



**THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER
RETENTION**

AN EMPIRICAL STUDY ON NIB INTERNATIONAL BANK

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**A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF St. MARY'S
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ADDIS ABABA, ETHIOPIA

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December, 2022

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DECLARATION

I. The undersigned declare that this is my original work prepared. All sources of materials used for the paper have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

ENDORSEMENT

This is to certify that this study on the topic “The effect of customer relationship management on customer retention (in case of NIB international bank s.c)” is work of Segen Abreha ID NO: SGS/0096/2012A who carried out under my guidance/supervision and this work is original in nature and is suitable for submission for the award of masters of MA in Business Administration.

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St. Mary’s University School of Graduate Studies, Addis Ababa

December, 2022

Approval Sheet

St. Mary's University School of Graduate Studies
Department of Business Administration

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Acknowledgment

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Acronyms

AVE: Average variance extracted

SPSS: Statistical package for social science

ANOVA: Analysis of Variance

VIF: Variance Inflation Factor

CRM: Customer Relation Management

AVECOMM: average for the communication factor

AVECONF: Average for the conflict handling practice

AVEWORKINGENV: average for working environment & physical facilities

AVELEADERSHIP: Average for interactive management & leadership

AVEKNOWLEDGE: Average for knowledge & experience of employees

AVECR: Average for customer retention

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ABSTARCT

This research is aimed to study the effect of customer relationship on customer retention under the title of THE EFFECT OF effect of customer relationship on customer retention IN CASE OF NIB International Bank s.c. In order to measure customer relation the following factors have been taken in to account which are communication, conflict handling practice, working environment & physical facilities, interactive management & leadership and Knowledge and experience of employees to figure out their relationships to customer retention. To provide adequate experimental evidence the research was based on 2000.00 populations and 334 samples taken by simple random sampling techniques and Self-administered questioners which contain demographic questions and the variables measured by Likert five point scale was used to collect data from the customers of NIB Bank. The data analyzed by multiple regression method by using SPSS shows results that indicates there is positive relationship between the customer relation variables and customer retention based on this the researcher conclude that there is positive relationship between customer relationship and customer retention, subsequently the company is recommended to work on the customer relation to ensure the companying retained customer in its road attaining its goals as well as vision .

KEY WORDS:- CRM, Corporate Level Customers

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The fundamental idea of Customer Relationship Management is to improve customer satisfaction degree by analyzing the customers' detailed information, therefore, to improve the corporate competition ability (Wang, Hu, & Yu, 2010). The nature of CRM aims to maximize customer value in the long term, by focusing business processes, marketing and customer service on client relationship maintenance by helping information technology (IT) systems (Chang, 2007). Kumar & Kr, (2014) in their study regarding Customer Relationship Management (CRM) performance of private sector and public sector bank showed the overlapping on customer retention between the Private and Public sector banks of Uttar Pradesh. Results showed that the Private Banks have been able to implement the CRM practices more effectively rather than public sector. Duygu & Sevcan, (2012) found that customer relationship management affects customer loyalty in the banking sector. He observed CRM on the basis of Knowledge and experience of personnel, Customer satisfaction and customer loyalty. Kallol & Kumar, (2009) studied 29 best practices and which may be helpful in deployment of CRM in banks. He found that there is no perfect bank which is applying all the practices hence there is no impact on customer loyalty.

In today's dramatically changing environment, organizations are realizing the importance of understanding customers' behaviors, needs and wants. Through the effective use of communication, technology and information organizations are offering customer's bunch of products with competitive prices and services to cultivate their loyalty. Financial service sector is using assets based on customer's span of knowledge, in order to retain existing customers who are the great source of profitability, and to attract the new customers. The basic premise upon which CRM rests is that enhancing the customer's experiences and understanding customer needs is the key to customer retention, organization profitability and growth. Current and prospective customers are important to a business as to retain one existing customer is 5 to 6 times more cost effective than attracting one new customer (Abubakar & Mukhtar, 2015).

CRM in banking sector increases customer value by using some analytical and the traditional models. For economic significance, banks play a great role, as intermediaries, in mobilizing public

savings and funds for the productive purposes (Chaudhary&Sharma,2011). Customer Satisfaction is based on the organization critical service attributes particularly in pre, during and post service delivery. These attributes are encounter by customers and its end result on satisfaction on the level of services obtained. It is essential to practice excellent service strategically for customer satisfaction, which contributes a lot to the bottom line of the organizations (Lonial&Raju,2015). In reply to increasing competitiveness in the global market, businesses are looking for means to manage their relations with customers more effectively over time. Consequently, customer relationship management has become a central part of most businesses and many organizations are implementing CRM systems. CRM systems are a classification of organizational information systems that enable organizations to provide services for customers, gather and analyze customer information and manage their relationships with customers more effectively (Khodakarami & Chan, 2011).

In recent years many banks intend to develop and manage stronger interaction with their customers with the aim to maximize customer equity. This involves building and managing successful customer relationships to raise customer satisfaction (Yao & Khong, 2011). The customers of each bank constitute one of the most important assets that a banking institution should preserve and continuously expand. As customers are of significant importance, it is essential for the banks to satisfy their needs and wants. Target-group marketing segmentation techniques assist to establish and maintain long-term relationships of trust between banks and their customers (Mylonakis, 2009).In this era of intense competition where customer is the king the ultimate strategy of the modern business is the customer centric approach. Stiff competition after privatization and changes in the needs and preferences of the customers puts a tremendous pressure on the banking industries to adapt Customer Relationship management Practices. Customer profitability of the firm may improve by implementing CRM solution which can be measured by increased customer loyalty, reduced cost and customized offering (Alireza, Alireza, & Mansoor, 2012).

So far, several business sectors have benefited from the deployment of CRM. However, pertaining to its nature the service sector, particularly the financial sector, deemed to benefit a lot from the implementation of the CRM as a business strategy For instance, many studies have reported that banks which develop a customer-centric strategy get higher profits (Formant, 2000; Lamparello, 2000; Melnick *et al.*, 2000) this is due to the fact that financial service are

characterized by the large number of customers and the private, fast and personal needs of them, such that the way a firm delivers them is relevant to its expansion and competitive advantage (Seybold & Marshak, 1998: 193-213). Moreover, Onut *et.al*, also ascertain that CRM is a sound business strategy for banks to identify the most profitable customers and prospects and devote time and attention to expanding account relationships with those customers through individualized marketing, re-pricing, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses.

CRM is a sound business strategy for banks to identify the most profitable customers and prospects, and devote time and attention to expanding account relationships with those customers through individualized marketing, re-pricing, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses. The development of the CRM in the banking sector in Ethiopia has remained dormant to the shift in business paradigm from product-centric to customer-centric. Various factors contributed for this fact; among others the dominance of public banks till the liberalization and deregulation of the economy in the 1990`s is the major one. This hinders the development of the private sector and its possible impact on the competitiveness arena in the banking industry that would have benefited the customers and the banks there in (Duygu & Sevcan, 2012).

To identify banks most profitable customers CRM sounds most effective strategy. Banks have to establish CRM strategy and carefully implement it for gaining a competitive advantage. Interaction with client`s increases company profitability and consumer satisfaction. Therefore, assessing CRM practices of private and public banks are a prerequisite to know the wants and needs of customers as well as for the success of the banking industry. Different types of CRM activities are already being used in banks, some as operational CRM and some as communicational CRM. Globalization has made increasingly difficult for banks to meet the high growth of customer expectations. Banking competition is increasing year by year to gain a greater slice of market share. Banks are looking ways of achieving growth through acquisition of new customers and retaining existing ones. Customer satisfaction in banking industry mostly revolves around the service, which includes service quality, level of access, service characteristics, and complains handling system of the customers. Managing and creating a customers` database, training of employees, reducing waiting time of the customers, employees recognition on

customer services through rewarding will result in best customer satisfaction. Implementing and effective CRM system will automatically result in higher customer satisfaction (Rostami et al., 2014). Currently, there are more than 18 banks in Ethiopia where two of them are government owned. Of private owned banks Nib Bank is one of the existing.

1.2 Statement of the Problem

In several studies (Rosenberg and Czepiel, 2004 and Reichheld and Sasser, 2010) and other studies estimate that the cost of winning a new customer is higher than that of maintaining an existing customer. Despite the fact that, building a valuable customer relationship enlarges customer loyalty, enhance repeat purchase and attract new customer, which will increase the volume of deposit and credit transactions of banks. An assorted empirical study indicates that customer relationship marketing practices can significantly lead to improvement of commercial bank performance in respect to customer attraction, customer satisfaction, and customer retention. The findings in Kenya and Ghana commercial banks also reveal some measures of relationship marketing such as bonding, trust commitment, communication, and conflict handling as a tool to enhance organizational performance of the commercial banks (Rosemond B. et al, 2013 and Hellen J., 2008).

CRM is a management approach that enables organizations to identify, attract, and increase retention of profitable customers through improved relationship management (Hobby, 1999 cited in Ramkelawon, 2010). However, successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes (Pritesh et al., 2010). Oogarah-Hanuman et al. (2011) have noted that many banks have used CRM tools to acquire more customers and to improve relationships with them. While, Banks are realizing that the magical formulae for attaining success in such a competitive environment is to focus on maintaining relationship with customers (Ramkelawon, 2010). Long-term customers are more likely to become a referral source and more comfortable with the service (Ramkelawon, 2010). The longer a relationship the better a bank can understand customer needs and it is a greater opportunity to retain with the service of the bank. A research by Reichheld and Sasser in the Harvard business review cited by Sehgal, 2009, confirmed that 5% increase in customer retention can increase profitability by 35% in banking business.

However, Gilaninia et al. (2011) also proved that an old customer satisfied with the banking services is effective same as ten new clients in advertising and profitability of the bank.

The fundamental idea of Customer Relationship Management (abbreviated as CRM in the following) is to improve customer satisfaction degree by analyzing the customers' detailed information, therefore, to improve the corporate competition ability (Wang et al., 2010). The nature of CRM aims to maximize customer value in the long term, by focusing business processes, marketing and customer service on client relationship maintenance by helping information technology (IT) systems (Chang, 2007). The main objective of CRM is to retain current customers through increasing their loyalty and to select new customers that provide higher profitability (Hansotia, 2002). Contemporary financial service industry has become highly dynamic and turbulent, with many changes in form of new regulations, changed consumer behavior, increased usage of information and communication technology and intense competition. Besides such changes on the providers' side, important changes appeared also on the customers' side. Customers have become more demanding, empowered to perform some activities that were previously handled solely by banks, more knowledgeable, sophisticated, aware of available alternatives, independent, in a position to negotiate with many different service providers and similar (Heinonen, 2014).

As an inevitable result, organizations realized that achieving high value-added and high-quality services does not only base on the product itself, its diversity and its properties, but also on the end-user of that product(s). It is necessary to focus on the most important element which is the customer and to understand their needs, desires, and perceptions through customer relationship management. This is basically based largely on the knowledge and how to integrate them into the philosophy of customer relationship management. Consequently, businesses face a huge challenge to attract new customers while working on retaining its current customers. Therefore, customers knowledge systems (or customer relationship management systems) is no longer effectively used and thus is highly recommended which allows the collection of data and information about current customers and potential customers, and it is easy to access and surfing by employees as well as top management to solve their problems quickly and enable organizational opportunities for growth and increasing revenue(Basem& Zeyad, 2017).

The backbone for the activities and business in the banking is customers who have the power to affect its operations; therefore, they have to satisfy their customers in order to retain them. Therefore, the following problem can analyze by the following questions ,Though most of the CRM literatures are written in the context of the developed countries, CRM`s successful implementation in an integrated and holistic manner have been found to have a positive impact in the customer retention & satisfaction, reduction of costs and enhancement of competitive stand in the market. Based on this premises, it is of essence to examine the level of CRM application in a business to identify the components of CRM that are well implemented and those in slack to leverage them in the future. Accordingly, the purpose of this study is to look into to what extent CRM is being practiced in Ethiopia in case of NIB Bank.

