

# **The Impact of Relationship Marketing on Customer Loyalty in Banking Sector-Case of Dashen Bank SC**

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## **Abstract**

*The purpose of this paper is to explore the impact of relationship marketing on customer loyalty in banking sector in the case of Dashen Bank SC. The study considered five construct dimensions of relationship marketing such as, Trust, Commitment, Communication, Conflict handling and competence, to measure the customer loyalty of Dashen Bank SC. The researcher used both qualitative and quantitative research design, where much emphasis has been given for the latter. Among the various quantitative methods, the researcher used explanatory study, where emphasis is given on studying a situation or a problem in order to explain the relationship between variables. 15 (Fifteen) representative Area Banks was selected out of the total population based on judgmental (purposive) sampling technique and customer of the Bank are selected based on convenient random sampling technique. 250 customers were selected based on statistical formula developed by Danie (1999). The data collection instruments were adopted from some previous study Ndubisi&Wah (2005), which consists of 35(Thirty Five) items. Validity and Reliability test was conducted to check the consistency and dependability of the instruments and accordingly, all the components of relationship marketing considered under the present study was proven to be reliable, scoring an Alpha value greater than 0.70. The Pearson correlation test conducted between customer loyalty and RM components showed that, there is a significant positive association between them and the researcher also proved that the entire alternative hypothesis was well accepted. The regressions result confirmed that, the linear combination of all the components of relationship marketing considered under the present study was significantly contributed to the variance in the dependent variable customer loyalty. The ANOVA test result also confirmed that, the prediction powers of the RM components are found to be statistically significant. From the Beta coefficient result, the researcher obtained that, trust is found to be the most important variable in predicting the dependent variable customer loyalty, followed by conflict handling, Communication, commitment and competence.*

*Finally, the researcher concluded that in the case of Dashen Bank SC, components of relationship marketing has a significant positive impact on customer loyalty.*

**Keywords:** *Relationship marketing, customer loyalty, Trust, Commitment, communication, conflict handling competence*

## **1. Introduction**

The marketing environment has changed considerably over the past few decades ,and firms are increasingly attempting to build relationships with their customers to shield off competitors' offerings. Although relationship marketing (RM) had been practiced in the 1800s, it was the re-emergence of RM at the beginning of the 1990s that triggered a renewed focus on the part of both marketing practitioners and marketing academics on the potential value of relationships with customers (Sheth-

&Parvatiyar1995). Modern-day firms realize the value of long-term relationships with customers, and considerable evidence exists that validates the profit impact emanating from strong relationships (Barry *et al.* 2008), as cited by Edwin, T. and Nic, S (2009).

RM is essentially about building relationships at every point of interaction with the customer, with the intention to create various benefits for both the firm and the customer. The re-emergence of RM as an academic field has resulted in extensive research, with the concept being studied under a variety of constructs, such as networks and interaction, long-term interactive relationships and interactive marketing (Gummesson 1997; Möller&Halinen 2000). As the popularity of the RM concept increased, service marketers started to recognize the importance of building more sustainable and long-lasting relationships with their customers (Eisingerich& Bell 2007). Furthermore, Liang *et al.* (2009) found that an investment in customer relationships provides the basis for developing strategies for creating customer value, and that such strategies provide the foundation for sustainable competitive advantage, which in turn leads to solid financial performance. As cited by Edwin, T. and Nic, S (2009).

The financial services industry has undergone significant changes since the 1980s, and the forces of dynamic change are even more aggressively challenging today's financial institutions (Lee 2002). Increased competition in the financial services industry has forced role players within this industry to differentiate themselves from competitors (Farquhar 2004; Heffernan *et al.* 2008; Rajaobelina& Bergeron 2009). As cited by Edwin, T. and Nic, S (2009).

## **2. Theoretical Underpinning of the Study**

### **2.1 The basic concept of loyalty**

Loyalty is a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior (Oliver, 1999). Kotler defined the term loyalty as a lasting commitment to family, friends or country and believes that it initially entered to the marketing literature by emphasizing on brand loyalty (Ranjbaryan&Barari, 2009). One of the basic assumptions in relationship marketing is that long-term loyal customers are profitable. Storbacka *et al.* (1994) suggest that customer relationship profitability is achieved through a chain that starts with perceived value that creates customer satisfaction that, in turn, strengthens the relationships so that it lasts longer and thus becomes more profitable (palmer et al,2005). It is assumed that it is cheaper to keep an existing customer than to acquire a new one (Morgan&Hunt, 1994).As cited by, Mukhiddin, Deleep and Jalal (2012).

