



ST. MARY'S UNIVERSITY

SCHOOL OF POST GRADUATE STUDIES

**THE IMPACT OF CUSTOMER RELATIONSHIP
MANAGEMENT ON CUSTOMER RETENTION: IN THE
CASE OF COMMERCIAL BANK OF ETHIOPIA**

BY

BETELHEM DESTA

ID No. SGS/0213/2008A

JUNE, 2018

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL
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LIST OF ABBREVIATIONS AND ACRONYMS

ATM :	Automated Teller Machine
BM:	Branch manager
CATS-CPC :	Customer Account and Transaction Service-Central Processing Center
CBE :	Commercial Bank of Ethiopia
CRM :	Customer Relationship Management
CSM :	Customer Service Manager
ICRM :	Integrated Customer Relationship Management
POS:	Point of Sales
SPSS :	Statistical Package for the Social Sciences

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ABSTRACT

This research is carried out to examine the impact of customer relationship management on customer retention. It is causal research type. Data were collected through the five point's Likert scales questionnaire and the study used mixed research approach which means both primary and secondary data collection techniques were used. The questionnaire was physically distributed to 322 employees and interview was made to 22 branch managers of selected branches. Out of the total distributed questionnaires 261 of them were collected. In order to meet the research objective collected data was analyzed through descriptive analysis techniques, correlation and regression analysis methods were used to analyze the collected data by using SPSS software version 20 and Descriptive analysis tools such as frequency, percentage, mean and standard deviation to present results statistical analysis tools such as correlation coefficient was worked out and used to explore the relationships between variables. Regression analysis was performed to study the effect of independent variables on customer retention. Research findings indicates that there is a significant relation between customer relationship management components including service quality, Employee behavior, solving customers problems, physical Environment and Social network interaction on customer retention and also to regression testing that all variables were examined simultaneously on customer retention; results showed that all components have a significant effect on customer retention. The researcher recommended that the bank should give more attention on all the components of customer relationship management to retain its customers.

Keywords: customer retention, Customer Relationship Management.

CHAPTER ONE

INTRODUCTION

This chapter starts by the background of the study and the discussion of the problem. Further research questions, objectives, scope are defined and it ends by presenting the outline of the thesis.

1.1. Background of the study

Nowadays businesses firms exercise different marketing strategies to survive in the extremely dynamic competitive world by identifying, acquiring and retaining most economically important customers and developing ongoing and long-lasting relationship with them (Roger, 2005). Due to tough competitions in the banking industry and rapidly changing in customer preference, it is very necessary for financial institutions to build and maintain a strong relationship with the customers in order to achieve the ultimate goal of customer retention. For this reason customer relationship management (CRM) has become more important in the service industry; especially in the banking industry.

The purpose of CRM is to build customer loyalty by creating and maintaining a positive attitude toward the company. A successful customer relationship management system is essential to put the bank in strategic position and facilitate to acquire permanent competition advantage together with escalating the total productivity of the bank. The ultimate objective of customer relationship management is to better cater the customers by knowing them and creating customer loyalty. (Ryals and Knox 2001) emphasized that "CRM is a relationship orientation, customer retention and superior customer value created through process management". Customer relationship management is also known as a managerial approach which works on a customer driven strategy in which different information systems provide all the necessary information which ultimately leads to superior customer satisfaction and loyalty.

Customer Relationship Management concerns the relationship between the organization and its customers and asserted customers are the life-blood of any organization be it a global corporation with thousands of employees and a multi-billion turnover, or a sole

trader with a handful of regular customers (Beks, 2008). The concept of relationship is very complex because it relates to different disciplines. During the past decade, relationship marketing has been seen as the conventional thought in planning a marketing strategy both in industrial and consumer marketing domains (Tseng, 2007).

(Hougaard and Bjerre, 2002) defined relationship marketing as “company behavior with the purpose of establishing, maintaining and developing competitive and profitable customer relationship to the benefit of both parties.” Relationship marketing contains all steps that company takes to identify and provide better services to our valuable customers. The relationship marketing is the process to identify and create new value for customers, in which the mutual benefit has been considered. This benefit is shared with customer during his life. (Kotler and Keller 2009) indicated that relationship marketing was mainly to match the customers’ needs and the service promise, so that the customer loyalty would increase (Taleghani *et.al.* 2011). (Barry, 1983) defined that the relationship marketing is attracting, maintaining and enhancing relationships with customers.

Customer retention is increasingly thought of as an important managerial issue, especially in the context of saturated market or lower growth of the number of few customers (Ghavami and Olyaei, 2006). (Cohen *et al.* 2006) have noted that customer retention is potentially an effective tool that banks can use to gain a strategic advantage and survive in today’s ever-increasing banking competitive environment. Thus, organizations need to focus on existing customers in order to ensure that they continue purchasing and continue supporting the product (Berndt *et al.*, 2005). Many studies report that it is more expensive for the organization to attract new customers as compared to adopting strategy to retain existing customers. (F. F. Reichheld & Schefter, 2000), found that it is more economical to maintain relationship with existing customers because they are fewer prices responsive than new customers existing customers are not only less price responsive. Customer retention directly influences extended lifetime values and benefits which is more beneficial opportunity for organizations that look for enhancement and prolong business activities and those that are looking for ways to protect them from market decline which is the consequence of reducing economy. (Gee *et al.*, 2008).

As a result of the above evidences retaining an existing customer has beneficiary to the banking industry especially for Commercial Bank of Ethiopia since the CRM is not properly implemented as one criteria of customer retention since this research was implemented. All the branches in CBE tried to retain their prominent customers as per their own mechanism. In support of this argument this study was conducted by taking appropriate customer relationship management components that persuade customer retention of banks and come up with concrete results.

1.2 Statement of the problem

At this time customer retention has gained a good deal of importance and commercial banks have been facing severe competition and major customers' switch off. Customer who has not been satisfied with the banks services can easily switch to another bank. In such kind of situation, banks need to utilize the marketing strategies which can enable them not only to attract new customers but also retain the existing ones. Customer retention is important to most companies because the cost of acquiring a new customer is far greater than the cost of maintaining the existing customer. Therefore, customer relationship management plays a great role to retain the existing customers. (Ro King, 2005)

Financial institution should aware of customer relationship management. In particular commercial banks should focus only on the improvement of their products and pay better attention to their customer care and relationship; if there is a gap in this regard, as a result, many of their customers move their interests to organizations who can serve them better. The problem here is that organizations which is fail to understand that customers' value, care and concern is far above the product quality they deliver. So it is very important in our intensity changing competitive environment especially in the banking industry which has direct contact with the customers in order to build up good relationship. Despite the fact that, building a valuable CRM enlarges customer loyalty, enhance repeat purchase and attract new customer, which will increase the volume of deposit and credit transactions of banks. (Khaligh et al.2012)

Commercial Banks as their very survival depends on the ability to attract and retain valuable customers; it is not yet changes their process to do so. As a result, this research

however seeks to make a contribution towards the filling of this gap. Practically the study have seen a gap in relation to how the commercial bank of Ethiopia (CBE) is attracting new customers; satisfy and retain existing profitable customers by serving a reliable service, by developing and maintaining long-term ongoing relationship with customers. At this time as it was observed from the existing situation the bank's existing customers can shift easily to other competitor banks for the reason that of unpleasant contact and relationship with customers. This crack is a sign for the bank to know how CBE satisfies and retains existing customers. Currently CRM is not yet providing its complete support since it is on the development stage to extend the department in a corporate level by the bank. On account of this back ground driving force the researcher came to oblige to investigate how customer relationship management (CRM) had an effect on customer retention in the case of commercial bank of Ethiopia.

This study was conducted to analyze the impact of customer relationship marketing on customer retention by taking five explanatory variables representing service quality, employee's behavior, customer problems and complaints, physical environment and social network interactions and dependent variables represented by customer retention.

1.3 Research Question

According to these issues, the main problem of the research is formulated in the following questions:

1. What is the existing customer relationship management practice in the commercial banks of Ethiopia?
2. How does CRM assist to enhance customer retention?
3. What is relationship between components of CRM and customer retention?
4. What is the impact of customer relationship management on customer retention?

1.4 Research Objective

1.4.1 General objectives

The general objective of this study is to examine the impact of customer relationship management on customer retention by taking evidence from branches of CBE in Addis Ababa districts.

1.4.2 Specific objectives

Besides the general objectives this research also has the following specific objectives:

1. To examine how the component of CRM assist to attain customer maintenance.
2. To examine the existing customer relationship management practice of commercial bank of Ethiopia.
3. To identify the relationship between components of relationship management and customer retention.
4. To find out the impact of components of customer relationship management on customer retention.

1.5. Significance of the Study

Customer relationship management (CRM) has become more important in the service industry; especially in the banking industry, as CRM topic is considered to be one of the base for success of many financial institutions in particular and other institution in general. Even though this subject matter is basic issue for financial institution it is very important to make sure the main elements of CRM which can lead to customer retention with the critical competition in this industry. Therefore, the result of the study is significant for supplying clear understanding relating to Customer relationship management (CRM) and become a channel to filling the knowledge gap in this regard, Help in identifying possible gaps of relationship management practice of commercial bank of Ethiopia and its contribution on customer retention; It would help management bodies of Commercial Bank of Ethiopia at every level to take actions to fill the gaps and lastly, contribute new knowledge to the existing literature and also invite other researchers to conduct further research concerning this topic.

