



**INDIRA GANDHI NATIONAL OPEN UNIVERSITY**

**School of Management Studies**

PROJECT REPORT

ON THE IMPACT OF CUSTOMER RELATIONSHIP  
MANAGEMENT ON CUSTOMER LOYALTY AND MARKET  
PERFORMANCE THE CASE OF GUNA TRADING HOUSE PLC

Research writing for the Partial fulfillment of Masters of  
Business Administration (MBA)

(MS-100 COURSES)

Prepared by: Letemeskel Gebrezgiabher Weldemichael

Enrolment No: 099114378

Advisor: Teklegiorgis Assefa (Asst.prof)

Submitted To: Indira Gandhi National Open University  
(IGNOU)

Management Program (MP)

May. 2015

Addis Ababa, Ethiopia



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## **CERTIFICATE OF ORIGINALITY**

This is to certify that the project title “impact of Customer Relationship Management on Customer Loyalty and Market performance” is an original work of the student and is being submitted in partial fulfillment for the award of master’s degree in business administration of Indra Gandhi National Open University or any other university/institution for the fulfillment of requirement of a course of study.

**SUPERVISOR:**

Signature.....

Place .....

Date.....

**STUDENT**

Signature .....

Place .....

Date .....

## **ACKNOWLEDGEMENT**

First and foremost, I would like to thank God almighty who has been giving me Patience, health, wisdom, and blessing to accomplish this Thesis and for making my dream a reality.

Next, I would like to express my sincere gratitude to my advisor Asst. Professor. TeklegiorgisAssefa for his helpful guidance, continuous support and contribution throughout my Master's research study. I would also like to thank him for his friendship, and great sense of humor.

Furthermore, I would like to thank Guna Trading House plc for supporting me throughout my studies. I am especially grateful for the financial support provided by this company. And also I should thank to all management members and employees of this company who have supported and encouraged me for all the years of the studies.

Furthermore, I would also like to thank Mr. Tsegay Tafere for his helpful ideas and encouragement during all phases of this thesis.

I am extending my thanks to my family and friends who have been very supportive and helpful and encourage me every step of the way.

Finally, my thanks go to all the people who have supported me to complete the research work directly or indirectly.

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## List of Abbreviations

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CRM .....	Customer Relationship Management
GTH .....	Guna Trading Hoouse

## **ABSTRACT**

*Efficient management of customer relationship is one of the most important challenges in business competition. Organizations require some information about who are their customers, what are their expectations and needs and how should they meet their requirements. The aim of this study is investigating the impact of Customer Relationship Management on Customer loyalty and market performance taking the case of Guna Trading house plc in Addis Ababa city. CRM is one of the critical strategies that can be employed by organizations to improve competitive advantage. Four critical CRM elements are measured in this study namely customer loyalty, store management, quality of services delivery and marketing mix(product,price,place/distribution channel and promotion). The study use descriptive research design. The study was carried out on 80 respondents who were selected using simple random sampling. Self administered questionnaires were the main instruments of data collection. Data was analyzed using frequencies, percentages, mean, standard deviation, and Statistical package for social sciences (SPSS) was used to establish the relationship among CRM, Customer loyalty and market performance in Guna Trading House plc.*

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**Keywords:** *customer relationship management, customer loyalty, store management, quality of service delivery and marketing mix (4ps)*



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## CHAPTER ONE: INTRODUCTION

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This chapter starts with research background to give an idea about the area of thesis to the readers. This is followed by back ground of the case organization, rationale of the study, statement of the problem, objective of the study, significance of the study, scope of the study and finally organization of the Thesis.

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### 1.1 Background of the study

Customer relationship management (CRM) is considered as a holistic strategy that can help organizations to become customer oriented and as a valuable capability to remain stable in today's competitive business world. Understanding how to effectively manage customer relationships has become a very important topic to both academicians and practitioners in recent years. Also, organizations are realizing that customers have different economic value to the company and are subsequently adapting their customer offerings and strategies accordingly (Roya and Salmiah, 2010).

Customer relationship management is the establishment, development, maintenance and optimization of long term mutually valuable relationship between consumers and the organization (Berry, 1983). 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 (Fox, Stead, 2001). The concept of relationship interface is centered on where and how individuals and organizations exchange information whether informally as well as externally (Berry, 1983). It empirically means an organizations ability of getting in touch with both the internal and external customers in responsive and flexible

manner (Abdullateef et al. 2010). The current global competitions threatened by the financial crises has continued the need for both manufacturers and services marketers to monitor how their customer feel about their goods and services, and particularly when there is enormous evidence in support of relationship managements as the alternative means of soling the global market fluctuation (Aihie 2007). However, there is a lack of research demonstrating how this capability supports organizations growth.

Developing a superior customer relationship management capability that is creating and managing close customer relationship is expected to be one of the most important sources of superior performance in today's competitive business environment (Day, 2002; Kale, 2004). Ramaseshan, el. al. (2006) pointed out that as the era of globalization continues to manifest through the emergence of global companies, the importance of customer relationship management in these companies has become increasingly significant. Ryals and Payne (2001) argue that CRM is more commonly used in the context of technology solutions and has been described as "information enabled relationship marketing" CRM is often misused with the term CRM technology (e.g. Reinartz et al., 2004; Bouling et al., 2005; Frow and Payne, 2009). Toe et al, (2006) articulate that organizations approach CRM differently, e g , some may view CRM as a technology tool while others may view it as an essential part of business. Hence, there is a need for a holistic approach by organization to integrate IT with its business processes and customer service delivery. Recent research has attempted to correct this over simplification by broadening the view of CRM and regarding it as a strategic method that focuses on development of profitable, long-term relationships with key customers by melding relationship marketing and information technology and aligning the organization to foster such relationships(Payne and Frow, 2005). Lim & Su, (2003) articulate

that formulating CRM strategies can also create valuable marketing opportunities, increase customer value and enhance customer satisfaction in the pursuit of business excellence. CRM is otherwise known as loyalty (Srivastava, Shervani&Fahey, 1998; Thompson, 2002). Customer loyalty has been universally recognized as a valuable asset in competitive markets (Srivastava, Shervani&Fahey, 1998 ). It provides an ideal environment for this permission – based exchange of information, creating a competitive advantage and driving increase in profit (Bitner, 1995 in Sahoo 2011).

The purpose of marketing is to provide value to customers, satisfy them and build long term relationship with them (Kotler, 2005). All marketing efforts will be inadequate if the firm's products fail to meet customer needs and wants. The only way left to the companies is to gain customer loyalty (Eakuru& Mat, 2008; Oliver, 1997). When company has loyal customers, it can have increased market share along with reduced operating cost (Aaker, 1997).

Francis Buttle (2009), Customer relationship management's impact in the commercial marketplace cannot be undervalued. Despite traditional economic theory on market entry and pricing prescribing that enterprises should engage customers through prefabricated reactions and interactions given the customer event taking place, the nature, impact and reach of the power of enriching customer experiences has emerged in 2008. Yet, one of the most common mistakes made by global companies is to view CRM as solely a technology or business challenge. CRM is first and foremost a business strategy that can be effectively executed through the appropriate business process and technology management capabilities that best match to an organization's customer-facing goals.

Reichheld and Sasser (1990) stated that when there is 5% improvement in customer retention, it will result in a 25 to 75% increase in profit. Wills (2009) argued that to obtain new customers is costly more than 5 times than to retain the existing customers. Furthermore, loyal customers are helpful in increasing revenues in two ways. First, loyal customers are less sensitive to price and the premiums of loyal customers increase 8 % annually in the personal insurance industry (Reichheld & Teal, 1996). Second reason is that loyal customers make frequent purchases, also purchase other products of the firm on trial basis and convince other customers to buy from the same firm (Reichheld & Sasser, 1990).

## **1.2 Background of the case organization**

Guna Trading House PLC is a private limited company established according to the Ethiopian Commercial Code 510ff in 1992 G.C.

The Company is legally registered as “GUNA TRADING HOUSE PRIVATE LIMITED COMPANY” and its trade mark is protected in the Ethiopian Patent Authority, certificate no. 4653 with paid up capital of USD 10 million and with an average annual turnover of USD 100 million. The Company has about 300 qualified and experienced permanent employees. Its head quarter is located in Addis Ababa. The Company is mainly engaged in exporting agricultural products primarily sesame, natural gum and coffee spices among others. It also imports industrial products such as Tyre, Re-enforcement bar, Timber, Bitumen, Chemical, Cash register etc and distributes locally produced goods such as footwear, garment, and particle board and textile products among others.

Guna Trading House PLC is committed to participate in socially responsible corporate activities, ranging from providing philanthropy sponsorship of social programs as well as events, to funding environmental preservation and other indispensable projects deemed

beneficial to the society. In this regard, it has undertaken commendable activities, which are manifested in various forms, such as environmental greening projects, construction of school, sponsoring sport teams, managing its own sport club, empowering small and micro enterprises through extending inputs on credit basis, donation and corporate volunteerism in community development activities and others. It is also closely affiliated with humanitarian and nonprofit making organizations such as Ethiopian Red Cross Society, Ethiopian Diabetics Association, War Veterans of Tigray and many more.

Guna is fully dedicated to implement its greening project, with a view to preserving ecological sustainability. To this end, it has allocated 3.5% of its planned annual profit to environmental protection activities, carried out at the mountains of Axum and Shire, located in the northern part of Ethiopia. Alongside this, it has engaged itself in planting natural gum trees in its own 30,000 hectares of nursery site, in order to ascertain the sustainability of the supply of Gum Olibanum and Gum Arabic to satisfy the export demand in this regard.

### **1.3 Rationale of the study**

Whether enterprises can make their current customers loyal depends on whether they can manage the customer relationships well. As customers have grown to be more conscious consumers, enterprises have had to pay the prices of the errors and faults they do in customer relationships. The most important quality of the 1990s is that customers revealed their power then. They realized that they themselves had something to say and have themselves listened to. The firms, then, understood that they had to listen to their customers so as to be able to sustain their presence in the market. (Bozkurt, 2000) After the 2000s, with the increased use and effect of the internet and such platforms as discussion groups, customers had the



opportunity to be more powerful and effective against the enterprises. Thus, enterprises noticed that they could only be successful if they adopted customer-based marketing.

As a result, customer relationship management is an approach that makes it necessary to form long-term relationships with customers for the purpose of increasing the profitability and productivity of the enterprise and to make use of technology for this purpose. The enterprises should pay attention to the following issues so as to improve their relationships with customers: (Holloway, 2002)

Recognizing the customers, Distinguishing the customers, Listening to the customers, Making all sorts of contacts with the customers, Enterprise identifying itself with the customer, Adapting to the customers.

Guna Trading House plc. has been offering its merchandise to different segments of customers and consumers. The customers and consumers have their own perception towards the merchandising service of Guna Trading House plc.

Hence, the study will identify the core attributes yet differentiated by the customers as unique to them in terms of the benefits they utilize. And identify these attributes for further strengthening so as to enable it to use competitive advantage in different market areas. Guna Trading House plc has been weak in exerting the maximum effort in the area of marketing and of customer handling such as at the offering and delivering activities. So direction will also be identified on how to handle customers and marketing effort of Guna Trading House plc in imprint the merchandise in a better sustainable way in the mind of customers. The positive impact of loyalty on profitability is desirable organizational goal and Guna Trading must do be more improve service quality by perceiving and attending to customer to customer needs.

Location of Gana Trading House plc is not in the centre of the city which is in the border of the Addis Ababa city and the warehouses are scattered far away from the selling department. The proximity factor have negative impact in its sales performance. To tackle the proximity factors, the main office or selling department should be put in the centre/highway of the city and the warehouses should be near the selling department as much possible to access the customers easily.

#### **1.4 Problem statement**

Customer Relationship management is the strongest and the most efficient approach in maintaining and creating relationships with customers. Customer relationship management is not only pure business but also ideate strong personal bonding within people. Development of this type of bonding drives the business to new levels of success.

To make strong customer base is difficult in case where companies provide similar products. Guna merchandising company is facing the same problem besides customer oriented approach. In such cases, the only thing which is helpful in retaining and attracting customer is to build strong relationship with them. The aim of this study is to find out the role of customer relationship management by Guna Trading company on customer loyalty.

#### **1.5 Research questions**

This research will try to address the following questions:

1. What is the impact of customer relationship management on customer loyalty?
2. What is the impact of stores management on customer loyalty?

3. What is the impact of service/delivery quality on customer loyalty?
4. What is the impact of marketing mix ( 4p<sub>s</sub>)such as product/service,price, place/distribution channel, promotion on customer loyalty?

## **1.6 Objectives of the study**

### **1.6.1 General objective of the study**

The main objective of this study is to investigate the impact of customer relationship management and its relational variables on customer's loyalty.

### **1.6.2 Specific objectives**

The specific objectives of the study are:

- a. To investigate the impact of customer relationship management on customer loyalty.
- b. To identify the impact of stores management on customer loyalty.
- c. To investigate the impact of service/delivery quality on customer loyalty.
- d. To determine the impact of marketing mix ( 4p<sub>s</sub>)such as product/service,price, place/distribution channel, promotion on customer loyalty?

## **1.7 Significance of the study**

CRM is the most powerful and well-organized move towards upholding and building relationship with the customers. For the growth of business, it is very important to build strong relationship with the customers. CRM is most important in case of merchandising firms as they are intangible and tangible value chain based. Relationship is the first thing on the basis of which customers judge the service. Marketers should know the importance of CRM and its role in creating loyalty.

## **1.8 Scope of the study**

This study is focused on the impact of customer relationship management on customers' loyalty in the merchandising firms. It is desirable to extend such a study to as many organizations as possible, but this is not possible because of time constraints. This study does not cover the whole merchandise delivering organizations in Ethiopia, but it only covers one selected organization Guna Trading House plc, Addis Ababa , Ethiopia.

