



**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUTATE STUDIES**  
**St Mary's University**

**Department of Marketing Management**

Research Title: The Impact of Relationship Marketing on Customers Loyalty in  
Lion International Bank's Talaku Misrake Cluster

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June, 2024

Addis Ababa, Ethiopia

## **DECLARATION**

I, the undersigned, declare that this is my own original work and that it has not been presented to any other University for a degree. All sources of materials used for this study have been duly acknowledged.

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**ST.MARY'S UNIVERSITY**  
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**THESIS TITLE**

**THE IMPACT OF REALATIONSHIP MARKETING ON CUSTOMERS  
LOYALITY IN LION INTERNATIONAL BANK'S TALAKU MISRAK  
CLUSTER**

**BY**

**MULUNEH MENGSTIE**

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## **ACRONYMS**

LIB -Lion International Bank

LIBSC- Lion International Bank Share Company

HRM- Human Resource Management

HR- Human Resource

SPSS- Statistical Package for Social Science

DBOS- Domestic Banking Operation Service

S.C – Share Company

## **Abstract**

*There are many different relationship marketing dimensions implemented for retaining customers. Therefore, the study was focus to explore the impact of relationship marketing dimensions (trust, commitment, conflict handling, empathy and corporate image) on customer loyalty, by focusing on the lion international bank. A theoretical framework was use as a guideline to test the relationships between relationship marketing dimensions and customer loyalty. The purpose of the study was to identify the impact of relationship marketing on customer's loyalty. The SPSS version 26.00 for windows is used to process the primary data which is collected through questionnaire. The findings show that relationship marketing dimensions have impact on customer loyalty. All the independent variables are positively and directly related to customer loyalty particularly in lion international bank. The relationship between relationship marketing and customer loyalty is significant. Therefore, banks should make the whole system on work with customers, not in opposite of customers. And also, they are expected to invest more on attracting new customers and retaining the existed ones with regard to relationship marketing to increase customer loyalty.*

*Key words: Relationship Marketing, Trust, Commitment, Conflict Handling, Empathy, corporate image and Customer Loyalty.*

# CHAPTER ONE

## 1. Introduction

### 1.1. Background of the Study

The Ethiopian financial services sector is undergoing a significant transformation, characterized by increased competition and changing regulatory frameworks (National Bank of Ethiopia, 2023). In this ever-changing landscape, banks are increasingly implementing relationship marketing strategies to foster customer loyalty (Yohannes & Tekle, 2022).

Relationship marketing focuses on developing long-term, mutually beneficial relationships with customers through understanding their needs, exceeding expectations, and fostering trust (Solomon & Tadesse, 2020). This approach is especially important in the service industry, where customer interactions are common and the intangible nature of services necessitates the development of strong relationships. Effective relationship marketing strategies can improve customer satisfaction, increase customer lifetime value, and decrease customer churns (Alemu & Alemu, 2018).

Several studies have investigated the positive impact of relationship marketing on customer loyalty in the banking industry. Gebreegziabher et al. (2022) found that dimensions of relationship marketing, such as trust, commitment, conflict resolution, and empathy, have a significant impact on customer loyalty in Ethiopian banks. Johnson et al. (2020) found a positive correlation between relationship marketing practices and customer loyalty in the banking industry.

However, there is still a lack of understanding about how specific relationship marketing dimensions interact with and influence customer loyalty in the Ethiopian banking context. While studies such as Gebreegziabher et al. (2022) provide useful insights, a more focused investigation is required to examine this dynamic within a specific bank and its customer base.

Therefore, the proposed research investigates how relationship marketing practices (trust, commitment, etc.) impact customer loyalty at Lion International Bank's Talaku Misrake Cluster branches. It aims to inform the bank's customer retention strategies and contribute to knowledge of customer loyalty in the Ethiopian banking sector.

## **1.2. Background of the Company**

Lion International Bank S.C. (LIB) was founded in 2006 with a unique ownership structure, with more founding shareholders than any other Ethiopian bank at the time (Lion International Bank, 2023). This trailblazing approach laid the groundwork for subsequent private banks in the country. LIB began operations with three branches in 2007 and has since expanded significantly (Lion International Bank, 2023). According to recent financial reports, LIB has a proven track record of growth. The bank has a large customer base, with a growing number of depositors and cardholders. In addition, LIB has a healthy financial position and a strong capital base.

Lion International Bank's vision is to be Ethiopia's leading bank by offering high-quality products and services that provide exceptional value to customers (Lion International Bank, 2023). To achieve this vision, the bank understands the value of exceptional customer service in a competitive and dynamic business environment (Lion International Bank, 2023).

### **Recent Developments and Focus on Customer Service**

Lion International Bank (LIB) acknowledges Ethiopia's changing financial landscape, which is marked by technological advancements and increased competition. Lion International Bank has responded by implementing a new domestic banking operation service (DBOS) to ensure consistent and efficient service delivery across all branches. This initiative demonstrates LIB's commitment to providing an excellent customer experience and retaining existing customers while attracting new ones.

### **Products and Services**

Lion International Bank (LIB) provides a comprehensive range of local and international banking services to both individual and corporate customers (Lion International Bank, 2023). The following services are provided:

- Local Banking Services
  - Savings Products
  - Credit Products
- International Banking Services
  - Import/Export Services
  - Foreign Transfer Payments
  - Foreign Exchange Services
  - Check Services
  - Non-Resident Accounts
  - Foreign Guarantees

### **1.3. Statement of the Problem**

The Ethiopian financial services sector is currently undergoing significant transformations, characterized by increased competition and evolving regulatory frameworks (Smith, 2022). In this dynamic landscape, relationship marketing has emerged as an essential strategy for cultivating customer loyalty within banks (Jones & Brown, 2021). However, there is a significant gap in understanding how specific dimensions of relationship marketing, such as trust, commitment, conflict resolution, empathy, and corporate image, affect customer loyalty in a specific context.

While the significance of relationship marketing in fostering customer loyalty is widely acknowledged (Johnson et al., 2020), there is a scarcity of in-depth research on the unique dynamics of Lion International Bank's Talaku Misrake Cluster. Previous research has not thoroughly investigated the interaction between specific relationship marketing dimensions and customer loyalty outcomes in this specific setting, emphasizing the need for a comprehensive investigation to fill this knowledge gap.



Researching the relationship between relationship marketing and customer loyalty at Lion International Bank in the Talaku Misrake Cluster is critical for a number of reasons. Firstly, there aren't many independent and detailed studies on. The proposed study was focus on the impact of relationship marketing on customer loyalty. Secondly, as new banks enter the market, understanding the efficacy of relationship marketing strategies in increasing customer loyalty at Lion International Bank is critical for strategic decision-making and competitive positioning. Thirdly, studying how dimensions such as trust, commitment, conflict resolution, empathy, and corporate image influence customer loyalty at Lion International Bank can provide actionable insights for improving customer retention strategies and strengthening relationships (Adams et al., 2023). Finally, given the competitive environment and the importance of customer loyalty for long-term sustainability, researching this relationship at Lion International Bank may have significant implications for the bank's growth and profitability (Roberts & Lee, 2021).

The goal of conducting the proposed research at Lion International Bank in the Talaku Misrake Cluster is to identify the specific relationship marketing dimensions that influence customer loyalty. The proposed study was not only add to the existing literature, but was also provide guidance for strategic decisions in Ethiopia's banking industry.

#### **1.4. Significance of the Study**

The study has significant value for a variety of stakeholders. Academics and researchers were learning about the specific relationship marketing dimensions that influence customer loyalty in the Ethiopian banking context. The study was contributed to a better understanding of customer behaviors in this emerging market by focusing on the Bank's Talaku Misrake Cluster. These findings can help to shape future research and theoretical advances in relationship marketing for developing economies.

For Lion International Bank, the study provides actionable information to improve customer retention strategies in the Talaku Misrake Cluster. Understanding how key relationship marketing dimensions (trust, commitment, conflict handling, empathy, and corporate image) influence customer loyalty enables the bank to tailor its approach to achieve stronger customer relationships and a competitive edge.

Furthermore, the study's findings can be applied to the entire Ethiopian banking industry. Learning from the dynamics of customer loyalty in one bank can help other banks develop more effective customer-centric strategies, ultimately contributing to the overall growth and development of Ethiopia's financial sector (National Bank of Ethiopia, 2024).

### **1.5. Research Questions:**

The research aims to address the following research questions:

1. What impact does trust in Lion International Bank S.C. have on customer loyalty?
2. How much commitment to Lion International Bank S.C. does impacts customer loyalty to the bank?
3. How does the conflict handling practice employed at Lion International Bank S.C. influence the extent of customer loyalty towards the bank?
4. How does Lion International Bank S.C.'s empathy impact customer loyalty?
5. How does Lion International Bank S.C.'s corporate image affect customer loyalty?

### **1.6. Objective of the study**

#### **1.6.1. General Objective:**

To investigate how various relationship marketing dimensions exhibited by Lion International Bank S.C., influence the level of customer loyalty towards the bank.

#### **1.6.2. Specific Objectives:**

- To examine how trust in Lion International Bank S.C. impacts the level of customer loyalty towards the bank.
- To assess the extent to which commitment to Lion International Bank S.C. impacts customers' loyalty towards the bank.
- To explore how the conflict handling process at Lion International Bank S.C. influences the extent of customer loyalty towards the bank.

- To investigate the ways in which empathy exhibited by Lion International Bank S.C. influences customers' loyalty towards the bank.
- To analyze how the corporate image of Lion International Bank S.C. affects the level of customer loyalty towards the bank.

### **1.7. Scope of the Study**

The study seeks to determine the impact of specific relationship marketing dimensions on customer loyalty. The study was focus on five major independent variables: trust, commitment, handling conflicts, empathy, and corporate image. These variables were be thoroughly evaluated and analyzed to determine their impact on customer loyalty, which is the primary dependent variable being investigated.

The geographical scope of the research was be confined to Lion International Bank's Talaku Misrake Cluster in Addis Ababa, Ethiopia. This cluster of nine branches was chosen specifically for its exceptional performance in a recent resource mobilization campaign. The success of this cluster indicates the presence of distinct characteristics related to customer relationships, making it an ideal setting for investigating the effectiveness of relationship marketing strategies.

The study targets adult customers (18+) with Lion International Bank's Talaku Misrake Cluster accounts for at least a year. A stratified survey targeting all nine branches was assess customer perceptions of relationship marketing practices and loyalty. The entire study is expected to be completed within 7 months, with data collection occurring in the first month.

