is possible to conclude that 33.7% of customers’ loyalty is explained by empathy. As it is indicated in table 4.20, empathy was considered as predictors of customers’ loyalty and reported high level of significance  $p < 0.01$ . And also the R square value of 0.337 confirming that, 33.7% of the variation in customer loyalty is explained by empathy. Empathy as used for prediction was found to be significantly related to customers’ loyalty as p-value is less than 0.01.

Table 4.19: Regression analysis result for empathy and customers’ loyalty

Model summary

Model	R	R Square	Durbin-Watson
1	.581 <sup>a</sup>	.337	2.028

Table 4.20: ANOVA result for empathy and customers’ loyalty

Model		F	Sig.
1	Regression	126.300	.000 <sup>a</sup>
	Residual		
	Total		

### 4.3.5 Regression analysis of conflict handling and customers’ loyalty

We can also look the regression analysis result of conflict handling and customers’ loyalty in table 4.21. As it is clearly indicated in the table, conflict handling can explain customer loyalty in banking industry, particularly in Bank of Abyssinia. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R  $(0.742)^2$  which is 0.55 Therefore, it is possible to state that 55% of customers’ loyalty is significantly explained by conflict handling. Conflict handling was considered as predictors of customers’ loyalty and reported high level of significance  $p < 0.01$  as it is indicated in table 4.22. And also the R square value of 0.550 confirming that, 55% of the variation in customer loyalty is explained by conflict handling. Conflict handling as used for prediction was found to be significantly related to customers’ loyalty as p-value is less than 0.01. It is the second highest of all the independent variables in explaining customers’ loyalty.

Table 4.21: Regression analysis result for conflict handling and customers’ loyalty

Model summary

Model	R	R Square	Durbin-Watson
1	.742	.550	1.786

Table 4.22: ANOVA result for conflict handling and customers' loyalty

Model		F	Sig.
1	Regression	303.619	.000 <sup>a</sup>
	Residual		
	Total		

Generally, the research questions which are proposed earlier were answered by using a sample of 250 respondents. From the analysis it is clearly indicated that relationship marketing and customer loyalty are related and the measure of correlation between these variables as it is indicated in the correlation analysis is positive. And also it is noticed that the independent variables which are included in the elements of relationship marketing have the power to explain the dependent variable as it is indicated in the regression analysis. Therefore, all the research questions are answered based on the test conducted and relationship marketing has the power to explain customer loyalty in banking industry, particularly in Bank of Abyssinia.

#### 4.4 Results Discussion

This discussion is very important to provide more clarification on the above results. This research is related with the elements of relationship marketing towards customers' loyalty in banking industry, specifically in Bank of Abyssinia. The objective of this study is to explore the impact of relationship marketing on customer loyalty within the Bank of Abyssinia, by analyzing the relationship of every construct in the theoretical framework. Demographic factors such as gender, age, occupation, education qualification, monthly income and length of time the customers' uses the bank's services have been used to know the general characteristics of the respondents. Based on the results from this research, relationship marketing is correlated with customers' loyalty. The findings show that relationship marketing activities can explain 65% of customers' loyalty in banking industry, particularly in Bank of Abyssinia. Relationship marketing elements particularly Commitment and conflict handling have greater impact on customers' loyalty and it is more important in shaping what customers prefer about the bank.

The research used 61.2% male and 38.8% of female as respondents. In terms of age, the majority of respondents are in between 20-39 years old which was accounted 73.6% and followed by 40-59 which constituted 20%. With regard to the education qualification of respondents, the majority are first degree holder with 40% which is followed by diploma holder which accounted 29.2%. When we see the occupation of the respondents, most of them are working in private sector which accounted 44% and followed by 27.6% having their own business. In terms of the monthly income of the respondents, the majority had income of Birr 5000 and above which accounted 34.4% and followed by 31.6% having income in between birr 1000-2999. When we look at the length of time customers' uses the bank's services, most of the customers used the bank's services for 1-3 years which accounted 30.8% followed by 24.4% used the bank's services for 3-5 years. From demographic factors only age and length of time the customers' uses are correlated with customers' loyalty. The other dimensions have no relationship with customers' loyalty (Appendix B under correlation analysis).

In today's competitive environment, banks should build and maintain good relationship with the target customers in order to succeed and survive. To maintain good relationship with customers, relationship marketing is an important tool. In this case, the bank must prepare invaluable information to build strong relationship with the customers for the purpose of gaining their loyalty and preventing customers from switching to other banks. Customers can be remaining loyal towards a bank for a number of reasons. This research have identified four elements of relationship marketing that will have impact on customers loyalty in banking industry particularly in Bank of Abyssinia namely, trust, commitment, conflict handling and empathy.

The findings of Ndubisi (2007) suggested that the greater the trust in the bank, the higher the level of the bank's commitment, the more reliable and timely its communications and the more satisfactorily it handles conflicts, the more loyal its customers will tend to be. Therefore, the result of this research is consistent with the findings of Ndubisi (2007). The findings of Foster & Cadogan (2000) showed that the quality of the relationship customers have built with their organization positively influences their assessment of their relationship with the organization. Again the result of this research is also similar with the findings of Foster & Cadogan (2000). Another study which is conducted by Gee *et al.*, (2008) suggested that the need for businesses to retain customers is an important issue in today's global marketplace.

