SCHOOL OF GRADUATE STUDIES

EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER LOYALITY THE CASE OF ABAY BANK SC. ADDIS ABABA

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ID: - 0419/2015A

May, 2024

ADDIS ABABA, ETHIOPIA

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THIS THESES IS SUBMITTED TO ST. MARY UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER OF ART IN MARKETING MANAGMENT

Advisor: - Zemenu Aynadis (Asst. prof.)

May, 2024

ADDIS ABABA, ETHIOPIA

Endorsement

EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER LOYALITY THE CASE OF ABAY BANK SC.
ADDIS ABABA

This Theses paper has been submitted to St. Mary University, school of graduate studies. school of graduate studies in partial fulfillment of the requirement for the award of master of art in marketing management.

Zemenu Aynadis (Asst. prof.)   ……………………….

Advisor   **Signature**

St. Mary's University
Addis Ababa
May, 2024

Declaration

I declare that this Theses is my original work, prepared under the guidance of my advisor. All sources of materials used for the Thesis have been duly acknowledged. This Theses is submitted in partial fulfillment of the requirement for the award of Master of Arts Degree in Marketing Management and it has not been previously submitted to any diploma or degree in any college or university.

Eden Getachew

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St. Mary's University
May,   2024
Addis Ababa

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Acknowledgments

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Abstract

Customer Relationship Management (CRM) emerges as a promising approach for banks to differentiate themselves from the competition. This study aims to examine the effect of CRM practices on customer loyalty within the context of Abay Bank SC, in Addis Ababa, Ethiopia. The research methodology involved a quantitative approach, with a structured questionnaire designed to collect data on CRM practices and customer loyalty levels. The sample population consisted of customers of Abay Bank SC in level 2 and above branches in Addis Ababa, a total of 341 questioners was collected from nine branches of the bank and for data analysis descriptive analysis, correlation analysis, and regression analysis were employed to draw meaningful conclusions about the observed data, the results revealed that behavioral dimensions of CRM; key customer focus, knowledge management, CRM organization, and Technology-based CRM (the independent variables in the study), had a positive and significant effect on customer loyalty (the dependent variable of the study), indicating a significant correlation. The implications of this research suggest that a strategic focus on CRM can significantly influence customer loyalty and retention rates in the banking sector. Recommendations for Abay Bank SC and other financial institutions include investing in CRM technologies, training staff on customer-centric approaches, and continuously monitoring and adapting CRM strategies to meet evolving customer expectations.

KEY WORDS: Customer Relationship Management, Customer Loyalty, CRM Organization, Technology-Based CRM, Key Customer Focus, Abay Bank SC

CHAPTER ONE
1. Introduction

This study was aimed to determine the effect of Customer Relationship Management (CRM) on customer loyalty in Abay Bank. The chapter also covers the statement of the problem, basic research questions, objective of the study, definition of terms, significance of the study, scope of the study, limitation of the study, and organization of the study.

1.1 Background of the study

Customer satisfaction and loyalty is a fundamental concept in modern marketing. It is the key to building long-term relationships with customers and ensuring business success. In today's competitive business world, designing and implementing a viable CRM system is essential for any company that wants to maintain profitable relationships with its customers. Relationship marketing represents a paradigm shift in marketing, away from an acquisition/transaction focus toward retention/relationships focus. It is a philosophy of doing business that focuses on keeping and improving current customers rather than on acquiring new ones. To achieve this, businesses must make long-term commitments to maintaining those relationships with quality, service, and innovation. (Alaina Franklin,2023)

Customer Relationship Management (CRM) has gained significant attention in recent years, with many companies investing heavily in incorporating the system. Academicians have also addressed the issue from different angles in pursuit of developing effective and efficient CRM systems. CRM has been expanded to include an integrated perspective on marketing, sales, customer service, channel management, logistics, and technology for engaging in customer satisfaction. The first three steps in the marketing process - understanding the marketplace and customer needs, designing a customer-driven marketing strategy, and constructing a marketing program - all lead up to the fourth and most important step: building profitable customer relationships. Customer relationship management is perhaps the most important concept of modern marketing. Some marketers define it narrowly as a customer data management activity (a practice called CRM). By this definition, it involves managing detailed information about individual customers and carefully managing customer touchpoints to maximize customer loyalty. (Jason Kulpa, 2017)

Loyalty is one of the key concepts in the field of marketing management that plays an important role in creating long-term benefits for the organization because loyal customers do not require extensive promotion efforts (Kalati, et al, 2008, 48-35). Loyal customers help the organization in determining the expected increase in sales and profit. In addition, customers who are familiar with the brand are likely to recommend it to their friends and relatives and affect the feedback and evaluation cycle of the product and these issues are critical in today's business environment (Allamehand Noktedan, 2009, 124-109).

Banking is one of the most fiercely competitive sectors. Banks are financial institutions that cater to the economic needs of individuals and businesses. They perform various economic activities such as collecting deposits, providing credit, and offering capital. In recent years, modern banking has undergone significant developments with the transition to automation. The banking sector has also focused on customer satisfaction and management of customer relationships. Customer Relationship Management (CRM) is a sound business strategy that helps banks identify their most profitable customers and prospects. It allows banks to devote time and attention to expanding account relationships with those customers through individualized marketing, repricing, discretionary decision making, and customized service (Anuboli and Thiruvenkatraj ,2013).

According to Amir et al. (2014), academic research has shown that successful companies in the field of customer loyalty have had considerable profit and growth. Clow and Kurtz (2003) also stated that banks' profitability is closely related to customer retention. They claimed that customer defection costs companies millions of dollars each year in lost revenue. In addition to lost revenue, defectors normally spread negative word-of-mouth communication, which can influence other customers to purchase elsewhere. The longer a bank can retain a customer, the greater revenue and cost savings from that customer.

Customer loyalty is an important factor that contributes to an organization's earnings and profits. Loyal customers normally establish stable relationships with banks compared to non-loyal customers. Customer loyalty can contribute to an increase in a firm's revenue, reduce customer defection rate, and develop new business through positive word-of-mouth advertising (Zeithaml and Bitner, 2003)

In Ethiopia, banks are facing an increasingly competitive environment from non-banking institutions operating under different kinds of regulations as well as from other banks in the

sector. One of the competitive challenges encountered by banks is gaining customer satisfaction and loyalty. Therefore, it is essential for banks to continuously improve their customer relationship and create a strong brand to stay profitable and hold the desired market share.

This research aims to examine effect of customer relationship management on customer loyalty, taking customers of Abay Bank S.C as a sample of the study.

knowledge gaps include limited studies on the effectiveness of CRM strategies in enhancing customer loyalty in Ethiopian banks or a lack of research on the impact of knowledge management on customer loyalty specifically in the Ethiopian banking industry.

The study aims to bridge this knowledge gap by conducting empirical research that investigates the relationship between customer relationship management and customer loyalty at Abay Bank SC. By collecting data on CRM practices, customer experiences, and loyalty levels at the bank, the study seeks to provide insights into how CRM strategies can influence customer loyalty in the Ethiopian banking sector. Through its analysis and findings, the study aims to contribute new knowledge to the existing literature on CRM and customer loyalty, particularly within the context of Ethiopian banking institutions.

Therefore, the study links the identified knowledge gap with its research objectives and hypotheses, aiming to fill the gap by providing empirical evidence and insights that can enhance understanding of the relationship between CRM practices and customer loyalty at Abay Bank SC and potentially contribute to the broader literature on CRM and customer loyalty in the banking industry.

1.2 Statement of the Problem

Building and maintaining sustainable relationships with profitable customers has become a key to profitability and has gained significant attention in both business and service literatures recently. This is because customer relationship management (CRM) is a management strategy that helps businesses build a relationship with their customers that, in turn, creates loyalty and customer retention. Since customer loyalty and revenue are both qualities that affect a company's revenue, CRM is a management strategy that results in increased profits for a business.

Zakaria (2014) emphasized the importance of direct customer contact in the banking industry to build a good relationship and achieve customer satisfaction. In this regard, financial institutions must be aware of the main elements of customer relationship management that can help them achieve customer satisfaction and loyalty, especially in the face of intense competition between such institutions. To achieve this goal, banks use customer relationship

management (CRM) to identify their profitable customers and provide personalized services. This helps enhance customer satisfaction and loyalty in the long run.

As the number of private banks in Ethiopia increases, banks are competing to attract new customers and retain existing ones. Nowadays, there are about 27 private banks and 2 state-owned banks in Ethiopia. Banks are using Customer Relationship Management (CRM) as a tool and strategy to attract, satisfy, and retain customers. Yatish and Ehtesham (2013) argued that heavy competition is threatening banks' revenues and putting downward pressure on operating margins and profits. Retail banks are facing increasing pressure to increase their growth rate, and they are using CRM as a main tool for competition. Cherinet (2015) stated that as the financial marketplace becomes more dynamic and competitive in Ethiopia, banks also need to focus on retaining existing clients through effective relationship marketing. Hence, in recent times, CRM has been adopted as a marketing tool and strategy in the Ethiopian banking industry. Therefore, undertaking studies about the practice and effectiveness of CRM in the Ethiopian banking industry is quite necessary to improve its implementation and practice.

The current study examined the effect of CRM on customer loyalty through its four dimensions, namely, Key Customer Focus, Knowledge Management, CRM Organization, and Technology-based CRM. One key point that makes sense to conduct this study is that most studies that were conducted before mainly examined the effect of CRM on loyalty in Ethiopian banks' case based on their CRM dimensions on Trust, Commitment, Conflict Handling, Empathy, and Communications, which are attitudinal aspects of customers. This study expands our understanding of the relationship between CRM and customer loyalty through the behavioral components of CRM i.e., Key Customer Focus, Knowledge Management, CRM organization and Technology-based CRM in the context of the banking industry.

1.3 Research Questions

1. What is the perception of customers towards CRM practices of Abay Bank?

2. What is the effect of Key customer focus on customer loyalty in Abay Bank Sc?

3. What is the effect of knowledge management on customer loyalty in Abay Bank Sc?

4. To what extent CRM organization affect customer loyalty in Abay Bank Sc?

5. What is the extent of effect of technology -based CRM on customer loyalty in Abay Bank Sc?

1.4 Objective of the Study

1.4.1 General Objective

The general objective of this study was to determine the extent of application of CRM dimensions and their effect on customer loyalty in Abay Bank Sc. Addis Ababa.

1.4.2 Specific Objectives

The specific objectives of the study are to:

1. Assess the perception of customers towards CRM practices at Abay Bank Sc.

2. Evaluate the effect of Key Customers, focus on Loyalty in Abay Bank Sc.

3. Examine the effect of Knowledge Management on Loyalty in Abay Bank Sc.

4. Investigate the effect of CRM Organization on Loyalty in Abay Bank Sc.

5. Determine the effect of Technology based CRM on Loyalty in Abay Bank Sc.

1.5 Significance of the Study

The findings from this study are expected to be helpful for the banking sector since it has a significant importance in strengthening the existing knowledge and understanding of CRM and customer loyalty by examining and empirically testing the relationship between CRM and customer loyalty for the case of Abay Bank Sc. The study also provided some insight or recommendations to the Bank to evaluate and improve its CRM practice based on the study findings. Moreover, the study is useful for academicians as they might achieve insights and suggestions for future studies, and can serve as an additional source of reference.