## **1.9 Organization of the Thesis**

It comprises the background, the problem statement, the research questions, the research objective and significance of the study. The second chapter deals with the literature review related to the tackled issues. The third chapter will be dedicated to the research methodology, and the methods used to obtain the relevant data for the study, the research design, the instruments, as well as the problems encountered in data collection from the study areas specifically in the merchandising company Guna Trading House plc. The fourth chapter deals with the presentation of data and their analysis. Finally, the fifth chapter presents the findings, conclusions and recommendations of the study.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1. Introduction**

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The previous chapter provided the problem discussion of the area of this study leading down to specific research questions. In this chapter, earlier studies related to the research subject will be reviewed. The aim of this chapter is to provide relevant literature in the field of Customer Relationship Management (CRM).

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### **Customer Relationship Management**

#### **2.2. Theoretical Background**

According to Sheth and Parvatiyar (1998) developing customer relationships has historical antecedents going back into the pre-industrial era. Much of it was due to direct interaction between producers of agricultural products and their customers. Similarly, artisans often developed customized products for each customer. Such direct interaction led to relational banding between the producer and the customer. In recent years however, several factors have contributed to the rapid development and evolution of CRM. These include the growing -intermediation process in many industries due to the advent of sophisticated computer and telecommunication technologies that allow producers to directly interact with end customers

**Customer Relationship Management** refers to a customer-focused business strategy. This concept is not new and it is in fact a natural development of another concept that is very well accepted in the marketing sphere: relational marketing. However, it takes a

wider view and is an attitude to customers and to the organization itself which dynamically integrates sales, marketing and the customer care service to create and add value for the company and its customers. There are various definitions of CRM in the literature. Among the most representative, we could quote (Scott 2001), who defines CRM as “a set of business processes and overall policies designed to capture, retain and provide service to customers.

### **2.3. Definition of Customer Relationship Management**

Customer Relationship Management (CRM) means developing a comprehensive picture of customer needs, expectations and behaviors and managing those factors to affect business performance. CRM is also defined as, “A system that focuses on managing the relationship between a company and its current and prospective customer base, as a key to success, (Gebert, 2003). CRM activates help in building long lasting relationships and these relationships give company joy of retained customers. Relationship marketing is a way to obtain trust and satisfaction, which in turn ensures sustainable success of an organization, (Lo, 2012).

According to Francis Buttle (2009). CRM is an information industry term for methodologies, software and usually Internet capabilities that help an enterprise manage customer relationships in an organized way. CRM is the process of managing all aspects of interaction a company has with its customers, including prospecting, sales and service. CRM applications attempt to provide insight into and improve the company/customer relationship by combining all these views of customer interaction into one picture. Furthermore, customer relationship management is defined as the overall process of building and maintaining profitable customer relationship by delivering superior customer

value and satisfaction.(Kotler and Armstrong 2010) more so, it could be defined as managing detailed information about individual customers and carefully managing customer “touch points” maximize customer loyalty (Kotler et al 2010).

CRM is an integrated approach to identifying, acquiring and retaining customers. By enabling organizations to manage and coordinate customer interactions across multiple channels, departments, lines of business and geographies, CRM helps organizations maximize the value of every customer interaction and drive superior corporate performance. CRM is an integrated information system that is used to plan, schedule and control the pre-sales and post-sales activities in an organization. CRM embraces all aspects of dealing with prospects and customers, including the call centre, sales-force, marketing, technical support and field service. The primary goal of CRM is to improve long-term growth and profitability through a better understanding of customer behaviour. CRM aims to provide more effective feedback and improved integration to better gauge the return on investment (ROI) in these areas.CRM is a business strategy that maximizes profitability, revenue and customer satisfaction by organizing around customer segments, fostering behaviour that satisfies customers and implementing customer centric processes (Francis Buttle (2009)

According to RegonBaran, ChirstopherZrres and Michael Zerrs (2014) and bookboon.com, Customer Relationship Management (CRM) is growing in importance due to the challenging business environment faced by organizations throughout the world today. It is particularly critical in industries undergoing changes in traditional channel configuration. CRM is a means of addressing increasing competition, changing economic

conditions and promotional dependence through the use of intimate customer knowledge; knowledge guided through relationship development and past marketing programs.

Customer relationship management (CRM) is based on the idea that developing a relationship with customers is the most excellent way to find them to become loyal and that loyal customers are more profitable than non-loyal customers. The objectives of CRM are to enhance profitability, income, and customer satisfaction. To attain CRM, a companywide set of tools, technologies, and procedures support the relationship with the customer to enhance sales. Therefore, CRM is mainly a strategic business and process issue rather than a technical issue (Dowling, 2002).

#### **2.4. Components of Customer Relationship management**

Customer relationship management consists of different components including key customers, customer relationship management organization, knowledge management, and technology. This categorization is derived from the fact that the successful customer relationship management is resulted from four areas including strategy, employees, technology, and process. Also it should be remembered that it is possible to achieve a competitive advantage through coordinating these strategic areas (Salomoun et al,2005).

##### **2.4.1 Key customers focus**

The identified customers are defined as the ones that the information is accessible for recognizing and contacting them in the company. Also key customers includes the identified ones that provide more values for company through providing more profits, active long-term relationships, and powerful leadership for the company (Akroush et al, 2011) .



### **2.4.2 Customer relationship management organization**

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

### **2.4.3 Knowledge Management**

A central contributor to effective CRM is storing and leveraging customer related knowledge. Knowledge management can be defined as follows: Knowledge management is the organizational practice of consciously gathering, organizing, storing, interpreting, distributing and judiciously applying that knowledge to fulfill the mission of the organization (ButtleFrancis (2009).

According to (Salomoun et al,2005), in today's competitive world, knowledge is considered as one of the competitive factors in global economy. It is necessary to consider the customer as another important factor in order to enter today's dynamic market successfully. Customer knowledge management refers to acquiring, sharing, and developing the customer knowledge among employees for making profit to the organization and customers. In order to improve the organizational efficiency and effectiveness, insure from delivering desirable products and services to the customers and acquire their satisfaction, it is necessary to manage the organization's knowledge about

customers. Therefore, it can be concluded that knowledge management is an integrative part of customer relationship management

#### **2.4.4 Technology**

Development of every organization in information technology area improves its capability in collecting, saving, analyzing, and sharing knowledge about customer. This leads to increase the organization's capability in responding the customers' needs and maintaining them. The customer values analysis and services personalization, that are the results of advances in information technologies revolting from traditional approach to the integrated marketing systems, can be accessible through customer information system and automation of customer support processes. Customer relationship management refers to the information-based technologies that utilize information technologies for creating relationships with customers. These enable the organization to personalize its services with high quality and low costs and help employees in contacting customers (Sin et al, 2005).

#### **2.5. Essence of Customer Relationship management**

The fundamental contribution of CRM is a better organization of company's business activities, relationships with customers, more transparent business processes, their accurate evidence updating and archiving of history. Its goal is a maximum improvement of monitoring the business opportunities, monitoring and processing business cycle etc.

CRM can be thought of as a set of business practices designed to put an enterprise into closer touch with its customers, in order to learn more about each one and to deliver greater and greater value to each one with the overall goal of making each one more valuable to the firm. (Peppers and Rogers 2004: 6)

By analyzing the different CRM definitions, it is possible to conclude that they can be split into three main **CRM approaches**. These three different perspectives on CRM are classified in

**1- CRM as a philosophy:** of doing businesses, which has to be considered above any kind of strategy or tool. A CRM philosophy is related to a customer-oriented culture keen on building and cultivating long-term relationships with customers. CRM refers to the idea that the most effective way to achieve loyalty is by proactively seeking to build and maintain long-term relationships with customers (Zablah, Bellenger and Johnston 2004)

**2-CRM as a strategy:** as an organizational strategy that will drive functional plans and actions toward building relationships with customers. According to ( Zikmund, Mcleod and Gilbert 2003) resources destined for relationship building and maintenance efforts should be allocated based on customers' lifetime value to the firm. 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.(Parvatiyar and Sheth 2001, p. 5). CRM is the strategic use of information, processes, technology, and people to manage the customer's relationship with a company across the whole customer life cycle (Kincaid (2003, p. 41).

**3- CRM as a tool:** focused on the role of IT being used to gather, analyze and apply data to build and manage relationships with customers. Software, tools and systems can be viewed as technology based applications to support the CRM process. They include database capabilities to collect and analyze customer information using statistical techniques such as data mining( Ngai 2005, p. 588) Leveraging technology to engage

individual customers in a meaningful dialogue so that firms can customize their products and services to attract, develop, and retain customers (Campbell 2003, p.375) . CRM is a macro level process that subsumes numerous sub processes, such as prospect identification and customer knowledge creation (Srevastava, Shervani and Fahey 1999). Technology does play a substantial role in CRM efforts by, among other things, seamlessly linking front and back office functions to provide for the efficient and defective management of interactions across different customer touch points. (...) thus, it seems that both over and underestimating the role that technology plays in CRM initiatives can have detrimental effects on firms' relationship management efforts.(Zablahet *al.* 2004, p. 479) CRM as Technological Tool “To some executives, customer relationship management (CRM) is a technology or software solution that helps track data and information about customers to enable better customer service”. Peppers and Rogers (2004, p. 5)

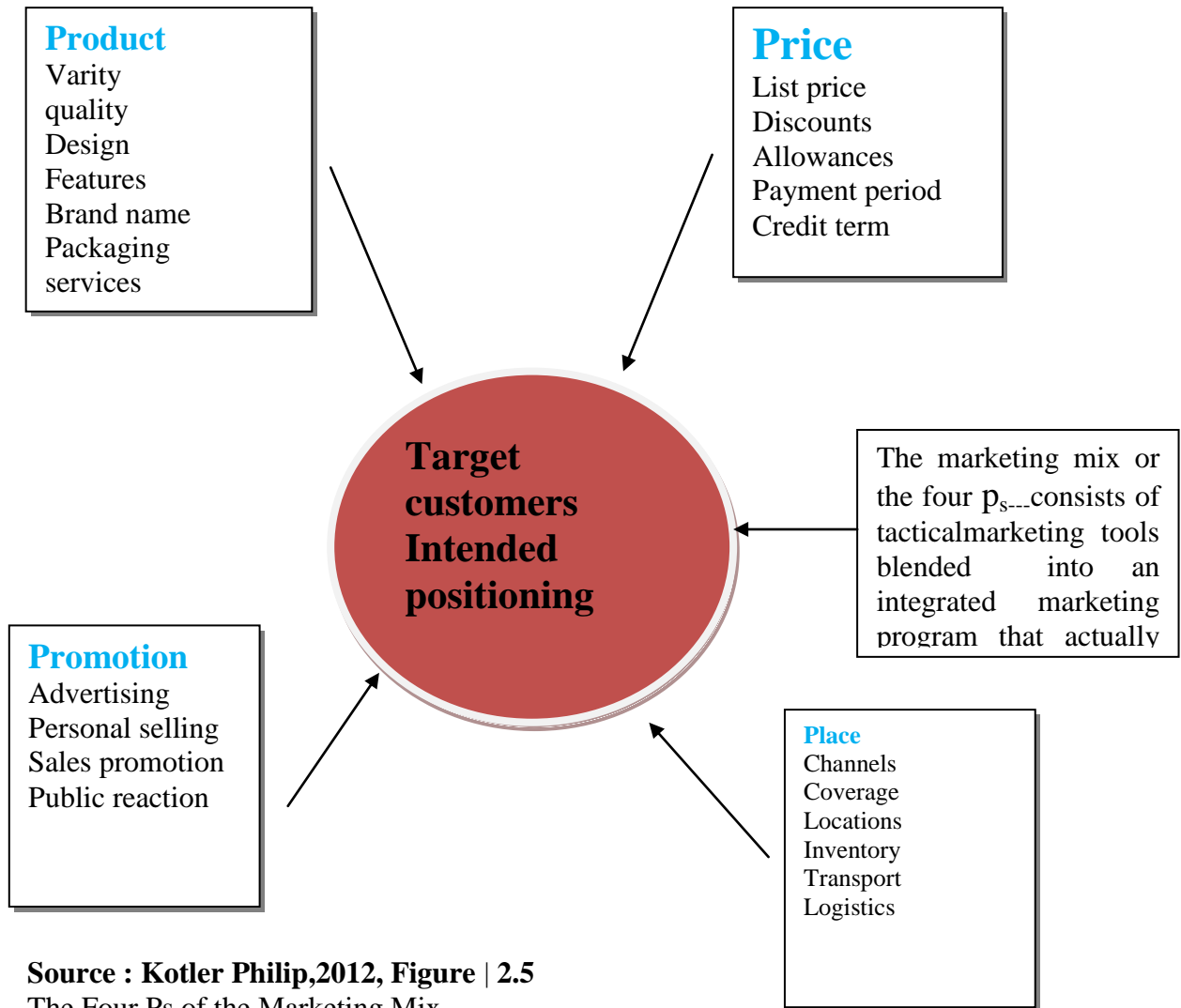
## **2.6. Marketing Mix**

Marketing mix (product, price, promotion, and place) are the elements an organization can and must control in offering its product to the market as per McCarthy (1960) who is the first one who proposed this framework, which has dominated and informed the understanding of marketing principles (Gronroos 2006). This framework has not only offered useful guide to major categories or marketing activities (Czinkota&Kotabe 2001), but it has also provided the organizing framework for “almost all marketing textbooks and courses” (Shapiro, etal,1985). Performance defined in business dictionary, as the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. According to Molly (2013), to assess accurately how well a

business is performing, one needs to develop some quantifiable measures by identifying those aspects of the business process that need improvement and that are working well. This can then use to evaluate the company productivity over a set period.

