# THE INFLUENCE OF CUSTOMER RELATIONSHIP MARKETING TO

# IMPROVE CUSTOMER LOYALTY

# A CASE OF COMMERCIAL BANK OF ETHIOPIA (ADDIS ABABA)

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## SMU

ADDIS ABEBA

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# CHAPTER ONE
## 1. INTRODUCTION

Over the past decades, marketing literature has recognized the existence of a shift in the nature of customer-firm relationships from a transactional to a relational approach (Ganesan, 1994). This change has generated an increasing interest in the study of the factors and mechanisms determining the establishment, development and maintenance of successful relational exchanges (Morgan and Hunt, 1994). As a consequence, practices that have been common up to now, which focused on attracting new customers and gaining a large market share, have given way to policies aimed at consolidating the firm's customer base and retaining the existing customers (Dick and Basu, 1994).

During the past decade, relationship marketing has been seen as the mainstream of thought in planning a marketing strategy both in industrial and consumer marketing domains (Tseng, 2007). According to Morgan and Hunt (1994), relationship marketing is defined as all the marketing activities that are designed to establishing, developing, and maintaining successful relationship with customers. Hougaard and Bjerre (2002) also defined relationship marketing as "company behavior with the purpose of establishing, maintaining and developing competitive and profitable customer relationship to the benefit of both parties."

Customer relationship management (CRM) is a combination of people, processes, and technology designed to understand and manage a company's relationships with customers by focusing on relationship development and customer retention (Chen and Popovich, 2003). Its purpose is to maximize profit by achieving an optimum balance between corporate investments and customer satisfaction (Bolton, 1998). Therefore, as mentioned by Chen and Popovich (2003), CRM applications help organizations to assess customer loyalty and profitability on measures such as repeat purchases, dollars spent, and longevity.

On the other hand, due to the competitive environment in today's business, the most important issue the sellers face is no longer to provide excellent, good quality products or services, but also to keep loyal customers who will contribute long-term profit to organizations (Tseng, 2007). Furthermore, caused by fierce competition in today's business, many companies are required to build long-term profitable relationship with customers and to achieve customer loyalty. Therefore, relationship marketing has become important since last decade of 20th century, especially in service industry.

To compete in such overcrowded and interactive marketplace, marketers are forced to look beyond the traditional 4Ps of marketing strategy, which are not longer enough to be implemented for achieving competitive advantage. As a result, relationship marketing has become an alternative means for organizations to build strong, ongoing associations with their customers. As a

part of marketing strategy, relationship marketing seeks to acquire and retain customers by providing good quality customer services, and therefore has become one of the keys to success in acquiring strong competitiveness in the present markets, because of its implications for access to markets, generation of repeat purchase, creation of exit barriers, and the view that it benefits all parties (Andaleeb, 1996).

Relationship marketing has received much attention in both academic research and practicing areas, though the last decade has witnessed certain significant changes and domination of relationship marketing in the business field (Egan, 2001). Buyers and sellers in markets achieve mutual benefits through developing relationships; though there are often switching behaviors occurred in different stages of a partnership. Relationship marketing tactics are thus approaches to apply relationship marketing in practice (Tseng, 2007).

Relationship marketing helps to develop marketing productivity and builds up mutual values for both customer and company through growing marketing effectiveness and efficiencies (Sheth and Parvatiyar 1995). Meanwhile, Kotler (1992) claimed that companies can make more profit if they move from relationships with short-term goals towards long-term relationships. Relationship marketing encourages companies to build long term relationships with their stakeholders (e.g., customers, suppliers).

Furthermore, initial work in this area has also been tempered by results that stress the significance of moderating effects. There appears to be a general

direction on the significance of CRM as a strategic imperative among both academics and managers, the return on investments in CRM strategy and programs seem to vary, both within and across organizations.

Finally, as stated by Grönroos (1994), the most important goal of customer relationship marketing is to obtain and keep customers. Based on previous studies, all marketing activities intend to create customer loyalty. Customer loyalty is also defined as a deep commitment to keep on purchasing a product or service in the future regardless of the fact that there are situational factors and marketing efforts which have some potential to create switching behavior.

## 1.1. Background of the Organization

The commercial Bank of Ethiopia (CBE) was legally established as a Share Company in 1963 to take over the commercial banking activities of the State Bank of Ethiopia, which was founded in 1942 with twin objectives of performing the duties of both commercial and central banking. During the 1974 revolution, CBE got its strength by merging with the privately owned Addis Ababa Bank. Since then, it has been playing a significant role in the development endeavor of the country (company brochure)

In 1963 the Ethiopian government split the State Bank of Ethiopia (est. 1942) into the National Bank of Ethiopia (Central bank) and the Commercial Bank of Ethiopia (CBE). In 1958, the State Bank of Ethiopia established a branch in Sudan that the Sudanese government nationalized in 1970. Then in 1980 the Government merged Addis Bank into the Commercial Bank of Ethiopia to make CBE the sole commercial bank in the country. At the time of nationalization Addis Ababa Bank had 26 branches. The CBE, which is striving to become a world-class bank, is rendering state-of-the-art and reliable services to its millions of customers, both at home and abroad. The business strategies of the Bank focus on the interest of the public it serves. As at the end of fiscal year 2008/09, the Bank had 208 branches stretched across the country, and 7,955 employees whom it regards as its key assets (company brochure)

The state-owned CBE still dominates the market in terms of assets, deposits, capital, and customer base and branch network, despite the growing

competition from private banks over the last 15 years. This makes it one of the most reliable and strong commercial banks in the country and the region. Its strong capital base, close to seven decades of rich experience in the market and wide branch network throughout the country have enabled the Bank to accommodate the large demands for its services, and increase its overall revenue on sustainable basis (company brochure)

## 1.2. Statements of the problem

As can be seen from above mentioned facts, relationship marketing develops Bank's productivity and generates mutual values for both customer and company through growing marketing effectiveness. As a result, it can be witnessed that no organization can function properly or reach to its goals without a proper and effective system of relationship marketing within its customers. Many empirical studies have provided evidences that relationship marketing tactics have positive impact on behavioral loyalty which affects customer retention. To compete in such overcrowded and interactive marketplace, marketers are forced to look beyond the traditional 4Ps of marketing strategy, which are not longer enough to be implemented for achieving competitive advantage. As a result, relationship marketing has become an alternative means for organizations to build strong, ongoing associations with their customers. As it was observed from the commercial bank of Ethiopia the bank's customers are relatively declining from time to time it is because of there are many competitor banks available in Addis Ababa

and the bank is also incapable of constructing a better relationship marketing strategy with the current customers and focusing to the new customers. Therefore, awareness of the target consumers and building good relationship with them is the most significant issue.

As a part of marketing strategy, relationship marketing seeks to acquire and retain customers by providing good quality customer services, and therefore has become one of the keys to success in acquiring strong competitiveness in the present markets, because of its implications for access to markets, generation of repeat purchase, creation of exit barriers, and the view that it benefits all parties (Andaleeb, 1996).

## 1.2.1. Basic Research Questions

Based on the above justification, the study raises following basic questions:

1. What are the experiences of relationship marketing in CBE?

2. How does CBE practice relationship marketing to ensure customer loyalty?

## 1.3. Objective of the Study
### 1.3.1. General objectives

The basic objective of the study is to examine the influence of relationship marketing practice of CBE on maintaining loyal customers.

### 1.3.2. Specific objectives

The specific objectives of the study include:

- To identify the building blocks of relationship marketing in the context of CBE.

