ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON

PROFIT PERFORMANCE:

A CASE STUDY OF DEVELOPMENT BANK OF ETHIOPIA

BY

DEREJE TEKLIYE

JANUARY, 2017

ADDIS ABABA, ETHIOPIA

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DECLARATION

I, the under signed, declare that this thesis is my original work and all sources of materials used for this thesis have been duly acknowledged. The paper has never been presented in this or any other university for the award of any academic degree, diploma or certificate.

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ENDORSEMENT

This thesis has been submitted to St. Mary's university, School of Graduate Studies for examination with my approval as a university advisor.

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Advisor   Signature

St. Mary's university, Addis Ababa   **January, 2017**

CONTENTS

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List of Abbreviations

BPR	Business Process Re-engineering
BSC	Balanced Score Card
CRM	Customer Relationship Management
DBE	Development Bank of Ethiopia
ERP	Enterprise Resource Planning
SPSS	Statistical package for social science

List of Tables

List of Figures

Abstract

Customer relationship management is an issue that every company, large or small, must tackle. Customers are the life-line of every business and the growth of every business depends on the relationship that the company has with its customers. This study examined the effect of customer relationship management (CRM) on profit performance of Development Bank of Ethiopia. The research was a blend of descriptive and causal research in design. A probabilistic sampling technique was employed to determine number of respondents. Hence, the data was collected from 250 employees of 10 districts offices and head office selected randomly by using a questionnaire. Both primary and secondary sources like annual report of the bank and magazine of the bank were also used. Statistical package for social sciences was used in running the outcomes of the study. After checking the normality of the data, inferences were later drawn from results of Pearson's Correlation analysis to assess the relationship between independent and dependent variables. Furthermore, multiple regression analysis was employed to assess the relative influence of each CRM dimensions on profit performance. The responses of employees showed that the practice of CRM in the bank is poor. According to the finding a strong, positive and significant relationship was observed between all CRM dimensions and profit performance. Among the four dimensions (key customer focus, CRM organization, customer knowledge management and CRM based technology), CRM based technology was identified and concluded as the dimension with the highest influence on profit performance. Therefore, since the perception of the employees regarding CRM practice and the profit performance of the bank is not good the bank should focus on CRM dimension practice to increase its profit.

Key words: - Customer Relationship Management (CRM), profit performance

CHAPTER ONE

INTRODUCTION

This chapter begins with research background to give an idea about the area of the paper to the reader. This was followed by, background of the organization, the statement of problem, the formulated research questions, objectives, significance of the study, scope of the study, limitation of the study and finally organization of the paper.

1.2. Background of the study

Banking industry has a growing impact on all other sectors of the economy and it is known to be highly human intensive and customer interactive industry where customer relationship management (CRM) is realized and more applicable (Winer, 2001).

Today, organizations like banks are operating in a customer oriented environment in which customer is the real ruler of market. This critical issue is forcing them to consider customer as an asset requiring management Ghalandari (2012). From this ground in today's competitive economy, enterprises are realizing the importance of becoming customer centric, and they are adopting Customer Relationship Management (CRM) as a core business strategy (Wu, J. 2008).

Customer relationship management as a strategy is becoming more useful to manage customers because it focuses on understanding customers as individuals instead of as part of a group. The effective relationship between customers and banks depends on the understanding of the different needs of customers at different stages. The ability of banks to respond towards the customers' needs make the customer feel like a valuable individual rather than just part of a large number of customers (Lambert, 2010).

Recently, Customer relationship management is becoming progressively significant to firms in their effort to improve their profitability performance through customer retention, customer acquisition, market share, and sales volume throughout long-term relationships with customers. This condition has been forcing business firms to invest heavily in information technology assets for better management of their collaborations with customers before, during and after purchase (Bohling et al., 2006).

According to Dowling (2002), Customer Relationship Management (CRM) is premised on the belief that developing a relationship with customers is the best way to get them to become loyal, and that loyal customers are more profitable than non-loyal customers. The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, attract former clients to return, and reduce the costs of marketing and client service.

It is a proven fact that the multi- dimensions concept of CRM can be considered relatively new, because of few studies made on the CRM dimensions of some service sectors such as banking. Thus, the range of information on this concept is quite limited.(Akroush et al., 2011). Although the concept is new, there are also evident facts about the effect of CRM on profit performance in financial institutions. For instance, CRM showed significant positive impact on marketing outcomes; customers' satisfaction, loyalty, and eventually on the company profitability (Akroush et al., 2011; Coltman, 2007).

Fox and stead (2001), developed a model with proven reliability test in financial sector and reached at a conclusion that the dimensions of CRM must work systematically in an organization to guarantee its improved performance. In the same scenario to investigate the effect of CRM on profit performance Sayed (2011), proposed CRM model for financial institutions. According to his model, CRM consists of four broad behavioral dimensions .These behavioral dimensions are: key customer focus, CRM organizations, Knowledge management and CRM based technology. Therefore this study bears on the conclusion made by Fox and stead and employed Sayad's model.

In Ethiopia, according to Shifera (2011), banking sector is considered as main recipient in recent economic growth .The birth of modern banking trace back to the imperial era, Bank of Abyssina being the first modern bank in Ethiopia. To summarize the history of modern banking in different era; during the imperial era different banks were allowed to function in the country i.e. both domestic and foreign banks, but after the socialist took over the power in 1974 it nationalized all private banks and restricted the entry of any banks by policies. During the socialist regime only three governments owned banks; the National bank of Ethiopia, the Commercial bank of Ethiopia and Agricultural and Industrial Development bank were running in the banking sector (Alemayehu, 2007).

A new era began after 1991, when EPRDF came in to power and allowed private ownership through licensing and supervision of banking business proclamation No. 84/1994. Immediately after the enactment of the proclamation, private banks began to thrive highly. Currently, after entry of private banks in Ethiopia, banks are fighting with each other to gain the maximum possible slice of the market share. From this practical situation, banks are discovering their strengths and weaknesses to satisfy their customers need and want through customer relationship management (Gashaw & Zemzem, 2014).

Beside the full implementation of Business Process Re-engineering (BPR), Balanced Score Card (BSC) and the practice of customer relationship management (CRM), to bring about institutional transformation and stay in the market, Development Bank of Ethiopia (DBE) has been working on automation of redesigned business processes through implementation of core banking software to change the stand alone system to networked one. From reviewed literatures, the effect of CRM on profit performance is justified in few banks. However, the effect of CRM on profit performance of Development Bank of Ethiopia is not yet addressed. For this reason, the researcher is motivated to investigate the effect of customer relationship management on profit performance with reference to the bank under consideration.

1.2. Background of the Organization

The development bank of Ethiopia (DBE) is one of the financial institutions engaged in providing short, medium and long term development credits. DBE's distinguishes feature is its "project" based lending tradition. Project financed by the Bank are carefully selected and prepared through appraised, closely supervised and systematically evaluated. Since its establishment in 1909, the bank has been playing a significant role in promoting overall economic development of the country.

The history of Development Bank of Ethiopia goes back to 1909 when the first attempts of its kind known as The Societe Narionale d' Ethiopie Pour le Development de l' agriculture et de Commerce (The Society for the promotion of Agriculture and Trade) was established in the Menelik II era. Since then the Bank has taken different names at different times although its mission and business purpose has not undergone significant changes except for occasional adjustment that were necessitated by change in economic development policies of the country.

3

The under listed names and periods are its predecessors since initial establishment: -

- ✓ Agricultural Bank of Ethiopia from 1945-1949
- ✓ Agricultural and Commercial Bank of Ethiopia from 1949-1951
- ✓ Development Bank of Ethiopia Share Company from 1951-1970
- ✓ Investment Bank of Ethiopia from 1964-1970
- ✓ Agricultural and Industrial Development Bank Share Company from 1970-1979
- ✓ Agricultural and Industrial Development Bank from 1979-1994
- ✓ Development Bank of Ethiopia since 1994- till now.

In long years of existence, DBE has established recognition at national and international levels. Nationally, it is the sole Bank with reputable experience in long term investment financing. Internationally, and it is recognized as an important on leading channel for development program financed by bilateral and/or multilateral sources.

Vision of DBE

"100% Success for All Financed Projects by 2020"

Mission of DBE

"The Development Bank of Ethiopia is a specialized financial institution established to promote the national development agenda through development finance and close technical support to viable projects from the priority areas of the government by mobilizing fund from domestic and foreign sources while ensuring its sustainability. The Bank earnestly believes that these highly valued objectives can best be served through continuous capacity building, customer focus and concern to the wider environment".

Values of DBE

- ✓ Commitment to mission
- ✓ Customer focus
- ✓ Integrity
- ✓ Team work
- ✓ High value to employees
- ✓ Learning organization
- ✓ Concern to the environment

Source: Company profile

1.3. Statement of the Problem

Until recently, the banking sector had operated like a monopoly within few numbers of banks in Ethiopia. Before the current era of the industry banks saw their existence and service as privilege to their customers. Still it is also observed that most Ethiopian banks traditionally laid more emphasis on attracting and prospecting for new customers than striving to retain old ones.

Today's customers are becoming more price conscious, more demanding of great service and are being approached by many more competitors with equal or even better offers at cheaper prices. The challenge therefore, is not to provide satisfied customers; but to produce delighted and loyal customers (Kolter and Armstrong, 2010).

Currently due to the competitive pressure and globalization, the banking sector in Ethiopia has shifted to the emphasis towards customer loyalty and retention to get high profit and continuous growth every time. The industry is therefore in urgent need to reposition itself towards the customer oriented doctrine in order to achieve growth. Consequently, the industries are now re-strategizing to meet current customers' expectations and where possible exceed such expectations through robust customer relationship management (CRM) policies and programs to remain in business and make profit.

In this specific area, literatures show studies have been made in most developed and in some developing countries. However, little has been made in our context. The reviewed researches in these context have reported a positive and direct relationship between CRM dimensions ((key customer focus, customer, CRM organization, knowledge management and CRM based technology) and market performance which increase profit (Namjoyan, 2013; Boateng, 2014; Sayed (2011).

In Ethiopia context Gebeyehu (2014), analyzed the effect of CRM on profit and market performance by considering branches of Commercial bank of Ethiopia, Awash International bank & Wegagen bank located in Mekele city. The finding of the study showed that the existence of a positive and significant relationship between CRM dimensions and profit performance.

Although the study has made a great contribution for empirical documentation of CRM in Ethiopian, the study has been restricted to those commercial banks which are mainly participating in commercial activities through mobilizing deposit and transaction. This is to mean that the study overlooked Development bank of Ethiopia which is uniquely engaged in financing investment projects which are prioritized and expected to answer the growth and development agenda of the country where in the issue of customer relationship management is more relevant.

The profit performance of the case bank was increasing and decreasing trend for the last five years starting from 2012-21016, but in general the trend show that the profit performance of the bank increasing at decreasing rate for the first four years and decrease in the fifth year. The profit performance of the bank was decrease in 2016 by 39.25 % from preceding years. Hence, conducting this research on the case bank was to assess and really know the effect of Customer Relationship Management (CRM) on profit performance of the bank and fill the existing empirical literature gap for the next significant researches.

