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SCHOOL OF GRADUATES STUDIES

**PRACTICE OF CUSTOMER RELATIONSHIP
MANAGEMENT AND ITS EFFECT ON CUSTOMER
LOYALTY: THE CASE OF DASHEN BANK SC**

BY: - ROBEL ALEMAYEHU

July, 2017

Addis Ababa, Ethiopia

St. Mary's University
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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF
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REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS
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Advisor: Solomon Markos (PhD)

July, 2017

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DECLARATION

I, Robel Alemayehu, declare that this work entitled “Practice of Customer Relationship Management and Its Effect on Customer Loyalty: the case of Dashen Bank SC” is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the Research Advisor.

This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of Master of Business Administration [MBA] in General Management.

By: Robel Alemayehu

Signature_____

Date_____

Statement of Certification

This is to certify that this thesis titled “Practice of Customer Relationship Management and Its Effect on Customer Loyalty at Dashen Bank S.c” submitted in partial fulfillment of the requirements for the award of Masters degree in Business Administration in General Management, done by Robel Alemayehu is an authentic work carried out by him under my guidance. The matter embodied in this project work has not been submitted earlier for awards of any degree or diploma to the best of my knowledge and belief.

Solomon Markos (PhD)

Advisor

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Abstract

In a competitive market such as the banking industry customer loyalty is gem stone to be dreamed of, and it's no wonder organizations want to acquire this valuable asset. One of the effective ways to acquire customer loyalty is through properly implemented CRM and in this study the researcher has set out to investigate the practice of CRM and its effect on loyalty on the customers of Dashen bank. The researcher accomplished this by collecting data from customers of Dashen Bank via questionnaire to quantitatively analyze the data using a descriptive research design, the questionnaire was adapted from previous studies and was used to quantify the perception of the respondents towards the practice of CRM while the researcher carried out correlation and regression analysis on the collected data to determine the effects of CRM on customer loyalty. The results found the practice of CRM at Dashen bank to be less than satisfactory especially with technology based CRM, which has the least evaluated score and showed that all four dimensions of CRM having a strong positive correlation with customer loyalty, and technology based, the least performing dimension, having the strongest of the four. Moreover, the regression analysis showed that more than 3/4th of the change in customer loyalty can be explained by the change in the four CRM dimensions and again the analysis indicated that technology based CRM had the greater effect. Consequently the bank should strive hard to improve its CRM practices especially technology based CRM which should lead to increase in the level of its customer' loyalty, it in turn being a instrumental competitive advantage.

Key words: *Customer Relationship Management, Customer Loyalty, Key customer focus, Customer knowledge management, CRM organization and Technology based CRM*

List Of Abbreviation And Accronyms

CRM: Customer Relationship Management

DB: Dashen Bank

GSI: Growth Strategies International

IT: Information Technology

SFA: Sales Force Automation

SPSS: Statistical Package For Social Science

VIF: Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In a competitive market such as the banking industry customer loyalty is gem stone to be dreamed of, and it's no wonder organizations want to acquire this incredibly valuable asset. When organizations have customer loyalty it means that their customers have a deeply held commitment to re-buy their product/service consistently in the future, thereby causing repetitive preferential for their brand despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1997).

For business to prosper; acquiring loyal customers is not their only objectives but they also have to keep their already available customers and sustain the newly acquired loyal customers. To be successful at sustaining their customers, customer satisfaction is an important component. Satisfied customers are known to spend more than the average customer on a single instant according to GSI (Growth Strategies International). In short loyal and satisfied customers are extremely valuable and it would be a terrible decision for any organization not to try and attain them (GSI, 2012).

One of the ways to acquire loyal customers is CRM, CRM' value state that establishing a sustainable relationship with customer is the basis for obtaining loyal (Swift, 2000).

Lately, more than ever before, strong competition, fragmentation of markets, short life cycles of products and increasing customer awareness and complexity are the big challenges to the banking sector (Tsegay, 2011), and this will only increase the current value of CRM and its effects including customer loyalty. It's now more than ever essential to focus on CRM to reap its many rewards including customer loyalty. After taking into consideration all the above, the researcher had set out to study the Practice of Customer Relationship Management and its Effect on Customer Loyalty at Dashen bank.

1.2 Statement of the Problem

The banking sector in Ethiopia is arguably the most competitive business sector and it is so with a good reason; with gross profit of Dashen bank in the 15/16 year nearing the 1 billion birr mark banking is a sector where there is a lot at stake. With increasing competition for customer amongst banks, it is essential to succeed. The following can be adapted in the case of Ethiopia as well, 'to succeed in any business the customer must be the center piece of organizational activities', (Buttle, 2009). As a center piece for success it's vital for organizations to build strong relationships with their customers and customer relationship management as a strategy aims to satisfy and build long term relationship with customers, (Bull, 2003).

Customers are becoming harder to please, they are smarter, more price sensitive, more challenging, less sympathetic, and they are approached by many more competitors with equal or better offers (Kotler & Armstrong, 2004). That is certainly true of the banking industry in Ethiopia where there currently exists 16 private banks with little differentiation in the services they offer vying for customers.

The increasing number of private banks further intensifies competition and further increases the importance of maintaining your customers and gaining their loyalty. The phenomenon of migrating customers is becoming a common occurrence in today's banking sector this is evident through observation and some of the reasons are due to staff migration and ease of substitution amongst banks and especially amongst private banks. This presents the banks with an immediate danger of losing customers in numbers and losing them fast. This danger only helps to signify the importance of customer relationship management increasing the consequences of being caught with a weak relationship with your customers which makes the bank an easy prey for others with its customers being targets for having very low loyalty towards their bank.

The researcher will try to investigate the practice of customer relationship management in Dashen Bank and try to investigate its possible impact on customer loyalty. Furthermore, from the stated dimensions of customer relationship management (customer orientation, relationship marketing, and database marketing), the researcher will try and investigate which of the above dimension have/has strong impact on customer loyalty. That will direct the bank on which dimension it has to focus its limited attention to better its relationship with customers and to increase their loyalty towards the bank. This will also help the bank prioritize on a dimension if a reform of its customer relationship management is needed.

Numerous studies have been conducted throughout the world regarding the banking industry of several countries and there exist many studies that are in depth and are focused on the effects of customer relationship management on customer loyalty. In the case of Ethiopia one won't find many studies in the area of customer relationship management and its effect on loyalty; The Effect of Relationship Marketing on Customers' Loyalty (Evidence from Zemen Bank) by Cherinet Boke and Principles and Practices of Customer Relationship Management in Ethiopian Banks by Srinivasan and Saravananare examples to name a few but customer relationship management is a major area of studies which requires further studies now and in the future as well. One can further understand the need for more research specifically in Ethiopia when considering the uniqueness of Ethiopian banking sector; with its governing body having several distinctive regulations and with the banking sector being closed to foreign investors and foreign banks.

In conclusion, the banking industry in Ethiopia is a highly competitive industry with little product differentiation; so the main competitive advantage any bank can have is a relationship with customers and customer loyalty. While every bank in the country is trying to achieve that, they all are having a hard time trying to gain the loyalty of their customers; this can be understood through conversations with managers of different banks.

The researcher will try to investigate the cause of this weak relationship of the banks with their customers, although there are studies done in this subject before, they are very few when taking into consideration the importance of the subject.

1.3 Research Questions

The study will address the following basic research questions:

1. How do customers perceive the bank's customer relationship management?
2. What is the relationship between customer relationship management and customer loyalty?
3. What is the effect of customer relationship management on customer loyalty?
4. To what extent does each customer relationship management affect customer loyalty?

1.4 Objective of the Study

The general objective and the specific objective of this study are listed below:

1.4.1 General Objective

- To investigate the effect of customer relationship management on customer loyalty at Dashen Bank.

1.4.2 Specific Objectives

- To assess customers' perception on customer relationship management practice of Dashen bank.
- To determine the relationship between customer relationship management and customer loyalty.
- To investigate the effect of customer relationship management on customer loyalty.

1.5 Significance of the Study

A study on customer relationship management would be a valuable asset to any organization's management and this is no exception, the finding of this study would help the management understand the perception of its customers on customer relationship management at the bank.