- To describe the practices of CBE in ensuring customer loyalty

- To examine the relationship between relationship marketing and customer loyalty.

## 1.4. Delimitation of the study

For this type of research, it was  good to use all branches of the bank (CBE) that are found across the city at large to get a complete picture and to consider all the customers to take part in the study. However, due to time and other constraints, but The student researcher takes as sample  Theree branches around in Addise ababa, finifiny branch mahal gebiya branch leghare branch it was not possible for the researcher to incorporate all the branches, but random selection of the sampled branches was reduce the margin of any biasness, up to some extent. This may have its own limitation along with that associated with the sampling procedure (systematic selection of respondents). Finally, the scope of the study is limited to identify the relationship marketing practices of the CBE from the perspective of customers and its association or influence on developing their loyalty. However, customer loyalty can be affected by other factors that the present study is considering out of its scope.

## 1.5. Significance of the study

The study was serve as a stepping stone for further studies to be conducted in the fields of CRM, relationship marketing, and customer loyalty. Therefore, while on one hand, the findings of the study was add value to the existing literature in the domain of relationship marketing from the perspective of developing economies, on the other hand, the results was  assumed to be

useful for the bank in ensuring where and how much resources are to be deployed to raise the existing level of competitiveness through loyal customers.

Furthermore, an understanding of the relationships between relationship marketing constructs, customer satisfaction and loyalty was reveal further research problems to the future researchers to embark upon, by considering the findings of this study as benchmark. Alongside, the study was guide the management of Commercial Bank of Ethiopia to critically evaluate their CRM strategy and make the necessary adjustments (if any required) to ensure customer loyalty and business profitability.

## 1.6. Research Design and Methodology
## 1.6.1.    Reserch Design

The student researcher was follow adiscirptive type of research  to  discribe and determine   The performance of CBE on The problem of customer relationship.

## 1.6.2.    Population, Sample Size and Sample Techniques

population

Based on a clear definition of the research population, customers who use the services of Commercial Bank of Ethiopia was selected as a sample of the study. Another sample that was consider in the study is customer relationship manager of Commercial Bank of Ethiopia.

# Sampling Techniques

The student researcher was use non probability sampling technique from non probability convenient random sampling was used. It is because the target population of the study are not known in number. The study was draw a sample of 200 respondents (67 from each branch ). Additionally, while selecting the respondents for the study, only those customers who have been using the CBE's services for more than a year was selected to take part, considering having relatively good experience of banking services and provisions.

## 1.6.3. Types of Data to be collected

The student researcher was use primary source from commercial bank of Ethiopia relationship manager and customer. Secondary source of data was use from books, journals; internet etc. was explored to gather background data and practices being opted by the bank.

## 1.6.4. Method of Data Collection

As stated earlier, in order to obtain primary data, the student researcher was collect data through questioners and interviewing relationship manager of commercial bank of Ethiopia. For the purpose of gathering primary data, structured questionnaire will be developed and administered with the selected sample respondents (customer of CBE). The questionnaire was consist of both open-ended and close-ended questions, to reflect their opinions and experiences related to relationship marketing practices being carried out by the CBE, their level of satisfaction, loyalty, and to express their views as to what is to be done by the bank to make them loyal.

## 1.6.5.    Data Analyze Method

The student researcher was use both qualitative and quantitative methods of data collection. As suggested by Johnson (1999), there is no hard and fast rule to use the one and reject the other, instead prevailing trends favors the use of both designs in a single study. The questioners that was collected by respondents is represented by using tables, percentage, and charts.

## 1.7. Organization of the study

The researcher paper was have four chapters. The first chapter includes background of the study, statement of the problem, research question, objective of the study both specific and general objective, significance of the study, scope or delimitation of the study, research design and methodology of the study. The second chapter of the research paper was deal review of literature. The third chapter was data presentation analysis and interpretation. The last chapter will encompasses summary, conclusion and recommendation. Finally list of bibliography, sample questioner and interview questions attached to the researcher appendix.

# CHAPTER TWO
## Literature review
## 2. Introduction to relationship marketing

As described by (Shahbaz R. K, Zare T., 2012), the term relationship marketing was popularized in the 1980s when the focus of marketers started to switch from customer acquisition to customer retention. The objective of a relationship is to build customer loyalty by creating and maintaining a positive attitude toward the company. When a bank claims to be practicing relationship marketing, it signifies that they have undertaken an organization wide strategy to manage and nurture their interaction with clients and sales prospects. Relationship marketing is not only at the customer service point or at relationship manager level but at every point in the organization.

As described by (Velnampy T. & Sivesan S., 2012), customer relationship marketing is one of the best contemporary marketing strategies for all companies to satisfy their customer needs and wants. In customer point of view, trust, commitment, mutuality and long- term relationship with customer which are very essential factors to satisfy their customer needs and wants.

The way banking institutions understand and succeed to refer the products and services to the customers are conditions for the importance they play in the economy. The marketing could offer new solutions, if the banks shift the focus of their orientation and activities from transaction marketing toward the banking relationship marketing. The relationship marketing tries to establish an "intimacy" that is individualized links with customers, via strong personal appeal and continuing commitment. For loyalty and relationship to flourish there should be trust, commitment and communication between the interested parties (Danciu V., 2009).

As mentioned in (Shahbaz R. K, Zare T., 2012), relationship marketing is also defined as "attracting, maintaining, and enhancing customer relationships". Furthermore, relationship marketing was also described as "establishing relationships with customers and other parties at a profit, by mutual exchange and fulfillment of promises. Relationship marketing focuses on creating new and mutual value between banks and their customers on a long-term basis. "Marketing is not a function; it is a way of doing business; marketing has to be all pervasive, part of everyone's job description, from the receptionist to the board of directors. Moriarty suggested the concept of relationship banking I based upon the acceptance that the banks can increase their earring by maximizing the profitability of the total customer relationship over time, instead of seeking to get the most profit from any single product or transaction.

Customer relationship marketing also concerns attracting, developing, and retaining customer relationship. Customer relationship marketing goal is to provide increased value to the customer and results in a lifetime value for the service provider. Trust has been defined as "a willingness to rely on an exchange partner in whom one has confidence". In addition trust provides the basis for loyalty, relationship enhancement (decreased perception of risk), and yet is mediated by customer perceived value of the relationship (i.e., perceived net benefits) (Velnampy T. & Sivesan S., 2012).

Customer relationship marketing also offers new opportunities for banks, since it is loyalty marketing, within the framework of a partnership. This means that this kind of marketing aims to create, maintain and improve the customer long-term loyalty. Such a goal means that a bank should find a balance between the customer satisfaction and the profit of the bank. The change of focus toward customer satisfaction and loyalty is especially needed, as the banking system in Romania is still too "industrialized" and "standardized". At the sometime, the customers of Romanian banks ask for more customized services and expect greater attention (Danciu V., 2009).

Finally, customer relationship marketing is one of the best contemporary marketing strategies for all companies to satisfy their customer needs and wants. In customer point of view, trust, commitment, mutuality and long- term relationship with customer which are very essential factors to satisfy their customer needs and wants. Customer relationship marketing concerns attracting, developing, and retaining customer relationship. Customer relationship marketing goal is to provide increased value to the customer and results in a lifetime value for the service provider. Trust has been defined as "a willingness to rely on an exchange partner in whom one has confidence". In addition trust provides the basis for loyalty, relationship enhancement (decreased perception of risk), and yet is mediated by customer perceived value of the relationship (i.e., perceived net benefits) (Velnampy T. & Sivesan S., 2012).