1.4. Research Questions

Based on the above research problems, the following questions are for further investigation of the topic:

> ➢ How are customer relationship management dimensions perceived by employees of the bank?
> ➢ How do employees rate the bank's profit performance?
> ➢ What is the relationship between CRM dimensions and bank profit performance?
> ➢ Which dimension(s) of CRM significantly affect the profit performance of the bank?

1.5. Research Objectives

1.5.1 General objectives

The general objective of this study is to examine the effect of customer relationship management on profit performance of the case bank.

1.5.2 Specific objectives

The specific objectives of this research are:

- ❖ To examine the perceptions of employees towards CRM practice in the case bank.
- ❖ To examine the perception of employees regarding the current status of the bank's profit performance.
- ❖ To test whether CRM dimensions (key customer focus, CRM organization, customer knowledge management and CRM based technology) and bank profit performance have relationship or not.
- ❖ To identify the relative influence of CRM dimensions (key customer focus, knowledge management, CRM based technology and CRM organizations) on bank profit performance of the case bank.

1.6. Research Hypotheses

To provide answers to the research questions the following hypotheses was tested in this research.

- ➤ **H1**: Key customer focus has positive and significant influence on profit performance.
- ➤ **H2**: Customer knowledge management has positive and significant influence profit performance.
- ➤ **H3**: CRM organization has positive and significant influence on case bank profitability.
- ➤ **H4:** Technology based CRM has positive and significant influence on case bank profitability.

1.7. Significance of the Study

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. Therefore, conducting this study on public bank like the case bank is important, because the finding of this study will be significant to the bank in supporting decisions on using its resources to maintain the existing customers and attract the new ones by adopting effective customer relationship management in light of its competitors. The result of this study will offer valuable inputs and directions for the bank to consolidate its organizational productivity and customer knowledge management in order to increase its profitability.

The result of this study will also assist the responsible bodies by providing knowledge on how to identify the needs of their customers in delivering advanced technologies to improve the quality of their services and increase their profit. Furthermore, the study is believed to benefit both academicians and other practitioners as a documented study in this area.

1.8. Scope of the Study

This study mainly focused on examining the effect of CRM on Profit performance. Even though the concept of customer relationship management is very crucial and need to be seen at industry level, to conduct the study in depth with limited time, and budget constraint, the scope of this study is limited to investigation of effect of customer relationship management on profit performance on selected districts and head office of Development Bank of Ethiopia found in different geographical area of the country. The districts are found in Bahirdar, Jimma, Hawassa, Mekelle, Dessie, Gonder, Diredawa, Adama, Nekemete and Addis Ababa.

1.9. Definition of terms

Customer Relationship Management: is an enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty and customer profitability (Swift, 2001).

Profit performance: refers to the enhancement of the organizational standing in strong financials, in terms of market share, profitability, customer satisfaction, and customer retention which lead to high profit (Morgan and Strong, 2003).

1.10. Organization of the Study

The study consists of five chapters. The first chapter deals with introductory part which consists of background of the study, back ground of the organization, statement of the problem, objectives of the study, significance of the study, scope of the study and limitations of the study. The second chapter deals with review of related theoretical literature and empirical findings; the third chapter deals with research methods and methodology. The fourth chapter presents the discussions and results from assessment of customer relationship management and its relationship to profit performance. Finally, based on the analysis and interpretation, conclusions and recommendations were forwarded.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

This section reviews the literature written by different authors and researches conducted by different scholars in relation to the study and present a summary of CRM literature such as definitions, assumptions, major concepts regarding CRM and profit performance and review of empirical works. Finally, conceptual framework of the study is included by summarizing literature results.

2.2. Theoretical Review

2.2.1. Definitions of Customer Relationship Management

Various definitions have been provided for customer relationship management (CRM) by scholars. It is defined as a management approach which consists of methodologies, processes and software which help in establishment of an organized relationship with customers Bohling et al (2006). CRM means to create and maintain a specified relationship with profitable customers through using appropriate information and communication technology(Payne & Frow, 2005).

Furthermore, in a narrow sense, customer relationship management could be defined as *"managing detailed information about individual customers and carefully managing customer touch points maximize customer loyalty and if it is seen in a browed sense, it is also defined as the overall process of building and maintaining profitable customer relationship by delivering superior customer value and satisfaction"*(Kotler & Armstrong, 2010).

To make the above definitions conceptual , CRM continuum which is developed by Payne & Frow (2005) ,explain CRM adopted from different sources ranges from narrowing IT enabling solutions to a broadly and strategically approach to managing customer relationship as it is seen in figure2.1

Figure2.1: The CRM continuum, Payne & Frow, 2005

2.2.3. Views about Customer Relationship Management

Based on an extensive review of CRM definitions, Zablah et al.(2004), concluded that CRM conceptualizations take one, or a combination of five complementary perspectives: CRM as a strategy, as a philosophy, as a process, as an information technology application, and as an organizational capability. CRM as a philosophy considers customer loyalty key to business profitability. To achieve loyalty, firm must shift their focus from getting customers to retaining customers (Reichheld, 2006).

When CRM is seen as strategy, attention is directed to maximizing the use of organizational resources towards a favorable market position. Under this perspective, researchers emphasize that not all relationships are good, and that customers who contribute the highest value to the firm deserve more attention from managers (Ryals, 2005).

Many researchers see CRM as a processor a collection of tasks or activities that help organization achieve desired business outcomes (Reinartz et al., 2004), and others look at the customer knowledge management processes (Sin, et al., 2005).

CRM is also seen as an information technology solution or an enterprise application system that supports the building of profitable customer relationships (Torggle, 2008; Ang&Buttle, 2006). Although the importance of technologies such as the internet, sales force automation, call centers, and data mining in CRM is well acknowledged, many researchers agree that CRM is more than a technology, especially with poor to moderate empirical evidence on a direct link between technology and organizational performance (Minami & Dawson, 2008; Day & Van den Butle, 2002; Reinartz et al., 2004).

Recently more attention was directed to CRM as an organizational capability that contributes to the creation of a competitive advantage (Campbell, 2003; Day & Bulte, 2002; Day, 2000). A capability is defined as the capacity of a team of resources bundled together to perform a task or an activity. While resources are the source of capabilities, capabilities are the main source of a firm's competitive advantage (Grant, 1991). Capabilities have four sources; employees' knowledge and skills, technical systems which include information systems and formal procedures for dealing with problems, the management system, and the unifying values and norms (Day, 1994). According to the capability view, firms need to acquire and integrate resources that increase their responsiveness to the changing needs of individual customers

(Peppers & Rogers, 2004). One can argue that CRM as a capability is the most comprehensive view of CRM, because it combines CRM processes with other complementary tangible and intangible assets deemed necessary to carry out such processes.

In reviewing the aforementioned facts, the definition used by Swift (2001), with slight modification can be used for the purpose of this study. *"CRM is the enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer satisfaction, customer acquisition, customer retention and increase profitability by efficient integration of key customers focus, knowledge management, CRM technology, and CRM organization "*.Modified definition of CRM by the researcher.

2.3. Empirical Reviews on Customer Relationship Management

A considerable quantity of prescriptive literature is available to explain the importance of customer relationship management in different organization particularly in financial institution like banks.

Swaminathan (2004) conducted a research in Hong Kong China. The sample included a number of different organizations such as banks, investment companies, insurance companies and other institutions characterized by good relationships with customers. Data was collected from senior managers in these organizations by means of questionnaire. Accordingly, the study concluded that there are four dimensions of CRM. Three of these four dimensions, (Key customers focus, organizing around CRM, and managing knowledge) directly and indirectly affected the performance (customer's satisfaction- customer retention- the growth of sales). However, the fourth dimension (technology) did not lead to increasing the customer's satisfaction and loyalty in the long run

In the developing countries case, Boateng (2014) examined the effect of customer relationship management (CRM) dimensions on some selected banks' performance in Accra, Ghana. Factors used were based on the dimensions of CRM and how each of them affects the performance and retention of customers to the selected banks. Through a random sampling technique, a sample of nine banks (private, public and international banks) was considered for data collection and as a quantitative study; close and opened questions in the form of questionnaires were used as the main instrument for gathering data. From the finding of the research a positive relationship was

established among most of the dimensions with some having effect on the performance of the selected banks. In the same scenario, among the four dimensions considered, (Customer orientation, Knowledge management, Technology Based CRM and CRM organization), customer orientation was identified as the dimension with the highest association with banks' performance and customer loyalty.

Ramezanpour et al. (2013), also conducted a research to assess the impact of customer relationship management (CRM) dimensions on the financial performance of banks (Case Study: Mellat Bank, City of Rasht, Iran.) In the research, customers' relationship management dimensions, their impacts on the financial performance of banking services were studied. To achieve the research objectives, information technology, knowledge management, customer response and customer interaction management as the customer relationship management dimensions were identified and four hypotheses were established to test the impact of these dimensions on Mellat bank's financial performance in Rasht. In order to collect data, a standard questionnaire containing 18 questions was used. The questionnaires were distributed among 203 bank employees as the statistical samples. To test the hypotheses, the Pearson Correlation Coefficient Method, Simple Linear Regression and Multiple Regression Analysis were used. Test results showed that there is a positive significant relationship between the dimensions of customer relationship management and the financial performance. The impact coefficient of all the hypotheses through regression tests was positive in which information technology has had the greatest effect.

In Ethiopian context Gebeyehu, 2014 conducted a research to investigate effects of Customer Relationship Management on profit and Market Performance. A descriptive research design was used to investigate the influence of CRM (key customer focus, customer knowledge management, CRM organization and technology based CRM) on profit and market performance in banking industry with reference to Wegagen bank, Dashen bank and Commercial Bank of Ethiopia (CBE). The findings confirmed that all the independent variables (key customer focus, knowledge management, CRM organization and technology based CRM) have a positive and significant relationship with profit and market performance in selected commercial banks. Based on the results of the descriptive statistics, the research conclude that the higher the level of key customer focus, customer knowledge management, CRM organization and technology based

CRM perceived by employees, the higher level of profit performance can be achieved by selected Commercial banks.

2.4. CRM and the Bank Industry

As a strategic approach, CRM incorporating a process of maintaining valuable long term relationships with clients by providing the firm with an enhanced opportunity to understand its clients (Christopher, Payne & Ballantyne, and 1991). The fundamental motivation why firms should build relationships with clients and successfully manage these relationships is of an economic nature (Buttle, 2004).It is a key objective of CRM strategies that firms should generate better results when managing clients by identifying, satisfying and retaining the most profitable clients. CRM helps to accelerate the revenue and profit growth of firms. Many owners and/or managers have stabilized or grown their firms by viewing their investment in CRM as a main priority (Kennedy, 2004). According to Liyunet 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.