1.6. Scope of the Study

This research work focuses only on the impact of customer relationship management on customer retention on commercial bank of Ethiopia. So that the center of attention of this study is restricted only on Commercial Bank of Ethiopia, Hence, due to time and financial constraints in taking large sample size, it was difficult and unmanageable to include all branches found in the country. So that, the research was conducted only in Addis Ababa district city branches. In addition to this concerning the theoretical scopes of the study, the study was conducted to analyze on customer relationship management components and investigate how such customer relationship management variables contribute to retain customers.

1.7. Organization of the study

The paper has five chapters, chapter one includes background of the study, statement of the problem, research questions, objectives of the study, significance of the study, scope of the study, and limitation of the study. Chapter two covers literatures which are relevant on the subject matter under study. Under chapter three, the methodology part of the study is described in detail. The findings of the study are presented, analyzed and discussed in chapter four. Finally, in chapter five summary, conclusions, and recommendations are forwarded based on the study findings.

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CHAPTER TWO

LITERATURE REVIEW

In this chapter focus on three main important issues such as, theoretical, empirical and the conceptual framework that guides the study are briefly highlighted.

2.1. Theoretical Literature Review

2.1.1. Concepts of CRM

Customer Relationship Management is the strategic process of shaping the interactions between a company and its customers with the goal of maximizing current and lifetime value of customers for the company as well as maximizing satisfaction for customers (Rajagopal, Romulo Sanchez, 2005). CRM is the integration and collaboration of different business departments to process and access the customer information to provide a unified assessment of customer interaction to enhance the quality of service delivery in the company.

The concept “Customer Relationship Management” (CRM) has been brought to attention in late nineties, especially among the academics and partitions. The new concept has directed attention towards various vital aspects, including the necessity of direct relationship between customers and markets, the important of keeping current customer, as well as the inevitability building long-term relationships with customers instead of the customer-oriented transaction method in order to augment the profitable of the institutions, especially in today’s increasingly competitive economy (Ismail & et. al, 2007, p.16; & et. al.,, 2005).Customer Relationship Management evolved from business processes like relationship marketing (RM) and the great amount of attention given to improving customer retention through the effective management of customer relationships (Winer S. 2001). Customer relationship management is the system that is responsible for introducing things such as frequent flyers, gifts, and credit card points. Before CRM evolved, this was rarely done, customers would simply buy from the company, and little was done to maintain their relationship.

Customer relationship management (CRM) is increasingly important to organizations worldwide as they seek to improve their profits through longer-term relationships with customers. Today, CRM is still being utilized most frequently by companies that rely on two distinct features: customer service or technology. According to Anderson (2000), the three sectors of business that rely most heavily on CRM and use it to great advantage are: Financial services sector, a variety of high tech corporations and telecommunications industry. The financial service sectors in particular, tracks the level of customer satisfaction and what customers are looking for in terms of changes and personalized features. Customer relationship management is widely described as a strategy, processes and practices or methodology. Customer relationship management is not just something that is done once to new customers it is a continuous process. Customer Relationship Management is an essential part of modern business management.

As pointed out by Claudia et al (2001), “customer relationship management can be seen as the alignment of business strategy, organization structure and culture, and customer information and technology so that all customer interactions can be conducted to the long-term satisfaction of the customer and to the benefit and increase in performance of the organization”. Customer Relationship Management (CRM) is a concept to enhance a company’s ability to retain customers and gain strategic advantage over its competitors. It is focused on creating and managing relationships with customers more effectively through detailed and accurate analysis of consumer data using various information technologies, (Gosney G. et al 2000). Customer relationship management helps to achieve organizational goal as well as improve the experience that customers get from the organization.

2.1.2. Relationship Marketing In Banking Sector

Generally speaking, all businesses and particularly financial institutions have been affected to some degree in what is happening in the global market place. Enterprises product benefits of form, time, place and property that will satisfy the customers’ demands through goods and service. Forming and marketing of the goods and services that satisfy the customer demands is the basis of producing benefit. (Altitas, 2000). Whether the customer is satisfied or not depends on whether the he compares what is offered to him with his own expectations. If what is offered suits the expectations, the customer is satisfied. If what is

offered is above the expectations, the customer is highly satisfied and pleased. (Kother, 2004: 36) for example, if the real performance of a product or service in a bank is below the expectations, the result is dissatisfaction, but if it equal or higher, customers satisfaction is achieved. (Kocoglu, Duygu ,2012;Gubuz, 2008:)

In recent years, in such fields as banking where a strong competition, customer satisfaction has gained a good deal of importance. It may be very easy to let another bank capture a displeased customer. To raise the customer satisfaction to the highest level and retain customers, the banks are to attach importance to customer relationship management (CRM).

2.1.3. The Importance of Relationship Management in Banks

According to private banks activation, competition development and communication and information development at international level, today absorption and maintenance of customers in the country banking industry has been complicated by many degrees that itself led to reduction of banks interest (Rezvani et.al, 2011).Today's banks should see their function in the customer reflection and try to understand wants and desires of customers to attract customer satisfaction. Today, in marketing, the cost of losing a customer is equal to the loss of benefits which the bank obtains from the customer service and this is an alarm for a bank. In addition, benefit of services that could gain from new clients will be losing. Therefore, customer orientation is a very sensitive element that we need to consider. The advantages provided to the banks by customer relationship management are as followings: (Duygu, 2012; Alagoz, 2003 ;)

- Picking out the real customers in a bank in the long run and helping to make the relationships effective,
- Making the way of bank management customer-based.
- Bringing, with technology, in the foreground the human relationships based on gathering and using information by institutionalizing the personal sale concepts,
- Reshaping the selling and marketing campaigns of the bank,
- A successful customer relationship management system, providing a permanent advantage of competition,
- Increasing the total productivity of the bank.

2.1.4. Customer Retention

Customer retention is increasingly thought of as an important managerial issue, especially in the context of saturated market or lower growth of the number of few customers (Ghavami & Olyaei, 2006). Cohen et al. (2006) have noted that customer retention is potentially an effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing banking competitive environment. Thus, organizations need to focus on existing customers in order to ensure that they continue purchasing and continue supporting the product (Berndt et al., 2005). Thus, at this time, close relationship with customers will require a strong coordination between banks and its marketing departments to provide a long-term retention of selected customers (Chary and Ramesh, 2012). Rust and Zahorik (1993) as cited by Cohen et al. (2006), the financial implications of attracting new customers may be five times as costly as keeping existing customers. Doing so significantly helps to reduce the cost of the organization.

According to Rouholamini & Venkatesh (2011), several research show that customer acquisition costs 5 to 7 times higher than customer retention costs. Thus, since revenues increase with incremental improvements in customer retention, the ultimate goal of a professional services firm should be to retain customers (Crutchfield, 2001). However, this is only achieved when you are providing excellent customer service, which then turns in to Customer loyalty (Ghavami & Olyaei, 2006). Thus, retaining an existing customer has beneficiary to the organization than attracting new once. Villanueva and Hanssens (2007) cited by Parker et al. (2009) clearly stated the following five customer retention benefits. Those benefits are:-

1. It is cheaper to retain customers than to acquire them.
2. The costs of serving long-life customers are less than those of serving new customers.
3. Long-life customers improve the reputation of the company and attract new customers through word-of-mouth advertising.
4. Long-life customers are less price sensitive than new customers and are therefore more willing to pay higher prices in some cases.
5. Long-life customers are more likely to buy more from the company so the company can increase their share-of-wallet through up-selling and cross-selling.

Therefore, the above benefit proof that long-life customers are means of profit to the organization and they can attract potential customers through their formal and informal communications.

2.1.5. Element of CRM

Major critical elements of CRM are to be examined in this study are interaction management, relationship development, customer service, employees' behavior and physical environment.

2.1.5.1. Quality of services

According to Gee et al.(2008) in an attempt to understand the factors that induce customer satisfaction , the concept of service quality is increasingly common in the literature. Studies show that service quality has a positive effect on consumer satisfaction and also has significant relationship with customer satisfaction and loyalty, and profitability of the firms. According to the works of Hanley (2008), the quality of services could be implemented by a few methods such as, meeting customer expectation of good service level and having many varieties of products, provide good quality products with reasonable price and to handle the customer complaints about the products and services tactfully.

2.1.5.2. Behaviors of Employees

An Employee that conforms to organization behavior and value is likely to strengthen the connection between the customer and the firm. Reverse pattern of effects is to be expected when the employee act through his/ her own behavior. In these cases, a consumer may think that the organization actually does not deliver the symbolic benefits that s/he had expected for and may evaluate the organization in a negative way. In order words, under circumstance such as the ones described, an employee will probably exert a strong impact on organization reputation and attitudes (Coulter 2002). According to the works of Hanley (2008) and Coulter (2002), the effect of positive employees' behavior could be increasing speed of response to customer and ensure employees are friendly and respectful to customers which enhance customer satisfaction toward the services provided.

2.1.5.3. Solving customer problem and complaint

According to Ford (1980), the study of relationship development primarily involves research into structure and processing of the relationship between customer and supplier.

Hakansson and Snehota (1995) argue that the relationship development process is an interaction where connections have been developed between two parties.

The most important activity to achieve relationship development is known as monitoring of the relationship management process such as service or complaint management (Brown and Gulycz, 2002). This relationship process includes procedures, mechanisms, schedules, and activities in which the products and services have been delivered to customers (Christopher et al., 1991). The key performance indicators such as rate of retention, life time value of the customers, and satisfaction should be set by the organization (Brown and Gulycz, 2002). According to the works of Heleny (2008) and Lindgreen et al. (2006), relationship development can be made through commitment to convince customers that their feedback is taken seriously.