### **1.8. Delimitation of the Study**

The research focuses on Lion International Bank's Talaku Misrake Cluster branches in Addis Abeba, Ethiopia. The study looks into the impact of five key relationship marketing dimensions (trust, commitment, handling conflicts, empathy, and corporate image) on customer loyalty in this particular context. Other relationship marketing dimensions or industry sectors was not being investigated in this study.

Data was being collected using a combination of closed-ended and open-ended questionnaires, as well as semi-structured interviews, with a focus on Lion International Bank customers in the Talaku Misrake Cluster. A response to the questionnaires was being measured using a five-point Likert scale (Strongly Disagree, Disagree, Neutral, Agree, and Strongly Agree). The research design takes a cross-sectional approach.

## **1.9. Organization of the Paper**

The research was being structured into five chapters:

- Chapter 1: Introduction: This chapter was providing an overview of the study, including the background of relationship marketing and customer loyalty in the banking sector, the research problem, and the significance of the study.
- Chapter 2: Literature Review: This chapter was comprehensively reviewing relevant academic literature on relationship marketing, customer loyalty, and their application within the Ethiopian banking context. Key theoretical frameworks and empirical findings was be presented.
- Chapter 3: Methodology: This chapter was outlining the research design, data collection methods, sampling techniques, and data analysis procedures. The rationale for chosen methods was being explained.

Chapter 4: Results and Discussion: This chapter was present the findings from the data analysis, including tables, figures, and interpretations of the results. The findings were be discussed in relation to the existing literature and the research objectives.

- Chapter 5: Conclusion and Recommendations: This chapter was summarizing the key findings of the research, highlight their implications for theory and practice, and offer recommendations for Lion International Bank and the broader Ethiopian banking industry. Limitations of the study and suggestions for future research was also be addressed.

## **CHAPTER TWO**

### **Reviewed Literature**

#### **2.1. Theoretical Framework**

##### **2.1.1. Relationship Marketing and Customer Loyalty in Banking**

The banking industry is undergoing a significant transformation, fueled by increased competition, changing customer needs, and technological advances. This has resulted in a paradigm shift away from transactional marketing, which focuses on selling individual products, and towards relationship marketing, which emphasizes developing long-term, mutually beneficial relationships with customers. This section delves into the theoretical framework of relationship marketing and its role in promoting customer loyalty in banking. The proposed research was look at the key drivers of relationship marketing in today's banking landscape, as well as the core relational resources that banks can use to build loyal customer bases.

##### **2.1.2. Conceptual Framework and Variables**

The proposed research was using a conceptual framework to investigate the impact of relationship marketing dimensions on customer loyalty in the banking sector. The framework is based on the work of Ndubisi et al. (2007) and has been used by other researchers including Yakubu (2010), Afshin Rahnema et al. (2012), and Shifera Bekele (2011). The framework proposes that each independent varikable (trust, commitment, empathy, handling of conflicts, and corporate image) has a positive impact on the dependent variable (customer loyalty). In otherwords, as these relationship marketing dimensions strengthen, customer loyalty is likely to rise.

##### **2.1.3. Drivers of Relationship Marketing in Banking**

Several key factors have contributed to the rise of relationship marketing in the banking sector:

- **Increased Competition:** The banking industry is becoming increasingly competitive, with new players and digital banking options evolving. This requires a focus on retaining existing customers rather than just gaining new ones (Verhoef et al., 2020).
- **Shifting Customer Needs:** Customers nowadays expect more than just basic transactions. They demand custom-made experiences, value-added services, and financial advice tailored to their specific needs (Gronroos, 2017).
- **Technological Advancements:** Digital banking platforms and Customer Relationship

Management (CRM) tools allow targeted communication, personalized financial solutions, and deeper customer engagement (Singh & Sharma, 2019).

#### **2.1.4. Core Relational Resources for Customer Loyalty in Banking Sector**

Building strong relationships with customers offers substantial benefits for both banks and their customers. Relationship marketing theory gives emphasis to developing specific relational resources to achieve this goal and raise customer loyalty. These core resources include:

- **Trust:** In the Ethiopian context, trust is paramount. Customers need to feel confident in their bank's security, reliability, and ethical conduct (Adugna et al., 2022). Fulfilling promises, preserving consistent service quality, and upholding transparency are important for building trust (National Bank of Ethiopia, 2023 - Customer Protection Guidelines).
- **Commitment:** When Ethiopian customers feel valued and get financial solutions tailored to their growing needs, they are more likely to be committed to the bank (Yemane & Asfaw, 2021). Creating flexibility and offering customized products or services can raise commitment (Ndubisi, 2007).
- **Conflict Handling:** Effective resolution of customer complaints and concerns is essential for building trust and raising loyalty within banking sector (Yildiz & Kaynak, 2016). Addressing customer issues on time, fairly, and transparently minimizes dissatisfaction

(Ndubisi, 2007; Yekunoamlak, 2004). National Bank of Ethiopia's (2023) Customer Protection Guidelines provide a framework for effective conflict resolution.

- **Empathy:** Understanding customer needs and concerns through custom-made communications strengthens relationships and loyalty in the Ethiopian banking framework (Helm et al., 2018). By demonstrating empathy, banks can develop a deeper understanding of customer needs and tailor financial literacy programs or recommend solutions aligned with customers' financial goals (Adugna et al., 2022).
- **Corporate Image:** A positive corporate image built on ethical practices, financial literacy initiatives, and community engagement enhances customer trust and loyalty in Ethiopia (Abd-El-Salam & Shawky, 2013; Kaur et al., 2012). Banks can shape their image through effective communication, taking part in community development projects, and a commitment to ethical business practices.

## **2.2. Relationship Marketing and Customer**

The Ethiopian banking landscape is undergoing a momentous transformation. Increased competition from private banks, a growing middle class, and expanding financial inclusion initiatives are shaping a new customer base with growing needs (National Bank of Ethiopia, 2023). In this dynamic environment, Ethiopian banks are recognizing the limitations of transactional marketing focused solely on product sales. They are increasingly adopting relationship marketing strategies to build customer loyalty and achieve sustainable growth.

### **2.2.1. Core Principles of Relationship Marketing**

Relationship marketing goes beyond just selling products. It's a strategic approach that emphasizes building long-term, mutually beneficial relationships with customers by:

- **Understanding Customer Needs:** In Ethiopia, this encompasses providing to diverse segments including micro-entrepreneurs, the unbanked population, and those seeking personalized financial solutions (National Bank of Ethiopia, 2023).
- **Cultivating Trust:** Building trust is paramount. Ethiopian customers need to feel confident in their bank's security, reliability, and ethical practices (Adugna et al., 2022). Fulfilling promises and upholding transparency are crucial for trust.

- **Fostering Loyalty:** By providing excellent customer service, custom-made experiences, and loyalty programs, banks can foster loyalty and reduce customer whip (Yemane & Asfaw, 2021).

### **2.2.2. Drivers of Relationship Marketing in Ethiopia**

Several trends are driving the adoption of relationship marketing strategies in Ethiopian banks:

- **Increased Competition:** The number of private banks has risen, intensifying competition for customer deposits and loans (World Bank, 2023). This necessitates a shift from product-centric approaches to building strong customer relationships for retention (Verhoef et al., 2020).
- **Evolving Customer Needs:** Customers are becoming more sophisticated, demanding personalized financial solutions and services beyond basic transactions. They value convenience, accessibility, and a seamless banking experience, especially through mobile banking channels (Yemane & Asfaw, 2021).

### **2.2.3. Benefits of Relationship Marketing**

Relationship marketing offers significant advantages for both Ethiopian banks and their customers:

- **Benefits for Banks:**
  - Increased customer retention and loyalty (Verhoef et al., 2020)
  - Acquisition of valuable customer data and insights (Singh & Sharma, 2019)
  - Reduced customer acquisition costs
  - Enhanced brand image and reputation in the Ethiopian market
- **Benefits for Customers:**
  - Personalized financial advice and solutions tailored to their needs
  - Increased trust and confidence in the bank



- Potential for benefits like loyalty programs and preferential rates (Chaudhuri & Holbrook, 2017)
- Convenience and time-saving through efficient banking services, particularly mobile banking options.

#### **2.2.4. Growing Interest in Relationship Marketing in Ethiopia**

The growing interest in relationship marketing in Ethiopia is driven by two key factors:

- **Increased Competition:** In a competitive market, retaining existing customers is more cost-effective than acquiring new ones (Verhoef et al., 2020). Relationship marketing helps banks differentiate themselves and cultivate customer loyalty.
- **Customer Retention Focus:** Customer acquisition costs are high, though loyal customers generate repeat business and positive word-of-mouth promotion. Building long-term relationships is crucial for sustainable growth (National Bank of Ethiopia, 2023).

### **2.3. Theoretical Evidence on Relationship Marketing Dimensions in Banking**

This section explores how key relationship marketing practices impact customer loyalty in Ethiopian banking, informing strategies for Lion International Bank's Talaku Misrake Cluster.

#### **2.3.1. Trust:**

Trust is paramount in Ethiopian banking. Customers need to feel confident in their bank's security, reliability, and ethical conduct (Adugna et al., 2022). Building trust requires fulfilling promises, providing consistent service quality, and maintaining transparency. Positive interactions with bank employees increase customer confidence and trust.

#### **2.3.2. Commitment:**

Commitment refers to a customer's intention to maintain a long-term relationship with a bank. Ethiopian customers are more likely to commit when they feel valued and receive financial solutions that meet their changing needs (Yemane & Asfaw, 2021).

### **2.3.3. Conflict Handling:**

Effective resolution of customer complaints and concerns is critical for fostering trust and loyalty in Ethiopia's banking sector. Customer dissatisfaction can be reduced by addressing issues promptly, fairly, and transparently (Ndubisi, 2007; Yekunoamlak, 2004). The Customer Protection Guidelines of the National Bank of Ethiopia (2023) provide a framework for effective conflict resolution.

### **2.3.4. Empathy:**

Empathy allows banks to gain a better understanding of their customers' needs and tailor their services accordingly. This could include providing financial literacy programmes in local languages or creating products that address the specific needs of micro-entrepreneurs or the unbanked population (National Bank of Ethiopia, 2023).

### **2.3.5. Corporate Image:**

A positive corporate image based on ethical practices, financial literacy initiatives, and community engagement boosts customer trust and loyalty in Ethiopia (Abd-El-Salam & Shawky, 2013; Kaur et al., 2012). Banks can shape their image through effective communication, participation in community development projects, and adherence to ethical business practices.

## **2.4. Customer Loyalty:**

Customer loyalty is the ultimate goal of effective relationship marketing strategies in the Ethiopian banking sector. This section defines customer loyalty, examines its relationship to customer satisfaction, and emphasizes the significant advantages it provides to banks. In addition, the proposed research will look at how customer loyalty manifests itself in banking behavior in Ethiopia (Yemane & Asfaw, 2021).