2.5. Relationship between CRM and employees of the Bank

Employees in any organizations are directly involved in strategies that an organization set. According to Ang, L. & Buttle (2006), CRM can be applied on three levels within an organization, leading to strategic, operational and analytical CRM. Strategic CRM is focused on the development of a customer-centric business culture and involve executive management. Operational CRM is focused on the automation of the customer-facing activities of an organization and involve middle-level management, for example a branch manager of a bank. Operational CRM may lead to marketing-, sales- and service automation. Analytical CRM is concerned with exploiting customer data with the application of data mining tools. It is evident that all employees are involved with CRM, either through their direct interactions with clients or their involvement in and application of processes, tools and methods used to enhance client value. As described by different scholars, profit performance consists of the following components:

2.5.1. Sales Growth

It is testified by many researchers that reducing customer defections by 5 % can boost profits by 25 % to 85 % (Reichheld and Sasser, 1990 as cited by, Ampoful, 2012). This impressive finding has been advocated as a strong justification for increased investments in CRM systems (Pfeifer and Farris, 2004).

As to Ang, L., & Buttle, 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.

2.5.2. Customer Retention

According to the research made by Ghavami (2006), customer retention has a significant relation on firm profitability and concludes 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 towards increasing customer retention and prolonging the lifetime of customers to increase profit 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.

2.5.3. Customer Satisfaction

Kotler and Armstrong (2010), defined satisfaction as a person feeling of pleasure or disappointment resulting from comparing a product perceived performance or outcome in relation to his or her expectation. 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*". 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.

According to Nelson (2012, as cited in Thuita and Muturi, 2014), the level of customer satisfaction on the service provided has a tremendous effect on profitability of an organization. His study revealed that, a totally satisfied customer contributes 2.6 times as much revenue to a company as a somewhat satisfied customer. And, a totally satisfied customer contributes 17 times as much revenue as a somewhat dissatisfied customer. Whereas, a totally dissatisfied customer decreases revenue at a rate equal to 18 times what a totally satisfied customer contributes to a company.

2.5.4. Effect of CRM on Profitability

In financial services due to intense competition relationship strategies plays an important role in profit generation process. Peppers and Rogers, (2000), conducted a research and find out about the effect of CRM on the return on investment (ROI) of an organization in financial services. They found that firms with high CRM practices generate more profits than others with low CRM practices.

16

As it is observed in table 2.1 below, only 1% of customers from high CRM providers are likely to swift away one or more products in next 12 months as compared to others with medium 10% and low 26%. Hence, CRM has a strong effect on the profitability of an organization. If implemented properly it produces positive results on the other side improper management of CRM solutions results in downfall of an organization. Management of individual customer relations results in enhanced customer loyalty, thus increasing the profitability of an organization (Peppers and Rogers, 2000).

Table2.1. Relationship between CRM and profitability

CRM	% likely to add	% likely to switch
Low CRM	15%	26%
Medium CRM	21%	10%
High CRM	**31%**	**1%**

Source: Peppers and Rogers (2000)

2.6. Banks in Ethiopia

As it is known after EPRDF came in to power and allowed private ownership through licensing and supervision of banking business proclamation No. 84/1994, sixteen commercial banks and three publicly owned banks are operating in the country. In the current situation commercial banks in Ethiopia are fighting with each other to gain the maximum possible slice of the market share and generate a profit as maximum as they could. Currently there are two public owned banks because of business and construction bank was merged with commercial bank of Ethiopia.

Here, even if Development bank of Ethiopia categorized under different category, to highlight the overall profit performance of the banks operating in the country the researcher has listed their profit performance for the year ended 2015/2016 in the below table 2.2

Table 2.2: Summery of profit earned for budget year 2015/16

N<u>o</u>	Bank name	Year of Establishment (G.C)	N<u>o</u> of Branches	Profit in ET.Br (2015/16)
1	Commercial Bank of Ethiopia	1963	1,136	13,900,000,000.00
2	Dashen Bank s.co.	2003	196	727,049,906.00
3	Awash International Bank s.co	1994	191	743,765,868.00
4	Development bank of Ethiopia	1909	105	413,961,000.00
5	Cooperative Bank of Oromia s.co	2005	188	274,143,754.00
6	Nib International bank s.co.	1999	157	356,678,952.00
7	Wegagen Bank s.co.	1997	189	-
8	Bank of Abyssina s.co.	1996	111	374,781,181
9	United Bank s.co.	1998	145	339,015,308.00
10	Oromia International Bank s.co.	2008	165	-
11	Birhan International Bank s.co.	2010	103	364,500,000.00
12	Zemen bank s.co. s.co.	2009	1	202,017,692
13	Lion International Bank s.co.	2006	67	196,155,996
14	Buna International Bnak s.co	2009	100	100,877,264
15	Abay Bank s.co	2010	134	146,505,042.19
16	Addis International Bnak s.co	2011	48	64,016,726.00
17	Enat bank s.co	2013	20	39,285,427.00
18	Debub Global Bank s.co	2012	32	**-**

Source:- Annual Report and Audit Report of banks

Table 2.3: The trend of profit performance in the case bank for five years starting from 2012- 2016

years	Profit per annual	Percentage Change
2012	360,971,289.00	-
2013	492,645,744.00	36%
2014	532,992,042.00	8%
2015	681,437,386.00	28%
2016	413,961,000.00	-39%

As shown from the above table the profit performance of the bank was increasing at decreasing rate. Especially the profit performance of the bank was decrease in 2016 by 39 percent from preceding years.

2.7. Dimension of Customer Relationship Management.

According to the research conducted up to now it seems that CRM is a multi-dimensional concept consisting of four parts of strategy, people, technology and processes (Fox and stead, 2001). To drive the point to the study, it can be said that CRM consists of four broad behavioral dimensions (Sin et al., 2005). These behavioral dimensions are: key customer focus, CRM organizations, Knowledge management and technology -based CRM. Here under each of they are explained.

2.7.1. Key Customers Focus

Focusing on key and main customers includes intensive attention of organization to customers, providing excellent and creating added-value for customers through providing customized services which in turn consists of such parts as customer oriented marketing, customer life cycle value, customization and interactive marketing (Lee J, Chow R, Sin L and Tse A (2000) Customer-oriented marketing means to exert efforts to understand and meet demands of a particular group of customers. CRM intensively emphasizes on choosing key customers of organization. Key customers are ones who are of more importance for organization from strategically viewpoint and are more profitable (Ryals L, Knox S, 2001). Customer life cycle value consists of net income from customer minus costs of attraction, sales and providing services to customers with respect to value of money at that time.

According to Armstrong and Kotler, (2002), 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. 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.

2.7.2. Customer Relationship Management Organization

Based on the customer relationship management, main dimensions of successful organizational organizing include organizational structure, organizational resources commitment, and human resources management commitment. Contacting the individuals is the most difficult stage in customer relationship management process. Internal marketing plays the most important role of customer-oriented and customer services delivery in every organization. Internal marketing is resulted from interaction between human resource management and marketing (Akroush etal, 2011).

CRM organizing is defined as the supporting organization structure, incentives, resources allocation, and management controls that enables building and sustaining customer relationships (Day and Vanden Bulte 2002; Jayachandran et al., 2005; Sin et al., 2005). Organizational structures that support cross functional communication and coordination, as well as rewards and training programs designed around customers' needs resulted in higher relationship quality, which in turn positively influenced organizational performance (Chang, 2007).

For a better CRM implementation and total quality assurance of those strategies, there is a need to employ total participation from all levels of the organization. The organizational structure is supposed to be redesigned to include proper and effective lines of communication (Liu, 2007). Mechinda and Patterson (2011) and Dutu and Halmajan (2011) stated that for service employees to display customer-oriented behavior, organizations must develop a climate for service in the work which includes providing staff with modern tools and technology, customer satisfaction

tracking and complaint management systems, inspiring service leadership, and an appropriate reward system.

2.7.3 Knowledge Management

In today's competitive world, knowledge is considered as one of the competitive factors in global economy. It is necessary to consider the customer as another important factor in order to enter today's dynamic market successfully which is the means to generate profit. Customer knowledge management refers to acquiring, sharing, and developing the customer knowledge among employees for making profit to the organization and customers. Therefore, it can be concluded that knowledge management is an integrative part of customer relationship management (Salomoun et al,2005).

Currently 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.

2.7.4. Technology based-CRM

According to Jayachandranet al.(2005), CRM technology includes all the information systems used to support front office functions (sales, customer service, and marketing) and back office applications that deal with data integration and analysis.

CRM involves gathering a lot of data about the customer. The data is, then, used to facilitate customer service and transactions in order to meet customers' needs. This results in more satisfied customers, a more profitable business and more resources available to the support staff. According to Kotler (2010), customer relationship management helps companies to provide excellent real-time and customer service by developing a relationship with each valued customer through the effective use of individual account information based on what they know about each customer. It leads to

information integration and sharing that influences smooth and efficient firm-customer interactions, appropriate analysis of customer data and customization of response (Mukerjee & Singh, 2009).

2.8. Conceptual Model of the influence of CRM Dimensions on profit performance

To monitor the progress of CRM, organizations need to have a set of CRM Metrics such as: employee's participation in CRM, consolidation, retention, defection rates, brand impact, customer satisfaction ratings & loyalty levels, customer knowledge, customer entanglement and learning relationships. These metrics should be linked to business metrics such as revenue, cost-efficiency, and cross-sell, up sell rate, market share, mind share, customer share, and profitability. , Rogers & Peppers (2000).

Recently, CRM researchers acknowledged the view of CRM as a capability, and have adopted the resource based view as the most appropriate theoretical framework to assess its impact on organizational performance (Keramati, Mehrabi, &Mojir, 2010; Kim & Kim, 2009; Rapp, Trainor, &, Agnihotri, 2010 as cited by Elkordy,2014). For example, Wang and Feng (2012) proposed that customer orientation, customer centric management systems, and CRM technology influence organizational performance through three CRM capabilities (interaction management, relationship upgrading, and win-back).

Sin et al. (2005) developed a model of CRM dimensions consisting of: key customer focus, CRM organization, knowledge management, and technology-based CRM. To conclude, most of the aforementioned models agree on the significance of four dimensions of CRM, namely; key customer focus, CRM organization, customer knowledge management and CRM technology.

Sayed H. (2011), considered CRM as a multidimensional construct of four broad behavioral components consisting of key customer focus, CRM organization, knowledge management, and technology-based CRM and investigated the effect of these four CRM behavioral dimensions on profit 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.

Kotler and Armstrong (2004), described that the greater customer relationship capability will be achieved when the four dimensions of CRM work in coordination with this ground the study used sayad's model to analyze the effect of CRM dimensions on profit performance of the bank.

