



**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**THE APPLICATION OF CUSTOMER RELATIONSHIP  
MANAGEMENT IN COMMERCIAL BANK OF ETHIOPIA**

**BY  
ANTENEH MOHAMMED**

**JULY, 2018  
ADDIS ABEBA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF  
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MANAGEMENT**

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**APPROVED BY BOARD OF EXAMINERS**

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## **ACRONYMS**

ATM	Automatic Teller Machine
CBE	Commercial Bank of Ethiopia
CRM	Customer Relationship Management
CSM	Customer Service Officer
IT	Information Technology
SPSS	Statistical Package for Social Science

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## ABSTRACT

*Customer relation management plays a key role in the improvement of firm's performance. The importance of CRM is growing due to the challenging business faced by organizations throughout the world today. The purpose of this study was to examine the application of customer relation management in commercial bank of Ethiopia. In this study quantitative approach was employed. The study used primary and secondary sources to gather data. Primary data were collected through structured questionnaire. The population of the study is employees and customers of the selected branches. The sample size is 256 where 111 of them were employees randomly selected from four branches which are Urael, Gofa Sefre, Mexico and Head office and 154 of them were customers. The study utilized both quantitative and qualitative data analysis techniques. Descriptive statistics is employed to describe the given data. Inferential statistics such as correlation and ordinary least square (OLS) model is employed. Furthermore, STATA version 13 was employed for the purpose of encoding analyzing the data. The finding of the study revealed that the effectiveness of customer relation management depends on a combination of different service aspects and primarily it comprises analysis of the different perception of customers, collaboration with important stakeholders and enhancement of front office operations in the bank. In addition, this study concludes that the majority of customer relationship management systems are that they enhance organization learning, leads to better organization performance and enhance the market productivity and effectiveness of organizations. Furthermore, the entire success and failure of an organization depends on customer acquisition and retention. It is for this reason that technology has become important to the concept of CRM. Therefore, the findings of the study concluded that apart from indicating the importance of CRM practice, the CRM practice should be well organized and it should be technology based. Electronic customer relationship management (E-CRM) is the application of Internet-based technologies such as emails, websites, chat rooms, forums and other channels to achieve CRM objectives. It is a well-structured and coordinated process of CRM that automates the processes in marketing, sales and customer service. An effective E-CRM increases the efficiency of the processes as well as improves the interactions with customers and enables businesses to customize products and services that meet the customers' individual needs. CRM is not a new technology; it was a standard business process long before people used the Internet to communicate. The phrase "customer relationship management" is used to mean the strategy used by a business to interact with anyone it conducts business with. CRM systems define the way a business handles its existing customer relationships and forming new ones. It was evident that the Internet changed the way businesses are conducted. The onset of Web-based communications and electronic commerce (e-commerce) changed not only how business was conducted but also the way in which a business could communicate with its customers. This change required a business to invest in new hardware, systems and Web applications. There was a need to develop new processes to manage customer relations using the Web for those business processes. The terminology was updated to Electronic Customer Relationship Management (ECRM) to reflect the new hardware and systems required by a business to make use of new*

*Web-based technologies, such as self-service customer support, email and online sales. Generally The lines that once defined CRM and ECRM as two different business strategies barely exist now, leaving the names themselves to be the biggest difference. ECRM was a popular term when the shift to e-commerce and Web-based customer self-service applications was on the horizon, but today, many industry experts believe that ECRM as a separate term is not necessary. This is because ECRM implies processes that are a natural evolution of CRM. Most industry experts and CRM vendors today do not use ECRM to describe systems, but rather use CRM which in newer systems incorporates ECRM strategies, tools and applications*

*Key words: Customer Relation management Customer Retention*

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1. Back ground of the Study**

Marketing context is changing dramatically with regard to physical distance, time, markets, and competition, and this is leading to fundamental changes in the way that marketing is being practiced (Brookes, Brodie, and Lindgreen, 2000; Sheth and Sisodia, 1999). Traditionally businesses employed transaction based marketing through the 4p`s. However, with the emergence of contemporary marketing practices businesses began to realize that marketing is not all about attracting new customers rather it is building long term relationships with the existing customers to the mutual benefit of both. Meanwhile, the stiff competition in the market; both local and global, accessibility of markets and the advent of knowledgeable customers contribute to the blossoming of relationship-based marketing in the business world. In the 1970`s, Customer relationship management (CRM) originated as a marketing concept from the relationship marketing literatures. Its aim is to maximize customer value in the long term, by focusing business processes, marketing and customer service on client relationship maintenance, through the coordinating agency of an information technology system (Chang.H.H, 2007).