1.3 Research questions

- What is the effect of communication on Customer retention
- To what extent Conflict handling determine Customer retention
- What is the effect of Working Env't and Physical facilities on customer retention
- How is Interactive management & leadership affect Customer retention
- To what extent Employees Knowledge & experience affect Customer retention

1.4 Objectives of the study

1.4.1 General objective

- To examine the effect of Customer Relationship Management on Customer retention, In case of Corporate Level Customer of NIB BANK

1.4.2 Specific objective

- To identify the effect of communication on Customer retention
- To examine to what extent Conflict handling practice determine Customer retention
- To investigate the effect of between Working Env't on customer retention
- To identify how Interactive management & leadership affect Customer retention
- To find out to what extent Employees Knowledge & experience affect Customer retention

1.5 Significance of the Study

The studies provide desirable information about CRM of Nib international Bank. The result of this study give insight for decision makers of the bank and other banks on how to attract retain and manage their customers. In addition to these, the findings of this study provide valuable inputs and directions to concerned parties of Nib international bank and other banks in applying CRM strategies to improve performance. The study further can help Nib international bank and other financial institutions to identify their customers' need in order to apply well managed customer services. Combining customer knowledge with CRM enables organizations to target customers with high life time / strategic value; thus leading to future growth opportunities. Customer intimacy and knowledge of industry-specific processes tailored to meet business needs are essential ingredients of organizational success.

Also for the researchers the paper uses as reference for other researchers this means increasing the empirical evidence reported in the literature about the phenomenon studied. Therefore with regard to contribution to body of knowledge, this research would contribute with regard to the implementation and practice of CRM in private banks. Even the findings of the study uses for help other researches as source of information and data for further researches.

1.6 Scope of the Study

This study was conducted in Addis Ababa specifically corporate customers of Nib Bank, conceptually this research is delimited to a concept, CRM practices measured under different dimensions, for the study, the relevant dimensions that knowledge and experience of employees, working environment, conflict handling and interactive management are examined. The target groups of the population will be taken from customers of the selected private bank particularly corporate level customers. Of these customers, the sample size has determined by using formula from published article that is relevant to the study. Based on the broader nature of the research, the study was delimited to selected private bank of Nib international Bank of different branches in Addis Ababa city. The city was selected for the study area because there are number of business persons who can be a source of lesson for others. Since the research is carried out for limited period of time it is going to employ limited data collection instruments including

questionnaire. Furthermore, the research planned to be carried out on the academic year of 2015 Ethiopia calendar.

1.7 Organization of the Study

The study consist five chapters organized as follow: Chapter 1: Introduction, it is the first chapter which illustrated the background to the research, statement of the problem, general and specific objectives of the study, research questions, significances of the study finally scope of the study and limitation .

Chapter 2: Literature Review, which provide information on the literatures which related to the research title.

Chapter 3: Research Methodology, which provide the details of research methodology design, and clear idea about data collection of the study and sampling process.

Chapter 4: Data analysis, Result and Discussion, which shows the result of the analysis of the data collected through the surveys, and also the analysis of the data and interpretation of the findings to test the hypotheses.

Chapter 5: Finding, Conclusion and Recommendation provide. The conclusions for the findings of this research, based on the research questions and hypotheses and lastly, the recommendations for further research provided.

CHAPTER TWO

REVIEW OF RELATED LITRATURE

2 Introduction

In this chapter issues discussed which related with brand image and customer loyalty. Based on a review of conceptual and empirical literatures with different variables of the study and conceptual framework of the thesis.

2.1 Theoretical Review

2.1.1 Characteristics of CRM

CRM as compared to traditional marketing involves series of transactions, regular and continuous interactions beyond simple exchange process, long term objectives, bonds involving investment of time and energy to produce positive interactions, investment by the parties, some switching barriers, elastic and permeable boundaries, holistic approach and systematized offers. CRM have deep roots in the practices of business. The business men used to establish bondages with customers at emotional level, especially in small towns and villages. However, in modern corporate world, CRM has appeared as a new concept in the mid-1990s, more as a technology that would change dramatically the way corporations managed their networks and interaction points with customers (Kotorov, 2003). Thus the modern CRM, in its early stages, was deployed as a technology solution: a software package that was bought and installed to facilitate or automate some marketing functions. The terms “sales-force automation”, “campaign automation”, “customer support automation” were often equivocated with CRM, even though they stand only for different components of the enterprise-wide CRM strategy. Shortly after the deployment of such packages it became evident that they were not used as planned and remained as show pieces (Stroucken, 2002).

Factors influencing Customer Relation Management

Customer relationship management is becoming an important issue in marketing in order to gain customer loyalty, improve customer retention rates (Wong and Sohal, 2003) as well as increase profits (Fornell and Wernerfelt, 1987).

Customer Retention

An effective CRM system is able to identify factors important to clients, promote a customer oriented philosophy, adopt customer based measures, develop end-to-end processes to serve customers, provide successful customer support, handle customer complaints, track all aspects of sales, create a "holistic" view of customers' sales and service information. The long-term success of an organization depends mainly on how well it attracts and retains a large customer base. Unfortunately, most marketing theory and practice centers on the art of attracting new customers rather than on retaining and cultivating existing ones (Chen, 2000). The emphasis traditionally has been on making sales rather than building relationships, on pre-selling and selling rather than caring for customers afterwards. The key to customer retention is customer satisfaction and companies need to measure customer satisfaction regularly. A highly satisfied customer stays longer, buys more and promotes the company for free to other consumers (Lyu & et al. 2001). The best thing a company can do is to make it possible for customers to complain as it is feedback for the company to improve its products and services. According to Kotler (2008), of the companies who register a complaint, between 54 and 70% will do business again with the organization if their complaint is resolved and the figure can go to a staggering 95% if the customer feels that the complaint was resolved quickly. Lyu & et al, (2001) proposed that companies should come up with several motto's which can include:- A customer is the most important person ever in the office whether in person, telephone, or mail; A customer is not dependent on us, we are dependent on him; A customer is not an interruption to our work; he is the reason of it. We are not doing him a favor by serving him; he is doing us a favor by giving us the opportunity to do so; a customer is not somebody to argue or match wits with. Nobody ever won an argument with a customer; a customer is a person who brings us his wants. It is our Job to handle them profitably to him and to us (Lyu et al, 2001)

Customer retention is increasingly thought of as an important managerial issue, especially in the context of saturated market or lower growth of the number of new customers (Ghavami&Olyaei, 2006). Cohen et al. (2006) have noted that customer retention is potentially an effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing banking competitive environment. Thus, organizations need to focus on existing customers in order to ensure that they continue purchasing and continue supporting the product (Berndt et al., 2005). Thus, at this time, close relationship with customers will require a strong coordination between

banks and its marketing departments to provide a long-term retention of selected customers (Chary and Ramesh, 2012).

Rust and Zahorik (1993) as cited by Cohen et al. (2006), the financial implications of attracting new customers may be five times as costly as keeping existing customers. Doing so significantly helps to reduce the cost of the organization. According to Rouholamini&Venkatesh (2011), several research show that customer acquisition costs 5 to 7 times higher than customer retention costs. Thus, since revenues increase with incremental improvements in customer retention, the ultimate goal of a professional services firm should be to retain customers (Crutchfield, 2001).

However, this is only achieved when you are providing excellent customer service, which then turns in to Customer loyalty (Ghavami&Olyaei, 2006). Thus, retaining an existing customer has beneficiary to the organization than attracting new once. Villanueva and Hanssens (2007) cited by *Parker et al. (2009)* clearly stated the following five customer retention benefits. Those benefits are, It is cheaper to retain customers than to acquire them, the costs of serving long-life customers are less than those of serving new customers, Long-life customers improve the reputation of the company and attract new customers through word-of-mouth advertising, Long-life customers are less price sensitive than new customers and are therefore more willing to pay higher prices in some cases and long-life customers are more likely to buy more from the company so the company can increase their share-of-wallet through up-selling and cross-selling.

CRM and the Service Sector

According to researchers, the extent of CRM benefits to an organization will vary depending on the nature of the business concerned. They are likely to be more substantial in the case of any organization that has some or all of the following characteristics:- frequent customer interactions and purchases, high cross-selling potential, perceived risks and involvement, and profitability (Kumar 2006; Buttle, 2004;Hansotia, 2002).Thus service firms especially financial organizations and telecommunications are regarded as companies that most likely to benefit from CRM implementation due to the fact that they collect and accumulate a lot data on each customer (Bose, 2002).

On the contrary, the de-intermediation process and consequent prevalence of CRM is also due to the growth of the service economy. Since services are typically produced and delivered at the

same institution, it minimizes the role of middlemen. Between the service provider and the service user an emotional bond also develops creating the need for maintaining and enhancing the relationship. It is therefore not difficult to see that CRM is important for scholars and practitioners of services marketing (Berry & Parsuraman, 1991; Bitner, 1995; Crosby & Stephens, 1987; Crosby, Evans, & Cowles, 1990; Gronroos, 1994). Also, customer expectations have been changing rapidly over the last two decades. Fueled by new technology and the growing availability of advanced product features and services, customer expectations are changing almost on a daily basis. Consumers are less willing to make compromises or trade-offs in product and service quality. In a world of ever changing customer expectations, building cooperative and collaborative relationships with customers seems to be the most prudent way to keep track of their changing expectations and appropriately influencing them (Sheth & Sisodia, 1995).

Customer Relation Management In Banking Sector

Over the last few decades, technical evolution has highly affected the banking industry. For more than 200 years, banks were using branch based operations. Since the 1980s, things have been really changing with the advent of multiple technologies and applications. Different organizations got affected from this revolution; the banking industry is one of it (Sherif, 2002). In this technology revolution, technology based remote access delivery channels and payment systems surfaced. ATM displaced cashier tellers, telephone represented by call centers replaced the bank branch, internet replaced the mail, credit cards and electronic cash replaced traditional cash transactions, and interactive television will replace face-to-face transactions (Sherif, 2002).

In recent years, banks have moved towards marketing orientation and the adoption of relationship banking principles. The key motivators for embracing marketing principles were the competitive pressure that arose from the deregulation of the financial services market. This essentially exposed clearing banks and the retail banking market to increased competition and led to a blurring of boundaries in many traditional product markets (Durkin, 2004). The bank would need a complete view of its customers across the various systems that contain their data. If the bank could track customer behavior, executives can have a better understanding, a predictive future behavior and customer preferences. The data and applications can help the bank to manage its customer relationship to continue to grow and evolve (Dyche, 2001).

According to Stone et al. (2002) most sectors of the financial services industry are trying to use CRM techniques to achieve a variety of outcomes.

CRM is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationship with those customers through individualized marketing, reprising, discretionary decision making, and customized service through the various sales channels that the bank uses. Any financial institution seeking to adopt a customer relationship model should consider six key business requirements (Chary & Ramesh, 2012), they are: Create a customer-focused organization and infrastructure, Gaining accurate picture of customer categories, Assess the lifetime value of customers, maximize the profitability of each customer relationship, Understand how to attract and keep the best customers and maximize rate of return on marketing campaigns. CRM is developing into a major element of corporate strategy for many organizations (Rangarajan, 2010; Shibu, 2011). A greater focus on CRM is the only way the banking industry can protect its market share and boost growth. With intensifying competition, declining market share, deregulations, smarter and more demanding customers, there is competition between the banks to attain a competitive advantage over one another or for sustaining the survival in competition.

In an environment of customer control (Gibson, 2012), building and maintaining relationships with customers, suppliers, and partners are more important than a company's land, property and financial assets (Persson, 2011). The relationship provides the foundation of the future business (Goodarzi, 2008). Today, companies have realized the importance of retaining existing customers. Customer loyalty is one of the major concerns of banks, as customer loyalty prevents the customers from switching services from one bank to another. According to Jones and Sasser (Harvard Business Review) as cited by Strauss (2011): "Increased customer loyalty is the single most important driver of long-term performance". Thus, each bank ensures the continuity of the relationship with its customers. Ensuring customer loyalties drive to success and survival. Furthermore, a satisfied customer is himself an efficient in terms of communication to solicit and attract more customers. Nowadays, the customer is more sophisticated and very demanding (Gibson, 2012). Thus, it is better to retain and satisfy a customer than to acquire more and not be able to handle them better.

CRM Benefits in the Banking Industry

Bank is merely an organization that accepts deposits and lends money to the needy persons, but banking is the process associated with the activities of banks. It includes issuance of cheque and cards, monthly statements, timely announcement of new services, helping the customers to avail online and mobile banking etc. Huge growth of customer relationship management is predicted in the banking sector over the next few years. It is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, pricing, discretionary decision making.

CRM if used properly would enhance a bank's ability to achieve the ultimate goal of retaining customers in order to gain a strategic advantage over its competitors (Nguyen, Sherif and Newby, 2007). Thus, the successful management of customer relationship can improve customers' satisfaction and loyalty in order to give positive effect on upgrading business performance (Liyun, Keyi, Xiaoshu and Fangfang, 2008). Customer relationships are becoming even more important for banks as market conditions get harder. Companies that implement CRM make better relationships with their customers, achieve loyal customers and a substantial payback, increased revenue and reduced cost (Roh, Ahn and Han, 2005). According to Foss and Stone (2001), CRM permits banks to leverage information from their databases to achieve customer retention and to cross-sell new products and services to existing customers. Lindgreen and Antiocho (2005) states that, CRM results both in higher revenues and lower costs, making companies more effective and efficient: effective in targeting the right customer base with the right services via the right channels, and efficient in doing this at the lowest costs.