Based on the Pearson correlation test of correlation results, trust dimension positively correlated with customers' loyalty ( $r=0.624$ ). In other words if customers trust the bank, they will be loyal to their banks otherwise they will not be loyal to their banks. Because of this result the bank should be able to promise and deliver what it promised is important to encourage repeat purchase by the customers and to establish strong relationship. In addition, trust only will exist if customers have confidence in a bank's ability to perform satisfactorily. Therefore, trust has power to determine the loyalty of customers. With regard to trust dimension, a bank can be perceived by its customers as honest in its performance if the bank has strong and lasting relationship with customers. Customer trust has a significant role in building long-term relationship and achieving customer loyalty (Berry, 1983). So, the finding of Berry (1983) is similar with the results of this research. When customers trust the bank, they will leave all the activities to be performed by the bank and they will talk freely about the banks strengths and weaknesses. Because of this reason, all customers feel that they are responsible for the banks operation. So, it is best for the banks to be trusted by the entire customers.

The regression analysis of trust dimension and customer loyalty indicates that 38.90% of the variance R square in customers loyalty has been significantly explained by trust. The finding of Ndubisi (2007) showed that trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty. And also the finding of Morgan and Hunt (1994) concluded that customers with trusts in service providers' capability would probably be willing to commit to a service relationship for meeting their expectations. Therefore, the result of this study on trust dimension is similar with the above findings that trust has the power to increase customers' loyalty. A thesis conducted by Xuan Zhang and Yuanyuan Feng (2009) on the Impact of Customer Relationship Marketing Tactics on Customer Loyalty in Sweden, Halmstad University suggested that relationship quality like trust is positively related to loyalty. This result also provides empirical evidence supporting previous theories that higher level of trust perceived by customers, the higher level of customer loyalty achieved by service providers.

Commitment is another element of relationship marketing that is taken into account to explain customer's loyalty. Based on the correlation result as it is shown by Pearson correlation test, commitment dimension is positively and highly correlated with customers' loyalty. The

correlation coefficient between commitment and customers' loyalty is the highest of all correlation results of relationship marketing dimensions which is 0.806. This shows that commitment dimension is a major determinant of customers' loyalty and customers will critically evaluate the commitment of the bank employees towards the services gained from the bank. The commitment of the bank will help to retain customers by improving the services of the bank. By having committed employees, banks can continue retaining existed customers and attracting new customers to generate more profit. To this extent the commitment dimension of relationship marketing plays great role. Therefore, banks are expected to have committed employees to offer appropriate services and treat the customers as they want. This result is supported by the study of Fullerton (2003). According to this researcher, commitment has a strong positive effect on the softer aspects of customer loyalty such as advocacy and willingness to pay more for the service.

With regard to the regression analysis of commitment dimension and customers' loyalty, 64.9% of the variance R square in customers loyalty is significantly explained by commitment. It is the highest of all the independent variables in explaining customers' loyalty. The result of Morgan and Hunt (1994) viewed that a committed partner wants the relationship to endure indefinitely and is willing to work at maintaining it. Lacey (2009) research's also suggested that committed customers are not just expected to maintain current purchasing activities, but to increase both the level and proportion of their purchasing activities over time. Therefore, the result of this research on commitment dimension is similar with the above findings that commitment has the power to increase customers' loyalty.

The other factor that is included in the dimensions of relationship marketing is empathy. It has positive and moderate relationship with customer's loyalty. The correlation coefficient between these variables is 0.581. Empathy is one of the important tools to create long term relationship with customers in service provider organizations. Nearly high number of customers wanted to be treated as they want to be treated by the banks employees. If this is the case, banks have the responsibility to treat customers as they want to be treated to have loyal customers. When the customers are treated in a good way they become satisfied and loyal to their banks. As a result, empathy has power to create lasting relationship with customers and shaping the minds of the existed customers to talk favorably about the banks to other customers. Therefore, banks need to

understand their customers' needs and wants and continuously evaluate their services to satisfy and attract customers in the better way.

With regard to the regression analysis of empathy and customers' loyalty, 33.70% of the variance R square in customers loyalty is significantly explained by empathy. The finding of Zeithaml and Bitner (2003) showed that it is difficult to imagine an organization would deliver caring, individualized attention to customers independent of its employees. As it is mentioned by Parasuraman *et al.*, (1988) empathy is one of the important elements to measure the service quality in service industries area. So, the result of this research on empathy dimension of relationship marketing supports the above findings that empathy has power to make customers' loyal.

The last but not the least factor included in the relationship marketing underpinnings is conflict handling. As it is indicated in the correlation analysis, conflict handling dimension has positive and high relationship with customers' loyalty. The correlation coefficient between conflict handling and customers' loyalty is 0.742. It is the second highest of all correlation results of relationship marketing elements. When banks have good conflict handling procedures and solving the manifested problems successfully, the customers express their complaints or any feelings they have freely and will become loyal customers. In order to encourage customers to complain when there is problem, banks are responsible to aware and inform in advance how and where to complain. Generally, appropriate and acceptable conflict handling procedure will create strong relationship with customers'. The above result is supported by Tax (1998). The results indicate that investments in complaint handling can improve evaluations of service quality, strengthen customer relationships, and build customer commitment.

The regression analysis result for conflict handling and customers' loyalty shows that 55% of the variance R square in customers loyalty has been significantly explained by conflict handling. It is the second highest of all the independent variables in explaining customers' loyalty. The result of Ndubusi (2007) indicated that customers tend to be loyal to banks that handle customer complaints which will always happen and other conflicts satisfactorily. Ndubisi and Wah (2005) found a significant relationship between conflict handling and customer loyalty. And also the result of Yekunoamlak Hailu (2004) proved that to maintain good relationship with customers,

the way customers are handled such as proper acts of frontline employees and proper customer service are significantly important for customer loyalty. Therefore, the result of this research on conflict handling dimension is similar with the above results in indicating that proper conflict handling can increase customers' loyalty.

When we see the regression analysis result for all variables against customers' loyalty it is assured that all independent variables can explain customers' loyalty particularly, in Bank of Abyssinia and in general in banking industry.

In order to know the current information of the bank with regard to relationship marketing and customers' loyalty concepts, interview was conducted with the bank's business development and marketing division manager. With a total of 21 interview questions was asked and responded by the division manager.

