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# **School of Commerce**

## **Department of Marketing Management**

*The effect of Customer Relationship Management Practices on Market Performance in Selected Commercial Banks: Branch Managers Perspective*

**By:**  
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**A Research Thesis Submitted in Partial Fulfillment of  
the Requirements for the Award of Masters Degree in  
Marketing Management**

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Board of Examiners Approval Sheet

*The effect of Customer Relationship Management Practices on Market Performance in Selected Commercial Banks: Managers Perspective*

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## **Declaration and Confirmation**

I declare that the research entitled “The effect of Customer Relationship Management Practices on Market Performance in Selected Commercial Banks: Branch Managers Perspective” is my original work and has not been presented in Addis Ababa University or any other university, and that all sources of materials used for the research have been duly acknowledged.

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## **Abbreviations/Acronyms**

**AB:** - Awash Bank

**AIB:** - Awash International Bank

**ANOVA:** - Analysis of Variance

**ATM:** - Automated Teller Machine

**CBE:** - Commercial Bank of Ethiopia

**CL:** - Customer Loyalty

**CRM:**-Customer Relationship Management

**CS:-** Customer Satisfaction

**ICT:-** Information Communication Technology

**IT:** - Information Technology

**KYC:** - Know Your Customer

**OIB:-**Oromia International Bank

**SPSS:** - Statistical Package for Social Science

**VIF:** - Variance Inflation Factor

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## Abstract

*Due to fierce competition in today's business environment, many companies are required to build long-term profitable relationship with customers and to achieve better market performance. Therefore, Customer Relationship Management has become more and more important since the last decade of 20th century, especially in the service industry. As a result, this study is aimed to empirically investigate the influence of Customer Relationship Management (customer identification, customer attraction, customer retention, key customer focus, customer knowledge management, Customer Relationship Management organization and technology based Customer Relationship Management) on market performance in banking industry with reference to Commercial Bank of Ethiopia, Awash Bank and Oromia International Bank. A theoretical framework was used as a guideline to test the influence of Customer Relationship Management on market performance. A quantitative research approach was implemented. Besides, a descriptive research design was used for this study. A questionnaire derived from previous studies and the relevant literature is completed by 209 managers of the selected commercial banks in Addis Ababa city. Correlation analysis assessed the relationship between Customer Relationship Management and market performance and multiple regression analysis assessed the influence of Customer Relationship Management on market performance. The findings confirm that all the independent variables (customer identification, attraction, retention, key customer focus, knowledge management, Customer Relationship Management organization and technology based Customer Relationship Management) have a positive and significant relationship with market performance in selected commercial banks. Moreover, the study explore that there is a positive and significant influence of Customer Relationship Management on market performance. Therefore, the selected banks have to implement Customer Relationship Management appropriately and continuously, as an indispensable tool for gaining competitive advantage and building long – lasting and profitable relationships with its customers in order to achieve their market performance.*

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**Key words:** *Customer Relationship Management, Customer identification, attraction, retention, Key customer focus, Customer knowledge management, CRM organization, Technology based CRM and Market performance.*

## CHAPTER ONE

### 1. INTRODUCTION

#### 1.1. Background of the study

Globally, the banking sector has become extremely competitive due to the liberalization of financial systems to speed up the process of economic growth (Claessens, 2009; Kinda & Loening, 2010).

Within the existing business scenario, the acquisition of new customers is a herculean task. The companies try to evolve in the market with the advent in technology bypassing the traditional methods of acquisition and retention of customers. Due to this reality, nowadays, the Customer Relationship Management has evolved as a concept and strategy which tries to maintain the long term relationship with the customers. The success of any business is in understanding the requirements and providing the customized products and services. This would help in attracting the new potential customers which also would act as helping hand in retaining the existing customers in terms of repeat purchases Sadashiva (2016).

According to Sadashiva (2016) Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer. It involves integration of marketing, sales, customer service and the supply-chain functions of the organization to achieve greater efficiencies in delivering customer value. Robust technology has affected the banking industry in the past few decades.

Financial institutions face challenges as the introduction and expansion of the use of technological interfaces such as automated teller machines (ATMs), electronic banking and mobile banking affects their relationships with customers. As stated by Durkin et al, (2008), there are customers who still seek staff contact or personalized banking.

ATMs have substituted cashier tellers, telephone represented by call centers replaced the bank branch, internet displaced the mail, credit cards and electronic cash displaced traditional cash transactions. The banking industry is now moving towards implementation of relationship banking principles. It is also experiencing the “Productivity flywheel”. Higher competition is leading to increase the productivity in banks. Higher Productivity is leading to grab the greater market share by the players. Higher market share is again leading to higher competition. Thus to have an edge over competitors, CRM is important in retaining the existing and to attract the

potential customers. To experience customer retention, the banks should monitor the customer behavior. The front line employees can have a better understanding, a predictive future behavior and customer preferences. The database and applications helps the bank to maintain better relations with customers to continue to grow and evolve in the market Sadashiva (2016).

## **1.2. Background of the industry**

Modern banking in Ethiopia introduced was in 1905 and it began rendering banking services on February 15, 1906 when Emperor Menelik II officially opened the Bank of Abyssinia 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 Bank of Abyssinia (Bekele, 2011).

Since economic reform of 1992 under the new government, the existing government banks have been re-organized so as to operate based on market-oriented policy framework but with 100% ownership of the government. In addition to this, the new Ethiopian private-owned financial institutions are allowed to participate in the country's financial sector (Yaregal, 2011).

The Ethiopian government promulgated the monetary and banking proclamation No.83/1994 to liberalize the financial sector through reforms by bestowed banking laws that encourage the entry of private banks into the financial system in order to stimulate competition with the public banks which significantly promoted the development of the banking sector tremendously (Gebre, 2010). According to the above proclamation, many commercial banks are established in the country. Among the established commercial banks three banks one government owned and two private owned banks are selected to be assessed for their CRM effects on their performance.

## **1.3. Statement of the problem**

CRM is a management approach that enables organizations to identify, attract, and increase retention of profitable customers through improved relationship management (Hobby, 1999 cited in Ramkelawon, 2010). However, successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes (Pritesh et al.,2010).

Oogarah -Hanuman et al. (2011) have noted that many banks have used CRM tools to acquire more customers and to improve relationships with them. While, Banks are realizing that the magical formulae for attaining success in such a competitive environment is to focus on maintaining relationship with customers (Ramkelawon, 2010).

Mainly problems in handling customers, lack of advanced banking technologies, and less emphasis to customer relationship management in relation to marketing performance in adding wealth to the shareholders of the selected three banks will be assessed. The banks are unable to balance customer relationship management and marketing performance. This is due to in Ethiopia almost the past two decades has shown that there were high expansions of banking industry throughout the country. Thus, there is high competition among banks in attracting the customers of one another and difficulties in retaining the lost customers one from the other..

But, currently it is obvious that Ethiopia is one of the fast growing countries in economy in the world, as such requires the application of CRM concepts for businesses to be relevant in the global marketing competition. With regard to CRM, studies had been replicated in most developed countries like USA, Europe and Asia and developing countries like South Africa, Ghana and Nigeria, but without recourse to Ethiopia.

Customer relationship management practice, particularly in the banking industry, has enormous problems. It is supported by Mishra et al. (2011), that the banking sector is facing enormous challenges of attracting the new customers and retaining the existing ones. In addition, in today's banking environment, it is becoming difficult to build and maintain strong and lasting relationships with customers (Oogarah-Hanuman, 2011). A study conducted on imperatives of customer relationship management in Nigeria banking industry proves that customers have experienced challenges ranging from delay, stock out, non-availability of staff at service points, unprofessional conduct or rudeness by the staff of the bank, poor standard of records or improper information, failed promises among others (Ogbadu and Usman, 2012).

As the researcher try to refer local published studies in this area he find few such as, Tsegay (2011), the effect of customer relationship marketing on customer retention, Mekelle University and Shifera (2011), the impact of relationship marketing on customer loyalty, Addis Ababa University. Therefore, this gives the reason for this research project to be conducted to help

bridge the literature gap existing. The cost of gaining new customer is significantly higher as compared to retaining the old customer.(Mohamad et al. 2014)

Commercial Banks annual report depict that banks have fall short of customer expectation in recent times. Customers have experienced challenges ranging from delayment, non-availability of staff at service point particularly during lunch hour, unprofessional conduct or ruddiness by staff of the bank, poor standard of records or improper information, failed promises, the customer hardly receives the payments of the money transferred in their account immediately due to network problem, in some branches problem occurs as a result of the Officers pushing duty to one another, as to who is to attend to the customer or not.

Furthermore, in Ethiopia, especially in Addis Ababa, CBE, AIB and OIB are highly penetrated to the market through the opening of branches in several places of the City. Meanwhile, these banks face high competition from the other banking sectors such as high competitiveness; high level preliminary expensive; customer snatching and customers switching to other banks. It used different formation of strategies to compete in the highly competitive market but still the problems are not solved. Therefore, to overcome the above mentioned problems a study on the effect of CRM on market performance with reference to CBE, AIB and OIB in an emerging market like Addis can be a fruitful empirical work. Hence, the main aim of the research is to investigate the effects of customer relationship management (customer identification, customer attraction, customer retention, key customer focus, customer knowledge management, CRM Based technology and CRM organization) on market performance.

#### **1.4. Basic research questions**

1. Does focusing on key customers associate to marketing performance of the Banks?
2. What is the relationship between CRM (customer identification, attraction, retention, key customer focus, customer knowledge management, CRM organization and technology based CRM) and market performance?

## **1.5. Objective of the study**

### **1.5.1. General Objective of the study**

The general objective of this study is to assess the effect of customer relationship management (CRM) in selected commercial banks' in Addis Ababa city.

### **1.5.2. Specific Objective of the study**

Based up on the above general objective the following specific objectives are set.

1. To examine the perceptions of employees towards CRM among the selected commercial banks.
2. To analyze the relationship between CRM (customer identification, attraction, retention key customer focus, knowledge management, technology based CRM and CRM organizations) and market performance.
3. To identify the relative influence of CRM (customer identification, attraction, retention, key customer focus, knowledge management, CRM based technology and CRM organizations) on market performance among each banks.

## **1.6. Significance of the study**

Conducting a study on customer relationship management (CRM) in commercial banks is believed to be an important approach. The research results would provide assistance to the commercial banks management and employees to better satisfy their customers, respond to their needs efficiently and on timely manners.

Furthermore, implementation of CRM in the banks would be the stage for building a good partnership with customers which consequently leads to services development and improvement. Besides, it helps to provide important information for decision makers of the banks. As a result, the findings of this study specifically significant for the various reasons.

The result of this study offer valuable inputs and directions for the banks to consolidate their marketing strategy, organizational productivity, and customer knowledge management in order to increase their market performance. The result of this study provides knowledge how to identify the needs of their customers in delivering advanced technologies to improve the quality of their services. The study also gives a direction for the banks how to maintain the existing

customer and attracting the new customer by providing technology based service in light of its competitors.

### **1.7. Delimitation/Scope of the study**

Conducting a research in all service industries is not an easy task; it requires much money, time and effort. The study was covered managers of the bank, considering CBE, AIB and OIB, branch offices located in Addis Ababa city this limits the generality of the findings to other parts of the country and other parts of the service industry. Also since this study employed cross sectional survey design, it did not check the situation through longitudinal survey. However, in Ethiopia, there is lack of sufficient research conducted on the study. Thus, it is difficult to obtain adequate data from published articles; journals concerning the financial institution working in the country (Ethiopia).

In terms of the constructs showing in the research framework, only seven ways of CRM underpinnings (customer Identification, Customer Attraction, Customer Retention, key customer focus, knowledge management, technology based CRM and CRM organizations) and their influence on market performance has been examined. Other elements or underpinnings measurements of customer relationship management were excluded from this study. And in terms of respondents only branch Managers were considered but other employees and customers of the bank are not included in this study. It is perceived that they might not have sufficient banking experiences to interpret and respond to all the questions in the survey questionnaire.

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

The study consists of five chapters. The first chapter deals with introductory part which consists of background of the study, statement of the problem, research questions, objectives of the study, research hypothesis, definition of terms, significance of the study, delimitation and limitations of the study and organization of the research paper. The second chapter deals with review of related literature such as theoretical review, empirical review and Conceptual frame work; the third chapter deals with research Design and methodology. The fourth chapter presents the analysis and discussions from assessment of customer relationship management and its relationship to marketing performance considering Oromia International Bank and Commercial Bank of Ethiopia from where the data were gathered. After collecting the data, the results of the study

were analyzed and interpreted. Finally, based on the analysis and interpretation, conclusions and recommendations were forwarded.

### **1.9. Definitions of key Terms**

**Branch Managers:** - employees of Commercial bank of Ethiopia, Awash International bank and oromia International bank who are working in the branch supervising and managing all activities of the branch during the data collection period.

**Banking Business:** - means any business that consists of the activities of receiving funds from the public through means that the National Bank has declared to be an authorized manner of receiving funds;

**Employee:** - means a manager a customer service manager or hired by a bank to carry out its day-to-day operational activities.

**Identification:** - targeting the population who are most likely to become customers or most profitable to the company. Moreover, it involves analyzing customers who are being lost to the competition and how they can be won back

## CHAPTER TWO

### 2. LITRATURE REVIEW

#### 2.1. Chapter Overview/Introduction

In today's .business environment, which characterized by financial challenges and increasing competitiveness particularly in service market, where business strive for competitive advantages, marketing orientation paradigm has changed from service-centered approach to a more customer-centered approach, customer relationship management (CRM) has experienced rapid growth and become one of the most controversial issues and a focal-point in both business and literature Moreno et al., 2014.

Successful organizations all over the world now implement CRM to create competitive advantages, develop customer lifetime value and differentiate themselves from competitors through establishing, maintaining and enhancing close and long-term relationships with customers, which enable them to detect changes in customers' needs, predict their behavior, design the appropriate communication tools, better target profitable segments, create personalized marketing plans for each segment, identify new marketing opportunities, improve customer services and satisfaction, sustain customers retention, win back lost customers, and ultimately turning them into loyal customers (Volmohammadi and Beladpas, 2014).

According to Kotler and Keller (2012) customer relationship management is the process of carefully managing detailed information about individual customers and all customers "touch points" to maximize loyalty and a customer touch point is any occasion on which a customer encounters the brand and product from actual experience to personal or mass communications to causal observation.

It is worth mentioning that heavy emphasis was put on the role of information technology when defining management relationship management, for instance, Wei et al. (2013) described customer relationship management as the adoption of information technology to develop new customers and retain old customers as to keep long-term and closed relationship, which aims to improve customer relationship and thus can help increase customer loyalty, customer retention and customer profitability. Similarly, Khodakarami and Chan (2014) viewed CRM as a group of information systems that enable organizations to contact customers and collect, store and analyze customer data to provide a comprehensive view of their customers.

Consistent with the above, other such as Santouridis and Tsachtani, (2015), and Shim et al. (2012) shed light on information technology, they indicated that customer relationship management relies heavily on gathering and processing customer data in order to extract information that will help to identify ideal customers and customize their offerings as a result of this, information technology plays a pivotal role as an enabler of successful CRM implementation. In this study, we adopted the operational concept that define customer relationship management as a business approach involves a set of methodologies and information and organizational processes to build long term and profitable relationships with customers for creating competitive advantage and achieving profit performance. Based on the previously mentioned concepts and definitions CRM implementation in service organizations involves main processes such as, developing customers profile, segmenting markets, anticipating customers' needs, customizing service offers, identifying appropriate channels to

## **2.2. Theoretical Review**

Customer Relationship Management has developed as an approach based on maintaining positive relationships with customers, increasing customer loyalty and expanding customer lifetime value (Brassington and Pattit, 2000). Customer Relationship Management is defined as a firm's practices to systematically manage its customers to maximize value across the relationship lifecycle (Martin, et al., 2010). Furthermore customer relationship management is defined as the overall process of building and maintaining profitable customer relationship by delivering superior customer value and satisfaction. (Kotler and Armstrong 2010) moreover, it could be defined as managing detailed information about individual customers and carefully managing customer "touch points" maximize customer loyalty (Kotler et al 2010). Understanding the needs of customers and offering value added services are recognized as factors that determine the success or failure of companies.

Customer relationship management is increasingly important to firm as they seek to improve their profit through long-term relationships with customers. Many years ago, economists introduced the concept of value maximization, whereby a firm maximizes profits and business maximizes utility. Today, we have the concept of Customer Relationship Management. Before now, many invested heavily in Information Technology (IT) assets to better manage their

interactions with customers before, during and after purchase (Bohling et al., 2006). It follows that the greater the knowledge about how firm successfully build and combine their technological and organizational capabilities, the greater will be our understanding of how Customer Relationship Management influences performance (Swift, 2001), Bharadwaj 2000; Piccoli and Ives 2005).

In the marketing literature, the term customer relationship management and relationship marketing are used interchangeably. Thus, (Shain et al 1992) have defined relationship marketing as an integrated effort to identify, maintain and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive individualized and value-added contacts over a long period of time.

### **2.3. Customer Relationship Management**

What is customer relationship management (CRM)?

CRM as defined by Payne and Frow (2004) as the implementation of an integral series of technology and strategies developed purposely for creation of shareholders value via maintaining strong long-term relationships among customer (both current and potential customers). In the view of Parvatiyar and Sheth (2001) they defined CRM as “a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value”. In a similar vein, Rababah et al (2011) describe CRM based on three different perspectives; business philosophy, business strategy and technology towards effective and successful adoption and implementation. In the book of Marshall and Johnston (2011) CRM was characterized as any application which requires an organization to make use effective and efficient business strategy and leadership style in order to create relationship management with customers. In due course, CRM comprised of three most important objectives as customer profitability, customer acquisition and customer retention (Paul and Grey 2003). Customer profitability is dealing with providing the customer with the exact product as at when needed. Customer, relationship and management are considered as the main components of CRM (Paul and Grey 2003), people process and technology (Chen and Popovich

2015). Therefore, CRM is considered as making use of people, process and technology to retain existing customers, attract new customers and create value to the customers as well.

#### **2.4. Customer Relationship Management Objectives in Banking Industry**

In business transaction the objective of CRM is that, it helps businesses to use know-how and human resources in order to gain understanding into the manners of customers and the value of those customers. In this case business can deliver improved services, making their activities more efficient, developing positive and close relationship with staffs, modernize marketing and selling activities, discover new customers, and increase customer revenues.

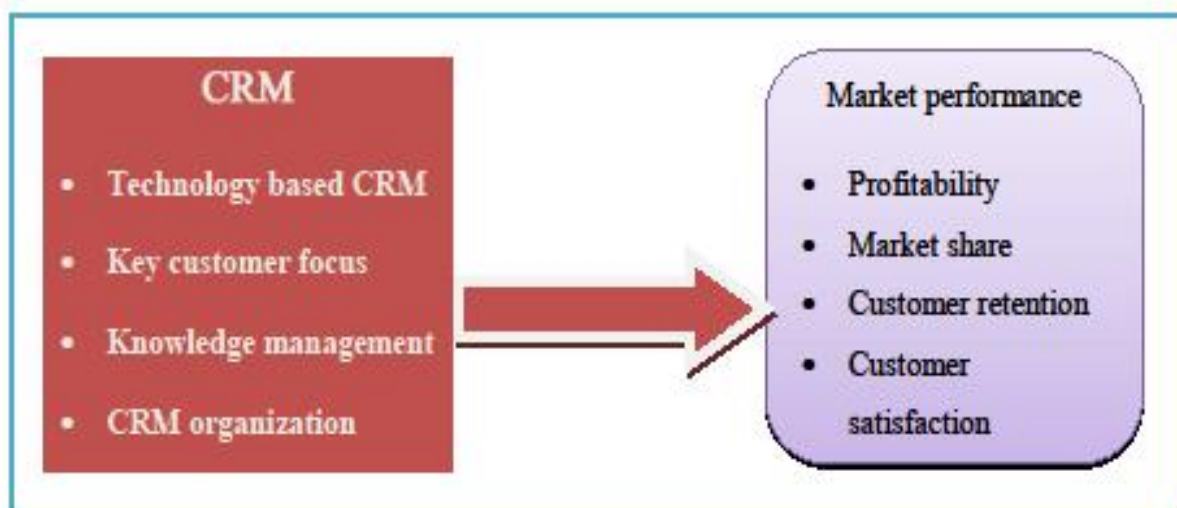
According to Semih and Ibrahim (2000), for CRM to be truly effective and successful primarily, an organization must understand and identify what kind of customer information is allowing for and it is indispensable to select what it intends to do with that information. For instance, most of banking institutions keep trail of customer life phases in order to market suitable banking products like mortgages to them at the right time to fit their needs. However, the organization must look into all of the various facts about customers into a business, where and how this data is warehoused and how it is currently used. For instance, one organization may have a relationship with customers through mail campaigns, websites, call centers, mobile sales force staff and marketing and promotion efforts.

Mehrota (2006) stated that, before the introduction of internet era, customers most of the time selected their banks based on how appropriate the location of banking branches was to their homes or office. However, with the introduction of new technologies in the business of bank services, such as providing banking services through internet ‘internet banking’ and ‘ATMs’, now customers are more valuable and they can easily choose any bank for their transactions. This phenomena increased customer base of banks, and also has expand the choices of customers for selecting the different banks as per their interests.