It will also help the management to determine the relationship between customer relationship management and customer loyalty and help prioritize between the dimensions to set its focus on. This will in turn lead to having efficient and customer focused domestic and international banking services by overcoming the continuous challenges for excellence through the application of appropriate technology which is the bank's objective according to its mission statement.

Furthermore, having satisfied customers who are loyal to the bank will help the bank maintain its customers, this is particularly essential for one of the major banks in Ethiopia which operates in a very competitive industry.

1.6 Scope of the Study

This scope of this study is to assess the impact of customer relationship management dimensions' on customer loyalty in the banking industry. The geographical scope of this study is Addis Ababa, Ethiopia

1.7 Limitation of the study

The study is limited in that it doesn't apply to every service sector or even every financial sector in Ethiopia. This study is also limited geographically to Addis Ababa, Ethiopia.

1.8 Organization of the Study

The organization of the study is as follows; the first chapter, introduction, constitute of a background of the study, statement of the problem, which is a clear concise description of the issues that need to be addressed, research questions, objective of the study, research hypothesis, significance of the study, scope and limitation of the study and organization of the study.

The second chapter is a review of the literature regarding the topics which the research covers; which are customer relationship management, loyalty and the relationship between the two. The third chapter is the methodology of the study which has the following subtopics; research design and approach, data types and sources, instrument design/measurement, where the researcher discussed how the questionnaire was designed to measure the major variables, sample design, which is about sampling methods and the estimator, data collection methods, data analysis and presentation and organization of the study.

The fourth chapter, results and discussions, deals with the data analysis and explains the major findings. The fifth and final chapter summarized, concluded and recommended based on the findings of the data analysis.

CHAPTER TWO

LITERATURE REVIEW

This chapter provides theoretical foundation of the study, presents a summary of CRM literature such as definitions, assumptions and major concepts regarding CRM and loyalty. It also further discusses the dimensions of CRM individually. Finally, it looks at CRM in the banking industry.

2.1 Definition of Customer Relationship management

It seems vital that readers take a grasp on the meaning and essence of CRM before directly involving with relatively complicated issues and this section of this paper is dedicated to this task and defining CRM lies at the heart of understanding the whole process. It is worth noting that the concept of CRM can be defined in different ways. It also means different things to different people; depending on the working environment it has been used in (Roberts-Lombard, 2011).

The term “customer relationship management” emerged in the information technology (IT) vendor community and practitioner community in the mid-1990s, It is often used to describe technology-based customer solutions, such as sales force automation (SFA), (Payne and Frow, 2005). Scholars in different literatures have defined the term in different manners and a summary of these definitions are forwarded below.

Customer relationship management (CRM) is an approach to managing a company's interaction with current and potential future customers that tries to analyze data about customers' history with a company and to improve business relationships with customers, specifically focusing on customer retention and ultimately driving sales growth (Roberts-Lombard, 2011).

Customer relationship management is about maximizing customer value for the firm, creating building and lengthening customer relationships with a view to selling more, cross-selling and keeping customers longer (Payne and Frow, 2005).

In its broadest definition CRM is defined from five perspectives, (Zablah, Bellenger and Johnnston, 2004), the philosophy, the ability, the technology, the process and the strategy make up the five perspectives. CRM is the process that facilitates the participation and connection with external parties when defined as 'the processes'. As a philosophy CRM is a temporary project that draws attention of the company to the customer. CRM is an ability to customize the actions of a company according to the needs of the customer, based on the information disclosed by that given customer and that creates relationships with customers through combination of information, marketing and sales systems, CRM is the technology used to integrate sales systems, marketing systems and information systems to establish relationships with customers. Technology in CRM is used from developing the strategies, collecting data and improving the process; CRM is an investment strategy that prioritizes customers according to their value to a company; helping the decision to retain them or letting them go.

The above mentioned definition is broad, accordingly different scholars and different literatures have attempted to define CRM in different ways among them Couldwell from marketing point of view defined CRM as 'a blend of business process and technology that are used to realize a company's customers from the viewpoint of who they are, what they do, and what they are like' (Couldwell, 1998). In simple words CRM is defined as 'the application of information communication technology to increase the scale and scope of customer services.' (Ueno, 2006).

CRM is a very important concept in managing a market, as it is 'a firm most valuable asset is its customers, and given the new and unfolding technological capabilities to recognize, measure, and manage relationship with each of those customers in order to succeed, a firm must focus in deliberately increasing the value of the customer base'' (Peppers & Rogers, 2004).

Therefore basic understanding of customer behavior and preference, created through continued close relationship with customers and using the information gathered, is the key for better control of the market. It is a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments, (Payne and Frow, 2005).

From a technological viewpoint CRM can be defined as “it is a system of business approach that are thoughtful and manipulating customer behavior by managing relationships via meaningful communication in order to improve customer turnover” (Swift, 2000). From marketing point of view, CRM is defined according to (Couldwell, 1998) as “CRM is a blend of business process and technology that are used to realize a company’s customers from the viewpoint of who they are, what they do, and what they are like”.

Some other authors tend to take an approach that harmonizes the social and technological aspects of CRM Payne and Fraw, for instance state that, CRM is not simply an IT solution that is used to acquire and grow a customer base; it involves a profound synthesis of strategic vision; a corporate understanding of the nature of customer value in a multichannel environment; the utilization of the appropriate information management and CRM applications; and high-quality operations, fulfillment, and service (Payne and Fraw, 2005). And Bharadawaj, argues that CRM integrates; CRM organization, Knowledge management and technology-based CRM in order to implement the CRM in a successful way for increasing customer loyalty (Bharadawaj, 2000).

2.2 Evolution of CRM

2.2.1 Customer Oriented Marketing

After organizations started to adopt the theories of marketing, organizations faced the challenges of a new concept which is the customer orientation (Bose, 2002). It required of the organization to have a deep understanding of its customers to create superior value and additional products for them. Furthermore, the customer orientation takes into consideration not only understanding of customers' needs and wants at present but also predicting it in the long run to increase benefits and decrease costs (Narver and Slater, 1990).

2.2.2 Relationship Marketing

Customer oriented marketing deepened and gave birth to relationship marketing, and according to Ueno relationship marketing is about establishing, maintaining and enhancing relationships with customers and other partners, so that the objectives of all that are involved are met (Ueno, 2006). Relationship marketing has an objective to build long term, mutual satisfying relations with customers, suppliers and distributors in order to earn and retain their long-term preference and businesses (Kotler & Armstrong, 2004).

2.2.3 Customer Relationship Management

Based on the importance of relationship marketing, there has been a rapid progress and development in studying the theory and practice of CRM in business management, particularly, where CRM was recognized as a crucial cornerstone for all corporations (Ueno, 2006). The CRM is a recent phenomenon and it started to rise fast in the 1990s and is rapidly becoming a major discipline in its own right (Ryals et al., 2000)

Different factors attribute to the evolution of CRM and its rapid rise. It is economically more feasible and better to keep the customers you already have rather than trying to win the hearts of new ones (Rosenberg & Czepiel, 1984). Customers want the best of qualities in services, and quality is not to be compromised, in order to cope up with this expectation of customers the producer needs to stay updated of these expectations and should be able to influence it (Sheth and Sisodia, 1995).

In addition to that, as time went customers grew to be enlightened about the market and what it offers, therefore producers' mistakes grew to have the effect of losing customers. What customers prefer had a big role in the survival of enterprises within the market, as a result the key to success in the market became retaining of customers by directing the focus on them (Ross and Beath, 2002).

The increase in the service sector is also another factor. As the service sector grew wide the importance of CRM coupled with it. Another one is the fact that service in its nature being immovable, that it is produced and delivered in the same place, this fueled the need for CRM (Berry and Parasuraman, 1985). Technological advancement also played a role as a factor; it resulted in the direct interaction of producers with customers and made CRM inevitable. Competition in the market also takes a share in the factors (Dick and Basu, 1994).

2.3 Goals and benefits of CRM

2.3.1 Goals

The whole notion of CRM is maintain a strong relationship with customer's by all means possible, in order to keep these customers satisfied and stay loyal. The successful management of customer relationship can increase customers' satisfaction and loyalty, in order to give optimistic effect on promoting market performance (Javalgi, and Moberg, 1997).