After interview has been made with business development and marketing division manager on relationship marketing and customer loyalty questions, the following points are generalized.

- Ü In the bank there is the concept of relationship marketing to retain and attract customers. But it is not independently established and has no officer. It is under marketing department. Under this department, the bank identifies and collects information about the needs and wants of customers. Here the major problem is that there is no follow up of the collected data.
- Ü The division manager noticed that relationship marketing activities have the power to make customers loyal. Some of the procedures of relationship marketing that the bank uses are suggestion box, customer handling log, identifying customers and face-to-face discussion, collecting data and providing lastly solution.
- Ü The manager recognized that there is problem with regard to customer loyalty. Good relationship is highly needed to create customer loyalty. In the bank there are employees who treat customers nicely and there are others who do not treat customers.
- Ü The bank is rated as fair in relationship marketing activities. There is no much work on it. With regard to customers' response for their complaints, solution is not given on time. As the manager's expectation in department wise the importance of relationship marketing is

clear but the top managers are careless on this issue. Absence of follow up is the major weakness of the bank as it is indicated by the division manager. In order to improve the bank's services, the bank need to continue strongly, hiring committed employees, and assign responsible body for relationship marketing is important. The value of relationship marketing in the bank is not deeply acknowledged. The comment of the division manager is that relationship marketing should be independently established, gets management attention, has established ladder and thinking as customer are very important to retain and attract customers.

## CHAPTER V

### CONCLUSION AND RECOMMENDATIONS

#### 5.1 Conclusion

The main purpose of the study was to examine the impact of relationship marketing on customers' loyalty in banking industry, particularly in Bank of Abyssinia. The major goal of relationship marketing is to create lasting relationship with customers. Lasting relationship with customers is the first requirement to survive in a competitive environment and to generate profit. The relationship marketing dimensions that were included in this research are trust, commitment, conflict handling and empathy.

Based on previous theories and researches regarding relationship marketing and its outcomes, this study shows clear links between relationship marketing and customer loyalty, which helps to deeply understand the relationship and interaction between relationship marketing and customers' loyalty.

The findings support the view points that relationship marketing dimensions can enhance the quality of a buyer-seller relationship and in turn increase customer loyalty. Customer trust, commitment, conflict handling and empathy are not the only the desired outcomes of relationship marketing but also the antecedents of customer loyalty.

With regard to the Pearson correlation analysis, it can be clearly seen as that the four relationship marketing dimensions namely trust, commitment, conflict handling, and empathy are positively related to customer loyalty in Bank of Abyssinia. The relationship looks like the following.

- ü Relationship marketing and customers' loyalty have high relationship.
- ü Trust dimension and customers' loyalty have moderate relationship.
- ü Commitment dimension and customers' loyalty have high relationship.
- ü Conflict handling dimension and customers' loyalty have high relationship.
- ü Empathy dimension and customers' loyalty have moderate relationship.
- ü Age of respondents and length of time the customers uses the banks services and customers' loyalty are in some way positively correlated. The other demographic factors have negative relationship with customers' loyalty.

- ü Although many relationship marketing have potential for developing customer trust and loyalty, some dimensions like commitment and conflict handling are more sensitive than others in this research

On the regression analysis part, it is clearly shown that relationship marketing explains customer loyalty. The regression analysis indicated that 65% customer loyalty is explained by relationship marketing. Each independent variable is also regressed against customers' loyalty and the result shows that all the independent variables can explain the dependent variable i.e. customer loyalty.

The regression analysis result looks like the following.

- ü 65% of customers' loyalty is significantly explained by relationship marketing.
- ü 38.9% of customers' loyalty is significantly explained by trust.
- ü 64.9% of customers' loyalty is significantly explained by commitment.
- ü 33.7% of customers' loyalty is significantly explained by empathy.
- ü 55% of customers' loyalty is significantly explained by conflict handling.

## 5.2 Recommendations

The findings of this research also important evidence for managers who take charge of relationship marketing. It is helpful for marketers to understand the effectiveness of relationship marketing from consumer's perspective..

In light of the findings and conclusions made above, the following possible recommendations are suggested as being valuable to the Bank of Abyssinia for improving relationship marketing activities to assure customer loyalty.

- Ü Bank of Abyssinia must develop customer relationship program that will help them build and support positive customer relationships. Since the bank is providing services to customers, it is a must to give high value for good relationship. Relationship with customers can be improved by explaining to employees, especially in the frontline and knowing how much each customer is worth to the business. The more employees work together to keep existing customers satisfied, the lesser customer attrition will be.
- Ü To retain and develop loyal customers, the bank should be trustworthy and show commitment, providing individualized attention to customers and must resolve conflicts in a manner that will eliminate unimportant loss and inconvenience to their customers. In Ethiopia, the growing number of banks led to the increase in the competition of banking industry. Therefore, the bank must be well aware of the want and needs of the customers. Nowadays customers are demanding more not only based on the service but they demand the way they are treated. Once they are satisfied with the services that were provided by the banks, they will communicate about the bank or services to the other customers.
- Ü Bank of Abyssinia should put more effort to attract more customers especially in dimensions related to commitment, conflict handling, trust and empathy. In order to create and maintain loyalty, the bank must recognize that many of the core product attributes are necessary, but not sufficient for loyalty. On the other hand, it is a must to have a strong connection with its customers in order to create and maintain customer loyalty. By having strong relationship with customers it is possible to keep customer from switching to other competitor.

- Ü Bank of Abyssinia should invest in its employees, especially on the frontline, to motivate them to serve customers best. Frontline employees should be trained to act in a manner that recognizes customers as a valuable asset. To motivate employees and get their commitment, the bank should offer them a challenging work, attractive salary that recognizes the contribution of their effort towards the overall success of the business. Besides these, actions to make them participate in decision making activities, to provide an opportunity to learn and advance, and reward for their contribution have a lot to play in employees' motivation.
  