Due to fierce competition in the business environment, public sector banks are also becoming more technology focus and customer oriented. Accordingly, non-traditional competition, market partnership, new equipment, and the conception of the internet are varying the competitive

landscape of the retail banking institutions. Through the increased number of banks, offers and services and basically nil switching costs, customers are easily switching banks whenever they find better services.

According to Sheth and Sisodia (2001), successful customer relationship management implementation requires a committed organization-wide effort in order to focus on significant customers in customized marketing efforts to fully realize and fulfill their needs and wants on an enduring basis. The seller's entire organizational structure should be centered on customers, often with customer-focused teams designed to create fully satisfying customer experiences. According to Stefanou *et al.*, (2003), successful customer relationship management activities must cultivate customer satisfaction by continuously adapting to the evolving needs and wants of customers.



**Figure 2.4-1 Conceptual framework of Customer relationship management and its relationship to business performance**

Source: Sayed H., (2011)

### **2.4.1. Benefits of Customer Relationship Management in Banking Industry**

Customer relationship management is a philosophy that is providing incredible importance for any businesses particularly for banking industries since the knowledge of CRM enhances how to attract, attain, retain, and catch potential and new customers for a business in order to compete and survive in stiff competition. According to Liyun *et al.* (2008,) the emphasis of CRM is to

focuses on keeping and maintaining long-term relationship with customers, leading to customer satisfaction and hence creating business performance in the banking industry. However, Kalakota and Robinson, (2001); Shani and Chalasani, (1992) emphasize that the companies' objectives from using customer relationship management is to know their personalized customers and to offer tailored services, in order to intensify both customer satisfaction and their marketing performance in the long run through keeping customers loyal to them. Nguyen *et al* (2007), sustained that the customer relationship management if used appropriately, would develop a bank's ability to attain the ultimate goal of holding customers in order to improve a strategic advantage over its competitors. Accordingly, the successful management of customer relationship can increase customers' satisfaction and loyalty, in order to give optimistic effect on promoting market performance (Liyun *et al.*, 2008). Furthermore, customer relationships are charming, especially important for banks as market conditions get solidier. Competition is increasing, returns are declining, customers are becoming more challenging and the life-cycles of products and services are shortening dramatically. All these factors make it essential for banks to increase the relationship with their customers and provide them the services they need via the channels they prefer. Furthermore, the implementation of customer relationship management benefits banks to offer a lot of benefits to their customers; some crucial benefits are as follows:

CRM provide businesses to delivery service effectively and efficiently all the way through the entire life cycle of the business customer, from the introduction to the establishment of a close, continuing relationship with profitable clients (Couldwell, 1999).

CRM enables the organization substantial reduction and constraint of operational costs via system computerization and regulation, offers low maintenance and widening of costs paid for the use of modern administration tools with authorization bank employees to make a widespread range of modifications to the system.

CRM provides organizations particularly banks in order to control flow of information from their databases to achieve customer retention and to cross-sell new products and services to ongoing customers (Foss, and Stone, 2001).

In any business organizations, which implement customer relationship management sustainably, they able to improve relationships with their customers, attain loyal customers and a significant payback, increased revenue, market share, attracting new customers and minimized cost (Roh, et al., 2005).

As far as previous research stated, customer relationship management in the business arena, particularly in the banking sector provides convenience of location for customers, fairness of price, endorsements from others and advancements are not important selection criteria for business firms. However, for a business to be successfully and sustainably implement their activities they can use criteria's like account and transaction, accuracy and suspicion, competence in correcting mistakes and sociability and helpfulness of personnel on the customer's perspective. Hence, customer relationship management, superior quality features of the product / service and distinction proved to be the most important factors for customers (Zineldin, 2005).

Furthermore, also other studies are conducted in a European banks emphasis that taking customer relationship management as a frame work, the bank institution was capable to focus on long term customers through efficient segregation according to individual behavior.

The effective implementation of customer relationship management results both in higher revenues and lower costs, making companies more effective and efficient, effective in focusing the right customer base with the right services through the right channels, and efficient in doing this at the lowest costs (Lindgreen & Antioco, 2005) .

## **2.5. Empirical Findings on Customer Relationship Management**

### **2.5.1. Empirical Findings in Developed Countries**

Most of the research conducted on Customer Relationship Management is based on evidence from majority of prior empirical studies that are done in developed countries. Here, in this section a certain empirical findings conducted based on developed countries are reviewed.

According to Swaminathan, (2004), the association of customer relationship management and its customer outcome has been done by considering banks, investment companies, insurance

companies and other firms as a sample study which characterized as high degree of relationship orientation and thus well suited for testing CRM framework. Although for the purpose of data collection questionnaire was used and for these case questionnaires were sent directly to general managers and similarly level senior managers.

These senior-level respondents were highly knowledgeable about CRM implementation and practice within their companies as indicated by their ability to answer fully virtually all questions. Accordingly, the results shows that focusing on key customers and managing knowledge have significant effects on market performance in terms of customer satisfaction. However, customer satisfaction is not directly affected by organizing around CRM and incorporating CRM-based technology. Furthermore, organizing around CRM affects customer retention directly. Similarly, managing knowledge has a significant effect on customer retention and sales growth via customer satisfaction. Incorporating CRM-based technology shows no sign of significant effect on the performance metrics.

Also another research has been conducted on the fundamental role of customer relationship management on customer knowledge and customers 'satisfaction. For this research the necessary data was gathered from experienced managers of information technology almost from 300 institutions working in United States of America. The finding showed that the applications of CRM have a positive effect as they contribute to improve the knowledge of the customer and enhance the market performance (Mithas and Frow, 2005).

Also studies are conducted in Turkey on the customer relationship management process within a business and recommend a tool or customer relationship management measurement. For this matter the research is designed according to scale development literature. The feedbacks from several industries like manufacturing, information technologies, tourism, service, retail, finance, and logistics were collected. The study enables shortages of information about the relationship between the processes and outcomes of CRM such as CS, CL. As a result a wide-ranging model can be assembled and the relationship between CRM results, customer relationship management processes and other organizational factors can be investigated. The effect of organizational

philosophy, arrangement and other organizational features on CRM processes and results can be analyzed (Oztaysi, 2011).

### **2.5.2. Empirical Findings in Service Industry**

In developing countries most of the studies on customer relationship management have been done on the basis of data obtained from developed countries.

For instance, a research was conducted on customer relationship management and customer orientation on the Hotel industry. Accordingly the study tried to classify hotels in Ashanti region of Ghana into a category of low, middle, or high customer relationship management conscious. The result of the findings suggests that significantly majority of the hotels have low orientation to CRM (Hamdallah and Evelyn, 2011).

According to Sayed (2011) research was conducted on exploring the hypothetical bases of customer relationship management and its relationship to the marketing performance from the several perspectives. However, the population of the study includes all the financial institutions working in the Arab Republic of Egypt. The Result of the research shows that there is a significant correlation between marketing performance and focus on the main customers, organizational efficiency and customer knowledge management.

Furthermore, the research was conducted on how information technology could enhance firm performance in the organizations that are providing services for the customers and in order to enhance profitability in the Nigerian insurance industries (Oghojafor *et al*, 2011). Accordingly, the researcher was used survey methods to collect data among insurance companies in Nigeria. Also the researcher was selected a sample from Lagos state, the commercial center of the country. Finally according to the result of the finding shows, despite the fact that all most all organizations have a widespread data base of their customers, but not almost make provisions for their customers to make major businesses online because they have not fully incorporated their customer relationship management with information technology.

Furthermore, another research has been done by Hamid (2009). Hence the research was not only taking a non-traditional method of evaluating success; by approaches stakeholders' expectations as an evaluation criterion but also concentrating a case study from Pakistan, wherever ICT industry and specifically CRM is in the initial stages of adoption. The only suggestion the researcher would like to make is that instead of reinventing the wheel, stakeholders should learn from the mistakes of the western companies. If they have imported the solution from these developed countries, then those failure lessons should also be imported and applied in order to avoid damage and financial losses. The result shows that the loyalty card program has significant positive effect on the customers' loyalty. Although loyalty card program may not be the best choice for some stores, also there are many other ways to develop and maintain customer loyalty. Having all the above studies conducted by various scholars, the measurement of CRM earning can be different form researchers to researchers, some studies measured them through the customer's satisfaction and loyalty, others studies measured them through the return rate on investment and others measured it through increasing sales and profits. According to the result of different researchers, there was less interest in the market performance.

## **2.6. Conceptual Framework of CRM**

CRM capabilities are a combination of different activities, for instance identify, acquire and retain customers through customer interaction management capability, while other activities include winning back or making good relationships with dissatisfied customers is also a part of customer win back capability (Shafique et al., 2015). These and other capabilities are efforts to do activities which are the processes that lead to the organizational performance. CRM is the key to increase revenue and profit by making a long term relationship between the organization and the customers. It also establishes the trust between the customer and the company. This trust can help the organization to achieve customer loyalty, satisfaction, repeat purchases, less complaints, lower costs, high market share and profitability. In other words CRM capabilities are termed the backbone of organizational performance, and if these capabilities are strengthened, then automatically organizational performance would be enhanced (Shafique et al., 2015). In highly competitive markets, organizations are more customers centric which affects the pricing, product differentiation, market communication and the overall performance of the organization.

One approach of CRM is the management of customer information for the purpose of strategic process. It is a type of management system that deal with the issues like process management and technology management to deal with customers and their related information (Haghshen & Ahmadi, 2015). With the help of stored information, organizations have the complete control over customers' needs, they can offer better products and services and strengthen their relationship with customers which results in the better performance of the organization. More likely, it keeps good relationships with the profitable customers of the organization with the help of a combination of information and technology (Haghshen & Ahmadi, 2015). CRM can impact organizations in different ways e.g. it can enhance the competitiveness and revenue of the organization while reducing the operational costs of the company in different aspects.

Organizational performance is main focus of the scholars in business research field and also the main factor to assess the organizational success. It also helps the organizations to evaluate the level of achievements of their goals and objectives. It not only include financial performances like profitability, shareholders return on investment, etc. but, also other factors which are related to employees and customers, for instance satisfaction and loyalty (Haghshen & Ahmadi, 2015). CRM has an important role in the performance of the organization. According to Sin, Tse and Yim (as cited in Haghshen & Ahmadi, 2015) there is a positive relationship between CRM and business performance (in terms of both financial and marketing performance). For the improvement of business processes, employees learning and growth is also necessary to improve production quality which can raise the customer satisfaction and ultimately the performance of the organization. Similarly Kim and Yalmaz (as cited in Haghshen & Ahmadi, 2015) suggested that managers should have strategies focused on customers so they should have CRM in the organization to improve the overall organizational performance. CRM also serves as a means for competitive advantage for the organization because it helps the organizations to create positive long term relationship with its customers.

Organizations constantly try to design a process which can monitor, evaluate and enhance their performance in terms of customers' satisfaction, in a systematic way. In this regard, one of the best choices is the successful implementation of CRM process to manage the customers and organizational performance (Ali et al., 2013). One of the main focuses of CRM initiatives is to maintain and retain customers by offering them what they desire and when the customers are satisfied with the quality of the products and services, it will improve the overall performance of

the organization (Chahal, as cited in Ali et al., 2013). The achievement of customer satisfaction can be considered as one of the targets regarding organizational performance. Good product and services encourage the customers to repurchase products and refer them to other persons. This will automatically increase the customer loyalty and decrease the cost associated with acquiring new customers for the business. In this whole process, employees' satisfaction also plays a very crucial role because employees help in the achievement of organizational goals and objectives. Satisfied employees tend to work more efficiently which improve the quality of products and services. These high quality products and services support the increase in customer satisfaction which results in organizational performance (Press, as cited in Ali et al., 2013)

According to Langerak, and Peter, (2003) in marketing management the essence of customer relationship management philosophy originates from three concepts. Those are:-customer orientation, relationship marketing, and database marketing. Due to the advancement of information communication technology, these three marketing views combined together in the paradigm of CRM. However, CRM may be used to express different perspectives at different hierarchical arrangement of management. For instance, at the tactical level of management customer relationship management may be related to data-base marketing or electronic marketing; at the strategic level, customer relationship management may be understood as customer retention or partnering with customers (Peppers and Rogers, 1995); whereas at the theoretical level, it may be seen as developing research paradigm in marketing most often loosely associated to existing perspectives.

According to Sayed H. (2011) CRM is a multidimensional construct consisting of four broad behavioral components; those are: "key customer focus, CRM organization, knowledge management, and technology-based CRM". Also he investigated the four CRM behavioral dimensions on market performance of financial institutions in maintaining current customers, attracting new customers, increasing market share, enhancing the standard of sales growth and adding the net profit standard to sales. Bearing in mind the model, the researcher focuses on the banks among many financial institutions. Performance dimension of CRM considers their performance in terms of combining technology, appropriate handling of key customers, customer knowledge management and organizational efficiency in relation with market performance of the

selected banks. According to Kotler and Armstrong (2004), the greater customer relationship capability will be achieved when the four dimensions of CRM work in coordination.

### **2.6.1. Customer Identification and Business Performance**

CRM can help the organization to achieve its goals by processing activities which are related to customer identification and then manage and maintain relationships with these customers (Borsaly, 2014).

Customer Relationship Management begins with customer identification, which is referred to as customer acquisition in some articles. This phase involves targeting the population who are most likely to become customers or most profitable to the company. Moreover, it involves analyzing customers who are being lost to the competition and how they can be won back (Kracklauer et al., 2004).

### **2.6.2. Customer Attraction and Business Performance**

After identifying the segments of potential customers, organization can direct effort and resources into attracting the target customer segment. An element of customer attraction is direct marketing. Direct marketing is a promotion process which motivates customer to place orders through various channels (Cheng, et al 2005). For instance, direct mail or coupon distribution is typical examples of direct marketing.

### **2.6.3. Customer Retention and Business Performance**

Customer retention can be defined as the marketing goal of keeping your customers from going to the competitor (Ramakrishmani 2006). Also referred to as customer retention marketing, it entails keeping customers active with the firms and involves the optimal allocation of marketing resources (Kotel-nikov, 2006). Customer retention affects both revenues and cost in the equation of profitability. This equation equates profitability to be equal to revenue less cost. Revenue are enhanced due to increased sales and costs are lowered one to lesser generation and marketing costs of such revenues (Carrier and Povel, 2003; Cheng, et al 2005).

The framework for the three variables discussed above will be described graphically as follows:

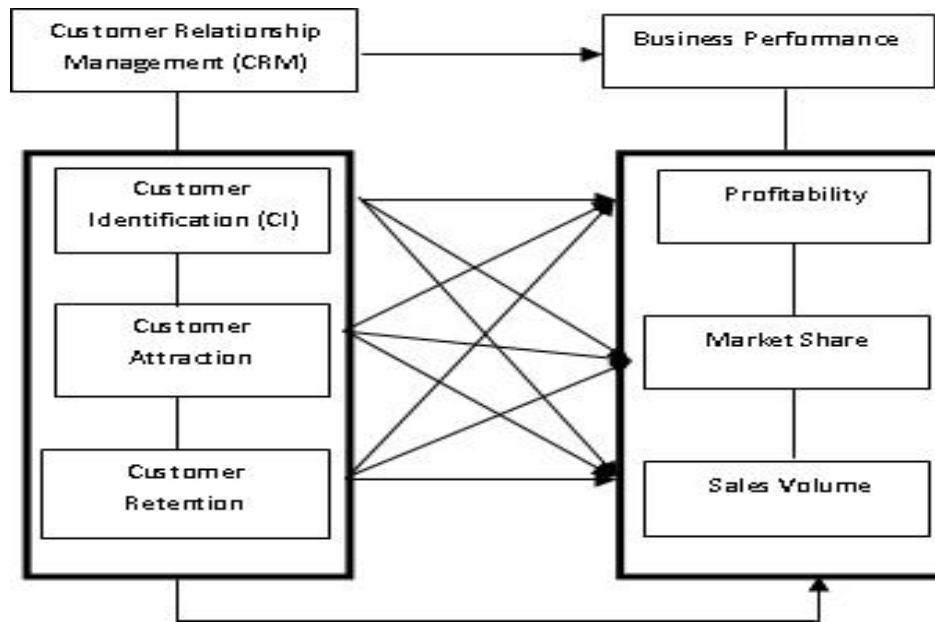


Figure 2.6.3-1 Operationalization of Customer Relationship Management and Business Performance

(SOURCE: Giudici & Passerone, 2002, Kubat, etal 2003).

#### Functionality of the above framework

The dimensions of Customer Relationship Management (Customer Identification, Customer Attraction and Customer Retention) and the Measures of Business performance (Profitability, Market Share and Sales Volume) are presented. The figure further explains that Business Performance of money deposit banks is strongly dependent on their level of Customer Relationship Management. Customer Relationship Management is the predictor or independent variable while Business Performance is the criterion or dependents variable (Giudici & Passerone, 2002, Kubat, etal 2003).

#### 2.6.4. Customer Relationship Management and Information Technology

According to Buttle, F., (2009), customer relationship management puts more attention on the improvement of quality service and marketing function, and then worries about cross-selling and providing product or service indeed at right time for the right customers. Distinguished information technology applications are the central point and sales force automation in this extent. Information technology in customer relationship management deployed issues related to business sales programs and effectiveness, campaign management, channel assimilation and

increasing, increasing product and management, devotion and retention, cost minimization, customer service, and after-sales support. Nowadays, CRM-based information technology with its categories like operational, analytical, and collaborative support systems complements the processes involved in all aspects of customer-facing interactions. It incorporates marketing, customer services, and various contact channels and offers personalized services by modeling a customer's behavior so as to maximize the value of the enterprise. Information technology through the Internet has not only provided a completely new communications channel, but has forever changed the role and function of customer interaction.

#### **2.6.4.1. Service Automation in Banking Industries**

The knowledge of service automation plays a vital role in business and it's the application of computerized system used to support service staffs and management in order to achieve their work related activities. For the moment customer service departments are responsible for managing inbound call center operations, complaint handling and resolution, order entry and processing, providing field sales support, managing outbound call center operations, and acting as liaison to other departments. Contact centers are configured to communicate with customers across multiple channels, including voice telephony, e-mail, SMS, instant messaging, web collaboration and fax.

According to Buttle, (2009), service agents need to be able to access an entire communication history, regardless of channel when communicating with customers about service issues. However, call centers are generally dedicated to telephony communications, whether through a public switched telephone network, cell phone network. But the information desks are usually associated with information technology environments where assistance is offered to information technology users. Many companies now compromise web based self service to customers, customers can place orders, pay, track service issues, or perform service diagnostic online at any time of day or night.

#### **2.6.4.2. Marketing Automation in Banking Industry**

According to Buttle (2009), in addition to service automation, marketing automation also plays a crucial role in service giving business especially in banks and it can be defined as “the application of computerized technologies to support marketers and marketing management in the achievement of their work related objectives”. A very extensive range of marketing positions can make use of marketing automation as well as marketing managers, campaign managers, market analysts, promotion managers, database marketers, and direct marketing managers. Hardware and software are the key technological elements of marketing automation. Hardware includes desktop, laptop, and handheld devices whereas software consist of both point solutions that are designed to assist in a single area of marketing or marketing management, and integrated solutions that offer a range of functionality.

#### **2.6.4.3. Technology-Based CRM**

According to Abbott *et al.*, (2001) to measure the CRM performance successfully, relevant and reliable customer data is necessary. Therefore, to accurately gather customer data technology has a vital role in CRM in addition to firm intelligence (Boyle, 2004). Indeed, the development and improvement of information technology provide the ability to gather, investigate, and share customer information which will lead to a customer satisfaction, customer loyalty and retaining customers (Bulter, 2000). The CRM demands for “information-wide strategies” which exploit computer technologies in maintaining relationships (Harding *et al.*, 2004) such as: computer-aided design or manufacturing, data warehouses, data mining and CRM application systems that allow the firms to offer maximum customization with better quality at lower cost. Moreover, it helps the staff at all contact points or touch points to serve the customers in a better way. Hence, many customer focus activities would be impossible without the use of an appropriate technology (Sin *et al.*, 2005).

According to Zeblah, (2004), knowledge management is considered as one of CRM oriented activities which cannot be optimized without influencing the latest technology. And also CRM technology considered as one of the organizational resources commitments that serves as an input into the CRM process and is intended to enhance firms’ ability to successfully build and maintain a maximum profit portfolio for relationships with customer.

According to Osborne, & Ballantyne, (2012), as cited by Robinson, (1999), CRM tools are particularly designed to support sales in order to outlook management, developing marketing management campaign, and service and support tasks in order to develop case management, and serve to either support the coordination of tasks within a process or across functions, systematize routine tasks, offer detailed insight regarding organizational and individual employee performance, or standardize common tasks and processes. They noted that the expansion of sophisticated information management tools, such as database marketing, data warehousing, data mining, and push technology keep firms in a continuous such for the latest technology that could be built-in into their CRM systems. With the right customer relationship management technology, firms are able to collect, analyze, and distribute information firm-wide.

According to Yim, Anderson and Swaminathan (2005), firms will be in the position to enhance prospecting, improve communication and sales presentations, and able to customize their product configurations by using appropriate customer relationship management technology for data collection and distribution.