### **2.2 Stages of loyalty**

#### **2.2.1 Cognitive loyalty**

Cognitive loyalty is the information based on whether consumers look for costs, benefits, and quality during their purchasing decision process. Consumer may shift

to other stores, which can offer better process and benefits. For this study, cost and benefits are translated into perceived value while quality is based on perceived service quality. *Affective loyalty* – Affective loyalty involves both liking and experience satisfaction.

The issue of satisfaction and dissatisfaction has a direct influence on attitude and attitude change. At this stage, consumer loyalty is determined by information relating to the offering, such as price, quality, and so forth.

It is the weakest type of loyalty, since it is directed at costs and benefits of an offering and not at the brand itself. Therefore, consumers are likely to switch once they perceive alternative offerings as being superior with respect to the cost-benefit ratio (Kalyanaram and Little 1994; Sivakumar and Raj 1997). Cognitive loyalty is influenced largely by the consumer's evaluative response to an experience, in particular to the perceived performance of an offering relative to price (value). As cited by, Mukhiddin, Deleep and Jalal (2012).

### **2.2.2 Conative loyalty**

*Conative loyalty* - It is a loyalty state containing commitment to buy. One of the important dimensions is word of mouth, where the consumer not only would re-visit certain store or bank, but would also encourage relatives, friends and colleagues to patronize certain favored banks. At conative stage, customers will not only commit to buying but also come to trust the favored stores. *Action loyalty* - It is the habit and routinized response behavior. This loyalty category is particularly protected to competitor's marketing activities and would not spend time and effort in engaging information search and evaluation. Conative loyalty implies that attitudinal loyalty must be accompanied a particular brand. It is stronger than affective loyalty, but has vulnerabilities as well.

Repeated delivery failures are a particularly strong factor in diminishing conative loyalty. Consumers are more likely to try alternative offerings if they experience frequent service failures. Even though the consumer is conatively loyal, he has not developed the resolve to avoid considering alternative offerings (Oliver 1999). As cited by Mukhiddin, Deleep and Jalal (2012).

### **2.2.3 Affective Loyalty**

Affective loyalty relates to a favorable attitude towards a specific brand. Attitude itself is a function of cognition (e.g. Expectation). Satisfaction is a global affect evaluation or feeling state which can be predicted from perceived performance as the cognitive component of the evaluation (Oliver 1993; Phillips and Baumgartner 2002; Westbrook and Oliver 1991). Expectancy confirmation leads to satisfaction, which in turn effectuates affective loyalty (Bitner 1990).

Oliver (1997) defines satisfaction as “the consumer's fulfillment response, the degree to which the level of fulfillment is pleasant or unpleasant.” Affective loyalty is also subject to deterioration, caused primarily by an increased attractiveness of competitive offerings (Sambandam and Lord 1995) and an enhanced liking for competitive brands. This can be, for instance, conveyed through imagery and association used in competitive communications (Oliver 1999). As cited by, Mukhiddin, Deleep and Jalal (2012).

## **2.3 Dimensions of relationship marketing and loyalty**

### **2.3.1 Trust and Loyalty**

Liang and Wang (2006) states in this context that trust is “the perceived level of confidence in transaction partners’ reliability and honesty”. Trust is “the belief that a partner’s word or promise is reliable and a party will fulfill his/her obligations in the relationship” (Schurr and Ozanne, 1985). Trust is an important construct in relational exchange because relationships characterized by trust are so highly valued that parties will desire to commit themselves to such relationships (Hreinian, 1974).

### **2.3.2 Commitment and Loyalty**

Crosby and Taylor (1983) suggest that the tendency to resist changing preference provides the principle evidence of commitment. Beatty et al., (1988) define consumer commitment as the psychological attachment to a service that develops. A customer would be able to determine that their purchase behavior was derived from a sense of loyalty. A substantial research highlights that commitment is an affective nature (Garbarino & Johnson, 1991; Morgan & Hunt, 1994; Sheth & Parvatiyar, 2002). As cited by Mukhiddin, Deleep and Jalal (2012).

### **2.3.3 Conflict Handling and Loyalty**

In interpersonal communication, conflict occurs when an individual perceives incompatibility between his or her personal goals, needs, or desires and those of the other party. In dealing with conflict, people use different strategies to accomplish their goals. Dwyer et.al (1987) defined conflict handling as the ability of each supplier to avoid any potential conflict, solve that particular conflict before they create problems and the ability to discuss the solutions openly when the problem arises.

Conflict handling requires cooperative behaviour from exchange partners. According to Evans & Beltramini (1987), in a negotiation setting, cooperative versus competitive intentions have been found to be linked to satisfactory problem solution. In short, good conflict resolution will result relationship quality positively. Conflict handling is an important relationship builder. Even though it is difficult to service industries especially in banking sector to achieve zero service failure banks put in place effective conflict resolution or problem solving machinery. As cited by Mukhiddin, Deleep and Jalal (2012).