Following this major change in the financial system of the country, the banking industry has become comparatively competitive where by the need to enhance customer relationships to retain existing customers while enhancing customer base become the rule of the day. Nevertheless, the adoption of CRM as a business strategy is new phenomenon to the Ethiopian banking industry.

In banking industry banks can get benefits either through technology or through marketing perspectives. The benefits of CRM practices and their motives stem from the establishment of a client-oriented bank management that, in turn, leads to the achievement of market competitive advantages (Mylonakis, 2009). Blery (2006) mentioned some of the other benefits from the implementation of CRM are: it reduced costs (one supplier with a long-term relationship),

decreased complexity (a common platform for all the bank decreased the need for integration, offered one contact point and decreased the need for technical support) and improved operations (increased employees' capabilities, decreased the problems of maintenance and support because of the unique platform).

This research is focused in marketing perspective. Therefore, the benefit of CRM in marketing approach can describe here under. Agarwal (2009) described that a relationship-based marketing approach has the following benefits. These include:

According to Gifford (2002) as cited by Ogbadu and Usman (2012), states that there are significant business benefits derivable from an integrated customer relationship management approach.

2.1.2 The concept of Customer Relation Management

CRM, being an associative field, execute areas like marketing, management and information system (Kevork & Vrechopoulos, 2009) .Rigoetal , (2016), Adikram (2016) &W alietal, (2015) define CRM as" Customer Satisfaction attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some needs, goals or desires ". CRM strategy connects three fundamental dimensions of an organization that are strategy, philosophy and technology. The success of CRM strategy depends on the right balance between three important organizational resources i.e. process, people and technology. With these three resources, organizations are able to use CRM to achieve high levels of customer satisfaction, retention and loyalty (Rigoetal., 2016,Manzuma-Ndaaba,etal,2016). CRM is “ A comprehensive strategy and process that enables an organization to identify, acquire, retain and nurture profitable customers by building and maintaining long-term relationships with them ” (Adikram,2016,Oluseyeetal., 2014,Wahab etal,2011).

In today's competitive economy, many organizations are realizing the importance of customers, and are of the view that CRM should be a core to all business strategies (Wu,2008). Kincaid (2003) describe CRM as “the strategic use of information, processes, technology, and people to manage the relationship with customers across the whole customer cycle. According to Lun & Yingying (2008)" CRM is the philosophy, policy and coordinating strategy mediated by setoff information technologies, which focuses on creating two way communication with customers so that firms have an intimate knowledge of their needs, wants, and buying patterns".

Ku (2010) points out that “CRM provides analytical, operational, and directional capabilities. The analytical capabilities enhance profitability maximization from the customer relationship, operational capabilities cut across the customer value process, and directional capabilities depend on strategic skills and reflect the sharpness of long term cooperation and organizational values ” . According to Saeed Awadhbin-Nashwan and Haslinda Hassan (2017) insurance companies, banks, and service providers are now know the importance of CRM in capturing new customers, retaining existing ones and maximizing their life time vale.

Relationship is around us at each life level, such as in the workplace, domestic and social place. According Gay et al. (2007) relationships are formed through experiences with individuals or inside groups. Gummesson (2002) considered that relationships are the core of human behavior. However, this study is orientated to relationships in business context thus relationships were defined differently in their objectives and processes than a personal relationship. In generally, the relationship exists only when the supplier and buyer know each other (Little and Marandi, 2003), although among various definitions of relationship from various authors in scholarly (Figure 2.1), relationship concept may be interpreted in Relationship through behavior approach considered relationship as repeated interactions with an organization and Little and Marandi (2003) added that this behavior provides mutual benefit and perceived by both parties as a relationship, while relationship through perception approach give more importance of emotional bonds with an organization. Therefore, relationship is creating throughout long-term development, trust and mutual commitment (Garbarino and Johnson, 1999; Varey, 2002; Little and Marandi, 2003; Batterley, 2004) but also interdependence (Grönroos, 1994) with an organization. In the marketing, there are many types and categories of relationship. Little and Marandi (2003) pointed out that Morgan and Hunt (1994) outline four categories and ten types of relationship, while Gummesson (1999) outline thirty types of relationship. Thus relationships marketing involves more than just customers, although in this study, the researcher focused on customer relationship.

CRM is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It is a mutually beneficial relationship built upon a foundation of trust and loyalty through marketing, customer service, and relationship programs (Parvatiyar and Sheth, 2001). CRM is relatively a new field,

but its importance is becoming even more evident as time passes. The paradigm shift from focusing on attracting new customers to retaining current ones is at the backbone of CRM (Winer, 2001). With potential profit maximization in mind, businesses are turning to customer relationship management in order to better understand customers. Traditional marketing and mass advertising are proving to be ineffective in such a commoditized environment. With the number of similar products on the market increasing and competition among the firms escalating, companies must look toward capturing customers on some factor other than product quality, price, or convenience (Brown, 2000).

Relationship management is a core strategy used by firms to establish, maintain and enhance profitable relationships with clients, while ensuring benefits for both the firm and its clients (Grönroos 1994: 4–20). Walsh, Gilmore and Carson (2004: 469) define relationship management as the activities implemented by banks in order to attract, interact with, and retain more profitable clients. Customer retention refers to a firm's zero defections of profitable consumers or no switches from profitable consumers to competitors (Reichheld 1996). Menon and O'Connor (2007: 157) define customer retention as the longevity of a consumer's relationship with a firm.

The term CRM according to Berry (1997), originated in America as far back as 1987, and was largely an academic response to concern over the usefulness of the 4Ps model (Product, Price, Promotion, Place), and indeed its subsequent expansion to 5 or even 7Ps. In particular, the former was seen a development from the discipline of relationship marketing which originated in America as early as 1983. Berry (1997: 25) viewed CRM as "attracting, maintaining and ... enhancing customer relationships ... The marketing mindset is that the attraction of new customers is merely the first step in the marketing process." This was supported by Gummesson (1998, 48), when he argued that "The boundaries of marketing responsibility are dissolved, and are no longer identical with the marketing department ... a new paradigm is required." Both scholars viewed traditional marketing models as a mere starting point with many flaws in applications. The views were further supported by Copulsky and Wolf (2001:128), when they looked at CRM as encompassing "... elements of advertising, sales promotion, public relations and direct marketing, to create more effective and efficient ways of reaching customers, by centering on developing continuous relationships across a family of related products, being above all a personalized form of communication.

Customer relationship management is perhaps the most important concept of modern marketing. Until recently, CRM has been defined narrowly as a customer data management activity. By this definition, it involves managing detailed information about individual customer and carefully managing customer touch points in order to maximize customer loyalty. More recently however, CRM has taken on a broader meaning. In this broader sense, CRM is the overall process of building and maintaining profitable customer relations by delivering superior customer value and satisfaction. It deals with all aspects of acquiring, keeping and growing customers (Kotler and Armstrong, 2008). CRM is a strategic approach concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments' unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and co-create value with them. This requires a cross-functional integration of processes, people, operations and marketing capabilities that is enabled through information, technology and applications (Payne and Frow, 2005).

For over 20 years there has been growing interest in relational aspects of customer management. Conventionally, relationship marketing has been seen to be particularly relevant to industrial and service markets (Berry, 1983). Customer relationship management has evolved from the foundations of mass marketing and brand loyalty. The height of the industrial era brought it with mass production and a division of specialized corporate functions. Firms focused on the amount of products that could be produced and since speed and efficiency were the top priorities, very little attention was given to customization and overall customer satisfaction. The marketing departments used mass advertising for their products in order to increase awareness and build market share (Parvatiyar and Sheth, 1995). Since the firms were only concentrated on persuading the customers to buy similar products, the marketing departments were often completely separated from direct consumer contact and no attempts were made to understand the customers or their purchasing behaviors. However, as competition increased, firms looked to differentiate their products in the highly commoditized market through branding and the ultimate goals of branding were to create brand awareness and brand loyalty among consumers through building relationships of trust, familiarity, and reliability. Because of the focus on the consumer-brand relationship, brand loyalty can be seen as a precursor to customer relationship management (Peppers and Rogers, 2004).

The concept of mass marketing naturally led into the competitive transactional marketing. The primary short term focus of transactional marketing is to attract new customers for single transactions (Hennig, Thureau and Hansen, 2000). In contrary, relation marketing is based on long term trust and satisfaction and is centered on customer retention and customization (Parvatiyar and Sheth, 1995). A number of factors have contributed to the emergence of customer relationship management including technology, total quality management, growth in the service industry, and heightened customer expectations. Technology is at the heart of CRM development and is essential on multiple levels of the process. Some believe that technology can be credited with the wide acceptance of relationship marketing (Henniget *al.*, 2000).

Components of CRM

CRM consists of three components:

1. Customer
2. Relationship
3. Management

- 1. Customer:** - customer is the only source of the company's present profit and future growth. However, a good customer, who provides more profit with less resource, is always scarce because customers are knowledgeable and the competition is fierce. Sometimes it is difficult to distinguish who is the real customer because the buying decision is frequently a collaborative activity among participants of the decision making process. Information technologies can provide the abilities to distinguish and manage customers. CRM can be thought of as a marketing approach that is based on customer information (Wyner, 1999).

- 2. Relationship:**-The relationship between a company and its customers involves continuous bidirectional communication and interaction. The relationship can be short-term or long-term, continuous or discrete, and repeating or one time. Relationship can be attitudinal or behavioral. Even though customers have a positive attitude towards the company and its products, their buying behavior is highly situational (Wyner, 1999).

- 3. Management:**-CRM is not an activity only within a marketing department. Rather it involves continuous corporate change in culture and processes. The collected customer

information is transformed into corporate knowledge that leads to activities that take advantage of the information and of market opportunities. CRM required a comprehensive change in the organization and its people (Wyner, 1999).

2.1. Objectives of CRM Systems

According to Baran et al (2008) the goal of CRM is not merely to establish and maintain a relationship with customers, but rather to increase the strength of the relationship from acquaintanceship to friendship to partnership. Chaffey and Smith (2012) added that CRM is a complete customer culture developing inside the whole organization.

Firms frequently focus on attracting new customers but do not pay attention to keep them (Wilson et al., 2008). CRM enhances the ability of a companies to understand customers and focusing on their needs, in order to get closer to them (Chaffey and Smith (2012). The implementation of CRM helps organization to satisfy customers, reduces spending (focus only on high-value customer) and improves use of the customer channel (Johnston and Marshall, 2010). Companies ask questions collect information and build a better profile of their customer. Each customer is thus, recognized and remembered, by their name and need. Through CRM, companies have an overall view of their customers (Chaffey and Smith (2012). CRM allow managers to develop new services, increase the quality of services, reduce marketing costs, identify and retain profitable customers (Laudon et al, 2012), improve customer loyalty, and increase thus, the profitability of companies to focus their communication and marketing expenditures to high-profit customer. Concurrently, reduce and eliminate excess expenditure on non-profitable customers. (Gay et al, 2007). In addition, Baran et al (2008) emphasised that CRM increases cross selling, thus gets customers to buy other company products and services. Baran et al (2008) summarize the objectives of CRM as a systems to: Identify potential customers, Understand customer needs (current and latent), Differentiate profitable from unprofitable customers and segments, Decrease attrition by increasing value and satisfaction, Increase usage of current products and services, Increase customer service and satisfaction, Moving customers from strangers to acquaintances to friends to partners and Integrate marketing and sales efforts throughout the various channels used by the company.

2.1.2 Benefits of Customer Relation Management

Customer relationships are becoming even more important for banks as market conditions get harder. Competition is increasing, margins are eroding, customers are becoming more demanding and the life-cycles of products and services are shortening dramatically. All these forces make it necessary for banks to intensify the relationship with their customers and offer them the services they need via the channels they prefer. Service provisioning throughout the entire life cycle of the corporate customer, from the initial stages to the establishment of a close, long-term relationship with profitable clients, Optimization of the use of bank resources, such as alternative channels of distribution (internet and home banking), Significant reduction in and limitation of operational costs through system automation and standardization, Low maintenance and expansion costs owing to the use of modern administration tools which allow bank employees to make a wide range of modifications to the system, CRM permits businesses to leverage information from their databases to achieve customer retention and to cross-sell new products and services to existing customers. Companies that implement CRM make better relationships with their customers, achieve loyal customers and a substantial payback, increased revenue and reduced cost (Jindal, 2017).