### **2.6.5. Key Customer Focus**

The key customer focus of an organization is to deliver superior services to its customers. An important condition which empowers the organization to become accurately customer-focused is the way in which it delivers value to its customers (Mohamad et al. 2014). Previous researches consider customer-focus to be the most crucial aspect of customer relationship because a customer-focused business is likely to be more interested in the long term success of the business. In this regard, CRM allows the organizations to develop targeting and enquiry management processes which help the new businesses to rapidly develop and make progress (Mohamad et al. 2014). In one way or another, CRM also helps the organizations in customer retention and cost reduction. Since the cost of gaining new customers is significantly higher as compared to retaining the old customers, customer retention strategy helps the organization to control this cost and achieve higher performance and productivity which in many ways translate to higher profitability. CRM also help organizations to improve performance via knowledge management which involves the knowledge related to people, process, technology and culture.

However, the main aspect of knowledge management is to create information database related to customers' behavior and preferences so that the organization can provide customer satisfaction and gain customers' loyalty in return (Mohamad et al. 2014).

As a focused international bank, Barclays offers an integrated set of products and services to its customers including individuals, small and large businesses, corporations, institutions and governments. The bank is committed to satisfying the needs of its customers and clients by offering a well-rounded value proposition, a wide range of products and services and delivers a reliable income stream and sustainable return. However, the bank does not want to offer all things to all people (Barclays Bank Annual Report, 2014), which means they focus on special customers who have value adds for the bank's businesses which may be in terms of customer satisfaction and loyalty. Barclays believes that their competitive advantage emerges from the diversity and scale of their business and quality, character and relationships of their people (Barclays Bank Annual Report, 2014). Barclays has an end to end network to add value to their customers and clients. For instance and individual retail customer is able to access the balances of current and saving accounts along with Barclaycard data with the help of a single banking application. Similarly 'Pingit' is a peer to peer payment service which is consistently integrated with the retail banking services. These examples show how Barclays do banking with its customers and clients globally.

According to Shelth *et al.*, (2000); Vandermerwe,( 2004), key customer focus involves an overall customer-centric focus and continuously delivering superior and added value through customized offers to the key customers. According to Armstrong and Kotler, (2004), in today's business environments the ultimate goal of any key customer focus is to achieve a deep customer relationship that makes an organization a necessary partner to its most profitable customers. The overall company understanding and support for key customer focus encourage sales force to foster long-term customer relationships by offering more personalized services.

Evelyn and Hamadallah (1996) stated that firms are engaged in enough amounts of transactions with significantly diverse customers in terms of their needs, preferences and expectations. Also they consider customer relationship management to some extent as challenging. In order to

reduce the CRM challenges, most of the firms have option to formal customer relationship management programs. CRM programs are generally classified as either database-driven refers to recognizing profitable segments through statistical techniques or customer-needs-driven refers to the use of database to supply information that benefits in the development and keep of long-term relationships with key customers. Furthermore, Evelyn and Hamadallah (1996), viewed that customer's needs-driven customer relationship management programs are common with firms that adopt business-to-business marketing strategies because, customers-needs-driven customer relationship management programs improves inter-firm relationships. In summary, key customer focus can be considered as a function of customer relationship management of a retailer's integrity as well as firms' ability to perform their services, to keep its promises and commitment and in general to do the right things' consistently.

#### **2.6.6. Customer Relationship Management Organization**

The key considerations in order to successfully organize the entire company around customer relationship management are as follows: organizational structure, organization-wide commitment of resources, and human resources management. CRM means indispensable variations in the way that firms are systematized and business progressions are directed (Hoffman and Kashmeri, 2000). As a result, firms should take into consideration the organizational challenges inherent in any customer relationship management advantage (Agarwal *et al.*, 2004).

According to Anderson and Swaminathan (2005), strong focus on key customers deeply surrounded throughout its CRM system, the whole company should be structured around promoting, encouraging, stimulating these valuable relationships. The organizational arrangement and structure needs to be flexible and, if necessary, reassembled to generate customer-centric values and develop coordination of customer-focused, cross-functional teams in order to attract potential pool of customers. They stated that with meticulous efforts by all organizational functions to constantly provide a stream of value-rich actions and customer outcomes. This enables the organizations and its sales force is secure that they can satisfy customers' needs and enhance customer relationships. The success of CRM programs call for commitment of resources at all levels and functions of the firm. In summary, well organized

customer relationship management can be considered as a function of customers' personal attachment to a retailer, as well as their perception of the company in relation to its competitors, and their orientation towards a long- term relationship with the retailer.

### **2.6.7. Customer Knowledge Management**

According to Salomoun et al, (2005) in today's competitive world, knowledge is well-thought-out as one of the competitive factors in global economy. It is compulsory to think and consider for a business firms in order to attract customer as another important factor in order to come in today's dynamic market successfully. Despite of this customer knowledge management can be defined as the system of attaining, allocating, and increasing the customer knowledge among employees for making profit to the organization and customers. With the intention of improving the organizational productivity and value, assure from delivering required products and services to the customers and acquire their satisfaction, it is compulsory to manage the organization's knowledge about customers. Accordingly, it can be decided that knowledge management is an integrative part of CRM.

In today's business environment firms are encouraging towards the implement of customer relationship management applications to trail customer behavior to gain understanding into customer tastes, preferences and evolving needs (Mithas *et al.*, 2005). CRM applications help firms to gather and use customer knowledge through CRM applications in order to facilitate customer employees to record relevant information about each customer transaction. Later information is taken from employees can be administered and converted into customer knowledge on the basis of information processing rules and organizational policies and businesses organizations can segment their stored customer knowledge with customers to allow those customers to serve themselves by defining the service and its delivery to suits their needs. However, a firm cannot be customer focused without knowing the needs and preferences of customers. Customer needs and preferences driven CRM strategies require unrecognized customer needs and preferences through the analysis of customer information.

Customer knowledge management is the system used to provide firms with market intelligence that can be used to retain and build profitable portfolios of customer relationships in order to

build customer life value. The value of knowledge management is improved by its level of accessibility in order to address customer's current and anticipated needs by providing an offer and services as per their needs and expectations. Successful dissemination of knowledge management requires firms to develop both information technology systems, such as marketing management support systems to spread explicit knowledge and other processes and procedures to encourage the distribution of implicit knowledge (Ryals *et al.*, 2001).

## **2.7. Market Performance**

### **2.7.1. Profitability**

Long - term customers are more likely to become a referral source and more comfortable with the service (Ramkelawon, 2010). The longer a relationship the better a bank can understand customer needs and it is a greater opportunity to retain with the service of the bank. A research by Reichheld and Sasser in the Harvard business review cited by Sehgal, 2009, confirmed that 5% increase in customer retention can increase profitability by 35% in banking business. However, Gilaniniaet al. (2011) also proved that an old customer satisfied with the banking services is effective same as ten new clients in advertising and profitability of the bank.

In today's world as competition increasing at increasing rate, companies were able to deliver their offer and services that are tailored for every customer. Certainly, these organizations can accomplish competitive advantage in sale and service marketing through tailoring their mass services. At the moment, the profitable companies endeavor to transfer their mass services to the individual customer. Market performance refers to the enhancement of the organizational standing in the market, improvement of the customers' perception of organization and its products, and increase in their loyalty toward organization (Martin, 2005). Market performance consists of the following components:

### **2.7.2. Sales Growth**

According to Buttle, (2009), improving profitability at the customer level is an indicator of effort within the marketing discipline towards a less comprehensive view of markets. On the other way, the single customer rather than segments of customers is increasingly stressed as the unit of

analysis. This occurrences has given birth to labels such as “one-to-one marketing” and “micro marketing”. Understood from this viewpoint, customer profitability is rising as an important measurement in which each customer can be defined. An emphasis on customer-level profitability can also be considered as a mirror image of marketing’s changing role within the firm. A significant aspect of the new role is that “marketing is too important to be left to the marketing department”. For that reason, in any case in marketing literature, other departments are encouraged to deal with marketing issues. This can be understood predominantly in terms of controlling cost, in the logic that marketing performance measures are being introduced in cost accounting literature and practice.

However, Reichheld and Sasser (1990) stated that, reducing customer defections by 5 percent can increase profits by 25 percent to 85 percent. Recently, although the precise numbers may vary, empirical findings consistently show a substantial jump in revenue and profits with a small gain in customer retention (Oliver, 1999; Pfeifer and Farris 2004).

### **2.7.3. Customer Retention**

According to Ghavami (2006), customer retention has a significant relation on firm profitability and they conclude that “1% improvement in retention can increase firm value by 5%”. In this case firms are interested in maximizing their lifetime value in order to understand that customer retention is a key to increasing long run firm profitability. An understanding of forces for customer’s defection can help companies in designing customer relationship management strategies and interventions aimed toward increasing customer retention and prolonging the lifetime of customers to increase market performance better than before. Customer retention is the safeguarding of continuous trading relationships with customers over the long term.

According to Buttle, (2009) positive retention strategies are strategies that lock the customer in by rewarding a customer for remaining in a relationship. These positive retention strategies include the following:

- Customer delights, when customer expectation exceeding, this is going further than what would usually satisfy the customer. It means being responsive of what it usually takes to

satisfy the customer and what it might take to pleasure or pleasantly surprise the customer.

- Adding customer perceived value: - companies can explore ways to create additional value without creating additional costs. If cost is suffered accordingly the value-added may be expected to recover those costs. Value can be added through programs such as, loyalty schemes, customer clubs and sales promotions.

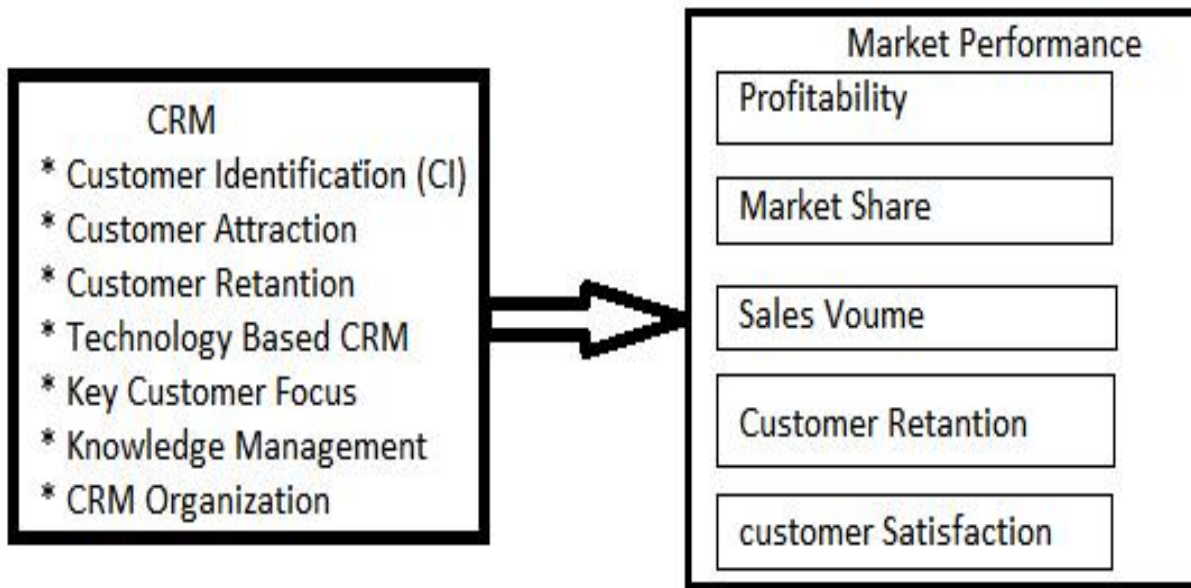
#### **2.7.4. Customer Satisfaction**

According to Hansemark and Albinsson, (2004), the major goal of business organizations is customer satisfaction, since customer satisfaction affects customer retention and companies' market share, profitability, sales volume. However, customer satisfaction is a complex construct which has been defined in various ways (Hair, *et al* 2003).

According to Hair, *et al* (2003), customer satisfaction is defined as "customer's response to a product or service in terms of the extent to which consumption meets expectations". Indeed, customer satisfaction is crucial for successful application of the marketing concept. Various organizations mission statements and marketing strategies are designed around the goal of increasing customer satisfaction (Fournier *et al*, 1999). In implementing customer relationship management, a firm pursues to establish and retain a long-term relationship with customers based on increasing full customer satisfaction as opposed to transaction-specific customer satisfaction.

#### **2.7.5. Conceptual Framework**

**Figure 2.7.5-1 Researcher own conceptual framework**



(Source: Researcher own conceptual framework, 2017)

## 2.8. Research Hypothesis

In order to achieve the purpose of this study the following hypotheses are considered to be tested

**H1:** customer identification has positive and significant influence on bank market performance.

**H2:** Customer Attraction has positive and significant influence on bank market performance.

**H3:** Customer Retention has positive and significant influence on bank market performance.

**H4:** Key customer focus has positive and significant influence on market performance.

**H5:** Customer knowledge management has positive and significant influence on bank market performance.

**H6:** CRM organization has positive and significant influence on bank market performance.

**H7:** Technology based CRM has positive and significant influence on bank market performance.

## CHAPTER THREE

### 3. RESEARCH DESIGN AND METHODOLOGY

#### 3.1. Chapter Overview/Introduction

This chapter provides the research methodology employed to conduct the study. Accordingly, this chapter presents research approach, research design and type, data type and source, method of data collection, sampling design technique, research design and technique, total population and sample size and method of data analysis and presentation.

#### 3.2. Research Approach

To accomplish the objectives of the study both qualitative and quantitative but predominantly quantitative research strategies were used. Such research strategies are good way of approaching issues as it enabled to respond and triangulate evidences. The researcher was also use cross sectional design because the data collected at one point in a time to assess the effectiveness of customer relationship management practices of public and private banks. Cross sectional design is a study in which various segments of population are sampled at a single point in a time (Zikmend, 2003).

#### 3.3. Research Design/Type

Based on the purpose, the study weree explanatory in nature because, this type of study was conducted to describe and attempt to explain why behavior is the way it is and provide detailed description about the existing phenomena and to justify current condition with the intent of employing data and whenever possible to draw conclusion from the fact discovered (Kothari, 2004).

#### 3.4. Sampling Design

##### 3.4.1. Target Population

The target populations of the study were the branch managers of the selected commercial banks whom they are strongly significant for the study. In the determination of sample size the three criteria were very important to gather the required data from sample respondents. These included the level of precision, the level of confidence or risk and the degree of variability in the attributes being measured that enable the researchers to determine appropriate sample size (Miauous

&Michener, 1976). Therefore, the total numbers of branch managers in Commercial Bank of Ethiopia in Addis Ababa are 256, Oromia International Bank 58 and Awash International Bank 125. The total appeared to be 439 branch managers. The target population is therefore 439 (Source: Based on the website of each bank).

### 3.4.2. Sampling Frame

The study adopted random sampling method to select representative sample. First, the target population were segregated into **Sample Frames** of the each Commercial Banks branch.

### 3.4.3. Sample Size

The issue of sample size is very important element in research methodology as this determines who included or excluded from participating in the study and their number. Careful selection of sample size and technique enhances the reliability of research findings.

Yamane (1967) cited in Israel (1992) which is revised on April 2009 and again reviewed on June 2012 provides a simplified formula to calculate sample sizes.

$$n = \frac{N}{1 + N(e)^2}$$

Where **n** is the sample size, **N** is the population size, and **e** is the level of precision. By using this formula at 95% confidence level and 5% level of precision the sample size was obtained as follows:-

$$n = \frac{439}{1 + 439(0.05)^2} = 209$$

Proportional sample size from each bank is calculated by using the following formula:

$$ni = \frac{n * Ni}{N}$$

Where:

ni= sample size for each Bank , Ni= the total number of employees in each Bank, N=the total number of employees in the selected Banks (3 Banks), n= the total sample size for selected Banks

Accordingly, the table below shows the proportionate sampling for each Banks based on the above given formula.

**Table 3.4.3:1 Population own computation based on consus taken from each bank**

Bank Name	Total	Proportion(%)	Sample Size
CBE	256	58	121
AIB	125	28	60
OIB	58	14	28
Total	439	100	209

**Source: Own computation based on census taken from each Banks (2017)**

Accordingly, only 209 respondents were selected from the total members of these branch managers using proportionately. Having selected such number of respondents, the questionnaires were distributed by using convenience sampling which is the cheapest and the easiest to get each respondent from each Bank. This sampling technique was chosen as it gives the research sole freedom to choose whomever they find.

### **3.4.4. Sampling Procedure**

The total number of commercial banks in Addis Ababa is 17 (NBE Report). Among this, three banks were purposively selected namely CBE, AIB and OIB. The selection of those banks were purposively one from the state Bank, one from the oldest private Banks, and one from the recent banks in Ethiopia. Thus, purposive sampling was applied to select banks.

## **3.5. Source of Data**

### **3.5.1. Primary Source of Data**

Primary source of data were collected through closed ended questionnaires distributed to the managers of the selected commercial banks in Addis Ababa city.

### **3.5.2. Secondary Source of Data**

Secondary data were also collected and used to augment the study. The secondary data will be collected from clients files, bank reports, supervisory directives and other working documents.

## **3.6. Data Collection Methodology**

Self Administered questionnaires were distributed to the branch managers of the selected banks through email or face to face. The branch-managers provide their answer from the questionnaires

which deems strongly agree, agree, neutral, disagree and strongly disagree. For the purpose of data collection, the researcher used closed ended questionnaires for branch managers.

### **3.7. Data Collection Instrument**

Methods of data collection relatively dependence on standard questionnaires prepared by Swaminathan (2004) which was prepared in the form of Likert five scales. However, to measure CRM dimensions on market performance, reliability was checked. For the purpose of data collection, closed-ended questionnaires were used. Closed-ended questionnaires were prepared on the basis of customer relationship management dimensions and banks market performance. Thus, closed ended questionnaires helps to avoid pressure up on the respondents in any direction and better be able to obtain the required data in the study area.

The questionnaire was divided in to three sections. The first section contain the demographic characteristics of the respondents which were requested to provide information about their gender, age, year of service or experience, education level and their company in which they are working. The second section of the questionnaire were the components of CRM which were designed to enable the researcher to gather information about effectiveness of CRM on market performance in public and private banks of selected commercial banks.

For all questionnaire included in section two, the respondents were requested to indicate their feeling on a five point Likert scale type to measure weighted as follows: 1=strongly disagree, i.e., very much dissatisfied with the case described, 2=disagree, i.e., not satisfied with the case described, 3=neutral, i.e., uncertain with the case, 4=agree, i.e., feeling alright with the case described, and 5= strongly agree, i.e., very much supporting the case described.

### **3.8. Data Analysis Method**

After the data were collected from primary source it was checked and in-house editing was undertaken to detect errors that have been committed by the respondents. Then, the edited data were coded and manually entered in to statistical package for social science (SPSS) version 20 computer software. Moreover, both qualitative and quantitative methods of data analysis techniques were employed. Analysis of data in this research were done by using descriptive

statistical methods like: frequency, mean, standard deviation and inferential statistical methods such as: correlation and regression. The regression analyses was conducted to determine by how much percent the independent variable i.e. customer relationship management components explains the dependent variable which is market performance. Multiple regression analysis was used to test the proposed hypothesis whether there is a positive significant relationship between the customer relationship management dimensions and market performance.

### **3.9. Validity and Reliability**

#### **3.9.1. Validity**

*Validity* is an important term in research that refers to the conceptual and scientific soundness of a research study (Graziano & Raulin, 2004). As previously discussed, the primary purpose of all forms of research is to produce valid conclusions. Furthermore, researchers are interested in explanations for the effects and interactions of variables as they occur across a wide variety of different settings. To truly understand these interactions requires special attention to the concept of validity, which highlights the need to eliminate or minimize the effects of extraneous influences, variables, and explanations that might detract from a study's ultimate findings.

Validity is, therefore, a very important and useful concept in all forms of research methodology. Its primary purpose is to increase the accuracy and usefulness of findings by eliminating or controlling as many confounding variables as possible, which allows for greater confidence in the findings of a given study.

#### **3.9.2. Reliability**

Reliability refers to the consistency or dependability of a measurement technique (Andrich, 1981; Leary, 2004). More specifically, reliability is concerned with the consistency or stability of the score obtained from a measure or assessment technique over time and across settings or conditions (Anastasi & Urbina, 1997; White & Saltz, 1957). If the measurement is reliable, then there is less chance that the obtained score is due to random factors and measurement error. Mixed research design improves reliability. Cronbatch Alpha was computed.

### **3.10. Ethical Consideration**

Throughout the research, the researcher upholds and respects the participants' right to privacy, anonymity, fair treatment and to protection from discomfort and harm (Neuman, 2003). Ethics is the code of moral principles and values that governs the behavior of an individual or group with respect to what is right or wrong (Bratton and Gold, 2000). In this research, ethical issues have got especial consideration. The researcher discussed the purpose of the research clearly to the participants during data gathering stage of the research. As a matter of confidentiality, the participants were not been required to write or tell their names. Furthermore, the participants were assured that their responses for the questionnaire were used for the intended purpose only and were wiped out their responses as no more required after completing the research.