### **2.3.4 Competence and Loyalty**

Competence is defined as the buyer’s perception of the supplier’s technological and commercial competence (Anderson and Weitz, 1989). They operationalized competence in four ways: the supplier’s knowledge about the market for the buyer, the ability to give good advice on the operating business, the ability to help the buyer plan purchases and the ability to provide effective sales promotion materials.

### **2.3.5 Empathy and Loyalty**

Relationship Marketing Orientation can be viewed as the ability to share, understand and feel another person’s feelings in a relational situation. Thus, Sin et al. (2002) described empathy as dealing with a business relationship that enables two parties to see the situation from the other’s perspective i.e. seeking to understand somebody else’s desires and goals. In the banking sector for instance, the front desk bankers

must see themselves in the customer's shoe and serve them as such in order to keep them satisfied. Earlier studies have shown the relevance of empathy as a dimension of Relationship Marketing Orientation as shown in the work of Berry et al (1990) in designing SERVQUAL. As cited by, Mukhiddin, Deleep and Jalal (2012).

### 2.3.6 Perceived value and Loyalty

There is a multifaceted meanings of value which vary according to different functional context –economics (utility and monetary costs), social science (human values) ; industrial settings (processes and costs), and marketing (consumers' perspective on trade-offs between benefits and sacrifices or costs) (Zeithmal, 1988, Dodds et al., 1991; Roig et al.,2006). Roiget al (2006) approach perceived value from six multidimensional formative construct (GLOVAL scale) and test the study on bank customers. Luarn and Lin (2003) define perceived value from economic perspective which is the customers' perceived service utility relative to its monetary and non-monetary costs.

### 2.3.7 Customer satisfaction and loyalty

Customer satisfaction is defined as a customer's overall evaluation of the performance of an offering to date (Johnson and Fornell 1991). Historically, satisfaction has been used to explain loyalty as behavioural intentions (e.g., the likelihood of repurchasing and recommending). The impact of satisfaction on loyalty has been the most popular subject of studies. Several studies have revealed that there exists a direct connection between satisfaction and loyalty: satisfied customers become loyal and dissatisfied customers move to another vendor. (Heskett et al. 1993: 165–167). As cited by Mukhiddin, Deleep and Jalal (2012).

## 3. Conceptual Frame Work of the Study

In the present study according to model of Ndubisi&Wah (2005) variables of trust, commitment, communication, conflict handling and competence as fundamental variables of relationship marketing have been studied. As cited by, (Peyman, Freyedon, and Motreza 2013).

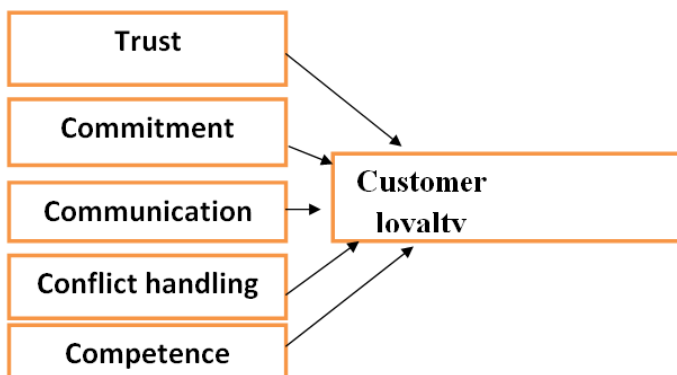


Figure -1- A conceptual model of the study adopted from Ndubisi and Wah (2005).

## **4. Objectives of the study**

### **4.1 General objective**

The general objective of the study is to investigate the impact of relationship marketing on customer loyalty in banking sector particularly in the case of Dashen Bank SC.

### **4.2 Specific Objectives**

The specific objectives of the study are to:

- Investigate the impact of trust dimension of relationship marketing on customer loyalty in the case of Dashen Bank SC.
- Investigate the impact of commitment dimension of relationship marketing on customer loyalty in the case of Dashen Bank SC.
- Investigate the impact of communication dimension of relationship marketing on customer loyalty in the case of Dashen Bank SC.
- Investigate the impact of conflict handling dimension of relationship marketing on customer loyalty in the case of Dashen Bank SC.
- Investigate the impact of competence dimension of relationship marketing on customer loyalty in the case of Dashen Bank SC.
- Finally, to determine the influence of relationship marketing in general on customer loyalty in the case of Dashen Bank SC.