- Ü Bank of Abyssinia should establish more efficient and effective ways of complaint handling procedures and communicate those procedures to customers'. It is also advisable to management to keep customers informed about changes that take place in the company well in advance instead of leaving them to know by chance.
  
- Ü Bank of Abyssinia should give greater attention to both getting new customers and retaining the existing ones in the advertisement and other promotional activities by using relationship marketing as strategy. It is also recommended that the bank should have the system to ask customers to comment about the service either verbally or on phone or in writing about their satisfaction. Collecting feedback is not an end by itself; the bank should analyze the feedback periodically and must use them as a means of problem identification.
  
- Ü When hiring employees, Bank of Abyssinia should look at the ability and interest of an employee to establish and maintain strong relationship with the customers and other employees of the organization. Potential candidates who are strong in trusting behavior, conflict resolution ability, strong commitment to the assigned tasks and adding with empathy should be considered.
  
- Ü Marketers should put their efforts into implementing relationship marketing in an effective way, in order to enhance customer perceived trust, commitment, conflict handling and empathy. It is also essential for the bank to realize the importance of relationship quality and customers loyalty for practical business. A higher quality of a relationship might lead to a

higher level of customer loyalty, which makes vendors profit more. The bank should assign responsible body for following up relationship marketing activities and providing solutions with short period of time if problems arise.

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

This study directly focuses on relationship marketing dimensions and its impact on customer loyalty in banking sector, particularly Bank of Abyssinia. This research can be further explored by adding more relationship marketing dimensions like value, communication, cooperation, and others which could influence customer loyalty. The research reported here has not look into the possible influences of socio-demographic factors on the relationship between relationship marketing dimensions and customer loyalty. Future research studies might fruitfully investigate such moderating influences. Future researches also can survey by applying longitudinal design and increasing the sample size.

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## Appendix A

*Addis Ababa University*  
*School of Business and Public Administration*  
*Master of Business administration*

Dear participants:

The questionnaire is prepared by Master of Business Administration (MBA) graduate student for the purpose of writing thesis on ‘the impact of relationship marketing on customers’ loyalty’. Your honest response is very much important input to my thesis. I want assure you that your privacy for responding to this questionnaire is completely kept in secret.

I know that your time is valuable, and I hope that you will take the time (an estimated 15-20 minutes) to complete the questionnaire. Please attempt to answer all the questions and click one appropriate box that best suits your perspective for each statement. Thank you very much for your time and assistance.

Sincerely yours,

Shifera Bekele

Addis Ababa University

School of Business and Public Administration

Master of Business administration

**Questionnaire and Semi-structured Interview Questions**

**Part I: Demographic or General information**

Choose the suitable answer and tick (☐) in the box given for each question.

1. Gender           ☐ Female       ☐ Male
  
2. Age               ☐ Below 20 years   ☐ 20-39 years  
                          ☐ 40-59 years       ☐ 60 years and above
  
3. Education qualification   ☐ Primary                               ☐ Secondary               ☐ Diploma  
  ☐ Degree                               ☐ Postgraduate           ☐ Others
  
4. Occupation       ☐ Government sector   ☐ Private sector  
                          ☐ Own Business       ☐ Student       ☐ Others
  
5. Monthly income   ☐ Below Birr 1000               ☐ Birr 1000-2999  
                          ☐ Birr 3000-4999               ☐ Birr 5000 and above
  
6. For how many times you have used the bank's services?  
                          ☐ Below 1 year               ☐ 1 – 3 years               ☐ 3- 5 years  
                          ☐ 5-7 years                       ☐ Above 7 years

**Part II**

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

**1=Strongly Disagree            2= Disagree            3=No Opinion**  
**4=Agree                            5=Strongly Agree**

**Trust**

- |  |   |   |   |   |   |
|--|---|---|---|---|---|
| 1. The bank is very concern with security for my transactions          | 1 | 2 | 3 | 4 | 5 |
| 2. The bank’s promises are reliable                                    | 1 | 2 | 3 | 4 | 5 |
| 3. The bank is consistent in providing quality service                 | 1 | 2 | 3 | 4 | 5 |
| 4. Employee of the bank show respect to customers                      | 1 | 2 | 3 | 4 | 5 |
| 5. The bank fulfils its obligation to customers                        | 1 | 2 | 3 | 4 | 5 |
| 6. I have confidence in the bank’s service                             | 1 | 2 | 3 | 4 | 5 |
| 7. Given my experience, the bank can be trusted Completely             | 1 | 2 | 3 | 4 | 5 |
| 8. Given my experience, the bank can be counted on to do what is right | 1 | 2 | 3 | 4 | 5 |
| 9. My bank is always honest to me                                      | 1 | 2 | 3 | 4 | 5 |
| 10. My bank has the ability to meet its promises                       | 1 | 2 | 3 | 4 | 5 |
| 11. I never doubt that my bank will not keep its promises              | 1 | 2 | 3 | 4 | 5 |

**Commitment**

- |  |   |   |   |   |   |
|--|---|---|---|---|---|
| 12. The bank makes adjustment to suit my needs                                     | 1 | 2 | 3 | 4 | 5 |
| 13. The bank offers personalized services to meet customers need                   | 1 | 2 | 3 | 4 | 5 |
| 14. The bank is flexible when its service are changed                              | 1 | 2 | 3 | 4 | 5 |
| 15. The bank is flexible in serving my needs                                       | 1 | 2 | 3 | 4 | 5 |
| 16. My relationship with the bank is one that I am very committed to continuing it | 1 | 2 | 3 | 4 | 5 |
| 17. My relationship with the bank is very important to me                          | 1 | 2 | 3 | 4 | 5 |
| 18. My relationship with the bank is one that I really care about                  | 1 | 2 | 3 | 4 | 5 |