Customer relationship management is, “an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and value added contacts over a long period of time” (Shani and Chalasani, 1992 p. 44). In analyzing the benefits of companies investing in customer relationship management programs we must take recognition of the various differences among scholars on the exact meaning of customer relationship management. While Payne and Frow found that to some practitioners customer relationship management meant direct mail, a loyalty scheme, help desk and call center, other executives saw customer relationship management as a data warehouse, data mining, e-commerce solution or databases for sales force automation (Payne and Frow, 2006).

These differences reflect the tactical and strategic way in which customer relationship management has been deployed. When viewed from a tactical perspective, customer relationship management comprises functions in isolation, such as sales automation or internet based campaigns. These applications provide silos of customer information based on a single view of the customer; through a particular contact channel. This can be frustrating for bank customers

with a loan product and a savings product because they may need to interact with the bank for various reasons (withdrawal transaction, balance request, complaint etc.) using a variety of channels. To overcome this limitation, CRM has also been deployed at an enterprise level, or what Kumar and Reinartz (2006) term strategic CRM. According to this approach CRM is nested within an intricate organizational system of interrelated and interdependent resources that is used to generate competitive advantage. Such an approach aligns with two schools of thought underpinning resource based theory namely the resource-based view (RBV) and the knowledge-based view (KBV) that emphasizes firm specific competitive advantages (Coltman, 2007). Customer relationship management strategies and programs have various benefits to the company. According to Parvatiyar and Sheth (2001), customer relationship management helps a company improve market productivity and creating mutual values through marketing efficiencies and enhancing market effectiveness. This enhances the company's effectiveness in the acquisition of customers, the enhancement of the profitability of the existing customers and the retention of existing customers.

CRM enhances Improve Business Process

Customer relationship management enhances business process re-engineering (Chang, 2007). Business process re-engineering can be defined as the, "Fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance such as costs, quality service and speed" (Hammer and Champy, 1993). According to Spencer (1992), business process reengineering is promoted as a potent, customer based approach to improve productivity and quality through processes. Business process reengineering involves the process of innovation with a business wide scope, implying a complete redesign of all business process (Davenport, 1993). Further, according to Earl et al (1995), business process reengineering means the redesigning of existing business processes and implementing new ones. Business process reengineering is a customer focused, top down management effort aimed at establishing breakthroughs in the performance of inter functional process (Davis, 1993).

Customer relationship management on the other hand integrates related set of functions and business processes to enhance the performance of the organization as a whole (Laudon and Laudon, 2004). Customer relationship management systems require changes in the sales,

marketing and customer service processes to encourage sharing of customer information, support from top management and a very clear idea of the benefits that could be obtained from consolidating the customer data (Chang, 2007). It can therefore be considered that customer relationship management enhances business process re-engineering in a business.

CRM for Organizational Learning

The second benefit of customer relationship management is that it enhances organizational learning. Organizational learning can be defined as the encoding of inferences from history into routines that guide behavior. According to Kim (1993), organizational learning is defined as increasing an organizations capacity to take effective actions. Laudon&Laudon (2004) define organizational learning as the ‘creation of new standard operating procedures and business processes that reflect organizations’ experience.’ Daft (2004) considers a learning organization is an organization in which everyone is engaged in identifying problems, enabling the organization to continuously experiment, improve, and increase its capability (Daft, 2004). The learning process involves the collection of external data e.g. customers, suppliers, new technologies and economic conditions and the internal development of new processes and product ideas. To maintain the competitive advantage in dynamic, competitive markets, firms have to adapt to changes in their trading environment. Strategy, training, policy, and structure all have to facilitate continued employee learning, to support the organization’s continued success. Laudon&Laudon (2004) suggest that most firms implementing a formal CRM system need to transform their focus from a product-centric view to a customer-centric view, which requires some fundamental changes in the organization culture and business processes, notably a closer cooperation between the information systems and sales and marketing groups. Organizational learning in support of this change requires the acquisition of complex knowledge of new business rules and processes and the ‘unlearning’ of the previous ones.

CRM for better organization Performance

How does CRM affect organizational performance? In general, the academic literature suggests that CRM offers firm strategic benefits, such as greater customer satisfaction and loyalty (Kumar and Shah 2004), higher response to cross-selling efforts (Anderson 1996), and better word-of-mouth publicity. Overall, there is a strong sense that CRM efforts improve firm performance.

Boulding and colleagues (2005) note that CRM has the potential to enhance both firm performance and customer benefits through the dual creation of value. According to this view, CRM enables firms to augment the value they extract from customers, while customers gain greater value because firms meet their specific needs. Firms that have stronger relationships with customers enjoy higher profitability (e.g., Bolton 1998; Reinartz, Thomas, and Kumar 2005). Indeed, firms create and maintain portfolios of profitable customer relationships by identifying valuable customers, ensuring better communications with them, and customizing products and services to meet their needs (Venkatesan and Kumar 2004). In turn, customers are likely to stay longer in their relationship with these firms, purchase more often, and show lower propensity to switch to competitors (Johnson and Selnes 2004). However, when firms customize their products and services, they may sacrifice the scale advantages that are possible from the production of standardized products (Pine, Victor, and Boyton 1993). Thus the implementation of a CRM system has an effect on cost efficiency and Profit efficiency. All relationship marketing activities of a firm are evaluated based on the company's overall profitability as well as key relationship marketing outcomes of customer loyalty and positive customer word of mouth communication (Thurau et al, 2002). Thompson (2008) posits that customer relationship management is an effective tool for achieving positive organizational performance and which reflects an increase in profit, goodwill, better product and service delivery.

According to Remo (2011), the ultimate purpose of CRM, like any organizational initiative, is to increase profit. In the case of CRM this is achieved mainly by providing a better service to customers than competitors do. CRM does not only improve the service to customers, a good CRM capability will also reduce costs, wastage, and complaints. CRM also reduces staff stress, because attrition - a major cause of stress - reduces as services and relationships improve. CRM enables instant market research as well: opening the lines of communications with your customers gives you direct constant market reaction to your products, services and performance, far better than any market survey. Good CRM also helps you grow your business: customers stay with you longer; customer churn rates reduce while referrals to new customers increase from the increasing numbers of satisfied customers; demand reduces on fire-fighting and trouble-shooting staff, the organization's service flows and the teams work more efficiently and more happily to produce a given output mix, and it depends on the extent to which it limits the wasting of

resources. Cost efficiency is defined as the ratio of actual costs expended to minimum costs that could have been expended in producing the output mix (Farrell 1957; Greene 1993). The implementation of CRM could be resource intensive. Compared with firms that produce standardized outputs, firms that adopt CRM face additional costs, such as those associated with the customization of outputs and customer information management.

Finally customer relationship management can lead to a better performance for the firm (Chang, 2007). Performance evaluation can be subjective or quantitative. The Balanced Scorecard (Kaplan & Norton, 1992, 1993, 1996) emphasizes the importance of incorporating non-financial performance measures such as customer satisfaction, internal business process, and innovation and learning, as well as 'traditional' financial measures. The Balanced Scorecard (BSC) translates mission and strategy into objectives and measurable terms, viewed from the financial, customer, internal business process, and learning and growth perspectives, providing a balance between short- and long-term objectives, between desired outcomes, performance drivers of those outcomes, and between hard objectives measures and soft subjective measures. Hugh et al. (1996) suggest that a firm's performance management technique enables it to focus resources on changing behavior and promoting customer-orientation.

2.2 Empirical Review

The extent to which customer relationship management contributes to improve the performance of banking was identified by Coltman (2007). The study composed a sample of banks found in Australia upon the application of technology and number of customers. The ability to apply customer relationship management was measured using human skills and experiences, structure of information technology and skeleton of the organization. Performance was measured by the earning rate of the investment, the revenue of new products and the growth of sales. The study concludes that, ability to apply customer relationship management lead to improvement of performance in overall banking activities

Swaminathan, (2004) stated the relationship of customer relationship management and performance. The study sample consisted of 1,223 service firms selected on a random probability basis from the Business. The sample frame that the researcher has taken were banks, investment companies, insurance companies and other firms characterized by a high degree of relationship orientation. Questionnaires were sent directly to general managers or similar level senior managers at each of the companies selected for the study. The selected senior level respondents were highly knowledgeable about customer relationship management implementation and practice within their companies. A total of 215 returned questionnaires were complete and used for analysis. The finding shows that focusing on key customers and managing knowledge have significant effects on customer satisfaction. Organizing around customer relationship management affects customer retention directly. Customer satisfaction is not directly affected by organizing around customer relationship management and technology based customer relationship management. Similarly, managing knowledge has a significant effect on customer retention and sales growth through customer satisfaction.

Colgate and Danaher (2000), undertake the study to show the effect of customer relationship management on customer satisfaction and loyalty. Their study title is the effect of implementing the strategy of customer relationship in the domain of banks on the customer satisfaction and loyalty. The study is undertaken in New Zealand, a systematic random sample of 1917 subjects was taken from the telephone directory data was collected by mail. The researchers got back 784 investigation lists. The study noticed the presence of both positive and negative effects; the

positive effects appear when the strategy of customer relationship management is carried out in a highly skillful way, resulting in enhancing the customer satisfaction and loyalty, while the negative effects appear when the execution of such strategy is deficient, resulting in the customer dissatisfaction and disloyalty.

Payne and Frow, (2005) emphasize the role of customer relationship management in achieving value for customers, shareholders, employees and reducing costs. The study mentioned customer satisfaction and retention have been achieved in 36% and 51% of the companies respectively when it the company applied customer relationship management practices. Dubey(2015) assess the factors influencing the Customer Relationship Management practices (CRM) in Axis Bank in Raipur city. Total 150 samples were taken and correlation and mean scores were calculated to analyze the data. Study reveals that knowledge and experience of the staff, customer satisfaction, and customer service all have positive relationship with the customer loyalty. Suggestions are offered to improve relationship and maintain loyalty with the bank customers.

Amare (2014) studies customer relationship management practices (comparative study) in selected private banks in Mekelle, Ethiopia. CRM as a strategy has gained tremendous interest among researchers and practitioners in recent times. Thus, the study tries to assess the status and ways CRM has been put in to practice by selected Ethiopian private banks. In addition, this research considers different CRM dimensions such as trust, reciprocity, empathy, bonding and responsiveness. To achieve the objective of the study, primary data were collected through questionnaire from sample of 253 bank customers of Wegagen bank, Dashen bank and Bank of Abyssinia, Mekelle, Ethiopia. These respondents were selected using simple random sampling technique. The data collected through questionnaire were analyzed using descriptive statistical analysis method and SPSS as a tool of data analysis. Interviews were also conducted with management bodies of the selected private banks in Mekelle city. The result of the study indicated that, there are several loopholes; such as, lack of continuous supervision and monitoring in the quality of bank services, weakness in giving individualized attention to customers, heavy reliance on suggestion boxes to get feedback from customers, lack of technological advancement etc. In addition to the above findings, the common challenge of the selected banks is network interruption. The finding also suggests some measures which can be taken in to consideration in order to enhance CRM practices of the three selected banks. The

study also clearly revealed that the five CRM dimensions are strongly related. Thus, from customers as well as management bodies of the three banks perspective, CRM has a significant influence on customer retention of the selected banks. Generally speaking the three banks are in need of doing a lot of CRM based customer focused practices. However, in implementing CRM in to practice, the selected banks had their own gaps. Comparing the selected private banks on their ability of implementing CRM practice, Dashen bank was found to be better implementer, followed by Bank of Abyssinia and Wegagen bank, respectively. Based on the findings of the study, the researcher forwards some recommendations as; continuous supervision on the quality of services, provision of training to employees, and recurrent research on customer needs may help the banks to achieve their objectives.