1.6 Scope of the Study

The scope of this study is geographically limited to Abay Bank customers and remain within the branches in Addis Ababa, the capital city of Ethiopia.

Methodologically this study applied quantitative research approach, explanatory design and the data gathered using questioner were analyzed using descriptive and inferential statistics.

Conceptually this study was limited to examine the effect of CRM only on customer loyalty

1.7 Limitation of the Study

This study is limited to Abay bank branches located in Addis Ababa for the sake of time and human resources. Thus, this limitation discriminates the bank's customers who are outside of Addis Ababa from being considered for this study. Hence, the study generalizability has limitation as the study is limited only in Addis Ababa and may not necessarily reflect the

view of all customers across the country. Due to inaccessibility to have full list of customers'
databases because of privacy and confidentiality, the researcher is forced to use convenient
sampling technique. Additionally, there is financial budget constraint which limit.

1.8 Definition of Terms

Customer Relationship Management (CRM) - a strategy or approach used by organizations
to manage and analyze interactions with customers and potential customers, with the goal of
improving customer satisfaction and loyalty, increasing sales, and ultimately driving business
growth. Kotorov, R. (2015)

CRM Organization - a company or department within an organization that is responsible for
implementing and managing customer relationship management strategies, processes, and
technologies to optimize customer interactions and drive business growth. Payne, A., & Frow,
P. (2005)

Key Customer Focus - a business strategy that prioritizes building strong relationships with
key customers, understanding their needs and preferences, and tailoring products or services to
meet their specific requirements in order to maximize customer satisfaction and retention.
Cooper, M., & Edgett, S. J. (2008)

Knowledge Management - the process of capturing, organizing, storing, and sharing
knowledge and information within an organization to facilitate decision-making, problem-
solving, innovation, and continuous improvement. Alavi, M., & Leidner, D. E. (2001)

Technology-based CRM - a customer relationship management system that utilizes technology
tools and platforms, such as CRM software, data analytics, automation tools, and
communication channels, to streamline customer interactions, improve customer service, and
enhance overall customer experience. chen, I. J., & Popovich, K. (2003)

Customer loyalty - the likelihood that a customer will continue to purchase products or services
from a particular company or brand, often demonstrated through repeat purchases, positive
word-of-mouth recommendations, and a willingness to pay premium prices. Oliver, R. L. (1999)

1.9 Organization of the thesis

The study composed of five chapters. The first chapter includes the background of the study,

research objectives, research questions and hypotheses, significance of the study, and scope of the study. Chapter two focuses on reviewing related literature. The third chapter describe the methodology of the study. Chapter four mainly deal with data analysis. The final chapter, chapter five, present the conclusion and recommendations drawn from the findings of the data, as well as implications for further research. (Sin et al., 2005)

CHAPTER TWO
2. Literature review

The chapter delves into the Evolution of Customer Relationship Management (CRM), exploring its Theoretical framework, defining CRM along with its dimensions and examining Customer Loyalty. It also covers the Empirical framework and conceptual framework of CRM. A dedicated focus in this chapter is directed towards elucidating the concept of CRM within the Banking sector, discussing the Benefits of CRM, Success Factors for its implementation, and the Challenges associated with adopting CRM.

2.1 Conceptual Review

2.1.1 CRM definition

Customer Relationship Management (CRM) serves as a cornerstone business strategy that goes beyond mere transactional interactions. It involves the seamless integration of internal business processes and functions, such as marketing, sales, and customer service, while also extending its reach to external networks. The ultimate objective of this strategy is to create and deliver value to specific customers in a manner that is not only effective but also generates a profit for the business.

The effectiveness of CRM is deeply rooted in the utilization of high-quality customer data. This means that accurate and comprehensive information about customers, their preferences, behaviors, and interactions with the business is essential. This data-driven approach enables organizations to gain valuable insights into customer needs and trends, fostering a more personalized and targeted approach.

Furthermore, Information Technology (IT) plays a crucial role in enabling and supporting CRM initiatives. Through the implementation of sophisticated IT systems and tools, businesses can effectively manage and leverage customer data, streamline internal processes, and enhance communication across various departments. IT acts as an enabler, providing the necessary infrastructure to implement CRM strategies effectively.

CRM is not just a set of activities; it's a strategic approach that harmonizes internal and external facets of a business, utilizes high-quality customer data, and relies on IT to create, deliver, and capture value from targeted customers in a profitable manner Buttle, (2004).

The customer stands as the singular origin of a company's current profits and future expansion. Yet, the quest for a valuable customer, one who yields more profit with fewer resources, proves challenging due to the informed nature of customers and the intense competition in the market. Identifying the authentic customer becomes intricate at times, particularly as purchasing decisions often evolve through collaborative efforts within the decision-making process participants.

In addressing these challenges, information technologies emerge as invaluable tools, offering the capacity to discern and effectively manage customers. Within this context, Customer Relationship Management (CRM) takes shape as a marketing approach grounded in the utilization of customer information. It becomes a strategic framework empowered by technology, allowing businesses to navigate the complexities of customer relationships, understand their needs, and tailor marketing efforts for enhanced customer satisfaction and profitability.

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CRM encompasses a suite of systems, processes, and organizational structures designed to drive customer loyalty in a profitable manner. CRM takes on a strategic perspective by integrating the desired business-customer relationship with the available technologies, ensuring alignment with the overall vision. This integration involves harmonizing people, processes, culture, and attitude to bring the strategic view to life.

CRM involves actively managing the customer relationship to foster its growth, flourishing, and long-term health, creating a partnership that stands the test of time. CRM goes beyond basic relationship management by emphasizing the construction of customer loyalty. It utilizes a 360-degree view of the customer, allowing for a comprehensive understanding that extends beyond mere transactional interactions. CRM consists of a set of business processes and practices specifically tailored to address the relationships between key customers and the core organization, Smith, J. (2018)

CRM revolves around maintaining a 360-degree view of customers, encompassing both their comprehensive profiles and their transactional activities with the company. This holistic perspective is essential for effective relationship management

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2.1.2 Dimensions of CRM

Researchers offer diverse perspectives on the definition of Customer Relationship Management (CRM). Thompson (2004, 18) highlights the variability in viewpoints, with some viewing CRM as a strategic approach, others associating it with technology, and yet others considering it as an information system.

Kim et al. (2010; 332-313) contribute to the discourse by conceptualizing CRM as a comprehensive process. According to their perspective, CRM involves the continuous monitoring of clients, the systematic collection of relevant data, the proficient management and evaluation of this data, and, ultimately, the strategic utilization of the extracted data to derive real advantages in customer interactions. This definition emphasizes the dynamic and cyclical nature of CRM, highlighting its role not only in data management but also in deriving actionable insights for meaningful customer engagement.

In recent years, the rapid development and evolution of Customer Relationship Management (CRM) have been spurred by various factors. One significant catalyst is the increasing trend of de-intermediation across numerous industries. This phenomenon is propelled by the emergence of sophisticated computer and telecommunication technologies, enabling producers to engage directly with end-customers.

Industries such as airlines, banks, insurance, computer software, household appliances, and consumables are undergoing a transformative de-intermediation process. This shift is reshaping the landscape of marketing and amplifying the popularity of relationship marketing. Chen and

Popovich (2003) note that U.S. software vendors, for instance, have adopted relationship marketing strategies to promote CRM. Leveraging systems databases and direct marketing tools, these vendors can personalize their marketing efforts, eliminating the need for functions previously carried out by intermediaries.

The evolution of CRM is further accelerated by the willingness of consumers to take on some responsibilities associated with direct ordering, personal merchandising, and product-related services. This changing dynamic, coupled with advancements in technology, has reshaped the traditional roles in the market, rendering certain intermediary functions obsolete and pushing CRM to the forefront as a strategic approach for building and maintaining customer relationships.

2.1.3 Evolution of CRM

The rise of de-intermediation and the subsequent widespread adoption of Customer Relationship Management (CRM) can be attributed, in part, to the expansion of the service economy. In a service-oriented context, where services are typically both produced and delivered by the same institution, the traditional role of intermediaries is minimized. This shift is fueled by the direct connection between the service provider and the service user, creating a greater emotional bond. Consequently, there arises a heightened necessity to cultivate and strengthen these relationships. It becomes evident that CRM holds significant relevance for scholars and practitioners in the field of services marketing (Berry and Parsuraman 1991; Bitner 1995; Crosby and Stephens 1987; Crosby et al. 1990; Gronroos 1995). In this dynamic landscape, where the production and delivery of services occur within the same entity, effective CRM practices emerge as pivotal tools for fostering and maintaining meaningful connections with customers in the service industry.

Since the 1980s, academic research has consistently demonstrated that successful companies prioritizing customer loyalty experience substantial profits and growth. This realization sparked a surge in the adoption of customer loyalty programs across various industries during the early 1990s (Margarita, 2007).

Despite the undeniable benefits of Customer Relationship Management (CRM) applications, particularly in the service sector, challenges and risks cannot be ignored. The banking industry, recognizing the critical role of CRM in fostering competitive advantage and sustainable growth, necessitates the development of effective mechanisms to manage and mitigate data-related risks. Researchers emphasize the importance of creating a proper framework for CRM

implementation in the banking sector.

One significant challenge in CRM implementation, as identified by various researchers, is the lack of tools and criteria for measuring and evaluating customer relationships. Just like any other organizational concept, effective management of CRM requires proper measurement. Therefore, the absence of comprehensive tools for assessing customer relationships can lead to the failure of CRM initiatives (Rusta et al., 2012, 42). Hence, it is imperative to develop a comprehensive assessment tool to ensure the successful implementation and management of Customer Relationship Management in the banking industry and other sectors alike.

2.1.4 CRM and Banking Industry

The dynamics of globalization and technological advancements have thrust companies into a highly competitive environment. In response to this new landscape, businesses are increasingly emphasizing the effective management of customer relationships as a means to optimize revenues. Modern marketing has evolved beyond the traditional focus on developing, delivering, and selling products; it now places a strong emphasis on cultivating and sustaining long-term relationships with customers. This shift is particularly significant in the financial services sector, where relationship marketing has gained prominence.

Financial service managers are compelled to identify opportunities in this evolving landscape. Industry consolidation, the prevalence of virtual delivery channels, and the ease with which customers can transfer funds digitally have made it more convenient for customers to switch from one bank to another. In light of these challenges, Customer Relationship Management (CRM) emerges as an opportunity for banks to differentiate themselves. CRM enables banks to transcend minor advantages and establish genuine relationships with their customers. In this context, CRM serves as a strategic tool that empowers banks to navigate the competitive landscape by fostering meaningful connections with customers, thereby contributing to long-term success and customer retention.

Chen and Popovich (2003) highlight that Customer Relationship Management (CRM) applications offer a significant advantage by providing cost-effective storage of customer data compared to older network technologies. In the context of a bank, CRM systems are capable of efficiently accumulating, storing, maintaining, and distributing valuable customer knowledge.

Peppard (2000) emphasizes the crucial role of effective information management in the realm of CRM. Information management becomes instrumental for tailoring products, fostering service innovation, consolidating comprehensive views of customers, and calculating customer lifetime value. CRM systems play a pivotal role in helping banks assess customer loyalty and

profitability by analyzing repeat banking patterns, transaction volumes, and the duration of the customer relationship. Through these functionalities, CRM systems contribute to a more nuanced understanding of customer behavior, enabling banks to make informed decisions to enhance customer satisfaction and drive long-term profitability.