The major goals of CRM can be summarized in three broad categories, namely, using existing relationships to grow revenue, use integrated information for excellent service and introducing consistent, replicable channel process and procedures, with the proliferation of customer contact channels. (Kalkota & Robinson, 2001)

One objective of CRM is to know customers and to offer tailored services, in order to intensify both customer satisfaction and their marketing performance in the long run through keeping customers loyal to them (Kalakota and Robinson, 1999). Through the usage of the already gathered information on the customer, it becomes possible to customize the service given to that particular customer according to his preference and keep the service excellent.

The number of employees involved increases as the channel of customer contact widens and CRM improves consistency of the process regardless of the number of employees involved or the channels by investing effort on most important customers and earning their trust; through this CRM helps companies raise their revenue.

Goals of CRM are to be achieved and maintained, to keep focus on the customers and their needs, this task are to be maintained by; Recognizing the customers, Distinguishing the customers, Listening to the customers, Making all sorts of contacts with the customer, The company identifying itself with the customer, Adopting to the customers (Zablah, Bellenger and Johnston, 2004).

2.3.2 Benefits

According to Swift, companies can gain many benefits from CRM implementation. He states that the benefits are commonly found in, lower cost of recruiting customers, no need to acquire so many customers to preserve a steady volume of business, reduced cost of sales, higher customer profitability, increased customer retention & loyalty and evaluation of customer' profitability (Swift, 2000).

Couldwell refer to the major benefits and reasons for adoption of CRM which include: customers from the competition will come to prefer the organization; a simplified, customer focused internal organization will simplify the infrastructure, shrinking the work flow and eliminating non-productive information flow; and profits will increase from satisfied customers which will lead to more compact & focused company (Couldwell, 1998).

And according to Rosenberg and Czepiel, some advantages that appear from effective CRM are improved possibilities to target profitable customers, integrated offerings across channels, personalized marketing messages, increased profits and improved customer relationships (Rosenberg & Czepiel, 1984)

In general CRM in banking improves the methods of attracting and retaining customers and helps companies compete in the market. As competition grows customers become more challenging and banks need to strengthen their relationship with their customers and satisfy their preferences. In previous studies conducted in European banks, CRM helped the banks to focus on long term customers through efficient segregation according to individual behavior. CRM also helps to retain loyal customers, increase revenue and market share, decrease cost and win new customers (Roh et al, 2005).

Effective and efficient delivery of service, from the introduction to the establishment of a close, continuing relationship with profitable clients can be assured through proper implementation of CRM(Couldwell, 1998).CRM also plays an important role in controlling the flow of information and retaining of customers and to cross-sell new products and services to ongoing customers (Forss, and Stone, 2001).

2.4 Dimensions of CRM

Three key concepts in combination make up the heart of CRM, customer orientation, relationship marketing, and database marketing (Langerak, and Peter, 2003). According to Sayed CRM is a multidimensional construct consisting of four broad behavioral components; those are: “Key Customer Focus, CRM Organization, Knowledge Management, and Technology-Based CRM”. Performance dimension of CRM considers their performance in terms of combining technology, appropriate handling of key customers, customer knowledge management and organizational efficiency in relation with customer retention and market performance of the selected banks (Sayed, 2011).

According to Kotler and Armstrong, the greater customer relationship capability will be achieved when the four dimensions of CRM work in coordination (Kotler and Armstrong, 2004).

2.4.1 Customer Relationship Management Organization

In implementing CRM many changes are required in the way that firms are organized (Ryals and Knox, 2001)As a result, firms should take into consideration the organizational challenges inherent in any customer relationship management (Agarwal et al., 2004). However organizations should take on this challenge as well if they want to gain the benefits of CRM.

According Couldwell, the root of CRM is relationship marketing, which has the objective of improving the long term profitability of customers by moving away from product centric marketing to customer centric (Couldwell,1998). This can only be done when companies are structured around promoting, encouraging, stimulating these valuable relationships (Swaminathan, 2004).

The organizational arrangement of the company should be customer friendly and elastic, and firms should take into consideration the organizational challenges inherent in any customer relationship management advantage in order to attract a whole number of customers (Agarwal et al., 2004). Well organized customer relationship management can be considered as a function of customers' personal attachment to a retailer, as well as their perception of the company in relation to its competitors, and their orientation towards a long term relationship with the retailer (Agarwal, Harding and Schumacher, 2004).

2.4.2 Key customer focus

Key customer focus can be considered as a function of customer relationship management of a retailer's integrity as well as firms' ability to perform their services, to keep its promises and commitment and in general to do the right things' consistently. Its focus is customer-centric and adding value through customizing service to key customer (Evelyn and Hamadallah, 1996).

Offering customized service to different kinds and wide range of customers is a pretty difficult task, this is because firms are engaged in numerous transactions with significantly diverse customers in terms of their needs and expectations, they consider CRM as quite challenging therefore to take these challenges there are two kinds of programs namely database-driven programs and customer-needs driven programs (Buttle, 2009). The first one figures out profitable groups of customers from statistics gathered. The second one establishes relationship with long term key customers using database supplied information. Customer's needs-driven customer relationship management programs are common with firms that adopt business-to-business marketing strategies because, customers-needs-driven customer relationship management programs improves inter-firm relationship (Evelyn and Hamadallah, 1996).

According to the CRM behavioral component model; key customer focus is a composition of dialog with customers on customizing their needs, customizing products, customer needs assessment, and implementation of customer needs information (Sin, Tse and Yim, 2004). Badrinarayanan have indicated that customer needs driven CRM strategy involves two steps; the first step being uncovering insights regarding customer needs, and the second special programs are developed to meet the discovered needs (Badrinarayanan, 2005)

(Ryals and Knox, 2001) indicated that a customer-focused structure, culture, policy, and reward system should permeate any organization that strives to implement customer relationship management successfully. Customer is the only source for the organization's present profitability and future growth. A good customer who produces more profit with less costs and resources is always scarce, because, the customer is intelligent and the competition is uncontrollable (Swift, 2000).

The goal of key customer service is creating strong bond and as a result necessary interdependence with customers (Swift, 2000).

2.4.3 Customer Knowledge Management

Customer knowledge management is defined as the processes that a firm employs to manage the identification, acquisition, and internal utilization of customer knowledge (Swift, 2000). It is the system of accomplishing, allotting, and increasing the customer knowledge among employees for making profit to the organization and customers (Mithas., 2005). Customer knowledge management is the application of knowledge management tools to support the exchange of knowledge in a CRM process (Javalgi, and Moberg, 1997).

Customer knowledge management becomes necessary for the realization of customer satisfaction, through improving the organizational productivity and value. And in today's environment knowledge is well thought out as one of the competitive factors in global economy (Salomoun, Kolbe, Dous and Brenner, 2005).

A given firm is required to facilitate recording of all information about a client transaction and later use this information to build customer knowledge, because it is absolutely necessary to understand the needs and preferences of customers to provide customer focused service (Yim, Anderson and Swaminathan, 2004);. Successful dissemination of knowledge management requires firms to develop both information technology systems, such as marketing management support systems to spread explicit knowledge and other processes and procedures to encourage the distribution of implicit knowledge (Ryals and Knox, 2001). Such knowledge includes, but is not limited to, knowledge about one's company, industry, competitors, customers, the procedures and processes that allow firms to work well with partners, and the organizational structures that allow firms to be efficient and effective (Arnett and Badrinarayanan, 2005).

Effectively transforming customer information to customer knowledge is an indicator of successful CRM (Yim, Anderson and Swaminathan, 2004); information about customers should be gathered through interactions or touch points across all functions or areas of the firm (Roberts-Lombard, 2011), so that a 360-degree customer view is established, maintained, and continually updated.

For the success of CRM, an organization must figure out what kind of customer information is allowing for and it is indispensable to select what it intends to do with that information. (Semih and Ibrahim, 2000), organization must look into all of the various facts about customers into a business, where and how this data is warehoused and how it is currently used.

2.4.4 Technology based CRM

CRM technology includes all the information systems used to support front office functions (sales, customer service, and marketing) and back office applications that deal with data integration and analysis (Jayachandran et al., 2005).

The business approach of CRM uses the latest information technologies to maintain intense communication with customers, as well as to gather and utilize data regarding their needs and desires" (Swift, 2000).