## 3. Customer Loyalty and relationship marketing

As stated by Liang L. K. (2010), loyalty is developed over a period of time from a consistent record of meeting, and sometimes even exceeding customer expectations. Some researchers showed that the cost of attracting a new customer may be five times the cost of keeping a current customer happy. Customer loyalty is also defined as the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service exists.

It might be much mistaken if organizations only use the customers purchasing records to tailor the loyalty of consumers thereby to monitor relationship marketing with them. It is also points out companies often delude themselves into thinking that they have a relationship with customers if those customers buy their products and services regularly (Nguyen & Thi, 2006).

A customer's demonstration of faithful adherence to an institution (or merchant) despite the occasional error or indifferent service is called customer loyalty. As the definition implies, having entered into a business relationship with a financial services institution, the customer maintains and continues the relationship. In this view, customer loyalty is an attitude or behavior that customers explicitly vocalize or exhibit (Shahbaz R. K, Zare T., 2012).

According to (Sorce P., 2002), recent research has empirically investigated the premise that loyal customers are actually more profitable. Some study claims that loyal customers were less costly to serve, were usually willing to pay more for brand choices than non-loyal customers, and acted as word-of-mouth marketers for the company. In their five-year study of the costs of doing business with key customers, they measured direct product costs, advertising and sales force expenses, and service and organizational expenses in serving annual cohorts of customers in four businesses. Loyal customers were defined as those who made regular purchases for at least 2 years. They found that the correlation between profitability and loyalty was weak to moderate.

According to Bloemer & Kasper (1995), loyalty is interpreted as true loyalty rather than repeat purchasing behavior, which is the actual re-buying of a brand, regardless of commitment. Loyalty is a multi-dimensional construct and includes both positive and negative responses. However, a loyal customer may not necessarily be a satisfied customer.

It is not always the case that customer defection is the inverse to loyalty, that means "even a problem is not solved; approximately half of the customers would remain with the firm". This may be due to switching costs, lack of perceived differentiation of alternatives, location constraints on choice, time or money constraints, habit or inertia which are not related to loyalty (Liang L. K., 2010).

Relational marketing is a strategy to surmount services intangibility especially in the case of services like bank that assessment is difficult for customer even

after purchase and use. According to interviews done with banks managers, to find dimensions of relational marketing influencing upon customers loyalty is one of the challenges before them (Rezvani M., et al., 2011).

## 3.1. Customer satisfaction for customer loyalty

Customer satisfaction has traditionally been regarded as a fundamental determinant of long –term consumer behaviour. Satisfied customers are valuable assets for every organization to gain the customer loyalty and retention. Customer satisfaction and its related research is not merely a tool that measures the attitudes of customers but can be used by relationship marketers as a tool to manage the relationships with the customers. Satisfaction and quality research "have evolved along parallel tracks" (Velnampy T. & Sivesan S., 2012).

As mentioned in (Ankit S., 2012), customer Loyalty and satisfaction go hand in hand. Customer satisfaction is a judgment by the customer after the purchase or the service provided has taken place. Satisfaction is the consumer's contentment response. It is a considered opinion that either a product or service feature, or the product or service itself, endows with a pleasurable level of consumption-related fulfillment.

Perceived service quality is a global judgment or attitude relating to the superiority of the service, whereas satisfaction is related to a specific transaction (Parasuraman et al., 1988). On the other hand, customer satisfaction has frequently been suggested to be the leading determinant of loyalty (Lam & Burton, 2006). It is also suggests that there is a significant positive relationship between customer satisfaction and customer loyalty/retention. As such, customer satisfaction in this research is acting as a mediator between service quality and customer loyalty (Liang L. K., 2010).

Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used. The confirmation model treats satisfaction as a meeting of customer expectations and is generally related to habitual usage of products. However, research on customer satisfaction has moved towards the disconfirmation paradigm which views satisfaction with products and brands as a result of two cognitive variables: pre purchase expectations and is confirmation (Velnampy T. & Sivesan S., 2012).

As mentioned by Nguyen & Thi (2006) customer satisfaction management includes the comparison between the expected delivered value and the actual delivered value as well as the image of the company, the readiness to reaction, the dependability and the product attributes also conclude that customer satisfaction is totally dependent of the customer expectation and how the customer's actual perception of the products and service delivery performance matches the expectations. If the performance matches or exceeds the expectations, the customer will be satisfied and as a result loyal, but if the performance falls short of the expectation, the customer will be dissatisfied and will find another bank service and products.

It is a well-researched fact that investments in customer satisfaction, customer relationships and service quality leads to profitability and market share. Put differently, customer satisfaction leads to customer loyalty and this also leads to profitability. If customers are satisfied with a particular high quality service offering after its use, then they can be expected to engage in repeat purchase and even try line extensions and thus market share can be improved and loyalty will become long term. (Ankit S., 2012).

Finally, customer satisfaction is very important concept and also has been extremely analyzed subject in the marketing research for customer loyalty and retention. In recent time, customer satisfaction has gained attention within the context of the paradigm shift from transaction marketing to relationship marketing (Velnampy T. & Sivesan S., 2012).

## 3.2. Relationship Quality and Customer Loyalty

As described in (Cheung R., et al, 2013) relationship quality is used to describe business relationships, which is typically conceptualized as a high-order construct comprising commitment, satisfaction, and trust. Customer loyalty is also defined as customers' affection and commitment towards a product, service, brand, or organization, which also means customers' intention to repurchase. Loyalty is "the reflection of a customer's subconscious emotional and psychological need to find a constant source of value, satisfaction and identity". The most common behaviors of loyal customers include relationship continuance, increased scale or scope of relationship, and recommendations, dispersing favorable word of mouth and repurchasing the company's products. Loyalty, therefore, is a crucial factor for a company to sustain and pursue success over time.

It might be much mistaken if organizations only use the customers purchasing records to tailor the loyalty of consumers thereby to monitor relationship marketing with them. It is also points out companies often delude themselves into thinking that they have a relationship with customers if those customers buy their products and services regularly. It was also mentioned that "customers understand the difference between repeat buying, which is often based on convenience, price or other non-emotive factors, and situations where they go back to the same companies and brands again and again because they feel something special toward them" (Nguyen and Thu T. H., 2006),.

According to (Filip and Anghel, 2009), customer loyalty is one of the most important indicators used to evaluate the quality of services offered by an organization. Therefore, gaining customer loyalty becomes a key objective for banking organizations which decide to adopt a relationship marketing perspective (Filip and Anghel, 2007). According to the results

of numerous researches published in the relationship marketing literature, a loyal customer may bring many benefits to the organization, contributing both to the improvement of the growth rate and to the increase of the safety degree or organizational stability. Similar international researches regarding the importance and economic benefits of customer retention in the banking industry show that: customer retention on a period of five years leads to greater prosperity in comparison with that derived from customers won by the bank in the previous year (Filip and Anghel, 2009).

As described by Rezvani M., et al. (2011), according to carried out studies, 5% increase in maintenance of current customers will increase company profit by 25 to 125%. So, customers' loyalty is a significant factor in banks business success. Important point is that loyal customers bring about various advantages, such as company profitability improvement, marketing expenditure reduction, company sales increment, having customers with low price sensitivity and etc. it is also mentioned that loyalty as a profound commitment to frequent purchasing or encouraging others to buy products or services.