So far, several business sectors have benefited from the deployment of CRM. However, pertaining to its nature the service sector, particularly the financial sector, deemed to benefit a lot from the implementation of the CRM as a business strategy .For instance, many studies have reported that banks which develop a customer-centric strategy get higher profits (Formant, 2000; Lamparello, 2000; Melnick *et al.*, 2000) this is due to the fact that financial service are characterized by the large number of customers and the private, fast and personal needs of them, such that the way a firm delivers them is relevant to its expansion and competitive advantage (Seybold & Marshak, 1998: 193-213). Moreover, Onut *et.al*, also ascertain that CRM is a sound (Seybold & Marshak, 1998: 193-213). Moreover, Onut *et.al*, also ascertain that CRM is a sound business strategy for banks to identify the most profitable customers and prospects and devote time and attention to expanding account relationships with those customers through individualized marketing, re-pricing, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses.

The extent of CRM deployment in the financial services especially in banks has been assessed from four dimensions in the financial service literatures. These four dimensions are key customer focus, knowledge management, CRM organization and technology-based CRM. So far, the studies reveal that successful application of all CRM dimensions in banks helps the banks to expand their customer bases, enhance their competitive position and able to retain the customers at increased satisfaction rate. Thus, the integrated application of the CRM has been found essential for reaping full benefits of CRM such as internal efficiency, increased customer loyalty and satisfaction, identification of customers potential and the like. Customer relationship management (CRM) is a planned and sustained interaction with customers to assess their needs through technological platforms. It involves using technology to ascertain the level of customer's satisfaction and organize a company response to customer service.

CRM is a customer-oriented centric that features service response based on the formation of individualized relationships with customers, with the aim of improving customer satisfaction and maximizing profits, identifying the most profitable customers and providing them the highest level of service. Customer Relationship Management practices provides a company with the information necessary to know their customers understand and identify customer needs and effectively build relationships. CRM is an enterprise wide approach to understanding and influencing customer behavior through meaningful communication to improve customer acquisition, customer retention, customer loyalty, and customer profitability. CRM can be viewed as an application of one-to-one marketing and relationship marketing, responding to an individual customer on the basis of what the customer says and what else is known about that customer. It is a management approach that enables organizations to identify, attract, and increase retention of profitable customers by managing relationships with them and further identifying strategically significant customers.

## **1.2. Background of the Industry**

Banks have an important role in an economy: they are intermediaries between people with shortages and surpluses of capital. Their products include savings, lending, investment, mediation and advice, payments, guarantees, and ownership. Surpluses and shortages of the government, the international markets, companies and households are dealt with financial transactions through the financial markets. The importance of the financial markets is evident. In

many countries, banks are the most important financial intermediaries in an economy (Jeucken and Bouma, 1999). Many studies have reported that banks which develop a customer-centric strategy get higher profits (Formant, 2000; Lamparello, 2000; Melnick et al., 2000) this is due to the fact that financial service are characterized by the large number of customers and the private, fast and personal needs of them, such that the way a firm delivers them is relevant to its expansion and competitive advantage (Seybold & Marshak, 1998: 193-213).

CRM is a sound business strategy for banks to identify the most profitable customers and prospects, and devote time and attention to expanding account relationships with those customers through individualized marketing, re-pricing, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses. The development of the CRM in the banking sector in Ethiopia has remained dormant to the shift in business paradigm from product-centric to customer-centric. Various factors contributed for this fact; among others the dominance of public banks till the liberalization and deregulation of the economy in the 1990`s is the major one. This hinders the development of the private sector and its possible impact on the competitiveness arena in the banking industry that would have benefited the customers and the banks there in. Currently, there are more than 18 banks in Ethiopia where two of them are government owned. Of government owned banks Commercial Bank of Ethiopia (CBE) is the leading bank in terms of market share, branch network, volume of asset and profitability. It was established in 1942 being pioneer to introduce modern banking in the country. The Commercial Bank of Ethiopia (CBE) is the largest commercial bank in Ethiopia. As of September 2017; it had about 495.4 billion Birr in assets and held approximately 67% of deposits and about 53% of all bank loans in the country. The bank has around 33,365 employees, who staff its headquarters and it`s over 1,235 branches positioned in the main cities and regional towns. The latter include 120 branches in the national capital Addis Ababa.