## **5. Hypothesis of the study**

**H1:** There is a significant positive relationship between trust and customer loyalty.

**H2:** There is a significant positive relationship between commitment and customer loyalty.

**H3:** There is a significant positive relationship between communication and customer loyalty.

**H4:** There is a significant positive relationship between conflict handling and customer loyalty.

**H5:** There is a significant positive relationship between competence and customer loyalty.

**H6:** Relationship marketing has a high influence on customer loyalty

## **6. Research Design and Data Collection**

### **6.1 Research Design**

The researcher was used both **qualitative** and **quantitative** research design, where much emphasis was given for the latter (usually expressed as QUAN-QUAL). From the various types of quantitative approach the researcher conducted an **explanatory study**.

## 6.2 Sampling techniques

**Judgmental (purposive sampling technique)** was used to select 15 representative area banks from the total of 78. **Convenient random sampling techniques** were used to select customers.

## 6.3 Sample size

In order to determine the sample size, the study adopted a statistical formula developed by Daniel (1999). The researcher was set its confidence level at 95% with 5% error term. Accordingly, using a Z-score value of 1.96 at this confidence level the following sample was drawn

$$n = \frac{Z^2 P(1 - P)}{d^2}$$

Where: n= sample size

Z= z-statistic for the level of confidence

P= expected prevalence or proportion (in proportion of one if 20% p=0.2)

d= precision (in proportion of one if 5% d=0.05)

$$n = 1.96^2 * 0.2(1-0.2)$$

0.05<sup>2</sup>

$$n = 245.86 \approx 246$$

## 6.4 Source and Tools/Instruments of Data Collection

The researcher used both primary and secondary sources of data in order to conduct the study. Accordingly primary data was collected from customers of Dashen Bank through questionnaires developed to solicit their opinion regarding the various dimensions of relationship marketing and to see their impact on the customer loyalty and by using semi- structured interview with head promotion division and head customer relation division of the Bank.

The researcher was also used secondary sources of data like, Books, Web sites, journal articles, company manuals and data bases and etc., which supported the development of the study.

A five point Structured likert scale questionnaire adopted from Ndubisi and Wah (2005) which provided customers with a greatest range of option starting from strongly disagree to strongly agree was used as a primary data collection instrument in the present study.

## 6.5 Validity and Reliability

### 6.5.1 Validity

**Table 1 Validity**

Construct	Items	Cronbach's a	Internal consistency
Questionnaire	35	0.88	Good
Trust	6	0.79	Acceptable
Commitment	5	0.73	Acceptable

Communication	5	0.75	Acceptable
Conflict handling	6	0.78	Acceptable
Competence	7	0.72	Acceptable
Loyalty	6	0.75	Acceptable

Before the questionnaire was distributed to the respondents, the validity of the instruments was checked by the advisor as to whether it measures what it purported to measure. Accordingly, based on the approval obtained from the advisor, the questionnaire was used considering that, they are valid

### 6.5.2 Reliability

Prior to the actual data collection reliability test was conducted on selected customers to check whether the data collection instrument was consistent and dependable in measuring what it intends to measure. Accordingly 50 questionnaires was distributed and collected to measure the reliability of the instruments and the following result was obtained using Cronbach's Alpha on SPSS.

Hence, since the value of Cronbach's alpha of all the constructs was above the acceptable range, according to George and Mallery (2003) i.e. >0.70, we can conclude that the data collection instruments was consistent and dependable.

## 7. Analysis and Discussion

### 7.1 Correlation analysis and Hypothesis Testing

Pearson correlation test was conducted to check the magnitude of correlation between the dependent variable, *Customer loyalty* and the various independent variables of relationship marketing such as, *Trust, Commitment, Communication, Conflict Handling* and *Competence*. The researcher also used the same test to prove or disprove the alternative hypothesis. The following measure of association developed by MacEachron (1982) was used as a reference to check the magnitude of correlation.

**Table 2 Correlation Matrix between Customer loyalty and Relationship Marketing constructs**

	Customer loyalty	Trust	commitment	Communication	Conflict handling	Competence
Customer loyalty	1					
Trust	<b>.666**</b>	1				
Commitment	<b>.470**</b>	<b>.421**</b>	1			
Communication	<b>.573**</b>	<b>.549**</b>	<b>.399**</b>	1		
Conflict handling	<b>.626**</b>	<b>.618**</b>	<b>.368**</b>	<b>.531**</b>	1	



Competence	.457**	.463**	.308**	.434**	.404**	1
Relationship Marketing	.750**	.827**	.675**	.790**	.664**	.780**

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

Source: own survey

### 7.1.1 Correlation analysis between the customer loyalty and Trust

The result of Pearson correlation test between the dependent variable *Customer loyalty* and the independent variable *Trust* showed that, there is a positive relationship between the two variables at the significance level of ( $R=0.666^{**}$ ), ( $P<0.01$ ). According to MacEachron (1982) measure of association, the magnitudes of relationship between the two variables are strong. Compared to other relationship dimensions considered in this study, Trust is ranked first in its magnitude of correlation.