## 4. Customer Service Quality and Delivery in Banking System

The banking marketing is a relationship one by its nature. The successfully banking marketing mix should be the one which delivers high value to the customers depending in their requirements (Customer), with fairly good costs (Cost), in a suitable manner (Convenience) and at the same time having on effective communication (Communication). The banking product policy is more focused on the customer requirements and on the increased value of the product and satisfaction of the customer. The loans, deposits, accounts and other services like payments, banking transfers, cards with a more frequent access and utilization need the customer experimentation, since

their attributes and qualities could not be estimate before buying and utilization(Danciu V., 2009).

As mentioned in (Liang L. K., 2010) considering the competitive environment, there is a need for banks to plan their strategies that will differentiate them from another. This can be achieved through the delivery of high service quality. The practice of excellent service quality has been proven that customer satisfaction will significantly lead to customer loyalty.

It was stated in (Nguyen & Thi, 2006), that the three cornerstones of relationship marketing are: planning and controlling of customer satisfaction, building and maintaining stable relationships (customer loyalty) and customer value management. These are the results of customer service quality and better service delivery.

As mentioned in (Nguyen & Thi, 2006) it was also mentioned that "customers understand the difference between repeat buying, which is often based on convenience, price or other non-emotive factors, and situations where they go back to the same companies and brands again and again because they feel something special toward them". There was a comparison which was done towards this special feeling of consumers for certain companies and brands with having the same kind of emotional attachment toward their family member's friends, and colleagues. This relationship metaphor may hold true for durable goods with strong brands like bank systems which provide saving, exchange and transaction services.

According to Rezvani M., et al. (2011), private banks activation, competition development and communication and information development at international level, today absorption and maintenance of customers in the country banking industry has been complicated by many degrees that itself led to reduction of banks interest. It was declared that a decrease of 5% in customer number will lead to banks loosing 50% of their profit.

## 4.1. Customer Loyalty in a Banking Environment

The strategic objective which is the basis of the relationship marketing approach consists of achieving customer loyalty. A comprehensive definition of bank loyalty views the construct as "the biased (i.e. non random) behavioral response (i.e. revisit), expressed over time, by some decision-making unit with respect to one bank out of a set of banks, which is a function of psychological (decision-making and evaluative) process resulting in brand commitment" (Bloemer et al., 1998).

Loyalty to a bank can be thought of as continuing patronage over time. The degree of loyalty can be gauged by tracking customer accounts, over defined time periods and noting the degree of continuity in patronage. Within the loyal category there are satisfied and un-satisfied customers. The satisfaction is not an essential requirement for loyalty, so satisfied customers do not have to be loyal but there is a correlation between the satisfied customers and loyal customers. Sometimes unsatisfied customers are also loyal due to attachment and commitment with the supplier (Shahbaz R. K, Zare T., 2012)

loyalty is a complex construction, which comprises both psychological and behavioral components; different loyalty types are supposed to form a combination of repeated purchasing and relative attitude towards business firms. Therefore, customer loyalty can be defined both in terms of customer behavior, which will be synonymous with customer retention, and in terms of customer attitudes. In the first case, retention or behavioral loyalty is evaluated with the help of different quantitative indices like: the number of purchases made by the customer from the product portfolio of a company, the frequency of acquisition, the percentage from the total expenditures made by a customer for a certain product or service, with

regard to a certain organization, the cross-buying potential of the customer (Filip and Anghel, 2009).

Sometimes loyalty or customer retention may be called spurious loyalty, if the repeated customer behavior happens without a strong attitude or a clear preference of the customer toward the current bank. Customer loyalty also incorporates consumer preferences and their affective disposition toward the bank, which combined with repeat purchasing, describes the ideal situation of true loyalty. Thus, the value of psychological variables cannot be underestimated, because behavior reflects a current situation or, even more probably, a series of events from the past, whereas attitudes offer details regarding the customers' future behavior (Filip and Anghel, 2009). There are possibilities of increasing the customer profitability three times over by extending the relationship with them over a period of five years banks must wait an average of six years in order to retrieve the initial cost of acquiring individual customers (Murphy, 1996).

However, service quality does also have a direct implication towards customer loyalty in relationship marketing for banking sectors. That is why customers will be dependent on the quality of the service to have future relationship with the banking system. Since the definition of service quality was further developed as "the overall evaluation of a specific service firm that results from comparing that firm's performance with the customer's general expectations of how firms in that industry should perform (Parasuraman et al., 1988).

As described by Danciu V., (2009), many banking customers should swear by the bank experience, image, seriousness and promises keeping. That's way the banking customers pay more and more attention to the variable interest, the fluctuation of the exchange rate of the currency, the consulting quality, the bank transparency and other issues, which could create, maintain and strengthen their trust in a bank and particularly in crisis circumstances.

# CHAPTER THREE
## 3.Data Analysis and Interpretation

This portion would present the analysis and presentation of all the data which were gathered from the respondents through questionnaire and interviews, analyze them and interpret based on the result obtained from statically tools used totally 201 questionnaires were distributed to the customers of commercial bank of Ethiopia in Addis Ababa city for three branches (Sengatera, Finfinie, and Mahil Gebeya branches) with equal 67 questioners for each branch. Out of which 170(84.6%) were filled and returned while the remaining 31(15.4%) of which were not returned at all. Specifically from the Sengatera branch from 67 questioners 59(88.1%) were filled and returned and 8(11.9%) were not returned at all, from the Finfinie branch from 67 questioners 57(85.1%) were filled and returned and 10(14.9%) were not returned at all, and from the Mahil Gebeya branch from 67 questioners 54(80.6%) were filled and returned and 8(19.4%) were not returned at all. Interview was held with staff members of the bank including mangers of the CBE and other employees of the Bank. At the end of the editing, 170 questionnaires were successfully processed for the analysis.

The scale items were developed from previous suggested and validated measures in many researches and carefully restated to reflect the characteristics of relationship marketing in banking industry for customer loyalty. The analysis was done in line with the research questions and objectives above and it was presented in the form of tables, charts and graphs to give better explanations. All the tables, charts and graphs in the analysis were generated from survey data through the MS-excel2010 and SPSS 17 (statistical package for social studies) after the data being coded in Appropriate format.

Permission was sought from the branch bank's management for the questionnaire to be left with some staffs of the bank who would distribute them to appropriate respondents. For the purpose of this study, only customers who have been banking with the bank for more than half a year and with whom the bank practices relationship marketing were given the questionnaires to fill. When questionnaires were filled, they were kept by the bank staffs and later picked up by the researcher. The researcher used this mode of data collection due to the fact that, it was easy for staffs of the bank to convince and encourage customers to complete the questionnaires and also it was easy for customers of the bank to be approached by staffs of the bank.

The unit of analysis for the study was the individual customer. That is, the client being the direct recipient of services delivered by the bank. The present study agreed with the literature that relationship marketing is best viewed from the viewpoint of the clients and that, it is usually the clients of services that are able to tell as to whether or not the relationship with service providers is positive or not. Therefore, using customers as the unit of analysis is considered appropriate, since their expectations and perceptions of relationship marketing and services rendered by the bank could be captured.

## 2.1. Basic Data of Respondents

This aspect of the analysis dealt with the basic data on the respondents of the questionnaires sent to them. The basic data comprised of the respondents sex, age, marital status, educational background and the number of years spent with the bank.