2.1.5.4. Physical Environment

Every customer is expecting that each bank is taking into consideration the importance of physical environment which is represented by decorations, aisles, waiting areas. Air conditioning, lightening, and other facilities that are available for customer convenience. In modern days, especially in the services industry, customers are looking for supplementary services, where the core service is intangible issue to attract and convince customers it is necessary to concentrate on physical issues which can satisfy them. As a result of their facts, physical environment of the bank is a matter of CRM through which customers can have a positive image about the bank which is caring for these issues and finally affect their satisfaction positively.

2.1.5.5. Social Network Interaction

According to the Brown and Gulycz (2002), if an organization willing to make a stable relationship with its customers, there are different ways to have an interaction with them including interaction along touch points and distribution channels. The main purpose is to find out how and when the customers would like to interact with the organization (Prahalad and Ramaswamy, 2001). The interaction activities should be well customized and organized through the available touch points provide in relation to the customer profiles developed by data gathered from the former records of the customers. According to Lindgreen et.al (2006) and Peppers et.al. (1999). interaction management is implemented

by a few methods such as getting customers feedback and interaction with customers by attractive ways such as using social network.

2.2. Empirical Literatures

Kocoglu (2012), in his study titled customer relationship management and customer loyalty in the banking industry. The study has been conducted on a sample of 350 staff employed in all the branches in Denizli of T.C. Ziraat Bank. The study concluded that all elements of CRM i.e. customer database, learning customer needs and complaints, and providing solutions peculiar to customers are positively correlated with customer loyalty. Cho, et.al. (2013) investigate the impact of customer relationship management on customer satisfaction and loyalty. The study was performed at a departmental store in Tehran, Iran. the study employed quantitative approach. And base on 300 respondents. The main findings of the study shows that behavior of the employees is significantly related and contributed to customer loyalty compared to other elements of CRM i.e interaction management, relationship management and services quality.

Hisham Solieman, (2011), in his study customer relationship management and its relationship to marketing performances assured that there is a positive relationship between CRM and marketing performance such as customer satisfaction and customer loyalty . Three major variables of CRM was tested in this study i.e focusing on the main customers, organization efficiency and customer knowledge management. The study concluded that all elements of CRM have positive relationship with customer satisfaction and customer loyalty.

Khaligh et al. (2012) investigate the impact of CRM on customer loyalty and retention in the telecom industry in Iran. The data are collected from 200 Iranian telecom services users. Finding shows that commitment and vision of the management system is highly required for a successful CRM implementation, the structure of the strategy should be based on flexibility and explicitly of the policies especially pricing policies. These factors are very importance to increase customer loyalty and benefit of the firm (Khaligh et al.2012) According to the research Bhattachacharya (2011) CRM is implemented in an organization to reduce cost and increase company performance, which means profitability

result through customer satisfaction and loyalty. Kocoglu (2012), in his study titled customer relationship management and customer loyalty in the banking industry. The study has been conducted on a sample of 350 staff employed in all the branches in Denizli of T.C. Ziraat Bank. The study concluded that all elements of CRM i.e. customer database, learning customer needs and complaints, and providing solutions peculiar to customers are positively correlated with customer loyalty.

Indeed in a successful CRM implementation, data are collected from internal and external sources such as sales department, customer service, marketing, after sales services, and procurement, this is crucial in obtaining a holistic view of each customer requirement in real time systems. This information will be able to aid employees to make fast accurate decisions when dealing with the customers in different areas and touch points. The findings of this study show that the customer perception and treatment given to each customer individual are able to assist in solving many customers' problems. Thus, customer satisfaction and loyalty would be achieved through a successful CRM implementation. Therefore, organizations should discover different requirements of the customers and adjust their policies according to their needs to increase the firm's competitiveness.

2.3. Conceptual Framework

Long, et al. (2013) cited by Dr. Zakaria, disclosed that interaction management, relationship development, customer service, employees' behavior and physical environment are dimensions of customer relationship management. The researcher based on the literature reviewed proposes a model which reflects the main elements of CRM that are responsible for creating customer retention presented as an independent variable, represented on the left side of the model and on the right side of the model the dependent variable is represented by customer retention.

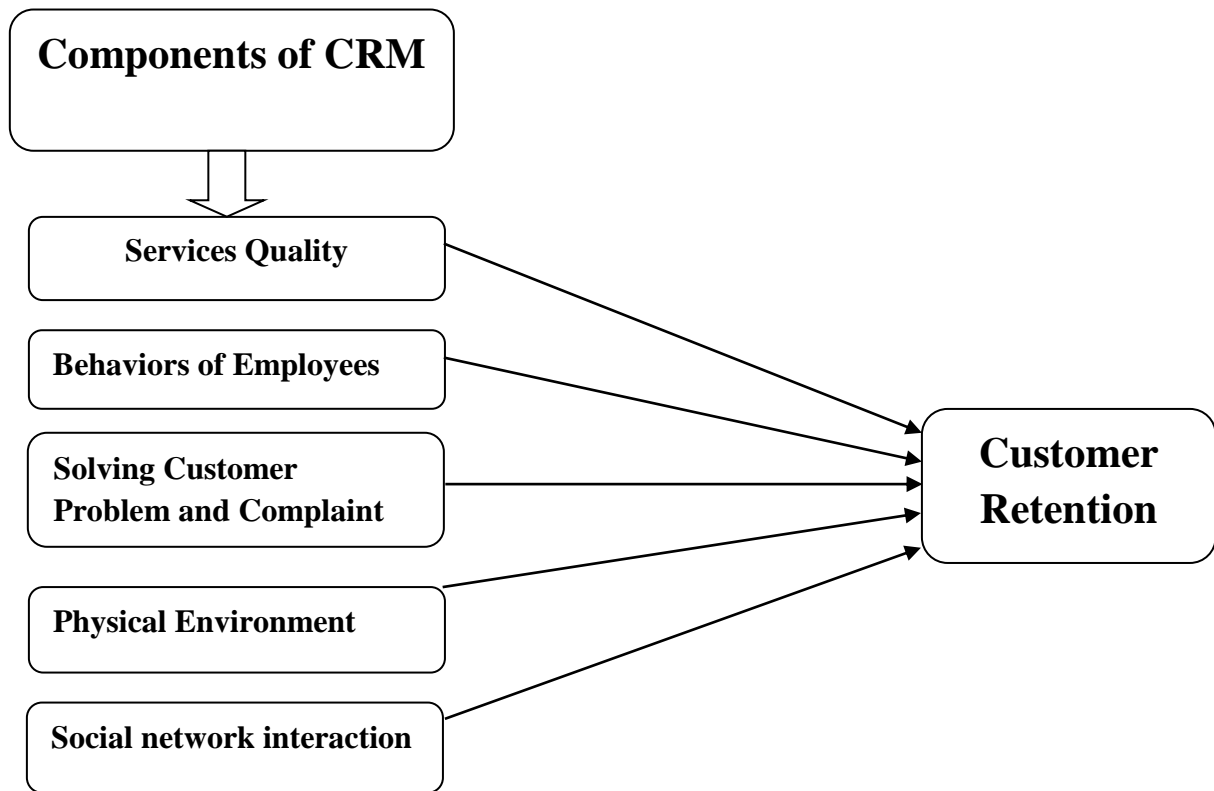


Figure 1.1 Conceptual framework, Source: Long, et.al.(2013) cited by Dr.Zakaria

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Research Design

According to Cooper & Schindler (2003), research design is the plan and structure of investigation so conceived as to obtain answers to research questions. The plan is the overall scheme or program of the research. It includes an outline of what the investigator was done from respondent's assumption about CRM components and their implications to the final analysis of data. A research design expresses both the structure of the research problem and plan of investigation used to obtain empirical evidence on relations of the problem.

As this study is established causal relationship between variables it is causal research type, causal research type helps to explain the relationship between the dependent and independent variables. Questioners were analyzed using statistics and interview was conducted with branch managers therefore it is mixed research approach.

3.2. Population, Sample Size and Sampling Techniques

3.2.1 Population

Population is a collection of all conceivable elements, subjects or observations with one or more attributes in common. It represents a specified segment of the real world with common definite specified characteristics relating to a particular phenomenon of interest to the researcher. According to data from CATS-CPC, there are 15 districts, 33,365 employees and over 1235 branches all over the Country. Therefore, the target populations for the study were employees and branch managers of the Commercial Bank of Ethiopia working in Addis Ababa under grade four and grade three branches based on purposive sampling technique.

3.2.2. Sample Size

In addition to the purpose of the study and the population size, five criteria was needed to be specified to determine the appropriate sample size Population variability (approximated p), the maximum allowed error (E), and confidence interval (Z), the probability of the

population not to be occurred(q).due to large number of employees in branches of Commercial Bank of Ethiopia in Addis Ababa, the sample size of the population that are large and determined through the equation developed by Cochran (1963).

$$n = (z^2 * p * q) / e^2$$

Where n the total number of sample required

z = the critical table value of the confidence level (z=1.96)

p = the population variability (p=0.3)

q = the probability of the population not to be occurred (q=1-p=0.7)

e = the maximum allowed error i.e. (e =0.05)

Therefore, the researcher was taken the maximum allowed error as 5% at a confidence interval level of 95% and the moderate population variability interval is 0.3(p=0.3) because this allows the researcher a largest sample size and the minimum error(q=0.7).

$$n = (1.962 * .3 * .7) / 0.05^2 \text{ which is approximated } 322$$

Since the large sample size have the probability of minimizing the population parameters and increases likelihood of the sample to be true representative of the population. This reduces chance errors (Gupta, et.al. 2009).