**H1: There is a significant positive relationship between trust and customer loyalty.**

Based on the result obtained from Pearson correlation, there is a positive association between the dependent variable *Customer loyalty* and independent variable *Trust*. Hence, we accept the first alternative hypothesis **H1**.

### 7.1.2 Correlation analysis between the customer loyalty and Commitment

Pearson correlation test was conducted to know the degree of association between the dependent variable *customer loyalty* and the independent variable *commitment*. Hence, the result of the study showed that, both variables are positively correlated to one another at a significant level of ( $R=0.470^{**}$ ), ( $P<0.01$ ). Based on MacEachron, (1982), measure of association, the magnitudes of relationship between the two variables are moderate.

**H2: There is a significant positive relationship between commitment and customer loyalty.**

The result of the study showed that, customer loyalty and the independent variable commitment has a positive association and hence we accept the second alternative hypothesis **H2**.

### 7.1.3 Correlation analysis between the customer loyalty and Communication

The result of Pearson correlation test between the dependent variable *customer loyalty* and the independent variable *communication* showed that, there is a statistically significant positive relationship between the two variable at the level of ( $R=0.573^{**}$ ), ( $P<0.01$ ). MacEachron, (1982) classified this magnitude of relationship as a moderate one.

**H3: There is significant positive relationship between communication and customer loyalty.**

The researcher beforehand hypothesized that, there a significant positive relationship between the predicted variable customer loyalty and the predictor communication. Hence the result of the study confirmed same and we accept the third hypothesis, **H3**.

#### **7.1.4 Correlation analysis between the customer loyalty and conflict handling**

The Pearson correlation result of the study, between the predicted variable of *customer loyalty* and the predictor variable of **conflict handling** showed that, there is significant positive relationship between the two variable at a statistical level of (**R=0.626\*\***), (**P<0.01**). From the relationship marketing constructs observed so far, conflict handling is the second highly correlated variable with customer loyalty next to Trust dimension in this study.

From the MacEachron, (1982), tables of correlation magnitude we can infer that, the degree of association between these two variables (i.e. customer loyalty and conflict handling) was strong.

**H4: There is significant positive relationship between conflict handling and customer loyalty.**

Based on the positive association result obtained from the Pearson correlation test so far, between the two variables, (i.e. Customer loyalty and conflict handling) the fourth hypothesis was proven to be valid and hence, **H4** is accepted.

#### **7.1.5 Correlation analysis between the customer loyalty and competence**

As usual, Pearson correlation test was conducted to check the degree of association between the dependent variable *customer loyalty* and the independent variable *competence*, which the fifth construct dimension of relationship marketing considered under this study.

Accordingly, the test result of the study showed that, there is a significant positive relationship between the two variables at a level of (**R=0.457\*\***), (**P<0.01**). Based on MacEachron, (1982) correlation table, the magnitude of relationship between the two variables was moderate.

Compared to the rest of the relationship marketing construct considered under this study, competence is proved to be the last in terms of its degree of correlativity with the dependent variable customer loyalty.

**H5: There is a significant positive relationship between competence and customer loyalty**

Armed with correlation result obtained, between the predicted variable of customer loyalty and the predictor variable of competence, we proved that there is positive relationship between them and hence we accepted the fifth hypothesis, **H5**.

#### **7.1.6 Correlation analysis between the customer loyalty and RM**

Under this test, the average sum of all the relationship marketing constructs discussed so far was taken into consideration, in order to know the degree of association between all components of *relationship marketing* and *customer loyalty*. Hence, the result of Pearson correlation test showed that, both variables are correlated at a degree of (**R=0.750\*\***), (**P<0.01**). At this level we could say that, the correlations between the two variables are strong, according to MacEachron (1982).

**H6: Relationship marketing has a high influence on customer loyalty.**

Based on the Pearson correlation test result we obtained in the above table, we con-

cluded that, relationship marketing has a high influence on the dependent variable customer loyalty. Hence we accepted the main hypothesis.

## 7.2 Regression Analysis Results

The average response obtained from the customer of Dashen Bank under the dependent variable, *customer loyalty* and each of the predictor variables, *Trust, Commitment, Communication, Conflict handling and Competence* was used.

**Table 3 model summary of the regression result**

### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.758 <sup>a</sup>	.575	.566		.57450	1.866

**Predictors: (Constant), Competence, Commitment, Conflict\_Handling, Communication, Trust**

### Dependent Variable: Customer Loyalty

*Source: Own Survey*

The regression model considered customer loyalty as dependent variable and the relationship marketing score for the individual dimensions as the independent variables. A multiple regression analysis is conducted to evaluate how well the five dimensions predict customer loyalty. As it is depicted under the model summary table, the linear combination of the five dimensions is significantly related to customer loyalty ( $R^2=0.575$ ,  $F=65.913$  and  $P<0.001$ ). This means that, 57.5 percent of the positive variance of customer loyalty in the sample can be accounted for by the linear combination of the five construct dimensions of relationship marketing (i.e. *Trust, Commitment, Communication, Conflict handling and Competence.*) in Dashen Bank SC.