CBE's banking network has reached online 783 branches. The bank has reached 1,235branches as of September 2017.The bank also operates two branches in South Sudan, and is contemplating opening re-opening a branch in Djibouti, and opening branches in Dubai and Washington, DC, all to serve the Ethiopian Diaspora. The bank is pioneer to introduce modern banking

to Ethiopia and credited for playing a catalytic role in the economic progress and development of the country. It is also the first bank in Ethiopia to introduce ATM service for local users.

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

The fundamental idea of Customer Relationship Management (abbreviated as CRM in the following) is to improve customer satisfaction degree by analyzing the customers' detailed information, therefore, to improve the corporate competition ability (Wang at al., 2010). The nature of CRM aims to maximize customer value in the long term, by focusing business processes, marketing and customer service on client relationship maintenance by helping information technology (IT) systems (Chang, 2007).

The main objective of CRM is to retain current customers through increasing their loyalty and to select new customers that provide higher profitability (Hansotia, 2002). CRM implementation is not an easy duty. Coined in the mid-1990s and heavily promoted during the late 1990s, the term 'CRM' still means different things to different people (Goldberg, 2002). In reply to increasing competitiveness in the global market, businesses are looking for means to manage their relations with customers more effectively over time. Consequently, Customer Relationship Management (CRM) has become a central part of most businesses and many organizations are implementing CRM systems. CRM systems are a classification of organizational information systems that enable organizations to provide services for customers, gather and analyze customer information and manage their relationships with customers more effectively (Khodakarami and Chan,2011).

In this era of intense competition where customer is the king the ultimate strategy of the modern business is the customer centric approach. Stiff competition after privatization and changes in the needs and preferences of the customers puts a tremendous pressure on the banking industries to adapt Customer Relationship Management Practices. Customer profitability of the firm may improve by implementing CRM solution which can be measured by increased customer loyalty, reduced cost and customized offering (Khaligh et. al. 2012). Though most of the CRM literatures are written in the context of the developed countries, CRM's successful implementation in an integrated and holistic manner have been found to have a positive impact in the customer retention and satisfaction, reduction of costs and enhancement of competitive stand in the market. Based on this premises, it is of essence to examine the level of CRM application in a business to identify the components of CRM that are well implemented and those in slack to leverage them in the future. Accordingly, the purpose of this study is to look into to what extent

CRM is being applied in Commercial Bank of Ethiopia across four dimensions i.e. key customer focus, Knowledge management, CRM organization and technology- based CRM.

#### **1.4. Research Questions**

Considering the purpose and objectives of the study the under listed research questions are addressed in the study;

- What is the existing customer relationship management practice in commercial Bank of Ethiopia?
- What is the relationship between components of customer relationship management(key customer focus, knowledge management, CRM organization and technology-based CRM) and customer relation ?
- What is the effect of customer relationship management on the level of customer relation?

#### **1.5. Objectives of the Study**

##### **1.5.1. General Objective of the Study**

The main objective of the study is to assess the level of CRM application in Commercial Bank of Ethiopia

##### **1.5.2. Specific objectives of the study**

The specific objective of the study includes the following:

- To examine the existing customer relation management practice
- To determine the relationship between components of customer relationship marketing and customer relation management.
- To examine the effect of customer relationship marketing on the level of customer relation management

#### **1.6. Significance of the Study**

This study provides desirable information about the impact of CRM with regards to banks specifically commercial bank of Ethiopia. Other significances of the study are;

- The result of this study gives insight for decision makers of CBE and other banks on how to attract retain and manage their customers.

- The findings of this study provide valuable inputs and directions to concerned parties of CBE and other banks in applying CRM strategies to improve performance.
- This study can help CBE and other financial institutions to identify their customers' need in order to apply well managed customer services.
- It serves as a background material to assess its level of CRM application.
- It enables the Bank to identify the dimensions that needs further enhancements so as to benefit from CRM's application at full scale.

Additionally, it can be used as a reference for other researchers who want to make further investigation in the area.

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

The outcome of the study is solely dependent on the individual responses of the respondents that will be participating in the study. Moreover, as the sample is small and selected using non-probability sampling technique, the results might not be generalizable beyond the specific population from which the sample is drawn, considering the vast number of branches CBE has all over the country.

### **1.7.1. Theoretical Scope**

Customer relationship management is one of the best contemporary management strategies for all companies to satisfy their customer needs and wants and attracting, developing, and retaining customers. This study was conducted to analyze the effect of customer relationship management on customer retention by taking four explanatory variables representing key customer focus, CRM organization, knowledge management and technology-based CRM.