3.2.3. Sampling Techniques

The researcher used stratified sampling technique to select district of CBE branches from where the sample respondents or 322 were chosen. The data's are collected by using stratified sampling technique method from the four districts of CBE i.e. north, south, west and east Addis Ababa. According to data from CATS-CPC, there are 9 grade four and 12 grade three branches in North Addis Ababa, as well as 11 grade four and 9 grade three in West Addis Ababa, 15 grade four and 13 grade three branches in east Addis Ababa and 10 grade four and 12 grade three branches in south Addis Ababa. Therefore for the study, it was randomly selected 25 % grade three and grade four branches for each stratum as sampling units. 322 total employees were selected from selected branches in four districts through purposive sampling techniques, as mentioned on the table 3.1 and the data was collected from only grade four and grade three branches; since this branches have relatively most of the corporate customers of the bank and large number of customer served comparing to grade 1 and grade 2 branches, in addition to the questionnaires. Rather than generalizing the result based on the response of the

employees' only, interview method were employed simultaneously from 22 managers of the selected branches in four districts that were used to collect the responses of the employees. This was done to strengthen the data that were collected from employees, so that consolidating the response of the managers and employees has made the finding of the study concrete.

Table 3.1: Questionnaires distributed to the employees and Interview made to the branch managers.

s.no.	District	Total No. of Grade 3 & 4 Branches	proportion of branches	No. of branches questionnaire Distributed and Interviews made	No. of Questionnaires distributed in each branches	Total Questionnaires distributed
1	East Addis	28	25%	7	16	112
2	West Addis	20	25%	5	14	70
3	South Addis	22	25%	5	14	70
4	North Addis	21	25%	5	14	70
	Total	94	100%	22		322

Source: CATS CPC report march, 2018

3.3. Data sources and collection method

The study used both primary and secondary data sources in gathering data for analysis. Primary method of data collection was made using 5 point Likert scale questionnaire and interviews consisting of both open and close-ended questions. Furthermore Secondary data was collected from published annual reports, different books, journals and websites. The secondary data was providing a reliable source of the information which was needed by researcher to investigate the phenomenon and seek efficient ways for problem solving situations.

The questionnaire was prepared in line with the objectives of the study and it was organized in two sections. The first section was designed to obtain the demographic information of the respondents and the overall the existing customer relationship

management practice in CBE. The second section inquired how respondents perceive the relationship management components relationship with customer retention and its impacts. A five – point Likert scale questionnaires were distributed to employees of Commercial Bank of Ethiopia and interview was made to the branch managers of the selected grade three and four branches.

3.4. Method of Data Analysis

In order to meet the research objective the data collected which is mostly quantitative in nature is analyzed by descriptive analysis techniques using tools such as Statistical Package for Social Sciences (SPSS) 20.0 version. Descriptive statistics was used mainly to organize and summarize the demographic data of the respondent as well as the first research objective and correlation coefficients was used to show the relationship between components of relationship management and customer retention in the bank. On the other hand, multiple regression analysis was carried out to measure the impact of customer relationship management on customer retention in the bank, one sample t test used to compare the sample respondent with the population value and the result is mentioned in the appendix. In general Data collected were analyzed using both descriptive and inferential analysis. The regression model was done in the form of:-

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \dots + \beta_nX_n + \epsilon_i \dots\dots\dots 1$$

Where,

Y is dependent variable:-variable which is affected by other variables or explained by the independent variables

α is an intercept, where the regression line crosses the y axis

$\beta_1 \dots \beta_n$ are the coefficient of the independent variables X_1 to X_n . Substituting both dependent and independent variables in equation 1 above, we have the following equation

Specifically, for this study the expression is appropriate:

$$CR = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \epsilon_i \dots\dots\dots 2$$

Where,

β_1 is the partial slope for x_1 on y and indicates the change in y for one unit change in x_1 ,controlling $x_2 \dots \dots B_5$ is the same thing

CR – Customer retention-dependent variable

- X1- Service quality
- X2 –employee’s behavior
- X3 –customer problems and compliant
- X4 – physical environment
- X5 –social network interaction
- ϵ_i –Error term

3.5. Validity and Reliability Testing

3.5.1. Reliability Testing

Cronbach’s alpha is an index of reliability associated with the variation accounted for by the true score of the —underlying constructll (Nunnaly, 1978). Cronbach’s Alpha’s can only be measured for variables which have more than one measurement question. Nunnaly (1978) has stated that 0.5 is a sufficient value, while 0.7 is a more reasonable Cronbach’s alpha. The results were extracted as Table 3.2 and according to this theory the result is more than 0.7.

Table 3.2: The reliability coefficient Cronbach’s alpha

Construct	Number of Item	Cronbach's alpha	Internal Consistency
Service quality	6	0.809	Good
Behavior of employee	4	0.731	Good
Customer compliant	4	0.741	Good
Physical environment	5	0.771	Good
Social network interaction	4	0.751	Good
Customer retention	4	0.783	Good

Source: calculation from SPSS,2018

3.5.2. Validity

Validity refers to the issue of whether an indicator (or set of indicators) that is devised to gauge a concept really measures that concept. Several ways of establishing validity are: content validity; convergent validity concurrent; predictive validity; construct validity; and

convergent validity (Bryman and Bell, 2003).The researcher used standardized questionnaire used by so that the instrument is already valid and tested.

3.5.2. Multi-Co linearity Testing

Two major approaches were utilized in order to determine the presence of multi co linearity among independent variables in this study. These methodologies involved calculation of both a Tolerance test and Variance Inflation Factor –VIF (Kleinbaum et.al, 1988) cited by Velnampy and Sivesan (2012) and Tolerance level is < or equal to 0.1; and all VIF is 1/Tolerance values are well below 10 is acceptable. As we can see the data from the table below, none of the Tolerance level is < or equal to 0.1; and all VIF values are below 10. Thus the measures selected for assessing independent variables in this study, do not reach multi-co linearity.

Table 3.3 Test of Co linearity

Variables	Tolerance	VIF
Service quality	0.621	1.609
Behaviors of employees	0.682	1.453
Customer problem & compliant	0.665	1.509
Physical environment	0.487	2.070
Social network interaction	0.476	2.131

Source: calculation from SPSS, 2018

3.6. Ethical Consideration

The researcher maintained scientific objectivity throughout the study, recognizing the limitations of her competence. Every person involved in the study were entitled to the right of privacy and dignity of treatment, and no personal harm was caused to subjects in the research. Information obtained was held in strict confidentiality by the researcher. All assistance, collaboration of others and sources from which information was drawn is acknowledged.

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter deals with the presentation of data, analysis and interpretation. To collect the data and extract findings, questionnaires were prepared and distributed to employees of commercial bank of Ethiopia in Addis Ababa districts , thus a total of 322 questionnaire was distributed to different districts in Addis Ababa city but a total of 261 (81%) were returned and used for this study, while 61 (19%) remained uncollectible.

4.1. Background information about the respondents

This sections that follow present profile of respondents' like gender, age, education qualification and work experience they have at Commercial Bank of Ethiopia.

Table 4.1 Respondents' profile

Factors	Particulars	Frequency	Percentage
Gender	Male	152	58
	Female	109	42
Age	20-25	68	26.1
	26-35	101	38.7
	36-45	64	24.5
	46-55	21	8
	56 above	7	2.7
Education Qualification	Diploma	90	34.4
	Degree	153	58.6
	Masters	18	7
Work Experience	Less than 2 years	10	3.8
	Between 2-8 years	127	48.7
	Between 9-15 years	79	30.3
	Above 15 years	45	17.2

Source: calculation from SPSS, 2018

Analyzing the data obtained from the questionnaire, table 4.1 reveals that, 58% of the respondents were male while 42% were female respondents. The study tried to represent the respondents fairly balanced but the selected customers had more male than females by 16%. In terms of age, 38.7 % of survey respondents were under age 26-35 years, 26.1% under age 20-25, 24.5% under the age 36-45, 8% under age 46-55. The remaining 2.7% respondents were under the age above 56. Therefore the largest respondents were between the ages of 26-35 representing 38.7%. In addition to the above, respondents were asked to identify their education qualification. As a result majority of respondents have BA degree i.e. 58.6% and the remaining 34.4 % and 7 % of respondents have diploma and master's degree. On the other hand, 48.7% of respondents had 2-8 years of work experience, 30.3% employee has 9-15 years' work experience, 17.2% of has 15 and above years of work experience with CBE .The remaining 3.8% respondents had less than 2 year of work experience with the bank. The fact that majority of the respondents had 2-8 years' work experience with Commercial Bank of Ethiopia.

4.2. Data analysis on components of customer relationship management

Table 4.2 Descriptive Statistics of items that measure on the subject of Service Quality.