Technology based CRM has many positive effects on an organization, Kotler and Armstrong had found that CRM data collection and analytical data tools positively influence financial performance it also has a positive influence on CRM implementation on customization activities (Kotler & Armstrong, 2004). In addition firms will be in the position to enhance prospecting, improve communication and sales presentations, and able to customize their product configurations by using appropriate customer relationship management technology for data collection and distribution (Ross and Beath, 2002).

To gather accurate and reliable information IT plays a great role because it provides the ability to gather, investigate, and share customer information which will lead to a customer satisfaction, customer loyalty and customer retention (Ross and Beath, 2002).

Customer data is a basis for the measurement of performance and provision of customer focused service; customer data is highly dependent upon appropriate use of IT customer focus activities, it would be impossible without the use of an appropriate technology (Bharadawaj, 2000). Knowledge management is considered as one of CRM oriented activities which cannot be optimized without influencing the latest technology (Zeblah, 2004).

The effect of technology these days is felt everywhere and it adds tremendously to our productivity while to reject it or ignore it would be a profound mistake. According to (Foss and Stone, 2001) the use of technology is a prerequisite for any successful CRM performance.

Consequently, the technology has an important role in CRM in adding to business intelligence (Buttle, 2009) Business Intelligence comprises the set of strategies, processes, applications, data, technologies and technical architectures which are used by enterprises to support the collection, data analysis, presentation and dissemination of business information. BI technologies provide historical, current and predictive views of business operations. it helps in data collection, data analysis and also distribution (Evelyn and Hamadallah, 1996).

CRM software systems enable firms to provide greater customization with better quality at lower cost. In addition, it helps the staff at all contact points to serve the customers in a better way. Therefore, many customer-centric activities would be impossible without the use of an appropriate technology (Sin et al., 2005).

In CRM technology development, it can be viewed it as a four stage development based on the level of information technology applied in building customer relationships (Stefanou, Sarmaniotis & Stafyla, 2003). The four stages can be identified as follows, Non- It assisted CRM methods such as manual recording systems and customer surveys, IT assisted CRM making use of call centers, fax, mail, database and internet presence, IT automated CRM making use of e-commerce and Electronic data interchange and final state integrated CRM(i-CRM) making used of DSS and analytical CRM . With each stage the organization is increasing its reliance on CRM- technology and also increasing its benefits.

2.5 Customer Loyalty and CRM

Oliver defined customer loyalty as a deeply held commitment to re-buy a preferred product/service consistently in the future, thereby causing repetitive same brand despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1997).

According to Oliver loyalty is expressed by the customer's purchase intentions, the customer's commitment and word of mouth. Oliver also defined them as follows purchase intentions is the propensity to purchase a product or service at some point in the future. Customer commitment refers to the strength of relational ties, and the desire to maintain a relationship. Word of mouth defined as oral, person to person communication between a receiver and a communicator, whom the receiver perceives as non-commercial, regarding a brand, a product or a service (Oliver, 1997).

CRM systems assists companies evaluate customer loyalty and profitability based on repeated purchases, the amount spent, and longevity. Roberts added CRM makes it practicable for companies to find unprofitable customers that other companies have abandoned and work with them (Roberts-Lombard, 2011).

Customers are vital in the profitability of a company and their loyalty is inevitable in the pursuit of this profit. And this customer loyalty is highly dependent on the level of satisfaction of these customers (Mehrota, 2009). Customer satisfaction lies at the heart of profitable business, and individual customer satisfaction is measured by reference to the preference of that customer. If what is offered suits the expectations, the customer is satisfied. If what is offered is above the expectations, the customer is highly satisfied and pleased (Berry and Parasuraman, 1985),

It can also be concluded that satisfied customer are not only loyal but spend more as Growth Strategies International (GSI) concluded after reviewing the finding of over 20,000 surveys conducted in different countries; that totally satisfied customers contribute 2.6 times as much to revenue as a somewhat satisfied customer and 17 times as much as somewhat dissatisfied customer. We can see clearly the difference in the level of revenue contribution of customers who are totally satisfied and those who are not.

Therefore if a company desires profits then it must gain the loyalty of its customers, and CRM in different ways assure customer satisfaction and satisfied customers stay loyal (Kotler & Armstrong, 2004).

2.6 CRM in Banking Industry

CRM in the banking industry provides advantages such as; permanent advantage of competition, reforming marketing designs, helping provide customer focused service, picking out long-term real customers and in totality increasing overall productivity. Investment and the use of technological advancement increase the realization of these advantages (Roberts-Lombard, 2011).

According to Swift most sectors of the financial services industry are trying to use CRM techniques to achieve a variety of outcomes. In the area of strategy, they are trying to: Create consumer centric culture and organization; maximize customer profitability; integrate communications and supplier customer interactions across channels; identify sales prospects and opportunities (Swift, 2000).

Any financial institution seeking to adopt a customer relationship model should consider six key business requirements (Forss, and stone, 2001), they are:

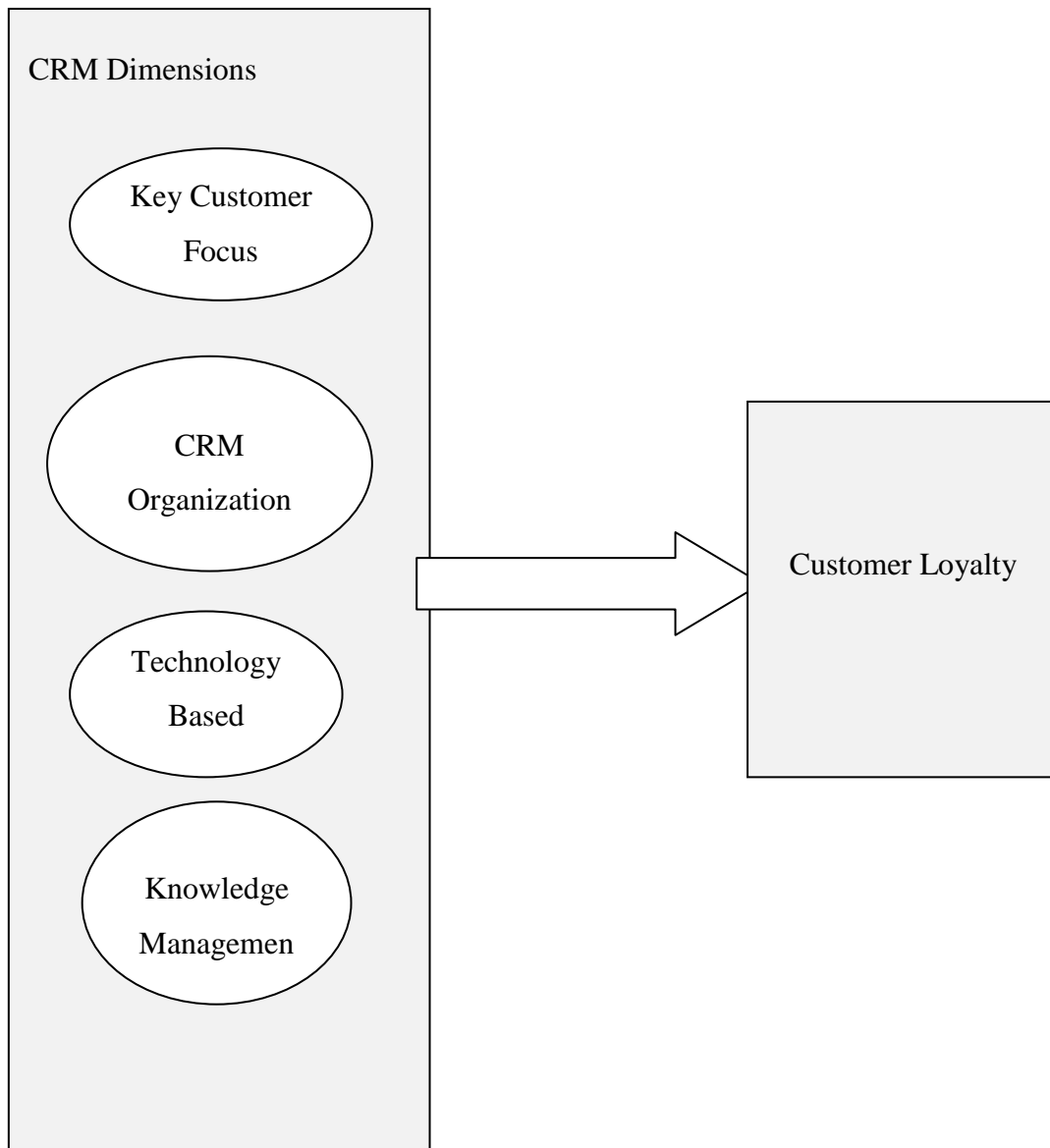
1. Create a customer-focused organization and infrastructure.
2. Gaining accurate picture of customer categories.
3. Assess the lifetime value of customers.
4. Maximize the profitability of each customer relationship.
5. Understand how to attract and keep the best customers.
6. Maximize rate of return on marketing campaigns.