Marketers use numerous tools to elicit the desired responses from their target markets. These tools constitute a marketing mix (Kotler Philip,2001). Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market. Marketing mix is recognized as a strategy used to perform marketing functions. "The marketing mix is the planned package of elements which will support the organization in reaching its target markets and specific objectives" (De Aze, Elliot E. 1985 p. 38).

Marketing mix is the key concept in the marketing task. Marketing mixes have a number of facets and are important to devise strategies in order to manage the dynamic environmental affects of the market. Marketing mixes are inter-related, interdependent, and also a combination of many factors. McCarthy, E.J. (1978), negates of the marketing mix under 4ps.



### 2.6.1. Price

Pricing is one of the important decisions that need to be made by a firm which would affect its revenue and profitability. In determining the price of a product, a company or marketing manager needs to consider not only the costs it takes to produce the item, but also the customer's perception on the value of the product (Hanna and Dodge, 1995). Moreover, companies strive to get the maximum margin by looking at a whole range of

possibilities to set the right price to certain types of customer. In economics, Adam Smith gives the notion of price as “value in exchange”. Moreover, price is determined by the intersection of supply and demand in the market, or the so-called market mechanism (Stiglitz & Walsh, 2006). While from a marketing perspective, price is defined as “The amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service” (Kotler and Armstrong, 2004).

Among marketing mix elements, price is considered the most flexible element because it changes rapidly when the characteristics of product is changed (Dovaliene & Virvilaite, 2008). Consuegra, Molina and Esteban (2007), Dovaliene and Virvilaite (2008) state that customers willingly accept increased price provided service give more satisfaction. Research has also proven that there is positive relationship between change in customer satisfaction and increase in price acceptability. Marketing literature revealed that price is the key factor which shows customer satisfaction as customer measure the value of service through price (Zeinhaml, 1988; Fornell, 1992; Anderson and Sullivan, 1993; Anderson, Hakansson & Johanson, 1994; Cronin *et al.*, 2000 and Virvilaite 2008). While studying relationship between price and satisfaction it is shown that satisfaction level depends upon some factors such as quality, price and personal factors. According to Consuegra, Molina and Esteban (2007) previous studies have not scrutinize the impact of price on consumer satisfaction. To fill up this gap Consuegra, Molina and Esteban (2007) worked on relationship between price, satisfaction and loyalty

### **2.6.2. Product:**

A product is what the company has to offer, whether it is something tangible, like a mobile phone, or a service, like health treatment. It is anything that can be offered to satisfy a market's want or need. Successful companies consider the product's form, functionality, features, and benefits from the consumers' point of view. Moreover, each and every product must meet the needs of a particular target market (consumers' expectation). For example, a luxury product should create just the right image for "customers which have everything" (Goi, 2009). Many researchers suggest that the basic product must be positioned for better quality and price-conscious consumers. Other important aspects of product may include: an appropriate product range, design, warranties, or a brand name. Everyone buys products for their own personal benefit, and they buy a product with some expectations. For example, consumers buy books with the expectation of enjoyment and knowledge. There are four types of products

Kotler et al, 2005 defined Product as anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. According to Ferrell (2005), the product is the core of the marketing mix strategy in which retailers can offer consumers symbolic and experiential attributes to differentiate products from competitors. However, it is also concerned with what the product means to the consumer. Attributes of a company's products, including brand name, quality, newness, and complexity, can affect consumer behaviour. The physical appearance of the product, packaging, and labeling information can also influence whether consumers notice a product in-store, examine it, and purchase it.



According to (Kotler Philip,2001) People satisfy their needs and wants with products. A *product* is any offering that cansatisfy a need or want, such as one of the 10 basic offerings of goods, services, experiences,events, persons, places, properties, organizations, information, and ideas.

### **2.6.3. place/Distribution:**

A place or distribution channel is a way of transporting the product to the customer and the level of accessibility of the product to customers. This element of marketing mix is like the vehicle for the other elements of marketing mix (product, price, and promotion). Without place, the customer will not have access to products. Distribution channels can be defined as “*a path through which goods and services flow in one direction (from vendor to the consumer) and the payments generated by them that flow in the oppositedirection (from consumer to the vendor)*”,(Şubat 2015)

Organizations provide their product to customers through an effective position. Place mix represents the distribution channels that the organization utilizes to convey their physical products or services to the end user. Distribution channel designer must understand the service output levels that are expected by target customers. It is necessary to have a clear understanding of what, how, why, where, and when customers purchase, his waiting time for the purchase, the convenience that facilities the customer when buying is completed, product variety for the choice and the service backup which represents additional services associated with the product. Distribution can be performed through single channel or multiplicity of channels.(from <http://> Google Book,March,2015)

Kotler and Armstrong (2006), defined place or distribution as a set of interdependent organizations involved in the process of making a product available for use or consumption by consumers. Jones, (2007) defined place as any way that the customer can obtain a product or receive a service. Bowersox and Closs (1996) gave „distribution“ as another name for place. According to them, it is the third element of the marketing mix, and it encompasses all decisions and tools which relate to making products and services available to customers. They claimed that place could be categorized into open market, merchant houses, institutional houses and direct delivery. Nigerian Breweries Plc has a wide distribution channel and makes use of external companies for distribution of its products nationwide; Nigerian Breweries use other transportation companies to assist distribute their goods nationwide. This system of distribution helps make the product more available to the consumers but this however limits the direct contact between producer and consumers which reduces feed-back time for the producers.

#### **2.6.4. Promotion**

*Promotion* means activities that communicate the merits of the product and persuade target customers to buy it Kotler, Philip,(2001). Promotion can be seen as a way of closing the information gap between would-be sellers and would-be buyers (Jones, 2007). Zeithaml et al. (1995) described promotion as part of specific effort to encourage customers to tell others about their services. Kotler, (2007) discovered that Promotions have become a critical factor in the product marketing mix which consists of the specific blend of advertising, personal selling, sales promotion, public relations and direct

marketing tools that the company uses to pursue its advertising and marketing objective. Nigerian Breweries Plc carry out sales promotion in two ways namely Consumer sales promotion targeted at the ultimate consumer market and trade sales promotion targeted at the members of the marketing channel, such as wholesalers and retailers, benefits of sales promotions include increased profit making.

## **2.7. Impact of service quality on customer loyalty**

Service quality has been important primary competitive tool for service providers to achieve success in the market place with commonly undifferentiated services. Delivering quality service to customers is a must for success and survival in today's competitive environment. Service quality has drawn attention of researchers and managers in recent decades (Zeithaml, 2000). It has become a significant subject because of its impact on customer loyalty. By satisfying customers through high quality service, business firms not only retain their current customers, but also increase their market share (Finn and Lamb, 1991).

Service quality is commonly noted as a critical prerequisite and determinant of competitiveness for establishing and sustaining satisfying relationships with customers. Previous studying suggests that service quality is an important indicator of customer satisfaction (Spreng and Machoy, 1996). Attention to service quality can make an organisation different from other organisations and gain a lasting competitive advantage (Boshoff and Gray, 2004).

According to Parasuraman et al. (1985), service quality can be defined as the consumer's comparison between service expectation and service performance. They proposed service

quality to be a function of pre-purchase customer expectations, perceived process quality, and perceived output quality. Based on their statement in 1985, they then suggested that service quality is determined by differences between customers' expectation of the service and their perceptions of the service experience. Services are a continuous process of on-going interactions between customers and service providers comprising a number of intangible activities provided as premium solutions to the problems of customers and including the physical and financial resources and any other useful elements of the system involved in providing these services (Grönroos,2004).

Parasuraman (1988) define service quality as the degree and direction of discrepancy between the consumer's perceptions and expectations, or the extent to which a service meets or exceeds customer expectations. The quality of a service depends on that service consistently conforming to customers' expectations (Mevvis and Janiszewski, 2002)

### **2.7.1. Service quality and customer loyalty relationship**

According to Lai, Griffin &Babin (2009) loyalty is one of the main determinants of long term financial growth in an organization. Service quality is also linked with customer loyalty. While some researchers are in the view that customer, satisfaction rather than service quality exerts stronger influences on buying intentions of the customers (Cronin and Taylor, 1992). Some other researchers also provided the strong empirical evidences supporting the fact that service quality increases the customer intentions to remain with any company. For example, Buzzell and Gale (1987) found out that service quality results in increased market share and repeated sales that ultimately leads to customer loyalty. Zeithaml et al. (1996) also concluded in their research that when organizations

improve the quality of their services, customers' unfavorable intentions are decreased while favorable behavioral intentions are increased.

Service quality might is been found to have a direct impact on customer loyalty ( Boulding et al., 1993; Parasuraman et al., 1991) .Cronin and Taylor (1992) hypothesize that perceived service quality positively affects consumers' loyalty . Reichheld and Sasser (1990), Cronin et al. (2000) and Kang and James (2004 ) found that good service quality leads to the retention of existing customers and the attraction of new ones, reduced costs, an enhanced corporate image, positive word-of-mouth recommendation and, ultimately, enhanced profitability. A research by Zeithaml et al. (1996) concluded that when organizations enhance the quality of their services, customers' favorable behavioral intentions are increased while unfavorable intentions are decreased simultaneously.

## **2.8. Customer Loyalty**

The concept of customer loyalty has attracted a lot of interest from practitioners and scholars its intricate relationship with a firm's performance. Customer loyalty is now accepted as indispensable in strategic decision making because it costs more to attract new customers than to retain old ones. Loyalty conceptualisation has two dimensions- attitudinal and behavioural. Attitudinal loyalty reflects a situation whereby different feelings create an individual's overall attachment to a product, service or organisation (Fornier, 1994). These feelings define the individual's cognitive degree of loyalty (Hallowell, 1996). The other dimension is behavioural. This reflects the degree to which

attitudinal feelings are translated into loyalty behaviour. In other words it reflects intentions being translated into actions.

The attitudinal aspect of customer loyalty encompasses long-term emotional commitment and trust to the organisation, its services, products and prices. Attitudinal loyalty is important to the conceptualisation because it denotes the customers' probability of future commitment to the organisation and the propensity to recommend the company to friends or colleagues (Reichheld, 2003). "Attitudinal" here refers to "the psychological tendency that is expressed by evaluating a particular entity with some degree of favour or disfavour" (Eagly and Chaiken, 1993). The attitudinal components of customer loyalty are identified as price sensitivity, brand allegiance, and the frequency of purchasing a particular brand (Rundle-Thiele and Mackay, 2001)

Customer loyalty is a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, thereby causing repetitive purchasing of the same brand, despite situational influences and marketing efforts. Gremler and Brown (1996) define it as "the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using this provider when a need for this service arises. Loyalty is therefore an attitude or behavior that customers explicitly vocalize or exhibit. Loyalty has both behavioral and attitudinal dimensions. The behavioral repurchase consists of repeated purchase of product while attitudinal loyalty refers to attitudinal commitment or favorable attitude toward a product resulting in repeat purchasing behavior.

Customer relationship practices have a direct and positive relationship with customers' loyalty. Better the CRM practices more will be the loyalty. Customer loyalty forms the basis for retained and profitable customers, (Khandekar&. Deshmukh, 2012). Loyalty is the most desirable outcome for any firm, as it ensures continuous inflows of customers and ultimately of profits. Since popularity of CRM practices is growing rapidly, different researches have been conducted to check the impact of CRM on loyalty. Similarly empathy, perceived conflict handling; trust, perceived value, and commitment are all the outcomes of CRM, which in turn are the predictors of customer loyalty.

## **2.9. Market Performance:**

In the nowadays competitive world, the companies deliver the products and services that are personalized for every customer. Indeed, these organizations can achieve competitive advantages in sale and service marketing through customizing their mass services. Nowadays, the successful companies strive to transfer their mass services to the individual customer relationship management. Market performance refers to the improvement of the organizational status in the market (market share), improvement of the customers' perception of organization and its products, and increase in their loyalty toward organization (Sanmartin and Camero,2005). Market performance consists of the following components:

### **2.9.1. Sales Growth**

The main goal of leaders in large companies is to maximize the revenue and that the increase in sales will always continue, even at the expense of lower profits, in both the short and long-term (Baumol, 1959). Baumol has provided an addition to the ever-increasing body of oligopoly theory by substituting sales maximization, with a minimum profit constraint, for profit maximization as the goal of the large business firm.

The *sales growth* (and/or market share) is one of those conventional indicators that most directly indicates the ability of a business entity to maintain/reduce/increase the level of their market competitiveness, and at the same time it is considered to be the result and the measure of entrepreneurial orientation (Covin, Green and Slevin, 2006; El - Ansary, 2006; Palmer and Pels, 2004; Davidsson, Delmar and Wiklund, 2002; Timmons, 1998; Lumpkin and Dess, 1996; Alrek and Settle, 1995, Walker and Ruekert, 1987).

### **2.9.2. Customer retention**

According to Francis Buttle (2009) Customer retention is the maintenance of continuous trading relationships with customers over the long term. Customer retention is the mirror image of customer defection or churn. High retention is equivalent to low defection.

Customer retention for relationship marketing success is crucial and discussed in various literature (e.g. Crosby and Stevens, 1987; Rust and Zahorik, 1993; Sheth and Parvatiyar, 1995). So, the relevance of customer retention for a company's economic success is important as an increase in retention leads to cost reductions and sales increases. The amortization of sales, marketing and set-up costs over a longer period of time and the reduction of service costs resulting from the growing expertise of customers are outcomes



of cost reduction effects. It is proposed that sales growth is a consequence of increased expenditure over time, positive word of mouth through loyal customers, as well as the willingness of loyal customers to pay a price premium. Thus, it becomes significant that retention and loyalty are closely connected to economic relationship marketing success (Hennig-Thurau et al., 2000, p. 7).