Variables		Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total	Mean (SD)
Providing banking services with reasonable price increases customer retention.	F	61	82	26	58	34	261	3.30 (1.38)
	%	23.4	31.4	10	22.2	13	100	
Dealing with customer confidentially foster customer retention.	F	44	87	51	63	16	261	3.31 (1.19)
	%	6.9	33.3	19.5	24.1	6.1	100	
Accuracy is essential for customer's retention in banking services.	F	104	99	22	14	22	261	3.95 (1.21)
	%	39.8	37.9	8.4	5.4	8.4	100	
Meeting customer expectation of good service level and having many varieties of products essential for customer retention.	F	79	20	29	107	26	261	3.74 (1.25)
	%	30.3	7.7	11.1	41	10	100	
Spreading bank's branches is important for customers.	F	55	102	53	27	24	261	3.52 (1.20)
	%	21.1	39.1	20.3	10.3	9.2	100	
Availability of bank customer database is essential for effective CRM performance.	F	64	85	53	33	26	261	3.49 (1.26)
	%	24.5	32.6	20.3	12.6	10	100	

Source: calculation from SPSS, 2018

Table 4.2 reveals that the study measured the service quality branches delivered and service performers by taking six sub variable through questionnaire survey from employees. Concerning providing excellence services with reasonable price increases customer retention, the survey result showed that, 23.4 % of respondents were strongly agreed, 31.1 % respondents were agreed, 10% of respondents are not taking sides about delivering quick service is a starting place for customer retention, while 22.2% respondents were disagree and 13 % customer were strongly disagree, totally 35.2% of the respondents assumed that delivering quick service is not a preliminary footstep for customer retention. But 54.8% or the majority of the respondents agreed that delivering quick service increases customer retention.

From the table aforementioned, 6.9 % respondents were strongly agreed and 33.3% of respondents were agreeing that dealing with customer confidentially foster customer retention. 19.5 of respondents are not taking sides. However, 40.2% respondents were disagreeing regarding this issue. Therefore, 40.3% the majority of the respondents agreed that dealing with customer confidentially and punctual what it promised to do foster customer retention. With regard to the accuracy of the bank performers, 39.8 % of respondents were strongly agreed and 37.7% of respondents were agreed. On the other hand, 5.4 % and 8.4% of respondents were responding opposite. As a result the majority of respondents were strongly agreed that accuracy is essential for customer's retention in banking services. This implies that they build customers retention about the service delivered by the bank.

The finding of the study in table 4.2 depicted that majority of the respondents responded that meeting customer expectation of good service level and having many varieties of products. i.e. represented by 51% respondents respectively were agreed. 11.1% of the respondents stay neutrals and the rest 38% of the respondents are disagree about the issue. Therefore this indicates that the bank has provided that superiority practice and provides consistence quality service at different time is trustworthy and properly done. Considering branch expansion finding of the study indicated that 31.4% oppose the issue of branch expansion and 20.3% of the respondent keep on impartial and the rest 48.3% of the

respondents agree and believes that spreading bank's branches is important for customers' retention. Regarding to availability of bank customer database is essential for effective CRM performance, majority of the respondents 45.2% replies have the same opinion about the necessary customer database. 20.3% of the respondents are neutral and the rest 34.5% disagree.

Consequently, according to the mean scores, the findings in Table 4.2 imply that CBE has, to a moderate extent, adopted service quality as a one customer relationship management practice. Since all service quality parameters used under this study had a mean score of between 3.3 and 4.00 and when you compare to the variation of quality service practice in CBE the low deviation is 1.21 and the highest deviation is 1.38. This implies that Low standard deviations indicated no significant deviations of the extent of adoption of a specific service quality parameter in relationship management practices while high standard deviations indicates significant deviation.

Table 4.3 Descriptive Statistics of items that measure concerning Employee's Behavior. .

Variables		Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total	Mean (SD)
Dealing sincerely with customers makes them happy with the bank.	F	43	108	53	39	18	261	3.46 (1.14)
	%	23.4	31.4	10	22.2	13	100	
Being helpful with customers makes them loyal to the bank.	F	45	84	64	37	31	261	3.29 (1.25)
	%	17.2	32.2	24.5	14.2	11.9	100	
Being kind with customer makes them retained in the bank.	F	47	123	42	29	20	261	3.57 (1.14)
	%	18	47.1	16.1	11.1	7.7	100	
Highly skilled and experienced employees are necessary to provide good banking service.	F	55	96	61	24	25	261	3.51 (1.20)
	%	21.1	36.8	23.4	9.2	9.6	100	

Source: calculation from SPSS, 2018

It is obvious that the behavior of employees of banks increases the confidence of customers and makes them loyal to their bank. In return building customer confidence on employees of the bank is crucial for their profitability. Table 4.3 illustrates those summary results about a question “Dealing sincerely with customers makes them happy with the bank”. From sample respondents of CBE majority of the respondents were found to be agreed on dealing honestly with the customers is exceptionally important (54.8%), the rest 10% of the respondents are neither agree nor disagree while 35.2 % of them show disagree with the statement. This implies that the existence of sincerity during business dealing is very important to each other. Summary of customer’s perception on being helpful with customers makes them loyal to the bank. To know whether the bank is ready to lend a hand or not a question was asked to sample respondents of bank mentioned in this study. Under table 4.3 shows that 49.4 % of the respondents believed that the bank maintain supportive to customer requests. While around 24.5 % of them were found to be neutral in their perception of the bank cooperation on customer issues. The remaining 26.1% of the sample respondents not agree related to this issue. Generally standing from the responses of the sample respondents we can speak that the bank is incompetent on cooperation of customer issues.

Tables 4.3 also depict that Summary of respondent’s perception regarding respectable approach with customer. Analyzing the data obtained from the questionnaire, result reveals that, 7.7 %, 16.1 % and 11.1 % of customers replied as strongly disagree and neither agrees nor disagrees and disagrees respectively. 65.1% of the customers agree and strongly agree with respectable approach with customer. This implies that employees of the bank perceive that if customers served with respectable approach the bank will enhanced in working for mutual benefits. Summary of employees response on subject of highly skilled and experiences employees is necessary to provide good banking service. It is the last measure variables of employee behavior. Table 4.3 shows that, about 18.8% of the respondents of the bank argued against the interdependent between employee behaviors and their skilled and experiences; whereas 23.4% neither agree nor disagree. 57.9 % of them, however, believe that the two issues are interdependent. As a result the majority of respondents argued that highly skilled and experiences employees are necessary to provide good banking service.

Therefore, according to the mean scores, the findings in Table 4.3 indicate that CBE has to a reasonable extent take on employees' behavior as a one customer relationship management practice. This is because all employees behavior parameters used under this study had a mean score of between 3.00 and 4.00. However, it is to be noted that just like the extent of adoption of employees behavior as one of relationship management practice, there were variations among respondents on the degree of agreement of employees' behavior parameters by CBE. The variation is exhibited in the differences of responses to the respective of employees' behavior parameter practices by different proportions of respondents on the Likert scale options. The variations are indicated by the standard deviations of the practices and they range from the low of 1.14 standard deviations and the highest 1.25 deviation for being helpful with customers makes them loyal to the bank. This implies that Low standard deviations indicated no significant deviations of the extent of employees' behavior parameter in relationship management practices while high standard deviations indicated significant deviation, the result of the research consistence with the result of Mohammad et al. (2011).

Table 4.4 Descriptive Statistics regarding Solving Customers Problems and Complaints.

Variables		Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total	Mean (SD)
Banks deals effectively with customer problems.	F	65	88	59	22	27	261	3.54
	%	24.9	33.7	22.6	8.4	10.3	100	(1.24)
Bank review complaints periodically.	F	54	96	64	23	24	261	3.51
	%	20.7	36.8	24.5	8.8	9.2	100	(1.82)
The bank officer's response directly to problems.	F	43	98	67	36	17	261	3.44
	%	16.5	37.5	25.7	13.8	6.5	100	(1.12)
Customers give greater attention to bank reaction toward complaints offered.	F	41	89	48	50	33	261	3.21
	%	15.7	34.1	18.4	19.2	12.6	100	(1.28)

Source: calculation from SPSS, 2018

Summary of employee's perception on solving customer problems and complaints are depicting as follows. Table 4.4 shows the perception of bank deals effectively with customer problems. In this regard, 8.4% and 10.4% of the respondents disagree and strongly disagree respectively, 22.6% neutral and 58.6 % of the respondents agree and/or strongly agree. This indicates that the majority of respondents were agreed to keep in touch constantly with its customers and solving their problems and complaints. It is very important to establish a long term relationship with its customers and review complaints periodically. Analyzing the data obtained from the questionnaire, table 4.4 also reveals that 18 % of the respondents disagree and /or strongly disagree with bank review complaints periodically. About 24.5 % of the respondents neither agreed nor disagreed with the statement but, 57 % of them agree with the statement. Therefore, considering the above results the bank should review customer complaints periodically has working to establish a long term relationship with its customers.

Respondents' observation regarding on the bank officer's response directly to problems customers presented. Table 4.4 shows which large proportion of sample respondents (54%) agree and strongly agree on the bank officer's response directly and have close cooperation work of their bank. However, 25.7 % neutral and 20.3 % of them strongly disagree and/or disagree with the statement. This implies that customers of the bank perceive that the bank were better in close cooperation with their requests. Summary of customer's perception on the bank reaction toward their complaints offered, table 4.4 disclosed that, 18.4 % of the respondents neither disagree nor agree about the above statement. However, 49.8% of the respondents agree and/or strongly agree with the statement about customers of the bank knows the result very well. The remaining 32.2% of the respondents were found strongly disagree and/or disagree about the statement. In conclusion, it's possible to observe that employees of the bank distinguish their reaction toward their complaints response.

With regard to the mean scores, the findings in table 4.3 indicate that CBE has to a moderate extent, adopted solving customers problems and complaints as a one customer relationship management practice. This is because all parameters used under solving customers problems and complaints had a mean score of between 3.21 and 3.54 and this

above the actual mean. However, it is to be noted that just like the extent of adoption of solving customers problems and complaints as one of relationship management practices, there were variations among respondents on the degree of adoption of solving customers problems and complaints parameters by CBE. The variation is exhibited in the differences of responses to the respective of solving customer's problems and complaints parameter practices by different proportions of respondents on the Likert scale options. The variations are indicated by the standard deviations of the practices and they range from the low of 1.12 standard deviations for the bank works in close cooperation with its customers and the highest 1.28 deviation employees of the bank know you very well. This implies that Low standard deviations indicated no significant deviations of the extent of adoption of a specific parameter in customer relationship management practices while high standard deviations indicated that significant deviation, the result of the research consistence with the result of Mohammad et al. (2011).