2.3 Conceptual Framework and Hypotheses of the Research

The following diagram shows the dependent and independent variables for this study are as shown in the conceptual framework below

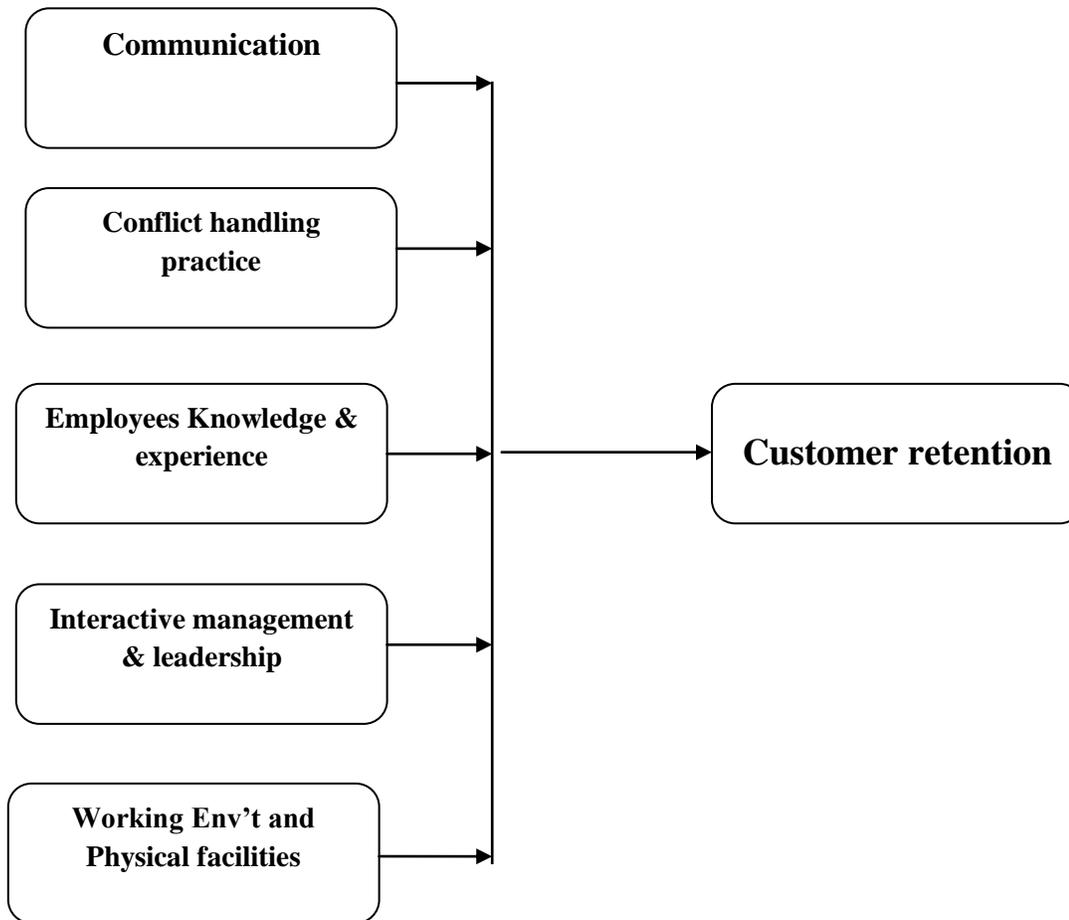


Fig 2.1 conceptual framework

CHAPTER THREE

RESEARCH METHODOLOGY AND DESIGN

3.1 Research Approach and Design

The objective of this study is examining the Effect of Customer Relationship Management on Customer Retention. Since CRM is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. The research uses both quantitative and qualitative data therefore in the appropriate approach to address the stated research problem is mixed research approach. Furthermore, the stated research problem has a cause and effect nature therefore, as a design causal/explanatory research design adopted to explain the variables that affect customer retention.

3.2 Population, Sampling Design

Population Size, the population of the study is the corporate level customers of the banks, where the bank had 2000 corporate level customers. All of the customers visit the bank for the same limited number of services where the bank offers. Since the targeted population had homogeneity in terms of receiving the banks service a representative sample could be enough to infer about the population.

Margin of Error (Confidence Interval): No sample will be perfect, so you need to decide how much error to allow. The confidence interval determines how much higher or lower than the population mean you are willing to let your sample mean fall. If you've ever seen a political poll on the news, you've seen a confidence interval; a margin of error of +/- 5% is mostly appropriate (Scott M. Smith, 2020)

Confidence Level: How confident do you want to be that the actual mean falls within your confidence interval? The most common confidence intervals are 90% confident, 95% confident and 99% confident.

3.3 Sampling Technique

As it is impractical to assess all branches of the bank found in Addis Ababa, a purposeful sampling is found the most appropriate for this case study approach, because 'information-rich' cases can be selected so as to learn much about the issues that are important to the study (Patton,

M. Q, 1990). To do so, the branches in Addis Ababa were categorized into sub-groups. Respondents was selected using Convenience sampling, since it is difficult to get those corporate level customers and hence, whenever there is the opportunity to get them the researcher approach and collect the data. Convenience sampling is defined as a method adopted by researchers where they collect market research data from a conveniently available pool of respondents. It is the most commonly used sampling technique as it is incredibly prompt, uncomplicated, and economical. In many cases, members are readily approachable to be a part of the sample. Convenient sampling had an advantage of Collect data quickly: In situations where time is a constraint, many researchers choose this method for quick data collection; Inexpensive to create samples:

3.4 Data Collection Methodologies

Both primary and secondary data sources were employed; structured questionnaires used to get primary data from corporate level customers of the Bank. As secondary sources of data published journal articles, publications, books, websites and others was used as found appropriate to the study. More specifically, a survey data on the factors influencing CRM was collected both from the customers and employees of NIB Bank (Branch managers, Customer relationship managers, customer service officers and customer service managers) to determine the extent of CRM application in the Bank.

A survey was conducted to test the hypotheses generated for this research. The populations are 2000 customers the researchers calculate the sample size of the probability sample by Yamane sample size calculation technique which is:-

$$n = \frac{N}{1 + Ne^2}$$

Where:

n = required responses

e2 = error limit

N = sample size

Source: (Yamane.T, 1967)

$$n = \frac{2000}{1 + Ne^2}$$

$$1+2000(0.05)^2$$

N=334 samples

So the total samples for 2000 populations were 334 customers. Therefore the researcher uses convenient sampling method.

3.5 Data Analysis Methods

The study used both quantitative and qualitative data analysis techniques. Descriptive statistics were employed to describe the given data. Apparently, since the data collection instrument uses semi structured include both cloth and open ended questions, and hence, some of the analysis narrated particularly responses coming from the open ended questions, and this is where the qualitative data analysis is necessary. Furthermore, the research problem had a cause and effect nature which needs some rigorous analysis, in pursuit of addressing the problem and testing the hypothesis a quantitative data analysis technique employed; particularly, inferential statistics such as Correlation analysis and multiple regression of Ordinary Least Square (OLS) model were employed in order to test the hypothesis.

3.6 Reliability

Reliability refers to the internal consistency exhibited by the manifest indicators of each construct in structural equation modeling Robert Ho (2006). Barclay and his colleagues (1994) recommended that a measurement of internal consistency of the construct Cronbach's alpha should be taken in to consideration; with a minimum criterion of approximately 0.70 All constructs were having high Cronbach's Alpha between 0.719 and 0.805 therefore all constructs were accepted as being reliable for the study.

3.7 Validity

Validity is the degree to which the findings really are what they appear to be about. In other words that is a correspondence between what we want to investigate and what we actually investigate (Patel & Davidson, 1994). They believe that validity refers to the extent to which a test measures what we actually want to measure. The supervisor helped the researcher to ensure the validity of the questionnaire and the response to the objectives of the study. Content validity was used to establish whether the questionnaire measured what it should measure. The face validity was assured by logically consistent questions to guarantee relevance.

3.8 Ethical consideration

The researcher has to know and respect the willingness of the respondents and has not disclosed the respondent's identity, and doesn't use the information for personal purpose. Additionally, all participants for the success of the research should be acknowledged. Further, the researcher seeks informed consent of the respondent and the research data remained confidential throughout the study and the researcher ensure respondents participation in this study voluntary. And also the researchers consider the objectivity, honesty integrity, carefulness, openness respect to intellectual property, confidentiality, and respect for colleagues, social responsibility and legality of the research paper.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS And INTERPRETATION

4.1 Introductions

This chapter presents the results of the study and discussion of the results on the effect of customer relationship management on customer retention. The chapter is structured in to the following sub-heading: demographic characteristics of the respondents, demographic analysis on the communication factor, the conflict handling practice, employee's knowledge and experience, interactive management and leadership and working environment and physical facilities. Out of 2000 population the 334 questionnaires issued by convenient sampling technique to respondents, the questionnaires were filled by Nib International Bank in Addis Ababa corporate customers.

4.2. Demographic characteristics of the respondents

4.2.1. Analysis of demographic variables

In this part of the paper, the respondent's demographic characteristics analyzed and also interpreted to show their impact on the factors affecting attitude of corporate customer of NIB. Therefore, the demographic variables of this thesis for discussion were gender, how long have the customers at the company, the frequency of the customers at the bank, the nature of the business the customers involved and the performance of the customers business after becoming NIB customer.

Demographics describe population in terms of its gender distribution, loyalty the customers performance and others characteristics or personal characteristics of individual buyers these are most often used as the basis for the customer and the bank relationship because these characteristics usually influence customers towards the bank. Therefore, it is wise to take in to consideration demographic factors in the study the effect of customer relationship management on customer retention.

On this sub unit, the respondent's demographic characteristics analyzed and also interpreted to show the effect the customer relationship management on the customer retention.

No.	Types of Variables	Category	Frequency	Percentage(%)
1	Gender	Male	234	70.1
		Female	100	29.9
		Total	334	100
2	How long	>1 year	16	4.8
		>1 to <5 year	40	12.0
		>5 to <10 year	112	33.5
		>10 year	166	49.7
		Total	334	100
3.	Frequency of usage of the bank	Daily	216	64.7
		Weekly	78	23.4
		Every 15 days	32	9.6
		Monthly	8	2.4
		Total	334	100
4.	Nature of your Business	Import Export	20	6.0
		Agriculture	16	4.8
		Manufacturing	237	71.0
		Any other	61	18.3
		Total	334	100
5.	Performance of your Business	Increased	276	82.6
		No change	39	11.7
		Decrease	11	3.3
		I don't know	8	2.4
		Total	334	100

Table 4.1 Demographic characteristic's Table

Source: - SPSS Result from Survey collected 2022

Gender

As we have seen from the above table; from the total of 334 respondents and from this 234 were males and 100 were female which means 29.9% of the respondents are male and 70.01% of the respondents are females. This Gender of respondents implies that majority of them are male.

How long

From the total valid respondents of the research 16 respondents are customer of NIB bank not more than one year, 40 respondents are customers of the bank for more than 2 year but less than 5 years,

112 respondents which uses the bank for more than 5 year but not more than 10 years and the rest 166 respondents are customer for more than 10 years, which is 4.8 %, 12.0%, 33.5 % and 49.7% respectively.

Frequency of customers using the Bank

In this research the frequency of the customers usage of the bank system was analyzed the analyzed as follows, there are 216 customers which uses the service daily which are 64.7% of respondents, there are 78 customers which uses the bank service weekly which are 23.4% from there are 32 respondents which uses the service every 15 days which are 9.6% the others 8 respondents which are 2.4% of the customers uses the bank service monthly.

Nature of the customers Business

As we have to see from the above frequency and percentage table data show that from the total of 334 responses 20 respondents are involved on the import export business type which are 6% of respondents, 16 respondents are involved in agriculture sector which are 4.8%, 237 respondents are involved on the manufacturing business sector which are 71. %, 61 customers respond that they involved in any other sector which is not listed in the questionnaire which are 18.3%.

Performance of the customers Business

From the total of 334 responses 276 or 82.6% of the respondents said that their business performance increased after working with Nib International Bank , 39 or 11.7% of respondents said that their business doesn't show change after they start working with the NIB Bank 11 or 3.3% of the respondents said the performance of their business declined after they start working with NIB bank and the rest 8 or 2.4% of the respondents doesn't know about their business performance accordance to the bank service.

4.3 DESCRIPTION OF THE STUDY VARIABLE

4.3.1 DESCRIPTION OF COMMUNICATION FACTORS

Effective communication flow between bank and customer being one of the communication factors influencing customer relationship, the researcher has prepared the questionnaire in such way as to illicit the respondent's level of agreement or disagreement whether the communication flow had an association with the customer retention. Their response has been measured on five point likert scale with 1=strongly disagree, 2= Disagree, 3=Neutral, 4=Agree, 5=strongly agree

N.B The mean value depends on the bellow table range

0-2	disagree
2-3	neutral
3-5	Agree

Variables	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		mean	Ran ge	Std.d ev
	fre que ncy	percen t	freque ncy	perc ent	freq uenc y	perc ent	fre que ncy	perc ent	freque ncy	perc ent			
Comm1	17	5.4	247	74	37	11.1	20	6	12	3.6	3.72	4	.805
Comm2	14	4.2	278	83.2	10	3	18	5.4	14	4.2	3.78	4	.786
Comm3	12	3.6	278	83.2	25	7.5	13	3.9	6	1.8	3.83	4	.633
Comm4	33	9.9	267	79.9	22	6.6	8	2.4	4	1.2	3.95	4	.606
Comm5	135	40.4	164	49.1	26	7.8	9	2.7	0	0	4.27	3	.719
Comm6	95	28.4	185	55.4	54	16.2	0	0	0	0	4.12	2	.658
Grand Mean											3.94		

Table 4.2 Communication Factors

The above table 4.2 indicates that the corporate customers of NIB bank conveyed accurate and timely information about the customer’s account status when required with the highest mean score of 4.27 than other dimensions, whereas effective communication flow of information between the bank and customers dimensions is least effective than other dimensions as per customers view point which has mean score of 3.72 and ranked fifth. The grand mean score for the overall CRM effectiveness dimensions indicate that respondents tend to agree that CRM practice of NIB is effective with mean score of 3.94.