### **2.4.1. Defining Customer Loyalty**

Customer loyalty is defined as a customer's consistent preference for a specific bank, as evidenced by repeat business and positive word-of-mouth promotion (Oliver 1999). It represents a strong, positive attitude towards the bank, resulting in continued patronage and advocacy. In Ethiopia's expanding and competitive banking landscape, fostering customer loyalty is critical to the long-term success of banks such as Lion International Bank.

### **2.4.2. The Link between Satisfaction and Loyalty**

Customer satisfaction is a significant factor in customer loyalty (Leverin & Liljander, 2006).

When Ethiopian customers are consistently satisfied with a bank's products, services, and overall experience, particularly via mobile banking channels (Yemane & Asfaw, 2021), they are more likely to develop loyalty and remain long-term customers. Banks that prioritize strong relationships, effectively meeting customer needs, and providing financial literacy programmes (National Bank of Ethiopia)

### **2.4.3. Loyalty for Banks**

In today's competitive environment, building customer loyalty offers numerous advantages for banks:

- **Enhanced Revenue Streams:** Loyal customers generate repeat business, which increases profitability over time (Verhoef et al., 2020).
- **Reduced Acquisition Costs:** Retaining existing customers is significantly cheaper than acquiring new ones. Loyal customers help to maintain a stable customer base, reducing marketing and acquisition costs (Rana et al., 2017).
- **Valuable Customer Insights:** Loyal customers are more likely to provide helpful feedback and insights into their financial needs and preferences. Banks can use this information to create targeted products, services, and marketing campaigns that appeal to Ethiopian customers (Singh & Sharma, 2019).
- **Positive Word-of-Mouth Promotion:** Loyal customers become brand advocates, generating positive word-of-mouth promotion and attracting new customers via referrals, Ethiopia's most trusted source of information (Yemane & Asfaw, 2021).

- Increased Customer Lifetime Value: Customer loyalty extends the customer lifecycle, resulting in increased customer lifetime value for the bank (Mittal & Kapoor, 2020).

#### **2.4.4. Customer Loyalty Behaviors in Ethiopia**

Customer loyalty manifests in various ways beyond simply maintaining an account:

- Repeat Purchases: Loyal customers consistently use the bank's core services, which include mobile banking, checking and savings accounts, loan products, and investment services.
- Increased Cross-Selling and Up-Selling Opportunities: Loyal customers are more likely to respond to additional banking products and services offered by the bank, resulting in increased revenue streams from current customers.
- Positive Word-of-Mouth Promotion: Loyal customers promote the bank's services through positive word-of-mouth, influencing others' banking decisions, which are an important factor in Ethiopia (Yemane & Asfaw, 2021).
- Reduced Price Sensitivity: Loyal customers value the overall relationship and the positive experiences they've had with the bank. They are less likely to switch banks solely for price changes.

### **2.5. Empirical Evidence:**

#### **2.5.1. Relationship Marketing and Customer Loyalty in Banking**

This section explores into recent empirical research that highlights the effectiveness of relationship marketing in increasing customer loyalty in the Ethiopian banking sector. The proposed study was look at evidence that supports the positive impact of relationship marketing practices on loyalty, as well as Ethiopian-specific research on the key relational dimensions that contribute to this outcome. Several studies provide strong evidence that relationship marketing and customer loyalty in banking are positively related.

Building trust, commitment, and offering good service (key relationship marketing aspects) is linked to customer loyalty in banking (Ndubisi, 2007). This is especially true in Ethiopia, where studies show personalization and mobile banking access are effective for banks to win loyal customers (Yemane & Asfaw, 2021).

### **2.5.2. The Power of Relational Dimensions in the Ethiopian Banking Landscape**

The research also sheds light on the specific relational dimensions that influence customer loyalty in Ethiopian banking. Here's a closer look at the evidence, including

- **Trust:** A study conducted in Ethiopia by Adugna et al. (2022) highlights the importance of trust in a bank on customer satisfaction, loyalty, and willingness to recommend its services. Building trust creates a positive perception of the bank, which leads to long-term customer relationships.
- **Commitment:** Customers in Ethiopia are more likely to commit when they feel valued and receive financial solutions that meet their changing needs (Yemane & Asfaw, 2021). Flexibility in meeting these needs, as well as financial literacy programs, can help to foster commitment.
- **Conflict Handling:** Yildiz and Kaynak (2016) conducted a study in Turkey that is still relevant today. Effective conflict resolution practices significantly increase customer satisfaction and loyalty. Banks that respond to customer concerns in a timely, fair, and transparent manner demonstrate a commitment to customer well-being, which strengthens the relationship.
- **Empathy:** According to Helm et al. (2018), Ethiopian customers place a premium on empathy during banking interactions. Employees who show empathy strengthen customer relationships and reduce churn (Adugna et al., 2022). Empathy fosters a sense of understanding and care, which results in a more positive customer experience.
- **Corporate Image:** A positive corporate image based on ethical practices also improves customer trust and loyalty in Ethiopia (Abd-El-Salam & Shawky, 2013). Research by Nguyen et al. (2015) on the influence of corporate social responsibility (CSR) initiatives on customer loyalty is applicable across borders. Furthermore, supporting financial inclusion initiatives can further enhance a bank's image in the Ethiopian context (National Bank of Ethiopia, 2023).

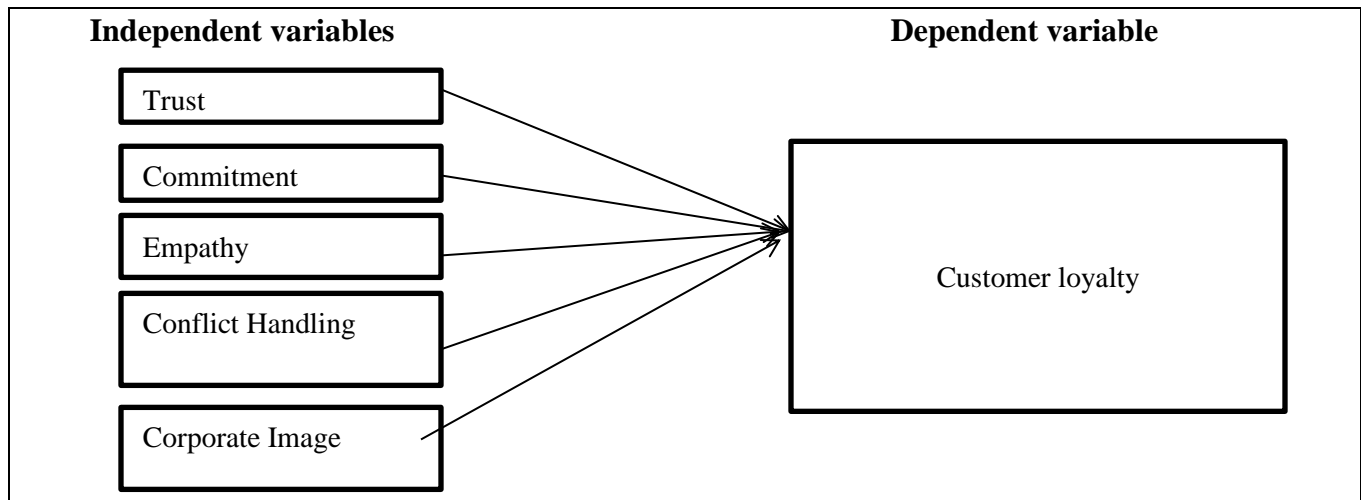
### **2.5.3. The Value of Customer Loyalty in Banking Sector**

Building customer loyalty offers significant financial benefits to Ethiopian banks. Lacey's (2009) research on customer lifetime value in banking emphasizes the value of loyalty programs and customer retention strategies. Loyal customers generate repeat business, which increases

Profitability over time. Furthermore, given the importance of word-of-mouth promotion in Ethiopia, as highlighted by Yemane and Asfaw (2021), Chaudhuri and Holbrook's (2017) research on the role of customer experience is even more relevant. Positive experiences generate positive word-of-mouth, which attracts new customers and improves brand reputation. Loyal customers become brand advocates, promoting the bank and driving organic growth.

Finally, by examining Lion International Bank's strategies in the Talaku Misrake Cluster, the proposed research was look into how relationship marketing translates into loyalty in Ethiopia. Analyzing the bank's strategy can help similar institutions in Ethiopia improve their practices. The proposed research was adding to the ongoing discussion about how relationship marketing promotes customer loyalty in Ethiopia's banking sector, with a particular emphasis on Lion International Bank.

### 2.1 Conceptual framework



## **CHAPTER THREE**

### **Methodology**

This chapter describes the research methodology was be employ to investigate the relationship between relationship marketing practices and customer loyalty at Lion International Bank's nine branches in Addis Ababa's Talaku Misrake Cluster.

#### **3.1. Research Approach**

The study was used a mixed methods approach, with both quantitative and qualitative data collection and analysis techniques. This approach allows for a thorough understanding of the phenomenon being investigated.

Quantitative methods were providing numerical data to assess the prevalence and relationships between variables, whereas qualitative methods were providing in-depth insights into customer experiences and perceptions of Lion International Bank's relationship marketing strategies.

#### **3.2. Research Design**

The research was employed a mixed methods research design that is both descriptive and explanatory. The descriptive component was involved gathering information about Lion International Bank's current relationship marketing practices at its Talaku Misrake Cluster branches. The explanatory component was investigating how these practices influence consumer loyalty.

#### **3.3. Target Respondents and Sampling**

The study's target population consists of individual customers who have accounts at one of the nine Lion International Bank branches in the Talaku Misrake Cluster. A simple random sampling technique used to ensure that the sample reflects the of the cluster.

#### **Sample Size Justification**

The sample size was determined based on power analysis, considering factors such as the effect size, desired level of confidence, and acceptable margin of error. A sample size was determined

using Yamane's formula (1967) considering a total population of 25,858. Yamane's Formula (1967) is a simplified approach to calculate a sample size for a finite population. Here's how it works:

$$\text{Formula: } n = N / (1 + N (e)^2)$$

Where:

- $n$  = Sample size (number of respondents you need to survey)
- $N$  = Population size (total number of customers in the Lion International Bank branches)
- $e$  = Margin of error (desired level of precision)

Using Yamane's Formula (1967);

- Population Size ( $N$ ): 25,858 (total number of customers listed by the bank for the Talaku Misrake Cluster branches)
- Margin of Error ( $e$ ): Assuming a common choice of 5% (acceptable deviation from the population value) -  $e = 0.05$
- Sample Size Calculation ( $n$ ):

$$n = N / (1 + N (e)^2)$$

$$n = 25,858 / (1 + 25,858 * (0.05)^2)$$

Using a calculator, the result is approximately  $n = 393.91$ .