Table 4.5 Descriptive Statistics of items that measure in relation to Physical Environment.

Variables		Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total	Mean (SD)
Decoration in the bank is attractive to customer.	F	46	87	62	37	29	261	3.32 (1.24)
	%	17	33.9	23.8	14.2	11.1	100	
Cleanness of the bank fosters customer satisfaction.	F	44	103	36	53	25	261	3.34 (1.24)
	%	16.9	39.5	13.8	20.3	9.6	100	
Area arrangement in the bank is attractive.	F	36	102	65	44	14	261	3.39 (1.08)
	%	13.8	39.1	24.9	16.9	8.4	100	
Electronic screen services are up to customer expectations.	F	49	96	60	40	16	261	3.47 (1.14)
	%	18.8	36.8	23	15.3	6.1	100	
Lighting and conditioning facilities provided is attractive to customers.	F	46	91	62	42	20	261	3.39 (1.17)
	%	17.6	34.9	23.8	16.1	7.7	100	

Source: calculation from SPSS, 2018

Summary of customer's perception on employees of the bank regarding physical environment. A question is asked to sample respondents about their perception on Decoration of the branch offices; the table above clearly shows the analysis results 50.9% of the respondents of the bank believed that beautification of branch offices has an effect on customer's retention while 23.8% of them were neither disagree nor agree. The rest 25.3% of the sample respondents saying, employees of the bank do not understand their feelings properly. This implies that the majority of respondents were agreed making decoration in the bank branches is attractive to customer and a means to retain customers. With regard to cleanness of the bank fosters customer retention. As we can observe from the above table, 9.6%, 20.3%, 13.8%, 39.5% and 16.9% of respondents of the bank strongly disagree, disagree, neutral, agree and strongly agree with the statement respectively. As a result the majority of respondents agreed that cleanness of the bank attract attention to its customers.

Summary of employees perception on the bank shows a sincere interest on area arrangement in the bank is attractive, as clearly shown from the table 4.5, 25.3% of the bank respondents don't accept as right to solves their customer retention problem while 24.9 % neither agree nor disagree. Large proportions of respondents (52.9%), however, do agree and strongly agree that the bank inside arrangements has an effect on customer satisfaction. Summary of employees perception on electronic screen services are up to customer expectations. Among the total respondents of the bank, 21.4% agree about the issue and 23% neither agree nor disagree. However, 55.6% of the sample respondents consider the customers of the bank gets full of activity while customers acquire electronic screen services.

In addition Table 4.5 indicated that, 7.7% and 16.1 % of the sample respondents strongly disagree and disagree, respectively, in responding to the question lighting and conditioning facilities provided is attractive to customers. About 23.8 % of the respondents were also found to be neutral. Majority of sample respondents showed their agreement with the statement above 34.9 % of them agrees and 17.6 % of them strongly agree. As a result it is possible to say that the bank is in a position to satisfy and retain their customers and this practice of the bank also recognized by their respective customers.

With regard to the mean scores, the findings results in Table 4.5 indicate that CBE has to a reasonable level to adopted physical environment as a one customer relationship management practice. This is because all physical environment parameters used under this study had a mean score of between 3.32 and 3.4, the result, is above the actual mean. However, there were variations among respondents on the degree of adoption of physical environment parameters by CBE. The variation is exhibited in the differences of responses to the respective of physical environment parameter practices by different proportions of respondents on the Likert scale options. The variations are indicated by the standard deviations of the practices and they range from the low of 1.085 standard deviations for the bank shows a sincere interest in solving your problem and the highest 1.24 deviation the cleanness of the bank fosters customer satisfaction and convenient to customer. This implies that Low standard deviations indicated no significant deviations of the extent of adoption of a specific bonding parameter in relationship marketing practices while high standard deviations indicated significant deviation, the result of the research consistence with the result of Mohammad et al. (2011).

Table 4.6 Descriptive Statistics in relation to social network interaction.

Variables		Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total	Mean (SD)
Sending e-messages to customers enhance	F	51	101	38	48	23	261	3.42
	%	19.5	38.7	14.6	18.4	8.8	100	(1.24)
Providing e-promotion foster customer	F	44	123	36	34	24	261	3.49
	%	16.9	47.1	13.8	13	9.2	100	(1.19)
Providing e-information is essential for customer retention	F	52	97	48	46	18	261	3.46
	%	16.9	37.2	18.4	17,6	6.9	100	(1.19)
Web site availability gives competitive	F	51	104	56	39	11	261	3.56
	%	19.9	39.8	21.5	14.9	4.2	100	(1.09)

Source: calculation from SPSS, 2018

Summary of customer's perception on the bank social network interaction with its customers. As depicted in table 4.6, 8.8% and 18.4% of the respondents strongly disagree

and disagree with the statement respectively about Sending e-messages to customers enhance customer retention; however, about 14.6% of the respondents are neutral whereas 38.7% and 19.5 % of the respondents agree with the statement respectively. This implies that the majority of the respondents were agreed Sending e-messages to customers enhance customer retention. On the other hand the summary of employees perception on providing e-promotion foster customer retention, Regarding the question table 4.6 briefly described as follows, 9.2%, 13%, 13.8%, 47.1% and 16.9% of sample respondents replied as strongly disagree, disagree, neither disagree nor agree, agree and strongly agree with providing e-promotion foster customer retention, respectively. This indicates that the majority of respondents were agreed providing e-promotion foster customer retention.

Summary of employee's perception on providing e-information is essential for customer retention. Considering the sample respondents, 19.9% and 37.2% of the respondents strongly agree and agree with the statement respectively about providing e-information is essential for customer retention. However, about 13.8% of the respondents are neutral whereas 9.2% and 13% of the respondents are against the above statement. With regard to the summary of customer's perception on the bank web site availability gives competitive advantage to the bank, the feeling of respondents indicate that 19.9 %, 21.5% of customers disagree and neither agrees nor disagree, respectively. 59% of the customers, however, agree and strongly agree with the existence of web site gives competitive advantage to the bank. With regard to the mean score of responsiveness, the result showed that all mean score is greater than the actual mean, this implies that sample respondents of the population more representative and near from the population.

Table 4.7 Descriptive Statistics of items that measure in relation to customer retention.

Variables		Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total	Mean (SD)
Good bond between CRM and customer is essential for customer retention.	F	39	98	54	46	24	261	3.31 (1.19)
	%	14.9	37.5	20.7	17.6	9.2	100	
The bank tries very hard to establish a long term relationship with its customers	F	33	85	78	30	35	261	3.2 (1.20)
	%	12.6	32.6	29.9	11.5	13.4	100	
Most of our customers consider as their primary operator.	F	42	94	50	29	46	261	3.22 (1.33)
	%	16.1	36	19.2	11.1	17.6	100	
The bank keeps its promises are able to retain customers.	F	39	103	53	26	40	261	3.29 (1.28)
	%	14.9	39.5	20.3	10	15.3	100	

Source: calculation from SPSS, 2018

As depicted in table 4.7, 9.2% and 17.6% of the respondents disagree with the statement about good bond between CRM and customer is essential for customer retention; however, about 20.7% of the respondents are neutral whereas 52.2 % of the respondents agree with the statement. With regard to they are intended to continue establish a long term relationship with its customers, 45.2 % of the respondents were agreed with this statement; however 29.9 % of the sample respondents neutral whereas 24.9% of the respondents disagree with the statement. On the other hand customers consider as CBE their primary operator, 17.6%, 11.1%, 19.2%, 36%, and 16.1% of respondents strongly disagree, disagrees neutral, agree and strongly agree with the statement respectively. With regard to the last measure of customer retention the bank keeps its promises are able to retain customers, 25.3% of the respondents disagree with statement; however 20.3% of the respondents neutral whereas 53.9% of the respondents agree with the statement. These

implies that the bank done well in retaining current and existing customers through buildings helpful and long lasting interpersonal business relationship and considering mutual benefit as a result it construct customer loyalty.

4.3. Correlation Analysis

Correlation measures the strength of the linear relationship between two variables. Thus, Pearson’s correlation is used to identify whether there are relationships between the variables and to describe the strength and the direction of the relationship between two variables Mohammad et al. (2011). According to Berndt et. al (2005), the level of association as measured by Pearson’s co-efficient falls between -1.0 and +1.0, which indicates the strength and direction of association between the two variables. The interpretation of the result is as follows; a correlation result between 0 to 1 implies positive relationship, 0 (zero) for no relationship, 1 for perfect positive relationship, -1 for perfect negative relationship and between -1 to 0 indicate the existence of negative relationship. So, the correlation analysis was done to analyze the relationship between Customer retention and CRM variables. To examine the relationship among these variables, Pearson correlation coefficients were calculated. In this section of the study, the analysis and interpretations of the correlation results between dependent and independent variables are presented.