**Table 4 ANOVA on components of RM**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	108.774	5	21.755	65.913	.000 <sup>b</sup>
	Residual	80.532	244	.330		
	Total	189.306	249			
<b>a. Dependent Variable: Customer_Loyalty</b>						
<ul style="list-style-type: none"> <li>• <b>Predictors: (Constant), Competence, Commitment, Conflict_Handling, Communication, Trust</b></li> <li>• <i>source: own survey</i></li> </ul>						

As it is depicted on the ANOVA table above, the **P-value** of the dependent variable customer loyalty and the independent variables of relationship marketing constructs of trust, commitment, communication, conflict handling and competence is well below .05( $P<0.001$ ).

Therefore, we concluded that the **R** and **R<sup>2</sup>** between the dependent variable customer loyalty and the independent variables of relationship marketing constructs are statistically significant (different from zero), based on the opinion collected from customer of Dashen Bank.

**Table 5– Beta coefficient of regression result**

<b>Coefficients<sup>a</sup></b>					
<b>Model B</b>	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>T</b>	<b>Sig.</b>
	<b>Std. Error</b>	<b>Beta</b>			
<b>1 (Constant)</b>	<b>-.174</b>	<b>.227</b>			<b>.446</b>
<b>Trust</b>	<b>.31</b>	<b>.057</b>	<b>.314</b>		<b>.000</b>
<b>Commitment</b>	<b>.16</b>	<b>.050</b>	<b>.151</b>		<b>.002</b>
<b>Communication</b>	<b>.17</b>	<b>.054</b>	<b>.168</b>		<b>.002</b>
<b>Conflict_Handling</b>	<b>.28</b>	<b>.063</b>	<b>.250</b>		<b>.000</b>
<b>Competence</b>	<b>.12</b>	<b>.067</b>	<b>.091</b>		<b>.063</b>
<b>Dependent Variable: Customer Loyalty</b>					
<i>Source-own survey</i>					

### **Standardized Beta Coefficient**

From table 4.10 we can infer that, **Trust** is found to be the most important dimension of relationship marketing construct in Dashen Bank in determining the variation in customer loyalty which accounted for 31.4% of the beta coefficient. The second most important element of relationship marketing that contributed most, to the positive variation in the dependent variable customer loyalty is **Conflict handling**, accounted for 25% of the beta coefficient, followed by, **Communication** and **commitment**, which had a beta coefficient share of 16.8% and 15.1% respectively.

In the case of Dashen Bank, **Competence** dimension of relationship marketing contributed least to the variance in the response variable among the others, accounted for only 9.1% and it is statistically insignificant at p-value greater than Alpha, (**0.063 > 0.05**).

**Note that:** This doesn't mean that competence dimension has no contribution; rather its contribution was insignificant.

### **Unstandardized Beta Coefficient**

This is sometimes called, the Beta Weights. According to Pedhazur, (1997), a  $\beta$  weight coefficient informs us, as to how much change in the criterion variable (i.e. **customer loyalty** in our case) we might expect with a one-unit change in the predictor variables, (i.e. **Trust, Commitment, Communication, Conflict handling and Competence** in our case) holding all other predictor variables constant.

The linear multiple regression formula for on dependent variable, customer loyalty and more than one independent variable of relationship marketing constructs ,Trust, Commitment, Communication, Conflict handling and Competence, took the form of:

$$Y' = -0.174 + 0.31X_1 + 0.16X_2 + 0.17X_3 + 0.28X_4 + 0.12X_5 + 0.05$$

### 7.3 Discussion

The discussion part is important to give a clearer understanding on the subject under study. The present research was conducted in order to see, the impact of relationship marketing on customer loyalty in Dashen Bank. The study included five relationship marketing dimensions such as Trust, Commitment, Communication, Conflict handling and competence, to see their effect on customer loyalty. Relationship marketing is one of the most important tools in securing a high level of customer loyalty in today's dynamic and vibrant business environment, especially for service providing companies like Dashen Bank.

The present study showed that, relationship marketing has a significant positive relationship with customer loyalty at a significance level of  $R^2=0.575$  ( $F=65.913$ ,  $P<0.001$ ). Thus the finding is in line with the hypothesis number six; (**H6**) stated in the paper that the relationship marketing had a high influence on customer loyalty. Thus the major hypothesis stated is well accepted.