### **2.9.3. Customer satisfaction**

Customer-centred companies have emphasized a better understanding of customers' needs and wants, and then translated them into the capability to give customers what they really need and want. Simply stated, customer satisfaction is essential for corporate survival or existence

Schiffman (2007) defined satisfaction as a person's expression of pleasure or disappointment resulting from comparing a service outcome in relation to the expectations. If the performance falls below expectation, the customer is dissatisfied. If performance matches the expectations, the customer is satisfied. Customer satisfaction is a key factor in formation of customer's desires for future purchase (Mittal & Kamakura, 2001). Furthermore, the satisfied customers will probably talk to others about their good experiences. This fact, especially in the Middle Eastern cultures, where the social life has been shaped in a way that social communication with other people enhances the society, is more important (Jamal & Naser, 2002).

Customer satisfaction is a key factor in formation of customer's desires for future purchase (Mittal & Kamakura, 2001). Furthermore, the satisfied customers will probably talk to

others about their good experiences. This fact, especially in the Middle Eastern cultures, where the social life has been shaped in a way that social communication with other people enhances the society, is more important (Jamal &Naser, 2002). Although satisfaction has been defined as the difference between expectation and performance, but there are differences between quality and satisfaction. For example, Parasuraman et al. (1991) say that satisfaction is a decision made after experience while quality is not the same

Cadotte& Turgeon (1988) have introduced another group of factors known as neutral factors. Besides, Liljander&Strandvik (1993) say that experience is not needed for evaluating service quality, and service can be evaluated on the basis of the knowledge about service provider, while satisfaction is an inner view, resulted from customer's own experience from the service. Finally, several researches have been done on the relation between service quality and satisfaction: findings of some of these researches show that satisfaction results in service quality (Parasuraman et al., 1988).

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

Using their marketing strategy, organizations deliver values to their customers. They consider capturing values from them in return. (Boulding et al, 2005) point out that the core of CRM is" dual creation of value". Through CRM activities , value is created for both the marketer and the customer. Payne and Frow, 2005 opine that value creation entails discerning what value the organization might offer their customers, ascertaining

what value customers provide the firm, and maximizing the lifetime value of the customer. Kale ,(2004) defined customer lifetime value as the predicted profitability of a customer during the entire relationship with the company.

Payne and Frow.,( 2006) argue that .advances in information technology can assist with the development of improved customer relationships Reinartz et al(2004)summarize recent measurement attempts that relate satisfaction from CRM initiatives to a variety of business performance( Kamakura et al., 2002); customer loyalty to profitability(Reinartz and Kumar,2000);customer profitability heterogeneity(Niraj, Gupta andNarasimhan,2000); and customer loyalty programs(Verhoef, 2003). Also, Hooley et al (2005) find that CRM capability is an important determinant of superior performance. From the above discussion, the researcher in this study concluded that the better the usage and applicability of an organization's resources and capabilities, the higher the organization's performance. Thus the following hypothesis is proposed:

## **CHAPTER THREE METHODOLOGY**

### **3.1. Introduction**

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This chapter focuses on the methods and tools used to carry out the study. These include; the research type, the sampling technique, the data collection and the data analysis

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### **3.2. Research type**

This research is a descriptive one, which drew a picture of the topic and describes characteristics of a phenomenon or situation in its current state, namely impact of Customer Relationship Management on customer loyalty and market performance of Guna Trading House plc.

### **3.3. Sampling technique**

The population of the study covered all customers and customer categories of Guna Trading House plc in Addis Ababa. The research involved those considered to be the sample population (representative customers) from all categories who were selected using simple random sampling. A total of 80 respondents were selected using random sampling from all customer categories.

### **3.4 Data collection**

Both primary & secondary sources were used to collect the data required in achieving the research objectives.

Primary data are those data which are collected from the field for the purpose of addressing the subject of study. These data are those which usually have never been collected before.

The primary data for this study was collected from the customers of Guna Trading House plc through customer survey. Both the methods personal interview technique and telephone

interview technique were used with the measure emphasis on personal interview method. Interviews have been conducted through the structured questionnaire.

Secondary data are those data that have already been collected for purposes other than the problem at hand. These data can be collected quickly with lower cost. The secondary data helped the researcher to identifying the problem and better understand the subject under the investigation. It also helps in developing and formulating the research problem and giving the answers the certain research questions. For this study the secondary data were collected from the company's annual performance reports, customer survey of previous years, records, relevant brochures and other relevant information. Besides, the secondary data was collected from journals, magazines, books, literatures, online library, etc. In fact, this was studied in order to benefit in the interpretation of primary data more insightfully.

### **3.5 Data analysis**

The raw data was classified and tabulated after ensuring that they are carefully collected. This was followed by analysis and interpretation of findings. For data analysis statistical data analysis tools such as mean, mode, standard deviation, frequency distribution and graphics were used. The quantitative data that were obtained via questionnaire and document analysis were used in the descriptive statistics such as average and percentages to indicate the extent of response or frequency per each item. The data was used in testing the entire problems.

To analyze the data obtained, both quantitative and qualitative methods of data analysis was used. Description of facts based on some statistical analysis and tabulation, frequency distribution and percentages was used. In the analysis process Microsoft excel (SPSS) will be used.

## CHAPTER FOUR: RESULTS AND DISCUSSION

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*This chapter presents the Results and discussions of the responses gathered from the respondents through questionnaire and interview.*

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### **4.1. Introduction**

This chapter focuses on the presentation and analysis of data and information collected through the questionnaires administered to the individual and business customers of Guna Trading House plc in Addis Ababa city, Ethiopia. In this chapter, the primary data adopted through questionnaires and are presented and analyzed. In doing so the researcher used tabulation, mean , standard deviation and simple percentage to analyze the personal data of respondents and other statistical tools were used in analyzing the research questions and demonstrate the impact of CRM on Customer loyalty and market performance. A total of 80 questionnaires were distributed to the customers and 69 were completed and returned.

### **4.2. Data collection and response rate**

A total of 80 questionnaires were distributed to individual and business customers of Guna Trading House plc in Addis Ababa to assess the impact of CRM on customer loyalty and market performance and majority of questionnaires were filled up and returned making the response rate 86.25 percent. The following table 4.1 demonstrates the number of distributed and retrieved lists and the response rate.

**Table 4.1:** Number of distributed and retrieved lists and the response rate

Customer type list	No distributed list	No retrieved	Response rate
Individual customer	35	28	80%
Business customer	45	41	91.11%
Total	80	69	86.25%

**Source: Primary Data, 2015**

The above **table 4.1** shows that the response rate for individual customers was 80 % (28/35). This is due to the difficulties, like the geographical scattering of these customers; the researcher faced problems in collecting the data. When compared the individual and business customers response rate, the highest response rate of 91.11% (41/45) was that of business customers because of the increasing, awareness of these customers about the importance of the study topic, especially that the common trend now is improving customer relationships to improve performance.

#### **4.3. Reliability Test Result**

The reliability test is an important instrument to measure the degree of consistency of an attribute which is supposed to measure. As stated by Mahon and Yarcheski (2002) the less variation of the instruments produces in repeated measurements of an attribute the higher its reliability. Reliability can be equated with the stability, consistency, or dependability of a measuring tool.

Cronbach's alpha is one of the most commonly accepted measures of reliability. It measures the internal consistency of the items in a scale. It indicates that the extent to which the items in a questionnaire are related to each other. It also indicates that whether a scale is one-dimensional or multidimensional. The normal range of Cronbach's coefficient alpha value ranges between 0-1 and the higher values reflects a higher degree of internal consistency. Different authors accept different values of this test in order to achieve internal reliability, but the most commonly accepted value is 0.70 as it should be equal to or higher than to reach internal reliability (Hair *et al.*, 2003).

**Table 4.2: Cronbach's Alpha for each field of the questionnaire**

No	Field	Number of Items	Cronbach's Alpha
1.	Customer Loyalty	19	0.893
2.	Store management	9	0.893
3.	Service delivery quality	21	0.927
4.	product	14	0.861
5	Price	6	0.888
6	Place/distribution channel	6	0.801
7	Promotion	4	0.965
		Entire 79	0.950

**Source: Primary Data, 2015**

The Cronbach's coefficient alpha was calculated for each field of the questionnaire. The table 4.2 shows the values of Cronbach's Alpha for each field of the questionnaire and the entire questionnaire. For the fields, values of Cronbach's Alpha ranged from 0.801 and 0.965. This range is considered high as the result ensures the reliability of each field of the questionnaire. Cronbach's Alpha equals 0.950 for the entire questionnaire which indicates very good reliability of the entire questionnaire. Therefore, based on the test, the results for the items are reliable and acceptable.



#### 4.4. Descriptive analysis

This descriptive analysis is used to look at the data collected and to describe data captured through the questionnaire. It was used to describe the demographic factors for more clarification. It is mainly important to make some general observations about the data gathered for general or demographic questions. The demographic factors used in this research were gender, age and educational qualification of respondents in the company

**Table 4.3: Demographic characteristics of respondents**

Variables	Category	No of respondents	percentage
Gender	Male	46	66.7%
	Female	23	33.3%
Age	Total	69	100%
	Under 20 years	2	2.9%
	21-30 years	20	29.0%
	31-40 years	38	55.1%
	41-50 years	6	8.7%
	Above 50 years	3	4.3%
	Total	69	100%
Education	Elementary school	2	2.9%
	High school	7	10.1%
	Under graduate	44	63.8%
	Post graduate	8	11.6%

	others	8	11.6%
	Total	69	100%

**Source: Primary Data, 2015**

The profile of the sample respondents is shown in table 4.3 and revealed that 66.7 percent of them were male while the remaining 33.3 percent of the respondents were female. This shows majority of the customers of the company were male. From this we can infer that female customers in this company were low relative to male. Another description observed in table 4.3 is the age interval of respondents. The major age group of the respondents were 55.1 percent that found in the age interval of 31 to 40 years, 29.0 percent of respondents were found in the age interval of 21 to 30 years, 8.7 percent of respondents were found in the age interval of 41 to 50 years, 4.3 percent of respondents were found in the age of above 50 years and the remaining 2.9 percent of respondents were found in the age of under 20 years.

As far as the educational qualification of customers is concerned in the table 4.3, majority of the respondents i.e. 63.8 percent were under graduate, 11.6 percent were post graduate, similarly 11.6 percent were others, 10.16 percent were high school and the remaining 2.9 percent were elementary school complete.

#### **4.5. Perception of the Respondents**

This part of the paper provides the discussion and analysis of the perception of respondents based on the Likert scale. Herein, it should be noted that the respondents or individuals connected with Guna Trading House plc in Addis Ababa were given a set of attitude statements through the survey-questionnaire so as to express their perception towards the

impact of CRM on customer loyalty and market performance on the dimensions of Loyalty, Store management, Service delivery, Product, price, Place/distribution channel and Promotion whether they agree or disagree with the given statements through the use of five-point Likert scale with: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree . In this part descriptive statistics in the form of mean and standard deviation were presented to illustrate the level of agreement of the respondents with their implications of the selected company.

#### **4.5.1. Perception of respondents towards the dimension of loyalty**

Loyalty is necessarily required for an organization to interact and communicate with customers on a regular basis to increase customer loyalty. In these interactions and communications it is required to learn and determine all individual customer needs and respond accordingly. Customer loyalty is defined as “a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 1999). This definition captures not only the spirit of global customer loyalty but also emphasizes the attitudinal (“...deeply held commitment...”) as well as the behavioral (“...causing repetitive same-brand or same brand-set purchasing...”) components of customer loyalty. The attitudinal component of customer loyalty is further developed by partitioning it into cognitive and affective dimensions. It is expected that cognitive and affective loyalties to have independent influences on customer loyalty.

**Table 4.4 Descriptive statistics of Customer Loyalty**

No	Variables of Loyalty	frequency/percentage					Mean	St.D
		Strongly disagree	Disagree	Neutral	Agree	strongly agree		
1	The company respects customers needs	6(8.7%)	12(7.4%)	13(18.8%)	22(31.9%)	16(23.2%)	3.43	1.266
2	I feel safe on the delivery of services	2(2.9%)	11(15.9%)	12(17.4%)	34(49.3)	10(14.5%)	3.57	1.022
3	The company contributes effort to its customers' sales/image	1(1.4%)	10(14.5%)	20(28.98%)	31(44.9%)	7(10.1%)	3.49	.922
4	The company is consistent with strategy of its customers	2(2.9%)	16(23.2%)	22(31.9%)	24(34.8%)	5(7.2%)	3.20	.979
5	The personnel of this company are sincere, helpful and kind	5(7.2%)	7(10.1%)	17(18.8%)	33(47.8%)	11(15.9%)	3.57	1.118
6	The personnel of this company understands quickly and fulfill them immediately	3(4.3%)	10(14.5%)	17(24.6%)	28(40.6%)	11(15.9%)	3.49	1.066
7	The personnel of this company use an easy to understand language while giving service	3(4.3%)	5(7.2%)	17(24.6%)	31(44.9%)	13(18.8%)	3.67	1.010
8	The company contacts with me and informs about new campaign and products	6(8.7)	5(7.2%)	18(26%)	29(42%)	11(15.9%)	3.51	1.133
9	What makes this company different from its rivals is that it can make good relationships with its customers	5(7.2%)	4(5.8%)	13(18.8%)	39(56.5%)	8(11.6%)	3.59	1.019
10	The personnel of this company have enough experience and knowledge	6(8.7%)	6(8.7%)	12(17.4%)	37(53.6%)	8(11.6%)	3.51	1.093
11	I find this company very reliable	0(0%)	6(8.7%)	16(23.18%)	26(37.7%)	21(30.4%)	3.93	.942
12	In critical cases, this company is capable of overcoming the state of in the best manner	1(1.4%)	9(13%)	26(37.7%)	28(40.6%)	5(7.2%)	3.39	.861
13	I recommend this company to my friends and acquaintances	2(2.9%)	7(10.1%)	14(20.3%)	34(49.3%)	12(17.4%)	3.68	.978
14	I consider myself to be the loyal customer of this company	2(2.9%)	4(5.8%)	10(14.5%)	35(50.5%)	18(26.1%)	3.91	.951
15	I do not think of changing this	4(5.8%)	10(14.5%)	15(21.74%)	27(39.1%)	13(18.8%)	3.51	1.139

	company easily							
16	The products and services offered by this company meet my needs	1(1.4%)	12(17.4%)	15(21.74%)	30(43.5%)	11(15.9%)	3.56	1.013
17	The needs of customers are satisfied through feedback and solutions to them	3(4.3%)	14(20.3%)	19(27.54%)	24(34.8%)	9(13%)	3.32	1.085
18	GTH plc customers switch to other competitors who provide more attractive products all the time	7(10.1%)	17(24.6%)	18(26.09%)	19(27.5%)	8(11.6%)	3.06	1.205
19	I feel proud to be a customer of this company	0(0%)	8(11.6%)	17(24.64%)	30(43.5%)	14(20.3%)	3.74	.924
	<b>Average mean</b>						3.53	