Table 4.8 Pearson correlation coefficients by bivariate

Independent Variables	Independent Variables	N	Pearson Correlation	P-value (sig)
Service quality	Customer retention	261	0.592	0.01
Employee behavior	Customer retention	261	0.456	0.01
Solving Customers Problems and Complaints	Customer retention	261	0.455	0.01
Physical environment	Customer retention	261	0.529	0.01
Social network interaction	Customer retention	261	0.524	0.01

Source: Calculation from SPSS, 2018

According to table 4.8, present the correlations of each variable. The results shows that, customer relationship management variables have significantly and positive relationship on customer retention. The first customer relationship management component, according to the results of the Pearson correlation test is observed that the significant at one percent. Therefore the research question is confirmed and there is relation between service quality and customer retention. This indicates that there is a moderate positive relationship between customer retention and service quality. The result of the research is consistent with results of Kocoglu (2012), and Velampy & Khaligh et al. (2012). The second customer relationship management component, according to the results of the Pearson correlation test is observed that the significant at one percent .Thus research question is confirmed and there is positive relationship between employee behavior and customer retention. The result of the research is consistent with results of Wang and Lo (2004) and Hisham Solieman, (2011).

Third customer relationship management component, according to the results of the Pearson correlation test is observed that the significant at one percent so, the research question is confirmed and there is a positive relationship between solving customers problems and complaints and customer retention. The result of the research is consistent with results of Kosile and Ajala (2006) and Mohammad et al. (2011). Fourth customer relationship management component, according to the results of the Pearson correlation test is observed that significant at one percent .Therefore, the research question is confirmed and there is a positive relationship between physical environment and customer retention. The result of the research is consistent with results of Mohammad et al. (2011) and Velampy and Sivesan (2012). Fifth customer relationship management component, according to the results of the Pearson correlation test is observed that significant at one percent .Therefore, the research question is confirmed and there are a positive relationship between social network interaction and customer retention. The result of the research is consistent with results of Rootman. et al (2010).

4.4. Regression Analysis

To investigate the significant factors of customer relationship management that influence customer retention in Commercial Bank of Ethiopia, multiple regression model were computed.

Table 4.9 Regression result CRM components and customer retention

Independent Variables	B	Std. Error	Beta	t-value	p-value	Sig.
Constant	0.403	0.215		1.876		0.000
X ₁ =Service quality	0.365	0.063	0.331	5.773	0.000*	0.000
X ₂ = Behaviors of employees	0.115	0.052	0.120	2.226	0.027**	0.000
X ₃ =customer problem & compliant	0.122	0.055	0.121	2.199	0.029**	0.000
X ₄ = Physical environment	0.166	0.060	0.177	2.748	0.006*	0.000
X ₅ =Social network interaction	0.150	0.066	0.150	2.292	0.023**	0.000

a. Dependent Variable: customer retention variable, Source: SPSS data, 2018

Figures in parenthesis denote p-values, *significant at 1 percent, **significant at 5 percent

Table 4.9, depicted that, Beta coefficient of service quality has maximum impact (0.331) and behaviors of employees has minimum impact (0.120) on customer retention variable. Then regression model can be written as follows in a significant at 95% confidence interval.

$$\hat{Y} = 0.403 + 0.365 X_1 + 0.115 X_2 + 0.122x_3 + 0.166 X_4 + 0.150 X_5$$

Interpretation of the model, as per the finding, service quality has a positive impact on customer retention. This means that, as service quality increases or decreases by 1%, customer retention increases or decreases at the time by 36.5% controlling for (x₂, x₃, x₄ and x₅) .similarly Social network interaction influences positively customer retention. When Social network interaction is raised or fall by 1%, the dependent variable customer retention raised or fall by 15.5% controlling for(x₁, x₂, x₃ and x₄). As Behaviors of employees increased or decreased by 1% customer retention also increased or decreased by 11.5% controlling for (x₁,x₃,x₄ and x₅).with regard to customer problem & compliant

increased or decreased by 1% ,the dependent variable customer retention is increased or decreased by 12.2% controlling for(x1,x2,x4 and x5). Finally physical environment increased or decreased through 1%, the dependent variable customer retention is increased or decreased by 16.6 % controlling for(x1, x2, x3 and x5).As result service quality and Physical environment have strong impact on customer retention with regarding the bank.

Table 4.10 Result of Multiple Regression Model Coefficient or Model Summary

Model	R	R Square	Adjusted R Square	Standard error
Constant	.692a	.531	.524	.58318

Predictors: (Constant), mean of service quality variables, mean of employee behaviour variables, mean of customer compliant variables, mean of physical environment variables, social network interaction of variables.

In table 4.10 it can be seen in multiple regressions that in examining independent variables on customer retention are acceptable and significant at a confidence level of 95%. Meanwhile, determine adjusted R square is equivalent to 0.531; this means that 52.4 percent of the independent variables can predict or affect the dependent variable.

4.5. Discussion Results of Interview Data

This section presents the results of each interview questions. The interviews were conducted with twenty two (22) branch managers (BM) of the bank in view of the study subject matters. The interviewees were experienced enough in the field of customer management as well as relationship management having between 8-12 years of service experiences in the bank. The interviews consisted of four structured questions that were prepared based on the questionnaire components and the literature review.

The interview session began with an initial question related to the understanding of CRM, present practices and expected outcomes. In this regard, Most of the respondents come up with certain similar and few distinct variables under each factors of CRM. Interviewees from each branches responded as customer relationship management exercise in the bank is well-organized, more and more in branches offices working with customers is essentially important particularly in retail business, normally it has a direct contact with customers,

and it requires important interpersonal interactions that helps to provide quality services with on time response.

On the subject of existing customer relationship management approach and service excellence of the bank, the branch managers of the selected branches came up with almost the same response. Service excellence is stated as one of CBE assignment goal. Service excellences not come up to without providing good quality products with reasonable price. Introducing new technology like e-banking, structure revision, preparing prize for special customer like exporters and customer focused services in order to satisfy and maintain long lasting relationship. In addition the respondents disclose that creating positive employee attitude, making employee performance assessment based on relationship effort, providing trainings for employees to upgrade their interpersonal skills, utilizing latest software and technology infrastructure, availability and access of individual customer information, personal connection, and creating enjoyable interaction are essential to make relationship effort and practice successful.

Regarding to Social network interactions and customer retention, interviewees from each branches responded as, Internet and mobile banking was also revealed as the recent service the bank and allow the bank customers to transact banking services conveniently. The introduction e-statements enable customers to have access to their statements wherever there are if they have internet access. With regard to trust, all interviewees of the selected branches replied that they are trustworthy in keeping customers transactions record safely; provide consistence quality service, calculating charges, cash payment as well as confidentiality. The use of telephone calls and SMS messages has also become a critical strategy put in place by the branches to protect the customers from fraudulent withdrawals from their accounts. In line with this the use of text messages that provide customers on the transactions that take place on their accounts and to encouraging deposit by providing prize the bank also use text messages to send lottery coupon to depositors.

With regard to employee behavior and resolving customer's problems and complaints, all interviewees of the selected branches replied that, CBE maintains high standards for the conduct of its employees. All employees are responsible for knowing, understanding and complying with this administrative regulation. Employees are expected to conduct themselves honestly and with integrity. They are trustworthy in keeping customers

transactions record safely; provide consistence quality service, calculating charges, cash payment as well as customer privacy.

In addition, all the interviewees of selected branches admitted the existence of interdependence between the banks and their customers, confirmed existence of a positive value of reciprocity within the bank. In any case it is prohibited that CBE employees shall not accept a gift, payment, favor from any individual or organization in the course of performance of their assigned duties. Such activities may create the appearance of undue influence. As showing sincerity and willingness to help customers are some of the key issues in responsiveness from the selected branch interviewees of the bank. According to the interviewees, some customers provide information regarding the service delivery capacity of employees of the bank. In this case, customer service managers give greater attention to customer's reactions and offered response directly to problems. Besides, most of the time front customer service officers transfer the question of their customers to back siter senior officials, if it is beyond their capacity.

At last, question was also made to interviewees about the bank strength and weaknesses related to maintaining good relationship with their customers. Regarding their strength all interviewees of selected branches expressed that they are strong in introducing new technology; even in recent time to introduce ATS or national electronic transfer system supported by NBE for this their branches are networked with other branches of the respective bank and also other Ethiopian banks. In addition to this we introducing POS, ATM (working 24 hours), and banking so as to provide better service to their customers. However, from their challenge perspective, all interviewees raised internet interruption problem, long wait in queue especially at the end of the month and delay in handling customer complaints for some employees. From the interview the researcher understands that the managers of selected branches identified their gaps that adversely affect their quality banking service towards customer's individual character, needs and preferences since human behavior is complex. Generally it is imperative to highlight that eleven out of seventeen respondents disclose that the issues like ease of access, intention/effort to maintain relationship, employee willingness, product/service diversification, adequate knowledge about customers and systems,

4.6. Triangulation of Data

It is completed from the analysis of the present study that CRM elements are responsible for creating customer retention. The respondent's reaction in this regard indicates that banks management gave greater emphasis on service quality provided to customer and giving high attention to solving customer problems and complaints which was responsible mainly for customer satisfaction as shown in this study. Besides, both data analysis results indicated that delivering quick service increases customer satisfaction, also honesty is very essential for customer's satisfaction in banking services. This implies that employees are the front gate to build customers confidence and trust is the base about the service delivered by the bank. Meeting customer expectation at good service level and providing varieties of products and Spreading bank's branches decrease customers switch off velocity.