## CHAPTER FOUR

### 4. RESULT AND DISCUSSION

In this chapter, the data collected from respondents were analyzed and interpreted using quantitative analysis which involves analysis of the demographical information of respondents and the descriptive and inferential statistics employed to test the hypothesis and to investigate the influence of independent variables on dependent variable. To analyze the collected data in line with the overall objective of the research undertaking, statistical procedures were carried out using SPSS version 20.

#### 4.1. Response Rate on questionnaire

A total of 209 questionnaires were distributed to employees of the three branch banks to assess the effects of CRM on market performance and all questionnaires were filled up and returned making the response rate 100 percent. This indicates that;-the banks under study were committed to give information relevant to the research understudy.

**Table 4.1:1 Response rate distributed to bank managers**

Name of Bank	Questionnaire distributed	Questionnaire responded	Response rate (%)
CBE	121	121	100
AIB	60	60	100
OIB	28	28	100
<b>TOTAL</b>	<b>209</b>	<b>209</b>	<b>100</b>

Source: Own Survey (2017)

#### 4.2. Reliability Test Result

The reliability test is an important instrument to measure the degree of consistency of an attribute which is supposed to measure. As stated by Mahon and Yarcheski (2002) the less variation of the instruments produces in repeated measurements of an attribute the higher its reliability. Reliability can be equated with the stability, consistency, or dependability of a measuring tool.

Cronbach's alpha is one of the most commonly accepted measures of reliability. It measures the internal consistency of the items in a scale. It indicates that the extent to which the items in a questionnaire are related to each other. It also indicates that whether a scale is one dimensional

or multidimensional. The normal range of Cronbach's coefficient alpha value ranges between 0-1 and the higher values reflects a higher degree of internal consistency. Different authors accept different values of this test in order to achieve internal reliability, but the most commonly accepted value is 0.70 as it should be equal to or higher than to reach internal reliability (Hair *et al.*, 2003).

**Table 4.2:1 Cronbatch's Alpha for each field of questionnaire**

No	Field	Number of Items	Cronbach's Alpha
1	Customer Identification	7	.846
2	Customer Attraction	8	.704
3	Customer Retention	7	.848
4	Key Customer Focus	7	.842
5	Organizing Around CRM	6	.747
6	Customer knowledge management	7	.742
7	CRM Based Technology	7	.876
8	Market Performance	13	.862
		Entire 62	.955

Source: Field Survey (2017)

The Cronbach's coefficient alpha was calculated for each field of the questionnaire. The table 4.2:1 shows the values of Cronbach's Alpha for each field of the questionnaire and the entire questionnaire. For the fields, values of Cronbach's Alpha ranged from 0.704 and 0.876. This range is considered high as the result ensures the reliability of each field of the questionnaire. Cronbach's Alpha equals 0.808 for the entire questionnaire which indicates very good reliability of the entire questionnaire. Therefore, based on the test, the results for the items are reliable and acceptable.

### **4.3. Demographic Characteristics of Respondents**

This descriptive analysis is used to look at the data collected and to describe data captured through the questionnaire. It was 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 demographic questions. The demographic factors used in this research were gender, age, educational qualification, and work experience of respondents in the banks.

**Table 4.3:1 Demographic characteristic of Respondents GENDER**

CATEGORIES	RESPONDENTS GENDER		RESPONDENTS BANK			Total
			CBE	AIB	OIB	
RESPONDENTS GENDER	MALE	Count	100	51	24	175
		% within RESPONDENTS BANK	82.6%	85.0%	85.7%	83.7%
	FEMALE	Count	21	9	4	34
		% within RESPONDENTS BANK	17.4%	15.0%	14.3%	16.3%
Total	Count		121	60	28	209
	% within RESPONDENTS BANK		100.0%	100.0%	100.0%	100.0%

Source: Field Survey (2017)

As far as the table 4.3:1 is concerned, 82.6 percent of the respondents of Commercial Bank of Ethiopia were male while the remaining 17.4 percent of the respondents were female. This indicates that majority of the employees of the bank were male. From this we can infer that female participation in Commercial Bank of Ethiopia was low relative to male. The above table also reveals that 85.0 percent of the respondents of Awash Bank were male while 15.0 percent were female. Similar conclusion to that of Commercial Bank of Ethiopia can be drawn in Awash Bank were female participation was low relative to male. When we come to OIB 85.7 percent of the respondents were male while the remaining 14.3 percent were female. This shows majority of respondents in all the three banks were male.

**Table 4.3:2 Demographic Characteristic of Respondents: Age**

AGE OF RESPONDENTS		RESPONDENTS BANK			Total
		CBE	AIB	OIB	
	Count	79	35	15	129
18-30 YEARS	% within RESPONDENTS BANK	65.3%	58.3%	53.6%	61.7%
	Count	35	25	13	73
31-40 YEARS	% within RESPONDENTS BANK	28.9%	41.7%	46.4%	34.9%
	Count	5	0	0	5
41-50 YEARS	% within RESPONDENTS BANK	4.1%	0.0%	0.0%	2.4%
	Count	2	0	0	2
51-60 YEARS	% within RESPONDENTS BANK	1.7%	0.0%	0.0%	1.0%
Total	Count	121	60	28	209
	% within RESPONDENTS BANK	100.0%	100.0%	100.0%	100.0%

Source: Field Survey (2017), n=209

Another description observed in table 4.3.2 is the age interval of respondents. 65.3 percent of the respondents of CBE were found in the age interval of 18 to 30 years while 28.9 percents of the respondents were found in the interval of 31 to 40 years while 4.1 percent were found in the interval of 41 to 50 years and the remaining 1.7 percent were found in the age interval of 51 to 60 years. This indicates that the majority of the employees of CBE were young.

As the table 4.3.2 also depicts, 58.3 percent of the respondents of Awash Bank were found in the age interval of 18 to 30 years while the remaining 41.7 percent were found in the age interval of 31 to 40 years. This show that the managers of Awash bank were young and middle aged.

On the other hand, 53.6 percents of the respondents of OIB were found in the age interval of 18 to 30 years while the remaining 46.4 percent were found to be found in the age interval of 31 to 40 years. This shows that the age distribution in OIB is almost similar to that of Awash Bank, were the employees are young and middle aged. From this data the researcher can conclude that majority of the respondents in the three banks were fall in the age range of 18 to 30 years. From

this we infer that in all the three banks the number of young and productive age group was almost similar.

**Table 4.3:3 Demographic Characteristic of Respondents: Education**

			RESPONDENTS BANK			Total
			CBE	AIB	OIB	
RESPONDENTS EDUCATIO	Count		34	3	0	37
	DIPLOMA	% within RESPONDENTS BANK	28.1%	5.0%	0.0%	17.7%
	Count		70	56	26	152
	DEGREE	% within RESPONDENTS BANK	57.9%	93.3%	92.9%	72.7%
	Count		17	1	2	20
	MASTERS	% within RESPONDENTS BANK	14.0%	1.7%	7.1%	9.6%
Total	Count		121	60	28	209
	% within RESPONDENTS BANK		100.0%	100.0%	100.0%	100.0%

Source: Field Survey (2017), n=209

As far as the educational qualification of employees is concerned in the table 4.3-3, 57.9 percent of the respondents of CBE were BA degree holders, 28.1 percent were diploma holders, and the remaining 14.0 percent were Masters Holders. Like CBE, in AIB Bank majority of the respondents i.e. 93.3 percent were BA holders, 5.0 percent were diploma holders, 1.7 percent were master's degree holders. As the table 4.3.4 displays, like CBE and AIB, in OIB majority of the respondents (92.9 %) was BA holders and 7.1 % were degree of Masters Holders. From this data we infer that the educational status of the given individual has a great value to do with the efficiency and effectiveness of what he/she performs to the banks.

Table 4.3:4 Demographic Characteristic of Respondents: Bank work experience

CATEGORIES	BANK WORK EXPERIANCE	RESPONDENTS BANK			Total
		CBE	AIB	OIB	
BANK WORK EXPERIANCE	Count	32	13	9	54
	BELOW 5 YEARS	26.4%	21.7%	32.1%	25.8%
	% within RESPONDENTS BANK				
	Count	53	34	14	101
	6-10 YEARS	43.8%	56.7%	50.0%	48.3%
	% within RESPONDENTS BANK				
	Count	23	11	3	37
	11-15 YEARS	19.0%	18.3%	10.7%	17.7%
	% within RESPONDENTS BANK				
	Count	8	2	2	12
	16-20 YEARS	6.6%	3.3%	7.1%	5.7%
	% within RESPONDENTS BANK				
	Count	2	0	0	2
	21-25 YEARS	1.7%	0.0%	0.0%	1.0%
	% within RESPONDENTS BANK				
	Count	3	0	0	3
ABOVE 30 YEARS	2.5%	0.0%	0.0%	1.4%	
% within RESPONDENTS BANK					
Count	121	60	28	209	
Total	100.0%	100.0%	100.0%	100.0%	
% within RESPONDENTS BANK					

Source: Field Survey (2017), n=209

As far as work experience of the respondents is concerned in table 4.3.4, 26.4 percent of the respondents of CBE have below 5 years bank work experience, 43.8 percent of the respondents have 6 to 10 of years bank working experience, 19 percent have 16 to 20 years bank work experience, 1.7 percent of the respondents have 21 to 25 years bank experience and the remaining 2.5 percent have above 30 years of working experience.

While 21.7 percent of the respondents of Awash bank have below 5 years bank work experience, 56.7 percent of the respondents have 6 to 10 of years bank working experience, 18.3 percent have 16 to 20 years bank work experience and the remaining 3.3 percent have 16 to 20 years of working experience.

When we come to OIB, 32.1 percent of the respondents of OIB have below 5 years bank work experience, 50 percent of the respondents have 6 to 10 of years bank working experience, 10.7 percent have 16 to 20 years bank work experience and the remaining 7.1 percent have 16 to 20 years of working experience.

This implies that all selected banks are in a good track on establishing, maintaining and enhancing long- lasting relationships with customers in order to improve market performance. In general, results of demographic characteristics of the respondents entail that, they can clearly understand and respond to the questions provided to gather primary data.

#### **4.4. Descriptive Statistics of Scaled Type Questionnaires**

In this part descriptive statistics in the form of mean and standard deviation were presented to illustrate the level of agreement of the respondents with their implications of the three selected Banks. The responses of the respondents for the variables indicated below were measured on five point Likert scale with: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree. But, while making interpretation of the results of mean and standard deviation the scales were reassigned as follows to make the interpretation easy and clear. 1 - 1.8= Strongly Disagree, 1.81 – 2.6 = Disagree, 2.61 – 3.4= Neutral, 3.41 – 4.20= Agree and 4.21 – 5 = Strongly Agree (Best, 1977, as cited by Yonas, 2013).

##### **4.4.1. Perception of Respondents towards Customer Identification**

Customer identification is one of the primary dimensions of customer relationship management that involves know your customer (KYC). In today's business environments, the ultimate goal of any customer identification is to achieve a deep customer relationship that makes an organization a necessary partner to its most profitable customers.

Table 4.4.1:1 Descriptive Statistics of Customer Identification

N	Variables Customer Identification	CBE		AIB		OIB	
		Mea n	Std. Deviatio n	Mea n	Std. Deviatio n	Mea n	Std. Deviatio n
1	My bank identify its most profitable customers properly	3.98	1.012	4.13	.892	2.96	1.232
2	Staffs are identifying customers by studying their profile every time	3.47	1.096	3.57	1.125	2.68	1.188
3	Setting up strategy to analyze those customers who are being lost to the competition	3.45	1.024	3.77	1.079	3.00	.943
4	My bank commit time and resource to identify customers	4.04	.841	4.12	.761	3.46	1.170
5	My bank segment its customers to properly identify & to meet their needs	3.79	.991	4.20	.860	3.43	1.200
6	My bank implement Know Your Customer (KYC) concept	4.42	.920	4.47	.791	3.89	1.197
7	Customer Identification have value for the bank	4.44	.875	4.55	.832	4.54	.922
<b>Average Mean</b>		3.94		4.11		3.42	

*Source: Field survey (2017) n=209*

As it can be seen from table 4.4.1:1 above in CBE the concern of identify its most profitable customers properly, bank implement Know Your Customer (KYC) concept and bank commit time and resource to identify customers have scored a mean value of 4.44, 4.42 and 4.04 respectively. Hence in CBE these sub construct variables are the most crucial variable that help the bank to achieve market performance. Other variables like bank identify its most profitable customers properly has scored mean of 3.98 with standard deviation of 0.841, bank segment its customers to properly identify & to meet their needs has scored mean 3.79 with standard

deviation of 0.991, Staffs are identifying customers by studying their profile every time has scored mean of 3.47 with standard deviation of 0.92 and Setting up strategy to analyze those customers who are being lost to the competition has scored mean 3.45 with standard deviation of 0.875. Hence in CBE the variable customer identification have a value for the bank scored highest mean. From this it can be inferred that customer identification have played crucial role to achieve highest market performance.

When we come to Awash bank the concern of Customer Identification have value for the bank has scored a mean of 4.44 and bank implement Know Your Customer (KYC) concept has scored mean of 4.42. This two variables are the most crucial to help to achieve market performance. Key to efficient performance of banking industry is hinged on their ability to identify, attract, retain and develop their customers better than competitors ( Adiele and Gabriel, 2014).

#### **4.4.2. Descriptive Statistics of Customer Attraction**

After identifying the segments of potential customers, organization can direct effort and resources into attracting the target customer segment. An element of customer attraction is direct marketing. Direct marketing is a promotion process which motivates customer to place, orders through various channels (Cheng, et al 2005). For instance, direct mail or coupon distribution is typical examples of direct marketing.

Table 4.4.2:1 Descriptive Statistics of Customer Attraction

N	Variables Customer Attraction	CBE		AIB		OIB	
		Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
1	Bank employees are well dressed, neat and kind	4.12	.905	4.32	.833	4.00	1.018
2	Bank have enough parking area and seating space for customers	3.10	1.344	3.47	1.142	3.36	1.367
3	My bank extend banking hour to attract customers	3.64	1.146	4.12	1.091	4.25	.928
4	Providing free drinks at banking halls for waiting customers	2.02	1.238	2.30	1.253	2.00	1.277
5	The bank location, interior & exterior layout is comfortable for customers	3.31	1.169	3.62	1.027	2.89	.994
6	My bank is flexible enough in all circumstance to attract customers	3.23	1.047	3.70	1.013	2.61	1.166
7	Each staff communicate properly	3.78	.908	3.85	.936	3.07	.900
8	My banks service process is attractive	3.84	.913	4.02	.892	3.14	1.044
<b>Average Mean</b>		3.38		3.67		3.17	

*Source: Field survey (2017) n=209*

As it can be seen in the table 4.4.2:1 in CBE the concern of customer attraction has scored average mean of 3.38, in AIB the concern of customer attraction has scored average mean 3.67 and in OIB the concern of Customer attraction has scored average mean of 3.17. Yet in AIB the

perspective of branch managers is higher regarding customer attraction influence on market performance of banking followed by CBE and OIB.

#### 4.4.3. Descriptive Statistics of Customer Retention

Customer retention focus is one of the most important dimensions of customer relationship management that involves an overall customer-centric focus and continuously following up the loyalty of customers. In today's business environments, the ultimate goal of any organization is to achieve a deep customer relationship that makes an organization a necessary partner to its most profitable customers.

**Table 4.4.3:1 Descriptive statistics of Customer retention**

N	Customer Retention	CBE		AIB		OIB	
		Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
1	My bank has established clear strategy to retain customers	4.00	.913	4.13	.965	2.86	1.268
2	Frequently calling customer to make them active	3.39	1.106	3.70	1.094	3.11	1.133
3	My bank policy is flexible enough to retain customers	3.36	.990	3.70	.962	2.86	1.268
4	My bank undertakes customer loyalty initiatives	3.79	1.032	3.82	1.112	3.36	1.193
5	My bank measures customer retention rate regularly	3.50	1.177	3.62	1.059	2.64	1.162
6	My bank undertake customer satisfaction survey regularly	3.69	1.057	3.67	.914	3.18	1.056
7	There are better problem resolving habit to retain customers	3.74	.832	3.92	.671	2.93	1.086
<b>Average Mean</b>		3.64		3.79		2.99	

*Source: Field survey (2017) n=209*

As it can be seen in the table 4.4.3:1 in CBE the concern of customer retention has scored average mean of 3.64, in AIB the concern of customer retention has scored average mean 3.79 and in OIB the concern of Customer retention has scored average mean of 2.99. Yet in AIB the perspective of branch managers is higher regarding customer retention followed by CBE and OIB.

#### **4.4.4. Descriptive Statistics of Key Customer Focus**

Key customer focus is one of the most important dimensions of customer relationship management that involves an overall customer-centric focus and continuously delivering superior and added value through customized offers to the key customers. In today's business environments, the ultimate goal of any key customer focus is to achieve a deep customer relationship that makes an organization a necessary partner to its most profitable customers. The overall company understanding and support for key customer focus encourages sales force to foster long-term customer relationships by offering more personalized services (Armstrong and Kotler, 2004).

Table 4.4.4:1 Descriptive Statistics of Key Customer Focus

N	key customer focus	CBE		AIB		OIB	
		Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
1	works with key customers to customize our offerings.	3.82	.922	3.97	.901	3.68	.905
2	Setting clear objectives and strategies for key customers.	3.97	.930	4.02	.965	3.64	1.096
3	Modify a service for key customers	3.86	.859	3.95	1.016	3.50	1.036
4	delivering superior value for key customers	3.77	.973	4.02	.938	3.14	1.177
5	treat key customers with especial care.	3.65	1.047	3.78	1.180	3.11	1.227
6	Meeting and Ensuring key Customers Needs	3.57	1.203	3.80	1.086	3.32	1.056
7	Customer Lifetime value is essential key customer selection	3.73	1.232	4.10	1.020	3.93	1.152
<b>Average Mean</b>		3.23		3.95		3.47	

*Source: Field survey (2017) n=209*

As it can be seen in the table 4.4.4:1 in CBE the concern of working with key customers has scored mean of 3.82 with standard deviation of 0.922, setting clear objectives and strategies for key customers has scored mean of 3.97 with standard deviation of 0.930, making coordinated efforts with key customers has scored a mean of 3.86 with standard deviation of 0.859, continuously delivering superior and added value for key customer has scored a mean of 3.77 with standard deviation of 0.973, all employees in our bank treat key customers with especial care has scored mean of 3.65 with standard deviation of 1.047, meeting and ensuring key customers' needs has scored a mean of 3.57 with Standard deviation of 1.203 and life time value has scored a mean of 3.73with standard deviation of 1.232. Yet in CBE the perspective of managers were Setting clear objectives and strategies for key customers, Making coordinated efforts to modify a service for key customers and Our organization works with key customers to

customize our offerings are the most important variables that play decisive role to achieve market performance of the bank.

When we come to Awash Bank the concern of Our organization works with key customers to customize our offerings has scored mean of 3.97 with standard deviation of .901, setting clear objectives and strategies for key customers has scored mean of 4.02 with standard deviation of 0.965, making coordinated efforts with key customers has scored a mean of 3.95 with standard deviation of 1.016, continuously delivering superior and added value for key customer has scored a mean of 4.02 with standard deviation of 0.938, meeting and ensuring key customers' needs has scored a mean of 3.80 with Standard deviation of 1.086, treat customers with especial care has scored a mean of 3.78 with standard deviation of 1.180 and customer life time value has scored a mean of 4.10 with standard deviation of 1.020. However, in AIB the perspective of managers, Customer Lifetime value for key customer selection, Setting clear objectives and strategies for key customers and continuously delivering superior and added value for key customers are the most important variables that play a decisive role to achieve marketing performance of the bank.

As it is clearly pointed out in the table 4.4.4:1 in OIB the concern of the organization it works with key customers to customize our offerings has scored mean of 3.68 with standard deviation of 0.905, setting clear objectives and strategies for key customers has scored mean of 3.64 with standard deviation of 1.096, Making coordinated efforts to modify a service for key customers has scored mean of 3.50 with standard deviation 1.036, Continuously delivering superior and added value for key customers has scored mean of 3.14 with standard deviation 1.177, employees in our bank treat key customers with especial care has scored mean of 3.11 with standard deviation of 1.227, Meeting and Ensuring key Customers Needs has scored mean of 3.32 with standard deviation of 1.056 and Customer Lifetime value is an essential criteria for key customer selection has scored mean of 3.93 with standard deviation of 1.152. yet according to the perspective of managers of OIB Customer Lifetime value and Our organization works with key customers to customize our offerings are the most important variables that play a crucial role to achieve market performance of the bank.

#### 4.4.5. Descriptive statistics of Organizing around CRM

CRM is an enterprise wide initiative. It requires that all areas of the organization work toward the common goal of building stronger customer relationships. Strong focus on key customers are deeply surrounded throughout its CRM system, the whole business were structured around promoting, encouraging, stimulating the valuable relationships. The organizational arrangement and structure needs to be flexible and, if necessary reassembled to generate customer-centric values and develop coordination of customer-focused, cross-functional teams in order to attract potential pool of customers. Furthermore, with meticulous efforts by all organizational functions to constantly provide a stream of value-rich actions and customer outcomes. This enables the business firm and its sales force was secure that, they can satisfy customers' needs and enhance customer relationships. The success of CRM programs call for commitment of resources at all levels and functions of the firm (Anderson and Swaminathan, 2005).