2.1.5 CRM and Banking Business in Ethiopia

Ethiopian banking history, in its modern sense, began in 1905 with the Bank of Abyssinia, a private company controlled by the Bank of Egypt. In the years that followed, the fate of the banks varied with the style of the government regime. In 1931 Bank of Egypt was liquidated and replaced by the Bank of Ethiopia which was the bank of issue until the Italian invasion of 1936. In 1943, the State Bank of Ethiopia was established, in 1963, the National Bank of Ethiopia (the central and issuing bank) and the Commercial Bank of Ethiopia were formed. (Mauri, 1971). In the period to 1974, several other financial institutions emerged. Then the shift to Marxist government in 1975 brought several changes to the banking system, and saw the nationalization of private banks and insurance companies.

The impact of Customer Relationship Management (CRM) on customer loyalty has been the subject of several empirical studies conducted both locally and internationally. In Ethiopia, a notable study was carried out by Samson (2020) focusing on Dashen Bank. The researcher explored the influence of CRM on customer loyalty within this context. The study's findings revealed that specific behavioral dimensions of CRM, namely key customer focus, knowledge management, and CRM organization, exhibited a positive and significant effect on customer loyalty, the dependent variable in the study.

This research contributes valuable insights into the local dynamics of CRM and its correlation with customer loyalty within the banking sector in Ethiopia. The positive impact of key customer focus, knowledge management, and CRM organization underscores the strategic importance of these dimensions in shaping customer loyalty for banks in the Ethiopian context, as highlighted by the study conducted by Samson in 2020.

According to Swift (2001), as cited in Rahimi (2007:18), Customer Relationship Management (CRM) offers various benefits to companies, and these advantages are typically observed in the following areas:

➢ **Lower Cost of Recruiting Customers:** The expenses associated with recruiting customers decrease significantly. Savings are realized in marketing, mailing, contact, follow-up, fulfillment, and other related services.

- ➢ **Reduced Need to Recruit New Customers:** With an increase in the number of long-term customers, the necessity to recruit a large number of new customers diminishes. This is a result of building a loyal customer base over time.
- ➢ **Lower Costs of Sales:** The costs related to selling are minimized as existing customers tend to be more responsive. Improved knowledge of channels and distributions enhances the effectiveness of relationships, and the costs of marketing campaigns are reduced.
- ➢ **Higher Customer Profitability:** Customer profitability sees an upswing due to an increase in customer wallet-share. This is achieved through strategies such as up-selling, cross-selling, follow-up sales, and receiving more referrals as a result of higher customer satisfaction among existing customers.
- ➢ **Increased Customer Retention and Loyalty:** Customer retention improves as customers stay with the business for longer durations, make more purchases, and do so more frequently. Enhanced customer initiative-taking further strengthens the bond, leading to increased customer loyalty.
- ➢ **Evaluation of Customer Profitability:** Companies gain insights into which customers are profitable, those unlikely to become profitable, and potential future sources of profitability. This knowledge is crucial as successful businesses focus on acquiring customers who generate profit and strive to retain them. It is acknowledged that not all customers are equally valuable; some may even pose a risk to the business by consuming time, energy, and resources without generating sufficient business to justify the effort (Budhwani, 2002:38). Understanding and managing customer profitability is essential for sustained business success.

2.2 Theoretical review

2..2.1 Key Customer Focus

Successfully implementing Customer Relationship Management (CRM) requires the pervasive integration of a customer-focused structure, culture, policy, and reward system within the organization (Ryals and Knox, 2001; Sheth, Sisodia, and Sharma, 2000). This entails fostering an overall customer-centric focus (Sheth et al., 2000; Vandermerwe, 2004) and consistently providing superior value to selected key customers through personalized or customized offerings (Parvatiyar and Sheth, 2001; Dyche, 2002).

Critical components of this customer-centric dimension include customer-centric marketing, identification of key customer lifetime value, personalization, and interactive co-creation

marketing (Sadek et al., 2011). Sin, Tse, and Yim (2005) elaborate on key customer focus, defining it as a combination of dialogues with customers for customizing their needs, tailoring products, conducting customer needs assessments, and implementing customer needs information. Arnett and Badrinarayanan (2005) add that a customer-needs driven CRM strategy involves two fundamental steps: uncovering insights about customer needs and subsequently developing specialized programs to address those identified needs.

In essence, organizations, as part of their CRM practices, should formulate strategies capable of delivering both economic and non-economic benefits to key customers. This holistic approach involves not only understanding and addressing customer needs but also fostering a culture and system that consistently prioritizes and rewards customer-centric initiatives.

2.2.2 CRM Organization

The implementation of customer relationship management (CRM) processes necessitates a significant shift in the organizational and business process structure. Key elements in facilitating this change include the organizational structure, organizational commitment, and effective human resource management, as highlighted by Agarwal (2004, 91-80).

A crucial aspect that warrants attention is the commitment within the organization. To achieve this, it becomes imperative to possess the requisite tools in sales, marketing, and technical expertise, among other resources. Success in the endeavor to attract and retain customers hinges on the commitment of resources to identify and fulfill the needs of key customers, as emphasized by Nicampa (2001, 71). In essence, a dedicated and skilled workforce equipped with the necessary tools and expertise is instrumental in ensuring the effectiveness of CRM processes, contributing to the organization's ability to understand, cater to, and retain key customers

2.2.3 knowledge management

The central focus of a company, when viewed through the lens of knowledge management, is centered on the effective acquisition, transfer, and application of knowledge. This knowledge is not abstract but is derived from a comprehensive understanding of customer experiences and information. In the realm of knowledge management, three main aspects take precedence: knowledge creation, knowledge sharing, and accountability (Mårtensson, M. 2000)

In the context of customer relationship management (CRM), knowledge about major customers becomes a linchpin for success. This knowledge goes beyond basic data and involves a deeper understanding that can foster a dynamic and reciprocal learning relationship with customers. This, in turn, significantly elevates the organization's competitiveness in the market.

Critical to this process is the acquisition of customer information through interactive

communication. By engaging with customers directly, companies can glean insights that are essential for shaping and refining their strategies. This two-way interaction not only enhances understanding but also establishes a foundation for building stronger and more meaningful relationships with customers. (Mårtensson, M. 2000)

To harness the vast reservoirs of customer data effectively, businesses turn to advanced tools such as data mining and data warehouses. These technologies empower companies to transform raw customer data into strategic business intelligence. Through the analysis of patterns, trends, and correlations in the data, organizations can make informed decisions that drive the success of CRM initiatives.

In summary, the knowledge management perspective underscores the importance of actively acquiring, sharing, and applying knowledge, particularly in the context of understanding and serving customers. This knowledge-centric approach, supported by interactive communication and advanced analytics, forms the backbone of successful customer relationship management strategies, ultimately contributing to the organization's competitive edge. (Stefanou, 2003)

2.2.4 Technology based CRM

With the continuous advancements in Information and Communication Technology (ICT), modern systems have emerged as powerful tools for enhancing organizational capabilities, reducing internal costs, fostering better interactions with the environment, and ultimately increasing long-term economic profits (Mohammad, Basri, Rashid & Tahir, 2013). One area where these technological advancements play a crucial role is in Customer Relationship Management (CRM) (Mohammad hossein .N and Zakaria .H 2012).

CRM involves the extensive collection and analysis of customer data, which is then utilized to streamline customer service and transactions, ultimately aiming to meet the diverse needs of customers. The outcome of effective CRM implementation is not only more satisfied customers but also a more profitable business with additional resources available to support staff.

In the realm of technology-based CRM, organizations leverage sophisticated systems to plan and execute successful marketing actions aimed at retaining customers for the long term and maximizing their profitability. The foundation for this success lies in the comprehensive customer database and other information-storing systems that facilitate a deeper understanding of customer behavior and preferences (Roberts et al., 2005)

Furthermore, Chang et al. (2010) emphasize that CRM technology plays a pivotal role in enhancing marketing capabilities. By providing valuable information about customers, this technology empowers both managers and employees to achieve specific marketing goals more effectively. The insights derived from CRM technology enable organizations to tailor their

marketing strategies, ensuring a more targeted and personalized approach that resonates with the needs and preferences of their customer base Chang, W (2010).

In summary, the integration of technology in CRM not only facilitates more efficient customer service and transactions but also empowers organizations to implement strategic marketing actions. The result is not only increased customer satisfaction but also a more profitable and sustainable business model, demonstrating the transformative impact of technology on modern organizational practices.

2.2.5 CRM and Customer loyalty

Customer Relationship Management (CRM) is a strategic approach that focuses on building and maintaining strong relationships with customers to enhance their overall experience with a company. One key aspect of CRM is its impact on customer loyalty. Customer loyalty refers to the willingness of customers to continue buying from a particular company or brand over time. Research by Oliver (1999) suggests that customer loyalty is influenced by various factors, including customer satisfaction, trust, and perceived value.

Key Customer Focus is an essential component of CRM that involves identifying and prioritizing key customers who have the potential to generate significant value for the organization. The importance of focusing on key customers to maximize the effectiveness of CRM initiatives and drive long-term customer loyalty. By understanding the needs and preferences of key customers, companies can tailor their products and services to meet specific requirements, thereby strengthening customer relationships, Cooper and Edgett (2008)

Knowledge Management plays a crucial role in CRM by enabling organizations to capture, store, and leverage customer information effectively. The importance of knowledge management systems in facilitating the sharing of customer insights and best practices across the organization. By leveraging knowledge management tools, companies can enhance their understanding of customer behavior and preferences, leading to more personalized interactions and improved customer loyalty, Alavi and Leidner (2001)

Technology-based CRM solutions have revolutionized the way companies manage customer relationships by providing advanced tools and platforms for tracking customer interactions, analyzing data, and delivering personalized experiences. The role of technology in enhancing customer relationship management processes and driving customer loyalty. By leveraging technology-based CRM systems, organizations can streamline their customer engagement

efforts, improve communication channels, and deliver tailored solutions that meet individual customer needs, Chen and Popovich (2003)

2.3 Empirical Review

Rootman, Tait, and Sharp (2011) conducted a study within the banking industry in Greece to explore the impact of Customer Relationship Management (CRM) on customer expectations. The key findings suggested that banks should have a comprehensive understanding of what both adds value and brings delight to their customers. It was emphasized that adopting a customer-centric vision is crucial, enabling customers to recognize their satisfaction and fostering loyalty and retention. The study highlighted the importance of acknowledging the diverse requirements of different customers, as individuals find delight in various ways. Furthermore, the research emphasized the significance of ongoing customer monitoring to ensure satisfaction, ultimately contributing to the sustainable growth of an organization.

In a separate study by Shahram (2009) focused on the relationship between components of relationship marketing and customer satisfaction in Iranian Commercial Banks. The results revealed a significant correlation between relationship marketing components such as trust, commitment, communication quality, and competence with customer satisfaction. Additionally, these components were found to impact the financial performance of a bank positively. However, the study did not confirm a clear relationship between the components of conflict management and customer satisfaction. These insights underscore the rahimiin influencing both customer contentment and a bank's financial success.