The finding on the subject of retaining existing customer and to develop constant strong relationship management approach, special attention taken by banks management to physical environment and social network communications. Such practices had positive effect on customer retention. It is noticeable from the respondent's observation, they accept as factual, cleanness of the bank and area arrangement with in the bank is a means to promote customer satisfaction. Most of the time lights and conditioning facilities provided as attractive to new and existing customers. Besides, providing e-information and sending messages has also become a critical strategy put in place by the bank to protect the customers from fraudulent transactions from their accounts. Introducing new technology like POS, ATM, and mobile and internet banking also are very important so as to provide better service to their customers. Working to establish long term relationship with their customers and doing various efforts, since nothing is absolute in the world, towards customer retention.

Generally service excellences cannot come up to real without providing good quality products with reasonable price. Creating enjoyable interaction is essential to make relationship effort and practice successful. Since competition in the banking industry is very tense, CBE should give greater importance to CRM as a tool to gain competitive advantage through customer satisfaction. Dealing honestly with the customers has exceptionally significant effect on relationship management. The existence of honesty

during business dealing is very important to each other. All the respondents believed that the bank maintain supportive environment to customer requests. Further, employees are expected to conduct themselves honestly and with integrity. They have to be trustworthy in keeping customers transactions record safely; provide consistence quality service, calculating charges, cash payment as well as customer privacy. In this regard highly skilled and experiences employees is necessary to provide good quality service. Furthermore majority of respondents were agreed that keeps in touch constantly with its customers and solving their problems and complaints promptly is very important to establish a long term relationship with its customers. Therefore the bank has to review customer complaints periodically and response directly to problems.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter presents summary of the major findings, the conclusions and recommendations that was drawn from the previous chapter of this study.

5.1. Summary of Major Findings

Through undertaking a detailed analysis on the effect of customer relationship management on customer retention, the results of the study findings is summarized as follows;

- With regard to the summary results of the service quality branches delivered and capacity of service performers, CBE employ utmost level service quality as a one tool for customer relationship management. Among the service quality parameters used under this study the result of the research indicated that there is a positive relationship and it has greatest impact on retaining customers within the bank.
- Summary results on the behavior of employees associated with customer retention signified that, in reasonable level CBE realize employee's behavior as one instrument for relationship management element. Even if, there were variations among respondents on the degree of agreement on employees' behavior parameters by CBE, the result of the research consistent with each other and has constructive relationship with customer retention.
- Concerning on solving customer's problems and complaints, the study results indicated that, CBE has to a moderate extent; accept solving customer's problems and complaints and exercise on customer relationship management practice. Furthermore all parameters used under solving customers problems and complaints have encouraging relationship and impact on the retaining customers within the bank.
- Summary results concerning physical environment of the bank, it was observed that employees shows sensible relationship with customer retention. All physical environment parameters used under this study had a mean score of above the actual mean. Even if, there were variations among respondents on the degree of agreement the result of the research consistence with each other.

- Finally all components of CRM under social network interaction constraint, the study results indicated that, CBE have moderate extent with relationship management and its impact on customer retention.

5.2. Conclusion

A successful customer relationship management system is essential to put the bank in strategic position and facilitate to acquire permanent computational advantage together with escalating the total productivity of the bank. The ultimate objective of customer relationship management is to better supply the customers by knowing them and creating customer loyalty. The study was examining the effect of customer relationship management on customer retention by taking evidence from selected branches of CBE in Addis Ababa city. The results suggest that the factors had satisfactorily explained customer relationship management and based on the main objective of the research, the study examine the association between independent variables and dependent variable and their impact. The study emphasizes on the existence of relationship between the bank and to its customers measured by customer relationship management.

In general based on the results for the standardized values, we are able to see that commercial bank of Ethiopia has to a moderate extent adopted all components of customer relationship management parameters to retain customers within the bank. Although, all components of CRM has a positive effect on customer retention and constructing strong customer relationship practice. According to result of testing Pearson correlation show that there is a positive relationship between components of relationship management (service quality, employees behavior, customer complaints, physical environment and social interaction)and customer retention. With regard to the Result of regression analysis show that all of components of relationship management have an impact on customer retention and 52.4 percent of the independent variables can predict or explained the dependent variable. It is concluded from the analysis of the present study that CRM elements are responsible for creating customer retention.

5.3. Recommendation

From the result the relatively least level is obtained from behavior of employees and solving customer's problems and complaints. This indicates that Banks management should give greater emphasis on employee's behavior and giving high tension to solving customer problems and complaints to construct constant long term relationship with customers. Based on these results, the researcher forwards the following recommendations.

- The bank should create training opportunities to employees to develop their skills. Qualified employees have confidence and gain trust from customers and possibly will grow the service quality of the organization.
- The bank should and give individual attention to its customers by providing sincere interest in solving their problems and to respond their requests timely.
- Mangers should recognize the efforts of employees and appreciate their valuable performance towards solving customer's problems and complaints. This will create employees attachment and feeling of belongingness to the organization.
- The bank should keep its promises properly, by providing consistent quality services through minimizing possible gaps and provide addition value added services which is developed based on customer needs and wants.
- Finally, since currently competition in the banking industry is very tense, so that CBE should give greater value to CRM as a tool to gain competitive advantage.

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APPENDIX A

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDY

MASTER OF BUSINESS ADMINISTRATION (MBA) PROGRAM

Dear Respondents;

I am currently pursuing my Masters of Business Administration (MBA) at the St. Mary's University. As partial fulfillment towards the completion of my postgraduate degree, this research titled as "the effect of customer relationship management on customer retention in the commercial bank of Ethiopia" is undertaken. Hence, I kindly request you to fill in this questionnaire while assuring you that the information that you provide will be treated with confidentiality and shall only be used for the purpose of this academic research. I would also like to remind you that your fair and impartial feedback will make this research a very successful one.

Thank you for your cooperation and assistance.

Sincerely,

Researcher:-Betelhem Desta

Contact address: +251911389869/+251912131239

E-mail:-

Please respond to each item by putting a tick \surd mark in the box & fill in the blank on the number which best reflects your own perception.

Part I. Demographic Profile

1. Gender

Male Female

2. Age group

20-25 26-35 36-45 46-55 56 and above

3. Education qualification

Diploma Degree Masters

4. Work experience (In years)

Less than 2 2-8 9-15 above 15

Part II- CRM components

	Descriptions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Service Quality:					
1.1.	Providing excellence services with reasonable price increases customer retention.					
1.2.	Dealing with customer confidentially foster customer retention.					
1.3.	Accuracy is essential for customer's satisfaction in banking services.					
1.4.	Meeting customer expectation of good service level and having many varieties of products essential for customer retention.					
1.5.	Spreading bank's branches is important for customers' retention.					
1.6.	Availability of bank customer database is essential for effective marketing performance.					
2.	Employee's Behavior:					
2.1.	Dealing sincerely with customers makes them happy with the bank.					

2.2.	Being helpful with customers makes them loyal to the bank.					
2.3.	Being kind with customer makes them retained in the bank.					
2.4.	Highly skilled and experiences employees is necessary to provide good banking service.					
3.	Solving Customers Problems and Complaints:					
3.1.	Banks deals effectively with customer problems.					
3.2.	Bank review complaints periodically.					
3.3.	The bank officer's response directly to problems.					
3.4.	Customers give greater attention to bank reaction toward complaints offered.					
4.	Physical Environment:					
4.1.	Decoration in the bank is attractive to customer.					
4.2.	Cleanness of the bank fosters customer satisfaction.					
4.3.	Area arrangement in the bank is attractive.					
4.4.	Electronic screen services are up to customer expectations.					
4.5.	Lighting and conditioning facilities provided is attractive to customers.					
5.	Social network interaction:					
5.1.	Sending e-messages to customers enhance customer retention.					
5.2.	Providing e-promotion foster customer retention.					
5.3.	Providing e-information is essential for					

	customer retention.					
5.4.	Web site availability gives competitive advantage to the bank.					
6.	Customer retention					
6.1.	Good relationship between CRM and customer is essential for customer retention.					
6.2.	The bank tries very hard to establish a long term relationship with its customers.					
6.3.	Most of our customers consider as their primary operator.					
6.4.	The bank keeps its promises are able to retain customers.					

THANK YOU FOR YOUR COOPERATION!!!

APPENDIX B;

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDY

MASTER OF BUSINESS ADMINISTRATION (MBA) PROGRAM

Interview questions Checklist for managers

Dear respondents:

My name is Betelhem Desta. I am a postgraduate student in the department of business administration (MBA) program at St. Mary University. Now I am conducting a research in the area of the —the impact of customer relationship management on customer retention. The study is purely for academic purpose and thus does not affect you in any case and the purpose of this interview is to gather data regarding customer retention in commercial bank of Ethiopia Addis Ababa district. Your genuine, frank and timely response is vital for the success of the study. Therefore, I kindly request you to respond to each question item carefully.

1. Can you describe the current Customer Relationship Management practice of the bank?
2. What are the customer relationship management strategies that apply to make customers satisfied and retained in your branch?
3. What different limitations in customer relationship management that were observed in branches?
4. How do you appraise the quality service, behavior of employees, customer problems and complaints, social network interaction and physical environment of your Bank branch with customers?

ENDORSEMENT

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

Advisor

Signature

St. Mary's University, Addis Ababa June, 2018

DECLARATION

I hereby declare that this study entitled —The Effect of customer relationship management on Customer retention: The Case of commercial bank of Ethiopial is my original work prepared under the guidance of my advisor, Dr. Temesgen Belayneh. This paper is submitted in partial fulfillment of the requirement for the Award of Master of Arts Degree in General Business Administration and it has not been previously submitted to any diploma or degree in any college or university. I would like also to confirm that all the sources of materials used in this study are duly acknowledged.

Name

Signature

St. Mary's University, Addis Ababa June, 2018