19. My relationship with the bank is worth my effort  
to maintain 1 2 3 4 5

**Empathy**

20. Employees of the bank deal with customer's in  
a caring fashion 1 2 3 4 5

21. Bank employees give the individualized attention  
to customers 1 2 3 4 5

22. The employees of the bank understand your  
specific needs 1 2 3 4 5

23. Bank employees have the customer's best interest  
at heart 1 2 3 4 5

24. Bank has operating hours convenient to all its customers 1 2 3 4 5

**Conflict Handling**

25. The bank tries to avoid potential conflict 1 2 3 4 5

26. The bank tries to solve manifest conflicts before  
the customers create problems 1 2 3 4 5

27. The bank has the ability to openly discuss solutions  
when problems arise 1 2 3 4 5

28. The bank is responsive to my complaints 1 2 3 4 5

29. The bank shows a sincere interest in  
solving customer problem 1 2 3 4 5

30. The bank listens customer's problem 1 2 3 4 5

31. The bank clearly communicates about each  
bank's policy to their customers (about customers'  
right, responsibility, and other related issues) 1 2 3 4 5

32. The bank clearly communicates to you about  
how and where to complain in case of a problem 1 2 3 4 5

33. The bank gives you prompt response for  
your complaints 1 2 3 4 5

34. The bank asks you about your feeling toward

their responses for your complaints 1 2 3 4 5

**Customer Loyalty**

- 35. Considering the bank as first choice among other banks in the area; and the bank that first comes to my mind when making purchases decision on bank services 1 2 3 4 5
- 36. If I had to do it over again, I would still choose to use the bank 1 2 3 4 5
- 37. I do not like to change to another bank because I value the bank 1 2 3 4 5
- 38. I am a loyal customer to the bank 1 2 3 4 5
- 39. I would always recommend the bank to someone who seeks my advise 1 2 3 4 5
- 40. It would difficult to change my beliefs about the bank 1 2 3 4 5
- 41. I would always use this bank’s services 1 2 3 4 5
- 42. Even if close friends recommended another bank, my preference for this bank would not change 1 2 3 4 5
- 43. My intention to use the services of this bank would not be changed 1 2 3 4 5
- 44. I do not like to change to another bank because this bank sees my needs 1 2 3 4 5

*Thanks for your assistance!!*

**Part III Semi-structured Interview Questions**

1. How do you evaluate the relationship marketing activities of your bank?
2. Does relationship marketing have the power to make customers loyal?
3. What are the relationship marketing strategies that your bank used to make customers satisfied and loyal?
4. How do you appraise the trustworthiness, commitment, and empathy of your bank customers, and conflict handling procedures of your bank?
5. Do you think that your company have no problem with regard to customer loyalty?
6. According to your opinion, to what extent does good relationship with the customer is important for customer loyalty?
7. According to your opinion, what importance customers handling has in creating good relationship with the customer?
8. Are there a clearly defined policies and procedures to handle complaints?
9. How much do you think that the acts of employees of the bank, especially those on the front line, affect the level of customer satisfaction and intent to remain in your bank?
10. How do you see your employees' efforts in the bank to create good relationship with customers?
11. How do you see the bank's willingness to listen to customers?
12. How do you see your employees of the bank in treating customers with respect, trust and dignity?
13. How do you, in general, rate your bank relationship with the customer?
14. To what extent the bank informs customers' in advance about any change that takes place in the bank?
15. How do you rate your bank's efforts on the following points?
  - I. Recognizing the regular customers
  - II. Providing individualized attention
  - III. Learning the customer's specific requirements
16. To what extent do you think that the bank's complaint handling procedures affect your customers' satisfaction and loyalty?
17. Are there any special efforts that the bank makes in relation to customers handling and enhancing satisfaction?

18. Would you tell me any strength and weakness of the bank related to maintaining good relationship with customers, providing service and on anything you think important to enhance customer satisfaction and loyalty?
19. Is there any change that you want to see in the bank regarding customer relationship and customer service?
20. In general, what are the problems that your relationship marketing strategies have in your bank?
21. Is there anything that you comment with regard to the bank's relationship marketing activities and customer's loyalty towards your bank?

## Appendix B

### Correlation analysis

Correlations

		customer loyalty	gender of respondents
customer loyalty	Pearson Correlation	1	-.208**
	Sig. (2-tailed)		.001
	N	250	250
gender of respondents	Pearson Correlation	-.208**	1
	Sig. (2-tailed)	.001	
	N	250	250

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

		customer loyalty	age of respondents
customer loyalty	Pearson Correlation	1	.019
	Sig. (2-tailed)		.766
	N	250	250
age of respondents	Pearson Correlation	.019	1
	Sig. (2-tailed)	.766	
	N	250	250

		customer loyalty	education qualification of respondents
customer loyalty	Pearson Correlation	1	-.127*
	Sig. (2-tailed)		.045
	N	250	250
education qualification of respondents	Pearson Correlation	-.127*	1
	Sig. (2-tailed)	.045	
	N	250	250

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

		customer loyalty	occupation of respondents
customer loyalty	Pearson Correlation	1	-.112
	Sig. (2-tailed)		.078
	N	250	250
occupation of respondents	Pearson Correlation	-.112	1
	Sig. (2-tailed)	.078	
	N	250	250

		customer loyalty	monthly income of respondents
customer loyalty	Pearson Correlation	1	-.148*
	Sig. (2-tailed)		.019
	N	250	250
monthly income of respondents	Pearson Correlation	-.148*	1
	Sig. (2-tailed)	.019	
	N	250	250