According to Reichheld and Sasser (1990), a modest 5% reduction in customer defections can lead to a substantial boost in profits ranging from 25% to 85%. This implies that even a relatively small improvement in customer loyalty can result in a significantly larger increase in a firm's overall profitability. Baldauf et al. (2003) underscored the importance of Customer Relationship Management (CRM) in creating a high level of loyalty, asserting that such loyalty should, in turn, significantly enhance sales. The expectation is that increased sales will contribute to a proportional increase in profitability.

Reichheld and Teal's (1996) empirical study added further weight to this argument, revealing that a mere 5% increase in customer retention could have a profound impact, ranging from 30% to 95%, on customer net present value and a similar effect on a firm's overall profitability. Supporting this notion, Gupta and Lehmann (2003) estimated a less dramatic yet substantial

increase of 22% to 37% in customer lifetime value (CLV) or revenue with a 5% improvement in customer retention. Additionally, Payne and Frow (2005) emphasized the pivotal role of CRM in creating value not only for customers but also for contributors, shareholders, and employees, while simultaneously reducing costs. Their study found that the implementation of CRM resulted in the achievement of customer satisfaction and retention in 36% and 51% of the companies, respectively. This highlights the broad-reaching positive effects that a well-executed CRM strategy can have on various aspects of a business, from customer relationships to overall financial performance.

The study conducted by Fentaye et al. (2019) delved into the impact of customer relationship marketing on customer loyalty, specifically focusing on public and private-owned banks in Gondar City, Ethiopia. The research explored various dimensions of customer relationship marketing to assess their influence on customer loyalty.

The study's findings revealed that certain dimensions of customer relationship marketing, namely trust, commitment, communications, and conflict handling, had a positive and significant effect on customer loyalty. These aspects were identified as critical factors contributing to the loyalty of customers in the context of the banks studied. However, the dimensions of empathy and responsiveness were found to have an insignificant effect on customer loyalty, suggesting that these factors might not be as influential in shaping the loyalty of customers in this particular setting, Fentaye et al. (2019)

These results contribute valuable insights into the dynamics of customer relationship marketing and customer loyalty within the Ethiopian banking sector, shedding light on the specific dimensions that play a significant role in fostering loyalty among customers.

2.4 Conceptual Framework

The research by Hunt et al. (2006) delves into Relationship Marketing (RM) and highlights its diverse forms, suggesting that the theory has the potential to enhance understanding across various dimensions of business strategy. The authors put forth three fundamental "why" questions that Relationship Marketing theory can address:

A. Why is relationship marketing so prominent now?

The authors argue that the prominence of relationship marketing is not solely attributable to the rise of service, technology, and information-oriented firms. Instead, they emphasize the growing significance of strategic network competition. In this context, independent firms agree to form partnerships within a network, underscoring the importance of inter-firm cooperation for successful competition against other networks. The ability to excel in relationship marketing becomes a crucial factor for individual firms and the entire network to thrive.

B. Why do firms and consumers enter into relationships with other firms and consumers?

Relationship marketing theory posits that consumers engage in relational exchanges with firms when they perceive that the benefits derived from such exchanges surpass the associated costs. These benefits include trusting a partner to consistently provide quality offerings, shared values with the partnering firm, reduced search costs, diminished perceived risk, and the ability to customize offerings to better align with the customer's needs, wants, tastes, and preferences.

C. Why are some efforts at relationship marketing more successful than others?

The success of relationship marketing efforts varies, and the theory suggests that proficiency in relationship marketing is essential for individual firms and networks to thrive. Successful relationship marketing efforts are likely to be characterized by effective inter-firm cooperation, the establishment of trust, alignment of values, reduced costs for customers, and the ability to offer customized solutions.

In summary, Hunt et al.'s research underscores the significance of relationship marketing theory in explaining the rise of relationship marketing, the motivations behind firms and consumers entering into relationships, and the factors influencing the success of relationship marketing efforts. The theory provides a comprehensive framework for understanding and navigating the complexities of business strategy in today's dynamic and interconnected business environment.
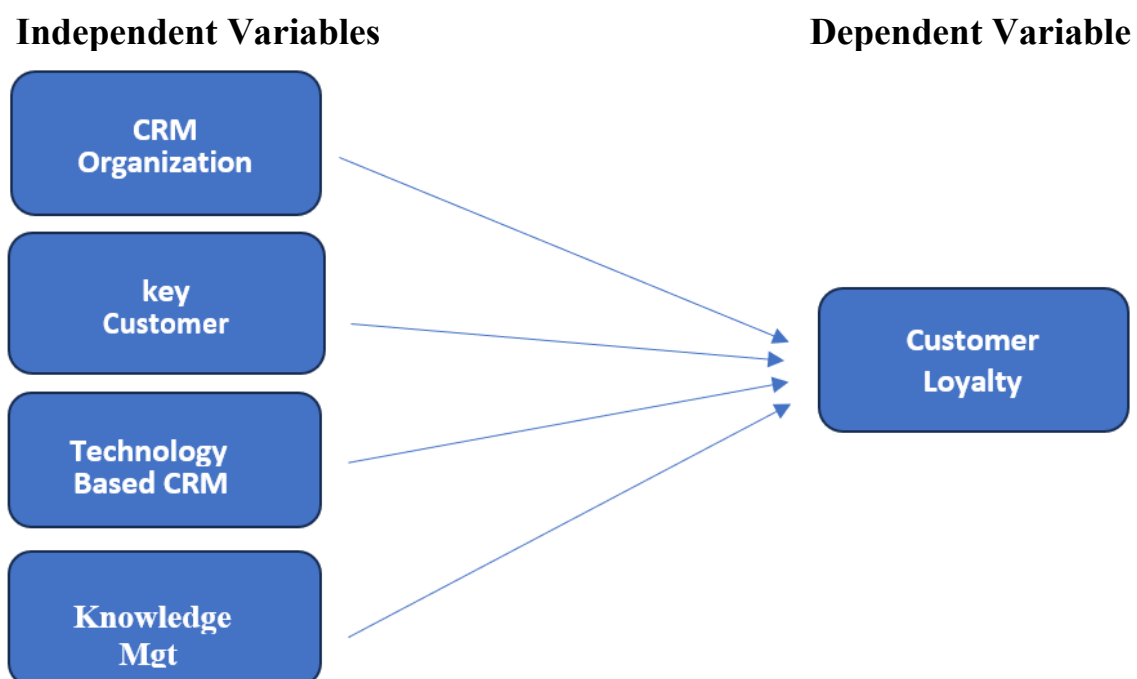
Figure 2-1: A conceptual model for measuring the relations between the four CRM measurement constructs (Key customer focus, knowledge management, CRM organization & technology-based CRM) and customer Loyalty. Adopted from (Sin et al., 2005)

2.5 Research Hypothesis

This study hypothesizes there will be a positive relationship between CRM practice and customer loyalty at Abay Bank sc. Addis Ababa

H1: Key customers have a significant positive effect on customer loyalty at Abay Bank Sc.

H2: Effective knowledge management significantly and positively influences customer loyalty at Abay Bank Sc.

H3: The organizational structure of CRM positively affects customer loyalty at Abay Bank Sc.

H4: Technology-based CRM systems significantly and positively affect customer loyalty at Abay Bank Sc.

CHAPTER THREE
3. Research design and methodology

This chapter discusses the methodology of the study, which includes the research approach, research type, sample and sampling techniques, source of data collection, data collection instruments, and the reliability and validity of the study.

3.1 Research Design

A Research design is the master plan for collection and analysis of data which aids in answering the research questions (Orodho, 2004). Research design is the general plan of how the researcher is goes about answering research questions. It specifies the sources from which the researcher intends to collect data, measurement and analysis of data, (Saunders, Lewis and Thornhill, 2009). The research design employed in this paper is the descriptive and explanatory research design, since it answered the problem statement and meet the research objectives on this study.

The researcher describes demographic facts or characteristics of respondents using descriptive research design. The researcher prefers descriptive research as it is convenient for model testing and description of the correlation of CRM and loyalty. According to Kothari (2004) the main characteristic of descriptive method is that the researcher has no control over the variables; he/she can only report what has happened or what is happening. In this study the student adapted explanatory research design as it is convenient for explanation of cause-and-effect relationships between dependent and independent variables.

3.2 Research Approach

A research approach can be broadly classified into three: qualitative, quantitative and mixed. Qualitative research is subjective in nature and does not involve statistical analysis. It focuses on assessing attitudes, opinions, and behavior, and generates results in non-quantitative form. The researcher's insights and impressions play a crucial role in this approach. Qualitative research is commonly used in social sciences and humanities to describe various dimensions of behavior and other factors.

On the other hand, quantitative research is a systematic and scientific investigation of quantitative properties of phenomena and relationships. It involves a numeric or statistical

approach to research design, and aims to develop mathematical models, theories, and hypotheses pertaining to natural phenomena. Quantitative research usually starts with a theory or a general statement proposing a relationship between variables. The objective of quantitative research is to establish, confirm, or validate relationships and to develop generalizations that contribute to theory. Leedy and Ormrod (2001) stated that quantitative research seeks explanations and predictions that will generalize to other persons and places.

For the purpose of this study, the researcher has chosen to use quantitative research method to study the effect of CRM on Customer Loyalty. This is because the study demands a statistical model to examine the influence or prediction of CRM on Customer loyalty.

3.3 Target population, Sampling Technique and Sample size

3.3.1 Target Population

The target population of study comprises of personal and/or commercial customers of Abay Bank in Addis Ababa city. But due to time and budget constraint, and since they have more number of customers the study focuses on taking survey from grade 2 and above samples branches of Abay Bank in Addis Ababa.

3.3.2 Sample Size

The sample size for this study is determined by using the formula developed by Cochran (1963:75). Sample size from the customers is calculated as follows:

$$n_0 = \frac{z^2 pqn}{e^2}$$

Where: n_0 = the sample size

Z^2 = the abscissa of the normal curve that cuts off an area α at the tails (1 - α equals the desired confidence level, i.e. 95%)

e = the desired level of precision

p = the estimated proportion (standard deviation) of an attribute that is present in the population, and q is 1-p.

The value for Z is found in statistical tables which contain the area under the normal curve.

$$n_0 = \frac{(1.96)^2(0.5)(0.5)^2}{(0.05)^2}$$

$$384.836052 \approx \textbf{385}$$

3.3.3 Sampling method

The sample selection process was using a non-probabilistic sampling technique called convenience sampling. This technique is chosen because it is difficult to have access to the entire population of the bank at the same time. Convenience sampling is a method of sampling where the researcher selects a sample from that part of the population that is close to hand, readily available, or convenient. In this case, the questionnaires were distributed to the bank's customers that were available at the specific data collection time.

3.4 Source and Tools of Data Collection

3.4.1 Source of Data Collection

Both primary and secondary data sources were used in this study. Primary sources are directly related to the study purpose and include all the data collected throughout the study that can be directly related to the study purpose, both personally gathered as well as data from a third party that has been collected with equivalent purpose. On the other hand, secondary data contains relevant data that has been collected for a different purpose, but from which the conclusion is valuable for the purpose.

The research uses primary data, which is directly related to the purpose was collected through an empirical study. The empirical study was conducted through a questionnaire regarding CRM. Secondary data, which indirectly relates to the purpose was collected through a theoretical study comprised of books, research thesis, articles, internet, manuals, and annual reports.