### **1.7.2. Geographical Scope**

The study confined to the application of customer relationship management in commercial bank of Ethiopia and due to time and budgetary constraints the researcher tends to undertake the research activity only in Addis Ababa.



### **1.7.3. Methodological Scope**

This study was used both quantitative and qualitative in course of researching both primary and secondary data was used. With regard to the secondary sources various publications, books and journals<sup>4</sup> regarding the subject matter was addressed and population of the study CBE in Addis Ababa districts and to achieve the objective of the study well design structured questionnaire were distributed among the study respondents selected on sampling basis.

## **1.8. Definition of Terms**

### **1.8.1. Conceptual Definition**

**Customer Relationship Management (CRM)** – is a cross-functional, customer-driven and technology-integrated business process management strategy that maximizes relationships (Chen and Popovich, 2003). It involves the integration of marketing, sales, customer service, IT and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value.

### **Employee Satisfaction (Internal Marketing)**

According to Bendt (2008), internal marketing involves relationship that develops between the employees of the organization and the organization itself in order to facilitate the implementation of CRM program. Bendt (2008) called for frequent training of the organization's personnel, conducive working environment and monetary incentives to enhance relationship building with profitable customers. The same author noted that organizational employees are internal markets for a bank and by improving relations with them the organization will be internally selling. To that effect Bendt (2008) came up with a service triangle which showed the types of customers as bellow

### **Customer Loyalty**

Martin Christopher, Payne, and Ballantyne (1991) at the Cranfield School of Management in their study found out that key account management has the potential to forge a new synthesis between quality management, customer service management, and marketing. They see marketing and customer service as inseparable and as such KAM can enhance loyalty.

### **Customer Satisfaction**

Agarwal (2009) point out that CRM is a simple philosophy that places the customer at the heart of a business organization's processes, activities and culture to improve his satisfaction of

service and, in turn, maximize the profits for the organization. Thus, customer satisfaction forms the basis for the enhancement of mutually beneficial relationship between customers and banks (Rouholamini & Venkatesh, 2011).

### **Customer Retention**

Customer retention is increasingly thought of as an important managerial issue, especially in the context of saturated market or lower growth of the number of few customers (Ghavami & Olyaei, 2006). Cohen et al. (2006) have noted that customer retention is potentially an effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing banking competitive environment.

#### **1.8.2. Operational Definition**

**Credit Customers** – customers of Commercial Bank of Ethiopia that uses credit products like over draft, Term loan, Pre-shipment, Letter of Credit and etc....

**Higher Grade Branch** – a branch of Commercial Bank of Ethiopia that is grade 3, 4, & special branches as per the bank's branch rating scheme.

**Customer Service Officer** - refers to a person who is hired by the bank to serve in the front and back line and directly deals with customers of the bank.

**Customer Service Manager** - refers to person who is hired by the bank to control and supervise customer service officers and have contact with customers in different situations in order to give quality service by creating smooth relation with customers.

**Customer Relation Officer** –refers to a person who hired by the bank to handle issues relating to credit service.

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

The study will comprise of five chapters. The first chapter presents introduction of the study whereby background of the study, problem statement, objectives of the study, research questions, significance of the study, and definition of terms, scope and limitations of the study will be included. The second chapter will be devoted to reviewing related literatures followed by the third chapter that discusses the methodology used to undertake the study. In chapter four and five, the data analysis & discussion of results and conclusions & recommendations will be presented sequentially. Finally, references and copy of the questionnaires is annexed.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

With the advent of knowledgeable customers and highly competitive market, the traditional transaction-based marketing is proved to be obsolete where by the need to solicit customers need before competitors do becomes the way of life for marketers. To do so, understanding and keeping track of customers' needs using relationship-based marketing practice become imperative. Moreover, as various authors ascertain, the cost of retaining existing clients is by far less than the cost of attracting new ones.

CRM is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It is a mutually beneficial relationship built upon a foundation of trust and loyalty through marketing, customer service, and relationship programs (Parvatiyar and Sheth, 2001). CRM is relatively a new field, but its importance is becoming even more evident as time passes. The paradigm shift from focusing on attracting new customers to retaining current ones is at the backbone of CRM (Winer, 2001). With potential profit maximization in mind, businesses are turning to customer relationship management in order to better understand customers. Traditional marketing and mass advertising are proving to be ineffective in such a commoditized environment. With the number of similar products on the market increasing and competition among the firms escalating, companies must look toward capturing customers on some factor other than product quality, price, or convenience (Brown, 2000).