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

		customer loyalty	length of time for using the bank's services
customer loyalty	Pearson Correlation	1	.045
	Sig. (2-tailed)		.482
	N	250	250
length of time for using the bank's services	Pearson Correlation	.045	1
	Sig. (2-tailed)	.482	
	N	250	250

### Regression analysis

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

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.806 <sup>a</sup>	.650	.648	.514	.650	460.016	1	248	.000	1.739

a. Predictors: (Constant), relationship marketing

b. Dependent Variable: customer loyalty

**ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	121.420	1	121.420	460.016	.000 <sup>a</sup>
	Residual	65.459	248	.264		
	Total	186.878	249			

a. Predictors: (Constant), relationship marketing

b. Dependent Variable: customer loyalty

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

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
	relationship marketing	1.108	.052	.806	21.448	.000	1.007	1.210	.806	.806	.806

a. Dependent Variable: customer loyalty

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

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.506	.206		2.454	.015
	conflict handling	.885	.051	.742	17.425	.000

a. Dependent Variable: customer loyalty

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

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	.862	.257		3.355	.001	.356	1.368			
	customer trust	.757	.060	.624	12.566	.000	.639	.876	.624	.624	.624

a. Dependent Variable: customer loyalty

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

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.298	.336		.885	.377	-.365	.960
	empathy of customers'	.882	.079	.581	11.238	.000	.728	1.037

a. Dependent Variable: customer loyalty

**ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	72.702	1	72.702	157.914	.000 <sup>a</sup>
	Residual	114.176	248	.460		
	Total	186.878	249			

a. Predictors: (Constant), customer trust

b. Dependent Variable: customer loyalty

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

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.806 <sup>a</sup>	.649	.648	.514	.649	459.256	1	248	.000	1.924

a. Predictors: (Constant), customer commitment

b. Dependent Variable: customer loyalty

**ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	121.349	1	121.349	459.256	.000 <sup>a</sup>
	Residual	65.529	248	.264		
	Total	186.878	249			

a. Predictors: (Constant), customer commitment

b. Dependent Variable: customer loyalty

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

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.581 <sub>a</sub>	.337	.335	.707	.337	126.300	1	248	.000	2.028

a. Predictors: (Constant), empathy of customers'

b. Dependent Variable: customer loyalty

**ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	63.058	1	63.058	126.300	.000 <sup>a</sup>
	Residual	123.820	248	.499		
	Total	186.878	249			

a. Predictors: (Constant), empathy of customers'

b. Dependent Variable: customer loyalty

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

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.742 <sub>a</sub>	.550	.549	.582	.550	303.619	1	248	.000	1.786

a. Predictors: (Constant), conflict handling

b. Dependent Variable: customer loyalty

**ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	102.861	1	102.861	303.619	.000 <sup>a</sup>
	Residual	84.018	248	.339		
	Total	186.878	249			

a. Predictors: (Constant), conflict handling

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

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.742 <sub>a</sub>	.550	.549	.582	.550	303.619	1	248	.000	1.786

b. Dependent Variable: customer loyalty

**Statistics**

		customer trust	customer commitment	empathy of customers'	conflict handling	customer loyalty
N	Valid	250	250	250	250	250
		0	0	0	0	0
	Mean	4.20	4.10	4.25	4.00	4.04
	Median	4.36	4.25	4.40	4.20	4.30
	Mode	5	4	5	5	5
	Std. Deviation	.714	.717	.570	.726	.866
	Minimum	1	1	2	1	1
	Maximum	5	5	5	5	5

## Appendix C

### Descriptive statistics for scale typed questionnaires

#### Trust questions

The bank is very concern with security for my transactions

	Frequency	Percent	Valid Percent
strongly disagree	8	3.2	3.2
Disagree	8	3.2	3.2
no opinion	29	11.6	11.6
Agree	96	38.4	38.4
strongly agree	109	43.6	43.6
Total	250	100.0	100.0

The bank's promises are reliable

	Frequency	Percent	Valid Percent
strongly disagree	5	2.0	2.0
Disagree	14	5.6	5.6
no opinion	26	10.4	10.4
Agree	85	34.0	34.0
strongly agree	120	48.0	48.0
Total	250	100.0	100.0

The bank is consistent in providing quality service

	Frequency	Percent	Valid Percent
strongly disagree	5	2.0	2.0
Disagree	20	8.0	8.0
no opinion	31	12.4	12.4
Agree	96	38.4	38.4
strongly agree	98	39.2	39.2
Total	250	100.0	100.0

Employee of the bank show respect to customers

	Frequency	Percent	Valid Percent
strongly disagree	4	1.6	1.6
Disagree	4	1.6	1.6
no opinion	21	8.4	8.4
Agree	86	34.4	34.4
strongly agree	135	54.0	54.0
Total	250	100.0	100.0

The bank fulfills its obligation to customers

	Frequency	Percent	Valid Percent
strongly disagree	6	2.4	2.4
Disagree	11	4.4	4.4
no opinion	22	8.8	8.8
Agree	86	34.4	34.4
strongly agree	125	50.0	50.0
Total	250	100.0	100.0

I have confidence in the bank's service

	Frequency	Percent	Valid Percent
strongly disagree	5	2.0	2.0
Disagree	11	4.4	4.4
no opinion	21	8.4	8.4
Agree	85	34.0	34.0
strongly agree	128	51.2	51.2
Total	250	100.0	100.0

Given my experience, the bank can be trusted completely

	Frequency	Percent	Valid Percent
strongly disagree	6	2.4	2.4
Disagree	8	3.2	3.2
no opinion	16	6.4	6.4
Agree	107	42.8	42.8
strongly agree	113	45.2	45.2
Total	250	100.0	100.0