3.4.2 Data collection Instrument

Questionnaire method was used to collect relevant data to meet the research objective. The questionnaire was designed to measure the CRM practices of firms were measured using the four behavioral dimensions: Key Customer focus, CRM organization, Knowledge Management, and Technology-based CRM. The questionnaires had three sections. The first section collects demographic data of respondents, the second section assesses the CRM practices of Abay Bank

on a five-point Likert scale, and the third section measures the loyalty of customers. The structured questionnaire was translated into Amharic be filled out by customer respondents at time where they arrived at the selected branches. Secondary sources of data such as published journal articles, publications, books, and websites were used to solidify the premises of the study.

3.4.3 Data Collection Procedures

Customers of grade 2 and above branches of Abay Bank in Addis Ababa were asked to fill out questionnaires by their own free will during their business visit of the Branches. Questionnaires that are filled out by bank customers were immediately collected for further statistical data process.

The Structured questionnaire was used to collect primary data from customers of the Banks. The questionnaire is prepared in Amharic since many of the respondents may not understand the English version.

3.5 Data Analysis Method

After the data is collected and carefully checked for errors, the data is analyzed and interpreted. Data collected from primary source is analyzed by using descriptive statistics (frequency and percentage) to describe and analyze demographic data and inferential statistics such as multiple linear regressions is used to determine the state of Key customers focus, Knowledge management, CRM organization, and Technology–based CRM and Customer loyalty. Spearman's correlation and multiple regression analysis are performed to analyze the association and effect of each CRM dimensions on loyalty.

3.6 Reliability and Validity

The questionnaire is taken from similar research done by Andualem Amare,2018 at awash bank sc. And a pilot study was conducted to refine the methodology and test instrument such as a questionnaire before administering the final phase. Sample Questionnaires were distributed and filled before by potential respondents to make the data collecting instrument's objective, relevant, suitable to the problem and reliable. There were no Issues raised by the respondents so that version of the questionnaires was printed, duplicated and dispatched.

3.7 Data analysis

The survey is designed to examine the extent of the application of CRM in Abay Bank and its effect on loyalty. The data is processed using Stata version 7 software and analyzed using descriptive statistics (Mean, standard deviation). The correlation analysis was used to determine the relationship and regression analysis to test the effect of the independent variables (CRM dimensions) on dependent variable (customer loyalty).

$$Y_i = \beta_0 + \beta_1 X_i + \varepsilon_i$$

where Y_i is the Dependent Variable, β_0 is the Population Y intercept, β_1 is the Population Slope Coefficient, X_i is the Independent Variable, and ε_i is the Random Error term. $\beta_0 + \beta_1 X_i$ is the Linear component and ε_i is the Random Error component.

3.8 Ethical Considerations

The research proposal was approved by be the ethical board of St. Mary's university and the study started after ethical clearance is obtained from the board.

Since the study requires primary data from participants, a written consent was taken by the investigator from participants during the survey and data is handled with high confidentiality. The study is also checked to be free from plagiarism and all the sources and references are mentioned.

CHAPTER FOUR
4. Results and discussion

This chapter presents the findings and their interpretation based on the main objective of the study which was, to establish the relationship between relationship marketing and customer loyalty on the case of Abay bank.

The data collected from the customers of nine branches of Abay Bank are summarized and analyzed in order to realize the ultimate objective of the study. Accordingly, the demographic profile of the respondents and the level of CRM practice and its effect on customer loyalty as perceived by its customers are discussed. At last, summary of the findings is presented.
A total of 385 questionnaires were distributed to customers in nine the branches. Out of the 385 questionnaires 341(88.6%) response rate and used for further analysis.

4.1 Demographic Information

The respondents were asked to respond to a series of demographic related questions about themselves and length of time the respondents uses the banks services.

Table 4.1.1 Demographic Information of respondents

	Frequency	Percent
Gender		
Male	179	46.5
Female	162	42.1
Age		
18-30	107	27.8
31-40	116	30.1
41-50	53	13.2
51-60	38	9.8
>60	27	7.1
Edu level		
Informal Education	8	2.1
Primary and secondary school	51	113.3
Diploma	84	21.82
Bachelor Degree	156	40.5
Master's Degree and above	42	10.9
Purpose of the bank service used		
Personal	174	45.2
Business	66	17.1
Both	101	26.2
Years of relationship with the bank		
<1 Year	43	112
1-4 Years	159	41.3
5-7 Years	107	27.8
8-10 Years	22	5.7
>10 Years	10	2.6
Service used from the bank		

Saving Account	70	1.8
Current Account	10	2.5
Money Transfer	2	0.5
Import Export	1	0.3
ATM	0	0
More than One Service	341	88.6

Source: Survey result 2024

As shown in Table 4.1, the gender composition indicates nearly equal participation from male and female bank customers in the study.179 respondents (52.49%) were male, while 162 respondents (47.5%) were female. This suggests that the bank is successfully maintaining and enhancing customer satisfaction across both gender groups.

As far as the age distribution of the respondents is concerned, 107 (31.4%) were between 18 and 30 years old, 116 (34%) fell within the 31 to 40 age range, 53 (15.5%) were aged 41 to 50, 38 (11.1%) were between 51 and 60 years old, and 27 (7.9%) were older than 60. These findings indicate that over 65% of the respondents belonged to the 18-40 age group, which is considered highly committed and productive.

The results indicate that the educational level of respondents varies, 2.4% of respondents reported having no formal education, while 14.9% completed primary and secondary school. Additionally, 24.6% hold a diploma, 45.8% have a Bachelor's degree, and the remaining 12.3% possess a Master's degree or higher. However, these findings suggest that the majority of bank customers are well-educated, which may encourage the adoption of new technological banking systems like e-banking.

According to Table 4.1.4, out of 341 respondents, 174 (51%) utilize banking services for personal purposes, while 66 (19.4%) use them for business purposes. The remaining 101 (29.6%) respondents use banking services for both business and personal needs. This suggests that the bank needs to make efforts to attract more customers who primarily use their services for business purposes and address any existing weaknesses.

In terms of their relationship with the bank, 43 individuals (12.6%) have been associated with the bank for less than 1 year, while 159 (46.6%) have used the bank's services for 1-4 years. Additionally, 107 customers (27.8%) have maintained their relationship with the bank for 5-7 years, and 22 (6.5%) have been loyal for 8-10 years. Furthermore, 10 customers (2.9%) have maintained a relationship with the bank for more than 10 years. Overall, this data suggests that the bank is successfully establishing, maintaining, and enhancing customer satisfaction.

In relation to the utilization of services offered by the bank, as outlined in Table No. 4.1.6, the following distribution is observed: 20.5% of respondents exclusively use the 'Saving' service, 2.9% are solely current account users, 0.6% utilize only 'Money Transfer, and 0.3% engage solely in 'Import Export. Interestingly, no respondents exclusively use the ATM service. However, a significant majority (75.7%) of respondents utilize multiple services provided by the bank. This suggests that most respondents possess experience with the bank and are well-equipped to evaluate the bank's customer relationship management (CRM) activities across its diverse range of services.

4..2 Descriptive statics about CRM Practices

4.2.1 Key Customer Focus

Key Customer focus refers to an organization's ability to understand how to appropriately price and sell products and services to the right customers at the right time. It involves cultivating a robust customer-centric approach and consistently delivering exceptional value to key customers. By doing so, an organization can establish deep customer relationships, positioning itself as an indispensable partner for its most profitable clientele (Vandermerwe, 2004; Das, 2004; Sheth et al., 2000; Parvatiyar and Sheth, 2001).

To assess these dimensions, a five-point Likert scale with which customers responded to four items using that ranged from "strongly agree" to "strongly disagree." were used, Table 4.2.1 presents the mean scores and standard deviations for each variable related to customer focus.

Table 4.2.1 Sample statistics - Key Customer Focus

Item	N	Mean	Std. Deviation
The Bank provides customized services for key	341	3.1872	.64193
The Bank surprises and delights key customers	341	2.7617	.95611
The bank Strengthens emotional bonds	341	3.0014	.52789
The bank use concept of relationship pricing	341	3.1073	.91247
Aggregate	341	3.014	2.53504

Source: survey result, 2024

As observed in the table above, the sample statistics reveal that the highest mean score (3.1872) was recorded for the provision of customized services for key customers. Conversely, the Bank's ability to surprise and delight its customers was found to be less pronounced in the Abay bank's relationship-building practices, with a mean score of (2.0617). the lower numbers of the standard deviations indicate data is clustered tightly around the mean value.

4.2.2 CRM Organization

CRM organization dimension involves structuring around CRM, which necessitates considering factors such as the availability of sales and marketing experts, trained employees in customer relations, evaluating and rewarding customer performance, and adopting a CRM-oriented organizational structure (Sin et al., 2004). According to Yim et al. (2004), this requires a flexible organizational framework that can be reconstructed if needed to create customer-centric value.

To encourage customer-oriented behaviors and foster loyalty, organizations must establish a supportive service environment. This includes providing staff with modern tools, clear rules, and regulations that outline employee responsibilities and ensure necessary facilities. These provisions serve as crucial inputs for effective customer relationship management (CRM) practices. The study also examines organizational practices and facilities, with customer perspectives reflected in the table below, showing the level of agreement based on the mean figure. Higher mean figures indicate greater agreement, while lower mean figures signify disagreement with the specific item being tested.

Table 4.2.2 Sample statistics - CRM organization

Item	N	Mean	Std. Deviation
Employees encourage customers to use more services	341	3.2061	.51247
Top Management accepts and provides leadership for building CRM	341	3.0163	.86152
Bank commits time and resource to manage CR	341	2.6427	.88427
The bank policy is fast and reliable	341	3.0172	.4324
The bank Gives all the needed services	341	3.0784	.75421
The bank employees are professionals	341	3.2948	.85695
Employees go beyond their responsibility to serve customers	341	3.1753	.66874
CRM employee's responsibility is clearly defined	341	3.2148	.98252
Aggregate	341	3.0807	3.66531

Source: survey result, 2024

The sample statistics reveal that employees' responsibilities related to CRM are clearly defined, with a mean score of 3.2148. However, the bank's policy regarding being fast and reliable has the lowest mean score of 2.6172. These scores suggest that the Bank emphasizes the importance of building and managing customer relationships through well-defined CRM responsibilities. However, customers perceive that the bank falls short in creating a policy that is fast and reliable, a crucial aspect in the application of the CRM organizational dimension.

4.2.3 Knowledge Management

Customer knowledge is a critical organizational resource that enables banks to strengthen their connections with customers and achieve sustainable competitive advantages. In the context of

Customer Relationship Management (CRM), organizations can leverage customer knowledge to enhance and build better relationships with their clientele. Effective CRM within the banking industry relies on transforming customer information into actionable knowledge. This knowledge should be shared across the organization, as its true potential is realized when it is disseminated among various functions to meet the current needs of customers.

Knowledge management plays a pivotal role in an organization's success by fostering improved customer relationships, leading to customer loyalty and enhanced overall performance. In this context, assessing areas such as gathering customer feedback, utilizing customer information for service design and improvement, and providing up-to-date information to customers becomes crucial.

The significance of knowledge management within CRM is showed in the statistical analysis presented in Table 4.2.3. The mean and standard deviation results are utilized to assess the level of agreement. A high mean score indicates strong consensus, while a low score reflects disagreement with the specific statement under examination.