Updating to technologically to date methods helps banks survive competition, maintain and increase customers. Before the introduction of internet era, customers most of the time selected their banks based on how appropriate the location of banking branches was to their homes or office. However, with the introduction of new technologies in the business of bank services, now customers are more valuable and they can easily choice any bank for their transactions (Mehrota, 2006).

2.7 Conceptual Framework

The conceptual framework for this study, as shown in the figure; CRM dimensions (Customer focus, CRM organization, Knowledge management and technology based CRM) are the independent variables that have impact on the dependent variable customer loyalty as follows:

Figure 2.1: Conceptual Framework



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design and Approach

This study employs explanatory research design and the researcher analyzed the causal relations between the dependent variable (customer loyalty) and the independent variables (customer orientation, relationship marketing, and database marketing) and measured the effects of each dimensions using regression analysis.

Quantitative Research is used to quantify the problem by way of generating numerical data or data that can be transformed into useable statistics, (Creswell John W, 2007). It is also the methodology the researcher will make use of in this paper, because it functions to quantify attitudes, opinions, behaviors, and other defined variables – and generalize results from sample population. In this research the researcher used quantitative research to measure data on customer relationship management effect on customer loyalty and uncover patterns of the effects on customer loyalty.

3.2 Data Types and Sources

We have two types of sources when discussing data collection, primary and secondary data sources. Primary Sources are immediate, first-hand accounts of a topic, from people who had a direct connection with it. Primary sources can include; texts of laws and other original documents. Secondary Sources are one step removed from primary sources, though they often quote or otherwise use primary sources. They can cover the same topic, but add a layer of interpretation and analysis. Secondary sources can include; Scholarly or other articles about a topic, especially by people not directly involved.

The researcher used both primary and secondary data sources. Questionnaire was used to collect primary data regarding customer relationship management and its effects on customer loyalty. Secondary data was used to collect a theoretical study comprised of books, articles journals, internet and publications and annual reports of the bank.

3.3 Sample Design

The target population for sampling is Dashen Bank customers in Addis Ababa, and the bank states that it has over 1.4 million total customers on its annual report of the year 2015/16, out of which 802,434 of them are in Addis Ababa branches. The sample size required can be calculated using the formula given below:

$$\text{Sample Size} = (Z\text{-score})^2 * p*(1-p) / (\text{margin of error})^2$$

Z-score is a constant based on the level of confidence.

P- Population proportion

Plugging in the values in the above formula:

$$\text{Sample Size} = (1.96)^2 * (802434/1400000) * (1-802434/1400000)/(0.05)^2$$

$$\text{Sample Size} = (3.8416 * 0.573 * 0.426) / 0.0025$$

$$\text{Sample Size} = \underline{\underline{375}}$$

The researcher used 384 as sample size, above the minimum amount required.

The sampling technique the researcher employs was convenience sampling it's a type of non-probability sampling that involves the sample being drawn from that part of the population that is close to hand. (Javalgi, and Moberg, 1997). The researcher believes the sampling technique is representative since the population is homogenous.

3.4 Data Collection Methods

Data collection method for this research is questionnaire; the questionnaire the research has used for this study was divided into three sections. The first one is concerned with gathering demographic data that are actually not directly relevant to answering the research questions, but it can help in discovering unpredicted results. The second section will be about the customer relationship management practices of Dashen bank and the third section will attempt to measure the loyalty of the customers to Dashen bank.

3.5 Instrument Design

The researcher adapted the questionnaires used by Swaminathan (2004). While the first part will have options to classify the respondents based on demographics the second section will be based on a five point Likert scale, a typical test item in a Likert scale is a statement in which the respondent was asked to indicate his or her degree of agreement with the statement or any kind of subjective or objective evaluation of the statement. The range was from 1- strongly disagree to 5- strongly agree (Likert, Rensis, 1932).

Questions in questionnaires could be in close or open ended formats. An open ended allows the respondent to use their own words to answer while close ended question gives a pre-defined options, in this research all the questions were a close ended format (Buttle, 2009).

3.6 Data Analysis and Presentation

The researcher used descriptive statistical measures such as mean and standard deviation to achieve the first specific objective. The researcher also used descriptive tools such as: correlation and regression in predicting dependent variable and in measuring strength of association.

In correlation analysis, one estimates a sample correlation coefficient, more specifically the Spearman Product Moment correlation coefficient. The sample correlation coefficient, denoted r , ranges between -1 and +1 and quantifies the direction and strength of the linear association between the two variables. Simple regression is used to examine the relationship between one dependent and one independent variable. After performing an analysis, the regression statistics can be used to predict the dependent variable when the independent variable is known. Regression goes beyond correlation by adding prediction capabilities.

Correlation analysis was used to measure strength of the association between each customer relation management dimensions and customer loyalty. A regression analysis was used to measure the extent of the impact of each customer relationship management dimensions have on customer loyalty (the dependent variable).

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter includes presentation of the data collected, analysis of the collected data and interpretation and discussions based on the data. The data was analyzed using IBM SPSS statistics version 23 and was collected using a questionnaire from Dashen bank customers. A total amount of 291(76%) questionnaires were valid for analysis out of the 384 distributed.

This chapter is organized as introduction, demographic characteristics of respondents, descriptive analysis of study variables, correlation analysis, were the researched analyzed the correlation customer loyalty has with the four dimensions and finally regression analysis, where the researcher analyzed the magnitude of the effect of each dimension on customer loyalty.

4.2 Demographic Characteristics of the Respondents

A demographic characteristic of respondents is useful in studies in order to make the analysis more meaningful to the readers and to trace back any abnormal results that may occur during data analysis. Presented below we find the demographic statistics of the survey conducted by the researcher. The researcher didn't find any abnormal or unpredicted results in the demographics of the respondents.

4.2.1 Gender

Gender classification of respondents is shown in table 4.1 below, as can be seen from the table out of the total population (291) the majority of the respondents were found to be male (181) respondents accounting for 62.2% of them while the females were respondents were the minority with 37.8%. This shows that a significant majority of the customers the researcher analyzed were male.

Table 4.1: Gender and Age Group Classification of Respondents

Gender	Frequency	Percent	Cumulative Percent
Male	181	62.2	62.2
Female	110	37.8	100.0
Total	291	100	100
Age Group	Frequency	Percent	Cumulative Percent
18-30	113	38.8	38.8
31-40	129	44.3	83.2
41-65	48	16.5	99.7
Above 66	1	.3	100.0
Total	291	100	100

Source: Survey data, 2017

The distribution of the age of the respondents is shown in the table 4.1 above the majority of the respondents were found to be in the 18-30 and 31-40 age group with those two accounting to 83.2% of the respondents. The 31-40 age group took the major share with 44.3 % of the respondents being in that group, and the 18-30 group accounted for 38.8% of the respondents. This shows that there is a clear majority respondent when looking at age groups, indicated by only 17% of the respondents being above 40.

4.2.3 Purpose of usage

Based on the data the researcher collected it can be seen that most of the respondents use the bank for personal use (56.7%) while some use it for commercial (27.5%) and 16% of them use it for both commercial and personal use. The data is presented below using table 4.3.

Table 4.2: Purpose of Usage of Bank Service And Years As Customers

Purpose of usage	Frequency	Percent	Cumulative Percent
Personal	165	56.7	56.7
Commercial	80	27.5	84.2
Both	46	15.8	100.0
Total	291	100	100
Years as Customer	Frequency	Percent	Cumulative Percent
<1	113	6.2	6.2
1-5	129	56.7	62.9
6-10	48	24.1	86.9
>10	1	13.1	100.0
Total	291	100	100

Source: Survey data, 2017

The table 4.2 above shows the duration of the relationship of the respondents with the bank as customers; it's to be seen that more than half of the respondents are in the 1-5 years range, which compared to age of the bank which has more than 20 years, we expect to long standing customers.