**Source: Primary Data, 2015**

Table 4.4 illustrates that the perception of the respondents towards loyalty. Accordingly, the mean score for the company respects customer's needs has 3.43 with the standard deviation of 1.266, respondent's feeling on the delivery of services has scored a mean of 3.57 with standard deviation of 1.022. The Company contributes effort to its customers' sales/image has scored a mean of 3.49 with standard deviation of .922, the company is consistent with strategy of its customers which scored a mean of 3.20 with standard deviation of .979, the personnel of this company are sincere, helpful and kind has scored a mean of 3.57 with standard deviation of 1.118. The personnel of this company understands quickly and fulfill them immediately has scored a mean of 3.49 with standard deviation of 1.066, the personnel of this company use an easy to understand language while giving service scored a mean of 3.67 with standard deviation of 1.010. The company contacts with customers and informs about new campaign and products has scored a mean of 3.51 with standard deviation of 1.133. What makes this company different from its rivals is that it can make good relationships with its customers and has scored a mean of 3.59 with standard deviation of 1.019. The personnel of this company

have enough experience and knowledge scored a mean of 3.51 with standard deviation of 1.093. Reliability of the company scored a mean of 3.93 with standard deviation of .942, in critical cases, this company is capable of overcoming the state in the best manner and has scored a mean of 3.39 with standard deviation of .861, customers recommend this company to their friends and acquaintances scored a mean of 3.68 with standard deviation of .978. Customers consider themselves to be loyal customers of this company and scored a mean of 3.91 with standard deviation of .951. With regard to a customer does not think of changing this company easily scored a mean of 3.51 with standard deviation of 1.139. The products and services offered by this company meet customer needs scored a mean of 3.56 with standard deviation of 1.013. The needs of customers are satisfied through feedback and solutions to them have scored a mean of 3.32 with standard deviation of 1.085. GTH plc customers switch to other competitors who provide more attractive products all the time scored a mean of 3.06 with standard deviation of 1.205, whether they feel proud to be customers of this company scored a mean of 3.74 with standard deviation of .924. As inferred from table 4.3 above, all the items related to loyalty were found to be rated above average of the Likert scale. Accordingly, the distribution of respondents on their perception with regards to the personnel of this company use of an easy to understand language while giving service, what makes this company different from its rivals is that it can make good relationships with its customers, reliability of company, customers recommend this company to their friends and acquaintances, customers consider themselves to be loyal customer of this company and customers feel proud to be customers of this company having a mean value of 3.67,3.59,3.93,3.68,3.91 and 3.74 respectively are as the most significant variables of customer loyalty . Herein, it shows that majority of the respondents agreed on the given statements

As the information obtained through interview with the customers of Guna trading House plc, Customer relationship tools and techniques are set out according key customer account information. The Company uses its own database to file customer information and transform data into meaningful information. The other key form of CRM process are working with the help of regular advertisement, inside the company consultation, on time feedback, need based service offer. These are the most useable tools that the company should keeping to create CRM system with its customers. Yet, to improve the customer relationship management respondents mentioned that the company should train its staff to make them more interactive and customer focused. The company should develop its brand image, provide regular bonus and award scheme for its loyal customers and keep trying to continuously develop the technology based customer service system.

#### **4.5.2. Perception of respondents towards the dimension of store management**

Baker (1986) believed that the layout of the store could generate exclusive emotional impact on customers which increase the chances to purchase more. According to him there are three categories which constitute environmental factors. These factors are; ambient cues, design cues and social cues. Ambient cues are the surroundings that have impact on customer's mood such as temperature, music and light etc. Design cues are visible elements like style, layout and architecture etc. that attract customers. Social cues are associated with interaction between customers and employees which greatly affect customer perception about the store.

**Table 4.5: Descriptive statistics of Store management**

No	Variables of store management	frequency/percentage					Mean	St.D
		Strongly disagree	Disagree	Neutral	Agree	strongly age		
1	The location of stores are easily accessible to the customers	18(26.1%)	16(23.2%)	10(14.49%)	19(27.5%)	6(8.7%)	2.69	1.363
2	The items in the store are arranged in the way of attractive to the customers	4(5.8%)	22(31.9%)	11(15.94%)	24(34.8%)	8(11.6%)	3.15	1.175
3	The store is clean and neat	2(2.9%)	23(33.3%)	18(26.1%)	23(33.3%)	3(4.3%)	3.03	.985
4	The store has a spacious layout	4(5.8%)	23(33.3%)	9(13%)	27(39.1%)	6(8.7%)	3.12	1.153
5	The store has a good variety of goods	3(4.3%)	20(29%)	14(20.3%)	27(39.1%)	5(7.2%)	3.16	1.066
6	The store has high availability of staff for handling queries	3(4.3%)	17(24.6%)	13(18.8%)	28(40.6%)	8(11.6%)	3.31	1.110
7	The store is well organized	7(10.1%)	20(29%)	15(21.7%)	24(34.8%)	3(4.3%)	2.94	1.110
8	The store has a good assortment	5(7.2%)	18(26.1%)	22(31.9%)	21(30.4%)	3(4.3%)	2.99	1.022
9	The company assigns a staff member of the appropriate level to control and manage the property items issuing to customers	2(2.9%)	18(26.1%)	19(27.54%)	23(33.3%)	7(10.1%)	3.23	1.064
	Average mean						3.06	

**Source:** Primary Data, 2015

The descriptive statistics of mean scores and standard deviations of the nine variables of store management are listed in table 4.5 above. Accordingly, in the company, location of stores are



easily accessible to the customers and has scored a mean of 2.69 with standard deviation of 1.363, the items in the store are arranged in an attractive manner to the customers and has scored a mean of 3.15 with standard deviation of 1.175. The store is clean and neat and has scored a mean of 3.03 with standard deviation of .985. The store has a spacious layout scored a mean of 3.12 with standard deviation of 1.153. The store has a good variety of goods scored a mean of 3.16 with standard deviation of 1.066. The store has high availability of staff for handling queries with a mean score of 3.31 and standard deviation of 1.110. The store has a good assortment scored a mean of 2.99 with standard deviation of 1.022. The company assigns a staff member of the appropriate level to control and manage the property items issuing to customers scored a mean of 3.23 with standard deviation of 1.064. The respondents were in agreement that the items in the store are arranged in an attractive manner to the customers, the store has a spacious layout, the store has a good variety of goods, the store has high availability of staff for handling queries and the company assigns a staff member of the appropriate level to control and manage the property as the most crucial variables of store management to achieve loyal customers and market performance of the company having mean value 3.15, 3.12, 3.16, 3.31, and 3.23 respectively. But, the results inferred in the above table implies that still there were tasks that the company has to do on the above mentioned aspects of the location of stores and creating well organized stores in order to improve the market performance having mean value 2.69 and 2.94 respectively.

As the information obtained through interview with the customers of the company indicated that the availability for the senior officer in the service area to listen the customer problem plays a vital role in providing quality service.

### 4.5.3. Perception of respondents towards service quality

Quality can be defined as suitability of the product for use, or the degree to which a product effectively serve consumer needs. Customer service is the process which the organization performs keeping in view the emergent competition and for increasing profitability and better access to customers in order to increase their satisfaction and loyalty Service quality can be measured through comparison between customer's expectation and actual performance of the product . Goffin and Price (1996) stated that customer service is very important because it increases product quality, helpful in achieving competitive advantage, boosts up profits, and consequently increases sales and revenues for the company.

**Table 4.6: Descriptive statistics of Service deliver quality**

No	Variables of Service delivery	frequency/percentage					Mean	St.D
		Strongly disagree	Disagree	Neutral	Agree	strongly agree		
1	I am satisfied with the quality of GTH plc services	1(1.4%)	9(13.%)	8(11.6%)	40(58%)	11(15.9%)	3.74	.934
2	When I have experienced unforeseen or critical situations ,the GTH plc has managed these in a satisfactory manner	1(1.4%)	12(17.4%)	24(34.8%)	24(34.8%)	8(11.6%)	3.39	.969
3	I trust that the company informs me about new products/services	2(2.9%)	10(14.5%)	10(14.5%)	30(43.5%)	17(24.6%)	3.74	1.087

4	The company understands my needs	3(4.3%)	11(15.9%)	14(20.29%)	31(44.9%)	10(14.5%)	3.50	1.072
5	The company follows up in a timely manner customer request	5(7.2%)	20(29%)	8(11.6%)	29(42%)	7(10.1%)	3.19	1.179
6	I appreciate the courteous treatment	1(1.4%)	9(13.%)	12(17.4%)	36(52.2)	11(15.9%)	3.68	.947
7	Employee's use of required skills and knowledge to answer customers questions	4(5.8%)	7(10.1%)	12(17.4%)	36(52.2%)	10(14.5%)	3.59	1.048
8	The response to the customers' complaint is always taken quickly	5(7.2%)	13(18.8%)	25(36.2%)	19(27.5%)	7(10.1%)	3.14	1.075
9	The company has clear complaint handling policy and procedure	0(0%)	13(18.8%)	28(40.6%)	19(27.5%)	9(13%)	3.35	.937
10	If is no possible to respond quickly, the company will provide an explanation for the delay	5(7.2%)	11(15.9%)	22(31.9%)	24(31.8%)	7(10.1%)	3.25	1.077
11	The employees have great responsibility and accountability for the service delivery	3(4.3%)	6(8.7%)	10(14.5%)	37(53.6%)	13(18.8%)	3.74	1.010
12	The front staff gives much attention and prompts services to the customers	3(4.3%)	2(2.9%)	12(17.39%)	38(55.1%)	14(20.3%)	3.85	.935

13	The front employees have high degree of understanding for the needs of customers	1(1.4%)	7(10.1%)	13(18.8%)	34(49.3%)	14(20.3%)	3.77	.942
14	The employees are committed and skilled for the service delivery	3(4.3%)	4(5.8%)	9(13%)	38(55.1%)	15(21.7%)	3.84	.980
15	Employees wear attractive clean and pleasant appearance	4(5.8%)	4(5.8%)	15(21.7%)	35(50.7%)	11(15.9%)	3.65	1.012
16	A company has a mechanism to measure to customer satisfaction	6(8.7%)	9(13%)	24(34.8%)	22(31.9%)	8(11.6%)	3.25	1.104
17	I take the shortest time while I purchasing	8(11.6%)	15(21.7%)	9(13%)	28(40.6%)	9(13%)	3.22	1.268
18	The coordination between sales and service people is excellent	6(8.7%)	9(13%)	13(18.8%)	36(52.2%)	5(7.2%)	3.37	1.091
19	When I call, I am always connected to the right individual who can help me	1(1.4%)	6(8.7%)	13(18.8%)	37(53.6%)	12(17.4%)	3.78	.895
20	The company's personnel have a thorough knowledge of products, services and policies	2(2.9%)	11(15.9%)	15(21.7%)	33(47.8%)	8(11.6%)	3.49	.994
21	I know exactly who to contact when I have	2(2.9%)	8(11.6%)	11(15.9%)	35(50.7%)	13(18.8%)	3.71	1.001

questions or a need for information								
Average mean							3.53	

**Source:** Primary Data 2015

As it can be seen in the table 4.6 above, the respondents rated their agreement with regards to the quality of GTH plc services and scored a mean of 3.74 with standard deviation of .934. When the customer experienced unforeseen or critical situations, the GTH plc has managed these in a satisfactory manner and has scored a mean of 3.39 with standard deviation of .969. Customers trust that the company informs about new products/services and scored a mean of 3.74 with standard deviation of 1.087. The company understands the needs of customers and has scored a mean of 3.50 with standard deviation of 1.072. The company follows up in a timely manner customer request has scored a mean of 3.19 with standard deviation of 1.179. Appreciation of the courteous treatment scored a mean of 3.68 with standard deviation of .947, employee's use of required skills and knowledge to answer customers questions scored a mean of 3.59 with standard deviation of 1.048. The response to the customers' complaint is always taken quickly and scored a mean of 3.14 with standard deviation of 1.075. The company has clear complaint handling policy and procedure and scored a mean of 3.35 with standard deviation of .937. If it is no possible to respond quickly, the company will provide an explanation for the delay has scored a mean of 3.25 with standard deviation of 1.077. The employees have great responsibility and accountability for the service delivery scored a mean of 3.74 with standard deviation of 1.010. The front staff gives much attention and prompt services to the customers scored a mean of 3.85 with standard deviation of .935. The front line employees have high degree of understanding for the needs of customers scored a mean of 3.77 with standard deviation of .942. The employees are committed and skilled for the

service delivery has scored a mean of 3.84 with standard deviation of .980. Employees wear attractive clean and pleasant appearance scored a mean of 3.65 with standard deviation of 1.012. The company has a mechanism to measure customer satisfaction scored a mean of 3.25 with standard deviation of 1.104. Customers take the shortest time while purchasing scored a mean of 3.22 with standard deviation of 1.268. The coordination between sales and service people is excellent and has scored a mean of 3.37 with standard deviation of 1.091. When customers call, he/she is always connected to the right individual who can help them has scored a mean of 3.78 with standard deviation of .895. The company's personnel have a thorough knowledge of products, services and policies scored a mean of 3.49 with standard deviation of .994.