Table 4.2.3 Sample statistics - Knowledge Management

Item	N	Mean	Std. Deviation
The bank has effective customers recovery strategies	341	2.4125	.68352
The bank takes customer feedback seriously	341	3.2161	.63806
The bank use information from customer to design or improve services	341	3.1257	.51374
The bank has a well-developed privacy policy	341	3.2258	.66531
The bank has differential reward system	341	2.6158	.98742
The bank analyzes the cause of customer defection	341	2.8733	.87841
Aggregate	341	2.9115	3.15101

Source: survey, result 2024

As observed from the above table 4.2.3 the highest mean figure 3.2258 is recorded for the bank has a well-developed privacy policy, however having an effective customers recovery strategies

score has the least mean figure of 2.4125.

Therefore, from the analyzed data it is possible to say that customers perceive that Abay bank is a bank that have a well-developed privacy policy and it takes customer feedback seriously but the bank lacks an effective customer recovery strategy including guarantees for service failures.

4.2.4 Technology-Based CRM

Technology-based Customer Relationship Management (CRM), as the name suggests, involves leveraging cutting-edge technology in CRM deployment to enhance customization and provide better service at a reduced cost (Sinet et al., 2005). Currently, there are several applications specifically designed for CRM, aiming to analyze customer buying behavior trends, improve customer satisfaction, and simultaneously boost customer retention.

In the sample statistics provided below, the objective is to gauge customers' perception of the bank's implementation of technology-based CRM practices. To achieve this, a five-point Likert scale was employed, ranging from 'strongly disagree' to 'strongly agree.' The mean and standard deviation sample statistics were used to assess two key items.

As indicated in the data, both questions have mean values above 3, implying that the bank has effectively implemented technology-based CRM.

Table 4.2.4 Technology-Based CRM

Item	N	Mean	Std. Deviation
The bank IS are designed to give comprehensive data	341	3.0185	.6094
The bank gives tech-based service to customers	341	3.1036	.7753
Aggregate	341	3.0611	1.43067

Source: survey result, 2024

4.2.5 Summary of descriptive statistics about CRM practices

Table 4.2.5 Level of practice of the dimensions of CRM- Customer`s Perception

CRM Dimension	N	Mean	Std. Deviation
Key Customer Focus	341	3.0144	2.53504
CRM Organization	341	3.0807	3.66531
Knowledge Management	341	2.9115	3.15101
Technology Based CRM	341	3.0611	1.43067

Source: survey result, 2024

According to the data in table 4.2.5, Abay Bank has demonstrated strong performance in the CRM organization and in the technology-based CRM dimension with a mean score of 3.0807 and 3.0611, respectively. However, the bank's lowest performance level is in the knowledge management dimension, with a mean score of 2.9115.

4.2.6 Level of Customer Loyalty

Customer loyalty is defined by the amount of purchasing activity associated with a specific brand. This loyalty is gauged through monitoring buying frequency (Javalgi and Moberg, 1997: 165). As information accessibility has increased in recent years, customer awareness has steadily improved. Loyal customers play a crucial role in predicting sales and profit growth for an organization. Additionally, brand familiarity encourages customers to recommend it to others, influencing product feedback and evaluation. In today's business landscape, these factors are essential. To cultivate loyal customers, service providers should focus on various CRM dimensions, including organizational, knowledge-based, key customer-based, and technology-based aspects. This study evaluates customer satisfaction with the provided service, as reflected in the table below.

Table 4.2.6 Level of customer loyalty

Item	N	Mean	Std. Deviation
I am a loyal customer of Abay bank.	341	3.3904	.57472
I would always recommend Abay bank to someone who seeks my advice.	341	3.2747	.67122
Even if close friends recommended another Bank, my preference is Abay bank. would not change.	341	2.6828	.81389
I have a strong relationship with the Bank.	341	2.8925	.72146
Aggregate	341	2.8851	.0868

Source: survey result, 2024

The table shows that respondents with the highest mean values of 3.3904 and 3.2747 indicated loyalty to the bank and a willingness to recommend its services to others respectively. However, respondents with mean values of 2.8925 and 2.6828 suggested that their relationship with the bank isn't very strong and they might consider switching to other banks if they receive better offers respectively.

4.3 The Relationship between the Study Variables

To determine the existence and level of association, the researcher used bivariate correlation. Spearman's correlation. Spearman's correlation measures the strength and direction of monotonic association between two variables. The correlation coefficient falls between -1.0 and +1.0, indicates the strength and direction of association between the two variables. (Field, 2005) The Spearman's correlation ′s correlation coefficient (r) was used to conduct the correlation analysis to find the level and direction of the relationships between the dimensions of CRM and customer loyalty. The classification of the correlation efficient (r) is as follows: $0.1 – 0.29$ is weak; $0.3 – 0.49$ is moderate; and > 0.5 is strong. (Field, 2005) The bivariate correlation of a two-tailed test confirms the presence of statistically significant difference at probability level $p<0.01$ i.e. assuming 99% confidence interval on statistical analysis. Hence all the dimensions have a strong positive relationship to customer loyalty which is significant even at the $p<0.01$ level.

The correlation matrix with the dependent and independent variables allows the researcher to assess the strength of the association between the variables of interest. The correlation matrix for the Overall sample is provided below.

Table 4.3 correlations

		Correlati				
		Key				
Key Customer Focus	Spearman's correlation	1	$.463^{**}$	$.357^{**}$	$.612^{**}$	$.813^{**}$
CRM Organization	Spearman's correlation	$.463^{**}$	1	$.401^{**}$	$.663^{**}$	$.775^{**}$
Knowledge Management	Spearman's correlation	$.357^{**}$	$.401^{**}$	1	$.396^{**}$	$.477^{**}$
Technology Based CRM	Spearman's correlation	$.612^{**}$	$.663^{**}$	$.396^{**}$	1	$.790^{**}$
Customer Loyalty	Spearman's correlation	$.813^{**}$	$.775^{**}$	$.477^{**}$	$.790^{*}$	1

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

Key Customer Focus has the highest correlation with customer loyalty (r=0.813), followed by Technology Based CRM (r=0.790), CRM Organization(r=0.775) and Knowledge Management (r=0.477). That means, all the service quality indicators have positive correlation effect upon the level of customer loyalty though their degree of effect vary.

Moreover, the inter-correlations between CRM dimensions also show a positive and significant relationship among the CRM dimensions. Hence when the bank makes changes to one CRM dimension the association is likely to positively motivate other CRM dimensions positively too.

The highest inter-correlation exists between Technology Based CRM and CRM organization (r=0.663) followed by the inter correlation between Technology Based CRM and Key customer Focus of (r=0.612).

Which means when a bank modifies one CRM dimension, it is likely to positively influence other dimensions as well. Specifically, the highest inter-correlation exists between Technology-Based CRM and CRM organization, followed by the correlation between Technology-Based CRM and Key Customer Focus. These findings emphasize the interconnected nature of CRM components and suggest potential strategies for enhancing overall CRM effectiveness.

4.4 Regression Analysis

Regression analysis is a statistical method used to examine the relationship between one dependent variable and one or more independent variables. It helps to understand how the value of the dependent variable changes when one or more independent variables are varied. It can be used to make predictions and identify patterns in data. (Hair et al. 2010)

4.4.1 Assumption Tests

Assumption tests in regression analysis are used to check whether the data meets the underlying assumptions of the regression model. These assumptions are important for the validity and reliability of the regression results. They emphasize that violating these assumptions can lead to biased estimates and incorrect conclusions. Assumption tests help to ensure that the regression model is appropriate for the data and that the results can be interpreted accurately. (Hair et al. 2010)

4.4.1.1 Multicollinearity

One should check for the problem of multi collinearity which is present if there are high correlations between some of the independent variables. The study checks this with the Variance Inflation Factor (VIF) which calculates the influence of correlations among independent variables on the precision of regression estimates. The VIF factor should not exceed 10, and should ideally be close to one. The table below shows that multicollinearity does not exist.

Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is calculated using the formula $1-R^2$ for each variable. If this value is very small (less than 0.10), it indicates that the multiple

correlation with other variables is high, suggesting the possibility of multicollinearity. This also confirms the absence of multicollinearity according to Collinearity Statistics table below.

Table 4.3.1 multi-collinearity

Multi-collinearity		
	Collinearity Statistics	
Model	**Tolerance**	**VIF**
(Constant)		
Key Customer Focus	.714	1.401
CRM Organization	.584	1.712
Knowledge Management	.796	1.256
Technology Based CRM	.433	2.309

Source: survey result, 2024

4.4.1.2 Linearity

The relationship between the variables should be linear and it is a problem if the dispersion of points indicates otherwise (Burns & Burns 2008). The study checks for patterns in scatter plots of CRM against customer loyalty weather they have linear relation and the assumption have been met. From the graph below the customer loyalty and CRM have linear relation.
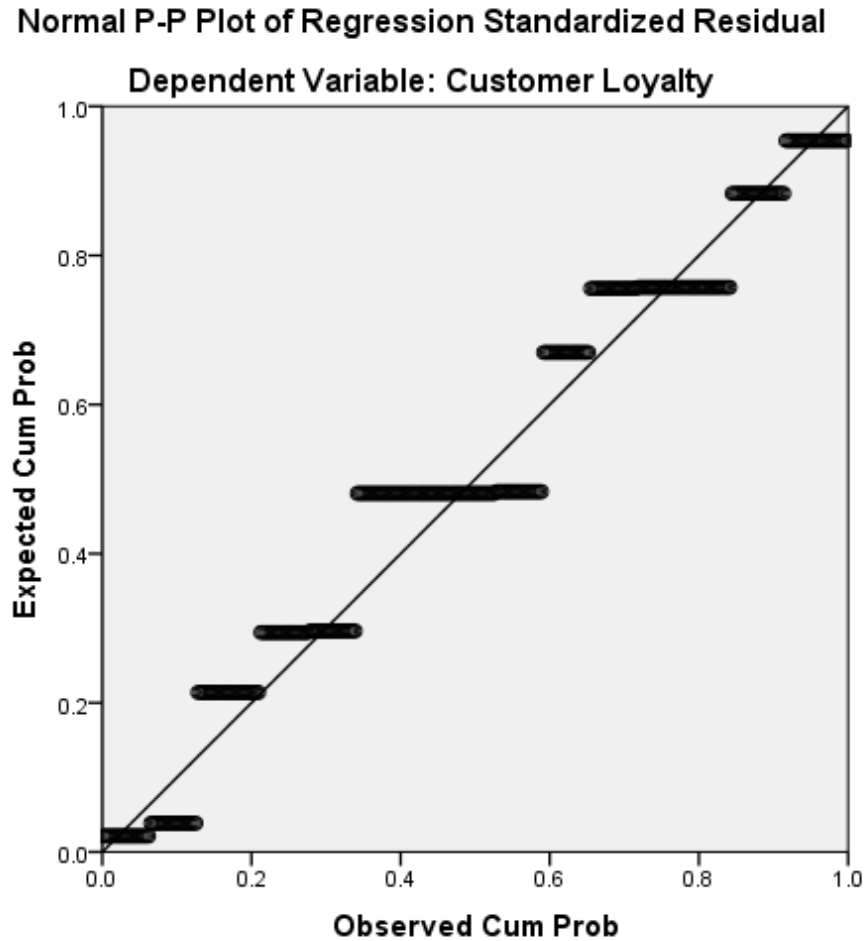
Fig 4.1: Normal P-P Plot of regression standardized residual

Source: computed by researcher on STATA

4.4.1.3 Homoscedasticity

There should be homoscedasticity before running multiple regression analysis, this means that the residuals (the differences between the values of the observed and predicted dependent variable) are normally distributed, and that the residuals have constant variance (Burns & Burns 2008). If the assumption of homoscedasticity is violated (i.e. there is heteroscedasticity). The graph below demonstrates that the assumption of homoscedasticity has been mate.