Given my experience, the bank can be counted on to do what is right

	Frequency	Percent	Valid Percent
strongly disagree	5	2.0	2.0
Disagree	10	4.0	4.0
no opinion	26	10.4	10.4
Agree	85	34.0	34.0
strongly agree	124	49.6	49.6
Total	250	100.0	100.0

My bank is always honest to me

	Frequency	Percent	Valid Percent
strongly disagree	3	1.2	1.2
Disagree	8	3.2	3.2
no opinion	28	11.2	11.2
Agree	81	32.4	32.4
strongly agree	130	52.0	52.0
Total	250	100.0	100.0

My bank has the ability to meet its promises

	Frequency	Percent	Valid Percent
strongly disagree	5	2.0	2.0
Disagree	11	4.4	4.4
no opinion	44	17.6	17.6
Agree	79	31.6	31.6
strongly agree	111	44.4	44.4
Total	250	100.0	100.0

I never doubt that my bank will not keep its promises

	Frequency	Percent	Valid Percent
strongly disagree	5	2.0	2.0
Disagree	13	5.2	5.2
no opinion	48	19.2	19.2
Agree	100	40.0	40.0
strongly agree	84	33.6	33.6
Total	250	100.0	100.0

### Commitment questions

The bank makes adjustment to suit my needs

	Frequency	Percent	Valid Percent
strongly disagree	7	2.8	2.8
Disagree	10	4.0	4.0
no opinion	58	23.2	23.2
Agree	113	45.2	45.2
strongly agree	62	24.8	24.8
Total	250	100.0	100.0

The bank offers personalized services to meet customers need

	Frequency	Percent	Valid Percent
strongly disagree	6	2.4	2.4
Disagree	8	3.2	3.2
no opinion	29	11.6	11.6
Agree	115	46.0	46.0
strongly agree	92	36.8	36.8
Total	250	100.0	100.0

The bank is flexible when its service are changed

	Frequency	Percent	Valid Percent
strongly disagree	8	3.2	3.2
Disagree	14	5.6	5.6
no opinion	57	22.8	22.8
Agree	91	36.4	36.4
strongly agree	80	32.0	32.0
Total	250	100.0	100.0

The bank is flexible in serving my needs

	Frequency	Percent	Valid Percent
strongly disagree	10	4.0	4.0
Disagree	14	5.6	5.6
no opinion	61	24.4	24.4
Agree	77	30.8	30.8
strongly agree	88	35.2	35.2
Total	250	100.0	100.0

My relationship with the bank is one that I am very committed to continuing it

	Frequency	Percent	Valid Percent
strongly disagree	8	3.2	3.2
Disagree	6	2.4	2.4
no opinion	22	8.8	8.8
Agree	82	32.8	32.8
strongly agree	132	52.8	52.8
Total	250	100.0	100.0

My relationship with the bank is very important to me

	Frequency	Percent	Valid Percent
strongly disagree	7	2.8	2.8
Disagree	9	3.6	3.6
no opinion	15	6.0	6.0
Agree	82	32.8	32.8
strongly agree	137	54.8	54.8
Total	250	100.0	100.0

My relationship with the bank is one that I really care about

	Frequency	Percent	Valid Percent
strongly disagree	5	2.0	2.0
Disagree	12	4.8	4.8
no opinion	15	6.0	6.0
Agree	92	36.8	36.8
strongly agree	126	50.4	50.4
Total	250	100.0	100.0

My relationship with the bank is worth my effort to maintain

	Frequency	Percent	Valid Percent
strongly disagree	7	2.8	2.8
Disagree	12	4.8	4.8
no opinion	20	8.0	8.0
Agree	100	40.0	40.0
strongly agree	111	44.4	44.4
Total	250	100.0	100.0

### Empathy questions

Employees of the bank deal with customer's in a caring fashion

	Frequency	Percent	Valid Percent
strongly disagree	1	.4	.4
Disagree	9	3.6	3.6
no opinion	19	7.6	7.6
Agree	97	38.8	38.8
strongly agree	124	49.6	49.6
Total	250	100.0	100.0

Bank employees give the individualized attention to customers

	Frequency	Percent	Valid Percent
strongly disagree	2	.8	.8
Disagree	12	4.8	4.8
no opinion	29	11.6	11.6
Agree	79	31.6	31.6
strongly agree	128	51.2	51.2
Total	250	100.0	100.0

The employees of the bank understand your specific needs

	Frequency	Percent	Valid Percent
strongly disagree	1	.4	.4
Disagree	12	4.8	4.8
no opinion	42	16.8	16.8
Agree	92	36.8	36.8
strongly agree	103	41.2	41.2
Total	250	100.0	100.0

Bank employees have the customer's best interest at heart

	Frequency	Percent	Valid Percent
strongly disagree	1	.4	.4
Disagree	13	5.2	5.2
no opinion	22	8.8	8.8
Agree	92	36.8	36.8
strongly agree	122	48.8	48.8
Total	250	100.0	100.0

Bank has operating hours convenient to all its customers

	Frequency	Percent	Valid Percent
strongly disagree	4	1.6	1.6
Disagree	11	4.4	4.4
no opinion	34	13.6	13.6
Agree	86	34.4	34.4
strongly agree	115	46.0	46.0
Total	250	100.0	100.0

### Conflict handling questions

The bank tries to avoid potential conflict

	Frequency	Percent	Valid Percent
strongly disagree	5	2.0	2.0
Disagree	11	4.4	4.4
no opinion	72	28.8	28.8
Agree	92	36.8	36.8
strongly agree	70	28.0	28.0
Total	250	100.0	100.0

The bank tries to solve manifest conflicts before the customers create problems

	Frequency	Percent	Valid Percent
strongly disagree	4	1.6	1.6
Disagree	16	6.4	6.4
no opinion	62	24.8	24.8
Agree	77	30.8	30.8
strongly agree	91	36.4	36.4
Total	250	100.0	100.0