**Table 4.4.5:1 Descriptive Statistics of Organizing Around CRM**

N	Organizing around Customer relationship management	CBE		AIB		OIB	
		Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
1	My bank adopt organizational structure that attract customers	3.83	.969	4.05	.891	3.57	.920
2	Flexible organizational structure and arrangement	3.54	1.025	3.93	.954	3.21	1.134
3	Coordination of customer focused	3.69	.990	4.17	.847	3.14	.891
4	Our Bank structure is exactly designed around our customers.	3.64	.939	4.05	.790	3.29	1.013
5	Cross-functional teams	3.62	1.149	3.72	1.075	3.07	1.120
6	Good Organizational Image	4.16	.975	4.35	.840	4.39	.685
<b>Average Mean</b>		3.75		4.05		3.45	

*Source: Field survey (2017) n=209*

Table 4.4.5:1 illustrates that the perception of the respondents towards CRM organization. Accordingly, in CBE the concern of good organizational structure has scored a mean of 3.83 with standard deviation of 0.969, Flexible organizational structure and arrangement has scored mean of 3.54 with standard deviation 1.025, Coordination of customer focused has scored mean

of 3.69 with standard deviation of 0.990, Bank structure is exactly designed around our customers has scored mean of 3.64 with standard deviation of 0.939, Cross-functional teams has scored mean of 3.62 with standard deviation of 1.149 and Good Organizational Image has scored mean of 4.16 with standard deviation of 0.975. However, in CBE according to the perspective of managers good organizational image and adoption of attractive organizational structure are the most decisive variables to achieve the market performance of the bank.

As far as table 4.4.5.1 is concerned, in Awash bank the concern of respondents towards CRM organization. Accordingly, in CBE the concern of good organizational structure has scored a mean of 4.05 with standard deviation of 0.891, Flexible organizational structure and arrangement has scored mean of 3.93 with standard deviation 0.954, Coordination of customer focused has scored mean of 4.17 with standard deviation of 0.847, Bank structure is exactly designed around our customers has scored mean of 4.05 with standard deviation of 0.790, Cross-functional teams has scored mean of 3.72 with standard deviation of 1.075 and Good Organizational Image has scored mean of 4.35 with standard deviation of 0.840. Yet according to th managers viewpoint good organizational image and structure are the most significant variables to achieve market performance of the bank.

When we come to OIB table 4.4.5.1 illustrate that the concern of respondents towards CRM organization. Accordingly, in OIB the concern of good organizational structure has scored a mean of 3.57 with standard deviation of 0.920, Flexible organizational structure and arrangement has scored mean of 3.21 with standard deviation 1.134, Coordination of customer focused has scored mean of 3.14 with standard deviation of 0.891, Bank structure is exactly designed around our customers has scored mean of 3.29 with standard deviation of 1.013, Cross-functional teams has scored mean of 3.07 with standard deviation of 1.120 and Good Organizational Image has scored mean of 4.39 with standard deviation of 0.685. However, good organizational image is the most important variables to achieve market performance of the bank.

From this we infer that as managers are believed that organizational image of three banks are better in terms of attracting, retaining and confine potential customers through manipulative

organizational structures, cross-functional teams and coordination of customer focused to improve market performance.

#### 4.4.6. Descriptive Statistics of Customer Knowledge Management

Knowledge is well-thought-out as one of the competitive factors in global economy. It is compulsory to think and consider for a business firms in order to attract customer in today's dynamic market successfully. Despite of this customer knowledge management can be defined as the system of attaining, allocating, and increasing the customer knowledge among employees for making profit to the organization and customers. With the purpose of improving the organizational productivity and value, assure from delivering required products and services to the customers and acquire their satisfaction, it is necessary to manage the organization's knowledge about customers (Salomoun et al, 2005).

**Table 4.4.6:1 Descriptive Statistics of Customer Knowledge Management**

N	Customer knowledge management	CBE		AIB		OIB	
		Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
1	Well-trained and motivated employees.	4.06	.849	4.10	.915	3.46	1.071
2	Manages all customer communications	3.64	.931	3.88	.940	3.39	.916
3	Ability to trial customer behavior	3.63	1.073	3.78	.993	3.04	1.138
4	Detail knowledge of every procedures	3.39	1.186	3.47	1.049	3.07	1.016
5	Ability to interact and works well with others	4.00	.753	4.02	.892	3.68	.863
6	Ability to handle customers and solving customer complain	3.94	.878	4.12	.804	3.57	1.069
7	Successful dissemination of knowledge management	3.83	.955	3.97	.823	3.29	.897
<b>Average Mean</b>		3.78		3.90		3.36	

*Source: Field survey (2017) n=209*

As it can be seen in the table 4.4.6:1 in CBE employees was perceived as customer knowledge management is significant for market performance of the bank. Accordingly, in CBE the concern

of Well-trained and motivated employees has scored a mean of 4.06 with standard deviation of 0.849, Manages all customer communications has scored a mean of 3.64 with standard deviation of 0.931, Ability to trial customer behavior has scored a mean of 3.63 with standard deviation of 1.073, Detail knowledge of every procedures has scored a mean of 3.39 with standard deviation of 1.186, Ability to interact and works well with others has scored a mean of 4.00 with standard deviation of 0.753, Ability to handle customers and solving customer complain has scored a mean of 3.94 with standard deviation of 0.878, Successful dissemination of knowledge management has scored a mean of 3.83 with standard deviation of 0.955. However, in CBE Well-trained and motivated employees, Ability to interact and works well with others , Ability to handle customers and solving customer complain are the most decisive variables that influence the marketing performance of the bank.

As it can be seen in the table 4.4.6.1 in Awash bank employees was perceived as customer knowledge management is significant for market performance of the bank. Accordingly, in CBE the concern of Well-trained and motivated employees has scored a mean of 4.10 with standard deviation of 0.915, Manages all customer communications has scored a mean of 3.88 with standard deviation of 0.940, Ability to trial customer behavior has scored a mean of 3.78 with standard deviation of 0.993, Detail knowledge of every procedures has scored a mean of 3.47 with standard deviation of 1.049, Ability to interact and works well with others has scored a mean of 4.02 with standard deviation of 0.892, Ability to handle customers and solving customer complain has scored a mean of 4.12 with standard deviation of 0.804, Successful dissemination of knowledge management has scored a mean of 3.97 with standard deviation of 0.823. However, in AIB Well-trained and motivated employees, Ability to interact and works well with others and Well-trained and motivated employees, Ability to interact and works well with others , Ability to handle customers and Ability to interact and works well with others are the most decisive variables that influence the marketing performance of the bank.

As it can be seen in the table 4.4.6.1 in OIB managers was perceived as customer knowledge management is significant for market performance of the bank. Accordingly, in CBE the concern of Well-trained and motivated employees has scored a mean of 3.46 with standard deviation of 1.071, Manages all customer communications has scored a mean of 3.39 with standard deviation

of 0.916, Ability to trial customer behavior has scored a mean of 3.04 with standard deviation of 1.138, Detail knowledge of every procedures has scored a mean of 3.07 with standard deviation of 1.016, Ability to interact and works well with others has scored a mean of 3.68 with standard deviation of 0.863, Ability to handle customers and solving customer complain has scored a mean of 3.57 with standard deviation of 1.069, Successful dissemination of knowledge management has scored a mean of 3.29 with standard deviation of 0.897. However, in OIB Manages all customer communications, Ability to interact and works well with others and Ability to handle customers and solving customer complain are the most decisive variables that influence the marketing performance of the bank.

#### **4.4.7. Descriptive Statistics of CRM based Technology**

Technology and the Web has changed the way companies approach CRM strategies because advances in technology have also changed consumer buying behavior and offers new ways for companies to communicate with customers and collect data about them. With each new advance in technology especially the proliferation of self-service channels like the Web and smart phones, customer relationships are being managed electronically. The development and improvement of information technology provide the ability to gather, investigate, and share customer information which will lead to a customer satisfaction, customer loyalty and retaining customers (Bulter, 2000). The CRM demands for “information-wide strategies” which exploit computer technologies in maintaining relationships (Harding *et al.*, 2004) such as: computer-aided design or manufacturing, data warehouses, data mining and CRM application systems that allow the firms to offer maximum customization with better quality at lower cost. Moreover, it helps the staff at all touch points to serve the customers in a better way. Hence, many customer focus activities would be impossible without the use of an appropriate technology (Sin *et al.*, 2005).

Table 4.4.7:1 Descriptive Statistics of CRM Based Technology

N	Customer relationship management-based Technology	CBE		AIB		OIB	
		Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev
1	My Bank maintains a comprehensive database of our customers.	4.02	.966	4.17	1.011	3.68	.905
2	My Bank has the right hardware and software to serve our customers.	4.20	.936	4.27	.918	3.64	1.096
3	Right technical personnel for the utilization of computer technology in Building customer relationships.	3.81	1.043	3.93	.972	3.50	1.036
4	Providing IT facilitates like computer aided design for managing customer relationships	3.55	1.190	3.78	1.010	3.14	1.177
5	Providing major transactions through online without physical contact with the customer. e.g., direct debit, etc	3.75	1.185	3.77	1.064	3.11	1.227
6	User friendly and easily assessable IT infrastructure	3.78	1.059	3.83	.968	3.32	1.056
7	Communicate with customers through email and online media	3.16	1.238	3.27	1.163	3.93	1.152
<b>Average Mean</b>		3.75		3.86		3.47	

*Source: Field survey (2017) n=209*

As it can be seen in the table 4.4.7:1 in CBE the concern of comprehensive data base for customer has scored a mean of 4.02 with standard deviation of 0.966, providing the right hardware and software to serve customers has scored a mean of 4.20 with standard deviation of 0.936, right technical personnel for the utilization of computer technology in Building customer relationships has scored a mean of 3.81 with standard deviation of 1.043, Providing IT facilitates like computer aided design for managing customer relationships has scored a mean of 3.55 with standard deviation of 1.1190, Providing major transactions through online without physical contact with the customer. e.g., direct debit, etc has scored a mean of 3.75 with standard

deviation of 1.185, User friendly and easily assessable IT infrastructure has scored a mean of 3.78 with standard deviation of 1.059 and Communicate with customers through email and online media has scored a mean of 3.16 with standard deviation of 1.238. However, in CBE bank respondents rated that comprehensive data base for customer and provide technical support as the most significant variables of technology based CRM to achieve market performance of the bank.

When we come to Awash Bank the concern of comprehensive data base for customer has scored a mean of 4.17 with standard deviation of 1.011, providing the right hardware and software to serve customers has scored a mean of 4.27 with standard deviation of 0.918, right technical personnel for the utilization of computer technology in Building customer relationships has scored a mean of 3.93 with standard deviation of 0.972, Providing IT facilitates like computer aided design for managing customer relationships has scored a mean of 3.75 with standard deviation of 1.1010, Providing major transactions through online without physical contact with the customer. e.g., direct debit, etc has scored a mean of 3.77 with standard deviation of 1.064, User friendly and easily assessable IT infrastructure has scored a mean of 3.83 with standard deviation of 0.968 and Communicate with customers through email and online media has scored a mean of 3.27 with standard deviation of 1.163. Furthermore, as employees rated, in Awash bank My Bank maintains a comprehensive database of our customers and my Bank has the right hardware and software to serve our customers are the most decisive elements of technology based CRM to achieve market performance of the bank.

As it can be seen in the table 4.4.7. in OIB the concern of comprehensive data base for customer has scored a mean of 3.68 with standard deviation of 0.905, providing the right hardware and software to serve customers has scored a mean of 3.64 with standard deviation of 1.096, right technical personnel for the utilization of computer technology in Building customer relationships has scored a mean of 3.50 with standard deviation of 1.036, Providing IT facilitates like computer aided design for managing customer relationships has scored a mean of 3.14 with standard deviation of 1.177, Providing major transactions through online without physical contact with the customer. e.g., direct debit, etc has scored a mean of 3.11 with standard deviation of 1.227, User friendly and easily assessable IT infrastructure has scored a mean of

3.32 with standard deviation of 1.056 and Communicate with customers through email and online media has scored a mean of 3.93 with standard deviation of 1.152. Yet employees of OIB were rated that, Bank maintains a comprehensive database of our customers, Bank has the right hardware and software to serve our customers and Right technical personnel for the utilization of computer technology in Building customer relationships are the most crucial variables of technology based CRM to achieve market performance of the bank.

#### **4.4.8. Descriptive Statistics of Market Performance**

Market performance refers to the enhancement of the organizational standing in the market, improvement of the customers' perception of organization and its products and increase in their loyalty toward organization (Martin, 2005). In today's world as competition becomes tough, firms are able to deliver their offer and services that are customized for every customer. Certainly, these organizations can accomplish competitive advantage in sale and service marketing through tailoring their mass services. At the moment, the profitable companies endeavor to transfer their mass services to the individual customer.

The table 4.4.8.1 below shows the perception of the respondents towards market performance. Accordingly, in CBE the result of all sub-construct variables i.e. Expanding branches nearer to customers, Maintain adequate number of employees, Customer Relationship Management (CRM) enables the bank to increase its profitability, Maintain adequate number of customers, Customer Relationship Management (CRM) Increases sales volume and sales growth, Customer Relationship Management (CRM) Increases sales volume and sales growth, We focus on day-to-day operations, Extensive training for customer handling, Extensive training for customer handling and The bank increases market share by using Customer Relationship Management (CRM) mean were falling between the range of 4.40 – 4.01 and this tell us that the majority of respondents agreed that all those sub-contracts are the most decisive variables in CBE to achieve market performance. This shows that the majority of the respondents fall under this category.

However, bank's marketing strategy, Customer retaining ability, developing system for imploring customer feedback on services, Strong devotion to standardized service delivery and my customer satisfaction mean were falling between the range of 3.94 – 3.50 and this tells the

some of the respondents agreed that all those sub-construct variables are the important variables that can play a vital role for market performance of the bank.

As it can be seen from the table 4.4.8.1 like CBE, in Awash Bank the result of the sub-construct variables expanding branches nearer to customers, Customer Relationship Management (CRM) enables the bank to increase its profitability, The bank increases market share by using Customer Relationship Management (CRM), Customer Relationship Management (CRM) Increases sales volume and sales growth, Customer Relationship Management (CRM) in the bank is successful in retaining customers, Extensive training for customer handling, Maintain adequate number of customers, Maintain adequate number of employees and focus on day-to-day operations were falling between the range of 4.37 – 4.03 mean and this tells the majority of the respondents agreed that all those variables are the important variables that can play a vital role for market performance of the bank. On the other hand, like CBE, in Awash bank Strong devotion to standardized service delivery, Customer Relationship Management (CRM) satisfies customers and Developing system for imploring customer feedback on services are the most crucial variables to achieve market performance having a mean of 3.93, 3.78 and 3.70 respectively.

As it can be seen from the table 4.4.8:1 in OIB the result of sub-construct like expanding branches nearer to customers, Customer Relationship Management (CRM) Increases sales volume and sales growth, We focus on day-to-day operations, Customer Relationship Management (CRM) enables the bank to increase its profitability ,Maintain adequate number of customers, The bank increases market share by using Customer Relationship Management (CRM) and Customer Relationship Management (CRM) in the bank is successful in retaining customers are the most crucial variables to achieve market performance having a mean of 4.11, 4.07, 4.00, 3.93, 3.86 and 3.86 respectively.

Table 4.4.8:1 Descriptive Statistics of Market Performance

N	Market Performance	CBE		AIB		OIB	
		Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev
1	CRM enables the bank to increase its profitability	4.28	.915	4.37	.802	4.00	1.155
2	The bank increases market share by using CRM	4.01	.890	4.27	.821	3.86	1.113
3	CRM Increases sales volume and sales growth	4.10	.841	4.25	.704	4.11	1.031
4	CRM in bank is successful in retaining customers	3.93	.972	4.25	.816	3.86	.970
5	My Bank CRM satisfies customers	3.50	1.111	3.78	.976	3.36	.780
6	devotion to standardized service delivery	3.81	.969	3.93	1.02	3.50	1.139
7	Maintain adequate number of customers	4.11	.804	4.17	.740	3.93	.716
8	Extensive training for customer handling	4.03	.966	4.18	.813	3.61	1.066
9	Marketing strategy of my Bank is successful in retaining customers	3.94	1.067	4.22	.825	2.89	1.227
10	We focus on day-to-day operations	4.07	.923	4.03	.843	4.07	.716
11	Developing system for imploring customer feedback on services	3.84	1.025	3.70	1.13	3.36	1.311
12	Expanding branches nearer to customers	4.60	.811	4.53	.747	4.29	.976
13	Maintain adequate number of employees	4.40	.812	4.13	.833	3.71	1.301
<b>Average Mean</b>		4.05		4.14		3.73	

Source: Field survey (2017) n=209

#### 4.5. Correlation Analysis

Like the demographic factors, the scale typed questionnaire entered to the SPSS software version 20 to process correlation analysis. Based on the questionnaires which were filled by the

employees of the selected Commercial Banks in Addis Ababa city, the following correlation analysis was made.

**Table 4.5:1 Correlations between CRM and market Performance**

CRM	Correlations	Market Performance
Customer Identification	Pearson Correlation	.535 <sup>**</sup>
	Sig. (2-tailed)	.000
Customer Attraction	Pearson Correlation	.636 <sup>**</sup>
	Sig. (2-tailed)	.000
Customer Retention	Pearson Correlation	.596 <sup>**</sup>
	Sig. (2-tailed)	.000
Key customer focus	Pearson Correlation	.609 <sup>**</sup>
	Sig. (2-tailed)	.000
Organizing around Customer relationship management	Pearson Correlation	.506 <sup>**</sup>
	Sig. (2-tailed)	.000
Customer knowledge management	Pearson Correlation	.670 <sup>**</sup>
	Sig. (2-tailed)	.000
Customer relationship management based Technology	Pearson Correlation	.583 <sup>**</sup>
	Sig. (2-tailed)	.000

\*\* . Correlation is significant at the 0.01 level (2-tailed). n=209

Source: own Field Survey (2017)

Since all variables are interval, the relationship between the independent variables i.e. Customer identification, customer attraction, customer retention, key customer focus, customer knowledge management, CRM organization and technology based CRM and the dependent variable i.e. market performance was investigated using Pearson product –moment correlation coefficient.

The results of correlation analysis in the table 4.5:1 shows that all the independent variables were positively and significantly correlated with the dependent variable i.e. market performance at 99 percent confidence level ( $P < 0.01$ ). The highest correlation is signified by Customer Knowledge

Management ( $r= 0.670$ ), followed by Customer Attraction ( $r= 0.636$ ), key customer focus ( $r= 0.609$ ), customer retention ( $r= 0.596$ ), technology based CRM ( $r= 0.583$ ), customer identification ( $r= .535$ ) and Organizing around CRM ( $r = .506$ ). Based on the Pearson correlation test shown in the table 4.5.1, Customer Knowledge Management dimension is positively and significantly correlated with market performance. The correlation coefficient between Customer attraction and market performance is the second of all correlation results of CRM dimensions which is ( $r=0.636$ ). This means if the bank improves the Customer attraction, the firm's market performance will be improved. Therefore, Customer attraction has power to determine the market performance of the banks.

With regard to CRM organization dimension, the banks can be perceived by their employees as good organizational structure has able to build strong and lasting relationship with customers. CRM organization has a significant role in building long-term relationship with customers and achieving market performance (Berry, 1983). So, the finding of Berry (1983) is similar with the results of this research.

Also, the findings of Anderson and Swaminathan (2005) suggested that the organizational arrangement and structure needs to be flexible and reassembled to generate customer-centric values and develop coordination of customer-focused, cross-functional teams the more its market performance will tend to be. Therefore, the result of this research is consistent with the findings of Anderson and Swaminathan, (2005).

Customer knowledge management is another element of CRM dimensions that is taken into account to explain market performance. Based on the correlation result as it is shown in the table 4.5:1, customer knowledge management dimension is positively and significantly correlated with market performance. The correlation coefficient between customer knowledge management and market performance is the first of all correlation results of CRM dimensions which is ( $r=0.670$ ). This shows that customer knowledge management is a determinant of market performance and that help firms to gather and use customer knowledge in order to record relevant information about each customer transaction. Later information is taken from managers can be administered and converted into customer knowledge (Mithas *et al.*, 2005). According to Mithas *et al.*, (2005),

customer knowledge management has a strong positive effect on the market performance such as providing quality service for customers, modifying services for customer, satisfying customers, customer retention etc. Hence, this study is consistent with the finding of Mithas *et al.*, (2005).

The other factor that is included in the dimensions of CRM is technology based CRM. As far as the table 4.5:1 is concerned, it has positive and high relationship with market performance. In addition to this, the correlation coefficient between these variables is 0.474. This means if the bank uses a package of technologies in their business, they will improve their market performance. Technology based CRM is one of the important tools to create long term relationship with customers in service provider organizations and CRM technology considered as one of the organizational resource commitments that serves as an input into the CRM process and is intended to enhance firms' ability to successfully build and maintain a maximum profit portfolio for relationships with customer (Zeblah, 2004). Hence, this study is consistent with the finding of Zeblah, (2004).