## 2.2. Sex of Respondents

The basic socio-demographic characteristics of the respondents are presented in Table 4.1 below showing the sexes of the respondents. The males were 66%

while the females were 34%.  Therefore the majority of respondents were males. It can therefore be said that majority of the bank's customers are males.

| Sex | Respondents' Sex in | |
| --- | --- | --- |
| | #of Respondents | %of Respondents |
| Male | 112 | 66 |
| Female | 58 | 34 |
| Total | 170 | 100 |

4.1. The table above shows the number and percentage of respondents' sex category

## 2.3.  Age of Respondents

From the chart below,  from the total of 170 respondents, the  age  category above  18 years old,  22(12.9%)  of Respondents were between the ages of 18 and 30, 60(35.3%) of respondents which formed the highest age group was between the ages of 31 and 45, 42(24.7%) of respondents were between the ages of 46 and 60 while 40(23.5%) of respondents were between 61 and 75. Finally, 6(3.5%) of the respondents were above 76 years of age. From the survey, it can be said that, most of the banks customers are between the ages of 31–45 years old. This implies that the bank has productive and very energetic customers.

**Age Information of Respondents**
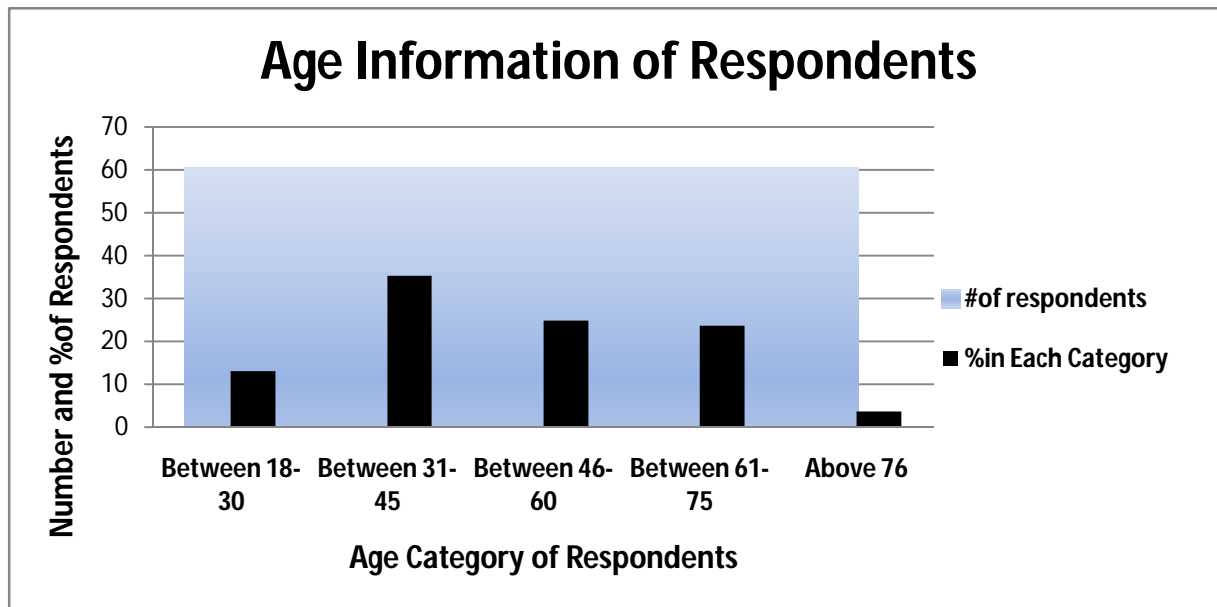
4.2. The chart above shows the number and percentage of respondents' Age category

## 2.4. Educational Background of Respondents

From the survey, 14.71% of the respondents had Primary School education background, 20% had Secondary School background. Respondents with Certificate background recorded 27.05% and 17.65% of the respondents are having Diploma educational background. Those with First Degree or Master and above education background were recorded as 15.88% and 4.71% respectively. Therefore, from the survey the statistic implies that majority of the respondents are literate and can understand what relationship marketing and customer loyalty is.

## Educationsl Background
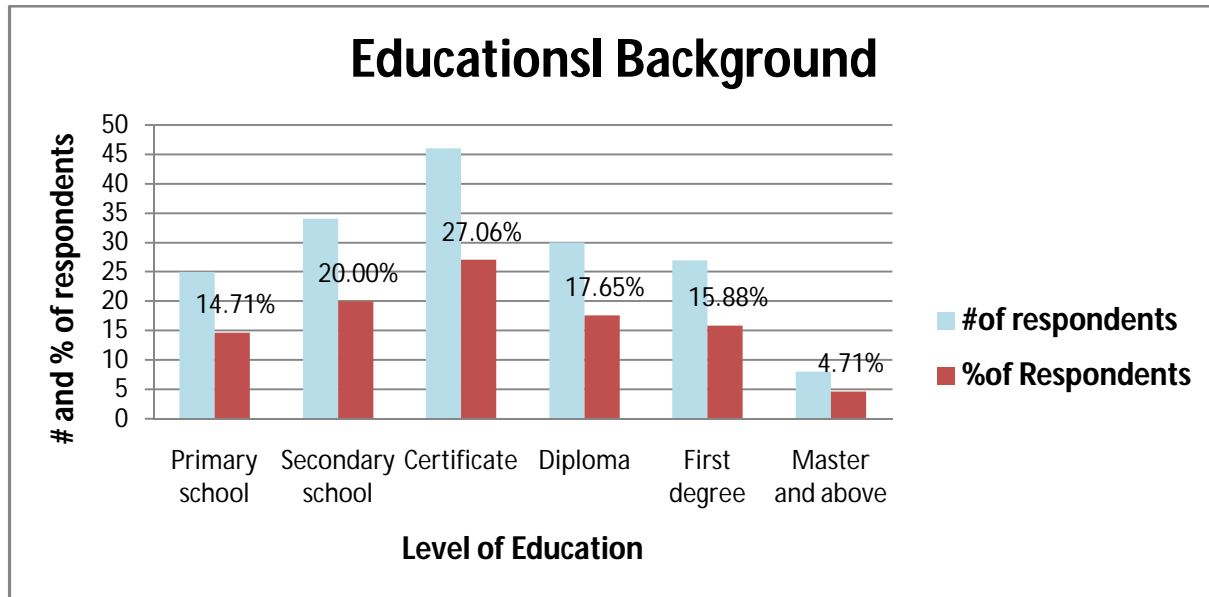


4.2. The chart above shows the number and percentage of respondents' Educational Background

## 2.5. Educational Background of Respondents

From the survey, 35(20.59%) of the respondents didn't marry, 116(68.24%) had married. All respondents who were divorced and widowed have been 15(8.82%) and 4(2.35%) respectively. Therefore, from the survey, the statistic shows that the majorities of the respondents are married and lead stable lifestyle.