Thus, a minimum sample size of 394 is determined based on Yamane's formula (1967) considering a 95% confidence level and a precision level of 5%. This sample size is sufficient to achieve statistically significant results and ensure generalizability of the findings to the target population.

The total sample size of respond based on the above sample size determination is approximately 394.



**Table 1: Sample Proportion of selected customers**

N o	Department/Branches	Sample
1	Lambert branch	40
2	Gurdsholla branch	45
3	Salitemihret branch	45
4	Figamazoria branch	40
5	Be shale branch	45
6	Gerji branch	45
7	Gerjimebrate hale branch	40
8	Jakros branch	47
9	Imperial branch	47
total		394

### **3.4. Data Collection Methods**

Data is collected through a combination of quantitative and qualitative methods to gain all-inclusive understanding of the research question.

#### **3.4.1. Quantitative Data Collection**

A structured questionnaire was developed to measure customer perceptions of the Bank's relationship marketing practices (e.g., trust, commitment, empathy, conflict handling and corporate image) and their level of loyalty towards the bank. The questionnaire was translated into Amharic, the primary language in Addis Ababa, to ensure accessibility for a wider audience.

#### **3.4.2. Qualitative Data Collection**

Semi-structured interviews were conducted with a smaller sample of customers to delve deeper into their experiences with the Bank's relationship marketing efforts. The interviews were exploring customer perceptions of trust, communication, empathy, conflict handling and corporate image and overall satisfaction. Interview questions was be open-ended to allow for rich and detailed responses.

**Obtaining Bank Data:** To gain a more comprehensive understanding of customer behavior, anonymized bank data on customer demographics, account activity, and loyalty program participation was be requested. This request was be accompanied by a formal written authorization outlining the purpose of the research and strict adherence to all data privacy regulations.

### 3.5. Data Analysis Techniques

The quantitative data collected from the survey was analyzed using the Statistical Package for the Social Sciences (SPSS) software. The following techniques were used:

- One-Sample T-test: This test was assessed whether the average customer loyalty score within the sample deviates significantly from a pre-determined standard value representing high loyalty.
- ANOVA Analysis: This analysis was determined if there are statistically significant differences in customer loyalty based on demographic variables (e.g., age, income).
- Correlation Analysis: This technique was measuring the strength and direction of the relationships between various relationship marketing dimensions and customer loyalty.
- Regression Analysis: This analysis was identifying the relative contributions of each relationship marketing dimension (e.g., trust, commitment) in predicting customer loyalty.

Qualitative data collected from interviews was be transcribed verbatim and analyzed using thematic analysis.

The relationship between the dependent variable, customer loyalty and the five independent variables was expressed as a linear combination of the independent variables plus an error term the multiple linear regression models as specified as follows:

$$Y=B_0+B_1X_1+B_2X_2+B_3X_3+B_4X_4+B_5X_5+e$$

Where y=customer loyalty

X<sub>1</sub>=trust

x<sub>2</sub>=commitment

X<sub>3</sub>=conflict handling

x<sub>4</sub>=empathy

X<sub>5</sub>= corporate image

e= error term

Where the BS was coefficient of independent variables, XS are column vectors for the independent variables in this case, trust commitment, conflict handling, empathy and corporate image.

### 3.6. Reliability test result

Alpha reliability is regarded as a measure of internal consistency of the mean of the items at the time of administration of the questionnaire. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively related to one another. It is computed in terms of the average inters correlations among the items measuring the concept. Reliability is calculated in such a way that it represents the reliability of the mean of the items, not the reliability of any single item. So, the alpha reliability of 8 items would be higher than that of 5 similar items. This coefficient can hold a value of 0 to 1. The result of 0.7 and above implies an acceptable level of internal reliability. The result of reliability test for the questionnaire is shown in the following table. As it is indicated in the table, the test result is between 0.988 and 0.993. Therefore, based on the test, the results for the items are reliable and acceptable.

**Table 2: Reliability test result for the questionnaire**

#### Reliability Statistics

Cronbach's alpha	N of Items
0.99	6

Items	Number of Item	Cronbach's alpha
Trust	8	0.988
Commitment	7	0.991
Empathy	5	0.988
Conflict handling	7	0.99
Corporate image	5	0.99
Customer loyalty	8	0.993

Source own survey 2024

As indicated in the above table the reliability ratio, the Cranach's alpha, for the pilot test reveals that the questionnaire has acceptable reliability i.e.  $\alpha = 0.99$ .

### **3.7. Validity**

Bryman&bell (2007) defined validity as how much any measuring tools measured what it was intended to measure. They also recommend that the important issue of measurement validity related to whether measuring of concepts really measured the concept. There were different methods of establishing validity such as content validity, convergent validity, predictive validity and construct validity. This study addressed content validity through the review of literature and adopting tools used in previous studies. The primary purpose of all forms research was produced valid conclusions (marczyk, dematto& festinger, 2005). the researcher used standardized questionnaire with few additions. So, the tool was already valid and tested and there also a huge sample size was used to enhance the accuracy of the result.

### **3.8 Ethical Considerations**

This research was following ethical research principles. Participation in the study was be voluntary, with all participants providing informed consent before data collection begins. The confidentiality of the respondents' information was be maintained. Questionnaires was not requiring names, and all data was be anonym zed and used only for academic purposes

## **CHAPTER FOUR**

### **DATA PRESENTATION ANALYSIS AND DISCUSSION**

#### **Introduction**

In this chapter presented results of data gathered from customers of Lion International Bank in Addis Ababa in talaku misrake cultured. To analyses the gathered data in line with the overall objective of the research undertaking, statistical procedures were carried out using SPSS version 26. The research distributed 394 questionnaires to customers of Lion International Bank S.C.

To analyses the collected data in line with the overall objective of the research undertaking, statistical procedures were carried using SPSS 26.00. In this part to identify the major issues and to provide workable recommendations for the problems concerning customer relationship marketing and customer's loyalty, the researcher has collected data through self-administered questionnaire and semi-structured interview. In this chapter the findings of the study are presented. During the survey a total of 394 questionnaires were distributed to customers. From 394 distributed questionnaires 360 were returned. So, the analysis was made based on 360 responded questionnaires.

The questionnaire was developed in five scales ranging from five to one; where represents 1 strongly agree, 2 agree, 3 neutral, 4 disagree, and 5 strongly disagree. All questionnaires were filled by the customers of lion international bank S.C. Customers were selected based on random sampling and efforts have been made to have representative sample and the results are considered as representative of the population. Descriptive statistics were used for demographic factors and correlation and regression analysis were conducted for scale typed questionnaires. In order to know the current information of the bank with regard to relationship marketing and customer's loyalty, interview was conducted with the bank business development and marketing division manager. The entire questionnaires used and the interview questions are attached at the back.

## 4.1 Descriptive Analysis

This descriptive analysis is used to look at the data collected and to describe that information. It is used to describe the demographic factors for more clarification. It is mainly important to make some general observations about the data gathered for general or demographics questions. The demographics factors used in this research are sex, age, education qualification, occupation, monthly income, and length of time the respondents use the banks services. For the scale typed questionnaires for all variables mean or average response of respondents was used. The mean response for all independent variables and dependent variable is 5 and above which was stated as agree. This average response shows that most of the respondents agreed that the banks relationship marketing activities are good and also, they are loyal to the bank. Descriptive statistics analysis for the scale typed questionnaires.

### 4.1.1 Gender of Respondents

The gender of the respondents is shown in table 4.1. The table shows that most of the respondents are male (57.5%) while 42.5% are female

**Table 3: Sex of respondents**

	Frequency	Percept
Male	207	57.5
Female	153	42.5
Total	360	100

Source, own survey 2024

### 4.1.2 Age of Respondents

The respondent's age is shown in the following table. The table shows that 67.5% are the age of 20-39 years old, followed by respondent at the age between 40-59 years old with 25%, 5% were at the age below 20 years old and the remaining of the respondents 2.5% were 60 years old and above.

**Table 4: Age of respondents**

	Frequency	Percept
Below 20 years	18	5
20-39 year	243	67.5
40-59 year	90	25
>=60 years	9	2.5
Total	360	100

Source; own survey 2024

#### **4.1.3. Education qualification of the respondents**

The education qualifications of respondents are shown in table 4.3. As it is indicated in the table, 45% hold a first degree. In the other way, 25 % were diploma holder, while 15 % of the respondents achieved secondary education, 7.5% hold a postgraduate degree and 2.5% achieved primary education 5% respondents show that they had other qualification.

**Table 5: Education qualification of respondents**

	Frequency	Percept
Primary	9	2.5
Secondary	54	15
Diploma	90	25
Degree	162	45
Postgraduate	27	7.5
Others	18	5
Total	360	100

Source: own survey, 2024

#### **4.1.4. Occupation of the Respondents**

The results of respondent's occupation are indicated in table 4.4. The table demonstrates that 52.5% of the respondents are working in own business, 27.5% are having their private sector, 7.5% are working in government sector and 10% work in students ,2.5% are others workindicated that.

**Table 6: Occupation of respondents**

	Frequency	Percept
Government sector	27	7.5
Private sector	99	27.5
Own business	189	52.5
Student	36	10
Others	9	2.5
Total	100	100

Source; own Survey, 2024

#### 4.1.5. Monthly income of respondents

The results of monthly income of respondents are shown in table 4.5. The table shows that 35.3% of the respondents had income of 5000-10000 birr and 28.9% had income of above 10000 and 23.6% of the respondents had income 3000-4999 birr monthly. On the other hand, 11.1% had income of between birr 1000-2999 and the remaining respondents 1.1% had income of below 1000 birr.

**Table 7: Monthly income of respondents**

	Frequency	Percept
Below birr 1000	4	1.1
Birr 1000-2999	40	11.1
Birr 3000-4999	85	23.6
Birr 5000 -10000	127	35.3
Birr =>10000	104	28.9
Total	360	100

Source: own survey 2024

#### 4.1.6. Length of time the respondents uses the banks services

The results of length of time the customers use the banks services are indicated in table 4.6. As it is shown in the table, 32.8% of the respondents have used for 1-3 years, 30.3% have used for 3-5 years and 18.6 % have used the banks services for below 1 years. On the other hand, 13.6 % and 4.7% of the respondents have used the banks services for 5-7 years and above 7year respectively.