Figure 2.2: Conceptual framework of CRM and its relationship to profit performance

INDEPENDENT VARIABLES

DEPENDENT VARIABLE

Key customer focus

CRM organization

Knowledge Management

CRM based Technology

Profit performance
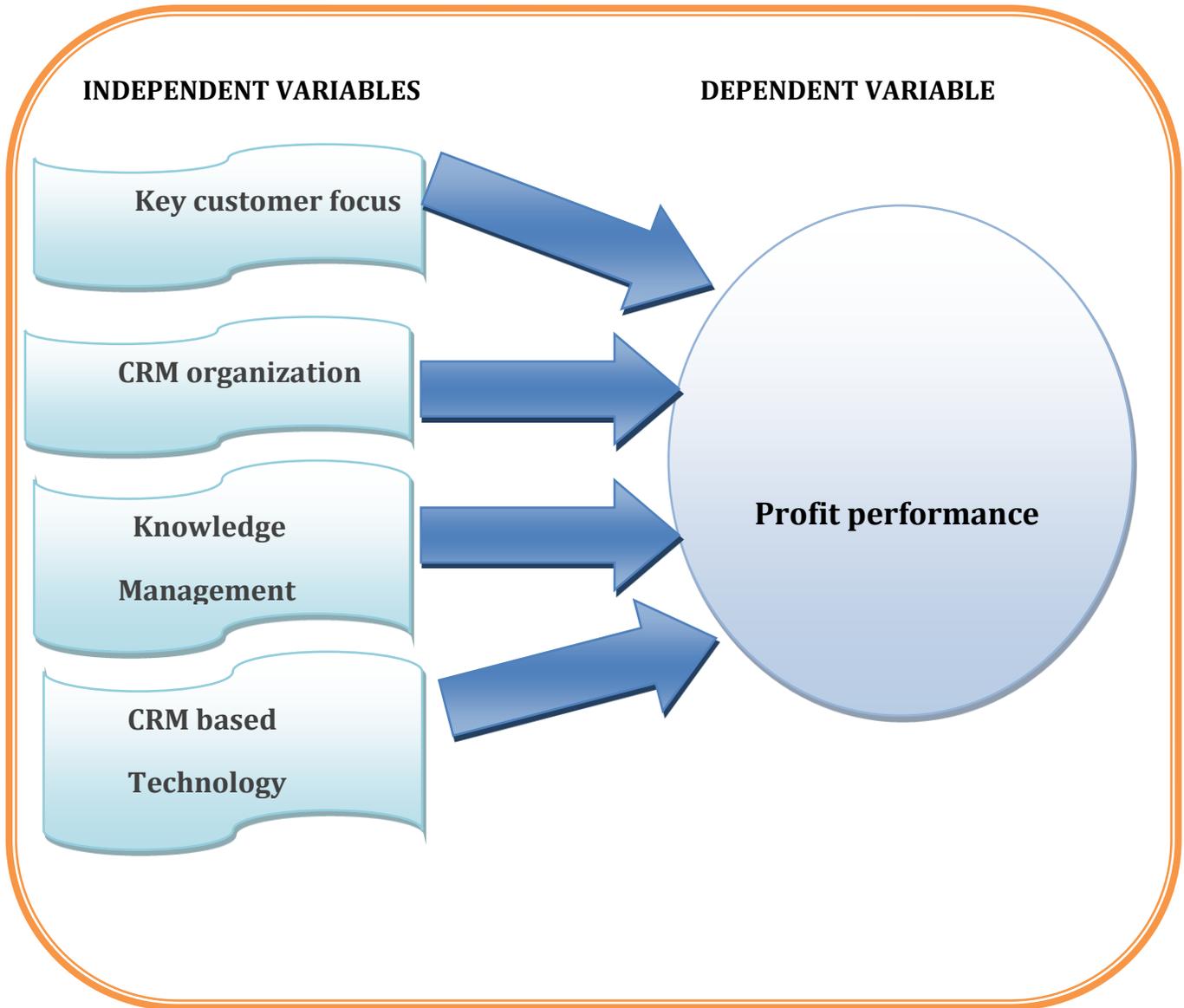
Source:-Sayed H., (2011) adopted by researchers

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The methodology refers to the procedural framework within which the research is conducted. This chapter will present how the current study was designed and provide a clear description of the specific steps that were taken to address the research problem and test each of the four hypotheses.

3.2. Research Design and Approach

In order to answer the research questions and achieve the stated objectives, the study used a combination of descriptive and casual research designs. As it is clearly indicated in chapter one the first two research questions are all about examining the CRM practices and profit performance. Therefore, in order to analyze the existing situation under consideration, descriptive research design was employed. On the other hand, since the remaining research questions are designs to deal with the effect of CRM on profit performance, the type of research employed was casual in type. Causal research is designed to collect raw data and create data structures and information that will allow the decision maker or researcher to model cause-and-effect relationships between two or more decision variables (Hair et al., 1998).

The study was employed both qualitative and quantitative data. The quantitative data was collected to find out the practice of CRM and the effect it would have on profit performance of the bank. The qualitative data was collected and analyzed in order to elaborate the quantitative results obtained in the analysis. The qualitative data are those collected through interview whereas quantitative data are the objective items which were collected through questionnaires.

The research also used a cross sectional survey because the data was collected at one point in a time to compare the effect of customer relationship management on profit performance of the case bank. 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. Study Population

According to Kitchenham (2002), population represents the group or the individuals to whom the survey applies. In other words, populations contain those group or individuals who are in a position to answer the questions and to whom results of the survey apply.

Development bank of Ethiopia currently has105 branches in Ethiopia including districts and head office. All branches of the bank are not on the same level in all aspects of the bank operation. On the bases of loan limitation, type of bank services and number of employees from higher level to lower level; the bank is classified as head office (corporate level), Districts and under each districts there are different branches of the bank which are graded as A, B and C branches. Thus, in the current study the populations include employees of ten district offices and head office. This is done from the fact that district and corporate levels workers have relevant information related to the research input. Therefore, the total populations of the bank in the study area (10 districts and head office) were 670 employees.

3.4. Sampling method and Sample size

The total populations of in the study areas or head office and districts of the bank are 670 employees. It is very expensive in terms of money and time to collect data from all these employees, so that the researcher has to determine sample which is representative for the total population. Uma Sekarar (2003) provides a simplified formula to calculate sample sizes of finite population, which is used to determine the sample size for this particular study. A 95% confidence level is assumed for this formula to determine the sample size, at e=0.05 and the sample size is determined by the following formula.

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

where 'n' is the required sample size,

N- is the population size and

E- is the level of percision

Applying the above formula,$n = \frac{670}{1+670(0.05)2}= 250.46 =250$ rounding to nearest integer.

Hence the sample size for this research was 250 employees of Development Bank of Ethiopia. Therefore samples of 250 employees' were made ready for questionnaires.

3.5. Data Type and Source

Regarding the source of data, the study used both primary and secondary source. Primary sources were the sampled employees the bank working at head office and ten districts. Here, the relevance of the primary source in the study is to measure their perception level regarding the practice of CRM and its effect on profit performance of the bank. Secondary data was collected from the organization's brochures, documents and annual report of the bank to get the necessary input for the study.

3.6. Data Collection Instruments

The main tool for data collection was the questionnaire. A questionnaire is a formalized set of questions for obtaining information from respondents that translate the researcher's information needs into a set of specific questions that respondents are willing and able to answer. In this study with a certain modification the popular five scale standard questionnaires prepared by Swaminathan (2004) was used.

For the purpose of data collection, the researcher was used closed-ended questionnaires and structured interviews. Closed-ended questionnaires were prepared by considering customer relationship management dimensions and banks profit performance.

3.7. Data Collection Procedure

A self-administered, structured questionnaire was used to gather data from employees. The researcher was formally request permission from the bank for the study. Then after getting permission, distribution and collection of questionnaires and interviewing of the sampled population was made by the researcher as per the schedule. The tools used to collect the data from the respondents were questionnaires. Since the district offices are geographically dispersed, except for Addis Ababa district and Head office, both the distribution and collection of questionnaires were made through the bank internal network.

3.8. Data Processing and Analysis

3.8.1. Data Processing

After collecting data from primary sources it was appropriately checked. In addition to that in-house editing was made by the researcher to detect errors committed by respondents during

completing the questionnaires. Then the edited data was coded and manually enter in to the computer.

3.8.2. Data Analysis

In the study both qualitative and quantitative methods of data analysis techniques were employed. Analysis of data in this research was done by using statistical tools like frequency, mean, standard deviation, correlation and multiple regressions. A descriptive analysis was also used for demographic factors such as gender, age, marital status, educational level, and for how long has been the employees served in the bank.

In the study four hypotheses were analyzed using methods of statistical inference. Pearson Correlation analysis was conducted to test the existence of significant relationship between the customer relationship management dimensions and profit performance. Then, the multiple regression analyses were also conducted to determine by how much percent the independent variable i.e. customer relationship management dimensions explain the dependent variable which is profit performance. Tables were employed to present the data and statistical package for social science (SPSS) version 24 were used to support the analysis.

Base on the conceptual model of the study expressed by Figure 2.2, mathematically the relationship between CRM dimensions and profit performance is expressed in the multiple regression equation as:

$Y = X_0 + X_1 \text{ (KCF)} + X_2 \text{ (CRMO)} + X_3 \text{ (CKM)} + X_4 \text{ (CRMBT)}$

Where: Y= Profit performance.

     KCF = Key Customer Focus.

     CRMO = CRM Organization.

     CKM = Customer Knowledge management.

     CRMBT = CRM Based Technology

       X_0= the constant parameter.

       X_1= Coefficient of Key Customer Focus.

       X_2= Coefficient of CRM Organization.

       X_3= Coefficient of Customer Knowledge management.

       X_4= Coefficient of CRM based Technology.

In accordance with the above mathematical model the constructed hypothesis were tested by considering significance level of each constant parameter in multiple regression analysis.

3.9. Reliability Test

In any research results, the issue of validity and reliability are important confidence measures. The validity of the instrument was and found valid 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 Fubara and Mguni, (2005). 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, satisfactory value is required to be more than 0.6 for the scale to be reliable   (Sekaran, 2003 as cited by Sirbel, 2012).

Table 3.1 Cronbach's Alpha for each field of the questionnaire

No	Field	Number of Items	Cronbach's Alpha
1.	Key customer focus	6	0.889
2.	Customer knowledge management	10	0.768
3.	CRM organization	7	0.842
4.	CRM based technology	8	0.736
5.	Profit performance	4	0.730

Source: Own Survey (December, 2016)   n=241

In the study the Cronbach's alpha coefficient was calculated for each field of the questionnaire. Table 3.1 above shows the values of Cronbach's Alpha for each field of the questionnaire and the entire questionnaire. For the fields, the values Cronbach's Alpha ranged between 0.730 and 0.889. This range is considered high. Hence, the result ensures the reliability of each field of the questionnaire. Cronbach's Alpha for the entire questionnaire equals 0.913 which indicates very good reliability. Therefore, it can be said that the above questionnaire is adequately reliable.

CHAPTER FOUR

DATA ANALYSIS, PERESENTATION AND INTERPRETATION

4.1. Introduction

The chapter deals with presentation and discussion of the statistical result of both the descriptive and inferential statistics.

Descriptive statistics stand for the conversion of raw data into useful information, which can be interpreted to explain a group of dimensions. They represent one of the most important early stages of statistical data analysis. This form of statistical analysis can include a number of outputs, including frequencies, %ages, means and standard deviation (Pallant, 2007).