4.3 Descriptive analysis of study variables

The questionnaire consisted of 26 questions used to collect data about the opinion of the respondents regarding customer focus, CRM organization, customer knowledge management, technology based CRM and customer loyalty.

4.3.1 Reliability And Validity Test

The reliability and validity test are important to assure the results of the research as reliable and consistent; here the researcher will show the results of the reliability test while the validity test is redundant since the researcher used standardized questionnaire.

Reliability test was done to measure the degree of consistency; it was done using the Cronbach's alpha which 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 range of Cronbach's coefficient alpha value ranges between 0- 1 and the higher values reflects a higher degree of internal consistency. The commonly accepted value that shows internal consistency is considered to be 0.7 and higher (Hair et al., 2003).

Table 4.3: Results of Reliability Test Using Cronbach' Alpha

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.919	.923	21

Source: Survey data, 2017

4.3.2 Perception of Respondents on CRM Practices

Six (6) questions were about customer knowledge management while the remaining 20 questions were distributed equally amongst customer focus, CRM organization, technology based CRM and customer loyalty. The respondents responded to each questions based on a five point Likert scale, with each question consisting of a statement in which the respondent is asked to indicate the degree of agreement or disagreement with the statement using the given choices, strongly disagree, disagree, neutral, agree and strongly agree.

The responses were then weighted for analysis in the range of 1-5 with 1 being strongly disagree and 5 being strongly agree, the researcher then proceeded to find the mean score of each dimension for each respondent. The table 4.5 below presents the mean, standard deviation and variance of the mean scores of each dimension.

Table 4.4: Descriptive Statistics Of CRM And Customer Loyalty

	Customer Focus	CRM Organization	Knowledge management	Technology based	Customer Loyalty
Mean	3.4426	3.2357	3.0165	2.8467	3.2426
Std. Deviation	.85732	.70395	.66754	.76727	.86453

Source: Survey data, 2017

According to the perception of the respondents on Dashen bank’ practice of CRM, the bank gets the highest mean value on customer focus with value of 3.44, which indicates that the respondents believe that Dashen bank has given more focus to this dimension of CRM more than any other.

This was indicated by them rating higher the performance of the bank that indicated the magnitude of the focus Dashen bank has given to customers. The respondents on average agreed more with the positive statements regarding Dashen bank’ customer’ focus.

Technology based CRM was the lowest scoring dimension of CRM with a mean score of 2.85 this is a clear indication of the perception of the respondents belief that Dashen Bank is deficient in this category, which consists of using the latest hardware and software technology to collect data and communicate with its customers. CRM organization and Knowledge management have the middle scores with 3.24 and 3.02 respectively

Interestingly, the standard deviation which shows the closeness of the values to the mean when smaller and shows the spread out nature of the distribution when it has larger values shows that the Standard deviation of knowledge management is 0.668 which shows that there is a better consensus regarding the practice of CRM knowledge management of the bank.

However, customer focus has a standard deviation score of .857 which means it had a wide range of responses and seems to be the more controversial compared the other dimensions. CRM organization has .704 and technology based has 0.767 which means that they are less controversial than customer focus but have a wider spread than CRM knowledge management.

4.4 Correlation Analysis

Correlation is a measure of the strength of the linear relationship between two variables. The Spearman product-moment correlation coefficient “ ρ ” measures the strength and direction of a linear relationship between two variables.

The Spearman's rank-order correlation is the nonparametric version of the Pearson product-moment correlation. Spearman's correlation coefficient, (ρ , also signified by r_s) measures the strength and direction of association between two ranked variables.

Based on the value of Spearman' coefficient or ρ the following interpretations can be made; if the value is a positive value between 0 and 1, it can be known that the two variables have positive relationship which means when one of the variable increases the other variable increases as well. If the value of ρ is negative, the two variables have inverse relationship in which when one of the value of the variable increases the other decreases .

Table 4.5 Correlation Matrix For Dimensions Of CRM And Customer Loyalty

	CRM				Customer Loyalty
	Customer Focus	organization	Knowledge management	Technology based	
Customer Focus					
CRM organization	.635**				
Knowledge Management	.463**	.494**			
Technology based	.561**	.317**	.401**		
Customer Loyalty	.655**	.622**	.646**	.705**	

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

Source: Survey data, 2017

Taking data from the table it is to be seen that customer loyalty has a positive relation with all the CRM dimensions and the magnitude of the relation is indicated by the value of Spearman correlation of the variables, this means an increase in value of customer loyalty perception is seen whenever there is an increase in any of the dimension.

When looking at the magnitude of the effect of the correlation, we see that all the values are above 0.5; a value of correlation above 0.5 is indicative of a strong positive correlation; the highest of them all was marked with technology based at 0.7 which means that the values of customer loyalty were found to be very responsive to change with technology based, which presents a great opportunity to the bank to capitalize on by investing its effort on improving its technology based on CRM to increase customer loyalty.

The least correlation was with CRM organization at 0.62, which indicates the dimension which customer loyalty is least sensitive to change to. While knowledge management and customer focus, occupy the middle ground with 0.64 and 0.65 Spearman correlation value. While the value of the correlation with technology based are higher than the other dimensions the bank should still invest in the remaining dimensions expecting to see an increase in customer loyalty since these dimensions also have a strong positive correlation and are fully expected to show excellent results.

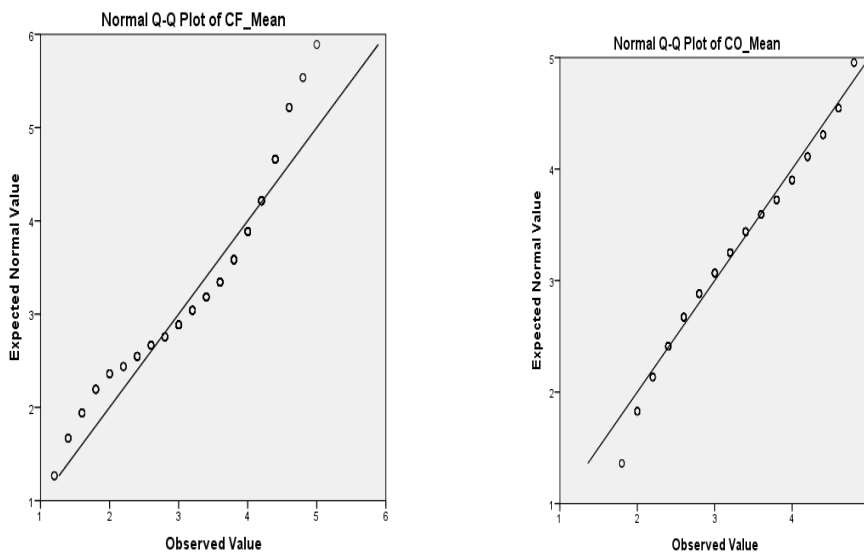
4.5 Multiple Regression analysis

Before performing a regression analysis, one should check for the normality of the distribution of the independent variable to reject the null hypothesis.

4.5.1 Normality

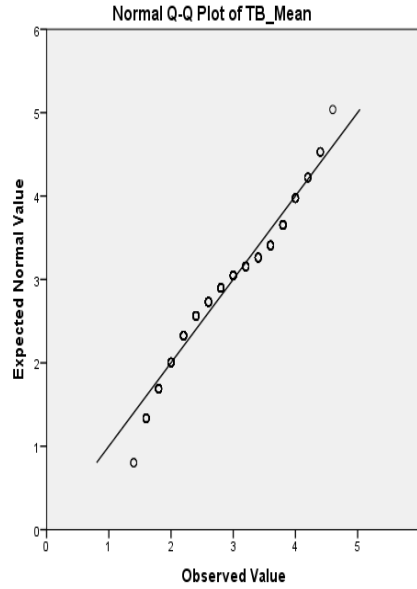
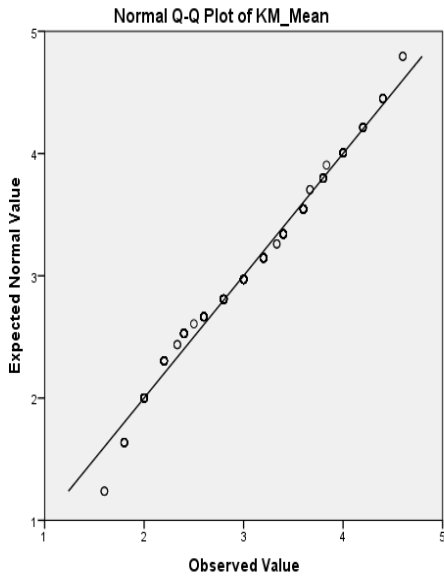
The researcher checked for normality of distribution of the data to satisfy the assumption of linear regression analysis, the results are presented below, using Q-Q plots of the variables (CRM dimensions) given in Figure 4.1 and 4.32 and P-P plot given in Figure 4.3.