A customer knows exactly who to contact when he/she has questions or a need for information scored a mean of 3.71 with standard deviation of 1.001. The respondents indicated their high level of agreement for the variables of service delivery on: the front staff gives much attention and prompts services to the customers, the employees are committed and skilled for the service delivery, customers satisfied with the quality of GTH plc services, customers trust that the company informs them about new products/services, the employees have great responsibility and accountability for the service delivery, the front employees have high degree of understanding for the needs of customers. When a customer calls, he/she is always connected to the right individual who can help him/her and they know exactly whom to contact when they have questions or a need for information. This implies that employees of the company are committed to give prompt service to their customers and this brings a positive impact on customer loyalty and market performance.

As information gathered through interview with customers of Guna Trading House plc that indicated effective communication is a critical component of customer service. Customer service efforts are designed to ensure the prompt and efficient delivery of quality products and services to customers, as well as the effective recovery from any service-related issues that may arise. In dealing with customers, communication is the key in the field of relationship management. It is the vital instrument to exchange views and ideas of both parties and it can bring happiness and success for both parties.

#### 4.5.4. Perception of respondents towards the dimension of product

A product is anything that can be offered to a market to satisfy a need or want (Kotler Philip 1997, p.431). A product can be categorized as consumer products and ‘industrial products’. Consumer products are finished products offered to the end-user while the industrial products are products that are bought by other companies in order to make another product or sell them to obtain a profit. Consumer goods can be identified in forms of convenience goods, shopping goods, specialty goods, and unsought goods on the basis of their consuming pattern, and frequency of buying (*Lancaster Geoff and Reynolds Paul 1995, p.95*).

**Table 4.7: Descriptive statistics of Product**

No	Variables of product	frequency/percentage					Mean	St.D
		Strongly disagree	Disagree	Neutral	Agree	strongly agree		
1	I get the right mix of the company’s products and services in front of me at the	5(7.2%)	12(17.4%)	15(21.74%)	31(44.9%)	6(8.7%)	3.31	1.096

	right time							
2	The quality of GTH plc products and services has improved from time to time	4(5.8%)	11(15.9%)	15(21.7%)	32(46.4%)	7(10.1%)	3.39	1.060
3	I am satisfied by the range of products or services offered by the company	2(2.9%)	12(17.4%)	20(28.99%)	27(39.1%)	9(13%)	3.43	1.027
4	I prefer unique and different products	4(5.8%)	6(8.7%)	5(7.2%)	27(39.1%)	27(39.1%)	3.97	1.163
5	The company's product design and features are innovative.	4(5.8%)	16(23.2%)	20(28.99%)	23(33.3%)	6(8.7%)	3.16	1.081
6	Uniqueness in products often increases the demand of that particular product	4(5.8%)	4(5.8%)	7(10.1%)	29(42%)	25(36.2)	3.97	1.111
7	Availability of products enhances my selling power and hence it encourages me to be loyal	3(4.3%)	6(8.7%)	8(11.59%)	30(43.5%)	22(31.9)	3.91	1.089
8	Designing and customizing the products according to customer needs creates exit barrier	3(4.3%)	5(7.2%)	10(14.5%)	31(44.9%)	20(29%)	3.87	1.056
9	The firm offers suggestions and ideas about products and services	1(1.4%)	14(20.3%)	14(20.3%)	30(43.5%)	10(14.5%)	3.49	1.024
10	I never receive product that is	11(15.15%)	15(21.7%)	16(23.2%)	20(29.5)	7(10.1%)	2.96	1.254



	poorly packaged or mislabeled							
11	The company's packaging fully meets my merchandising needs	8(11.6%)	19(27.5%)	15(21.74%)	21(30.4%)	6(8.7%)	2.97	1.197
12	The scope of the company's product line meets my needs	8(11.6%)	19(27.5%)	15(21.7%)	21(30.4%)	6(8.7%)	3.46	.888
13	All products I receive are packaged and labeled according to specifications.	4(5.8%)	24(34.8%)	14(20.3%)	20(29%)	7(10.1%)	3.03	1.137
14	When I think of product quality, I think of GTH plc first	4(5.8%)	11(15.9%)	15(21.7%)	27(39.1%)	12(17.4%)	3.46	1.132
	Average mean						3.46	

**Source:** Primary Data, 2015

As it can be seen in the table 4.7, the respondents rated their agreement with regards to getting the right mix of the company's products and services at the right time has scored a mean of 3.31 with standard deviation of 1.096. The quality of GTH plc products and services has improved from time to time and has scored a mean of 3.39 with standard deviation of 1.060. Satisfaction by the range of products or services offered by the company has scored a mean of 3.43 with standard deviation of 1.027. Customers prefer unique and different products have scored a mean of 3.97 with standard deviation of 1.163. The company's product design and features are innovative and has scored a mean of 3.16 with standard deviation of 1.081. Uniqueness in products often increases the demand of that particular product and scored a mean of 3.97 with standard deviation of 1.111. Availability of products enhances selling power and hence it encourages to be loyal has

scored a mean of 3.91 with standard deviation of 1.089. Designing and customizing the products according to customer needs creates exit barrier and has scored a mean of 3.87 with standard deviation of 1.056. The firm offers suggestions and ideas about products and services has scored a mean of 3.49 with standard deviation of 1.024. Customers never receive product that is poorly packaged or mislabeled has scored a mean of 2.96 with standard deviation of 1.254. The company's packaging fully meets customer merchandising needs has scored a mean of 2.97 with standard deviation of 1.197. The scope of the company's product line meets customer needs scored a mean of 3.46 with standard deviation of .888. All products received are packaged and labeled according to specifications has scored a mean of 3.03 with standard deviation of 1.137. When a customer thinks of product quality, he/she think of GTH plc first scored a mean of 3.46 with standard deviation of 1.132. As it can be seen from table 4.6 majority of the items related to product were found to be rated above average of the Likert scale. Accordingly, the result of all sub-construct variables i.e customers prefer unique and different products, uniqueness in products often increases the demand of that particular product, availability of products enhances selling power and hence it encourages to be loyal, designing and customizing the products according to customer needs creates loyalty having a mean score 3.97, 3.97, 3.91 and 3.87 respectively. This shows the majority of the respondents agreed that all those variables are important variables of product that can play a vital role for achieving market performance of the company. But, the results in the above table indicate that still there are tasks that the company has to do on the above mentioned aspects of product packaging and labeling in order to improve the market performance having mean value 2.96 and 2.2.97 respectively.

As information gained through the interview with customers of the company indicated that meeting customer expectations is the most valuable part of customer satisfaction. A satisfied customer is one that has had their expectations met. To do this, the company must make sure its deliver a consistent level of service that is based on the key areas it has set for each customer when the company set expectations. The goal here is to not just meet customer expectations; it should be to 'wow' customers and exceed them. When the company exceeds expectations, it creates an experience that the customer remembers. This experience is often passed onto friends which generates word of mouth referrals and can help create a positive impression of the company.

#### **4.5.5. Perception of respondents towards the dimension of price**

In general terms price is a component of an exchange or transaction that takes place between two parties and refers to what must be given up by one party (i.e., buyer) in order to obtain something offered by another party (i.e., seller). Yet this view of price provides a somewhat limited explanation of what price means to participants in the transaction. In fact, price means different things to different participants in an exchange. Price is important to marketers because it represents marketers' assessment of the value customers see in the product or service and are willing to pay for a product or service.

Adjusting the price has a profound impact on the marketing strategy, and depending on the price elasticity of the product, it will often affect the demand and sales as well. Pricing contributes to how customers perceive a product or a service

**Table 4.8: Descriptive statistics of Price**

No	Variables of price	frequency/percentage					Mean	St.D
		Strongly disagree	Disagree	Neutral	Agree	strongly agree		
1	The company offers good price discounts to its customers	2(2.9%)	15(21.7%)	14(20.3%)	33(47.8%)	5(7.2%)	3.35	.997
2	Price quotes are provided quickly and accurately	2(2.9%)	16(23.2%)	22(31.88%)	24(34.8%)	5(7.2%)	3.21	.986
3	The company provides good credit terms to its customers	1(1.4%)	11(15.9%)	18(26%)	24(34.8%)	15(21.7%)	3.60	1.053
4	The company offers fair price compare to its competitors	1(1.4%)	16(23.2%)	11(15.9%)	31(44.9)	10(14.5%)	3.48	1.052
5	The company payment period is suitable to me	2(2.9%)	16(23.2%)	13(18.8%)	26(37.7%)	12(17.4%)	3.43	1.118
6	The company offers competitive price to its customers	2(2.9%)	17(24.6%)	13(18.8%)	27(39.1%)	10(14.5%)	3.39	1.114
	Average mean						3.41	

**Source:** Primary Data, 2015

Table 4.8 illustrates the perception of the respondents towards price. Accordingly, the company offers good price discounts to its customers scored a mean of 3.35 with standard deviation of .997. Price quote are provided quickly and accurately has scored a mean of 3.21 with standard deviation of .986. The company provides good credit terms to its customers scored a mean of 3.60 with standard deviation of 1.053. The company offers fair

price compared to its competitors has scored a mean of 3.48 with standard deviation of 1.052. The company payment period is suitable to its customers has scored a mean of 3.43 with standard deviation of 1.118. The company offers competitive price to its customers has scored a mean of 3.39 with standard deviation of 1.114. As it can be seen from table 4.8 above all the items related to price were found to be rated above average of the Likert scale. Accordingly, respondents rated their high agreement to: the company provides good credit terms to its customers, the company offers fair price compare to its competitors and the company payment period is suitable to customers having mean value 3.60,3.48 and 3.43 respectively are the most decisive variables that influence the marketing performance of the company.

#### **4.5.6. Perception of respondent towards the dimension of place/distribution channel**

Place is the element of the marketing mix that ensures that the product is distributed and made conveniently available for the consumer - at the right location at the right time. It is imperative that, when the consumer comes into the store to purchase a product, that product is readily available without any difficulty. Whenever consumers are faced with issues involving the availability of a product, it's almost certain that they will take their business somewhere else. This is why it is so important the product makes it to the right place at the right time. <https://www.google.com>, (March10,2015)

Place is not just a point of sale, it is about the total channel of distribution and a consideration the value chain from raw materials through to the customer. As such it is one of the most vital areas in terms of the process aspect of the extended marketing mix. So when

considering place we need to think about a channel of distribution which comprises a set of institutions which perform all of the activities utilized to move a product and its title from production to consumption, Bucklin (1966) cited on Whaley Andrew and bookboon.com (2010)

**Table 4.9: Descriptive statistics of place/distribution channel**

No	Variables of place/distribution channel	frequency/percentage					Mean	St.D
		Strongly disagree	Disagree	Neutral	Agree	strongly agree		
1	The location of the company is convenient to its customers	25(36.2%)	14(20.3%)	6(8.7%)	18(26.1%)	6(8.7%)	2.51	1.431
2	The company has agents or distributors selling in other territories	0(0%)	15(21.7%)	14(20.29%)	30(43.5%)	10(14.5%)	3.51	1.000
3	Customers are near a retailer that is selling the product	3(4.3%)	18(26.1%)	19(27.54)	22(31.9%)	7(10.1%)	3.18	1.078
4	The company has a website or shop selling to offer the products or services I want	4(5.8%)	23(33.3%)	14(20.3%)	21(30.4%)	7(10.1%)	3.06	1.136
5	I am satisfied with channels, coverage, assortments, locations, inventory and transportation of the company	5(7.2%)	18(26.1%)	22(31.9%)	20(29%)	4(5.8%)	3.00	1.043
6	The distribution channel strategies adopted by the company has led to increased customer satisfaction	4(5.8%)	14(20.3%)	20(28.99%)	24(34.8%)	7(10.1%)	3.24	1.081

Average mean							3.08	
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**Source:** Primary Data, 2015

As it can be seen in the table 4.9, the respondents rated their agreement with regards to the location of the company's convenience to its customers has scored a mean of 2.51 with standard deviation of 1.431. The company has agents or distributors selling in other territories has scored a mean of 3.51 with standard deviation of 1.000. Customers are near a retailer that is selling the product has scored a mean of 3.18 with standard deviation of 1.078. The company has a website or shop selling to offer the products or services has scored a mean of 3.06 with standard deviation of 1.136. Channels, coverage, assortments, locations, inventory and transportation of the company scored a mean of 3.00 with standard deviation of 1.043, and the distribution channel strategies adopted by the company has led to increased customer satisfaction has scored a mean of 3.24 with standard deviation of 1.081. The respondents rated their high level of agreement for the variables of place/distribution Channel on: the company has agents or distributors selling in other territories, Customers are near a retailer that is selling the product and the distribution channel strategies adopted by the company has led to increased customer satisfaction. But, the results in the above table indicate that still there are tasks that the company has to do on the above mentioned aspects of the location of the company and it should be convenient to its customers in order to improve the market performance of the company.

#### **4.5.7. Perception of respondents towards the dimension of promotion**

Promotion involves the function that marketer communicates with customers in order to acknowledge the product. Marketer needs to plan strategies to attract the present and

potential customers to the product. Product awareness with wholesalers, retailers, suppliers and others is made through various communication tools. Usually, customer awareness is developed through the company image and publicity. Simply the main objective of the marketing communication is the persuasion of customers to purchase products of the company. Marketer in the communication process identifies the target audience, set communication objectives, and designs communication channels for the promotion of the product. The message for the promotion is designed to get the attention, hold the interest, arouse desires, and to perform action to buy. What to say, how to say, and when to say' are answered by the format and the source of communication. Appropriate tools must be decided for the promotion. Generally popular tools are advertising, sales promotion, public relation and publicity, sales force and direct marketing.