In the present study, the correlation between the dependent variable customer loyalty and each of the independent variables, together with their relative importance was identified.

Trust is the first relationship marketing construct that was considered under this particular study.

Six questions were adopted from, Ndubisi&Wah (2005), in order to evaluate how well the trust dimension of relationship marketing can explain the variance in the response variable customer loyalty and the level association between them. The results of the present study also showed that, trust is the most important relationship marketing dimension that contributed significantly towards maintaining customer loyalty in Dashen Bank, ( $RIW=31.4\%$ ). The same dimension was also positively correlated with the dependent variable customer loyalty at a statistically significant level of ( $R=0.666$ ), ( $P<0.01$ ).

Even if the result of the regression analysis showed that, trust is one of the major contributor factors to the positive variance in customer loyalty, few of the customers of Dashen Bank was not agreed on two of the questions brought forward regarding the trust dimension. From the frequency distribution table distribution table attached at the end of this paper, we can see that, meaningful number of customers rated below disagree on the fact that, the Dashen Bank is consistent in providing quality services and employees of the Bank show respect to customers at a cumulative percentage of 29.7% and 33.7% respectively. According to the researcher, the dissatisfaction of customers on the above two facts, limited the contribution of trust variable to the positive variance on customer loyalty than what it deserved now, (i.e.  $RIW=31.4\%$ ).

### **7.3.1 Trust dimension within the eyes of the division heads**

According to the division heads, currently there are more than 1.3 million customers who rested their bestowed interest in the Bank, which ranked Dashen Bank the first among private Banks in Ethiopia in terms of number of customers. According to them, this is an indication of the fact that, the Bank has worked hard towards developing trust in the minds of the customers through keeping their promise, very much concerned with the security of their transaction and fulfilling its obligation.

The very important question under the trust dimension brought forward by the researcher was, is really Dashen Bank providing consistent and quality services to customers. Regarding this issue they don't want to deny that, there is problem related to providing consistent and quality services and they tried to mention some of the problems like, lack of attractive physical evidences, lack of respect to customers by some of the employees, lack of innovative ideas to bring new products and services and etc. as main causes for quality problem which further might erode the trust developed in the mind of the customer, unless it is corrected soon. The opinion of the customers was also consistent with the opinion of the division heads regards quality issues.

Commitment is another important dimension of relationship marketing that was considered under the present study.

The present study composed of five questions under commitment dimension, which were adopted from Ndubisi & Wah (2005). As it was described earlier, commitment is positively correlated with the response variable customer loyalty (i.e.  $R=0.470$ ) and contributed to the variance in the dependent variable at a rate of (i.e.  $RIW=15.1\%$ ). The result ranked commitment fourth as compared to the remaining relationship dimensions considered under the study.

From the frequency distribution table attached at the end of this paper, we can see that, customers of Dashen Bank rated commitment below disagree on the opinion related to the Bank offers personalized services to meet customer's needs, the Bank is flexible when its services are changed, and the Bank is flexible in serving my needs, at a cumulative percentage of 49%, 44.2%, 44.5% respectively. Therefore, the researcher concluded that, the negative response obtained from the customers of Dashen Bank under the above questions, significantly affected the contribution of commitment dimension towards explaining the variation in the response variable.

### **7.3.2 Commitment dimension within the eyes of the division heads**

The head promotion division explained commitment by quoting "without involvement there is no commitment"

Both division heads was agreed on the fact that, Dashen Bank was not providing personalized services to its customers and its service provision was strictly followed the rules and regulations of the governing bank and hence, the issue of flexibility was very much limited in this regard. Hence, the opinion of the division heads was consistent the opinion of customers.

Communication is the Third dimension of relationship marketing that was considered under the present study.

The researcher included five questions adopted from Ndubisi&Wah (2005), in order to evaluate the relative importance and the correlation level of communication dimensions in securing customer loyalty in Dashen Bank sc.

The Pearson correlation test conducted so far, showed that there is a significant positive association between the predictor variable communication and the response variable customer loyalty at,  $(R=0.573)$ ,  $(P<0.01)$ . The Beta coefficient of communication dimension was also counted at,  $(RIW=16.8\%)$ , which ranked this variable, Third as compared to the remaining variables. Here, the researcher was concerned on figuring out, which questions included to measure this particular variable was rated below the expected compared to the others, as it helps the Bank to put a policy direction for correcting same.

Accordingly, the cumulative percentage of the customer opinion who rated below the level of disagree, on the question related to the fact that, the Bank provides information when there is new banking services was 32.9%. This is an indication of the fact that, Dashen Bank was not going far on promoting its products and services to the level it was expected by the customer whenever there is new banking services. Therefore, the researcher concluded that, the negative opinion obtained from the customers of Dashen Bank related to the above question, impeded the communication variable from not to contribute more to the positive variance in the dependent variable customer loyalty.