Inferential statistics is a part of statistics that is concerned with the analysis, interpretation and drawing conclusion about the source of the data (Dejene, 2011).

4.2. Response rate on Questionnaire

For this study a questionnaire with 35 close-ended items were used to collect information from employees of the bank regarding the independent variables (Key Customer Focus, CRM organization, Customer Knowledge Management and CRM based Technology) and the dependent variable Profit performance.

Table 4.1: Number of distributed, Number of collected and Response rate

Sr. No.	Districts	Number of distributed Questionnaire	Number of retrieved and sound lists	Response Rate in (%)
1	Head office	50	49	98%
2	Bahirdar	20	20	100%
3	Jimma	20	19	95%
4	Hawassa	20	20	100%
5	Addis Abba	20	20	100%
6	Mekelle	20	20	100%
7	Dessie	20	19	95%
8	Gonder	20	19	95%
9	Diredawa	20	18	90%
10	Adama	20	19	95%
11	Nekemete	20	18	90%
	Total	**250**	**241**	**96%**

Source: Own Survey (December, 2016) n=241

As shown in the Table 4.1 below, a total of 250 questionnaires were distributed to employees of the ten districts and head office level. Of the total dispatched questionnaires, 241(96%) were filled up and returned. This clearly indicated that employees of all branches were very cooperative to fill the questionnaires.

4.3. Demographic Characteristics of the Respondent

Table 4.2: *Frequency and %age of Respondents' Demographic Characteristics*

No	Demographic Factors	Classification	Frequency (n = 241)	%age (%)
1.	**Sex**	Male	217	90
		Female	24	10
2.	**Age**	25 years or less	51	21.2
		Between 26– 30Years	125	51.9
		Between 31– 40Years	54	22.4
		Between 41–50 Years	5	2.1
		Above 51 years	6	2.5
3.	**Marital status**	Single	165	68.5
		Married	76	31.5
		Divorced	-	-
		Widowed	-	-
4.	**Education level**	Certificate	-	-
		Diploma	-	-
		Degree	182	75.5
		Maters and above	59	24.5
5.	**Experience**	5 years or less	133	55.2
		From 6 – 10years	91	37.8
		From 11 – 15 Years	11	4.6
		16 & Years More	6	2.5

Source: Own Survey (December, 2016)   n=241

Table 4.2 above shows the gender of the respondents. As we can see from the table, 217 (90%) of the respondents were male and the remaining 24 (10%) of them were females this shows gender distribution in the sample branches was not equal. Regarding the age of the respondents,

most of the age groups 125 (51.9%) were found between 26– 30 years. The age range of 25 years or less (21.2%) of the total respondents while 54 (22.4%), 5(2.1%) and6 (2.5%) of the respondents found under the age range of 31– 40 years, 41-50 years and 51 and above, respectively. From this we can observe that in the sampled branches employees found in their productive age.

In relation to marital status, from the total respondents 165 (68.5%) were not engaged in marriage. Whereas 76 (31.5%) of them were engaged in marriage. As far as the educational qualification of employees is concerned, the below Table 4.2 shows that from the total respondents majority, 182 (75.5%) of the respondents were BA degree holders and 59(24.5%) of the respondents were masters holder.

The last demographic variable was work experience. Again table 4.2 indicates that the majority, 133(55.2%) of the respondents had been working in the bank for the last 5 or less years. Similarly, 91 (37.8%) and 11 (4.6%) of them are working in the bank for the year between 6 - 10 and 11 to 15years, respectively. In the same situation, 6(2.5%) individuals indicated they have been working in the bank more than 16 years. This indicates the employees of the bank are young in the organization.

4.4. Descriptive Statistics Analysis of CRM Dimensions

4.4.1. Perception Level of Employees on CRM Dimensions and Profit Performance

In this section of the analysis, the employees response were used to assess their perception level on CRM dimension and profit performance of the head office and districts of DBE. From the collected data, mean scores and standard deviations were calculated for all Five-Point Likert Scale items. Then to assess the employees perception level of on each CRM dimensions and profit performance descriptive statistics, mean and standard deviation were considered.

According to Al-Sayaad, Rabea, and Samrah (2006) the calculated mean score of an item were classified in ranges to fit the five-scaled Likert's measure of responses (strongly disagree, disagree, neutral, agree, and strongly agree) as shown in the Table 4.3 below. Hence, in this study the perceptions of employees on each item for all variables were labeled according to its calculated mean score result and the classification presented in following table.

Table 4.3: Mean Score Range for Five-Scale Likert's Response

Mean	Response
From 1.00 to less than 1.80	Strongly Disagree
From 1.80 to less than 2.60	Disagree
From 2.60 to less than 3.40	Neutral
From 3.40 to less than 4.20	Agree
From 4.20 to less than 5.00	Strongly Agree

Source: Al-Sayaad et al. (2006)

4.4.2. Employees' Perception on Key Customer Focuses Dimension

Key customers are the identified customers that provide more values for company through providing more profits, active long-term relationships, and powerful leadership for the bank (Akroush et al., 2011)

Table 4.4: Mean and Standard Deviation Results of Key Customer Focuses Dimension

Questionaries' Items	N	Mean	Std. Deviation	Over all Response
Our organization works with key customers to customize its offerings	241	2.7593	1.28134	Neutral
The bank Sets clear objectives and strategies for key customers	241	3.0124	1.07036	Neutral
The bank makes coordinated efforts to modify a service for key customers	241	2.7303	.96495	Neutral
The bank is Continuously delivering superior and added value for key customers	241	2.5477	1.05614	Disagree
The bank is meeting and ensuring key customer needs	241	2.2905	1.24443	Disagree
All employees in our bank treat customers with special care.	241	2.1245	1.22179	Disagree
Valid N (listwise)	241			

Source: Own Survey (December, 2016)   n=241

32

As shown in Table 4.4 above, key customer focus dimension was assessed by six measurement items. According to the mean score of the items that describes key customer focus dimension of CRM, the highest mean score was attained by the item included to determine the level how the bank Sets clear objectives and strategies for key customers with (mean = 3.0124& standard deviation = 1.07036) and the least mean was scored by an item stated to analyze the all employees in the bank treat customers with special care with (mean = 2.1245, standard deviation =1.22179). As the statistical results on Table 4.4 above depicts, employees disagree with three items of key customer focus (Continuously delivering superior and added value for key customers, meeting and ensuring key customer needs and treating customers with special care) whereas neutral with the reaming three items of key customer focus. This indicates that even though, 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, the practice of the bank in this regard is not well organized to meet needs of its customers.

On the other side, information collected from interviewing team managers and directors of the corporate levels of the bank has relaxed the situation related to key customers. According to them, since issue of development is top agendas of the government, for this particular case Ethiopian government by itself has its own strategy to let both foreign and domestic investors to be engaged in the investment activities by setting priority areas of investment. However, their response accepted the existence of some weakness from the bank side in addressing customers request related to loan and other related facilities.

4.4.3 Employees' Perception on CRM Organization Dimension.

Organizational structures that support cross functional communication and coordination, as well as rewards and training programs designed around customers' needs resulted in higher relationship quality, which in turn positively influenced organizational performance (Chang, 2007). If the organization around CRM is well structured, organizations can ensure the required customer -oriented behaviors of their employees by providing staff with the modern tools and technology, customer-satisfaction tracking and complaints management systems, inspirational leadership, and appropriate rewards systems (Mechinda & Patterson, 2011).

Table 4.5: Mean and Standard Deviation Results of CRM organization Dimension

Questionaries' Items	N	Mean	Std. Deviation	Over all Response
The bank has Good organizational structure that attract customers	241	2.3402	.95764	Disagree
The bank is committed to utilize wide organizational resources	241	3.2324	.99370	Neutral
The bank adopted flexible organizational structure and arrangement	241	2.7344	.95089	Neutral
There is a coordination for focused customer services	241	2.3195	.97553	Disagree
Our Bank structure is carefully designed around our customers.	241	2.2863	1.12035	Disagree
There is a cross-functional team organized to coordinate its services	241	2.9793	1.10848	Neutral
The bank has good organizational image	241	2.2656	1.15290	Disagree
Valid N (listwise)	241			

Source: Own Survey (December, 2016)   n=241

As the statistical results on Table 4.5 above depicts, the mean results indicates employee's perception on CRM Organization. The employees' highest agreement level was attached to the item stated as" the bank Committed to utilize wide organizational resources" with (mean = 3.2324& standard deviation = .99370). The lowest agreement was revealed for the item the bank has good organizational image (mean = 2.2656, standard deviation = 1.15290). However, the level of agreement in all of the items falls under "Disagree and neutral".

Information obtained while interviewing team managers and directors indicates that, the bank started its reformation by targeting an extensive branch expansion program to change the overall organizational setup of the bank.

4.4.4. Employees' Perception on Customer knowledge management Dimension.

Regarding Knowledge management, in order to develop highly personalized offerings, business organizations have to take into account that the success of relationship management is heavily dependent on collecting and analyzing customers' information.

Table 4.6: Mean & Standard Deviation Results of Customer knowledge management Dimension

Questionaries' Items	N	Mean	Std. Deviation	Over all Response
The bank enables ongoing and two-way communication	241	3.4606	1.02444	Agree
There is good management practice that would create customers to have good expectation	241	1.8340	.96902	Disagree
Customer-centric functions are staffed with well-trained and motivated employees.	241	3.1701	.94874	Neutral
The bank manages all customer communications so that they are consistently superior and relevant to the customer.	241	2.1950	1.00381	Disagree
There is a successful dissemination of knowledge management system	241	2.8672	1.01191	Neutral
The management has the ability to transform locally acquired new knowledge into organization-level knowledge.	241	2.0954	1.26294	Disagree
The management has the ability to trial customer behavior	241	1.9461	.92713	Disagree
Workers in the bank have detail knowledge of every procedure	241	3.5477	1.01592	Agree
The staff members of the bank have the ability to interact with others	241	3.6183	.78761	Agree
Workers have the ability to handle customers and to solve their complaints	241	2.3610	1.17543	Disagree
Valid N (listwise)	241			

Source: Own Survey (December, 2016)   n=241

As it is shown in the Table 4.6 above, in this section of the questionnaire the mean result indicates employee's perception on Customer knowledge management. From the perception of employees, the highest agreement level was related to the item stated as "The staff members of the bank have the ability to interact and work well with others" with (mean = 3.6183& standard deviation = .78761). The lowest agreement was also revealed from the item which was stated as There is good management practice that would create customers to have good expectation (mean = 1.8340& standard deviation = .96902). However, the level of agreement in majority of the items falls under "Disagree and neutral". This implies that, the practice of customer knowledge management was found low in the bank.

On the other hand information gathered through interview indicates that, recently the bank has been making a considerable improvement in collecting and analyzing customer information to evaluate competitiveness of the services that the bank delivers to its customers by mentioning the currently effort that the bank made to facilitate knowledge management by adopting ERP (Enterprise Resource Planning) System.