Generally, from the communication factors influencing customer retention we understand with 3.94 mean values of the respondents strongly agreed that the bank works effectively on the communication factor to retain their corporate customers.

4.3.2DESCRIPTION OF CONFLICT HANDLING PRACTICE

The researcher has prepared the questionnaire in such way as to illicit the respondent’s level of agreement or disagreement on the variables which measure customer relationship effect to the customer retention. Their response has been measured on five point likert scale with 1=Strongly disagree, 2= Disagree, 3=Neutral, 4=Agree,5=Strongly agree

Variables	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		mean	range	Std.dev
	frequency	percent	frequency	percent	frequency	percent	frequency	percent	frequency	percent			
Conff 1	116	34.7	120	35.9	68	20.4	22	6.6	8	2.4	3.94	4	1.015
Conff 2	53	15.9	175	52.4	83	24.9	23	6.9	0	0	3.77	3	.795
Conff 3	21	6.3	204	61.1	65	19.5	44	13.2	0	0	3.60	3	.794
Conff 4	13	3.9	196	58.7	113	33.8	12	3.6	0	0	3.63	3	.620
Conff 5	21	6.3	209	62.6	92	27.5	12	3.6	0	0	3.72	33	.634
Conff 6	131	39.2	96	28.7	107	32.0	0	0	0	0	4.0	2	.842
Grand Mean											3.77		

Table 4.3 Conflict Handling Practice

The above table 4.3 indicates that the corporate customers of NIB bank welcomes complaints from customers always with the highest mean score of 4.00 than other dimensions, whereas the bank is very courteous and fast at responding complaints dimensions is least effective than other dimensions as per customers view point which has mean score of 3.60 and ranked fifth. The grand mean score for the overall CRM effectiveness dimensions indicate that respondents tend to agree that CRM practice of NIB is effective with mean score of 3.77.

Generally, from the conflict handling practice factors influencing customer retention we understand that majority of the respondents strongly agreed that the bank works effectively on the conflict handling practice factor to retain their corporate customers.

4.3.3 DESCRIPTION OF WORKING ENVIRONMENT AND PHYSICAL FACILITIES

The researcher has prepared the questionnaire in such way as to illicit the respondent's level of agreement or disagreement on the variables which measure customer relationship effect to the customer retention by working environment and physical facilities factor. Their response has been measured on five point likert scale with 1=strongly disagree, 2= Disagree, 3=Neutral, 4=Agree, 5=strongly agree

Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree			
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	frequency	percent	mean	range	Std.dev								
Worken1	25	7.5	186	55.7	83	24.9	40	12	0	0	3.59	3	.796
Worken 2	6	1.8	205	61.4	95	28.4	28	8.4	0	0	3.57	3	.671
Worken 3	77	23.1	200	59.9	22	6.6	35	10.5	0	0	3.96	3	.846
Worken 4	58	17.4	104	37.1	55	16.5	75	22.5	42	12.6	3.18	4	1.306
Worken 5	44	13.2	252	75.4	20	6	18	5.4	0	0	3.96	3	.638
Worken 6	2	0.6	194	58.1	39	11.7	99	29.6	0	0	3.30	3	.903
											3.59		

Table 4.4 Working Environment & Physical Facilities

The above table 4.4 indicates that the corporate customers of NIB banks work environment meets my expectations welcomes and also the other dimension which is the cleanness of the bank foster customer satisfaction with the highest mean score of 3.69 each dimensions than other dimensions, whereas the ATM of the bank provided adequately dimensions is least effective than other dimensions as per customers view point which has mean score of 3.18 and ranked fourth. The grand mean score for the overall working environment and physical facilities effectiveness dimensions indicate that respondents tend to agree that CRM practice of NIB is effective with mean score of 3.59.

Generally, from the working environment & physical facilities factors influencing customer retention we understand that majority of the respondents strongly agreed that the bank works effectively on the working environment and physical facilities factor to retain their corporate customers.

4.3.4 DESCRIPTION OF INTERACTIVE MANAGEMENT AND LEADERSHIP

To analyze the measurements of interactive management and leadership the researcher has prepared the questionnaire in such way as to illicit the respondent's level of agreement or disagreement on the variables of measurements for interactive management and leadership. Their response has been measured on five point likert scale with 1=strongly disagree, 2= Disagree, 3=Neutral, 4=Agree, 5=strongly agree

Variables	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		Mean	Range	Std.dev
	frequency	percent	frequency	percent	frequency	percent	frequency	percent	frequency	percent			
interact1	42	12.6	222	66.5	27	8.1	43	12.9	0	0	3.79	3	.824
interac 2	25	7.5	163	48.8	83	24.9	63	18.9	0	0	3.45	3	.881
interac 3	14	4.2	221	66.2	36	10.8	63	18.9	0	0	3.56	3	.843
interac 4	0	0	238	71.3	38	11.4	58	17.4	0	0	3.54	2	.773
interac 5	1	0.3	218	65.3	78	23.4	37	11.1	0	0	3.55	3	.690
interac 6	21	6.3	149	44.6	60	18	77	23.1	27	8.1	3.18	4	1.106
Grand Mean											3.51		

Table 4.5 Interactive Management & Leadership

The above table 4.5 indicates that the corporate customers of NIB banks customers satisfied with the management professional skills with the highest mean score of 3.79 each dimensions than other dimensions, whereas the personnel of the bank are sincere, helpful and kind this dimensions is least effective than other dimensions as per customers view point which has mean score of 3.18 and ranked fifth. The grand mean score for the overall interactive management and leadership effectiveness dimensions indicate that respondents tend to agree that CRM practice of NIB is effective with mean score of 3.51.

Generally, from the interactive management and leadership factors influencing customer retention we understand that majority of the respondents strongly agreed that the bank works effectively on the interactive management and leadership factor to retain their corporate customers.

4.3.5 DESCRIPTION OF KNOWLEDGE AND EXPERIENCE OF EMPLOYEES

To analyze the measurements of knowledge and experience of employees the researcher has prepared the questionnaire in such way as to illicit the respondent's level of agreement or disagreement on the variables of measurements knowledge and experience of employees. Their response has been measured on five point likert scale with 1=strongly disagree, 2= Disagree, 3=Neutral, 4=Agree, 5=strongly agree

Variables	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		mean	rang e	Std.de v
	freq uenc y	perce nt	freq uenc y	perc ent	fre que ncy	perc ent	freq uenc y	perc ent	freq uenc y	per cen t			
knowlg1	28	8.4	260	77.8	46	13.8	0	0	0	0	3.95	2	.468
knowlg 2	29	8.7	173	51.8	102	30.5	30	9	0	0	3.60	3	.771
knowlg 3	96	28.7	211	63.2	27	8.1	0	0	0	0	4.21	2	.571
knowlg 4	35	10.5	258	77.2	15	4.5	26	7.8	0	0	3.90	3	.673
knowlg 5	19	5.7	260	77.8	54	16.2	1	0.3	0	0	3.89	3	.468
Grand Mean											3.91		

Table 4.6 Knowledge & Experience of employees

The above table 4.6 indicates that the corporate customers of NIB banks have qualified technical staff to provide technical support for use of technology support for use of technology to build satisfactory relationships with customers dimension is with the highest mean score of 4.21 than other dimensions, whereas the employees are well trained in using customers related technologies dimensions is least effective than other dimensions as per customers view point which has mean score of 3.60 and ranked fifth. The grand mean score for the knowledge & experience of employees dimensions indicate that respondents tend to agree that CRM practice of NIB is effective with mean score of 3.91.

Generally, from the knowledge & experience of employees factors influencing customer retention we understand that majority of the respondents strongly agreed that the bank works effectively on the knowledge and experience of employees to retain their corporate customers.

4.3.6 DESCRIPTION OF Customer Retention

To measure the customer retention various variables used which analyzed bellow therefore the researcher has prepared the questionnaire in such way as to illicit the respondent's level of agreement or disagreement on the variables of measurements the customers retention Their response has been measured on five point likert scale with 1=strongly disagree, 2= Disagree, 3=Neutral, 4=Agree, 5=strongly agree

Variables	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		mean	Range	Std.d ev
	frequency	percent	frequency	percent	frequency	percent	frequency	percent	frequency	percent			
cusret1	20	6	197	59	96	28.7	21	6.3	0	0	3.65	3	.689
Cusret2	1	0.3	154	46.1	92	27.5	68	20.4	19	5.7	3.15	4	.940
cusret 3	0	0	224	67.1	59	17.7	51	15.3	0	0	3.52	2	.746
cusret 4	25	7.5	218	65.3	52	15.6	39	11.7	0	0	3.69	3	.775
cusret 5	64	19.2	215	64.4	33	9.9	22	6.6	0	0	3.96	3	.744
Cusret6	104	31.1	169	50.6	31	9.3	30	9	0	0	4.04	3	.874
Cusret7	80	24	184	55.1	70	21	0	0	0	0	4.03	2	.670
Cusret8	236	70.7	71	21.3	27	8.1	0	0	0	0	4.63	2	.630
Grand Mean											3.83		

Table 4.7 Customer Retention Management

The above table 4.7 indicates that NIB banks customer retention management factors and the dimension which is the customer recommend the bank to their friends and family members is with the highest mean score of 4.63 than other dimensions, whereas the bank works hard to establish social bonds with customers dimensions is least effective than other dimensions as per customers view point which has mean score of 3.15 and ranked eighth. The grand mean score for the customer retention management dimensions indicate that respondents tend to agree that the bank is effective at the customer retention practice with mean value of 3.83.

Generally, the customer retention management of the bank system we understand that majority of the respondents strongly agreed that the bank works to retain their customer and also the customers recommend NIB bank to others.

4.4 Correlation Analysis

The Bivariate correlation procedure computes the pair-wise association for a set of variables and displays the results in a matrix. It is useful for determining the strength and direction of the association between two scale or ordinal variables. The Pearson correlation coefficient measures the linear association between two scale variables. According to Pallant (2010) it is a good idea to generate a scatter plot before performing a correlation analysis to look at the general trend of the data, since only linear relationships are suitable for correlation analysis. The scatter plot enables to check for violation of the assumption of linearity and homoscedasticity. In view of that scatter plot generated for this study indicate that there is a positive relationship between customer satisfaction and customer relationship management dimensions. The fitting line is upward sloping and most of the cases are close to the fitting line. The scatter plot indicates that most of the cases approach the linear fitting line and are symmetrical, which convey the existence of relationship between the dependent and independent variables. Hence, the next step is to behold the correlation coefficient test.

Correlation coefficient ranges from -1.0 to +1.0. The sign of the coefficients represents the direction of the relationship whether there is a positive correlation (as one variable increases, so too does the other) or a negative correlation (as one variable increases the other decreases). The table below presents the correlation analysis between customer relationship management effectiveness dimensions and the customer retention.