## Marital Status of Respondents



| | |
|---|---|
| 2.35% | |
| 8.82% | |
| 20.59% | ■ Single |
| | ■ Married |
| | ■ Divorced |
| | ■ Widowed |
| 68.24% | |
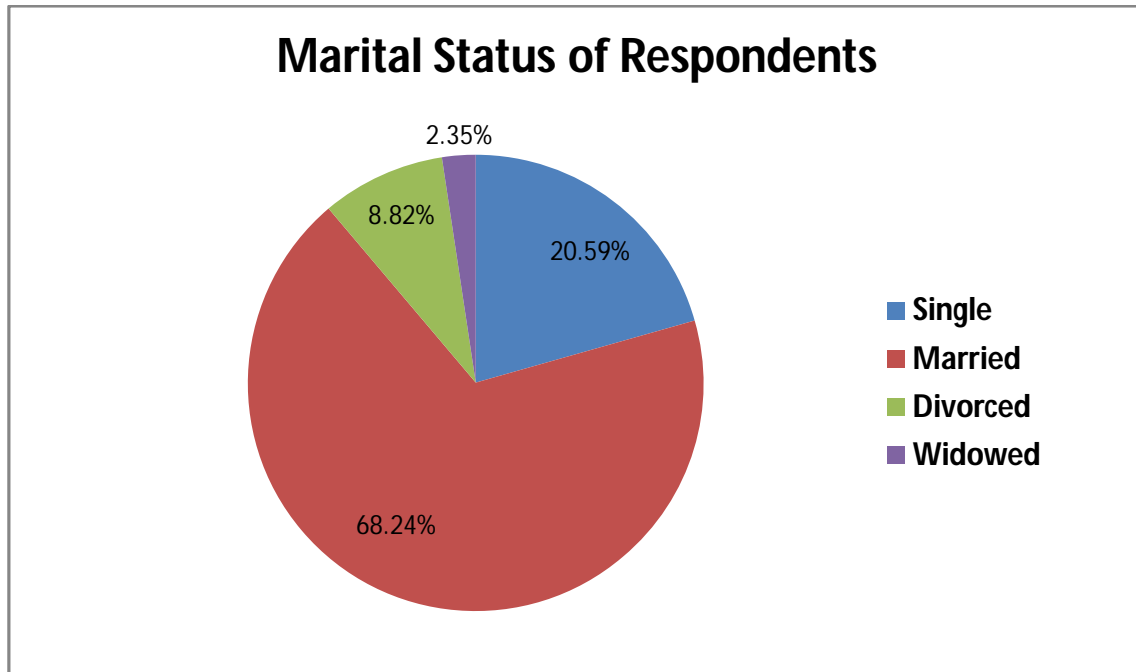
## 2.6. Analysis of the questioners

Table1. Is Commercial Bank of Ethiopia fulfilling its obligation to the customer?

| The Commercial Bank of Ethiopia fulfill its obligation to the customer | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 22 | 12.94% |
| Disagree | 78 | 45.88% |
| Agree | 52 | 30.59% |
| Strongly Agree | 18 | 10.59% |
| Total | 170 | 100% |

The table 1 above shows responses on whether Commercial Bank of Ethiopia fulfilling its obligation to the customer or not. From the table above, 58.82% of the respondents disagreed (12.94% were strongly disagree and 45.88% were disagree) with that statement while 41.18% agreed (30.59% agree and 10.59%

strongly agree) to that statement. This shows that the bank fulfilling its obligation to customers negatively affected the customer.

Table 2 is Commercial Bank of Ethiopia avoids issues for potential conflicts?

| Commercial Bank of Ethiopia avoids issues for potential conflicts | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 26 | 15.29% |
| Disagree | 87 | 51.18% |
| Agree | 45 | 26.47% |
| Strongly Agree | 12 | 7.06% |
| Total | 170 | 100% |

The table 2 above shows responses on whether Commercial Bank of Ethiopia avoids issues for potential conflicts or not. From the table above, 66.47% of the respondents disagreed (15.29% were strongly disagree and 51.18% were disagree) with that statement while 33.53% agreed (26.47% agree and 7.06% strongly agree) to that statement. This shows that the bank mostly couldn't avoid potential conflicts for better relationship.

Table 3 is Commercial Bank of Ethiopia shows high professionalism in its services?

| Commercial Bank of Ethiopia shows high professionalism in its services | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 27 | 15.88% |
| Disagree | 41 | 24.12% |
| Agree | 78 | 45.88% |
| Strongly Agree | 24 | 14.12% |
| Total | 170 | 100% |

The table 3 above shows responses on whether Commercial Bank of Ethiopia shows high professionalism in its services or not. From the table above, 40% of the respondents disagreed (15.88% were strongly disagree and 24.12% were disagree) with that statement while 60% agreed (45.88% agree and 14.12% strongly agree) to that statement. This shows that the bank shows high professionalism in its services.

Table 4 Is Commercial Bank of Ethiopia provides timely information

| Commercial Bank of Ethiopia shows high professionalism in its services | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 35 | 20.59% |
| Disagree | 69 | 40.59% |
| Agree | 45 | 26.47% |
| Strongly Agree | 21 | 12.35% |
| Total | 170 | 100% |

The table 4 above shows responses on whether Commercial Bank of Ethiopia shows Commercial Bank of Ethiopia provides timely information or not. From the table above, 61.18% of the respondents disagreed (20.59%were strongly disagree and 40.59% were disagree) with that statement while 38.82% agreed (26.47% agree and 12.35% strongly agree) to that statement. This shows that the bank lacks providing timely information to its customers.

Table 5 Is Commercial Bank of Ethiopia provides a trust worthy information?

| Commercial Bank of Ethiopia provides a trust worthy information | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 24 | 14.12% |
| Disagree | 50 | 29.41% |
| Agree | 62 | 36.47% |
| Strongly Agree | 34 | 20.00% |

| | | |
|---|---|---|
| Total | 170 | 100% |

The table 5 above shows responses on whether Commercial Bank of Ethiopia shows the Bank provide trust worthy information or not. From the table above, 43.53% of the respondents disagreed (14.12%were strongly disagree and 29.41% were disagree) with that statement while 56.47% agreed (36.47% agree and 20.00% strongly agree) to that statement.  This shows that the bank providing trust worthy information to its customers.

Table 6 Is Commercial Bank of Ethiopia promises is reliable?

| Commercial Bank of Ethiopia promises is reliable | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 28 | 16.47% |
| Disagree | 66 | 38.82% |
| Agree | 49 | 28.82% |
| Strongly Agree | 27 | 15.88% |
| Total | 170 | 100% |

The table 6 above shows responses on whether Commercial Bank of Ethiopia shows the Bank provide trust worthy information or not. From the table above, 55.29% of the respondents disagreed (**16.47%** were strongly disagree and **38.82%** were disagree) with that statement while 44.71% agreed (**28.82%** agree and **15.88%** strongly agree) to that statement.  This shows that mostly the bank promises are not reliable.

Table 7, do you have confident in the overall Commercial Bank of Ethiopia activities?

| I have confident in the overall Commercial Bank of Ethiopia activities | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 20 | 11.76% |
| Disagree | 44 | 25.88% |
| Agree | 75 | 44.12% |

| | | |
|---|---|---|
| Strongly Agree | 31 | 18.24% |
| **Total** | **170** | **100%** |

The table 7 above shows responses on whether Commercial Bank of Ethiopia shows the Bank provide trust worthy information or not. From the table above, 37.65% of the respondents disagreed (11.76% were strongly disagree and 25.88% were disagree) with that statement while 62.35% agreed (44.12% agree and 18.24% strongly agree) to that statement.  This shows that most of the customers have confidence in the bank.

Table 8; is Commercial Bank of Ethiopia employees willing to receive complaints?

| Commercial Bank of Ethiopia employees are willing to receive complaints | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 16 | 9.41% |
| Disagree | 34 | 20.00% |
| Agree | 87 | 51.18% |
| Strongly Agree | 33 | 19.41% |
| **Total** | **170** | **100%** |

The table 8 above shows responses on whether Commercial Bank of Ethiopia employees willing to receive complaints or not. From the table above, 29.41% of the respondents disagreed (11.76% were strongly disagree and 25.88% were disagree) with that statement while 70.59% agreed (44.12% agree and 18.24% strongly agree) to that statement.  This shows that most of the employees of the bank are willing to receive complains.