4.4.5. Employees' Perception on CRM based technology Dimension

In the current globalized world sophisticated technologies are simplifying the process undertaken to establish one-to-one communications, analyze customer-value, integrate customer information system, automate processes and customize services (Ghodeswar, 2001).

Table 4.7: Mean and Standard Deviation Results of CRM based technology

Questionaries' Items	N	Mean	Std. Deviation	Over all Response
My Bank maintains a comprehensive database of our customers.	241	2.5145	.88081	Disagree
My Bank has the right hardware and software to serve our customers.	240	3.0792	1.12688	Neutral
The bank has assigned the right technical personnel to provide technical support for the utilization of computer technology in building customer relationships.	241	2.7884	1.30736	Neutral
The bank provides Information Technology facilities, like computer aided design for managing customer relationships	241	3.5062	1.14426	Agree
The bank has employed a system of disseminating information to customers through e-mail to reduce customer waiting time.	241	1.3527	.84907	Strongly Disagree
Our staffs give much attention and prompt services to our customers irrespective of their status using online media.	241	1.4274	.76643	Strongly Disagree
Data warehousing and data mining have already been implemented.	241	3.0083	.94424	Neutral
We communicate with our customers with telephones to meet their urgent requests and needs.	241	3.4938	1.03731	Agree
Valid N (listwise)	240			

Source: Own Survey (December, 2016)   n=241

As it can be seen in the Table 4.7 above, for CRM based technology aspect of customer relationship management the highest mean value from employees perception was attached to the item to addressed The bank provides Information Technology facilities, like computer aided design for managing customer relationships (mean=3.5062and standard deviation =1.14426). An item with the least mean value was related to the question referring to the bank has employed a system of disseminating information to customers through e-mail to reduce customer waiting time (mean=1.3527and standard deviation=.84907). But majority of the items were falls under "Strongly Disagree, Disagree and neutral"

Similarly, information was gathered from an interview conducted with managers. Basically they expressed their perception in this regard by pointing the strong effort that the bank has made to change the old system to the current new technology that connected each branches throughout the country like T-24 system.

4.4.6. Employees' Perception on Profit performance of the bank

The purpose of CRM is to efficiently and effectively increase the acquisition and retention of profitable customers by selectively initiating building and maintaining appropriate relationships with them.

Table 4.8 Mean and Standard Deviation Results of Profit performance.

Questionaries' Items	N	Mean	Std. Deviation	Over all Response
The practice of giving customized service for its customers contributed a lot for the bank's profitability.	241	2.5643	.83480	Disagree
The bank's districts and branches are appropriately located around ideal or convenient places for its customer to sustaining them and improve bank profit	241	2.1826	.89435	Disagree
In line with its objective, the bank is becoming highly profitable in the industry	241	1.7593	1.11811	Strongly Disagree
The technology which is applied in the bank is appropriate so that the bank is improving its profit performance.	241	3.0830	.94503	Neutral
Valid N (listwise)	241			

Source: Own Survey (December, 2016)   *n=241*

As the statistical results on Table 4.8 above depicts, the highest mean of items in this section was attached to the item that the technology which is applied in the bank is appropriate so that the bank is improving its profit performance (mean=3.0830and standard deviation =.94503). On the other hand the least mean was attached to an item "In line with its objective, the bank is becoming highly profitable in the industry with (mean=1.7593and has a standard deviation =1.11811). On the other hand all items employees' perception level revealed that they disagree

with the bank's bank profit. From this ground it is possible to put the situation as the bank's profit performance is low.

In this regard information obtained from interview showed that the bank didn't run only for profit rather it follow the government policy to finance the project categorized as priority by the government. Thus, the banks profit performance was not an excellent one.

4.5. Results and Discussion of Inferential Statistics

In this study, to process the correlation analysis, data from the scale typed questionnaires were entered in to the SPSS software version 24. Pearson correlation coefficient is used to specify the strength and the direction of the relationship between the independent variable (Key Customer Focus, CRM Organization, Customer Knowledge management and CRM based technology) and the dependent variable i.e. profit Performance. The results of the correlation between these variables are shown in Table 4.9 below.

Table 4.9: Correlations between customer relationship management and Profit Performance

No.	Items	Profit Performance		
		Degree of the correlation	Level of significance	Significance
1.	Key customer focus	.0.730**	0.000	Significant
2.	CRM organization	.0.840**	0.000	Significant
3.	Customer knowledge management	.724**	0.000	Significant
4.	CRM based Technology	.803**	0.000	Significant

Correlation is significant at the 0.00 level (2-tailed)

Source: Own Survey (December, 2016)   n=241

As it is indicated in the Table 4.9 below, generally there is a positive, strong and statistically significant correlation between CRM dimensions and profit performance at 1% level of significance (P<0.000) which signifies the effect of CRM on the profit performance of DBE.

To be specific for each dimensions, from presented correlation matrix table again we can observe that there is a positive, strong and statistically significant correlation between CRM dimensions

(Key customer focus, CRM organization, knowledge management and CRM based technology) and profit performance, as the correlation coefficient between each dimensions and profit performance described as 0.730, 0.840, 0.724 and 0.803 respectively and in all cases at 1% significance level (p < 0.000).

4.5.1. Discussion of the Correlation Results and Hypothesis Testing Results

The findings of this research supported the earlier works on this subject matter. The hypothesis was to check for a significant relationship between all the dimensions of CRM and bank's profit performance. The correlation results presented in Table 4.9 above indicates that all of the CRM dimensions are correlated with bank's profit performance at 1 % level of significance. The result of correlation analysis of this study was consistent with the findings of (Sayed ,2011; Ramezanpour et.al.,2013; Namjoyan ,2013; Mohammed et al.,2013; and Gebeyehu, 2014) in which all CRM dimensions significantly and positively related to market and Profit performance.

By taking the strength of their relationship, the finding further indicates that the CRM organization dimension has highest correlation with profit performance, followed by CRM technology and Key customer focus. Comparatively the least relationship was found between Customer knowledge management and profit performance.

The correlation coefficient between CRM organization dimension and profit performance is placed first from all correlation results of CRM dimensions with (r=0.840; p<0.000). This means if the bank improves the overall situation of its CRM organization dimension, the bank's profit performance will be improved. From this it is possible to say that the extent of CRM organization dimension can determine the profit performance of the banks.

According to Namjoyan (2013), development of every organization in information technology area improves its capability in collecting, saving, analyzing, and sharing knowledge about customer. This leads to increase the organization's capability in responding the customers' needs and maintaining them. In line with this, Mukerjee & Singh (2009), also said that technology-based CRM leads to information integration and sharing that influences smooth and efficient firm-customer interactions, appropriate analysis of customer data and customization of response. Having said this, the correlation coefficient (r=0.803, P< 0.000) of CRM based technology shows that if the bank make an improvement in the technologies that customers in the industry need, there would occur a

significant improvement in the profit performance of the bank through its effect in customer acquisition, attraction, and retention . Therefore, the result of this finding is consistent with the finding of (Namjoyan, 2013 and Mukerjee& Singh,2009).

It is pretty clear that key customers are ones who are more importance for organization from strategically viewpoint and are more profitable (Ryals & Knox, 2001).The third dimension of CRM which has a correlation result (r= 0.730 , p<0.000) is Key customer focus. In this regard the correlation result shows that there is strong positive relationships between key customers focus and profit performance at 1 % level of significance .i.e. if the bank change its strategies to manage its key customers, the change will bring a change in profit performance of the bank.

Finally CRM organization refers to acquiring, sharing, and developing the customer knowledge among employees for making profit to the organization and customers. In order to improve the organizational efficiency and effectiveness, insure from delivering desirable products and services to the customers and acquire their satisfaction, it is necessary to manage the Customer knowledge management. The relatively least correlation result (r=0.724, p<0.000) was realized between Customer knowledge management and profit performance. In this case, although relatively it is weak to the other correlation results, the result shows that there is a positive, strong and significant relationship between Customer knowledge management and profit performance. This is to mean that if the bank adopted a mechanism to handle Customer knowledge management, it is definite that its profit performance also changes in the same direction. The following table 4.10 shows the hypotheses summary of the CRM dimension (Key Customer Focus, CRM Organization, Customer Knowledge management and CRM based technology) has a correlation with profit performance.

Table 4.10.Summary of hypothesis testing of correlation

Hypothesis	Tool	Outcome
H$_1$: Key customer focus has correlation with profit performance	Correlation	**Correlated**
H$_2$ CRM organization has correlation with profit performance	Correlation	**Correlated**
H$_3$: Customer knowledge management has correlation with profit performance	Correlation	**Correlated**
H$_4$: Technology based CRM has correlation with profit performance	Correlation	**Correlated**

Source: Own Survey (December, 2016)   n=241

4.6. Regression Analysis and Hypothesis Testing Results

The regression analysis was conducted to know by how much the independent variable explains the dependent variable. In this study, regression was employed to examine the effect of the independent CRM dimensions such as key customer focus, CRM organization, Customer Knowledge management and CRM based technology on dependent variable profit performance.

To have good results, the independent variables should not be highly correlated with each other. In multiple regression analysis, collinearity refers to the correlation among the independent variables (Pallant, 2007).

Therefore, to make sure that there is low collinearity, the values of Tolerance and VIF (Variance Inflation Factor) should be checked. According to Pallant (2007), tolerance indicates to what extent the independent variables do not explain much of the variability of a specified independent variable and the value should not be small (more than 0.10) to indicate the absence of collinearity. In addition to that, VIF, the inverse of tolerance value, should have a value of less than 10 to avoid any concerns of collinearity (Pallant, 2007).

Hence, the values in the Table 4.11 below indicate low collinearity because all Tolerance values are above 0.1 and all VIF values are less than 10. Therefore, these tests reflect that the variables used in the study are free from multicollinearity.

Table 4.11: Multicollinearity Test table

No	Model	Unstandardized Coefficients B	Collinearity Statistics Tolerance	VIF
	(Constant)	-0.672		
1.	KEY CUSTOMER FOCUS	.197	.451	2.218
2.	CRMO RGANIZATION	.317	.249	4.014
3.	KNOWELDEG MANAGEMENT	.216	.453	2.209
4.	CRMT BASED ECHNOLOGY	.437	.301	3.320

Source: Own Survey (December, 2016)   *n=241*

Table 4.12: Multiple Regression analysis result of CRM and Profit performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	0.906	0.821	0.818	0.28015	0.821	270.741	4	236	.000

a. Predictors: (Constant), CRM TECHNOLOGY, KEY CUSTOMERFOCUS, KNOWELEDGE MANAGEMENT, CRMORGANIZATION

Source: Own Survey (December 2016)   *n=241*

The results of regression analysis presented in Table 4.12, indicate positive and significant relationship between the CRM dimensions and profit performance. This means the predictive variables (independent variables) such as key customer focus, CRM organization, Knowledge management and CRM based technology jointly determine the dependent variable profit performance. The adjusted R-Square ($R2 = 0.818$) shows the explanatory power of all variables involved in the study. Hence key customer focus, CRM organization, Knowledge management and CRM based technology jointly determine (explain) 81.8% of the variance in profit performance. Whereas 18.2% of the profit performance of DBE was explained by the variables which were not included in the study.