	AVECOM M	AVECON F	AVEWORKI NGENV	AVELEADER SHIP	AVEKNOWL EDGE	AVECR M
AVECOMM	1	.574**	.745**	.657**	.005	.441**
AVECONF	.574**	1	.290*	.307**	.073	.181**
AVEWORKING ENV	.745**	.290**	1	.683**	.227**	.421**
AVELEADERS	.657**	.307**	.683**	1	.277**	.162**

HIP							
AVEKNOWLEDGE	.005	.073	.227**	.277**		1	.300**
AVECR	.441**	.181**	.421**	.162**	.300**		1

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

Table 4.12
Correlation Table

According to Andy correlation doesn't show the variables cause for the change and also can't conclude directly about causality. The correlation coefficient squared (known as the coefficients of determination, R²) is a measure of the amount of variability in one variable that is explained by the other. The above table shows was observed between the independent variable, communication factor, and customer retention with other variables the correlation analysis shows that communication relates strongly with conflict handling practice by 0.574 (57.4%) secondly relates with working environment & physical facilities 0.745 (74.5%) and it relates with interactive management & leadership by 0.657 (65.7%) ,Also relates with knowledge & experience of employees 0.005 (5%) and relates with the last variable is customer retention management is 0.441(44.1%). The second variable is conflict handling practice of the bank and it has a strong relation with a communication by 0.574 (57.4%) and relates 0.290 (29%) with working environment and physical facilities, 0.307 (30.7%) relates with interactive management and leadership, 0.073 (7.3%) which is weak relation with knowledge and experience of employees and in last it has 0.181 (18.1%) relation with the customer retention management. the third factor is working environment and physical facilities 0.745 (74.5%) strongly relates with the communication variable and 0.290(29%) relates with the conflict handling practice of the bank and relates with interactive management and leadership by .683(68.3%) which is strong relation between variables .227(22.7%) relates with knowledge and experience of employees which is medium relates and with customer retention management by .421(42.1%) relates. The fourth variable the correlation analysis taken is interactive management and leadership strongly relates which is .657 (65.7%) with the communication variable it relates with conflict handling practice by .307(30.7%) and by .683 (68.3%) have strong relationship with working environment and physical facilities also it relates with knowledge and experience of employees by

0.277(27.7%), the interactive management and leadership and customer retention management variable relates by 0.162 which means (16.2%).the fifth factor is knowledge and experience of employees relates by .005 (5%) which is very weak relation with communication factor and 0.073(7.3%) with the conflict handling practice of the bank also shows .227(22.7%) relates with the working environment and physical facilities, and relates with interactive management and leadership by 0.277 (27.7%) and relates with customer relation management by 0.300(30%).The last variable the correlation analysis made is the customer retention management it relates with the communication 0.441(44.1%) and it relates by .181(18.1%) with the conflict handling practice ,0.421(42.1%) with the working environment & physical facilities also relates with interactive management and leadership by 0.162(16.2%) ,and in last the customer relation management relates by .300(30%) with knowledge and experience of employee.

4.5 Inferential Analysis and Assumptions

4.5.1 Test of MULTI-COLLINEARITY

Although there are different types of tests used to identify the problem of multicollinearity; A VIF test was used to test the existence of multicollinearity problem. The results of the test indicates the highest VIF is 5.74 with $R^2 = 0.7753$; which indicates the model performed with no major multicollinearity problem among the explanatory variables.

Variable	VIF	1/VIF
Knowledge & Experience Of Employees	5.74	0.174174
Leadership & Interactive Management	3.26	0.306458
Working Environment & Physical Facilities	2.65	0.377985
Communication	2.55	0.391715
Conflict Handling Practice	2.34	0.427683
Mean VIF	3.31	

Table 4.8 results of multicollinearity test

4.5.2 Test of Linearity

Apart from the above tests, there is another assumption that should be fulfilled to use the OLS model; accordingly, the assumption of linearity says the dependent and each independent variable should have a linear relationship. Therefore, in order to check whether the assumption of

linearity is fulfilled a scatter plot technique was employed and as shown in the subsequent graph below the assumptions are fulfilled which indicates the dependent and each independent variable are linearly related.

4.5.3 Test of Normality

Normality test is performed to check whether the error terms are normally distributed or not; also it should be normally distributed before running the ordinary least square regression; therefore, in order to test the normality histogram map was used; and as shown in the graph below the residuals are normally distributed.

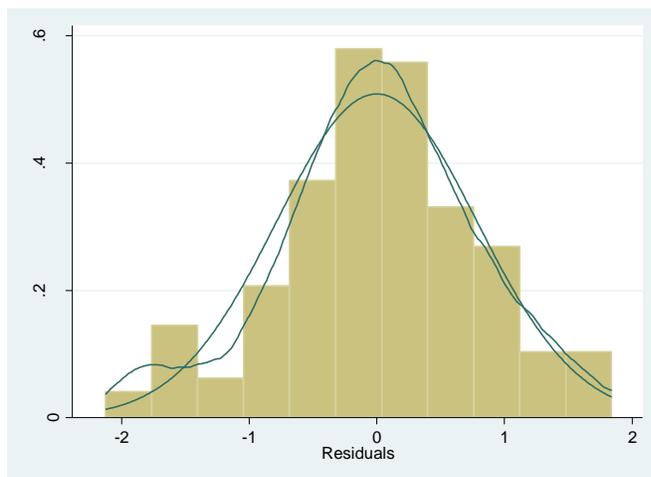


Figure 4.1 histogram test of Normality

4.5.4 Test of Heteroskedasticity

According to Gujarati (2003) the variance of each disturbance term u_i , conditional on the chosen values of the explanatory variables is constant number. Breusch-Pagan test was used to test the existence of heteroskedasticity problem. The p-value is used to interpret the result, if the p value is less than 5% significant level it is the indication of heteroskedasticity problem; however if the p value is greater than 5% level of significance it implies there is no a problem of heteroskedasticity. Accordingly, as shown in the table below the results of the test shows that there is no the problem of heteroskedasticity since the p-value is greater than 5%.

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of CRM
chi2(1) = 42.00
Prob> chi2 = 0.9546

Table 4.9 results of heteroskedasticity test

4.5.5 Test of Independent of Residuals

Multiple linear regression models assume that the residuals are independent of one another. The Durbin-Watson statistic is used to test for the presence of serial correlation among the residuals. The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule, the residuals are not correlated if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.866 ^a	.686	.680	.48969	1.524

a. Predictors: (Constant), AVEKNOWLEDGE, AVECOMM, AVECONF, AVELEADERSHIP, AVEWORKINGENV

b. Dependent Variable: AVECR

Table 4.10 Test of Independent of Residuals

This table shows the independent variables entered into the regression model. The R square is 0.866; it indicates that on average 86.6% of the variation in attitude can be explained by the independent variables under the model above.

The Durbin Watson value for this study is in the range of 1.5-2.5 which is 1.524. And also, the R2 value of 0.686. This means effects related to customer attitude by 68.6 % and remaining 31.4 % can be attributed by other factors which are not studied, because of the scope of study.

4.5.6 Testing of Model Fit

To test how well the regression model fits the data, ANOVA (analysis of variance) provides F value where F equals to mean square of explained data divided by mean square of residual data, Sekaran, (2003).

Similarly, ANOVA table provides information with the model summary Depending on the ANOVA table, overall significance/acceptability of the model from a statistical perspective can be determined. As the significance value of F statistics shows a value (.000), which is less than $p < 0.05$, the model is significant.

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	16.720	5	3.344	92.933	.000 ^b
Residual	11.802	328	.036		
Total	28.522	333			

a. Dependent Variable: AVECR

b. Predictors: (Constant), AVEKNOWLEDGE, AVECOMM, AVECONF, AVELEADERSHIP, AVEWORKINGENV

Table 4.11 Testing of Model Fit

4.6 Regression Analysis

$$Y = B_0 + B_1 \text{ AVECOMM} + B_2 \text{ AVECONF} + B_3 \text{ AVEWORKINGENV} + B_4 \text{ AVELEADERSHIP} + B_5 \text{ AVEKNOWLEDGE} + e_i$$

Where Y= customer retention

B_0, B_1, B_2 and B_3 are parameters.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.270	.184		12.331	.000

AVECOMM	.360	.034	.765	10.645	.000
AVECONF	.490	.038	.595	13.011	.000
AVEWORKINGE NV	.157	.037	.264	4.297	.000
AVELEADERSH IP	.179	.035	.272	5.109	.000
AVEKNOWLED GE	.271	.044	.245	6.133	.000

a. Dependent Variable: AVECR

Table 4.13 Regression Table

Factors affecting attitude is measured by the variables which are communication, conflict handling practice, employees knowledge & experience, interactive management and leadership and working environment and physical facilities. The regression shows variables have 0.360, 0.490, 0.157, 0.179 and 0.271 results respectively.

Based on the regression analysis of the above model, Communication also has a positive and significant effect or correlation on customer retention ($\beta = 0.360$, $P < 0.05$). Hence the null hypothesis was rejected and alternative hypothesis was accepted. This implies that Communication has high influence on customer retention. In the regression analysis of the above model, Working Environment and Physical facilities has significant effect on customer retention ($\beta = 0.157$, $P < 0.01$). Hence the null hypothesis is rejected and alternative hypothesis was accepted. This implies that Working Environment and Physical facilities has significant influence on customer retention. According to (Infoserve, 2019) more avenues of communication are available to reach customers than ever before. Businesses who develop CRM strategies that contact customers in the way in which they want to be contacted will realize success. Many forward thinking enterprises are no longer regarding CRM as an isolated event, but rather incorporating the systems into the heart of the business, using integrated communications.

There is also a significant relationship found between Interactive management & leadership and customer retention ($\beta = 0.179$, $p < 0.01$). Hence, the null hypothesis is rejected and the alternative hypothesis was accepted. This indicates that Interactive management & leadership has a positive influence on customer retention. According to Olga-Zakharenkava, (2017) As customer interactions become fragmented across more channels than ever before, a CRM system may be

your best tool to help provide seamless, insightful customer experience. To get that all-important single view of the customers, you'll need a CRM system that serves as a hub for data coming in from all channels, so you can capture all the bits and pieces of information that make up a modern banking relationship, and use them to engage customers, convert more leads, and create life-long loyalty.

Furthermore, there is also significant relationship between Conflict handling practice and customer retention ($\beta = -0.490$, $P > 0.614$). Hence, the null hypothesis is rejected and the alternative hypothesis was accepted.

Employees Knowledge & experience has a positive and significant effect on customer retention ($\beta = 0.271$, $p < 0.05$). Hence, the null hypothesis was rejected and the alternative hypothesis was accepted. This implies that Employees Knowledge & experience has positive influence on customer retention. According to Khalilabad, Mazandarani, Sentosa, & Piaralal, (2015) The utilization of CRM is directly related with increase in customer knowledge, which in turn has positive effect on customer satisfaction. By using knowledge management companies can improve their relationship with their valuable customers, thus create loyal customers and obtain competitive advantage. Organizations can create new ideas and provide improved and new services by help of knowledge management and the knowledge originated from CRM. Although knowledge discovery in customer-centric approach companies is an important factor, but only few companies can manage this discovered knowledge in a systematic style and make this strategy more effective which provides them more economic value (Bang et al., 2005).

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This part of the study presents about summary of the major research findings, conclusions and possible recommendations.

5.1 Summary of Major Findings

❖ Demographic characteristics'

70.1% of the customers are males and 49.7% of the customers work with NIB Bank for more than 10 years and 64.7% of the customers uses the bank system daily most of the respondent's nature of business is manufacturing sector which is 71% also 82.6% of the respondents says that the performance of their business increased after they works with the bank.

- ❖ Under the communication variable the respondents answer various questions which analyzed and the researcher summarized with 3.94 grand mean value and 0.360 beta value from the regression analysis.
- ❖ In the conflict handling practice value the grand mean value is 3.77 and 0.490 beta value.
- ❖ Working environment and physical facilities analyze with 3.59 mean value and 0.157 beta value
- ❖ Interactive Management and Leadership analyzed with 3.51 grand mean value and 0.179 beta value.
- ❖ Knowledge and experience of employees with 3.91 mean value and 0.271 beta value.

❖ Customer retention

The bank stresses customer value over pricing with 3.65 mean value, The bank works hard to establish social bonds with customers with 3.15 mean value , The bank emphasizes on efficient communication and customization of services to customers with 3.52 mean value, The bank focus on fair treatment to its customers with 3.69 mean value, The stronger emphasis on maintaining sustainable relationship with customers makes me to stay with the bank with 3.96 mean value , I definitely intend using other services of the bank with 4.04 mean value, I am quite

sure I will be the customer of the bank for the next couple of years with 4.03 mean value and I will recommend this bank to friends and family members with 4.63 mean value.

- ❖ From the test of independent residual the R^2 is 0.686 which means that the above independent variables which are customer relation have relation with customer retention by 68.6% and the remaining 31.4% were others variables which were not study in this research.
- ❖ In the regression analysis all independent variables have positively relates with customer retention. Communication (0.360), conflict handling practice (0.490), working environment & physical facilities (0.157), interactive management & leadership (0.179) ,knowledge and experience of employees (0.271) which indicate customer relation positively relates with customer retention.

5.2 Conclusion

The study is carried out to assess the customer relation management practice; specifically the study is conducted to identify the most important and significant factor influencing customer relationship management, to analyze the relationship between the factors influencing the customer relationship management practices and give suggestive measures regarding betterment of CRM practices. In addressing the stated research objectives explanatory research design were employed and data were collected from 334 corporate level customers using questionnaire.

The findings of the study revealed that most of the corporate level customers work with the bank for more than two years where almost all of them were a customer of other competitive commercial banks. Apparently, majority of the corporate level customers use the service of the bank every days and weakly the corporate level customers work on manufacturing, agriculture and import and export trade. The findings of the study also revealed that knowledge & Experience of Employees, working Environment & Physical Facilities, Interactive Management & Leadership and Communication were a significant factor which effect intention of customer relation management.