#### 2.2 Theoretical Review

Customer relationship management is the most important concept of modern marketing. Until recently, CRM has been defined narrowly as a customer data management activity. By this definition, it involves managing detailed information about individual customer and carefully managing customer touch points in order to maximize customer loyalty. More recently however, CRM has taken on a broader meaning. In this broader sense, CRM is the overall process of building and maintaining profitable customer relations by delivering superior customer value and satisfaction. It deals with all aspects of acquiring, keeping and growing customers (Kotler and

Armstrong, 2008). CRM is a strategic approach concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments' unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and co-create value with them. This requires a cross-functional integration of processes, people, operations and marketing capabilities that is enabled through information, technology and applications (Payne and Frow, 2005).

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

The concept of mass marketing naturally led into the competitive transactional marketing. The primary short term focus of transactional marketing is to attract new customers for single transactions (Hennig, Thurnau and Hansen, 2000). In contrary, relation marketing is based on long term trust and satisfaction and is centered on customer retention and customization (Parvatiyar and Sheth, 1995). A number of factors have contributed to the emergence of customer relationship management including technology, total quality management, growth in the service

industry, and heightened customer expectations. Technology is at the heart of CRM development and is essential on multiple levels of the process. Some believe that technology can be credited with the wide acceptance of relationship marketing (Hennig *et al.*, 2000).

CRM consists of three components:

- Customer
- Relationship
- Management

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

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

**Management:-**CRM is not an activity only within a marketing department. Rather it involves continuous corporate change in culture and processes. The collected customer information is transformed into corporate knowledge that leads to activities that take advantage of the information and of market opportunities. CRM required a comprehensive change in the organization and its people (Wyner, 1999).

### 2.2.1 CRM Dimensions

Customer relationship management is becoming an important issue in marketing in order to gain customer loyalty, improve customer retention rates (Wong and Sohal, 2003) as well as increase profits (Fornell and Wernerfelt, 1987). Sin, Tse and Yim (2005) identified the four dimensions of CRM in their study; key customer focus, CRM organization, knowledge management, and technology based CRM. Additionally, Yim, Anderson and Swaminathan (2005) stated the

dimensions of CRM as key customer focus, CRM organization, knowledge management and technology based CRM. These four dimensions were the most frequently used dimension in most of previous studies because together they cover a wide range of CRM activities.

#### **i. Key Customer Focus**

A customer-focused structure, culture, policy, and reward system should permeate any organization that strives to implement CRM successfully (Ryals and Knox 2001; Sheth, Sisodia, and Sharma 2000). This involves an overall customer-centric focus (Sheth *et al.*, 2000; Vandermerwe, 2004), and continuously delivering superior value to selected key customers (Parvatiyar and Sheth, 2001) through personalized/ customized offerings (Dyche, 2002). Key elements of this dimension consist of customer-centric marketing, key customer lifetime value identification, personalization and interactive co-creation marketing (Sadek *et al.*, 2011). Accordingly, Sin, Tse and Yim (2005) define key customer focus as a composition of dialog with customers on customizing their needs, customizing products, customer needs assessment and implementation of customer needs information. Arnett and Badrinarayanan, (2005) also indicate that customer-needs driven CRM strategy involves two steps: first, uncovering insights regarding customer needs and secondly, the development of special programs to meet the discovered needs. Therefore, firms as part of their CRM practices ought to develop CRM strategies that are capable of delivering both economic and non-economic benefits to key customers.

#### **ii. CRM Organization**

CRM means essential changes in the way that firms are organized (Ryals and Knox, 2001) and business processes are conducted (Hoffman and Kashmeri, 2000). Therefore, firms should take into consideration the organizational challenges inherent in any CRM initiative (Agarwal *et al.*, 2004). The key considerations in order to successfully organize the whole company around CRM are as follows: organizational structure, organization-wide commitment of resources, and human resources management (Sadek *et al.*, 2011)

Yim, Anderson and Swaminathan (2004) observed that with a strong focus on key customers deeply embedded throughout its system, the entire company should be organized around cultivating these valuable relationships. The organizational structure needs to be flexible and, if necessary, reconstructed to generate customer-centric values (Homburg, Workman, and Jensen 2000) and improve coordination of customer-focused, cross-functional teams (Brown 2000;

Homburg, Workman, and Jensen 2000; Sheth and Sisodia 2002). Furthermore, there must also be an organization-wide commitment of resources, with concerted efforts by all organizational functions to continuously provide a stream of value-rich actions and customer outcomes (Ahmed and Rafiq 2003; Gronroos 1990).