The bank has the ability to openly discuss solutions when problems arise

	Frequency	Percent	Valid Percent
strongly disagree	1	.4	.4
Disagree	13	5.2	5.2
no opinion	53	21.2	21.2
Agree	95	38.0	38.0
strongly agree	88	35.2	35.2
Total	250	100.0	100.0

The bank is responsive to my complaints

	Frequency	Percent	Valid Percent
strongly disagree	3	1.2	1.2
Disagree	8	3.2	3.2
no opinion	41	16.4	16.4
Agree	110	44.0	44.0
strongly agree	88	35.2	35.2
Total	250	100.0	100.0

The bank shows a sincere interest in solving customer problem

	Frequency	Percent	Valid Percent
strongly disagree	2	.8	.8
Disagree	7	2.8	2.8
no opinion	57	22.8	22.8
Agree	103	41.2	41.2
strongly agree	81	32.4	32.4
Total	250	100.0	100.0

The bank listens customers' problem

	Frequency	Percent	Valid Percent
strongly disagree	1	.4	.4
Disagree	12	4.8	4.8
no opinion	42	16.8	16.8
Agree	95	38.0	38.0
strongly agree	100	40.0	40.0
Total	250	100.0	100.0

The bank clearly communicates about each bank's policy to their customers

	Frequency	Percent	Valid Percent
strongly disagree	6	2.4	2.4
Disagree	14	5.6	5.6
no opinion	44	17.6	17.6
Agree	89	35.6	35.6
strongly agree	97	38.8	38.8
Total	250	100.0	100.0

The bank clearly communicates to you about how and where to complain in case of a problem

	Frequency	Percent	Valid Percent
strongly disagree	6	2.4	2.4
Disagree	13	5.2	5.2
no opinion	49	19.6	19.6
Agree	78	31.2	31.2
strongly agree	104	41.6	41.6
Total	250	100.0	100.0

The bank gives you prompt response for your complaints

	Frequency	Percent	Valid Percent
strongly disagree	3	1.2	1.2
Disagree	14	5.6	5.6
no opinion	48	19.2	19.2
Agree	86	34.4	34.4
strongly agree	99	39.6	39.6
Total	250	100.0	100.0

The bank asks you about your feeling toward their responses for your complaints

	Frequency	Percent	Valid Percent
strongly disagree	11	4.4	4.4
Disagree	17	6.8	6.8
no opinion	62	24.8	24.8
Agree	80	32.0	32.0
strongly agree	80	32.0	32.0
Total	250	100.0	100.0

### Customer loyalty questions

Considering the bank as first choice among other banks in the area; the bank that first comes to my mind when making purchases decision on bank services

	Frequency	Percent	Valid Percent
strongly disagree	6	2.4	2.4
Disagree	22	8.8	8.8
no opinion	33	13.2	13.2
Agree	101	40.4	40.4
strongly agree	88	35.2	35.2
Total	250	100.0	100.0

If I had to do it over again, I would still choose to use the bank

	Frequency	Percent	Valid Percent
strongly disagree	7	2.8	2.8
Disagree	20	8.0	8.0
no opinion	18	7.2	7.2
Agree	105	42.0	42.0
strongly agree	100	40.0	40.0
Total	250	100.0	100.0

I do not like to change to another bank because I value the bank

	Frequency	Percent	Valid Percent
strongly disagree	10	4.0	4.0
Disagree	19	7.6	7.6
no opinion	33	13.2	13.2
Agree	78	31.2	31.2
strongly agree	110	44.0	44.0
Total	250	100.0	100.0

I am a loyal customer to the bank

	Frequency	Percent	Valid Percent
strongly disagree	7	2.8	2.8
Disagree	10	4.0	4.0
no opinion	23	9.2	9.2
Agree	79	31.6	31.6
strongly agree	131	52.4	52.4
Total	250	100.0	100.0

I would always recommend the bank to someone who seeks my advice

	Frequency	Percent	Valid Percent
strongly disagree	8	3.2	3.2
Disagree	11	4.4	4.4
no opinion	29	11.6	11.6
Agree	91	36.4	36.4
strongly agree	111	44.4	44.4
Total	250	100.0	100.0

It would difficult to change my beliefs about the bank

	Frequency	Percent	Valid Percent
strongly disagree	7	2.8	2.8
Disagree	14	5.6	5.6
no opinion	44	17.6	17.6
Agree	71	28.4	28.4
strongly agree	114	45.6	45.6
Total	250	100.0	100.0

I would always use this bank's services

	Frequency	Percent	Valid Percent
strongly disagree	3	1.2	1.2
Disagree	22	8.8	8.8
no opinion	20	8.0	8.0
Agree	83	33.2	33.2
strongly agree	122	48.8	48.8
Total	250	100.0	100.0

Even if close friends recommended another bank, my preference for this bank would not change

	Frequency	Percent	Valid Percent
strongly disagree	11	4.4	4.4
Disagree	20	8.0	8.0
no opinion	40	16.0	16.0
Agree	89	35.6	35.6
strongly agree	90	36.0	36.0
Total	250	100.0	100.0

My intention to use the services of this bank would not be changed

	Frequency	Percent	Valid Percent
strongly disagree	7	2.8	2.8
Disagree	21	8.4	8.4
no opinion	42	16.8	16.8
Agree	96	38.4	38.4
strongly agree	84	33.6	33.6
Total	250	100.0	100.0

I do not like to change to another bank because this bank sees my needs

	Frequency	Percent	Valid Percent
strongly disagree	15	6.0	6.0
Disagree	20	8.0	8.0
no opinion	39	15.6	15.6
Agree	92	36.8	36.8
strongly agree	84	33.6	33.6
Total	250	100.0	100.0