Table 9; is Commercial Bank of Ethiopia giving a quick response to the complaints raised by its customers?

| Commercial Bank of Ethiopia employees are willing to receive complaints | Number of Respondents | Percent of respondents |
|---|---|---|

| | | |
|---|---|---|
| Strongly disagree | 11 | 6.47% |
| Disagree | 38 | 22.35% |
| Agree | 91 | 53.53% |
| Strongly Agree | 30 | 17.65% |
| **Total** | **170** | **100%** |

The table 9 above shows responses on whether Commercial Bank of Ethiopia is giving a quick response to the complaints raised by its customers or not. From the table above, 28.82% of the respondents disagreed (6.47% were strongly disagree and 22.35% were disagree) with that statement while 71.18% agreed (53.53% agree and 17.65% strongly agree) to that statement. This shows that most of the time Commercial Bank of Ethiopia response the compliance of the customers.

Table 10; is the relationship with Commercial Bank of Ethiopia fulfills your expectation?

| Commercial Bank of Ethiopia employees are willing to receive complaints | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 16 | 9.41% |
| Disagree | 43 | 25.29% |
| Agree | 75 | 44.12% |
| Strongly Agree | 36 | 21.18% |
| **Total** | **170** | **100%** |

The table 10 above shows responses on whether Commercial Bank of Ethiopia the relationship with Commercial Bank of Ethiopia fulfills your expectation or not. From the table above, 34.71% of the respondents disagreed (9.41% were strongly disagree and 25.29% were disagree) with that statement while 65.29% agreed (44.12% agree and 21.18% strongly agree) to that statement. This shows

that most of the time the relationship with Commercial Bank of Ethiopia fulfills customers' expectation.

Table 11; is Commercial Bank of Ethiopia putting enough effort on retaining customers?

| Commercial Bank of Ethiopia is putting enough effort on retaining customers | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 6 | 3.53% |
| Disagree | 28 | 16.47% |
| Agree | 94 | 55.29% |
| Strongly Agree | 42 | 24.71% |
| **Total** | **170** | **100%** |

The table 11 above shows responses on whether Commercial Bank of Ethiopia is putting enough effort on retaining customers or not. From the table above, 20% of the respondents disagreed (3.53% were strongly disagree and 16.47% were disagree) with that statement while 80% agreed (55.29% agree and 24.71% strongly agree) to that statement. This shows that most of the customers of the bank is putting enough effort to retain its customers.

Table 12; does Commercial Bank of Ethiopia make adjustment to suit my banking service needs?

| Commercial Bank of Ethiopia makes adjustment to suit my banking service needs | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 7 | 4.12% |
| Disagree | 33 | 19.41% |
| Agree | 87 | 51.18% |
| Strongly Agree | 43 | 25.29% |
| **Total** | **170** | **100%** |

The table 12 above shows responses on whether Commercial Bank of Ethiopia makes adjustment to suit customer banking service needs or not. From the table above, 20% of the respondents disagreed (3.53% were strongly disagree and 16.47% were disagree) with that statement while 80% agreed (55.29% agree and 24.71% strongly agree) to that statement.  This shows that the bank make adjustment to suit my banking service needs to satisfy customers' needs.

Tables 13; does Commercial Bank of Ethiopia always minimize banking problem to satisfy your interests?

| Commercial Bank of Ethiopia always minimize banking problem to satisfy your interests | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 13 | 7.65% |
| Disagree | 40 | 23.53% |
| Agree | 78 | 45.88% |
| Strongly Agree | 39 | 22.94% |
| **Total** | **170** | **100%** |

The table 13 above shows responses on whether Commercial Bank of Ethiopia always minimizes banking problem to satisfy your interests or not. From the table above, 31.18% of the respondents disagreed (7.65% were strongly disagree and 23.53% were disagree) with that statement while 68.82% agreed (45.88% agree and 22.94% strongly agree) to that statement.  This shows that the bank minimize banking problem to satisfy your interests.

## 2.7. Questions about customers Loyalty

Table 14; are you very likely to switch to another service provider if you can get a competitive bank?

| I am very likely to switch to another service provider if I can get a competitive bank? | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 13 | 7.65% |
| Disagree | 28 | 16.47% |
| Agree | 91 | 53.53% |
| Strongly Agree | 38 | 22.35% |
| Total | 170 | 100% |

The table 14 above shows responses on whether I am very likely to switch to another service provider if I can get a competitive bank or not. From the table above, 24.12% of the respondents disagreed (7.65% were strongly disagree and 16.47% were disagree) with that statement while 75.88% agreed (53.53% agree and 22.35% strongly agree) to that statement. This shows that most of the customers were agreed to switch to another bank if they get a better banking service.

Table 15; when problem occur I prefer to try to understand the situation and wait patiently for the solution?

| When problem occur I prefer to try to understand the situation and wait patiently for the solution? | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 4 | 2.35% |
| Disagree | 47 | 27.65% |
| Agree | 81 | 47.65% |
| Strongly Agree | 38 | 22.35% |
| Total | 170 | 100% |

The table 15 above shows responses on whether when problem occur I prefer to try to understand the situation and wait patiently for the solution or not. From the table above, 30% of the respondents disagreed (2.35% were strongly disagree and 27.65% were disagree) with that statement while 70% agreed

(47.65% agree and 22.35% strongly agree) to that statement.  This shows that most of the customers were agreed to try to understand the problems and wait patiently till the problem is solved.

Table 16; I feel happy to be with Commercial Bank of Ethiopia as it is my service provider

| When problem occur I prefer to try to understand the situation and wait patiently for the solution? | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 8 | 4.71% |
| Disagree | 53 | 31.18% |
| Agree | 77 | 45.29% |
| Strongly Agree | 32 | 18.82% |
| **Total** | **170** | **100%** |

The table 16 above shows responses on whether the customers feel happy to be with Commercial Bank of Ethiopia as it is their service provider or not. From the table above, 38.55% of the respondents disagreed (4.71% were strongly disagree and 31.18% were disagree) with that statement while 64.12% agreed (45.29% agree and 18.82% strongly agree) to that statement.  This shows that most of the customers were agreed to try to understand the customers feel happy to be with Commercial Bank of Ethiopia as it is their service provider.

Table 17; Customers involvement in the process has a big impact on keeping customers committed to the banks service

| Customers involvement in the process has a big impact on keeping customers committed to the banks service | Number of Respondents | Percent of respondents |
|---|---|---|
| Strongly disagree | 13 | 7.65% |
| Disagree | 53 | 31.18% |

| | | |
|---|---|---|
| Agree | 69 | 40.59% |
| Strongly Agree | 35 | 20.59% |
| **Total** | **170** | **100%** |

The table 17 above shows responses on whether the Customers involvement in the process has a big impact on keeping customers committed to the banks service or not. From the table above, 38.82% of the respondents disagreed (7.65% were strongly disagree and 31.18% were disagree) with that statement while 61.18% agreed (40.59% agree and 20.59% strongly agree) to that statement. This shows that most of the customers were agreed to try to understand the Customers involvement in the process has a big impact on keeping customers committed to the banks service.

# CHAPTER FOUR

## 4. Summary of Findings, Conclusion and Recommendations
## 4.1. INTRODUCTION

This chapter provides a summary of the study which includes findings with interpretations presented in chapter three. It also highlights the critical lessons drawn from the study.  The chapter ends with appropriate recommendations aimed at fostering improvement to the CBE operations and to all stakeholders.