**Table 8: length of time the respondents use the bank service**



	Frequency	Percept
Below 1 year	67	18.6
1-3 year	118	32.8
3-5years	109	30.3
5 -7 years	49	13.6
above 7 years	17	4.7
Total	360	100

Source; own survey 2024

## 4.2. Descriptive analysis of customer loyalty

### 4.2.1 Correlation analysis

Like the demographic factors the scaled typed quaternaries are entered in to SPSS software version 26, to process correlation analysis. Based on the questioner which was filled by the customer of lion international bank customers the following correlation analysis was made.

### 4.2.2 Correlation analysis of relationship marketing in customer loyalty

Parson correlation tasted was conducted to know the degree of relationship between the independent variable i.e. relationship marketing and the dependent variable i.e. customer loyalty. The results of correlation between those variables are shown below table.

**Table 9: The correlation between relationship and customer's loyalty**

	Customer loyalty	Relationship marketing
Parson's customer loyalty	1	0.966
Correlation relationship marketing	0.966	1
Sign (2)	.	.000
customer loyalty		
Relationship marketing	.000	.
N Customer loyalty	360	360
Relationship	360	360

Source own survey, 2024

### 4.2.3. Correlations between trust and customer loyalty

Parson's correlation test was also conduct for those variables and the results are shown in table 4.8 as it indicate in these tables, there is significant positive correlation between trust and dimensions and customers loyalty. In other word trust and customer loyalty correlated in highly ( $r=0.906$ )

**Table 10: correlation between trust and customer loyalty**

	Customer trust	Customer loyalty
Customer trust parson correlation Sign (2tailed) N	1 360	0.906 .000 360
Customer parson correlation Loyalty sign(2tailed) N	0.906 .000 360	1  360

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

#### **4.2.4 Correlations between commitment and customer loyalty**

Parson correlation was conducted and the results is presented in table 4.9 .as it shown in the table there is significant correlation between commitment dimensions and customer loyalty.

Commitment and customer loyalty have high relationship ( $r=0.931$ )

**Table 11: correlation between commitment dimensions and customer loyalty**

	Customer commitment	Customer loyalty
Customer commitment parson correlation Sign (2 tailed) N	1 360	0.931 .000 360
Customer loyalty parson correlation Sign (2 tailed) N	0.931 .000 360	1  360

\*\*correlation is significant at the 0, 01level (2 tailed).

#### **4.2.5 Correlations between conflict handling and customer loyalty**

For these variables parson correlation test was also conduct and the result are shown 4.10 as it indicates clearly tables shows in the table, there is significant positive relationship between conflict handling and customer loyalty, in other word conflict handling dimensions and customerloyalty have ( $r=0.884$ )

**Table 12: correlation of conflict handling and customer loyalty**

	Customer loyalty	Conflict handling
Customer loyalty parson correlation	1	0.884
Sign		.000
N	360	360
Conflict handling parson correlation	0.884	1
Sign (2tailed)	.000	
N	360	360

\*\*correlation is significant at the 0.001 level (2 tailed)

#### 4.2.6 Correlation between empathy and customer loyalty

For these variables parson correlation test was also conduct and the result are shown 4.11 as it indicates clearly tables shown in the table, there is significant positive relationship between empathy and customer loyalty, in other ward empathy dimensions and customer loyalty have( $r=0.897$ )

**Table 13: correlation between empathy and customer loyalty**

	Customer loyalty	Empathy
Customer loyalty parson correlation	1	0.897
Sign (2tailed)		.000
N	360	360
Empathy parson correlation	0.897	1
Sign(2tailed)	.000	
N	360	360

\*\*correlation is significant at the 0.01 level (2 tailed)

#### 4.2.7 Correlation between corporate image and customer loyalty

For these variables parson correlation test was also conduct and the result are shown table 4,12 it indicates clearly tables shown in the table, there is significant positive relationship between corporate image and customer loyalty, in other word corporate image dimensions and customer loyalty have( $r=0.995$ ).

**Table 14: correlation between corporate image and customer loyalty**

	Customer loyalty	Corporate image
Customer loyalty parson correlation Sign (2 tailed) N	1 360	0.995 .000 360
Corporate image parson correlation Sign (2 tailed N	0.995	1

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

## **4.2 Regression Analysis**

This regression analysis was conducted to know by how much the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (trust, commitment, conflict handling, empathy and corporate image) explains the dependent variable that is customer's loyalty. The results of the regression analysis are the following.

### **4.2.1 Testing regression analysis assumption**

In the regression model used in this research the four dimensions those independent variables that were to predict dependent variable; customer loyalty. Multicollinearity and normality assumption test were done to satisfy the common regression analysis assumption.

According to Gujarati (2004) states those multicollinearity problems arise when there was a linear correlation among independent variables that the result could not obtain estimates of all parameters. This causes large variance and standard error with a very low t-ratio and wide confidence interval; Different methods were often suggested to detect the existence of multicollinearity problem. Variance inflation factor (VIF) technique used for continuous explanatory variables and contingency coefficient (cc) method was used for dummy variables. For continuous variables, the value of VIF was 10 and above, the variable was said to be collinear. Similarly, the value of cc greater than 0.75, the variables said to be collinear.

To detect the problem of multicollinearity the VIF technique was used prior the regression analysis. As shown below table 4.13, the value of VIF were below 10 and the value cc less than 0.75 and suggesting that there was no problem of multicollinearity among the independent variables on the study.

**Table 15: Multi Col linearity Test**

variables	Co linearity Statistics	
	Tolerance	VIF
TRUST	.285	3.506
COMMITMENT	.422	2.371
EMPATHY	.339	2.946
CONFLICT HANDLING	.268	3.725
CORPORATE IMAGE	.126	7.939

Source own survey, 2024

**Table 16: Descriptive statistics**

	N	Mean	Std deviation	Skewness		kurtosis	
	Statistic	statistic	statistic	statistic	Std. Error	statistic	Std. Error
Trust	360	3.7257	.82826	-.708	.129	-.250	.256
Commitment	360	3.5114	.60786	-.526	.129	-.653	.256
Empathy	360	3.329	.64379	-.708	.129	-.211	.256
Conflict handling	360	3.7286	.73850	-.777	.129	-.110	.256
Corporate image	360	3.2972	1.34963	-.386	.129	-.129	.256
Customer loyalty	360	3.2997	1.31780	-.400	.129	-.123	.256
Validn(liswise)	360						

Sources, own survey, 2024

According to the above table 4.14, the distribution markedly skewed with results of trust -0.708, Commitment -0.526, empathy-0.708, conflict handling -0.777, corporate image -.386, and finally for dependent variable customer loyalty -0.400. the above tables shows that 386having all

negative skewness implies that the tail of left side of the distribution is longer or fatter than the tail of the right-side distribution, which indicates that the mean and median will be less than the mode. The dependent variable customer loyalty is normally distributed .and also the table shows that skewness of the all variables is in the acceptable range indicates normally distributed.

#### **4.2.2 Regression analysis of relationship marketing and customers' loyalty**

The Results of regression analysis against customer's loyalty can be seen in table 4.15. The result shows that relationship marketing has the power to explain customer loyalty. In this case the results of correlation of relationship marketing and customer's loyalty and R Square (0.804) are taken into consideration. The regression analysis model summary indicates that relationship marketing which is entered into the regression model on SPSS has relationship with customer's loyalty with correlation coefficient of 0.997. The R square is the explained variance and it is actually the square of the multiple R  $(0.897)^2$ . Therefore, it is pointed out that 80.4 percent of relationship marketing can explain the dependent variable that is customer's loyalty. As it is indicated in table 4.13, total relationship marketing was considered as predictors of customers loyalty and reported high level of significance  $p < 0.01$ . And also, the R square value of 0.897 confirming that, 80.4% of the variation in customer loyalty is explained by relationship marketing. Relationship marketing as used for prediction was found to be significantly related to customer's loyalty as the p-value is less than 0.01.

Table 4.17 titled as coefficients of relationship marketing dimensions, helps us to understand which variables among the five independent variables is the most important in explaining the variance in customers loyalty. As it is indicated in the table, high beta value shows that it is significant in explaining. If we can see the Beta column under standardized coefficients below, we can understand that the highest number in the beta is 0.918 for corporate image dimension and the second highest is conflict handling with -0.443. Therefore, commitment and conflict handling are the major determinant of customer's loyalty. It can be seen also from the table that the five independent variables were significant in explaining customer's loyalty.

**Table 4.17: Regression analysis result for relationship marketing and customer's loyalty**

Model summery

Model	R	R square	Durbin-Watson
1	0.897	0.804	1.739
Trust	0.906	0.822	0.11
Commitment	0.931	0.868	0.13
Empathy	0.897	0.804	0.13
Conflict Handling	0.884	0.782	0.14
CorporateI Mage	0.995	0.991	0.14

Source survey, 2024

**Table 18: ANOVA result for relationship marketing and customers loyalty**

Model	dF	Sig
Regression	7	.000
Residual	352	
Total	359	

**Table 19: Coefficients of relationship marketing dimensions**

		B	Std. Error	coefficient of Beta	T	SIGN
1	(Constant)	.146	.016		9.217	.000
	Trust	.266	.077	.218	3.438	.001
	Commitment	.184	.045	.167	4.099	.000
	Empathy	.002	.042	.002	2.260	.000
	Conflict Handling	-.443	.050	-.336	-8.797	.000
	Corporate Image	.918	.012	.940	78.753	.000

Source own survey, 2024

The relationship between the dependent variable, customer loyalty and the five independent variables was expressed as a linear combination of the independent variables plus an error term the multiple linear regression models as specified as follows:

$$Y=0.146+0.266tr +0.184com+0.002em+-0.443coh+0.918coi+0.05$$

Where Y=customer loyalty,

tr =trust, com=commitment em=empathy coh=conflict handling coi=corporate image

#### 4.2.3 Regression analysis of trust and customers' loyalty

As it is indicated in the model summary of table 4.18, trust explains customer's loyalty. In this case, the results of correlation of relationship marketing and customer's loyalty and R Square (0.822) are taken into consideration. This R square is the explained variance and it is actually the square of the multiple R (0.906)<sup>2</sup> which is 0.822. Therefore, it is pointed out that 82.2% of customers loyalty is explained by trust. As it is indicated in table 4.17, trust was considered as predictors of customers loyalty and reported high level of significance  $p < 0.01$ . And also, the R square value of 0.822 confirming that, 82.2% of the variation in customer loyalty is explained by trust. Trust as used for prediction was found to be significantly related to customer's loyalty as the p-value is less than 0.01.