## **4.6. Test of Regression Assumptions**

### **4.6.1. Linear Relationship**

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

### **4.6.2. No Multicollinearity**

Multicollinearity is tested in this study using the variance inflation factor (VIF) which quantifies the severity of Multicollinearity in regression analysis. The VIF factor should not exceed 10 (Myers, 1990), and should ideally be close to one. The below table shows there is no Multicollinearity exist. Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other

independent variable in the model. Tolerance should be more than 0.2 (Menard, 1995). If this value is very small (less than 0.10), it indicates that the multiple correlation with other variable is high, suggesting the possibility of multicollinearity (Field, 2005). The below table confirms the absence of multicollinearity according to collinearity statistics.

**Table 4.6.2:1 Multicollinearity Table**

Model	CRM Component	Collinearity Statistics	
		Tolerance	VIF
1	Customer Identification	.497	2.012
	Customer Attraction	.506	1.975
	Customer Retention	.348	2.874
	Organizing around Customer relationship management	.608	1.645
	Customer knowledge management	.447	2.238
	Key Customer Focus	.389	2.573
	CRM technology based	.436	2.296

a. Dependent Variable: Market Performance

Source:- Own Survey Result (May, 2017)

### 4.6.3. No Auto-correlation

To determine the autocorrelation between observations Durbin – Watson test was used. The Durbin – Watson statistic ranges in value from 0 to 4. A value near to 2 indicates non-autocorrelation; a value toward 0 indicates positive autocorrelation; a value toward 4 indicates negative autocorrelation (Field, 2005). With Durbin Watson value of 2.044, which is very close to 2, it can be confirmed that the assumption of independent error has almost certainly been met.

**Table 4.6.3:1 Level of auto-correlation**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.762 <sup>a</sup>	.580	.566	.37023	2.044

a. Predictors: (Constant), CRM technology based, Organizing around CRM, Customer Identification, Customer Attraction, Customer knowledge management, Key Customer Focus, Customer Retention

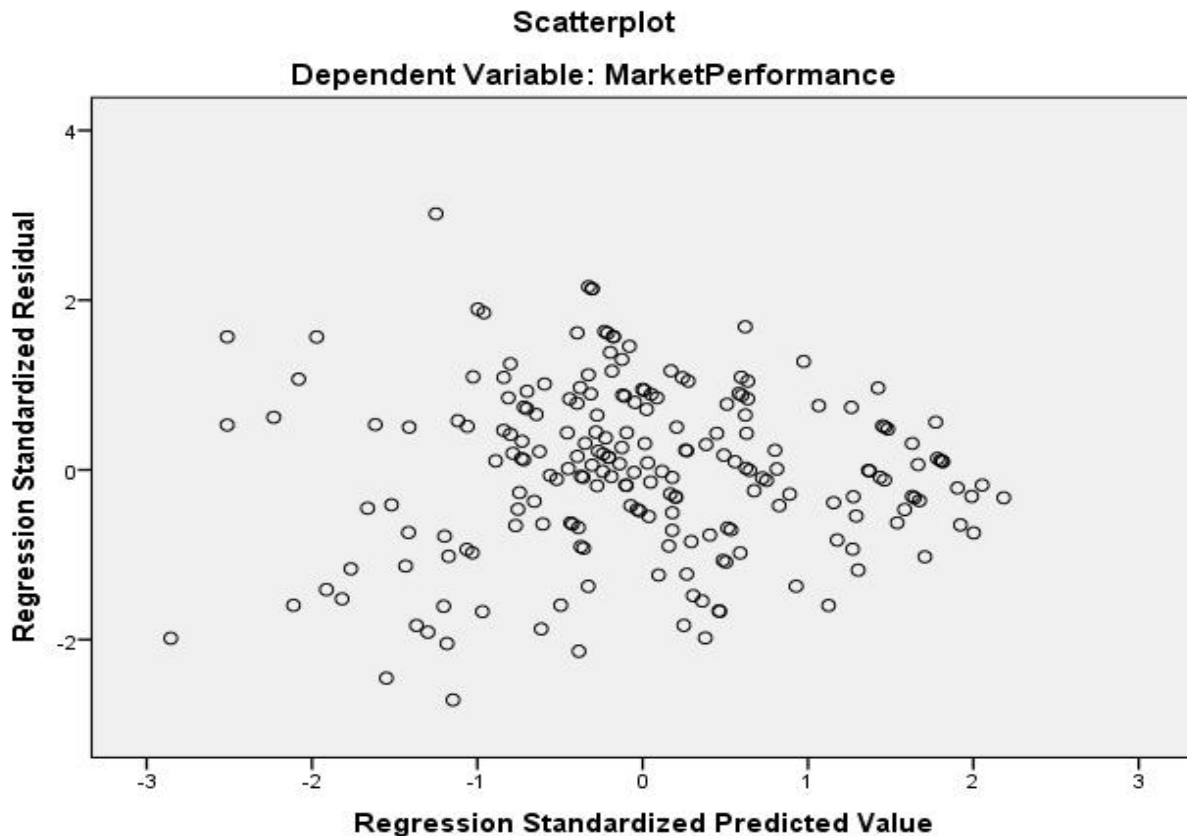
b. Dependent Variable: Market Performance

Source:- Own Survey Result (May, 2017)

#### 4.6.4. Homoscedasticity (Equal Variance)

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

Figure 4.6.4-1 Homoscedasticity of the study



Source:- Own Survey Result (May, 2017).

#### 4.6.5. Normality

In terms of this assumption, a check for normality of the error term is conducted by a visual examination of the normal probability plots of the residuals. The plots are different from residuals plots in that the standardized residuals are compared with the normal distribution. In general, the normal distribution makes a straight diagonal line, and the plotted residuals are compared with the diagonal. If the distribution is normal, the residual line will closely follow the diagonal (Ghozali, 2001). The normality plot of this study fit with the assumption. The plots are annexed.

#### 4.6.6. Significance of the Model

**Table 4.6.6:1 Significance Table**

ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	38.102	7	5.443	39.711	.000 <sup>b</sup>
Residual	27.551	201	.137		
Total	65.652	208			

a. Dependent Variable: Market Performance

b. Predictors: (Constant), CRM technology based, Organizing around Customer relationship management, Customer Identification, Customer Attraction, Customer knowledge management, Key Customer Focus, Customer Retention

Source: Own Survey Result (May, 2017)

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

**Table 4.6.6:2 Coefficients of the Variables**

Coefficients <sup>a</sup>				
Model	Un standardized Coefficients		Standardized Coefficients	
	B	Std. Error	Beta	
1	(Constant)	1.046	.193	
	Customer Identification	.084	.057	.095
	Customer Attraction	.222	.061	.236
	Customer Retention	.017	.060	.022
	Organizing around Customer relationship management	.052	.048	.064
	Customer knowledge management	.260	.061	.292
	Key Customer Focus	.111	.055	.147
	CRM technology based	.064	.052	.085

a. Dependent Variable: Market Performance  
Source: Own Survey Result (May, 2017).

From the above table one can see that all the dimensions of CRM positively affect market performance, unstandardized coefficient (Beta Value) indicates the degree of importance of each CRM dimensions towards Market performance; accordingly, the dimensions can be ranked in the following manners on the bases of their contribution.

1. Customer Knowledge Management B= .260
2. Customer Attraction B = .222
3. Key Customer Focus B= .111
4. Customer Identification B= .084
5. CRM Technology based B = .064
6. Organizing Around CRM B = .052
7. Customer Retention B = .017

The beta value on the coefficient table indicates level of effects each dimension has on the dependent variable market performance. The highest beta level is for knowledge management of B=.260, this means that the more the selected banks works on customer knowledge management the more becomes the market performance. Hence,

if assumed other things being constant and customer knowledge management increased by one unit, it increases market performance by .260.

The second highest beta value is customer attraction which means that when other things constant, if customer attraction increases by one unit, market performance increases by .222.

Therefore, from among the seven dimensions, customer knowledge management has the strongest effect on market performance and should be given the highest focus and customer retention has lowest effect on market performance.

### **Regression Equation**

**Market Performance(MP) = 1.046+.260(Customer Knowledge Management(CKM)) + .222(Customer Attraction(CA))+ .111(Key Customer Focus(KCF))+ .084(Customer Identification(CI))+ .064(CRM Technology based(CRMTB))+ .052(Organizing Around CRM(OCRM))+ .017 (Customer Retention(CR))**

**MP = 1.046+.260(CKM) + .222(CA) +.111(KCF)+ .084(CI)+ .064(CRMTB)+ .052(OCRM)+ .017 (CR )**

### **4.6.7. Multiple Regression Analysis**

The multiple regression analysis is conducted to investigate the influence of independent variable on the dependent variable and identify the relative significant influence; i.e., independent variable (customer identification, attraction, retention, key customer focus, knowledge management, CRM organization and technology based CRM) to the dependent variable; i.e. market performance in each bank. The proposed hypotheses were tested using multiple regression analysis. The results of the regression analysis are depicted on table 4.7.1. and 4.7.2

Table 4.6.7:1 multiple regression output ANOVA table

			ANOVA <sup>a</sup>				
RESPONDENTS	Model		Sum of Squares	df	Mean Square	F	Sig.
BANK							
CBE	1	Regression	17.680	7	2.526	17.251	.000 <sup>b</sup>
		Residual	16.544	113	.146		
		Total	34.223	120			
AIB	1	Regression	11.789	7	1.684	14.531	.000 <sup>c</sup>
		Residual	6.027	52	.116		
		Total	17.816	59			
OIB	1	Regression	8.131	6	1.355	12.630	.000 <sup>d</sup>
		Residual	2.253	21	.107		
		Total	10.384	27			

a. Dependent Variable: Market Performance

b. Predictors: (Constant), CRM technology based, Organizing around Customer relationship management, Customer Identification, Customer Attraction, Customer knowledge management, Key Customer Focus, Customer Retention

c. Predictors: (Constant), CRM technology based, Organizing around Customer relationship management, Customer Identification, Key Customer Focus, Customer knowledge management, Customer Attraction, Customer Retention

d. Predictors: (Constant), CRM technology based, Customer Identification, Customer Attraction, Organizing around Customer relationship management, Customer knowledge management, Customer Retention

Source: own Survey Result (May, 2017)

The ANOVA table here above shows the overall significance of the model ( $P < 0.05$ ) that there is a positive relationship between the independent Variables jointly and the dependent variable as the result of P value is less than 0.05.

Table 4.6.7:2 Multiple regression result Model summary of CRM and Market performance

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**Model Summary**

RESPONDENTS BANK	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
CBE	1	.719 <sup>a</sup>	.517	.487	.38263
AIB	1	.813 <sup>b</sup>	.662	.616	.34045
OIB	1	.885 <sup>c</sup>	.783	.721	.32756

a. Predictors: (Constant), CRM technology based, Organizing around Customer relationship management, Customer Identification, Customer Attraction, Customer knowledge management, Key Customer Focus, Customer Retention

b. Predictors: (Constant), CRM technology based, Organizing around Customer relationship management, Customer Identification, Key Customer Focus, Customer knowledge management, Customer Attraction, Customer Retention

c. Predictors: (Constant), CRM technology based, Customer Identification, Customer Attraction, Organizing around Customer relationship management, Customer knowledge management, Customer Retention

Source: Survey Result (May, 2017)

Table 4.6.7:2 depicts the results of multiple regressions of seven components of CRM in each bank. The result shows that the overall model tested is significant ( $p < 0.05$ ).

As far as the above table is concerned, in CBE the adjusted R square 0.517 indicates 51.7 percent of the variance in market performance is attributed to the seven independent variables entered into the regression and the remaining 48.3 percent of the variance in market performance may be explained by other factors such as perceived value, cooperation, commitment and so on.

However, in Awash Bank the adjusted R square 0.662 indicates 66.2 percent of the variance in market performance is attributed to the seven independent variables entered into the regression and the remaining 33.8 percent of variance in market performance may be explained by other factors such as perceived value, cooperation, commitment.

Finally, in OIB the adjusted R square 0.783 indicates 78.3 percent of the variance in market performance is attributed to the seven independent variables entered into the regression and the remaining 21.7 percent of variance in market performance may be explained by other factors such as perceived value, cooperation, commitment.

### 4.7. Hypothesis Testing

**H1: customer identification has positive and significant influence on bank market performance.**

The below coefficients tables illustrate the influence of customer identification on market performance in each bank. At this point using this multiple regression coefficient results, the proposed hypotheses for this study were tested as follows:

**Table 4.7:1 coefficients of Customer identification**

RESPONDENTS BANK	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
		B	Std. Error	Beta			
CBE	1	(Constant)	2.437	.279		8.746	.000
		Customer Identification	.409	.070	.473	5.857	.000
AIB	1	(Constant)	1.408	.448		3.145	.003
		Customer Identification	.664	.108	.628	6.150	.000
OIB	1	(Constant)	2.429	.551		4.405	.000
		Customer Identification	.381	.158	.428	2.412	.023

a. Dependent Variable: Market Performance  
 Source: Field Survey (2017), n=209

The result of multiple regression analysis of the table 4.7:1 above clearly indicates that in three banks Customer identification has significant influence on market performance ( $p < 0.05$ ). Besides, the value of beta in CBE, AIB and OIB bank ( = .473, .628 and .428) respectively shows that the positive influence of Customer identification on market performance. This implies that a one percent increase in Customer identification results in 47.3.3, 62.8 and 42.8 percent increase in market performance of CBE, AIB and OIB respectively. Hence, the above proposed hypothesis is accepted. This finding corroborates with the works of (Cambell 2003), which suggest that customer identification affect both revenues and cost in the equation of profitability.

According to Adiel and Gabriel, 2013 one percent increase in customer identification results in 82.4 percent increase in market share.

**H2: Customer Attraction has positive and significant influence on bank market performance.**

The below coefficients tables illustrate the influence of customer Attraction on market performance in each bank. At this point using this multiple regression coefficient results, the proposed hypotheses for this study were tested as follows:

**Table 4.7:2 coefficients of Customer Attraction**

RESPONDENTS BANK		Model	Coefficients <sup>a</sup>				
			Unstandardized Coefficients		Standardized Coefficients	t	Sig.
			B	Std. Error	Beta		
CBE	1	(Constant)	2.133	.235		9.067	.000
		Customer Attraction	.567	.069	.604	8.261	.000
AIB	1	(Constant)	2.062	.364		5.658	.000
		Customer Attraction	.566	.098	.604	5.773	.000
OIB	1	(Constant)	1.192	.460		2.589	.016
		Customer Attraction	.803	.143	.740	5.608	.000

a. Dependent Variable: Market Performance  
Source: Own Survey (May, 2017)

The result of multiple regression analysis of the table above clearly indicates that in three banks Customer attraction has significant influence on market performance ( $p < 0.05$ ). Besides, the value of beta in CBE, AIB and OIB banks ( $= .604, .604$  and  $.740$ ) respectively shows that the positive influence of Customer attraction on market performance. This implies that a one percent increase in Customer attraction results in 60.4, 60.4 and 74.0 percent increase in market performance of CBE, AIB and OIB respectively. Hence, the above proposed hypothesis is accepted. This finding corroborates with the works of (Adiel and Gabriel, 2013) which state one percent increase in customer attraction results in 34 percent increase in profitability of the bank.

**H3: Customer Retention has positive and significant influence on bank market performance.**

The below coefficients tables illustrate the influence of customer Retention on market performance in each bank. At this point using this multiple regression coefficient results, the proposed hypotheses for this study were tested as follows:

**Table 4.7:3 Coefficients of Customer Retention**

RESPONDENTS Model BANK			Coefficients <sup>a</sup>				
			Unstandardized Coefficients		Standardized Coefficients	t	Sig.
			B	Std. Error	Beta		
CBE	1	(Constant)	2.595	.227		11.438	.000
		Customer Retention	.400	.061	.513	6.524	.000
AIB	1	(Constant)	2.035	.348		5.842	.000
		Customer Retention	.555	.091	.627	6.124	.000
OIB	1	(Constant)	2.270	.337		6.742	.000
		Customer Retention	.489	.109	.662	4.508	.000

a. Dependent Variable: Market Performance

The result of multiple regression analysis of the table above clearly indicates that in three banks Customer Retention has significant influence on market performance ( $p < 0.05$ ). Besides, the value of beta in CBE, AIB and OIB bank ( = .513, .627 and .662) respectively shows that the positive influence of Customer Retention on market performance. This implies that a one percent increase in Customer Retention results in 51.3, 62.7 and 66.2 percent increase in market performance of CBE, AIB and OIB respectively. Hence, the above proposed hypothesis is accepted. This finding corroborates with the works of (Adiel and Gabriel, 2013) one percent increase in Customer Retention results in 56.3 percent increase in profitability.

#### **H4: Key customer focus has positive and significant influence on market performance.**

The below coefficients tables illustrate the influence of key customer customer on market performance in each bank. At this point using this multiple regression coefficient results, the proposed hypotheses for this study were tested as follows:

**Table 4.7:4 Coefficients of Key Customer Focus**

RESPONDENTS Model BANK			Coefficients <sup>a</sup>				
			Unstandardized Coefficients		Standardized Coefficients	t	Sig.
			B	Std. Error	Beta		
CBE	1	(Constant)	2.471	.227		10.877	.000
		Key Customer Focus	.419	.059	.543	7.062	.000
AIB	1	(Constant)	2.577	.307		8.388	.000
		Key Customer Focus	.396	.076	.563	5.182	.000
OIB	1	(Constant)	1.498	.314		4.774	.000
		Key Customer Focus	.643	.088	.820	7.302	.000

a. Dependent Variable: Market Performance  
Source: Own Survey (May, 2017)

The result of multiple regression analysis of the table above clearly indicates that in three banks key customer focus has significant influence on market performance ( $p < 0.01$ ). Besides, the value of beta in CBE, AIB and OIB bank ( = .543, .563 and .820) respectively shows that the positive influence of key customer focus on market performance. This implies that a one percent increase in key customer focus results in 54.3, 56.3 and 82.0 percent increase in market performance of CBE, AIB and OIB respectively. Hence, the above proposed hypothesis is accepted. The above result is supported by Chung and Shin (2010) in which key customer focus has a positive and significant influence on market performance in the online retailing. Besides, the study of Ndubisi (2007) showed that the more key customer focuses the banks have, the more they will be market leaders.

**H5: Customer knowledge management has positive and significant influence on bank market performance.**

The below coefficients tables illustrate the influence of key customer knowledge management on market performance in each bank. At this point using this multiple regression coefficient results, the proposed hypotheses for this study were tested as follows:

**Table 4.7:5 coefficients of Customer Knowledge Management**

RESPONDENTS Model BANK		Coefficients <sup>a</sup>			t	Sig.	
		Unstandardized Coefficients		Standardized Coefficients			
		B	Std. Error	Beta			
CBE	1	(Constant)	2.007	.231		8.671	.000
		Customer knowledge management	.540	.060	.634	8.944	.000
AIB	1	(Constant)	1.613	.348		4.631	.000
		Customer knowledge management	.647	.088	.694	7.334	.000
OIB	1	(Constant)	1.485	.537		2.765	.010
		Customer knowledge management	.670	.158	.640	4.251	.000

a. Dependent Variable: Market Performance

Source: Own Survey (May, 2017)

The result of multiple regression analysis in the table above clearly indicates that in the three banks customer knowledge management has significant influence on market performance ( $p < 0.01$ ). Besides, the value of beta in CBE, AIB and OIB ( = .634, .694 and .640) respectively demonstrates that the positive influence of customer knowledge management on market performance. This implies that a one percent increase in customer knowledge management results in 63.4, 69.4 and 64.0 percent increase in market performance of CBE, AIB and OIB respectively. Thus, the above proposed hypothesis is accepted. The above result is supported by the studies of Mithas and Frow, (2005) who found Customer knowledge management as having a significant impact on market performance in the banking industry.

**H6: CRM organization has positive and significant influence on bank market performance.**

The below coefficients tables illustrate the influence of CRM organization on market performance in each bank. At this point using this multiple regression coefficient results, the proposed hypotheses for this study were tested as follows:

**Table 4.7:6 Coefficients of Organizing around CRM Coefficients<sup>a</sup>**

RESPONDE NTS BANK	Model	Un standardized Coefficients		Standardized Coefficients	T	Sig.	
		B	Std. Error	Beta			
CBE	1	(Constant)	2.776	.245		11.334	.000
		Organizing around CRM	.340	.064	.436	5.283	.000
AIB	1	(Constant)	1.944	.389		5.003	.000
		Organizing around CRM	.543	.095	.600	5.714	.000
OIB	1	(Constant)	2.359	.537		4.392	.000
		Organizing around CRM	.399	.153	.456	2.611	.000

a. Dependent Variable: Market Performance

The coefficient of CRM in the multiple regressions on table 4.7:6 illustrates that in the three banks CRM organization has significant influence on market performance ( $P < 0.01$ ). Besides, the value of beta in CBE, AIB and OIB ( = .436, .600 and .456) respectively point out that the positive influence of CRM organization on market performance. This implies that one percent increase in CRM organization results in 43.6, 60.0 and 45.6 percent increase in market of CBE, AIB and OIB performance. Hence, the above proposed hypothesis is well accepted. The above result is supported by Swaminathan, (2004), whereby organizing around CRM affects market performance through customer retention, customer satisfaction and customer attraction.