**Table 4.10: Descriptive statistics of promotion**

No	Variables of promotion	frequency/percentage					Mean	St.D
		Strongly disagree	Disagree	Neutral	Agree	strongly agree		
1	The company's promotions are actions which allow the consumer to purchase a product	15(21.7%)	14(20.3%)	12(17.4%)	24(34.8%)	4(5.8%)	2.83	1.283
2	The company's promotion stimulates interest, trial or purchase of customers	14(20.3%)	15(21.7%)	11(15.9%)	25(36.2%)	4(5.8%)	2.86	1.275
3	The company's promotion usually encourage me to increase the level of my	16(23.2%)	14(20.3%)	13(18.8%)	23(33.3%)	3(4.3%)	2.75	1.265



	consumption							
4	The company's promotion has effects on various aspects of consumer's purchase decisions such as brand choice, purchase time & quantity	13(18.8%)	16(23.2%)	11(15.9%)	24(34.8%)	5(7.2%)	2.88	1.278
	Average mean						2.82	

**Source:** Primary Data, 2015

From the above table the company's promotions are actions which allow the consumer to purchase a product scored a mean of 2.83 with standard deviation of 1.283. The company's promotion stimulates interest, trial or purchase of customers has scored a mean of 2.86 with standard deviation of 1.275. The company's promotion usually encourages customers to increase the level of their consumption has scored a mean of 2.75 with standard deviation of 1.265, and the company's promotion has effects on various aspects of consumer's purchase decisions such as brand choice, purchase time & quantity scored a mean of 2.88 with standard deviation of 1.278. As it can be seen in the table 4.9, all the variables related to promotion were found to be rated below average of the Likert scale. Accordingly, the respondents indicated their low level of agreement for the variables of promotion on: the company's promotions are actions which allow the consumer to purchase a product, the company's promotion stimulates interest, trial or purchase of customers, the company's promotion usually encourage customers to increase the level of their consumption and the company's promotion has effects on various aspects of consumer's purchase decisions such as brand choice, purchase time & quantity. This implies that the promotion strategy of the company is poor. And this may negatively affect the market performance of the company.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION**

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In this chapter summary, conclusions of the research findings that have been analyzed and discussed in the previous chapter are briefly presented. Furthermore, based on the findings of the study possible recommendations are made.

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### **5.1. Summary**

The main objective of this study was to investigate the impact of customer relationship management on customer loyalty and market performance with reference to Guna Trading House plc in Addis Ababa city. In this study, the researcher has collected primary data from customers of the case studied organization, using two most common and appropriate research methods, namely structured personal and telephone interviews and questionnaire survey.

Regarding the reliability of the questionnaire table 4.2 illustrates that all the quaternaries were reliable and acceptable with Cronbach's Alpha result 0.950. With respect to the demographic information of the respondents, table No 4.3 indicates majority of the respondents (66.7%) were male and (33.3%) were female and table No 4.3 also shows that majority of the respondents are younger (at the age between 31-40 years old). Moreover, table No 4.3 indicates majority of the respondents (63.8%) are degree holders, 11.6 percent are post graduate and 11.6 percent of the respondents are others.

CRM has been considered as one of the most relevant and appropriate issues to explore and analyse to create loyal customers to Guna Trading House plc. From the findings there was a positive perception among the respondents and they agreed that Customer Relationship

Management influences loyalty of customers. The respondents also agreed that Guna Trading House plc relates with Customers in various ways that is indicated in table 4.4 with average mean 3.53. This implies that increasing number of loyal customers has been a result of reliable Customer relationship management.

Also it was discovered from the findings of this study shown in table No.4.5 most of the respondents agreed with the dimensions of proper store management by giving the average scale (average mean 3.06).

The results from the findings of this study shows in table No.4.6 that all of the respondents agree with the dimensions of service quality and gave (average mean 3.53). This implies that increasing number of loyal customers has been a result of offering reliable and quality service.

Furthermore, the findings of this study indicated in table No.4.7 shows majority of the respondents agreed with the dimensions of product and gave (average mean 3.46).

The results from the findings of this study indicated in table No.4.8 shows that all of the respondents are agree with the dimensions of price and had a score of average mean 3.41.

The findings of this study indicated in table No.4.9 also shows majority of the respondents agreed with the dimensions of place/distribution channel and gave a score of average mean 3.08.

In addition, the results of the findings of this study shows in table No.4.10; all of the respondents agree with the dimensions of promotion and the score was average mean of 2.82. The way Guna Trading House plc implements its ways of promotion strategies has a low impact on market performance.

## **5.2. Conclusions**

The objective of this study was to investigate the impact of customer relationship management on customer loyalty and market performance in Guna Trading House plc. During the investigation the researcher used descriptive statistics and based on the findings she made the research project to an end by outlining the following conclusions.

The findings of the study showed that Guna Trading House plc has good customer relationship management with better perception on loyalty, store management, service quality, product, and price. Therefore, the researcher can convincingly conclude that the concept of customer relationship management is well practiced by the selected company from customer loyalty, store management, product management, service quality and price management point of view and the customers were able to relate them with loyalty and market performance. However, as the result of the finding shows the company's customers perception were on average in terms of place/distribution channel. And still the customers have low level perception for promotion strategy of the company.

Based on the results of the descriptive statistics, it is pertinent to conclude that the higher the level of customer loyalty, service quality, store management and marketing

mix(product,price,place/distribution channel and promotion) perceived by customers, the higher level of market performance can be achieved by the selected company.

### **5.3. Recommendation**

This study has demonstrated the influence of customer relationship management on customer loyalty and market performance in the case study Guna trading company with in the area of Addis Ababa city. In light of the findings and conclusions made above, the following possible recommendations are suggested as being valuable to the company for improving customer relationship management activities to assure customer and market performance.

In the selected company the activities of customer relationship management (loyalty, service quality, store management and marketing mix such as product, price, place/distribution channel and promotion) have to be enhanced and reinforced in order to keep and increase customer loyalty and market performance. This can be enhanced and developed through the following:

- ✓ The selected company has to improve the level of creating loyal customers by fulfilling customer needs, working with loyal customers, increasing its ability to meet its promises, fulfilling obligation, providing consistent quality services and continuously delivering superior and added value for loyal customers.
- ✓ The selected company has to improve the level of store management, by establishing good store management practice, suitable store location, well trained and motivated employees, and ability to handle customers.
- ✓ The selected company has to improve the level of service quality through maintain comprehensive databases of customers to improve their services, necessary hardware and

software facilities to address the dynamic need of customers towards advancement of servicing technologies, technical personnel support for utilization of computers and servicing technologies to improve the capability of employees about the technologies.

- ✓ The selected company has to improve the level of marketing mix (product, price, place/distribution channel and promotion) by continuously improving the marketing strategies to be profitable in the market since the industry is currently facing stiff competition

Generally, the selected company has to implement customer relationship management appropriately and continuously as an indispensable tool for gaining competitive advantage and build long-lasting and profitable relationships with its customers in order to achieve customer loyalty and market performance.

#### **5.4. Limitation**

There were some limitations the researcher faced during conducting this research. Most important difficulty the researcher faced was getting an appointment in order to conduct interview with Guna Trading House plc customers. Again, due to the time constraints more interview could not have been made which could have been more informative. Moreover, the representation of the customers was also not wide.

## **5.5. Future studies**

There are many avenues for further research while pursuing the purpose of this thesis. Many ideas continued to present themselves throughout the entire study. Below are some recommendations of possible related studies:

- ✓ Expand the investigation to more than one company in different areas in order to obtain a broader view and analysis.
- ✓ Focus on a more popular and well-known industry so that the study can be read and used by more companies.
- ✓ Conduct an in-depth study about the profitability of loyal customers in comparison to the costs of retaining them.
- ✓ A specific study on which customers are most likely to respond to special offers:
- ✓ Another important thing direction of this research is it will lead to conduct future research in the role of the relationship management underpinnings and overall quality of other merchandising firms and creation of customer loyalty.

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# Appendices

## Appendix I

**Indra Gandhi National Open University (IGNOU)**  
**School of Management studies**  
**Post Graduate Program in Business Administration**  
**Questionnaire to be filled by customers**

**Dear Respondents:-**

The purpose of this questionnaire is to collect primary data for conducting a study on the topic, Impact of Customer Relationship Management on customer Loyalty and Market performance, practices at a case study Guna Trading House plc. In this regard your highly esteemed responses for the question are extremely important for successful completion of my thesis which I am conducting as a partial fulfillment of the requirements for the degree of Masters of Business Administration (MBA) at Indra Gandhi National Open University (IGNOU).

Finally, be assure that all information appearing herein will kept strictly confidential and will be used for academic purpose only.

*General Instructions*

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

**PART I: customer type (customer category)**

Business customer  individual customer

**PART II: Demographic Information**

1. Sex: Male  Female

2. Age:

Under 20 years  21-30 years  31-40 years  41-50 years   
 above 50 years

3. Education level:

Elementary school  High school  undergraduate  postgraduate   
 other

**PART III: Please give your opinion of the following questions by ticking the most appropriate answer:**

**1 = strongly disagree 2 = disagree 3 = Neutral 4 = Agree 5 = strongly agree**

No	Perceptions of respondents towards the impact of CRM on customer loyalty and market performance dimensions	Agreement scale				
		1	2	3	4	5
	<b>Customer Loyalty</b>					
1	The company respects customers needs					
2	I feel safe on the delivery of services					
3	The company contributes effort to its customers' sales/image					
4	The company is consistent with strategy of its customers					
5	The personnel of this company are sincere, helpful and kind					
6	The personnel of this company understands quickly and fulfill them immediately					
7	The personnel of this company use an easy to understand language while giving service					
8	The company contacts with me and informs about new campaign and products					
9	What makes this company different from its rivals is that it can make good relationships with its customers					
10	The personnel of this company have enough experience and knowledge					
11	I find this company very reliable					
12	In critical cases, this company is capable of overcoming the state of in the best manner					

13	I recommend this company to my friends and acquaintances						
14	I consider myself to be the loyal customer of this company						
15	I do not think of changing this company easily						
16	The products and services offered by this company meet my needs						
17	The needs of customers are satisfied through feedback and solutions to them						
18	GTH plc customers switch to other competitors who provide more attractive products all the time						
19	I feel proud to be a customer of this company						
	<b>Store management</b>						
20	The location of stores are easily accessible to the customers						
21	The items in the store are arranged in the way of attractive to the customers						
22	The store is clean and neat						
23	The store has a spacious layout						
24	The store has a good variety of goods						
25	The store has high availability of staff for handling queries						
26	The store is well organized						
27	The store has a good assortment						
28	The company assigns a staff member of the appropriate level to control and manage the property items issuing to customers						
	<b>Service delivery</b>						
29	I am satisfied with the quality of GTH plc services						
30	When I have experienced unforeseen or critical situations ,the GTH plc has managed these in a satisfactory manner						
31	I trust that the company informs me about new products/services						
32	The company understands my needs						
33	The company follows up in a timely manner customer request						
34	I appreciate the courteous treatment						
35	Employee's use of required skills and knowledge to answer customers questions						

36	The response to the customers' complaint is always taken quickly						
37	The company has clear complaint handling policy and procedure						
38	If is no possible to respond quickly, the company will provide an explanation for the delay						
39	The employees have great responsibility and accountability for the service delivery						
40	The front staff gives much attention and prompts services to the customers						
41	The front employees have high degree of understanding for the needs of customers						
42	The employees are committed and skilled for the service delivery						
43	Employees wear attractive clean and pleasant appearance						
44	A company has a mechanism to measure to customer satisfaction						
45	I take the shortest time while I purchasing						
46	The coordination between sales and service people is excellent						
47	When I call, I am always connected to the right individual who can help me						
48	The company's personnel have a thorough knowledge of products, services and policies						
49	I know exactly who to contact when I have questions or a need for information						
	<b>product</b>						
50	I get the right mix of the company's products and services in front of me at the right time						
51	The quality of GTH plc products and services has improved from time to time						
52	I am satisfied by the range of products or services offered by the company						
53	I prefer unique and different products						
54	The company's product design and features are innovative.						
55	Uniqueness in products often increases the demand of that particular product						
56	Availability of products enhances my selling power and hence it encourages me to be loyal						
57	Designing and customizing the products according to customer needs creates exit barrier						
58	The firm offers suggestions and ideas about products and services						
59	I never receive product that is poorly packaged or mislabeled						

60	The company's packaging fully meets my merchandising needs						
61	The scope of the company's product line meets my needs						
62	All products I receive are packaged and labeled according to specifications.						
63	When I think of product quality, I think of GTH plc first.						
	<b>price</b>						
64	The company offers good price discounts to its customers						
65	Price quotes are provided quickly and accurately						
66	The company provides good credit terms to its customers						
67	The company offers fair price compare to its competitors						
68	The company payment period is suitable to me						
69	The company offers competitive price to its customers						
	<b>Place\distribution channel</b>						
70	The location of the company is convenient to its customers						
71	The company has agents or distributors selling in other territories						
72	Customers are near a retailer that is selling the product						
73	The company has a website or shop selling to offer the products or services I want						
74	I am satisfied with channels, coverage, assortments, locations, inventory and transportation of the company						
75	The distribution channel strategies adopted by the company has led to increased customer satisfaction						
	<b>promotion</b>						
76	The company's promotions are actions which allow the consumer to purchase a product						
77	The company's promotion stimulates interest, trial or purchase of customers						
78	The company's promotion usually encourage me to increase the level of my consumption						
79	The company's promotion has effects on various aspects of consumer's purchase decisions such as brand choice, purchase time & quantity						

## **Appendix II**

### **Part IV: Questions for personal and telephone interview with Customers**

1. What is your view on the tools and techniques of CRM in the company?
2. Do you think the availability of the senior manager in order to discuss the issues required to bring attention to them is required to increase the service quality of the company?
3. How much do you think that the role of employees effective communications with the customers?
4. Do you think the company gives the customers more than their expectation?