### **iii. Knowledge Management**

According to the knowledge-based view of the organization, the creation, the transfer, and the application of knowledge is the primary rationale for a firm's existence. From a CRM perspective, knowledge can be learned from experience or empirical study of consumer data (Sadeket *al.*, 2011). Successful CRM is predicated on effectively transforming customer information to customer knowledge (Freeland 2003; Peppard 2000; Plessis and Boon 2004; Stefanou, Sarmaniotis, and Stafyla 2003; Stringfellow, Nie, and Bowen 2004). Specifically, to enhance customer profitability, information about customers should be gathered through interactions or touch points across all functions or areas of the firm (Brohman *et al.* 2003), so that all rounded customer view is established, maintained, and continually updated (Fox and Stead 2001). Customer knowledge thereby generated needs to be shared and disseminated throughout the organization (Peppard 2000; Ryals and Knox 2001) to address customers' current and anticipated needs.

Janz and Prasarnphanich (2003) identified three facets of knowledge management competence. They are knowledge development, knowledge dissemination, and knowledge application (Arnett and Badrinarayanan, 2005). One important feature of knowledge development is the fact that knowledge is not found in the database of any firm and can only be created from information that may be found in the database or elsewhere. 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 effectively (Arnett and Badrinarayanan 2005). Overall, key facts of this construct include learning about customer needs and wants, dissemination and sharing of this knowledge and action (Sin *et al.*, 2005)

### **iv. Technology-Based CRM**

Accurate customer data is necessary to successful CRM performance (Abbott *et al.*, 2001). Consequently, the technology has an important role in CRM in adding to firm intelligence (Boyle, 2004). Zeblah, Bellenger, and Johnston (2004) described CRM technology as one of the

organizational resources that serves as an input into the CRM process and is intended to enhance firms' ability to productively build and maintain a profit-maximizing portfolio of customer relationships. In reality, the advancement in Information Technology has the capability to collect, analyze, and share customer information which will lead to a customer satisfaction and thus retaining customers (Bulter, 2000).

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).

To sum up, the successful CRM implementation depends on combining the four aforementioned dimensions - focusing on key customers, organizing around CRM, managing knowledge and incorporating CRM-based technology into an effective overall CRM strategy. Failing in any of these aspects can render the firm's CRM activities incompetent.

### **2.2.2 Customer Relationship Management**

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

### **2.2.3 CRM and the Service Sector**

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



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

#### **2.2.4 CRM Benefits in the Banking Industry**

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

CRM if used properly would enhance a bank's ability to achieve the ultimate goal of retaining customers in order to gain a strategic advantage over its competitors (Nguyen, Sherif and Newby, 2007). Thus, the successful management of customer relationship can improve customers' satisfaction and loyalty in order to give positive effect on upgrading business performance (Liyun, Keyi, Xiaoshu and Fangfang, 2008). Customer relationships are becoming even more important for banks as market conditions get harder. Companies that implement CRM

make better relationships with their customers, achieve loyal customers and a substantial payback, increased revenue and reduced cost (Roh, Ahn and Han, 2005).

According to Foss and Stone (2001), CRM permits banks to leverage information from their databases to achieve customer retention and to cross-sell new products and services to existing customers. Lindgreen and Antioco (2005) states that, CRM results both in higher revenues and lower costs, making companies more effective and efficient: effective in targeting the right customer base with the right services via the right channels, and efficient in doing this at the lowest costs.

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

Among public banks operating in the country, CBE has been undergoing an encouraging improvement in enhancing its offerings to maintain its leading role and competitive position. Through these efforts, the bank has adopted the CRM in 2008 in its BPR initiations and implementation where by attracting customers and retaining those valuable customers by enriching the prevailing relationship backgrounds become the heart of the business world contrary to those days where customers have no choice but CBE to fulfill their financial service needs.

Accordingly, CBE has devised a customer-centric strategic document that position the customer at the center of all banking activities whereby customer relationship building based on “Know your customer” (KYC) principle emanated. Consequently, the Bank has redesigned its sub-processes in such a way one-point customer contact remain intact to enable customer relationship building and maintenance.

### **2.3. Empirical Review**

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

concludes that, ability to apply customer relationship management lead to improvement of performance in overall banking activities

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

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

Payne and Frow, (2005) emphasize the role of customer relationship management in achieving value for customers, shareholders, employees and reducing costs. The study mentioned customer satisfaction and retention have been achieved in 36% and 51% of the companies respectively when it the company applied customer relationship management practices..