**H7: Technology based CRM has positive and significant influence on bank market performance.**

The below coefficients tables illustrate the influence of Technology based CRM on market performance in each bank. At this point using this multiple regression coefficient results, the proposed hypotheses for this study were tested as follows:

**Table 4.7:7 Coefficients of CRM Technology Based Coefficients<sup>a</sup>**

RESPONDENTS Model		Un standardized Coefficients		Standardized Coefficients	T	Sig.	
BANK		B	Std. Error	Beta			
CBE	1	(Constant)	2.749	.216		12.731	.000
		CRM technology based	.346	.056	.491	6.141	.000
AIB	1	(Constant)	2.253	.335		6.729	.000
		CRM technology based	.491	.086	.600	5.717	.000
OIB	1	(Constant)	1.498	.314		4.774	.000
		CRM technology based	.643	.088	.820	7.302	.000

a. Dependent Variable: Market Performance

Table 4.6.8 demonstrates technology based CRM which has a significant influence on market performance in three banks ( $p < 0.05$ ). Besides, the table depicts the value of beta in CBE, AIB and OIB ( = .491, .600 and .820) respectively shows that the positive influence of technology based CRM on market performance. This implies that a one percent increase in technology based CRM results in 49.1, 60.0 and 82.0 percent increase in market performance of CBE, AIB and OIB respectively. Therefore; the above proposed hypothesis is well accepted. The above result contradicted with the study of Swaminathan, (2004), whereby organizing around CRM affects market performance through customer retention directly. Similarly, managing knowledge has a significant effect on market performance in terms of customer retention and sales growth via customer satisfaction. Incorporating CRM-based technology shows no sign of significant effect on the market performance metrics.

**Table 4.7:8 Summary of Hypothesis Testing**

<b>No.</b>	<b>Hypothesis</b>	<b>Tool</b>	<b>Result</b>
<b>1</b>	Customer Identification has positive and significance influence on market performance.	<b>Regression</b>	Accepted
<b>2</b>	Customer Attraction has positive and significance influence on market performance.	<b>Regression</b>	Accepted
<b>3</b>	Customer Retention has positive and significance influence on market performance.	<b>Regression</b>	Accepted
<b>4</b>	Key customer focus has positive and significance influence on market performance	<b>Regression</b>	Accepted
<b>5</b>	Customer knowledge management has positive and significance influence on market performance.	<b>Regression</b>	Accepted
<b>6</b>	CRM organization has positive and significance influence on market performance.	<b>Regression</b>	Accepted
<b>7</b>	Technology based CRM has positive and significance influence on market performance.	<b>Regression</b>	Accepted

## CHAPTER FIVE

### 5. CONCLUSION AND RECOMMENDATION

#### 5.1. SUMMARY

The main objective of this study is to investigate the influence of customer relationship management on market performance with reference to Commercial Bank of Ethiopia, Awash Bank and Oromia International bank in Addis Ababa city. In this study, both quantitative and qualitative research approaches are implemented and due to the purpose a descriptive research design was used. The target populations of the study were managers of the branch banks.

In this study, only primary data were used as source of information. Based on the research objective, English version questionnaires were prepared. Two hundred nine (209) branch managers were approached using non- probability sampling (purposive sampling technique). From the 209 survey forms, all are completed and returned. This is a 100 percent response rate.

Regarding the reliability of the questionnaire table 4.2-1 illustrates that all the questionnaires were reliable and acceptable with Cronbach's Alpha result 0.953. With respect to the demographic information of the respondents, table No 4.3-1 indicates majority of the respondents (83.7%) were males and (16.3%) were females and table No 4.3-2 also shows that majority of the respondents are youngsters (at the age between 18-30 years old). Moreover, table No 4.3-3 indicates majority of the respondents (72.7%) were degree holders, 17.7 percent were diploma holders and 9.6 percent of the respondents were master's holders.

As table No 4.3-4 also illustrates majority of the respondents (48.3%) have 6-10 years working experience, (25.8%) have below five years working experience and (17.7%) of the respondents have 11-15 years work experience, (5.7%) have 16-20 years work experience, (1%) have 21-25 years work experience and (1.4%) have above 30 years work experience.

As the findings of this study indicated in table No. 4.4.1-1, respondents of all the three banks agreed with the seven dimensions of CRM. Moreover, in CBE respondents agreed with the seven dimensions of CRM by giving the above three higher rate scale to customer identification,

followed by customer knowledge management and CRM organization with average mean of 3.94, 3.78 and 3.75 respectively.

And also AIB respondents agreed by giving the above three higher rate scale to customer identification, organizing around CRM and customer retention with the average mean of 4.11, 4.05 and 3.95 respectively while in OIB respondents agreed by giving the above three higher rate to customer identification, customer knowledge management and technology based CRM respectively.

Also the results of correlation analysis in table 4.5-1 shows that all the independent variables i.e. customer identification, attraction, retention, key customer focus, customer knowledge management, CRM organization and technology based CRM are positively and significantly correlated with the dependent variable i.e. market performance at 99 percent confidence level ( $P < 0.01$ ). The highest correlation is signified by customer knowledge management ( $r = 0.670$ ), followed by customer attraction ( $r = 0.636$ ), key customer focus ( $r = 0.609$ ), CRM organization ( $r = 0.506$ ), and Technology based CRM ( $r = 0.583$ ).

Furthermore, table 4.6.7:2 in CBE the adjusted R square 0.517 indicates 51.7 percent of the variance in market performance is attributed to the seven independent variables entered into the regression and the remaining 48.3 percent of the variance in market performance may be explained by other factors such as perceived value, cooperation, commitment and so on.

However, in Awash Bank the adjusted R square 0.662 indicates 66.2 percent of the variance in market performance is attributed to the seven independent variables entered into the regression and the remaining 33.8 percent of variance in market performance may be explained by other factors such as perceived value, cooperation, commitment.

Finally, in OIB the adjusted R square 0.783 indicates 78.3 percent of the variance in market performance is attributed to the seven independent variables entered into the regression and the remaining 21.7 percent of variance in market performance may be explained by other factors such as perceived value, cooperation, commitment.

## 5.2. CONCLUSION

This research has numerous functions in management of bank customers because commercial banks were interested in obtaining and retaining of customers to achieve market performance. During the investigation the researcher used statistics and based on the findings he made the research project to an end by outlining the following classic conclusions.

- ✓ The findings of the study showed that the employees in the three banks have good customer relationship management of customer identification, customer attraction, customer retention, key customer focus, customer knowledge management, CRM organization and technology based CRM. Therefore, the researcher can convincingly conclude that the concept of customer relationship management is well understood by the majority of branch managers of the selected banks from customer identification, customer attraction, customer retention, key customer focus, customer knowledge management, CRM organization and technology based CRM point of view and they were able to relate them with market performance. However, as the result of the finding shows the selected commercial banks Branch managers are better in terms of the components of CRM.
- ✓ Based on the results of the descriptive statistics, it is pertinent to conclude that the higher the level of customer identification, customer attraction, customer retention, key customer focus, customer knowledge management, CRM organization and technology based CRM perceived by employees, the higher level of market performance can be achieved by selected Commercial banks. In addition to the descriptive statistics, inferential statistics were made using correlation and multiple regression analysis and the results are concluded as follows.
- ✓ Regarding correlation analyses, the result of the finding shows a positive and significant relationship between customer relationship management (customer identification, customer attraction, customer retention, key customer focus, customer knowledge management, CRM organization and technology based CRM) and market performance. From this it is pertinent to conclude that the independent variables i.e. customer identification, customer attraction, customer retention, key customer focus, customer knowledge management, CRM organization and technology based CRM have the power to determine the market performance of the banks.

- ✓ Furthermore, the multiple regression analysis notifies that in CBE on average (52.77%) percent of variance of market performance is attributed to CRM (customer identification, customer attraction, customer retention, key customer focus, customer knowledge management, CRM organization and technology based CRM), in Awash Bank on average 61.66% variance of market performance is attributed to CRM (customer identification, customer attraction, customer retention, key customer focus, customer knowledge management, CRM organization and technology based CRM) and in OIB on average 65.23% variance of market performance is attributed to CRM (customer identification, customer attraction, customer retention, key customer focus, customer knowledge management, CRM organization and technology based CRM). Therefore, the researcher can convincingly conclude that the independent variable customer relationship management has a positive and significant influence on the dependent variable in all the three banks.

### **5.3. RECOMMENDATION**

This study has demonstrated that the influence of customer relationship management on market performance in selected commercial banks with in the area of Addis Ababa city. In light of the findings and conclusions made above, the following possible recommendations are suggested as being valuable to the banks for improving customer relationship management activities to assure market performance.

In selected commercial banks the activities of customer relationship management (customer identification, customer attraction, customer retention, key customer focus, customer knowledge management, CRM organization and technology based CRM) have to be enhanced and reinforced in order to keep and increase market performance. This can be enhanced and developed through the following:

- The selected banks have to improve the level of customer identification by identifying most profitable customers, studying customers' profile, and setting up relevant strategy, committing required resources, segmenting properly, implementing KYC and perceiving the value they provide.

- The selected banks have to improve the level of customer attraction by complying dressing code of conduct, providing enough parking area, extending service hours, selecting strategic location, being flexible, excellent communication skill and making service process easy and user-friendly.
- The selected banks have to improve the level of key customer retention by establishing clear strategy, frequently calling customers to make them active, undertaking customer loyalty initiatives, measuring customer retention rate regularly, undertaking customer satisfaction survey and solving problems of customers properly.
- The selected banks have to improve the level of key customer focus by continuous development of services and benefits, working with key customers, increasing its ability to meet its promises, fulfilling obligation, providing consistent quality services and continuously delivering superior and added value for key customers.
- The selected banks have to improve the level of customer knowledge management, by enabling ongoing and two-way communication, good management practice, well trained and motivated employees, successful dissemination of knowledge management, detail knowledge of every procedures and ability to handle customers.
- The selected banks have to developing meticulously designed around customers through good organizational structure, organizational wide commitment resources, cross functional teams and good organizational images.
- The selected banks have to improve technology based CRM through maintain comprehensive databases of customers to improve their services, necessary hardware and software facilities to address the dynamic need of customers towards advancement of banking technologies, technical personnel support for utilization of computers and banking technologies to improve the capability of employees about the technologies.

Generally, the selected banks have to implement customer relationship management appropriately and continuously as an indispensable tool for gaining competitive advantage and build long- lasting and profitable relationships with its customers in order to achieve market performance.

## **Implications for Future research**

Although the objectives of this research were met, two limitations were identified in the course of this research. First, the study focuses on only the banking industry. Such concentration could limit generalization of the findings to the entire service industry. Anyway, this limitation creates an opportunity for future research in this area. This future research may replicate this study in other service sectors other than banking, for example tourism, hospitality, health care, education, etc. and additional research is necessary to determine if the relationships identified can be generalized to other banks.

Another future research direction is to include other less common customer relational management keystones not included in this research, for example, cooperation, communication and mutualism. These were excluded from this research, which concentrated only on the stronger components as identified by past works. By using a more comprehensive list, a richer outcome may possibly emerge. Future studies may also investigate the possible moderation and mediation effects of customer satisfaction. By examining these effects, these future studies would add value to the present knowledge in this area, by establishing an indirect association between the CRM components and market performance via customer satisfaction, customer retention and whether the relationship between the customer relationship management keystones and customer loyalty are moderated by customer satisfaction.

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## **Appendix I**

**Addis Ababa University  
Department of Marketing Management  
Post Graduate Program in Marketing Management  
Questionnaire to be filled by Bank Branch Managers**

Dear Respondents:-

This questionnaire is designed to collect data about “**the effects of Customer Relationship Management on Market Performance in Selected Commercial Banks: Branch Managers Perspective**”. The information that you offer me with this questionnaire used as a primary data in my case study which I am conducting as a partial fulfillment of the requirements for the degree of Masters of Arts Marketing Management (MA) at Addis Ababa University. Therefore, this research is to be evaluated in terms of its contribution to our understanding of Customer Relationship Management and Its effects on Market Performance and its contribution to improvements in the banking sector in the area.

### **Confidentiality**

I want to assure you that this research is only for academic purpose authorized by the Addis Ababa University. No other person could access the collected data. In any sort of report I might publish, but, I can not include any information that will make it possible to identify any respondents.

I need your help and would appreciate your sparing **5 to 10** minutes to complete the attached questionnaire. Once the questionnaire is filled, the researcher or his assistant will come and pick it from your office.

### **General Instructions**

- No need of writing your name.
- If you have some query, use the following contact address.

**The Researcher**

**Bikila Yohannes**

**Contact Address: +251-0912-042740**

**E-mail: bikila\_y2008@yahoo.com**

**Thank you in advance for your cooperation in the study process.**

**PART I: Demographic Information**

**Direction:** Please **Circle** it on the Box accordingly.

1. Sex: Male  Female
2. Age: Below 18 years  18-30 years  31-40 years  41-50 years  51-60 years  Above 60 years
3. Working experience in Bank: Below 5 years  6-10 years  11-15 years  16-20 years   
 21-25 years  26-30 years  above 30 years
4. Education level: Certificate  Diploma  Degree  Masters  PHD & above
5. Bank: CBE  AIB  OIB

**PART II: Customer Relationship Management Components**

**Direction:** Please **circle** your level of **agreement/disagreement** for each given statement using the following scales: **Where,**

**1 = strongly disagree, 2 = disagree, 3 = Neutral, 4 = Agree, 5 = strongly agree**

No	Perceptions of respondents towards the effects of Customer Relationship Management (CRM) on Market Performance	Agreement scale				
		1= Strongly Disagree	2=Disagree	3= Neutral	4= Agree	5= Strongly Agree
	<b>Items</b>					
<b>A</b>	<b>Customer Identification</b>					
1	My bank identify its most profitable customers properly	1	2	3	4	5
2	Staffs are identifying customers by studying their profile every time	1	2	3	4	5
3	Setting up strategy to analyze those customers who are being lost to the competition	1	2	3	4	5
4	My bank commit time and resource to identify customers	1	2	3	4	5
5	My bank segment its customers to properly identify& to meet their needs	1	2	3	4	5
6	My bank implement Know Your Customer (KYC) concept	1	2	3	4	5
7	Customer Identification have value for the bank	1	2	3	4	5
<b>B</b>	<b>Customer Attraction</b>					
8	Bank employees are well dressed, neat and kind	1	2	3	4	5
9	Bank have enough parking area and seating space for customers	1	2	3	4	5
10	My bank extend banking hour to attract customers	1	2	3	4	5
11	Providing free drinks at banking halls for waiting customers	1	2	3	4	5
12	The bank location, interior & exterior layout is comfortable for customers	1	2	3	4	5
13	My bank is flexible enough in all circumstance to attract customers	1	2	3	4	5
14	Each staff communicate properly	1	2	3	4	5
15	My banks service process is attractive	1	2	3	4	5

	Items	1= Strongly Disagree	2=Disagree	3= Neutral	4= Agree	5= Strongly Agree
<b>C</b>	<b>Customer Retention</b>					
16	My bank has established clear strategy to retain customers	1	2	3	4	5
17	Frequently calling customer to make them active	1	2	3	4	5
18	My bank policy is flexible enough to retain customers	1	2	3	4	5
19	My bank undertakes customer loyalty initiatives	1	2	3	4	5
20	My bank measures customer retention rate regularly	1	2	3	4	5
21	My bank undertake customer satisfaction survey regularly	1	2	3	4	5
22	There are better problem resolving habit to retain customers	1	2	3	4	5
<b>D</b>	<b>key customer focus</b>					
23	Our organization works with key customers to customize our offerings.	1	2	3	4	5
24	Setting clear objectives and strategies for key customers.	1	2	3	4	5
25	Making coordinated efforts to modify a service for key customers	1	2	3	4	5
26	Continuously delivering superior and added value for key customers	1	2	3	4	5
27	All employees in our bank treat key customers with especial care.	1	2	3	4	5
28	Meeting and Ensuring key Customers Needs	1	2	3	4	5
29	Customer Lifetime value is an essential criteria for key customer selection	1	2	3	4	5
<b>E</b>	<b>Organizing around Customer relationship management</b>					
30	My bank adopt organizational structure that attract customers	1	2	3	4	5
31	Flexible organizational structure and arrangement	1	2	3	4	5
32	Coordination of customer focused	1	2	3	4	5
33	Our Bank structure is exactly designed around our customers.	1	2	3	4	5
34	Cross-functional teams	1	2	3	4	5
35	Good Organizational Image	1	2	3	4	5
<b>F</b>	<b>Customer knowledge management</b>					
36	Well-trained and motivated employees.	1	2	3	4	5
37	Manages all customer communications	1	2	3	4	5
38	Ability to trial customer behavior	1	2	3	4	5
39	Detail knowledge of every procedures	1	2	3	4	5
40	Ability to interact and works well with others	1	2	3	4	5

	Items	1= Strongly Disagree	2=Disagree	3= Neutral	4= Agree	5= Strongly Agree
41	Ability to handle customers and solving customer complain	1	2	3	4	5
42	Successful dissemination of knowledge management	1	2	3	4	5
<b>G</b>	<b>Customer relationship management-based Technology</b>					
43	My Bank maintains a comprehensive database of our customers.	1	2	3	4	5
44	My Bank has the right hardware and software to serve our customers.	1	2	3	4	5
45	Right technical personnel for the utilization of computer technology in Building customer relationships.	1	2	3	4	5
46	Providing IT facilitates like computer aided design for managing customer relationships	1	2	3	4	5
47	Providing major transactions through online without physical contact with the customer. e.g., direct debit, etc	1	2	3	4	5
48	User friendly and easily assessable IT infrastructure	1	2	3	4	5
49	Communicate with customers through email and online media	1	2	3	4	5

### PART III: Market Performance

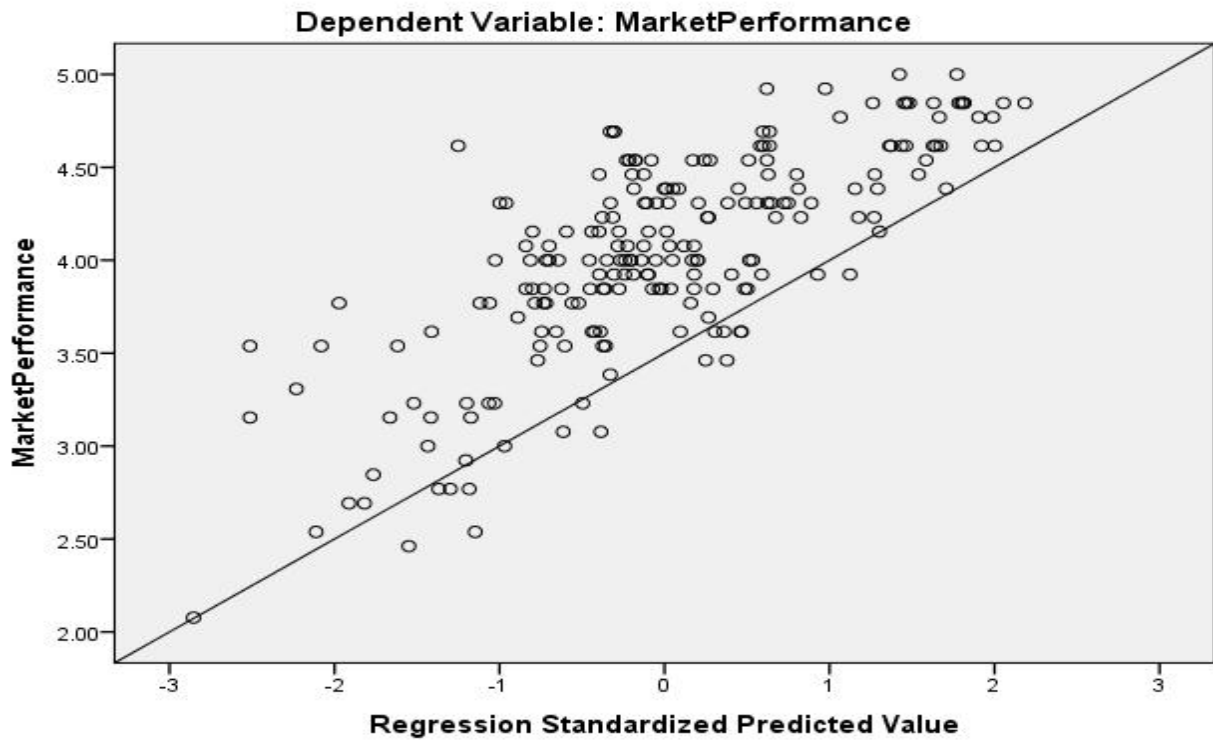
**Direction:** Please **circle** your level of **agreement/disagreement**

<b>H</b>	<b>Market Performance</b>					
50	Customer Relationship Management (CRM) enables the bank to increase its profitability	1	2	3	4	5
51	The bank increases market share by using Customer Relationship Management (CRM)	1	2	3	4	5
52	Customer Relationship Management (CRM) Increases sales volume and sales growth	1	2	3	4	5
53	Customer Relationship Management (CRM) in the bank is successful in retaining customers	1	2	3	4	5
54	My Bank Customer Relationship Management (CRM) satisfies customers	1	2	3	4	5
55	Strong devotion to standardized service delivery	1	2	3	4	5
56	Maintain adequate number of customers	1	2	3	4	5
57	Extensive training for customer handling	1	2	3	4	5
58	Marketing strategy of my Bank is successful in retaining customers	1	2	3	4	5
59	We focus on day-to-day operations	1	2	3	4	5
60	Developing system for imploring customer feedback on services	1	2	3	4	5
61	Expanding branches nearer to customers	1	2	3	4	5
62	Maintain adequate number of employees	1	2	3	4	5