4.4.1.4: Normality

This assumption requires that the residuals be normally distributed. To assess this, we can examine the P-P plot below. The closer the dots are to the diagonal line, the more normally distributed the

residuals are. In this case, our data points do not closely align with the diagonal line, indicating that this assumption may be violated. This potential issue should be highlighted in the analysis write-up to inform readers that the results should be interpreted with caution.

4.4.2 Multiple Regressions of CRM dimensions (independent variables) on loyalty (dependent variable)

After making sure that the basic assumptions of regression are met, the researcher examined the effect of CRM dimensions on customer loyalty. The researcher believes that the bank can use the result of the regression analysis for future decision making via identifying which CRM dimension got the highest effect on customer loyalty. This will answer the research question of the effect of each dimension (Key customer focus, knowledge management, CRM organization & technology-based CRM) on the dependent variable customer loyalty.

Table 4.4.1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	$.943^a$	.889	.888	.26333

Source: STATA computation of own survey result

Predictors: (Constant), Technology Based CRM, Knowledge Management, Key Customer Focus, CRM Organization

Dependent Variable: Customer Loyalty

The result of regression analysis on the independent variables (Key customer focus, knowledge management, CRM organization & technology-based CRM) on the dependent variable (customer loyalty) indicates existence of positive and statistically significant effect on customer loyalty. In the model summary table, the R-Square value is 0.889. This means that 88.9% of the customer loyalty was explained by the variation of the four CRM dimensions.

Table 4.4.2 ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	181.527	4	45.382	654.455	$.000^b$
	Residual	22.675	327	.069		

Source: STATA computation of own survey result

Predictors: (Constant), Technology Based CRM, Knowledge Management, Key Customer Focus, CRM Organization

Dependent Variable: Customer Loyalty

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

Table 4.4.3 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-1.314	.115		-11.431	.000		
Key Customer Focus	.160	.008	.492	20.796	.000	.714	1.401
CRM Organization	.070	.005	.352	13.516	.000	.584	1.712
Knowledge Management	.023	.005	.085	4.133	.000	.796	1.256
Technology Based CRM	.107	.014	.210	7.440	.000	.433	2.309

Source: STATA computation of own survey result

Predictors: (Constant), Technology Based CRM, Knowledge Management, Key Customer Focus, CRM Organization

Dependent Variable: Customer Loyalty

From the above multiple regression equation, it can be understood that all the dimensions of CRM positively affected customer loyalty. Unstandardized coefficient (Beta value) indicates the degree of importance of each CRM dimensions towards customer loyalty; accordingly, the dimensions can be ranked in the following manners on the basis of their contribution.

The beta value on the coefficient table indicates level of effect each dimension has on the dependent variable customer loyalty. The highest beta level is for Key Customer Focus of B=0.492. This means that the more the bank focuses on its key customers the more customers become loyal. Hence, if assumed other things being constant a one unit increase in Key customer Focus leads to 0.492 units increase in customer loyalty.

Moreover, CRM organization has caused a statistically significant positive effect on customer loyalty (B=0.352, P<0.05)

The study also discovered that customer loyalty was positively and significantly affected by technology-based CRM (B=0.210, P<0.0.05)

Finally, the result of the regression analysis indicated that knowledge management caused a positive but weak effect on customer loyalty (B=0.085, P<0.05)

Therefore, from among the four variables, key customer Focus has the strongest effect on customer loyalty and should be given the highest focus. And knowledge management has the lowest effect on customer loyalty.

The regression equation can be written as follows.

$$LOY = -1.314 + 0.4929\ KCF + 0.352\ CRM0 + 0.085\ KM + 0.210\ TBCRM$$

Where,

- ✓ LOY represents customer loyalty
- ✓ KCF represents Key Customer Focus
- ✓ CRMO represents CRM Organization
- ✓ KM represents Knowledge Management and
- ✓ TBCRM Technology Based CRM
- ✓

4.5 Discussion

Based on our study findings we can evaluate whether the hypotheses proposed in the research are supported or refuted. Additionally, we can compare these findings with similar studies in the field to provide a comprehensive analysis.

Hypotheses from the study at Abay Bank SC:

1. H1: Key Customer Focus has a significant impact on customer loyalty.

2. H2: CRM Organization influences customer loyalty through organizational design, policies, and

resource allocation.

3. H3: Knowledge Management components, such as service recovery strategies and customer feedback utilization, are essential for maintaining customer loyalty.

4. H4: Technology-Based CRM positively impacts customer loyalty by providing efficient and personalized services.

Comparing the study findings with similar research in the field, we can assess if the hypotheses are met or refuted based on the following considerations:

1. Key Customer Focus: The study at Abay Bank SC found that prioritizing key customers significantly affects customer loyalty. Similar studies may have also highlighted the importance of customer segmentation and personalized services in enhancing customer loyalty.

2. CRM Organization: The research at Abay Bank SC emphasized the role of organizational design, policies, and resource allocation in influencing service excellence and CRM effectiveness. Comparable studies may have shown that a well-structured CRM framework leads to improved customer satisfaction and loyalty.

3. Knowledge Management: The findings at Abay Bank SC indicated that proper implementation of knowledge management components is essential for maintaining customer loyalty. Other studies may have supported the notion that effective knowledge management strategies contribute to enhanced customer relationships and loyalty.

4. Technology-Based CRM: The study at Abay Bank SC highlighted the positive impact of updated technology and comprehensive information systems on customer loyalty through efficient and personalized services. Similar research may have demonstrated the significance of technology in improving customer experiences and loyalty.

CHAPTER FIVE
5. CONCLUSION AND RECOMMENDATION

This chapter presents the conclusions reached regarding the extent of Customer Relationship Management (CRM) application at Abay Bank and its impact on customer loyalty Based on the research findings. Additionally, recommendations for moving forward are provided.

The study generally assesses application of customer relationships management dimension on customer loyalty. Accordingly, the study assesses major four determinate variables of loyalty CRM such as, managing customers based on technology, focusing on Key customers, improving knowledge of customers as well as providing comprehensive governing environment of CRM.

5.1 Summary of Findings

The studies data collection process involved administering the structured questionnaire which was prepared to evaluate the impact of customer relationship management (CRM) on customer loyalty. After that the gathered data was analyzed in to two parts;

1.Descriptive Analysis: planned to provide insights into the overall behavior of the variables, allowing us to understand the data's basic features, so the study examined the variables using a descriptive approach. explored the characteristics of the collected data using mean and standard deviations.

2.Inferential Analysis: this part of the analysis aimed to draw meaningful conclusions about the observed data. the techniques included:

Correlation Analysis: Investigating the relationships between dependent and independent variables. This helped identify any associations or dependencies.

Regression Analysis: Assessing how changes in independent variables (CRM practices) influenced the dependent variable (customer loyalty).

Other inferential methods such as hypothesis testing or ANOVA (analysis of variance), depending on the specific research objectives.

Major Findings: Based on the analyses, the study finds the following major findings

1. CRM Dimensions:

    ➢ CRM Organization: received the highest mean score (3.0807) among all evaluated aspects. It suggests that the bank has a well-structured and organized approach to CRM organization. contribute to this positive outcome.

    ➢ Technology-Based CRM: Following closely, this dimension also scored well. It indicates that the bank effectively utilizes technology tools and systems to manage customer interactions. Automated processes, data analytics, and personalized communication channels which play a significant role in enhancing customer experiences.

    ➢ Key Customer Focus: While still favorable, this dimension falls slightly behind the top two. It emphasizes the importance of understanding and prioritizing key customers. Strengthening personalized interactions, addressing individual needs, and building strong relationships with high-value clients can further improve this aspect.

    ➢ Knowledge Management: Unfortunately, this dimension received the lowest mean score (2.6732). Knowledge management involves capturing, sharing, and utilizing customer insights effectively. This shows that the bank may need to invest in knowledge-sharing platforms, training, and cross-functional collaboration to enhance this area.

2. Customer Loyalty Level:

    ➢ The descriptive analysis reveals that the average mean customer loyalty level stands at 3.0601. which is a positive sign.

3. Correlation and Regression Outcomes:

    ➢ The strongest correlation and regression outcomes were observed in the Key Customer Focus dimension. This implies that focusing on individual customer needs directly impacts loyalty. Strengthening personalized services, loyalty programs, and relationship-building efforts can yield better results.

    ➢ The bank's relatively better implementation in CRM organization and technology-based CRM dimensions suggests a solid foundation. However, continuous improvement efforts are necessary to maintain and enhance these aspects.

5.2 Conclusion

The study investigated the effect of CRM practices on customer loyalty within the context of Abay bank Sc. Four key areas were examined: CRM for key customers, organizational CRM, knowledge management, and technology-based CRM practices. The findings revealed the following:

1. **Key Customer Focus**: Prioritizing key customers significantly affects customer loyalty. However, the bank's CRM faces challenges related to inconsistent surprise practices, insufficient CRM, and weak relationship-building with customers.
2. **CRM Organization**: Organizational design, policies, and resource allocation play crucial roles in service excellence. Attention to these factors can enhance CRM effectiveness.
3. **Knowledge Management**: Properly implementing knowledge management components, such as service recovery strategies, customer feedback utilization, and service discussions, is essential for maintaining customer loyalty.
4. **Technology-Based CRM**: Utilizing updated technology and comprehensive information systems positively impacts customer loyalty by providing efficient and personalized services.

And the correlation analysis shows that Key Customer Focus dimension has the highest correlation coefficient with customer loyality (r=0.813), followed by Technology Based CRM (r=0.790),. The multiple regression also shows that Key Customer Focus dimension has the highest effect on customer loyalty with Beta value (B=0.492), followed by CRM organization (B=0.352), Technology Based CRM (B=0.210) and Knowledge Management (B=0.085). Therefore, it can be inferred that while the dimensions have a high importance to customer's loyalty, the bank does not meet customer's expectation.

5.3 Recommendations

Since only a portion of the customers agreed to being loyal customers of Abay Bank, the bank has room for improvement. According to customer perception, Abay Bank has not performed well in certain areas of customer relationship management (CRM). Therefore, the researcher appreciates the bank's efforts to apply CRM in its full dimension and suggests recommendations for relatively less applied areas of CRM.

Key Findings with recommendations:

1. Key Customer Focus: the study showed Prioritizing key customers significantly influences customer loyalty. However, challenges such as inconsistent surprise practices and weak relationship-building were identified.

 - Recommendation: Abay Bank SC should implement a structured key customer management program that includes personalized services, consistent communication, and proactive relationship-building initiatives to enhance customer loyalty.

2. CRM Organization: Organizational design, policies, and resource allocation play crucial roles in service excellence and attention to these factors can enhance CRM effectiveness. Based on our studies finding this dimension also has a positive correlation with customer loyalty.