Table 4.13: Beta Weights of Predictor Variables in the Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	.-672	.107		-6.294	.000	-.883	.462
Key Customer Focus	.197	.029	.275	6.711	.000	.139	.255
CRM Organization	.317	.062	.282	5.119	.000	.195	.438
Customer Knowledge Management	.216	.046	.191	4.665	.000	.125	.307
CRM Based Technology	.437	.072	.305	6.076	.000	.295	.578

a. Dependent Variable: PROFIT PERFORMANCE

Source: Own Survey (December, 2016)   *n=241*

The values of the unstandardized Beta Coefficients (β) indicate the effects of each independent variable on dependent variable. Furthermore, the values of the unstandardized Beta Coefficients in the Beta column of the Table 4.13 above, indicate which independent variable (CRM dimensions) makes the strongest contribution to explain the dependent variable (Profit

performance), when the variance explained by all other independent variables in the model is controlled. The t value and the sig (p) value indicate whether the independent variable is significantly contributing to the prediction of the dependent variable.

The study's hypothesis testing was made based on β, t, and P values. Hence using those coefficient results, the proposed hypotheses for this study were tested as follows.

Hypothesis 1: Key customer focus has positive and significant influence on profit performance.

The results of multiple regressions, as presented in Table 4.13 above, revealed that key customer focus had a positive and significant effect on profit performance of the bank with (β = 0.197, t = 6.711 & p <0.000). Thus, the proposed hypothesis was accepted. This statistics infer that if the bank increased its focus to key customers by one %, then its profit performance would increase by 19.7%.

Hypothesis 2: CRM organization has positive and significant influence on Profit performance.

The results of multiple regressions, as presented in Table 4.13 above, revealed that CRM organization had a positive and significant effect on customer satisfaction with values (β=0.317, t = 5.119, p < 0 .000). Thus, the proposed hypothesis was accepted. Here also the beta coefficient implies that if the bank changes its CRM organization by one %, by keeping the other variables constant its profit performance would increase by 31.7%. Therefore, CRM organization had a positive and significant effect on profit performance.

Hypothesis 3: Customer knowledge management has positive and significant influence on profit performance.

The results of multiple regressions, as presented in Table 4.13 above, revealed that Knowledge management had a positive and significant effect on market performance with values (β = 0.216, t = 4.665, p =0.000). The results clearly indicated that the proposed hypothesis was accepted. This implies that assuming other variables constant, a one % change in the customer knowledge management practice of the bank results in an 21.6% increase in the profit performance of the bank. Therefore, customer knowledge management had a positive and significant effect on profit performance.

Hypothesis 4: Technology based CRM has positive and significant influence on profit Performance

The results of multiple regressions, as presented in Table 4.13 above, revealed that CRM based technology had a positive and significant effect on profit performance with values $(\beta = 0.437, t = 6.076, p < 0.000)$. Thus, proposed hypothesis was accepted. In this case the beta coefficient describe that keeping the other variables constant , in this model a one % change in the overall CRM technology, the consequence would be an increase in profit performance by 43.7 %.

Generally the results of multiple regression analysis supported the four hypotheses constructed to test a positive and significant influence that each CRM dimensions have on profit performance. This finding is also supported findings of by (Gebeyehu, 2014; Namjoyan, 2013;Ramezanpour et.al.,2013; Sayed ,2011) in which CRM dimensions have a positive and significant influence on profit and market performance in the banks.

Table 4.14.Summary of hypothesis testing

Hypothesis	Tool	Outcome
H$_1$: Key customer focus has positive and significant influence on profit performance	Multiple Regression	**Accepted**
H$_2$ CRM organization has positive and significant Influence on profit performance.	Multiple Regression	**Accepted**
H$_3$: Customer knowledge management has positive and significant influence on profit performance	Multiple Regression	**Accepted**
H$_4$: Technology based CRM has positive and significant influence on profit performance	Multiple Regression	**Accepted**

Source: Own Survey (December, 2016)   n=241

45

CHAPTER FIVE

SUMMARY, CONCLUSION ANDRECOMMENDATION

This chapter deals with the summary of major findings of the study and conclusions drawn from the analysis made. Furthermore, based on the findings of the study possible recommendations are made.

5.1. Summary of Major Findings

The main purpose of this study is to investigate the effect of customer relationship management on profit performance in the selected districts and head office level of Development Bank of Ethiopia. To examine the effect of CRM on profit performance, the specific objectives were : examining the perceptions of employees towards CRM in the case bank; assessing the firm's profit performance; analyzing the relationship between dimensions of CRM (key customer focus, knowledge management, technology based CRM and CRM organizations) and profit performance and to identifying the relative influence of CRM dimensions (key customer focus, knowledge management, CRM based technology and CRM organizations) on profit performance of the case bank.

Before going to the main analysis of the study, a reliability test was administered to check whether the questionnaire is reliable or not. In this regard all the quaternaries were reliable and acceptable with Cronbach's Alpha result of 0.913 values.

Regarding employee's perception towards CRM dimensions, generally in the bank the practice of customer relationship management was low. Moreover, the perception of employees towards the bank's profit performance was not satisfied.

In addition the result of correlation analysis was made. In this regard all the independent variables (key customer focus, CRM organization, customer knowledge management and CRM based technology) are positively and significantly correlated with the dependent variable (profit performance) (P <0.000). The highest correlation is attached to CRM organization (r= 0.840), followed by CRM based technology (r=0.803), key customer focus (r=0. 730) and customer knowledge management (r=0.724).

Finally, a multiple regression analysis was conducted to test the hypothesis. In this regard the result shows that the model tested is significant (p<0.000) with the adjusted R square 0.818. This value indicates that 81.8 % of variance in profit performance is attributed to the four independent variables entered into the regression. The remaining 18.2 % of the variance in profit performance may attribute to other factors. Regarding the hypothesis all the beta coefficients were found significant to all hypotheses in the study are accepted. Moreover, the finding revealed that**,** CRM based technology is found being the most dominant dimension in determining the variation in profit performance of the bank.

5.2. Conclusion

Prior empirical work on CRM implies that in building profitable relationship, customer relationship management plays a key role. The present research seeks to investigate the effects of CRM on profit performance of Development Bank of Ethiopia. Thus, on the base of the finding the following conclusions were made.

The perception of employees towards CRM practice and profit performance of the bank, the findings of the study practically showed that the practices of each CRM dimensions (key customer focus, CRM organization, customer knowledge management and CRM based technology) and the bank's profit performance in terms of increasing profitability was perceived as low.

As the finding of correlation analyses confirmed, there is also a strong, positive and significant relationship between customer relationship management dimensions (key customer focus, CRM organization, customer knowledge management and CRM based technology) and profit performance. Similarly, from multiple regression analysis result that variability in profit performance is resulted from the variability in CRM dimensions (key customer focus, CRM organization, customer knowledge management and CRM based Technology). Hence, from this the study concludes that the bank's profit performance is determined by the emphasis that the bank gives to each dimensions of customer relationship management.

Also the relative influence of an individual component of customer relationship management on profit performance, the result of multiple regression coefficient shows that CRM based technology is the most dominant dimension in determining the profit performance of the bank.

Finally, the results of this study revealed that customer relationship management implementation influences profit performance. Hence, it can be concluded that profit performance in the sampled district was reduced due to low practice of customer relationship management.

5.3. Recommendation and Future Research Implications

Based on the research findings the following recommendations are provided in order to upgrade level of customer relationship management practice and improve profit performance of the bank. These include:

- ➢ The bank need to identify, differentiate and interact customers who are more important to the bank and should start providing customized service for those identified key customers.
- ➢ The bank's management need to examine the existing organizational structure, processes and methods in which service is offered and where necessary changes should made which can improve the service for customers and build long term relationship.
- ➢ In order to improve the level of customer knowledge management, the management of the bank needs to incorporate CRM concepts in all the bank's policies and plans.
- ➢ The bank need to improve the level of its CRM based technologies to continuous interaction with its customer. This may require adopting new methods and techniques in communication such as the use of email, SMS and other communication devises.
- ➢ In addition, to improving CRM practices, the bank is recommended to update itself to dynamic changes in the demand and expectation of customers in the industry.
- ➢ As it has been mentioned earlier, it is not possible to generalize this finding for all branches of the bank as the samples of this study cannot represent all. Hence, further studies which consider all branches of the bank, the banking industry, and other industries are recommended for generalizing the findings.

5.3. Limitation of the Study

This study had some limitations. To begin with it employed a non-probability sampling, because the research selected the district and head office only purposively. For this reason it is not possible to generalize the finding of the research to all branches of the bank. Hence, the researcher is cautious in generalizing the finding; further study has been suggested.

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APPENDICES

Appendix I

St. Mary University

Department of Business School

Post Graduate Program in Masters of Business Administration

Questionnaire to be filled by Employees

Dear Respondents: -Dear respondent, my name is Dereje Tekliye. I am studying Masters of Business Administration in St. Mary University. Now I'm going to conduct study on the "effects of Customer Relationship Management on profit Performance in the case of Development Bank of Ethiopia. Dear respondent, I would like to express my deep appreciation for your generous time, honest and prompt responses.

Objective: -This questionnaire is designed to collect data about the "*Effects of Customer Relationship Management on profit Performance of Development Bank of Ethiopia*". The information that you offer me with this questionnaire will be used as a primary data in my study which I am conducting as a partial fulfillment of the requirements for the Masters of Business Administration (MBA) degree. Therefore, this research is to be evaluated in terms of its contribution to our understanding of Customer Relationship Management (CRM) and its effects on profit Performance.

General Instructions

- No need of writing your name.
- In all cases where answer options are available please tick (√) in the appropriate box.

Confidentiality:-I want to assure you that this research is only for academic purpose authorized by the St. Mary University. No other person will have to access this collected data.

If you have any queries concerning the questionnaire, please contact me:

Name: Dereje Tekliye

Phone Number: +251 912675118

Email: dtekliye@gmail.com

Addis Ababa

Thank you for your cooperation!!