**THANK YOU**

# PROJECT PROPOSAL

On

**IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT ON  
CUSTOMER LOYALTY AND MARKET PERFORMANCE: THE CASE  
OF GUNA TRADING HOUSE PLC**

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the requirement of Masters Business Administration**

**MS-100**

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**August, 2014, Addis Ababa, Ethiopia**

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## **1. Introduction**

### **1.1 Background of the study**

Customer relationship management (CRM) is considered as a holistic strategy that can help organizations to become customer oriented and as a valuable capability to remain stable in today's competitive business world. Understanding how to effectively manage customer relationships has become a very important topic to both academicians and practitioners in recent years. Also, organizations are realizing that customers have different economic value to the company and are subsequently adapting their customer offerings and strategies accordingly (Roya and Salmiah, 2010).

Customer relationship management is the establishment, development, maintenance and optimization of long term mutually valuable relationship between consumers and the organization (Berry, 1983). 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 (Fox, Stead, 2001). The concept of relationship interface is centered on where and how individuals and organizations exchange information whether informally as well as externally (Berry, 1983). It empirically means an organizations ability of getting in touch with both the internal and external customers in responsive and flexible manner (Abdullateef et al. 2010). The current global competitions threatened by the financial crises has continued the need for both manufacturers and services marketers to monitor how their customer feel about their goods and services, and particularly when there is enormous evidence in support of relationship managements as the alternative means of soling the global market fluctuation (Aihie 2007). However, there is a lack of research demonstrating how this capability supports organizations growth.

Developing a superior customer relationship management capability that is creating and managing close customer relationship is expected to be one of the most important sources of superior performance in today's competitive business environment (Day, 2002; Kale, 2004). Ramaseshan, et. al. (2006) pointed out that as the era of globalization continues to manifest through the emergence of global companies, the importance of customer relationship management in these companies has become increasingly significant. Ryals and Payne (2001) argue that CRM is more commonly used in the context of technology solutions and has been described as "information enabled relationship marketing" CRM is often misused with the term CRM technology (e.g. Reinartz et al., 2004; Bouling et al., 2005; Frow and Payne, 2009). Toe et al, (2006) articulate that organizations approach CRM differently, e g , some may view CRM as a technology tool while others may view it as an essential part of business. Hence, there is a need for a holistic approach by organization to integrate IT with its business processes and customer service delivery. Recent research has attempted to correct this over simplification by broadening the view of CRM and regarding it as a strategic method that focuses on development of profitable, long-term relationships with key customers by melding relationship marketing and information technology and aligning the organization to foster such relationships(Payne and Frow, 2005). Lim & Su, (2003) articulate that formulating CRM strategies can also create valuable marketing opportunities, increase customer value and enhance customer satisfaction in the pursuit of business excellence. CRM is otherwise known as loyalty (Srivastava, Shervani &Fahey, 1998; Thompson, 2002). Customer loyalty has been universally recognized as a valuable asset in competitive markets (Srivastava, Shervani &Fahey, 1998 ). It provides an ideal environment for this permission – based exchange of information, creating a competitive advantage and driving increase in profit (Bitner, 1995 in Sahoo 2011).

The purpose of marketing is to provide value to customers, satisfy them and build long term relationship with them (Kotler, 2005). All marketing efforts will be inadequate if the

firm's products fail to meet customer needs and wants. The only way left to the companies is to gain customer loyalty (Eakuru & Mat, 2008; Oliver, 1997). When company has loyal customers, it can have increased market share along with reduced operating cost (Aaker, 1997).

Francis Buttle (2009), Customer relationship management's impact in the commercial marketplace cannot be undervalued. Despite traditional economic theory on market entry and pricing prescribing that enterprises should engage customers through prefabricated reactions and interactions given the customer event taking place, the nature, impact and reach of the power of enriching customer experiences has emerged in 2008. Yet, one of the most common mistakes made by global companies is to view CRM as solely a technology or business challenge. CRM is first and foremost a business strategy that can be effectively executed through the appropriate business process and technology management capabilities that best match to an organization's customer-facing goals.

Reichheld and Sasser (1990) stated that when there is 5% improvement in customer retention, it will result in a 25 to 75% increase in profit. Wills (2009) argued that to obtain new customers is costly more than 5 times than to retain the existing customers. Furthermore, loyal customers are helpful in increasing revenues in two ways. First, loyal customers are less sensitive to price and the premiums of loyal customers increase 8 % annually in the personal insurance industry (Reichheld & Teal, 1996). Second reason is that loyal customers make frequent purchases, also purchase other products of the firm on trial basis and convince other customers to buy from the same firm (Reichheld & Sasser, 1990).

## **1.2 Background of the case organization**

Guna Trading House PLC is a private limited company established according to the Ethiopian Commercial Code 510ff in 1992 G.C.

The Company is legally registered as "GUNA TRADING HOUSE PRIVATE LIMITED COMPANY" and its trade mark is protected in the Ethiopian Patent Authority, certificate no.

4653 with paid up capital of USD 10 million and with an average annual turnover of USD 100 million. The Company has about 300 qualified and experienced permanent employees.

Its head quarter is located in Addis Ababa. The Company is mainly engaged in exporting agricultural products primarily sesame, natural gum and coffee spices among others.

It also imports industrial products such as Tyre, Re-enforcement bar, Timber, Bitumen, Chemical, Cash register etc and distributes locally produced goods such as footwear, garment, and particle board and textile products among others.

Guna Trading House PLC is committed to participate in socially responsible corporate activities, ranging from providing philanthropy sponsorship of social programs as well as events, to funding environmental preservation and other indispensable projects deemed beneficial to the society. In this regard, it has undertaken commendable activities, which are manifested in various forms, such as environmental greening projects, construction of school, sponsoring sport teams, managing its own sport club, empowering small and micro enterprises through extending inputs on credit basis, donation and corporate volunteerism in community development activities and others. It is also closely affiliated with humanitarian and nonprofit making organizations such as Ethiopian Red Cross Society, Ethiopian Diabetics Association, War Veterans of Tigray and many more.

Guna is fully dedicated to implement its greening project, with a view to preserving ecological sustainability. To this end, it has allocated 3.5% of its planned annual profit to environmental protection activities, carried out at the mountains of Axum and Shire, located in the northern part of Ethiopia. Alongside this, it has engaged itself in planting natural gum trees in its own 30,000 hectares of nursery site, in order to ascertain the sustainability of the supply of Gum Olibanum and Gum Arabic to satisfy the export demand in this regard.

## 2. Rationale of the study

Whether enterprises can make their current customers loyal depends on whether they can manage the customer relationships well. As customers have grown to be more conscious consumers, enterprises have had to pay the prices of the errors and faults they do in customer relationships. The most important quality of the 1990s is that customers revealed their power then. They realized that they themselves had something to say and have themselves listened to. The firms, then, understood that they had to listen to their customers so as to be able to sustain their presence in the market. (Bozkurt, 2000) After the 2000s, with the increased use and effect of the internet and such platforms as discussion groups, customers had the opportunity to be more powerful and effective against the enterprises. Thus, enterprises noticed that they could only be successful if they adopted customer-based marketing.

As a result, customer relationship management is an approach that makes it necessary to form long-term relationships with customers for the purpose of increasing the profitability and productivity of the enterprise and to make use of technology for this purpose. The enterprises should pay attention to the following issues so as to improve their relationships with customers: (Holloway, 2002)

Recognizing the customers, Distinguishing the customers, Listening to the customers, Making all sorts of contacts with the customers, Enterprise identifying itself with the customer, Adapting to the customers.

Guna Trading House plc. has been offering its merchandise to different segments of customers and consumers. The customers and consumers have their own perception towards the merchandising service of Gana Trading House plc.

Hence, the study will identify the core attributes yet differentiated by the customers as unique to them in terms of the benefits they utilize. And identify these attributes for further strengthening so as to enable it to use competitive advantage in different market areas. Guna Trading House plc has been weak in exerting the maximum effort in the area of marketing and

of customer handling such as at the offering and delivering activities. So direction will also be identified on how to handle customers and marketing effort of Guna Trading House plc in imprint the merchandise in a better sustainable way in the mind of customers. The positive impact of loyalty on profitability is desirable organizational goal and Guna Trading must do be more improve service quality by perceiving and attending to customer to customer needs.

Location of Gana Trading House plc is not in the centre of the city which is in the border of the Addis Ababa city and the warehouses are scattered far away from the selling department.

The proximity factor have negative impact in its sales performance. To tackle the proximity factors, the main office or selling department should be put in the centre/highway of the city and the warehouses should be near the selling department as much possible to access the customers easily.

### **3. Problem statement**

Customer Relationship management is the strongest and the most efficient approach in maintaining and creating relationships with customers. Customer relationship management is not only pure business but also ideate strong personal bonding within people. Development of this type of bonding drives the business to new levels of success.

To make strong customer base is difficult in case where companies provide similar products. Guna merchandising company is facing the same problem besides customer oriented approach. In such cases, the only thing which is helpful in retaining and attracting customer is to build strong relationship with them. The aim of this study is to find out the role of customer relationship management by Guna Trading company on customer loyalty.

### **4. Research questions**

This research will try to address the following questions:

1. What is the impact of customer relationship management on customer loyalty?
2. What is the impact of stores management on customer loyalty?
3. What is the impact of service/delivery quality on customer loyalty?
4. What is the impact of marketing mix ( 4p<sub>s</sub>) such as product/service, price, place/distribution channel, promotion on customer loyalty?

## **5. Objectives of the study**

### **5.1 General objective of the study**

The main objective of this study is to investigate the impact of customer relationship management and its relational variables on customer's loyalty.

### **5.2 Specific objectives**

The specific objectives of the study are:

- a. To investigate the impact of customer relationship management on customer loyalty.
- b. To identify the impact of stores management on customer loyalty.
- c. To investigate the impact of service/delivery quality on customer loyalty.
- d. To determine the impact of marketing mix ( 4p<sub>s</sub>) such as product/service, price, place/distribution channel, promotion on customer loyalty?

## **6. Significance of the study**

CRM is the most powerful and well-organized move towards upholding and building relationship with the customers. For the growth of business, it is very important to build strong relationship with the customers. CRM is most important in case of merchandising firms as they are intangible and tangible value chain based. Relationship is the first thing on the basis of which customers judge the service. Marketers should know the importance of CRM and its role in creating loyalty.

## **7. Scope of the study**

This study is focused on the impact of customer relationship management on customers' loyalty in the merchandising firms. It is desirable to extend such a study to as many organizations as possible, but this is not possible because of time constrains. This study does not cover the whole merchandise delivering organizations in Ethiopia, but it only covers one selected organization Guna Trading House plc, Addis Ababa , Ethiopia.



## **8. Research Methodology**

### **8.1 Research type**

It is descriptive type of research. And this research will describe the existing impact of customer relationship management on customer loyalty and market performance of Guna Trading House plc.

### **8.2 Sampling technique**

The population of the study covers all customers and customer categories of Guna Trading House plc.in Addis Ababa. The research will involve those considered to be the sample population (representative customers) from all categories who will be selected using simple random sampling. A total of 80 respondent will be selected using random sampling from all customer categories.

### **8.3 Data collection**

Both primary & secondary sources will be used to collect the data required in achieving the research objectives collection primary data from customers through customer survey. Both the methods personal interview technique and telephone interview technique will be used with the measure emphasis on personal interview method. Interviews will be conducted through the structured questionnaire.

Secondary data will be collected from annual performance reports, customer survey and other records of Guna Trading. Besides, the secondary data will try on books, journals and literatures.

### **8.4 Data analysis**

The raw data will be classified and tabulated after ensuring that they carefully collected. This will be followed by analysis and interpretation of findings. For data analysis statistical data analysis tools such as mean, mode, standard deviation, frequency distribution and graphics will be used.

The data will be used in testing the entire problems. To analyze the data that shall be obtained, both quantitative and qualitative methods of data analysis will be used. Description of facts based on some statistical analysis and tabulation, frequency distribution and graphs will be used. In the analysis process Microsoft word will be used.

## **9. Organization of the Thesis**

It comprises the background, the problem statement, the research questions, the research objective and significance of the study. The second chapter deals with the literature review related to the tackled issues. The third chapter will be dedicated to the research methodology, and the methods used to obtain the relevant data for the study, the research design, the instruments, as well as the problems encountered in data collection from the study areas specifically in the merchandising company Guna Trading House plc. The fourth chapter deals with the presentation of data and their analysis. Finally, the fifth chapter presents the findings, conclusions and recommendations of the study.

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## 11. Schedule

### Research Work plan

The following table will summarize tentative major activities to conduct in the research study with respective timelines

No	Major activities	Timelines
1	Explanatory interviews (literature review)	July1,2014-July23,2014
2	Preparation of draft research proposal	July25,2014-Augsut14,2014
3	Review of draft research proposal	Augsut15,2014- Augsut18,2014
4	Literature review and questionnaire preparation	Augsut30,2014-September15,2014
5	Data collection	September16,2014- September25,2014
6	Data analysis and interpretation	September27,2014- October15,2014
7	Final report preparation	October16,2014-November27,2014
8	Final report submission	November 20,2014

## 12. Budget of the research project

No	Description cost item	UOM	quantity	Price/unit (ETB)	Total price (ETB)
1	Printing paper	ream	4	90.00	360.00
2	photocopy	pages	1500	1.00	1500.00
3	pen	pcs	10	5.00	50.00
4	printing	pages	250	1.50	375.00
5	Binding	each	4	15.00	60.00
6	Transportation Other expenses				1000.00
				<b>Total</b>	<b>3345.00</b>