  - Recommendation: The bank should streamline its CRM organizational structure, allocate resources effectively, and establish clear policies to ensure seamless customer experiences and improve overall CRM effectiveness.

3. Knowledge Management: according to our results Properly implementing knowledge management components, such as service recovery strategies, customer feedback utilization, and service discussions, is essential for maintaining customer loyalty however its found the bank's lowest performance level is in this dimension.

  - Recommendation: Abay Bank SC should focus on enhancing knowledge management practices by investing in training programs for staff, implementing robust feedback mechanisms, and fostering a culture of continuous learning to better understand and meet customer needs.

4. Technology-Based CRM: Utilizing updated technology and comprehensive information systems positively impacts customer loyalty by providing efficient and personalized services.

  - Recommendation: The bank should invest in advanced CRM technology solutions, such as customer data analytics tools and automated service platforms, to enhance customer interactions, streamline processes, and deliver personalized services that meet evolving customer expectations.

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APPENDIX 1

St. Mary University

Department of Marketing Management

Post Graduate

Program Customer

Questionnaire

Purpose of the questionnaire

This questionnaire is prepared by Eden Getachew to collect primary data from the customers of Abay Bank to assess the **Level of Customer Relationship Management (CRM) Application in Abay Bank** for the partial fulfillment of MA in Marketing Management from St. Mary University. The responses are to be kept confidential and will be used for academic purpose only. In addition, all personal data will be treated collectively rather than on personal levels.

Part I. General and Demographic Information

1. Please indicate your gender.

   Male ☐   Female ☐

2. Age _____

3. Educational level

   o   Informal Education

   o   Primary and secondary school

   o   Diploma

   o   Bachelor Degree

   o   Master's Degree and above

4. Use the Bank service for

Personal ☐   Commercial ☐   Both ☐

5. For how many years have you been using the Bank?

- o   <1 Year
- o   1-4 Years
- o   5-7 Years
- o   8-10 Years
- o   >10 Years

6. Which service of the Bank are you currently using? (You can indicate more than one)

Saving Account ☐   Current account ☐

Money Transfer ☐   ATM Card ☐

Import Export ☐

Part II. Customer Relationship Management Best Practices

Please indicate the extent to which you agree/disagree with the following statements. Strongly Disagree carries the least weigh of 1 while Strongly Agree carries the highest weight of 5. Please put

√ mark accordingly

Item	Strongly Disagre	Disagre e (2)	Neutra l (3)	Agre e (4)	Strongly Agree
KEY CUSTOMER FOCUS					
1. The Bank provides customized services and products to its key customers.					
2. The Bank strives to constantly surprise and delight its key customers.					
3. The Bank strengthens the emotional bonds with its key customers by wishing them on important occasions.					
4. The Bank uses the concept of Relationship Pricing 'in pricing its services.					
CRM ORGANIZATION					
5.The Bank employees encourage customers to use more services of the Bank.					
6. The Bank top management accepts and provides leadership for building and maintaining customer relationships as a major goal of the Bank.					

7. The Bank commits time and resources in managing customer relationships.					
8. The Bank policy is fast & reliable.					
9. The Bank gives all the needed services from the Bank					
10. The Bank employees are professionals.					
11. The Bank employees go beyond their responsibility to serve customers in a better way.					
12 CRM responsibilities of customer contact employees are clearly defined, assigned and understood.					

Item	Strongly Disagr	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree
KNOWLEDGE MANAGEMENT					
13. The Bank has effective customer recovery strategies including guarantees for service failures.					
14. The Bank takes customer feedback seriously and replies to them.					
15. The Bank use information from customers to design or improve their services.					
16. The Bank has a well-developed privacy policy to ensure confidentiality of data collected from customers.					
17. The Bank has a differential reward system that rewards customers based upon their profit/ revenue contribution.					
18. The Bank analyzes the causes of customer defection through exit interviews and lost customer surveys with the aim to win back customers who have strong profit potential.					
TECHNOLOGY BASED CRM					
19. The Bank gives technology-based service to its customers.					

20. The Bank information systems are designed to give comprehensive data about all aspects of its customers, so that the Bank can be responsive to them.					
CUSTOMER LOYALITY					
21.I am a loyal customer of Abay bank.					
22.I would always recommend Abay bank to someone who seeks my advice.					
23.Even if close friends recommended another Bank, my preference is Abay bank. would not change.					
24.I have a strong relationship with the Bank.					

በ ቅድስት ማርያም ዩኒቨርሲቲ የማርኬቲንግ

ማኔጅመንት ድህረ-ምረቃ ትምህርትክፍል

የደንበኞች መጠይቅ

ይህ መጠይቅ የተዘጋጀው በአባይ ባንክ የደንበኞች ግንኙነት አገልግሎት አሰጣጥን ለመመዘን ነው:: በዚህ መጠይቅ ላይ የሚያስፈሩት ማንኛውም መረጃ ለትምህርታዊ አገልግሎት ብቻ እንደሚውል እየገለፅኩ፣ ከዚህ በተጨማሪም ግላዊ መረጃዎች በጥብቅ ለሚደረግ ምርምር ግብአትነት ብቻ እንደሚውለ ላረጋግጥልዎ እወዳለሁ::

ከዚህ በታች ለተዘረዘሩት መግለጫዎች የ √ ምልክት በማድረግ የሚመርጡትን ያመልከቱ::

ክፍል **1** - *መሠረታዊ መረጃዎች*

1. ፆታ፤

   ወንድ ☐   ሴት ☐

2. እድሜ_____

3. የትምህርት ደረጃ

   ○ ኢመደበኛ

   ○ 1ኛ እና 2እኛ ደረጃ

   ○ ዲፕሎማ

   ○ የመጀመሪያ ዲግሪ

   ○ ሁለተኛ ዲግሪ እና ከዚያ በላይ

2.የባንኩን አገልግሎት የሚጠቀሙት፤

ለግል   ለንግድ ሥራ   ለሁለቱም   ☐

3.ከዚህ ባንክ ጋር በደንበኝነት ምን ያህል ዓመት ቆይተዋል?

   ○ ከ 1ዓመት በታች

   ○ ከ 1-4 ዓመት

57

- ከ 5-7 ዓመት

- ከ 8-10 ዓመት

- ከ 10 ዓመትበላይ

4 .በባንኩ የሚጠቀሙት አገልግሎት፤ (ከአንድ በላይ ማመልከት ይችላሉ።)

የተቀማጭ ሂሳብ ☐   ተንቀሳቃሽ ሂሳብ ☐

የሃዋላ አገልግሎት ☐   ኤ.ቲ.ኤም ካርድ አገልግሎት ☐

የአስመጪና ላኪ ☐

ክፍል 2 - የደንበኞች ግንኙነት አገልግሎትን በተመለከተ እባክዎ ሳጥን ውስጥ ያለውን ቃ.ነገር በማንበብ √ ያድርጉ

መግለጫ	በጣም አልስማማም (1)	አልስማማም (2)	አስተያየት የለኝም (3)	እስማማለሁ (4)	በጣም እስማማለሁ (5)
1.ባንኩ ለተቀዳሚ ደንበኞቹ ከፍላጎታቸው ጋር የሚጣጣም አገልግሎት ይሰጣል፡፡					
2.ባንኩ ተቀዳሚ ደንበኞቹን ለማርካት ሁል ግዜ ይጥራል፡፡					
3.ባንኩ በህዝባዊ በዓላት ለተቀዳሚ ደንበኞቹ የመልካም ምኞት መግለጫ ይሰጣል፡፡					
4.ባንኩ ለሚሰጣቸው አገልግሎቶች ከደንበኛው ጋር ባለው ግንኙነት መሠረት በስምምነት የተለያየ የአገልግሎት ዋጋ ያስቀምጣል፡፡					
5. የባንኩ ሠራተኞች ደንበኞች የባንኩን የተለያዩ አገልግሎቶች እንዲጠቀሙ ያበረታታሉ፡፡					
6.የባንኩ አመራር ከደንበኞች ጋር መልካም ግንኙነት መገንባት አስፓላጊ እንደሆን ያምናል፤ ለተግባራዊነቱም ይሰራል፡፡					
7.ባንኩ ያለውን የገንዘብና የሰው ኃይል ተጠቅሞ ከደንበኞቹ ጋር መልካም ግንኙነትን ለመፍጠር ይጥራል፡፡					
8.የባንኩ አሰራር ቀልጣፋና ምቹ ነው፡፡					
9.ባንኩ በሁለም የባንክ አገልግሎት ዘርፎች አስተማማኝ አገልግሎት ይሰጣል፡፡					
10.የባንኩ ሠራተኞች ደንበኛን ለማገልገል የሰለጠኑና ብቁ ናቸው፡፡					
11.የባንኩ ሠራተኞች ከተሰጣቸው ኃላፈነት በተጨማሪ በግል ተነሳሽነት ደንበኛውን የበለጠ ለማገልገል ይጥራሉ፡፡					
12.የባንኩ የደንበኛ ግንኙነት ሠራተኞች ኃላፈነታቸውን በሚገባ ያውቃሉ፡፡					

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13. ባንኩ ለአገልግሎት መንደል /መቁረጥ ዋስትና ይሰጣል፡፡				
14.ባንኩ የደንበኞችን አስተያየት ተቀብሎ ተገቢውን ምላሽ ይሰጣል፡፡				
15.ባንኩ የደንበኞቹ አስተያየት እንደግብአት ተጠቅሞ የሚሰጠውን አገልግሎት ያሻሽላል፣ አዳዲስ አገልግሎቶችንም ያስተዋውቃል፡፡				
16.ባንኩ የደንበኞቹን መረጃ በሚስጥር ይይዛል፡፡				
17.ባንኩ ለትርፋማነቱ ከፍተኛ አስተዋፅዖ ላደረጉ ደንበኞች ሽልማት ይሰጣል፡፡				
18. ባንኩ ደንበኛነታቸውን ያቋረጡ ተቀዳሚ ደንበኞችን በማነጋገር ወደ ባንኩ እንዲመለሱ ጥረት ያደርጋል፡፡				
19.ባንኩ በዘመናዊ ቴክኖሎጂ የታገዘ አገልግሎት ይሰጣል፡፡				
20.ባንኩ የደንበኞቹን መረጃ ሁለን-ዓቀፍ በሆነ መልኩ ስለሚይዝ የደንበኞቹን ፍላጎት የበለጠ መረዳት ይችላል፡፡				
21. እርሶ የአባይ ባንክ ታማኝ ደንበኛ ነዎት?				
22. ምክሬን ለሚተየቁኝ ሰዎች ሁልጊዜም አባይ ባንክን እንዲጠቀሙ አበረታታለሁ፡፡				
23. ጓደኞቼ ሌላ ባንክ እንድጠቀም ቢያበረታቱኝም አባይ ባንክን የመለወጥ ፈላጎት የለኝም፡፡				
24. ከባንኩ ጋር የጠበቀ ትስስር አለኝ፡፡				

አመሰግናለሁ!

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of

_____. All sources of materials used for the thesis have been d u l y acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

_____   _____

        Name   Signature

St. Mary's University, Addis Ababa May, 2024

ENDORSEMENT

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

_____   _____

 Advisor   Signature

St. Mary's University, Addis Ababa May, 2024