Figure 4.1: Normal Q-Q plot of customer focus mean and CRM organization mean



Source: Survey data, 2017

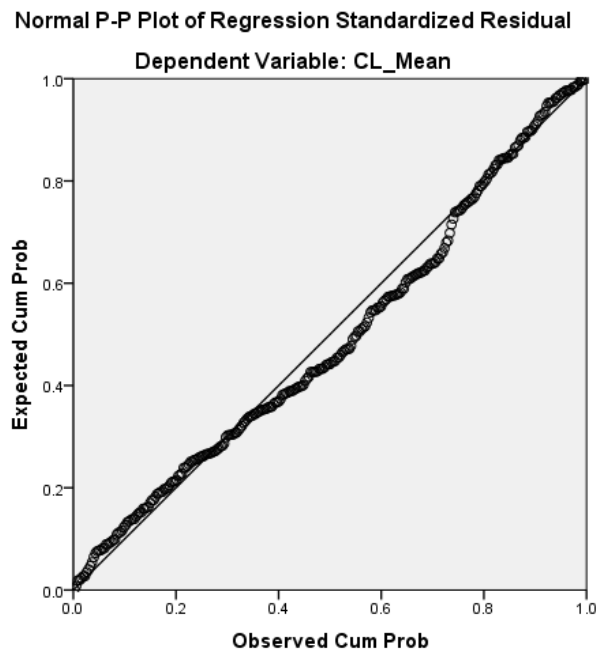
Figure 4.2: Normal Q-Q plot of knowledge management mean & Technology based mean



Source: Survey data, 2017

The distribution type of an independent variable is normal if the plots of the values of the independent variable are close to the normal line in a P-P plot. Accordingly, as can be seen from all the graphs all of variables their values are hugging the normal line and can be taken as a normal distribution.

Figure 4.3 P-P plot of customer loyalty



Source: Survey data, 2017

Above presented the P-P plot of the customer loyalty mean, it graphs the expected value against observed value, according to the theory ,If a distribution is normal, the residual line will closely follow the diagonal (Buttle, 2009), and the graph shows exactly that.

Based on the above Q-Q plot and P-P plot given above, the null hypothesis can now be successfully rejected and regression analysis can now be used to analyze the data from the survey.

4.5.2 Multicollinearity Test

Another test to perform before doing the regression analysis is Multicollinearity test; this can be done using the VIF (Variance Inflation Factor) which calculates the influence of correlation among independent variables on the precision of regression estimates.

The VIF factor should ideally be close to one to show no correlation while a value between 1 to 5 shows a moderately correlated values and greater than one shows high correlation.

Table 4.6: Multicollinearity Test

	Collinearity Statistics	
	Tolerance	VIF
CRM Org.	.514	1.944
Tech. Bases	.697	1.435
Know. Mang.	.667	1.499
Cust. Focus	.494	2.025

a. Dependent Variable: Customer Loyalty

Source: Survey data, 2017

4.5.3 Autocorrelation Test

The researcher tested for autocorrelation using Durbin Watson test, The Durbin-Watson test statistic tests the null hypothesis that the residuals from an ordinary least-squares regression are not autocorrelated against the alternative that the residuals follow an AR1 process.

The Durbin-Watson statistic ranges in value from 0 to 4. A value near 2 indicates non-autocorrelation; a value toward 0 indicates positive autocorrelation; a value toward 4 indicates negative autocorrelation. For this model the Durbin Watson value was found to be 2.007, which indicates non autocorrelation.

Table 4.7: Autocorrelation Test

Model	Durbin-Watson
1	2.007

a. Dependent Variable: Customer Loyalty

Source: Survey data, 2017

Regression analysis is a statistical approach to forecasting change in a dependent variable on the basis of change in one or more independent variables. After performing an analysis, the regression statistics can be used to predict the dependent variable when the independent variable is known.

The researcher conducted a linear regression analysis to utilize the predicting capacity of regression analysis, for this the researcher again used IBM SPSS 23, but before running a linear regression analysis the researcher checked for normality of distribution using distribution graph Q-Q plot and P-P plot.

Table 4.8 Model Summary Linear Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.876 ^a	.767	.763	.42053	.767	234.912	4	286	.000

a. Predictors: (Constant), Technology based CRM, CRM Organization, Knowledge management, Customer focus

b. Dependent Variable: Customer loyalty

Source: Survey data, 2017

Proceeding to interpret the data from table 4.7, the result shows the amount of change in customer loyalty that can be explained by the four dimensions of CRM. This can be done by using R square as indicator; the value of R square of our model was calculated to be 0.763 which can be interpreted to mean that 76.3% of change in customer loyalty can be explained by the four dimensions.

The above is a significant indicator, in addition to the result of the correlation analysis, of the importance of CRM to the bank regarding customer loyalty, this is a noteworthy point and it helps expediently in the decision making of the bank on its decision to put forth or invest its effort to accomplish a valuable competitive advantage such as customer loyalty. In addition, it's concurrent with the theory of management which should give credibility to the result.

The standardized Beta coefficients table below shows us the factors the SPSS program used to graph the relationship between the customer loyalty and the four dimensions of customer relationship management; key customer focus, customer relationship management organization, customer knowledge management and technology based CRM.

Table 4.9: Standardized Beta Coefficients Table

Coefficients	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	-.722	.137		-5.255	.000
Customer focus	.278	.041	.276	6.793	.000
CRM organization	.187	.049	.153	3.830	.000
Knowledge management	.360	.045	.278	7.956	.000
Technology based CRM	.461	.039	.409	11.963	.000

a. Dependent Variable: Customer Loyalty

Source: Survey data, 2017

It is understood in the theory that by using the standardized beta coefficients we can evaluate the effect of each independent variable on the dependent variable. When the value of beta coefficient is higher, the impact of that independent variable on the dependent variable (customer loyalty) is higher.

Based on this, the researcher suggests that the bank should work more on the variable which has the highest coefficient of 0.409, technology based CRM, to affect customer loyalty and bring about a positive result. This can be accomplished by the bank modernizing its software and hardware technology to improve its services, data collection and communication with its customers. In addition the bank should utilize the data it collected by distributing it to all contact point to better serve its customers.

It's also important to note here that technology based CRM is also the dimension on which the analysis found to account for the utmost dissatisfaction amongst the respondents, and is also the variable which has the highest positive correlation with customer loyalty. These facts should force the bank to take a closer look at its strategy regarding CRM.

The analysis also shows that the other dimension of CRM also have substantial impact on customer loyalty with knowledge management and customer focus having very similar values at 0.278 and 0.276 respectively while CRM organization has the least with 0.153.

Using the coefficients from the above table the formula below can be driven to expresses customer loyalty based on the dimensions of CRM dimensions for the data the researcher collected:

$$f(x) = a + 0.276CF + 0.153 CO + 0.278 KM + 0.409 TB + \epsilon$$

Where $F(x)$ is Customer Loyalty, a is y intercept and ϵ is Error Term.