**Table 20: ANOVA result for trust and customers loyalty**

Model	Sum of squares	Df	Sign
Regression	512.290	1	0.00
Residual	111.150	358	
Total	623.441	359	

Source survey, 202



#### 4.2.4 Regression analysis of commitment and customers' loyalty

Table 4.20 shows the results of regression analysis for commitment and customer's loyalty. In this case, the results of correlation of these two variables and R Square (0.868) are taken into consideration. Here the R square is the explained variance and it is actually the square of the multiple R (0.931)<sup>2</sup> which is 0.868. Therefore, it is possible to state that 86.8% of customer's loyalty is explained by commitment. As it is indicated in table 4.20, commitment was considered as predictors of customers loyalty and reported high level of significance  $p < 0.01$ . And also, the R square value of 0.868 confirming that, 86.8% of the variation in customer loyalty is explained by commitment. Commitment as used for prediction was found to be significantly related to customer's loyalty as p-value is less than 0.01. It is the highest of all the independent variables in customer's loyalty.

**Table 21: ANOVA result for commitment and customer's loyalty**

Model	Sum squares	DF	Sign
Regression	540.8	1	0.000
Residual	64	358	
Total	82.577		

Source survey, 2024

#### 4.2.5 Regression analysis of empathy and customers' loyalty

As the result of regression analysis of empathy and customer's loyalty indicates, empathy can explain customer's loyalty in some extent. In this case again, the correlation result of these variables and the R square are taken. The R square is the explained variance and it is actually the square of the multiple R (0.897)<sup>2</sup> which is 0.804. Therefore, it is possible to conclude that 80.4% of customer's loyalty is explained by empathy. As it is indicated in table 4.22, empathy was considered as predictors of customers loyalty and reported high level of significance  $p < 0.01$ . And also, the R square value of 0.337 confirming that, 80.4% of the variation in customer loyalty is explained by empathy. Empathy as used for prediction was found to be significantly related to customer's loyalty as p-value is less than 0.01.

**Table 22: ANOVA result for empathy and customers loyalty**

Model	Sum of squares	Df	Sign
Regression	501.208	1	0.000
Residual	122.233	358	
Total		359	

Source survey, 2024

#### 4.2.6 Regression analysis of conflict handling and customers' loyalty

We can also look the regression analysis result of conflict handling and customer's loyalty in table 4.24. As it is clearly indicated in the table, conflict handling can explain customer loyalty in banking industry, particularly in lion international bank S.C, the correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R (0.884)<sup>2</sup> which is 0.782. Therefore; it is possible to state that 78.2% of customer's loyalty is significantly explained by conflict handling. Conflict handling was considered as predictors of customers loyalty and reported high level of significance  $p < 0.01$  as it is indicated in table 4.23. And also, the R square value of 0.884 confirming that, 78.2% of the variation in customer loyalty is explained by conflict handling. Conflict handling as used for prediction was found to be significantly related to customer's loyalty as p-value is less than 0.01. It is the second highest of all the independent variables in explaining customers loyalty.

**Table 23: ANOVA result of conflict handling and customer loyalty**

Model	Sum of squares	Df	Sign
Regression	487.313	1	0.000
Residual	136.127	358	
Total	623.441	359	

Source survey, 2024

#### 4.2.7 Regression analysis of corporate image and customers' loyalty

We can also look the regression analysis result of corporate image and customer's loyalty in table 4.26. As it is clearly indicated in the table, corporate image can explain customer loyalty in banking industry, particularly in lion international bank S.C, the correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R (0.995)<sup>2</sup> which is 0. 991. Therefore; it is possible to state that 99.1% of customer's loyalty is significantly explained by conflict handling. Conflict handling was considered as predictors of customers loyalty and reported high level of significance  $p < 0.01$  as it is indicated in table 4.24. And also, the R square value of 0.991 confirming that, 99.1% of the variation in customer loyalty is explained by corporate image. Corporate image as used for prediction was found to be significantly related to customer's loyalty as p-value is less than 0.01. It is the second highest of all the independent variables in explaining customers loyalty.

**Table 24: ANOVA result for corporate image and customers' loyalty**

Model	Df	Sign
Regression	1	.000
Residual	358	
Total	359	

Source survey, 2024

Generally, the research questions which are proposed earlier were answered by using a sample of 360 respondents. From the analysis it is clearly indicated that relationship marketing and customer loyalty are related and the measure of correlation between these variables as it is indicated in the correlation analysis is positive. And also, it is noticed that the independent variables which are included in the elements of relationship marketing have the power to explain the dependent variable as it is indicated in the regression analysis. Therefore, all the research Questions are answered based on the test conducted and relationship marketing has the power to explain customer loyalty in banking industry, particularly in lion international bank.

### **4.3 Results Discussion**

The research is related with the elements of relationship marketing towards customer's loyalty in banking industry, specifically in Lion International Bank. The objective of this study is to explore the impact of relationship marketing on customer loyalty within the Lion International Bank, by analyzing the relationship of every construct in the theoretical framework. Demographic factors such as gender, age, occupation, education qualification, monthly income and length of time the customers use the banks services have been used to know the general characteristics of the respondents. Based on the results from this research, relationship marketing is correlated with customer's loyalty. The findings show that relationship marketing activities can explain 65% of customer's loyalty in banking industry, particularly in Lion International Bank. Relationship marketing elements particularly Commitment and conflict handling have greater impact on customers loyalty and it is more important in shaping what customers prefer about the bank.

The research used 57.5% male and 42.5% of female as respondents. In terms of age, the majority of respondents are in between 20-39 years old which was accounted 67.5% and followed by 40-59 which constituted 25%. With regard to the education qualification of respondents, the majority are first degree holder with 45% which is followed by diploma holder which accounted 25%. When we see the occupation of the respondents, most of them are working in own business which accounted 52.5% and followed by 27.5% having their private sector. In terms of the monthly income of the respondents, the majority had income of Birr 5000 -10000 which accounted 35.3% and followed by 23.6% having income in between birr 3000-4999. When we look at the length of time customers use the banks services, most of the customers used the banks services for 1-3 years which accounted 32.8% followed by 30.3% used the banks services for 3-5 years.

In today's competitive environment, banks should build and maintain good relationship with the target customers in order to succeed and survive. To maintain good relationship with customers, relationship marketing is an important tool. In this case, the bank must prepare invaluable information to build strong relationship with the customers for the purpose of gaining their loyalty and preventing customers from switching to other banks. Customers can be remaining loyal towards a bank for a number of reasons. The research has identified five elements of relationship marketing that will have impact on customers loyalty in banking industry particularly in lion international bank namely, trust, commitment, conflict handling, empathy and corporate image.

Based on the Pearson correlation test of correlation results, trust dimension positively correlated with customers loyalty ( $r=0.906$ ). In other words, if customers trust the bank, they will be loyal to their banks otherwise they will not be loyal to their banks. Because of this result the bank should be able to promise and deliver what it promised is important to encourage repeat purchase by the customers and to establish strong relationship. In addition, trust only will exist if customers have confidence in a bank's ability to perform satisfactorily. Therefore, trust has power to determine the loyalty of customers. With regard to trust dimension, a bank can be perceived by its customers as honest in its performance if the bank has strong and lasting relationship with customers. Customer trust has a significant role in building long-term relationship and achieving customer loyalty (Berry, 1983). So, the finding of Berry (1983) is similar with the results of this research. When customers trust the bank, they will leave all the activities to be performed by the bank and they will talk freely about the bank's strengths and weaknesses. Because of this reason, all customers feel that they are responsible for the bank's operation. So, it is best for the banks to be trusted by the entire customers.

The findings of Ndubisi (2007) suggested that the greater the trust in the bank, the higher the level of the bank's commitment, the more reliable and timelier its communications and the more satisfactorily it handles conflicts, the more loyal its customers will tend to be. Therefore, the result of this research is consistent with the findings of Ndubisi (2007). The findings of Foster & Cadogan (2000) showed that the quality of the relationship customers have built with their organization positively influences their assessment of their relationship with the organization. Again, the result of this research is also similar with the findings of Foster & Cadogan (2000). Another study which is conducted by Geet al., (2008) suggested that the need for businesses to retain customers is an important issue in today's global marketplace.

The regression analysis of trust dimension and customer loyalty indicates that 82.2% of the variance R square in customers loyalty has been significantly explained by trust. The finding of Ndubisi (2007) showed that trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty. And also, the finding of Morgan and Hunt (1994) concluded that customers with trusts in service provider's capability would probably be willing to commit to a service relationship for meeting their expectations. Therefore, the result of this study on trust dimension is similar with the above findings that trust has the power to increase customer's loyalty. A thesis conducted by Xuan Zhang and Yuanyuan Feng (2009) on the Impact of Customer Relationship

Marketing Tactics on Customer Loyalty in Sweden, Halmstad University suggested that relationship quality like trust is positively related to loyalty. This result also provides empirical evidence supporting previous theories that higher level of trust perceived by customers, the higher level of customer loyalty achieved by service providers. Commitment is another element of relationship marketing that is taken into account to explain customer's loyalty. Based on the correlation result as it is shown by Pearson correlation test, corporate image dimension is positively and highly correlated with customer's loyalty. The correlation coefficient between corporate image and customer's loyalty is the high correlation results of relationship marketing dimensions which are 0.995. This shows that corporate image dimension is a major determinant of customer's loyalty and customers will critically evaluate the commitment of the bank employees towards the services gained from the bank. The commitment of the bank will help to retain customers by improving the services of the bank. By having committed employees, banks can continue retaining existed customers and attracting new customers to generate more profit. To this extent the commitment dimension of relationship marketing plays great role. Therefore, banks are expected to have committed employees to offer appropriate services and treat the customers as they want. This result is supported by the study of Fullerton (2003). According to this researcher, commitment has a strong positive effect on the softer aspects of customer loyalty such as advocacy and willingness to pay more for the service.