## 4.2. SUMMARY OF FINDINGS

The aim of relationship marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met.  Similarly, its goals are to create and maintain lasting relationships between the Bank and its customers that are rewarding for both sides.  This is achieved by a mutuality and fulfillment of promises.  In other words, a key objective is to foster customer loyalty, which is defined as a deeply held commitment and trust to support a  preferred product  or  service  in  the  future  despite  there  are  situational  influence and marketing  efforts  having  the  potential  to  cause  switching  behavior. This  normally  concludes  into  developing  brand  loyalty  on  the  part  of  the customer with  the  company in question.  It  is  therefore  crucial  that  the Bank  come to an end  the  opportunity  to  build  their  brands through a well-developed relationship over time that breeds loyalty among customers.

As the study shows, the bank is receiving strong positive word of mouth from its customers  to  their  friends  and  relations  although  other  factors  have  a strong  role  to  play  to  why people bank with Commercial Bank of Ethiopia. The bank is doing well by maintaining the relationship it initiates  with  its customers  but  must  work  on  improving  the  number  of  contact  time  with them  as  relationship  marketing  provides  them  with  the  opportunity  to  do so.  This  thus agrees  with  literature survey  indicating  that  it  is  cheaper  to

serve an existing customer than to attract and serve a new one . It thus rests on the Bank to reduce uncertainty of demand by building better relationship with customers.

The bank's level of adoption of relationship marketing is moderately high as the above analysis indicates. Commercial Bank of Ethiopia response to customer concerns is very impressive. The bank had also performed credibly in terms of maintaining a bias free relationship as a result of customers' gender, sex, educational background, and marital status. Customers indicated that they have not experienced any challenges as a result of their demographic background also.

## 4.3. CONCLUSIONS

In most studies conducted, it has shown that relationship marketing is a factor in customer Satisfaction and loyalty. This study does not show otherwise. From the analysis it can be seen that factors like customers relationship with the Bank, keeping in touch with customers, keeping close cooperation with customers, building a long term relationship, providing services on time, flexible working hours, customers trust in employees, sincere and detail information about all terms and conditions, willingness of employees to help where necessary all contributed with customer loyalty in Commercial Bank of Ethiopia. Generally, customers are satisfied with the services provided to them and they are willing to give a positive word of mouth about Commercial Bank of Ethiopia notwithstanding the fact that Commercial Bank of Ethiopia does not understand how they feel, does not see things from their point of view and does not offer customized attention. It can therefore be concluded that customer relationship marketing had an effect on customer loyalty in Commercial Bank of Ethiopia, Addis Ababa with the three branches limited.

## 4.4. RECOMMENDATIONS

The Commercial Bank of Ethiopia, based on the survey, appears to be doing quite well with their customers; more especially in the way they have related to them. It is therefore very difficult to make a lot of recommendations to that effect. These recommendations that are being made are to help consolidate its market leadership and improve on the better services given to customers. However, it must be emphasized that, in the area of bonding, customers do not particularly feel so much related with Commercial Bank of Ethiopia which therefore cause for a managerial look being taken at that. This comes in the form of keeping in touch with customers constantly and building close co-operation with the Bank.

The concept of customer participation in the service delivery process has a long history and is identified as one of the distinguishing characteristics of services. Participation in service relationships is held to be of particular importance for services in which credence qualities play an important role in customer loyalty evaluation and in which perceived risk is high otherwise. Since customer relationship marketing characteristics are relevant to financial services like in Commercial Bank of Ethiopia.

Commercial Bank of Ethiopia needs to improve upon the number of contact days it has with its customers. So customers can have ample time to access the service and discuss the challenges they face in accessing the services of the bank. This can possibly explain why a significant number of customers did not provide answers to how the bank dealings with customer concerns.

Again, it must be put out that, the overall aspect of the Bank's relationship building is a bit questionable. Customers want to feel that Commercial Bank of Ethiopia knows their problems and must show keen interest in helping them solve it. Customers want a follow-up individually as revealed in the survey. In some cases, Commercial Bank of Ethiopia must offer personalized

attention to customers who may so need. This will bring a feel of belongingness which eventually builds the brand loyalty the Bank so desires.

Finally, Commercial Bank of Ethiopia staff must be trained to be more responsive in the form of devoting time to help meet all the needs of customers, give fast and efficient service, and give sincere and detail information on the solutions that will help solve the challenges of customers.

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# APPENDIX. I

## Customer questionnaire

## Questionnaire:

This questionnaire seeks to solicit your view concerning the use of customer relationship marketing in the banking industry for customers' loyalty towards CBE. You will reasonably contribute immensely to this if you candidly respond to the questions that follow. The questionnaires expected to be returned as soon as possible. There is no need of writing the name and personal address of the respondents in order to keep the responses confidential and never be disclosed for anything (Any information provided will be treated with utmost confidentiality). Thank you.

**Part 1: Demographic Profile** (please tick [✓] your choice)

1. What is your Age group?

   o   Below 25 years

   o   Between 25-35 years

   o   Between 35-45 years

   o   greater than 45 years

2. What is your Gender?

   o   Male

   o   Female

3. What is your highest level of Education?

   o      Below diploma

   o      Diploma

   o      First Degree

   o      Post graduate

   o      PhD

   o      Other's specify……………………………………………………..

4. For how long have you used bank transaction activities with CBE?

   o   less than 1 year

   o   Between 1-3 years

   o   Between 3-5 years

In

your fair view, how satisfied are you with the following provisions at CBE? Please tick the level of satisfaction you are having from the bank bellow the numbering rate given:

1. Highly agree

2. agree

3. Disagree

4. Highly disagree

| No. | Questions | 1 | 2 | 3 | 4 |
|---|---|---|---|---|---|
| 1 | The staffs are identifying customer needs by studying their profile every time | | | | |
| 2 | The staffs are usually calling customers regularly on their account information | | | | |
| 3 | The bank provides up to date information to you for review on your accounts | | | | |
| 4 | The bank is having telephone calls and text message to verify cheques that have been issued to you | | | | |
| 5 | Providing ATM's at filling stations and malls for easy cash withdrawals | | | | |
| 6 | Providing free ATM charges for customers of CBE | | | | |
| 7 | Providing free drinks at banking halls for waiting customers | | | | |
| 8 | The bank system extends banking hours to cater for customer needs | | | | |
| 9 | There is an information to the customer for the new branch nearby | | | | |
| 10 | There are better problem resolving habits in the bank system | | | | |
| 11 | There is a formal channel for any complain and will be solved timely | | | | |
| 13 | I am fully satisfied about the service of the bank | | | | |
| 14 | The courteousness of frontline staff of CBE are working well to satisfy customers | | | | |
| 16 | The relationships i have with the bank encourages me to refer someone to CBE? | | | | |
| 17 | The bank provides quality of services to me | | | | |
| 18 | I am using CBE since there is friendship relationship with certain banks' employees | | | | |
| 19 | I chose CBE because of lack of information regarding alternative attractive offers | | | | |
| 20 | I think one's relations with the bank will lead to a person's loyalty with the bank? | | | | |

APPENDIX II

Managers interview questions

1. Do you know about Relationship Marketing (RM)?
   If yes, what do you know?
2. What relationship marketing efforts have you noticed in your local market, if any?
3. Would you consider employing relationship marketing in your bank? Why?
4. What proportion of your new customers are individuals switching from competitors? If known, why do these customers change banks?
5. How do you resolve conflicts with your customers? Please give an example if possible.
6. What are some of the reasons that customers no longer conduct business with your bank? Are you aware of any indicators for this?
7. Do you prefer to work with a few selected "value-creating" customers or try to encourage as many new customers as possible? Why?
8. Do you change your working procedures in order to adapt to your customers needs? Please explain why, giving examples where applicable.