PART I: Demographic Information

1. **Sex:**   Male   ☐   Female   ☐

2. **Age :**   25 years or less   ☐   Between 26– 30 Years   ☐

                Between 31– 40Years   ☐   between 41– 50 Years   ☐

                51 and above years   ☐

3. **Marital status:**

     Married ☐   Single ☐   Divorced   ☐   Widowed ☐

4. **Education level:**

     Certificate   ☐   Diploma ☐   Degree ☐   Masters and above ☐

5. **Experience:**

          5 years or less   ☐   From 6 – 10years   ☐

          From 11 – 15 Years   ☐   16 & above Years More   ☐

PART II: Please state your level of opinion for each given statement using the following scales:

1 = Strongly Disagree 2 = Disagree   3 = Neutral   4 = Agree   5 = Strongly Agree

No.	Perceptions of respondents towards the effects of CRM on profit performance	Agreement scale				
	Items	1	2	3	4	5
	key customer focus					
1.	Our organization works with key customers to customize its offerings.					
2.	The bank Sets clear objectives and strategies for key customers.					
3.	The bank makes coordinated efforts to modify a service for key customers					
4.	The bank is Continuously delivering superior and added value for key customers					
5.	The bank is meeting and ensuring key customer needs					
6.	All employees in our bank treat customers with special care.					
	Customer relationship management organization					
7.	The bank has Good organizational structure that attract customers					
8.	The bank is committed to utilize wide organizational resources					
9.	The bank adopted flexible organizational structure and arrangement					
10.	There is a coordination for focused customer services					
11.	Our Bank structure is carefully designed around our customers.					
12.	There is a cross-functional team organized to coordinate its services					
13.	The bank has good organizational image					
	Customer knowledge management					
14.	The bank enables ongoing and two-way communication					
15.	There is good management practice that would create customers to have good expectation					
16.	Customer-centric functions are staffed with well-trained and motivated employees.					
17.	The bank manages all customer communications so that they are consistently superior and relevant to the customer.					
18.	There is a successful dissemination of knowledge management system					
19.	The management has the ability to transform locally acquired new knowledge into organization-level knowledge.					
20.	The management has the ability to trial customer behavior					
21.	Workers in the bank have detail knowledge of every procedure as per their duties.					
22.	The staff members of the bank have the ability to interact and work well with others					
23.	Workers have the ability to handle customers and to solve their complaints					

	Customer relationship management-based Technology					
24.	My Bank maintains a comprehensive database of our customers.					
25.	My Bank has the right hardware and software to serve our customers.					
26.	The bank has assigned the right technical personnel to provide technical support for the utilization of computer technology in building customer relationships.					
27.	The bank provides Information Technology facilities, like computer aided design for managing customer relationships					
28.	The bank has employed a system of disseminating information to customers through e-mail to reduce customer waiting time.					
29.	Our staffs give much attention and prompt services to our customers irrespective of their status using online media.					
30.	Data warehousing and data mining have already been implemented.					
31.	We communicate with our customers with telephones to meet their urgent requests and needs.					
	Profit performance in the Bank					
32.	The practice of giving customized service for its customers contributed a lot for the bank's profitability.					
33.	The bank's districts and branches are appropriately located around ideal or convenient places for its customer to sustaining them and improve bank profit					
34.	In line with its objective, the bank is becoming highly profitable in the industry					
35.	The technology which is applied in the bank is appropriate so that the bank is improving its profit performance.					

PART III: Interview Questions

1. Do you think that, the bank gives more emphasizes on key customers and provides customized services for them?

2. In your opinion, do you think that customer-centric performance standards are established and monitored at all customer touch points to increase profit performance?

3. Do you think that, in your opinion your organization provides channels to enable ongoing two-way communication between key customers?

4. Do you think that, customer relationship management practices helped your bank in profit performance in terms of increasing number of customers, increasing customer satisfaction, market share, and sales growth than before?

5. Are there any special efforts that the bank makes in relation to customers handling and enhancing satisfaction as well as to increase its profit performance?

Thank you again for your cooperation!!

Appendix II

Mean Standard Deviation and level of agreement results of key customer focus

Descriptive Statistics

	N	Mean	Std. Deviation
Our organization works with key customers to customize its offerings	241	2.7593	1.28134
The bank Sets clear objectives and strategies for key customers	241	3.0124	1.07036
The bank makes coordinated efforts to modify a service for key customers	241	2.7303	.96495
The bank is Continuously delivering superior and added value for key customers	241	2.5477	1.05614
The bank is meeting and ensuring key customer needs	241	2.2905	1.24443
All employees in our bank treat customers with special care.	241	2.1245	1.22179
Valid N (listwise)	241		

Mean and Standard Deviation Results of CRM organization Dimension

Descriptive Statistics

	N	Mean	Std. Deviation
The bank has Good organizational structure that attract customers	241	2.3402	.95764
The bank is committed to utilize wide organizational resources	241	3.2324	.99370
The bank adopted flexible organizational structure and arrangement	241	2.7344	.95089
There is a coordination for focused customer services	241	2.3195	.97553
Our Bank structure is carefully designed around our customers.	241	2.2863	1.12035
There is a cross-functional team organized to coordinate its services	241	2.9793	1.10848
The bank has good organizational image	241	2.2656	1.15290
Valid N (listwise)	241		

Mean and Standard Deviation Results of Customer knowledge Management

Descriptive Statistics

	N	Mean	Std. Deviation
The bank enables ongoing and two-way communication	241	3.4606	1.02444
There is good management practice that would create customers to have good expectation	241	1.8340	.96902
Customer-centric functions are staffed with well-trained and motivated employees.	241	3.1701	.94874
The bank manages all customer communications so that they are consistently superior and relevant to the customer.	241	2.1950	1.00381
There is a successful dissemination of knowledge management system	241	2.8672	1.01191
The management has the ability to transform locally acquired new knowledge into organization-level knowledge.	241	2.0954	1.26294
The management has the ability to trial customer behavior	241	1.9461	.92713
Workers in the bank have detail knowledge of every procedure as per their duties.	241	3.5477	1.01592
The staff members of the bank have the ability to interact and work well with others	241	3.6183	.78761
Workers have the ability to handle customers and to solve their complaints	241	2.3610	1.17543
Valid N (listwise)	241		

Mean and Standard Deviation Results of CRM based technology

Descriptive Statistics

	N	Mean	Std. Deviation
My Bank maintains a comprehensive database of our customers.	241	2.5145	.88081
My Bank has the right hardware and software to serve our customers.	240	3.0792	1.12688
The bank has assigned the right technical personnel to provide technical support for the utilization of computer technology in building customer relationships.	241	2.7884	1.30736
The bank provides Information Technology facilities, like computer aided design for managing customer relationships	241	3.5062	1.14426
The bank has employed a system of disseminating information to customers through e-mail to reduce customer waiting time.	241	1.3527	.84907
Our staffs give much attention and prompt services to our customers irrespective of their status using online media.	241	1.4274	.76643
Data warehousing and data mining have already been implemented.	241	3.0083	.94424
We communicate with our customers with telephones to meet their urgent requests and needs.	241	3.4938	1.03731
Valid N (listwise)	240		

Mean and Standard Deviation Results of profit performance

Descriptive Statistics

	N	Mean	Std. Deviation
The practice of giving customized service for its customers contributed a lot for the bank's profitability.	241	2.5643	.83480
The bank's districts and branches are appropriately located around ideal or convenient places for its customer to sustaining them and improve bank profit	241	2.1826	.89435
In line with its objective, the bank is becoming highly profitable in the industry	241	1.7593	1.11811
The technology which is applied in the bank is appropriate so that the bank is improving its profit performance.	241	3.0830	.94503
Valid N (listwise)	241		

Correlations between customer relationship management and profit performance

Correlations

		KCF	CRMO	CKM	CRMTB	PP
KCF	Pearson Correlation	1	.733**	.482**	.512**	.730**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	241	241	241	241	241
CRMO	Pearson Correlation	.733**	1	.633**	.772**	.840**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	241	241	241	241	241
CKM	Pearson Correlation	.482**	.633**	1	.727**	.724**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	241	241	241	241	241
CRMTB	Pearson Correlation	.512**	.772**	.727**	1	.803**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	241	241	241	241	241
PP	Pearson Correlation	.730**	.840**	.724**	.803**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	241	241	241	241	241

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

Multiple Regression analysis

Descriptive Statistics

	Mean	Std. Deviation	N
PP	2.3973	.65676	241
KCF	2.5775	.91805	241
CRMO	2.5940	.58598	241
CKM	2.7095	.58033	241
CRMTB	2.6462	.45839	241

Correlations

		PP	KCF	CRMO	CKM	CRMTB
Pearson Correlation	PP	1.000	.730	.840	.724	.803
	KCF	.730	1.000	.733	.482	.512
	CRMO	.840	.733	1.000	.633	.772
	CKM	.724	.482	.633	1.000	.727
	CRMTB	.803	.512	.772	.727	1.000
Sig. (1-tailed)	PP	.	.000	.000	.000	.000
	KCF	.000	.	.000	.000	.000
	CRMO	.000	.000	.	.000	.000
	CKM	.000	.000	.000	.	.000
	CRMTB	.000	.000	.000	.000	.
N	PP	241	241	241	241	241
	KCF	241	241	241	241	241
	CRMO	241	241	241	241	241
	CKM	241	241	241	241	241
	CRMTB	241	241	241	241	241

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.906[a]	.821	.818	.28015	.821	270.741	4	236	.000

a. Predictors: (Constant), CRMTB, KCF, CKM, CRMO

ANOVAª

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	84.998	4	21.249	270.741	.000[b]
	Residual	18.523	236	.078		
	Total	103.521	240			

a. Dependent Variable: PP

b. Predictors: (Constant), CRMTB, KCF, CKM, CRMO

Coefficientsª

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	-.672	.107		-6.294	.000	-.883	-.462		
	KCF	.197	.029	.275	6.711	.000	.139	.255	.451	2.218
	CRMO	.317	.062	.282	5.119	.000	.195	.438	.249	4.014
	CKM	.216	.046	.191	4.665	.000	.125	.307	.453	2.209
	CRMTB	.437	.072	.305	6.076	.000	.295	.578	.301	3.320

a. Dependent Variable: PP

ANOVAª

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	84.998	4	21.249	270.741	.000[b]
	Residual	18.523	236	.078		
	Total	103.521	240			

a. Dependent Variable: PP

b. Predictors: (Constant), CRMTB, KCF, CKM, CRMO

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	-.672	.107		-6.294	.000	-.883	-.462		
	KCF	.197	.029	.275	6.711	.000	.139	.255	.451	2.218
	CRMO	.317	.062	.282	5.119	.000	.195	.438	.249	4.014
	CKM	.216	.046	.191	4.665	.000	.125	.307	.453	2.209
	CRMTB	.437	.072	.305	6.076	.000	.295	.578	.301	3.320

a. Dependent Variable: PP

Reliability

Key customer focus

Case Processing Summary

		N	%
Cases	Valid	241	100.0
	Excluded[a]	0	.0
	Total	241	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.889	6

Customer knowledge management

Case Processing Summary

		N	%
Cases	Valid	241	100.0
	Excluded[a]	0	.0
	Total	241	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.768	7

CRM organization

Case Processing Summary

		N	%
Cases	Valid	241	100.0
	Excluded[a]	0	.0
	Total	241	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

CRM organization

Cronbach's Alpha	N of Items
.0.842	10

CRM based technology

Reliability Statistics

Cronbach's Alpha	N of Items
.736	8

Case Processing Summary

		N	%
Cases	Valid	241	100.0
	Excluded[a]	0	.0
	Total	241	100.0

a. Listwise deletion based on all variables in the procedure.

Case Processing Summary

		N	%
Cases	Valid	240	99.6
	Excluded[a]	1	.4
	Total	241	100.0

a. Listwise deletion based on all variables in the procedure.

All variables

Reliability Statistics

Cronbach's Alpha	N of Items
.913	36