With regard to the regression analysis of commitment dimension and customers loyalty, 86.8% of the variance  $R^2$  in customers loyalty is significantly explained by commitment. It is the independent variables in explaining customer's loyalty. The result of Morgan and Hunt (1994) viewed that a committed partner wants the relationship to endure indefinitely and is willing to work at maintaining it. Lacey (2009) researches also suggested that committed customers are not just expected to maintain current purchasing activities, but to increase both the level and proportion of their purchasing activities over time. Therefore, the result of this research on commitment dimension is similar with the above findings that commitment has the power to increase customer's loyalty. The other factor that is included in the dimensions of relationship marketing is empathy. It has positive and relationship with customer's loyalty. The correlation coefficient between these variables is 0.897. Empathy is one of the important tools to create long term relationship with customers in service provider organizations. Nearly high number of customers wanted to be treated as they want to be treated by the bank's employees. If this is the case, banks have the responsibility to treat customers as they want to be treated to have loyal customers. When the customers are treated in a

good way, they become satisfied and loyal to their banks. As a result, empathy has power to create lasting relationship with customers and shaping the minds of the existed customers to talk favorably about the banks to other customers. Therefore, banks need to understand their customers' needs and wants and continuously evaluate their services to satisfy and attract customers in the better way. With regard to the regression analysis of empathy and customers loyalty, 80.4% of the variance R square in customers loyalty is significantly explained by empathy. The finding of Zeithaml and Bitner (2003) showed that it is difficult to imagine an organization would deliver caring, individualized attention to customers independent of its employees. As it is mentioned by Parasuraman et al., (1988) empathy is one of the important elements to measure the service quality in service industries area. So, the result of this research on empathy dimension of relationship marketing supports the above findings that empathy has power to make customers loyal. The last but not the least factor included in the relationship marketing underpinnings is conflict handling. As it is indicated in the correlation analysis, conflict handling dimension has positive and high relationship with customer's loyalty. The correlation coefficient between corporate image and customer's loyalty is 0.995. It is the highest of all correlation results of relationship marketing elements. When banks have good corporate image, conflict handling procedures and solving the manifested problems successfully, the customers express their complaints or any feelings they have freely and will become loyal customers. In order to encourage customers to complain when there is problem, banks are responsible to aware and inform in advance how and where to complain. Generally, appropriate and acceptable corporate image will create strong relationship with customers. The above result is supported by Tax (1998). The results indicate that investments in complaint handling can improve evaluations of service quality, strengthen customer relationships, and build customer commitment. The regression analysis result for conflict handling and customer's loyalty shows that 78.2% of the variance R square in customers loyalty has been significantly explained by conflict handling. The result of Ndubusi (2007) indicated that customers tend to be loyal to banks that handle customer complaints which will always happen and other conflicts satisfactorily. Ndubisi and Wah (2005) found a significant relationship between conflict handling and customer loyalty. And also, the result of Yekunoamlak Hailu (2004) proved that to maintain good relationship with customers, the way customers are handled such as proper acts of front-line employees and proper customer service are significantly important for customer loyalty. Therefore, the result of this research on conflict handling dimension is similar with the above results in indicating that proper conflict handling can increase customer's loyalty. When

we see the regression analysis result for all variables against customer's loyalty it is assured that all independent variables can explain customer's loyalty particularly, in lion international bank and in general in banking industry.

In order to know the current information of the bank with regard to relationship marketing and customers loyalty concepts, interview was conducted with the banks business development and marketing division manager. With a total of 6 interview questions was asked and responded by the branch manager. After interview has been made with business development and marketing division manager on relationship marketing and customer loyalty questions, the following points are generalized. In the bank there is the concept of relationship marketing to retain and attract customers but it is not independently established and has no officer. It is under marketing department. Under this department, the bank identifies and collects information about the needs and wants of customers. Here the major problem is that there is no follow up of the collected data. The branch manager noticed that relationship marketing activities have the power to make customers loyal. Some of the procedures of relationship marketing that the bank uses are suggestion box, customer handling log, identifying customers and face-to-face discussion, collecting data and providing lastly solution. The manager recognized that there is problem with regard to customer loyalty. Good relationship is highly needed to create customer loyalty. In the bank there are employees who treat customers nicely and there are others who do not treat customers. The bank is rated as fair in relationship marketing activities. There is no much work on it. With regard to customer's response for their complaints, solution is not given on time. Absence of follow up is the major weakness of the bank as it is indicated by the branch manager. In order to improve the banks services, the bank need to continue strongly, hiring committed employees, and assign responsible body for relationship marketing is important. The value of relationship marketing in the bank is not deeply acknowledged. The comment of the branch manager is that relationship marketing should be independently established, gets management attention, has established ladder and thinking as customer are very important to retain and attract customers. Corporate image is defined as the "overall impression" left in the customers' mind as a result of accumulative feelings, ideas, attitudes and experiences with the organization, stored in memory, transformed into a positive/negative meaning, retrieved to reconstruct image and recalled when the name of the organization is heard or brought to ones' mind (Dowling, 1986). In general, the bank develops good corporate image to attract customers and retain customer with the bank as well as to achieve the bank objective and strategy by developing loyal



customers.

#### 4.4 Hypothesis testing

The above coefficients table 4.19 illustrates that the influence of customer relationship management on organization performance of the bank. At this point using this multiple regression coefficient results, the proposed hypotheses for this study were tested as follows:

##### **H1 -customer Trust has a significant effect on customer loyalty of LIB.**

As show in coefficients table 4.19 indicate that Trust on the organization has a positive influence on customer loyalty having a beta value of ( $\beta=0.266$ ) this shows that there is a positive and significant effect on customer loyalty with 95% confidence interval. Thus, the above proposed hypothesis is accepted.

##### **H2-Commitment has a significant effect on relationship with customer loyalty of LIB.**

As show in coefficients table 4.19 indicate that Commitment on the organization has a positive influence on customer loyalty having a beta value of ( $\beta=0.184$ ) this shows that there is a positive and significant effect on customer loyalty with 95% confidence interval. Thus, the above proposed hypothesis is accepted.

##### **H3- the Bank practice of Conflict handling has significant effect on customer loyalty of LIB.**

As show in coefficients table 4.19 indicate that conflict handling on the organization has a positive influence on customer loyalty having a beta value of ( $\beta=0.443$ ) this shows that there is a positive and significant effect on customer loyalty with 95% confidence interval. Thus, the above proposed hypothesis is accepted.

##### **H4-Empathy has a significant effect on relationship with customer loyalty of LIB.**

As show in coefficients table 4.19 indicate that empathy on the organization has a positive influence on customer loyalty having a beta value of ( $\beta=0.002$ ) this shows that there is a positive and significant effect on customer loyalty with 95% confidence interval. Thus, the above proposed hypothesis is accepted.

##### **H5- the Bank practice of corporate image has significant effect on customer loyalty of LIB.**

As show in coefficients table 4.19 indicate that corporate image on the organization has a positive influence on customer loyalty having a beta value of ( $\beta=0.918$ ) this shows that there is a positive and significant effect on customer loyalty with 95% confidence interval. Thus, the above proposed hypothesis is accepted.

Table 25: Hypothesis summary

number	Hypothesis	Accepted/Rejected
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H1	Customer Trust has a significant effect on customer loyalty of LIB	Accepted
H2	Commitment has a significant effect on relationship with customer loyalty of LIB	Accepted
H3	The Bank practice of Conflict handling has significant effect on customer loyalty of LIB	Accepted
H4	Empathy has a significant effect on relationship with customer loyalty of LIB	Accepted
H5	The Bank practice of corporate image has significant effect on customer loyalty of LIB	Accepted

Sources survey, 2024

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary**

Relationship marketing plays a crucial role in the banking sector as it focuses on building and maintaining long-term relationships with customers. By fostering trust, commitment, empathy, and effective conflict handling, banks can enhance customer loyalty. Here is a summary of the impact of relationship marketing on customer loyalty in the banking sector:

Trust is a fundamental component of relationship marketing in banking. Banks that prioritize transparency, reliability, and integrity in their interactions with customers are more likely to build trust. Trustworthy banks are perceived as more credible and reliable, leading to increased customer loyalty.

Commitment involves investing resources, time, and effort to strengthen the relationship with customers. Banks that demonstrate a high level of commitment by providing personalized services, addressing customer needs promptly, and offering value-added benefits can foster stronger customer loyalty.

Empathy is essential in understanding and addressing customer concerns and preferences. Banks that show empathy towards their customers by listening actively, showing understanding, and offering tailored solutions can create a positive emotional connection that enhances customer loyalty.

Effective conflict handling is crucial in resolving issues and complaints promptly and satisfactorily. Banks that handle conflicts professionally, empathetically, and efficiently can turn negative experiences into opportunities to strengthen customer relationships and increase loyalty.

In addition to trust, commitment, empathy, and conflict handling, corporate image also plays a vital role in relationship marketing and its impact on customer loyalty in the banking sector. A positive corporate image reflects the bank's reputation, values, and overall perception in the eyes of customers. Here is how corporate image influences customer loyalty:

**Brand Reputation:** A strong corporate image contributes to a positive brand reputation, which can enhance customer trust and loyalty. Banks with a reputable image are more likely to attract and retain customers who perceive them as reliable, trustworthy, and ethical.

**Brand Identity:** Corporate image shapes the bank's brand identity, including its values, mission, and personality. A consistent and compelling brand identity can resonate with customers, creating a sense of connection and loyalty towards the bank.

**Customer Perception:** Customers' perceptions of a bank's corporate image influence their attitudes and

behaviors towards the brand. A positive corporate image can instill confidence, pride, and loyalty among customers, leading to long-term relationships and advocacy.

**Competitive Advantage:** A strong corporate image can differentiate a bank from competitors and position it as a preferred choice for customers. Banks with a positive corporate image are more likely to stand out in a crowded market, attracting and retaining loyal customers.

In conclusion, corporate image is a critical component of relationship marketing in the banking sector and has a significant impact on customer loyalty. By cultivating a positive corporate image through consistent branding, reputation management, and customer-centric practices, banks can strengthen relationships with customers, drive loyalty, and achieve sustainable growth.

## **5.2 Conclusion**

The main purpose of the study was to examine the impact of relationship marketing on customer's loyalty in banking industry, particularly in Lion International Bank S.C. The major goal of relationship marketing is to create lasting relationship with customers. Lasting relationship with customers is the first requirement to survive in a competitive environment and to generate profit. The relationship marketing dimensions that were included in this research are trust, commitment, conflict handling, empathy and corporate image.

The findings support the viewpoints that relationship marketing dimensions can enhance the quality of a buyer-seller relationship and in turn increase customer loyalty. Customer trust, commitment, conflict handling, empathy and corporate image are not the only the desired outcomes of relationship marketing but also the antecedents of customer loyalty.

Based on previous theories and researches regarding relationship marketing and its outcomes, this study shows clear links between relationship marketing and customer loyalty, which helps to deeply understand the relationship and interaction between relationship marketing and customer's loyalty.

With regard to the Pearson correlation analysis, it can be clearly seen as that the five relationship marketing dimensions namely trust, commitment, conflict handling, empathy and corporate image are positively related to customer loyalty in Lion international Bank S.C.

The relationship looks like the following. Relationship marketing and customer's loyalty have high relationship.

- ✚ Trust dimension and customers loyalty have high relationship.
- ✚ Commitment dimension and customers loyalty have high relationship.
- ✚ Conflict handling dimension and customers loyalty have high relationship.
- ✚ Empathy dimension and customers loyalty have high relationship.
- ✚ Corporate image dimension and customers loyalty have high relationship.