### **7.3.3 Communication dimension within the eyes of the division heads**

The two division heads explained communication dimension of relationship marketing as an important tool in having an active customers who are well informed about what is going on in the Bank. In doing so, multiple channels was employed to keep the customers informed which includes, preparing annual statement (which is cross checked by external auditors for accuracy), releasing advertisement on Radio, TV, newspapers and company web-sites, brochures, participated on exhibition in order to showcase the products and services of the Bank, conducting personal selling or face-to-face communication with customers to sell the products and services of the Bank and etc.

According to them, the problem with creating effective communication in Dashen Bank came to alive on the frequency of conducting all the above channel of communication. This means that, even if their importance is paramount, the Bank rarely advertise it products and services via the mentioned channels. Despite this problem, the Banks always tries to provide timely, trustworthy, and accurate information to its customers. Hence, the opinions of the customers are consistent with the opinion of the interviewees.

Conflict handling was the Fourth relationship marketing construct, considered under the present study.

Six questions were adopted from Ndubisi&Wah (2005), in order to measure the

relative importance and the correlation level of conflict handling dimension on the dependent variable customer loyalty. Based on the response obtained from the customers of Dashen Bank, conflict handling was found to be the second most important predictor of customer loyalty next to trust dimension. **(RIW=25%)**.

The Pearson correlation test conducted so far was also showed that, there is a significant positive association between the predictor variable conflict handling and the response variable customer loyalty at **(R=0.626), (P<0.01)**.

Among the six questions provided to the customers, the researcher was highly interested on the question which was rated highly below the level of disagree, so that the Bank should direct its attention and strive to correct same. Accordingly, a significant number of customer of Dashen Bank was not agreed on the fact that, the Bank has the ability to openly discuss solutions when problem arise, which accounted for a cumulative percentage of 22.4% which affects the relative importance weight of this variable.

### **7.3.4 Conflict handling dimension within the eyes of the division heads**

In any transaction, where there are two or more parties involved in the operations of a given business, conflict of interest is a must to happen. According the interviewee, what matters most is how to effectively deal with the conflict before it affects the relationship between the parties involved.

Regarding the captioned case, Dashen Bank is good in terms of handling conflicts both before and after their occurrences, in terms of frequently asking for customer's opinions and in terms of accepting criticism and complaints. The problem of the Bank here is the culture of openly discussing with customers whenever problem arises was not yet developed and customers are simply forced to give their opinion via the suggestion box installed at each Area Banks. The very problem of collecting complains using suggestion box was, it consumes time until it was further processed by the experts and sent to the top management for the consecutive actions, where customers cannot tolerate such a time lap.

The other most important issue is on valuing and using customer feedback to improve one's services. According to the interviewee, it is only very recently that, customer opinion got the attention of the top management and started to be utilized to improve customer services. Hence, the opinions of the interviewees are consistent with the opinion of the customers.

Competence was the last relationship dimension considered under the present study. Seven questions which were adopted from Ndubisi&Wah (2005), was considered in order to evaluate the predictive power, as well as the degree of relationship between the independent variable competence and the response variable customer loyalty.

Hence, the response obtained from customers of Dashen Bank showed that, even if the two variables are positively correlated at **(R=0.457)**, the relative importance weight of this variable was found to be the least among all the other relationship marketing constructs considered under the present study, **(RIW=9.1%)**. The frequency distribution table attached at the end of the paper showed that, customers



of Dashen Bank was not agreed on five of the seven questions brought forward to them, which laid a significant ground for the least contribution of this variable to the variance in the dependent variable customer loyalty.

Those opinions which was highly rated below disagree includes, my Bank has knowledge about market trends, my Bank provides me with advice on how I should invest my money, my Bank help me to plan my investment and my Bank provides effective sales promotion among the others which accounted for a cumulative percentage of 26.8%, 62.3%, 70.7%, 73.2%, and 41.5% respectively.

Therefore, from the above result we can conclude that, Dashen Bank has a serious problem of competence related to creating its relationship with customers to maintain their loyalty.

### **7.3.5 Competence dimension within the eyes of the division heads**

According to the interviewee, based on the measurements presented to evaluate the competence of Dashen Bank, most of them are disregarded by the Bank, overlooking their paramount importance in maintaining strong relationship with customers. In terms of competence, the Bank is only good at having knowledge about banking services and analysing market trends, coupled with adopting new banking technologies. Whereas, the Bank was not good at offering an advisory services on how customers plan should and invest their money, provides effective sales promotion to increase customers repurchase intentions and frequently makes adjustments to suit customers' needs. This result was consistent with the opinion obtained from customers of Dashen Bank.

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