While CF is Customer Focus, CO is CRM Organization, KM is Knowledge Management and TB is Technology Based CRM

The effect each CRM dimension has on customer loyalty in the current model can be understood based on the formula above, it is to be seen that technology based has the highest multiplier (coefficient) at 0.409, which indicates that technology based CRM has the highest effect on customer loyalty from the researcher' model. CRM organization has the least at 0.153 with Customer focus and customer knowledge management having very similar multipliers at 0.267 and 0.278 respectively.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of findings

In this section the researcher will try to present a summary of its findings that are presented in chapter four in a simple, concise form; below presented are the summary of the researchers finding:

- Regarding the demographic of the respondents, the majority of the respondents were male (62.2%), and more than 80 % were below 40 while most were in the 31-40 age group (44.3%).
- Almost half of the respondents have been customers of Dashen bank between 1-5 years (56.7%) and most of respondents (56.7 %) were using the bank for personal purposes while 16% of them used it for both commercial and personal purposes.
- Based on the respondents, the bank has a higher rating amongst the dimensions in customer focus with a mean score of 3.4426 followed by CRM organization (3.2357) while customer knowledge management has (3.0165) and the bank' technology based CRM has the least mean score with 2.8467.
- The standard deviation of the four dimensions indicates that customer focus is most spread out with a standard deviation of 0.85732 while knowledge management is narrow and closer to the mean with 0.66754. CRM organization and technology based CRM have a 0.70395 and 0.76727 values respectively.
- The correlation analysis indicates the strong correlation customer loyalty has with the four dimensions in amongst the respondents. It has the strongest correlation with technology based CRM while the correlation was weaker but still objectively strong with CRM organizations. The values were 0.7 with technology based 0.622 with CRM organization 0.75 with customer focus and 0.64 with knowledge management.

- The multiple linear regression analysis model has given out the R square value which is that the amount of change in customer loyalty that can be explained by the four dimensions of CRM the value was found to be 76.3%.
- The coefficients (multipliers) of the model were found out to be 0.276 for Customer Focus, 0.153 for CRM Organization, 0.278 for knowledge management and 0.409 for technology based CRM.

5.2 Conclusion

Based on the assessment of the respondents regarding the bank's customer relationship management practices, the bank has its highest score in customer focus at 3.44 although this is acceptable it has a very low score of 2.85 in technology based CRM and also has low scores of 3.23 in CRM organization and 3.02 in knowledge management the researcher have found the practice of CRM to be lacking and wanting for more to be done.

The researcher then determined the relationship between customer relationship management and customer loyalty. The researcher has concluded that customer loyalty has a positive relationship with all four dimensions of customer relationship management; the highest positive relationship of customer loyalty was seen with technology based at 0.722.

The next highly rated was customer focus at 0.70 with CRM organization and knowledge management having a fairly equal value 0.622 and 0.655 respectively. All four of the dimensions have scored above 0.5 in Spearman' correlation and these values indicate a strong positive correlation which point to the high potential for increase in customer loyalty by working on improving the practice of CRM.

The researcher has investigated the effect of customer relationship management on customer loyalty, and has found it to be significant in all the four dimensions. After performing a regression analysis the research has found the value of R squared of CRM practice to be 0.763, this indicates that 76.3% of the change in customer loyalty can be explained by CRM. This is a significant amount and can be concluded the performance of CRM has a major effect on customer loyalty.

Based on the results of the regression analysis amongst the four CRM dimension CRM organization had the minimum capacity to predict the magnitude of customer loyalty with a coefficient of 0.15 and technology based have the highest capacity (coefficient) at 0.41 while customer focus and knowledge management both have 0.28.

Finally the researcher has concluded based on the research that the CRM practice at Dashen bank is unsatisfactory but customer focus of the bank was perceived to be better. CRM organization was the dimension with the lowest correlation while also having the least amount of change in customer loyalty designated to it. Technology based CRM takes the major share of the pie as the source of dissatisfaction for the customers. It is also the dimension found to have the highest correlation with customer loyalty while at the same timing having the stronger impact on loyalty and is found to be a better predictor of customer loyalty amongst the dimensions of CRM.

5.3 Recommendations

This study has demonstrated the positive effects of customer relationship management on loyalty of customers in Dashen Bank. Based on the above conclusions the researcher has made the following possible recommendations. The recommendations are suggested as being valuable to the bank for improving customer relationship management activities to assure and increase customer loyalty.

- The researcher recommends the bank to work on improving its CRM practices which were found to be lacking, and the researcher recommends the following to accomplish that:
 - The bank should adjust its organization to better fit the customer by arranging it to be customer friendly, elastic and flexible, by designing it around the customer, by creating consistent policies throughout its structure, by creating clear and simple directives on customer care responsibilities and by creating a structure that helps in deepening relationships with customers.
 - The bank should improve its CRM knowledge management by creating ways to communicate with its customers to receive feedback, by forming ways for customers to customize services to address their specific needs and by training employees to better understand those needs and implement them.
 - The researcher also recommends that the bank uses the latest in software and hardware technology to improve its services and communicate with its customers. In addition the bank should utilize the data it collected by distributing it at all contact point.

- The researcher also recommends the bank to increase the loyalty of its customers by exerting more effort on CRM, the researcher has concluded above that key customer focus, customer relationship management organization, customer knowledge management and technology based CRM all have significant effect on the customers loyalty and more effort should be exerted by Dashen Bank in those to increase its customer' loyalty.

- The researcher finally recommends for the bank to align its strategy to focus more on technology based CRM, since based on the conclusion of this research is the major source of dissatisfaction to its customers as well as being the dimension with the highest correlation with loyalty and has the greater impact on customer loyalty.

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APPENDIX 1:

QUESTIONNAIRE

ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDY
MASTER OF BUSINESS ADMINISTRATION (MBA) PROGRAM

Note: Questionnaire is to be filled out by customers of Dashen Bank.

Dear Respondents,

This questionnaire is developed and forwarded to you to assess the Practice of Customer Relationship Management and Its Effect on Customer Loyalty at Dashen bank for the partial fulfillment towards the completion of my postgraduate degree.

I kindly request your attention to fill out the following questionnaire; please do keep in mind that the answers you provide are not traceable to you and will only be used for this academic research

Please do also provide your fair and impartial feedbacks for the successful completion of this research.

Part I: Demographic Profile

Please indicate your answer by ticking (√) mark in the box provided.

1. What is your Gender?

Male Female

2. What is your Age group?

- 18-30 31-40 41-65 66 and above

3. For what purpose do you require the services of this bank?

- Personal Commercial Both

4. How long have you been the customer of the bank? (In years)

- Less than 1 1-5 6-10 Above 10

Part II: Customer Relationship Management & Customer Loyalty

Please respond by circling the number that indicates your extent of agreement or disagreement with each statement.

The value of each answer will be weighted as follows: SD=1, D=2, N=3, A=4 and SA=5

No	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Customer Focus					
1	The bank has special services for key customers.	1	2	3	4	5
2	The bank has reward programs for customers.	1	2	3	4	5

3	The bank dialogs with customers regarding their needs.	1	2	3	4	5
4	The bank develops new programs to meet customer' need.	1	2	3	4	5
5	Employees of the bank treat customers with great care.	1	2	3	4	5
	CRM Organization					
6	The bank' organizational arrangement is customer friendly, elastic and flexible.	1	2	3	4	5
7	The bank structure is designed around the customer.	1	2	3	4	5
8	The bank has consistent policies throughout its structure.	1	2	3	4	5
9	The bank has clear and simple directives on Customer care responsibilities.	1	2	3	4	5
10	The bank structure helps in deepening relationships with customers.	1	2	3	4	5
	Knowledge Management					

11	The bank has clear and simple ways that I can use to communicate my concerns.	1	2	3	4	5
12	The bank values my feedback and addresses them.	1	2	3	4	5
13	The bank offers ways to its customers to modify and customize their services.	1	2	3	4	5
14	The bank and its employees understand my specific needs.	1	2	3	4	5
15	The bank and its employees remember and implement the specific services I require.	1	2	3	4	5
16	The bank constantly adapts and improves based on the needs of its customers.	1	2	3	4	5
	Technology Based					
17	The bank collects my data to better serve me and others as customers.	1	2	3	4	5
18	The bank distributes and makes use of my individual data it collected to better serve me at all contact points.	1	2	3	4	5

19	The bank offers customized services to me based on the data it collected.	1	2	3	4	5
20	The bank has the latest hardware and software technology to better serve me.	1	2	3	4	5
21	The bank uses the latest technology to communicate with me.	1	2	3	4	5
Customer Loyalty						
22	This bank is what comes first to my mind whenever I think of making a purchases decision on banking services.	1	2	3	4	5
23	This bank is always my primary choice when I think of banking services.	1	2	3	4	5
24	I go out of my way to use this bank' services.	1	2	3	4	5
25	I routinely recommend this bank to friends and families	1	2	3	4	5
26	I am a loyal customer to this bank	1	2	3	4	5