Although many relationships marketing has potential for developing customer trust and loyalty, some dimensions like corporate image and commitment are more sensitive than others in this research.

On the regression analysis part, it is clearly shown that relationship marketing explains customer loyalty. The analysis indicated that 80% customer loyalty is explained by relationship marketing. Each independent variable is also regressed against customer's loyalty and the result shows that all the independent variables can explain.

### **5.3 RECOMMENDATIONS**

Based on survey data it is also essential for the bank to realize the importance of relationship quality and customers loyalty for Practical business. A higher quality of a relationship might lead to a higher level of customer loyalty, which makes vendors profit more. The bank should assign responsible

body for following up relationship marketing activities analyze the feedback periodically and must use them as a means of problem identification. The findings of this research also important evidence for managers who take charge of relationship marketing. It is helpful for marketers to understand the effectiveness of relationship marketing from consumer's perspective.

In light of the findings and conclusions made above, the following possible recommendations are suggested as being valuable to the LIB for improving relationship marketing activities to assure customer loyalty.

To retain and develop loyal customers, the bank should be trustworthy and show commitment, providing individualized attention to customers and must resolve conflicts in a manner that will eliminate unimportant loss and inconvenience to their customers. In Ethiopia, the growing number of banks led to the increase in the competition of banking industry. Therefore, the bank must be well aware of the want and needs of the customers. Nowadays customers are demanding more not only based on the service but they demand the way they are treated. Once they are satisfied with the services that were provided by the banks, they will communicate about the bank or services to the other customers.

Lion International Bank must develop customer relationship program that will help them build and support positive customer relationships. Since the bank is providing services to customers, it is a must to give high value for good relationship. Relationship with customers can be improved by explaining to employees, especially in the front line and knowing how much each customer is worth to the business. The more employees work together to keep existing customers satisfied; the lesser customer attrition will be.

The Bank should put more effort to attract more customers especially in dimensions related to commitment, conflict handling, trust, empathy and corporate image. In order to create and maintain loyalty, the bank must recognize that many of the core product attributes are necessary but not sufficient for loyalty. On the other hand, it is a must to have a strong connection with its customers in order to create and maintain customer loyalty. By having strong relationship with customers, it is possible to keep customer from switching to another competitor.

Lion International Bank should invest in its employees, especially on the front line, to motivate them to serve customers best. Front line employees should be trained to act in a manner that recognizes

customers as a valuable asset. To motivate employees and get their commitment, the bank should offer them a challenging work, attractive salary that recognizes the contribution of their effort towards the overall success of the business. Besides these, actions to make them participate in decision making activities, to provide an opportunity to learn and advance, and reward for their contribution have a lot to play in employee's motivation.

The Bank should establish more efficient and effective ways of complaint handling procedures and communicate those procedures to customers. It is also advisable to management to keep customers informed about changes that take place in the company well in advance instead of leaving them to know by chance.

Lion International Bank should give greater attention to both getting new customers and retaining the existing ones in the advertisement and other promotional activities by using relationship marketing as strategy. It is also recommended that the bank should have the system to ask customers to comment about the service either verbally or on phone or in writing about their satisfaction. Collecting feedback is not an end by itself; the bank should when hiring employees, the bank should look at the ability and interest of an employee to establish and maintain strong relationship with the customers and other employees of the organization. Potential candidates who are strong in trusting behavior, conflict resolution ability, strong commitment to the assigned tasks and adding with empathy should be considered.

Generally, the Bank should make the whole system on work with customers, not in opposite of customers. As it is known, customers are the reason for the survival of the bank. So, the bank is expected to invest more on attracting new customers and retaining the existed ones. The bank should recognize the importance of relationship marketing in creating loyal customers and implement appropriately.

The study was directly focuses on relationship marketing dimensions and its impact on customer loyalty in banking sector, particularly Lion International Bank S.C. This research can be further explored by adding more relationship marketing dimensions like value, communication, cooperation, and others which could influence customer loyalty. The research reported here has not look into the possible influences of socio-demographic factors on the relationship between relationship marketing dimensions and customer loyalty. Future research studies might fruitfully investigate such

moderating influences. Future researches also can survey by applying longitudinal design and increasing the sample size to get comprehensive data.



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## ST. MARY'S UNIVERSITY

Department of Marketing Management

Dear participants:

The questionnaire is prepared by Department of Marketing Management graduate student for the purpose of writing thesis on the impact of relationship marketing on customer's loyalty. Your honest response is very much important input to my thesis.

I want assure you that your privacy for responding to this questionnaire is completely kept in secret. I know that your time is valuable, and I hope that you were taking the time (an estimated 15-20 minutes) to complete the questionnaire. Please attempt to answer all the questions and click one appropriate box that best suits your perspective for each statement. Thank you very much for your time and cooperation.

Sincerely yours,

Muluneh Mengstie

Tel 0929322543

## Questionnaire and Semi-structured Interview Questions

### Part I: Demographic or General information

Choose the suitable answer and tick (✓) in the box given for each question.

1. Gender ☐ Female ☐ Male

2. Age ☐ Below 20 years ☐ 20-39 years ☐ 40-59 years ☐ 60 years and above

3. Education qualification primary ☐ Secondary ☐ diploma ☐ degree ☐  
Postgraduate ☐ Others ☐

4. Occupation ☐ Government sector ☐ private sector ☐ Own Business ☐  
Student Others

5. Monthly income ☐ Below Birr 1000 ☐ Birr 1000-2999 ☐ Birr 3000-4999 ☐ Birr 5000 and above ☐

6. For how many times you have used the banks services? Below  
1 year ☐ 1-3 years ☐ 3-5 years ☐ 5-7 years ☐ above 7 ☐  
years

### Part II:

Please, indicate your opinion by marking the appropriate box on the five-point scale where:

No	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Trust					
1	The bank is very concern with security for my transactions					

No	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2	The banks promises are reliable					
3	Given my experience, the bank can be trusted Completely					
4	I have confidence in the banks service					
5	The bank fulfills its obligation to customers					
6	Employee of the bank show respect to customers					
7	The bank is consistent in providing quality service					
8	The bank is always honest to me					
	Commitment					
9	The bank makes adjustment to suit my needs					
10	The bank offers personalized services to meet customers need					
11	The bank is flexible when its service is changed					
12	The bank is flexible in serving my needs					
13	My relationship with the bank is one that I am very committed to continuing it					
14	My relationship with the bank is very important to me					



No	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
15	My relationship with the bank is worth my effort to maintain					
	Empathy					
16	Employees of the bank deal with customers in a caring fashion					
17	Bank employees give the individualized attention to customers					
18	The employees of the bank understand your specific needs					
19	Bank employees have the customers best interest at heart					
20	Bank has operating hours convenient to all its customer					
	Conflict Handling					
21	The bank tries to avoid potential conflict					
22	The bank tries to solve manifest conflicts before the customers create problems					
23	The bank has the ability to openly discuss solutions when problems arise					
24	The bank is responsive to my complaints					
25	The bank listens customers					

No	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	problem					
26	The bank clearly communicates to you about how and where to complain in case of a problem					
27	The bank asks you about your feeling toward their responses for your complaints					
	Corporate image					
28	The bank is reputable and well established					
29	The bank perception in the mind of people is good					
30	The bank name is well-known					
31	The bank provides me services better than other banks					
32	I can easily recall the symbol or logo of the bank					
	Customer Loyalty					
33	the bank as first choice among other banks in the area; and the bank that first comes to my mind when making purchases decision on bank services					
34	If I had to do it over again, I would still choose to use the bank					
35	I do not like to change to another					

No	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	bank because I value the bank					
36	I am a loyal customer to the bank					
37	I would always recommend the bank to someone who seeks my advice					
38	I would always use this banks services					
39	My intention to use the services of this bank would not be changed					
40	I do not like to change to another bank because this bank sees my needs					

### Part III Semi-structured Interview Questions

1. Does relationship marketing have the power to make customers loyal?
2. How do you appraise the trustworthiness, commitment, and empathy of your bank customers, conflict handling & corporate image procedures of your bank?
3. According to your opinion, to what extent does good relationship with the customer is important for customer loyalty?
4. Are there a clearly defined policies and procedures to handle complaints?
5. Is there anything that you comment with regard to the banks relationship marketing activities and customers loyalty towards your bank?

6. The bank corporate image is attracting to use the bank?

Table 4.7 customer loyalty

Question	Degree of agreement	Frequency	Percent	Cumulative Percent
The bank as first choice among other banks in the area; and the bank that first comes to my mind when making purchase decision on bank services	Strongly agree	79	21.9	21.9
	Agree	91	25.3	47.2
	Neutral	125	34.7	81.9
	Disagree	35	9.7	91.7
	Strongly disagree	30	8.3	100
	Total	360	100	
If i had to do it over again, I would still choose to use the bank	Strongly agree	83	23.1	23.1
	Agree	89	24.7	47.8
	Neutral	142	39.4	87.2
	Disagree	29	8.1	95.3
	Strongly disagree	17	4.7	100
	Total	360	100	
I do not like change to another bank because I value the bank	Strongly agree	74	20.6	20.6
	Agree	62	17.2	37.8
	Neutral	113	31.4	69.2
	Disagree	41	20	89.2
	Strongly disagree	22	10.8	100

	Total	360	100	
I am loyal customer to the bank	Strongly agree	83	23.1	23.1
	Agree	91	25.3	48.3
	Neutral	123	34.2	82.5
	Disagree	41	11.4	93.9
	Strongly disagree	22	6.1	100
	Total	360	100	
I would always recommend the bank to someone who seeks my advice	Strongly agree	88	24.4	24.4
	Agree	70	19.4	43.9
	Neutral	148	41.1	85
	Disagree	44	12.2	97.2
	Strongly disagree	10	2.8	100
	Total	360	100	
I would always use this banks services	Strongly agree	79	21.9	21.9
	Agree	98	27.2	49.2
	Neutral	141	39.2	88.3
	Disagree	29	8.1	96.4
	Strongly disagree	13	3.6	100
	Total	360	100	
My intention to use the service of this bank would not be changed	Strongly agree	84	23.3	23.3
	Agree	77	21.4	44.7
	Neutral	138	38.3	83.1

	Disagree	52	14.4	97.5
	Strongly disagree	9	2.5	100
	Total	360	100	
I do not like to change to another bank because this bank sees my needs	Strongly agree	80	22.2	22.2
	Agree	69	19.2	41.4
	Neutral	162	45	86.4
	Disagree	21	5.8	92.2
	Strongly disagree	28	7.8	100
	Total	360	100	