## 2.4 Conceptual Framework

Customer relationship management is a multidimensional construct consisting of four broad behavioral components: key customer focus, knowledge management, and technology based customer relationship management and organizing around customer relationship management (Sayed, 2011). He investigated these four customer relationship management dimensions on marketing performance of financial institutions in preserving current customers, attracting new customers and increasing market share. Kotler and Armstrong (2004) stated superior customer relationship capability will be achieved when the four dimensions of Customer relationship management work in harmony or as a unit. In other words success in one of the key factors may not necessarily enhance effective and efficient customer relationship management.

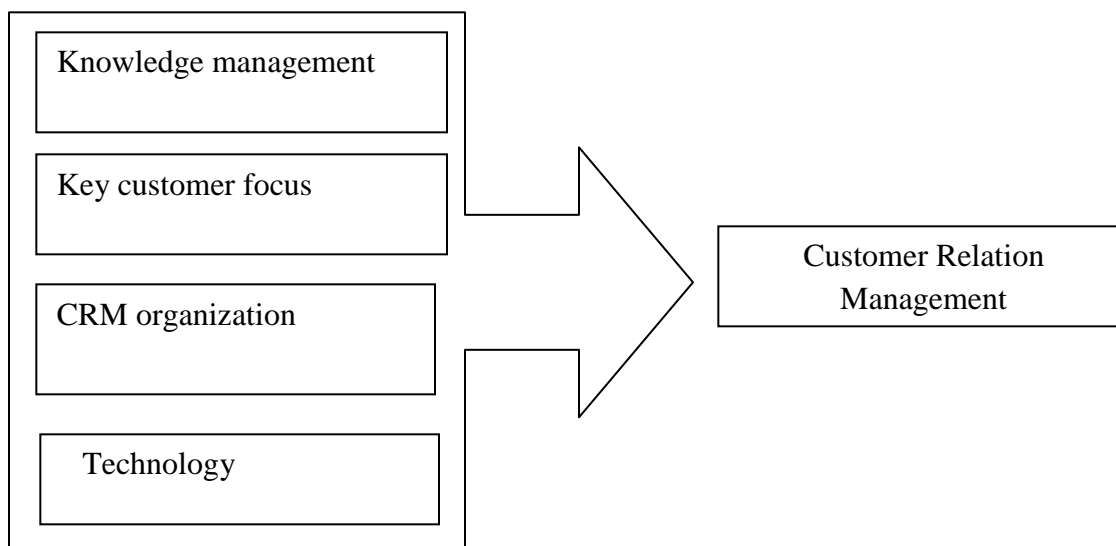


Figure 1.1 Conceptual framework

Source: Callaghan *et al.* (1995) cited by Kojo

## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

This chapter deals with the methodology of the study whereby the research design, sampling and sampling techniques, data collection instruments, data collection procedures and the method of data analysis will be discussed.

#### 3.1. Research Approach and Design

The objective of this study is to examine the relationship between customer retention and the factors that affect customer relation management of CBE. Quantitative research approach was adopted to identify the key factors that affect customer retention. Basically, for the purpose of this study causal/explanatory research design were adopted to explain the variables that affect customer retention at institution level. The researcher used quantitative technique as the major method of analysis. Quantitative surveys were designed to fit a questionnaire schedule.

#### 3.2. Population, Sampling Design and Technique

The population of the study encompasses all employees and customers of the Commercial Bank of Ethiopia found in Addis Ababa. As it is impractical to assess all branches of CBE found in Addis Ababa, a purposeful sampling is found to be the most appropriate for this case study approach, because ‘information- rich’ cases can be selected so as to learn much about the issues that are important to the study (Patton, M. Q, 1990). To do so, the branches in Addis Ababa were categorized into sub-groups as per the Bank’s branch grading system. This grading system categorizes branches from Grade I to Grade IV based on volume of transaction, variety of services provided, site location, cash holding limits and other similar considerations. Accordingly, Mexico, Urael, Gofa sefer branch and Head office were selected purposely. Overall these four branches had a total employee of one hundred fifty four (154) employees.