The findings of the study were shown that among the five anticipated variables four of them knowledge & Experience of Employees, working Environment & Physical Facilities, Interactive Management & Leadership and Communication had a significant effect on customer retention. As a matter of chance and fact all of the anticipated variables had a positive and significant effect on customer retention whereby they had a positive implication on customer relation management. The finding implies in any means as the bank invest more on the aforementioned factors its customer relation management practice would also become more good and effective.

5.3 Recommendation

Based on the findings the study the researcher forwards the following recommendations

- Attention should be paid in continuous supervision and monitoring the quality of services. The bank should have dialogues with their customers in order to identify where the demand of customers lies and offer customized services to them.
- The selected bank should Implement CRM practices; which can enable the banks attract and retain more customers.
- Considering empathic relationship among bank and its customers, some respondents of the selected banks reply that employees are not responding to their requests properly. Therefore, the banks need to provide continuous training to their employees. The bank obtains information about their customers from their suggestion boxes. However, it will be better to adapt other mechanisms such as interview, questionnaires or generally conducting research periodically.
- The bank advised to handle Customers Complaint as per the customer relationship management charter and work to avoid any similar problems that will be incurred in the future, because customers have a high interest in dealing and solving their problems by the banks on time and to avoid similar problems in future, so banks positive reputation is usually very important.

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APPENDIX 1

St. Marry University
SCHOOL OF GRADUATE STUDY
MASTER OF BUSINESS ADMINISTRATION



Dear Respondents,

My name is Segen Abreha Student of S.t Marry University Business Administration Department. Am here to collect data from corporate customer of NIB. The questioner is prepared to collect primary data on the level of customer relationship management (CRM) practice in case of NIB INTERNATIONAL bank from the corporate customers for the fulfillment of MA in Business Administration.

Participation is voluntary and your responses are anonymous and confidential. All information collected will be summarized and data will not identify any individual respondent. Your feedback is very important to help the accusation of this research. If you find any problem regarding the questions don't hesitate to contact me on +251928679827 Thank you in advance for completing this survey

N.B There is no need of writing your name.

Part I. General and Demographic Information

1. Gender
 - A) Male B) Female
2. How long have you been the customer of Nib Bank
 - A. Less than 1 year C. Between 2 and 5 years
 - B. Between 6 and 10 years D. More than 10 years
3. How frequent do you use the bank's service? _____
 - A. Daily D. Weekly
 - B. Biweekly E. Every 15 days
 - C. Monthly
4. Nature of your business
 - A. Import export C. Manufacturing
 - B. Agriculture D. Any other _____
5. The performance of your business after you become the customer of Nib International Bank is ____
 - A. Increased
 - B. No change
 - C. Decrease
 - D. I don't know

Part II. Customer Relationship Management Dimension

Instruction: Please indicate the extent to which you agree/disagree **with the given statements by ticking (√) on the appropriate space.** Strongly Disagree carries the least weight of 1 while Strongly Agree carries the highest weight of 5. Please put √ mark accordingly.

No	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Communication					
1.1	There is effective communication flow of information between the bank and customers					
1.2	The bank has transparent and well defined communication system					
1.3	When there is a change in the policy of the bank, or any other relevant issue, the bank communicate customers in time					
1.4	The information provided by the bank is trustworthy and timely on new or important services					
1.5	The bank conveyed accurate and timely information about the status customers account when requested					
1.6	Electronic or broadcasting message displayed by the bank are helpful to easily acquire necessary information about the service					
2	Conflict Handling Practice					
2.1	The bank handled every complaints whole heartedly in a positive and active manner					
2.2	The bank makes customers feel safe and encourages them to raise complaints					

2.3	The bank is very courteous and fast at responding complaints					
2.4	Staff at bank are good at listening and solving problems in customers best interests at heart					
2.5	Employees of the bank devote time to reply to any of your questions					
2.6	The bank welcomes complaints from customers always					
3	Working Environment & Physical Facilities					
3.1	The bank has modern banking facilities					
3.2	The offices and work areas are safe					
3.3	The work environment meets my expectations					
3.4	ATMs are adequately provided					
3.5	Cleanness of the bank foster customer satisfaction					
3.6	Electronic screen services is up to customer expectations					
4	Interactive Management & Leadership					
4.1	I am satisfied with the management professional skills					
4.2	There is a good relationship between the management and the subordinates					
4.3	There is an effective conflict resolution procedure in place					

4.4	Management is always open to criticism and to discuss with customers					
4.5	The management of the bank solves problems quickly					
4.6	The personnel of the bank are sincere, helpful and kind.					
5	Knowledge & Experience Of Employees					
5.1	The bank has a reputation for using highly skilled employees					
5.2	employees are well trained in using customer related technologies					
5.3	The bank have qualified technical staff to provide technical support for use of technology to build satisfactory relationships with customers					
5.4	The bank have marketing and sales expertise to have a desired CRM					
5.5	Employees of the bank are highly experienced					
6	CRM					
6.1	The bank stresses customer value over pricing					
6.2	The bank works hard to establish social bonds with customers					
6.3	The bank emphasizes on efficient communication and customization of services to customers					

6.4	The bank focus on fair treatment to its customers					
6.5	The stronger emphasis on maintaining sustainable relationship with customers makes me to stay with the bank					
6.6	I definitely intend using other services of the bank					
6.7	I am quite sure I will be the customer of the bank for the next couple of years					
6.8	I will recommend this bank to friends and family members					

APPENDEX 2

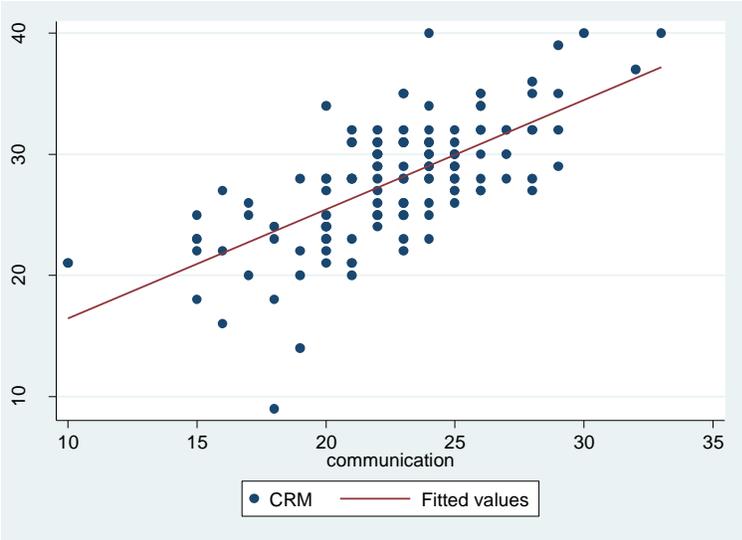


Figure 4.2 scatter plot test of Linearity (CRM VS Communication)

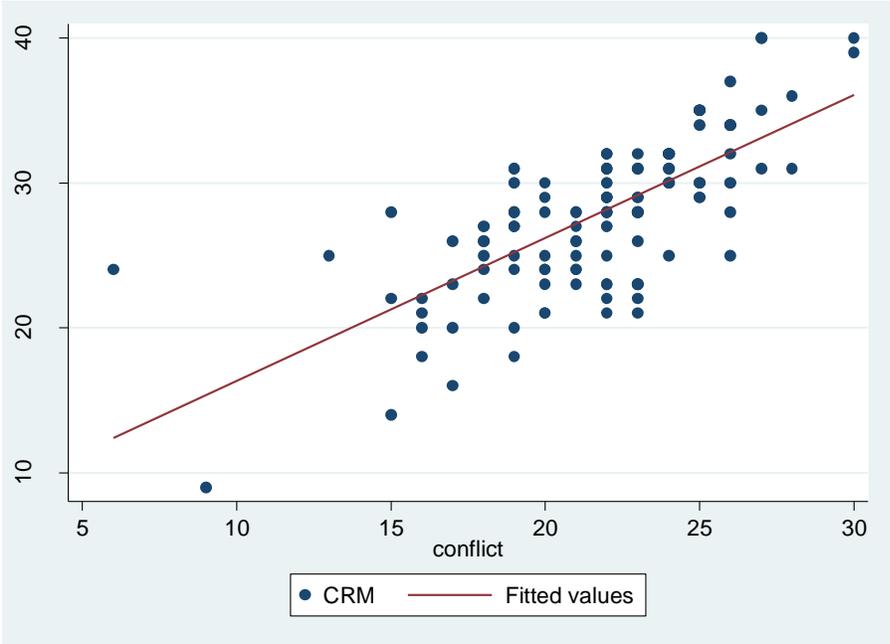


Figure 4.3 scatter plot test of Linearity (CRM VS Conflict Handling)

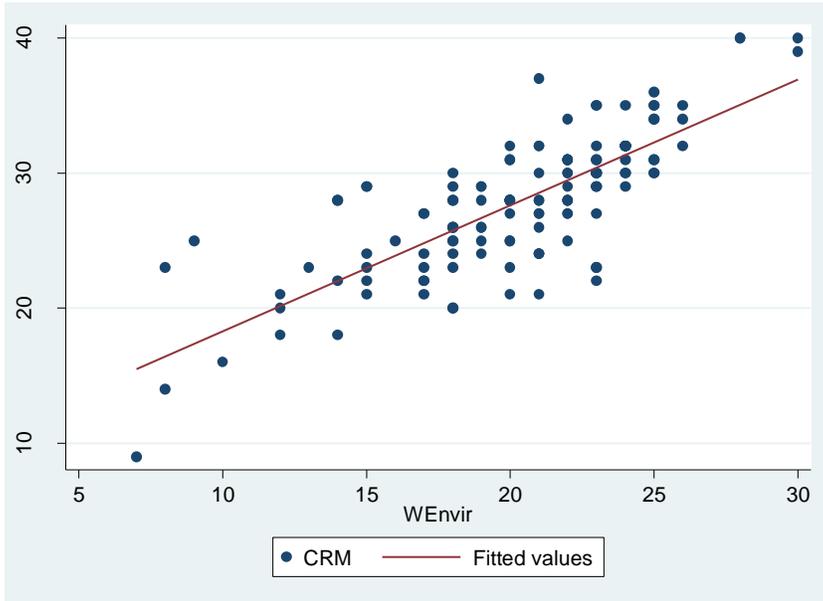


Figure 4.4 scatter plot test of Linearity (CRM VS Working Environment & Physical Facilities)

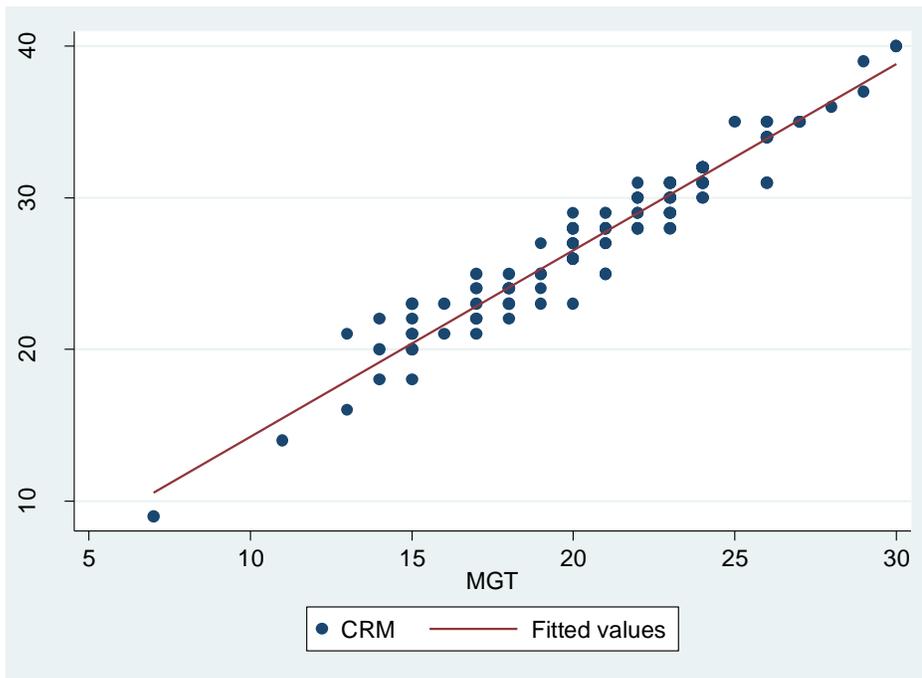


Figure 4.5 scatter plot test of Linearity (CRM VS Leadership & Interactive Management)