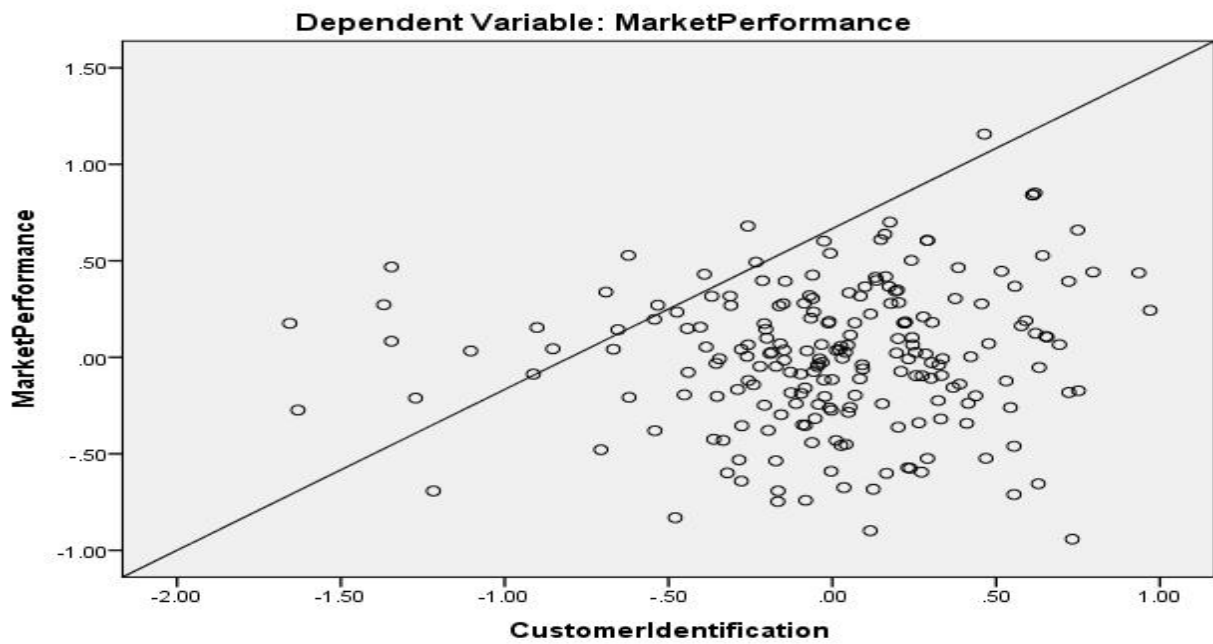
*Thank You for Your Cooperation!*

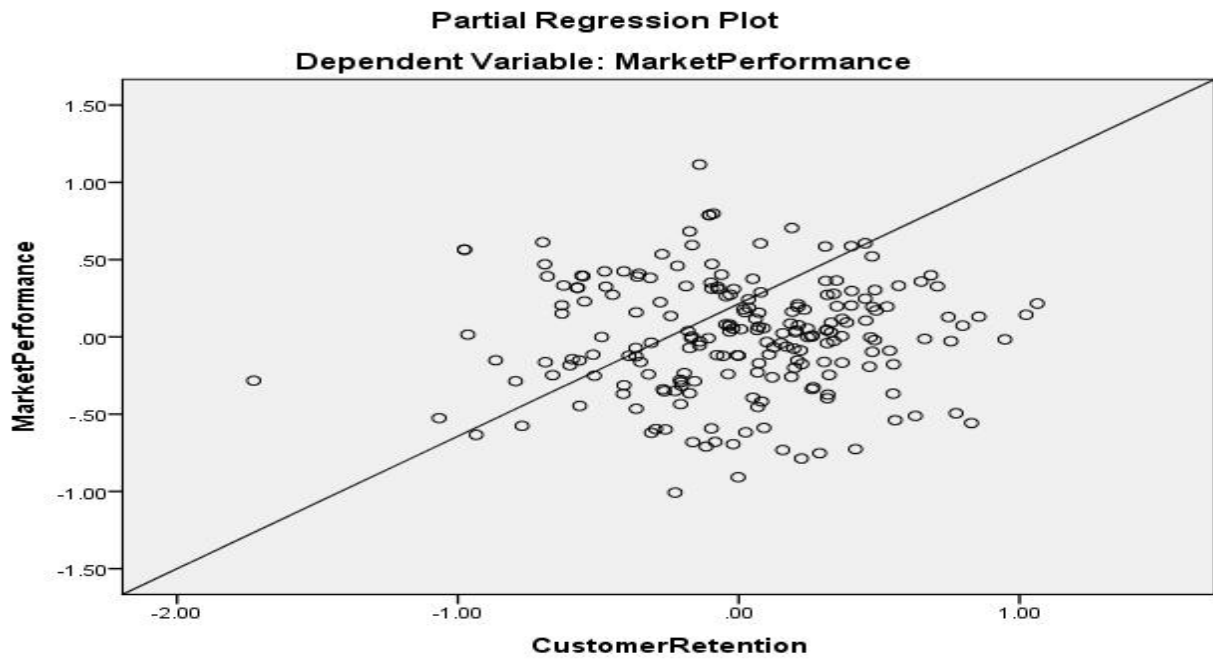
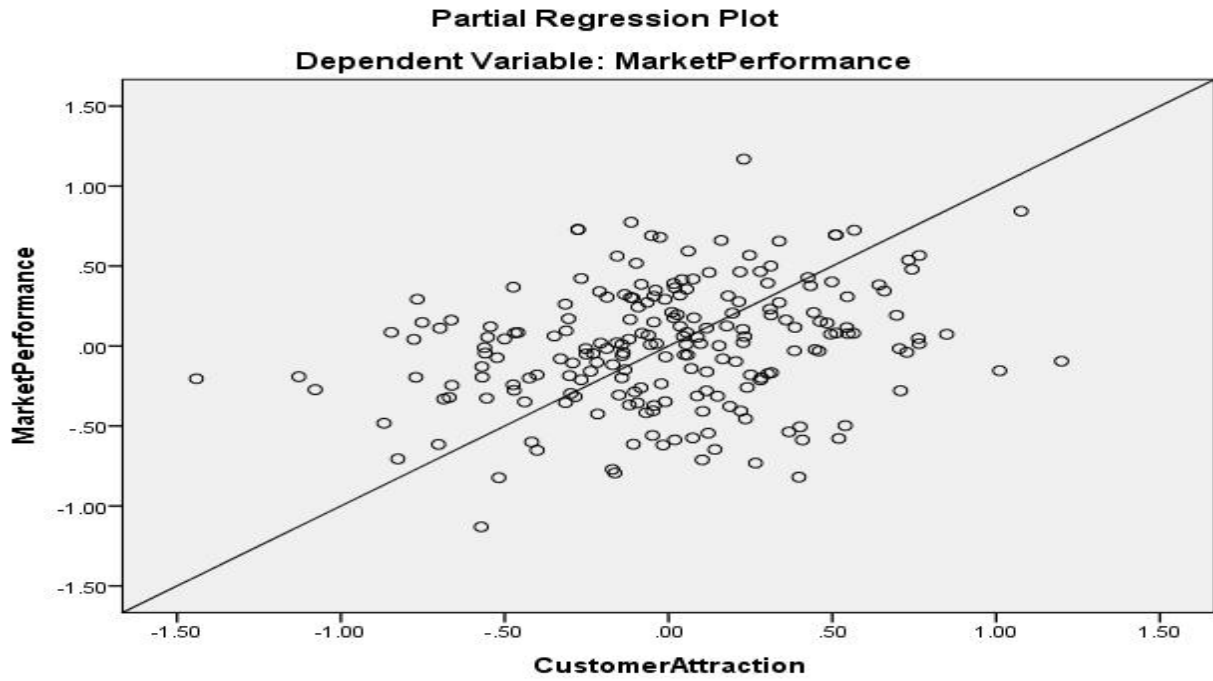
## Appendix II

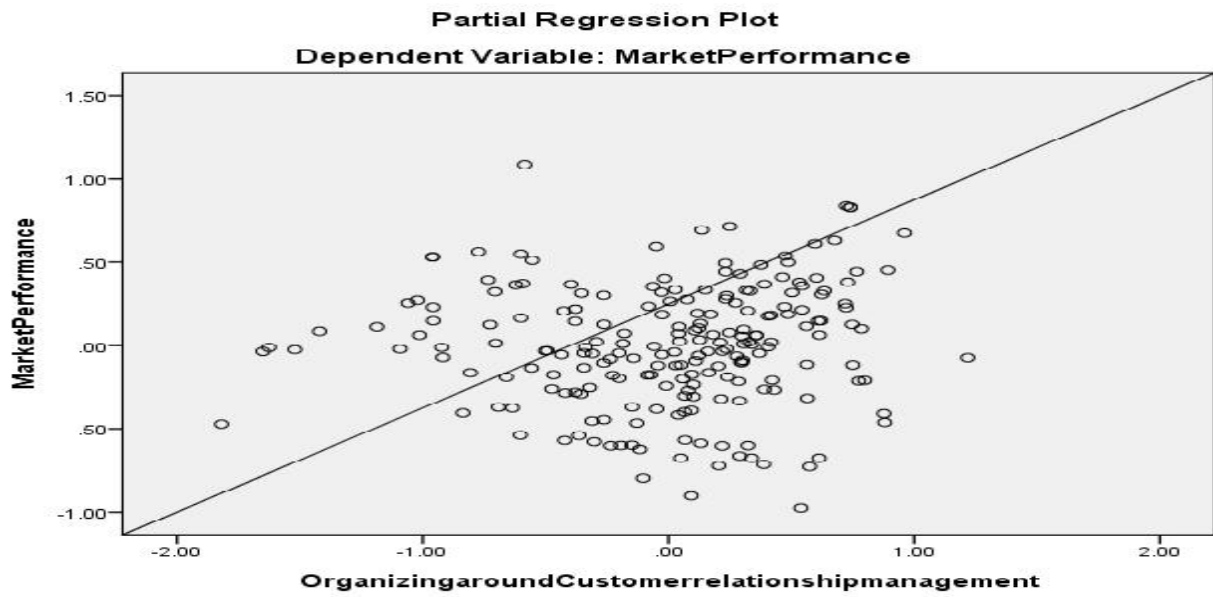
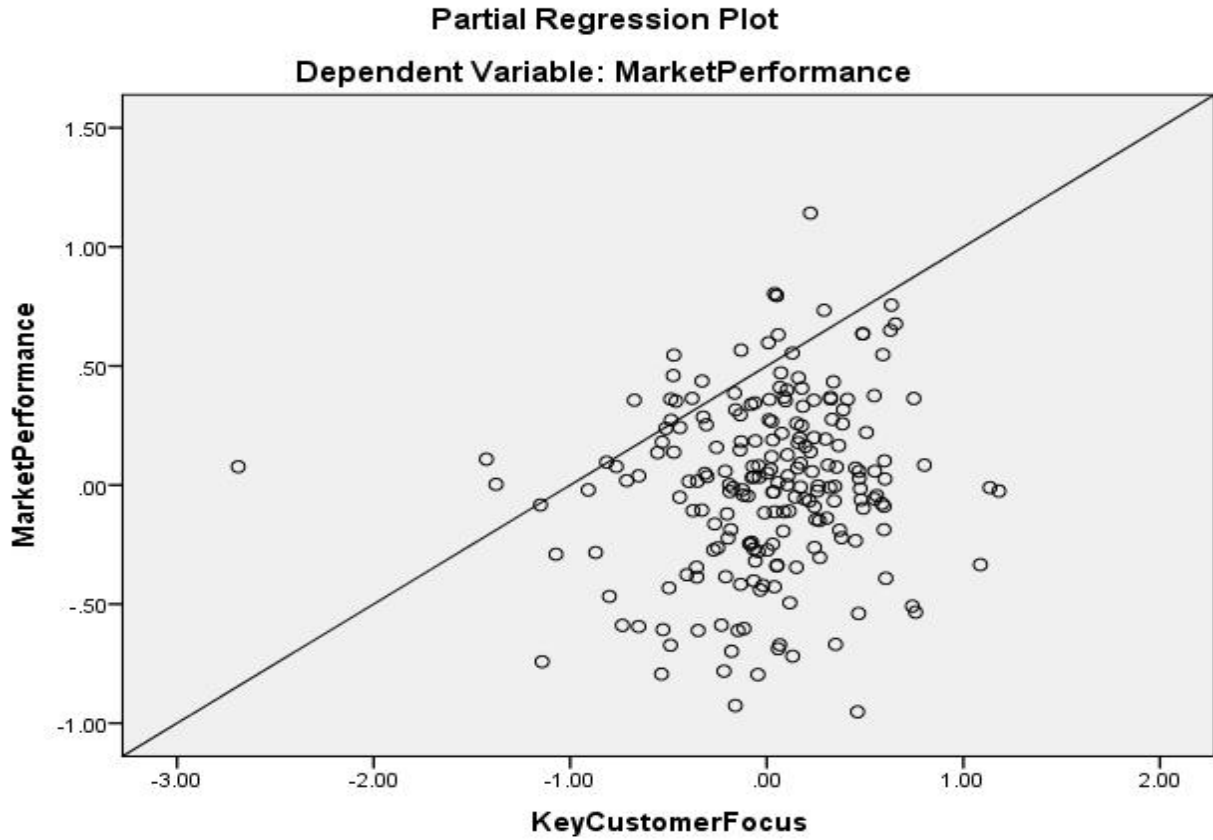
### Scatterplot

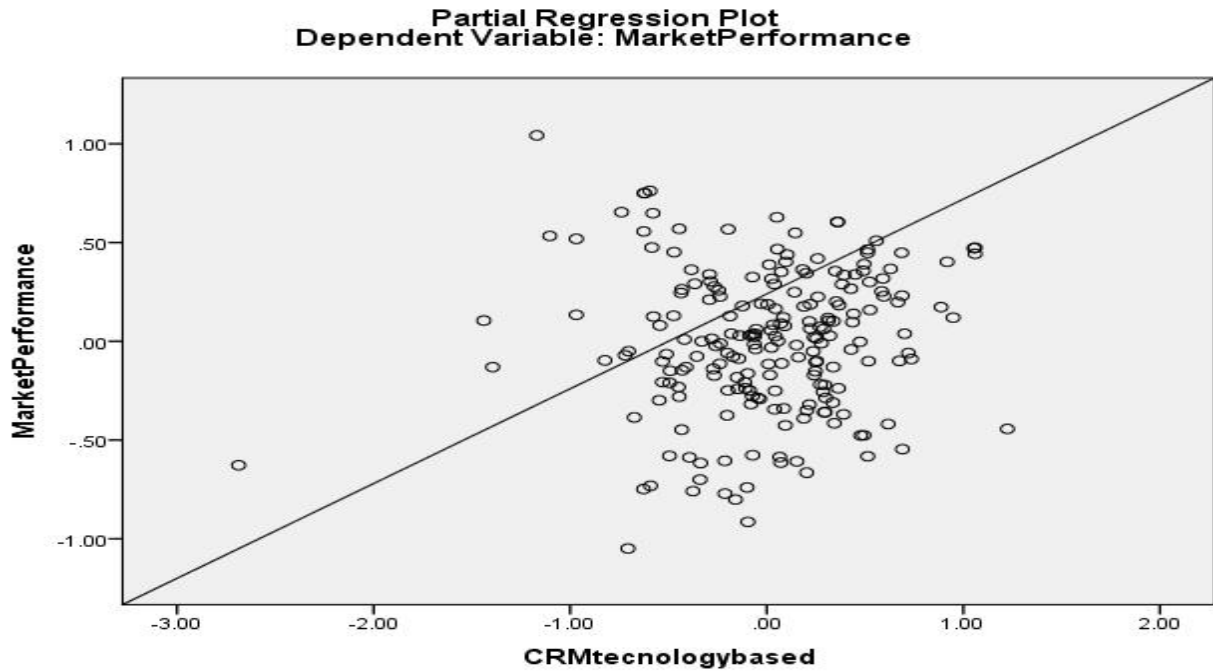
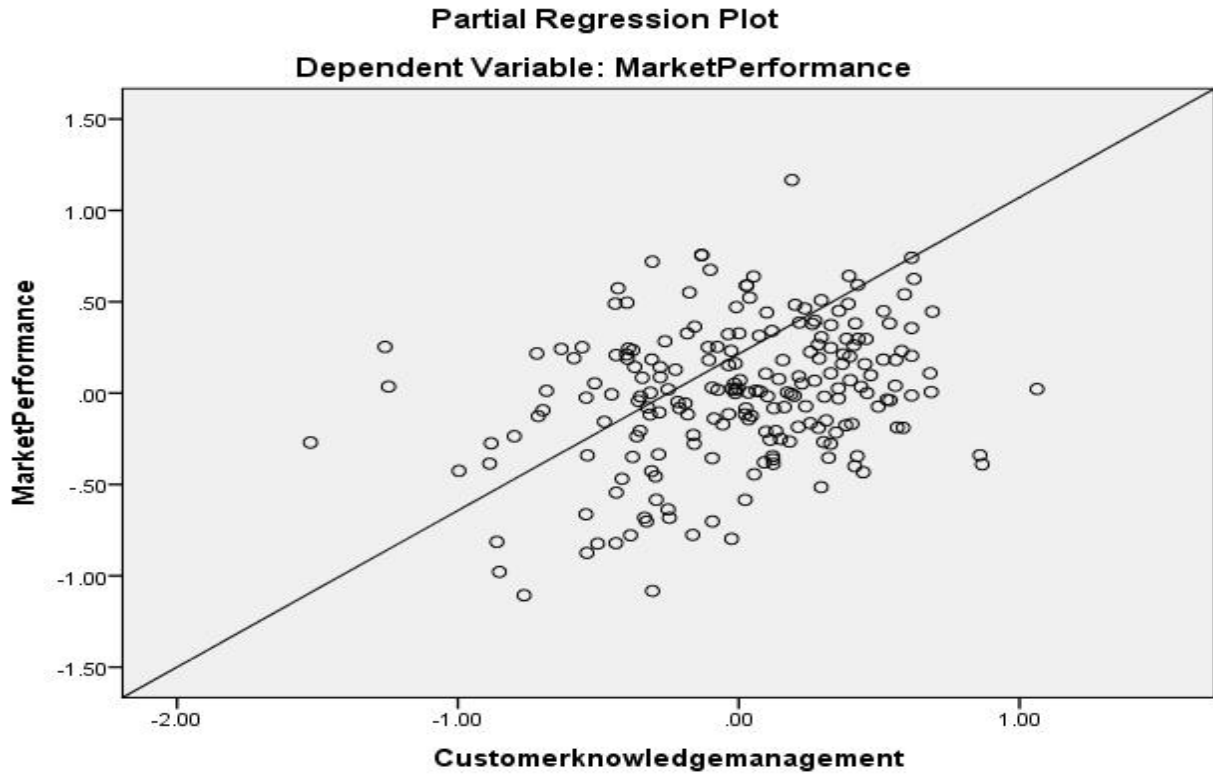


### Partial Regression Plot

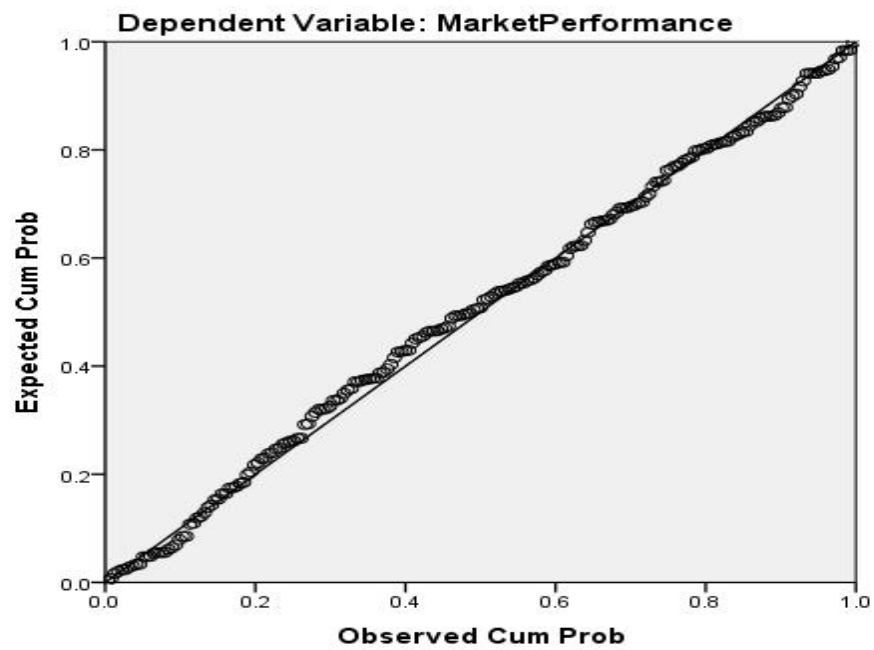








Normal P-P Plot of Regression Standardized Residual



Histogram