Yamane (1967:886) (cited by Israel 2013) provides a simplified formula to calculate sample sizes (equation 3.1).

$$n = \frac{N}{1 + N(e)^2} \text{----- Equation 3.1}$$

$$N = \frac{154}{1+154(0.05)^2} = 111.191 \approx 111 \text{ employees.}$$

Where n is the sample size, N is the population size, and e is the level of precision. Using these formula 111 employees are selected randomly. The sample size from each branch is decided based on proportional sampling technique. Hence, the proportion from each branch is done, first the defined sample size is divided by the total population and secondly the determined ratio is multiplied by each of the total employee of the branches; based on this, 32, 26, 22 and 31 sample employees were selected from Head office, Mexico, Urael and Gofa Sefer branch respectively

Table 3.1 proportional samples size determination

Branch	Total employee			Sample size= (n/N) *A, where, A=total number of employees at each branch
	Male	Female	Total	
Head office Branch	26	19	45	32
Mexico Branch	21	15	36	26
Urael Branch	27	4	31	22
Gofa sefer Branch	29	13	42	31
Total	103	51	154	111

Source: own survey, 2018

Apart from the employees the researcher collects data from customers. A non-probability convenience sampling was chosen for the selecting the customer respondents. A sample of convenience is the terminology used to describe a sample in which elements have been selected from the target population on the basis of their accessibility or convenience to the researcher. The main assumption associated with convenience sampling is that the members of the target population are homogeneous. That is, there would be no difference in the research results obtained (Ross 2005). Furthermore, if a non-probability sampling was applied, we don't have specific method in determining sample size. But, it is not practical to collect data from the entire

target population, so the researcher used a sample instead (Field 2005, p.35). According to Lindeman *et al.*, (1980) a minimum sample size of 100 to 200 is often recommended. Accordingly, using a convenience sampling 154 customers is selected.

All in all data were collected both from employees of the bank and customers of the bank. Hence, for the purpose of this study a total of 265 respondents were participated where, 111 of them were employees and 154 of them were customers.

### **3.3. Data Collection Methodologies**

Structured questionnaires are used to get primary data from employees and customers of the Bank. As secondary sources of data published journal articles, publications, books, websites and others are used as found appropriate to the study.

More specifically, a survey data on the four dimensions of the CRM was collected both from the customers and employees of CBE to determine the extent of CRM application in the Bank. Furthermore, descriptive research is used to describe the characteristics of the population.

### **3.4. Data Analysis Methods**

The study utilized both quantitative qualitative data analysis techniques. Descriptive statistics is employed to describe the given data. Inferential statistics such as Correlation analysis and Ordinary Least Square (OLS) model is employed. Totally, there is one dependent and four independent variables. Furthermore, STATA version 13 is employed for the purpose of encoding and analyzing the data.

#### **3.4.1. Model Specification: Ordinary Least Square (OLS)**

Give the existing literature and economic theory, the study used customer retention as dependent variable, and the factors that affect customer retention as independent variables. The functional form of the regression equation is presented as:

$$Y = f(X_1, X_2, X_3, X_4)$$

Where, Y is the average customer retention per some specific period of time given as a function of the independent variables, X's. For functional form expression, I used  $X_{ij}$  to indicate the variable  $X_i$  with the value of the  $j^{\text{th}}$  observation. Based on this the conditional mean  $E(Y | X_i)$  is a function of  $X_i$ , where  $X_i$  is a given value of X. Symbolically:

$$E(Y | X_i) = f(X_i)$$

Where  $f(X_i)$  denotes some function of the explanatory variable  $X$ . the above equation is known as population regression function (PRF). It states merely that the expected value of the distribution of  $Y$  given  $X_i$  is functionally related to  $X_i$ . In simple terms, it tells how the mean or average response of  $Y$  varies with  $X$  and the derived equation is:

$$E(Y_j) = B_0 + B_1X_{1j} + B_2X_{2j} + \dots + B_kX_{kj}$$

Where  $B_1, B_2, B_3 \dots B_k$  signifies coefficients of the  $X$ 's variables indicating population parameters. The interpretation of  $B_i$  represents the expected value of  $Y$  due to a unit change in  $X_i$  given all other explanatory variables assumed constant. However, qualitative regressor coefficients interpretation is quite different. It is the expected change in the value of  $Y$  owing to the variation in dummy variables within the sub-groups relative to their reference; While  $B_0$  is a constant term (Gujarati, 2003). Moreover,  $Y_j$  individual observation is assumed to be estimated and determined by an equation with an error term and represented as:

$$Y_j = B_0 + B_1X_{1j} + B_2X_{2j} \dots + B_kX_k + \varepsilon_j$$

The term  $\varepsilon$  is a random disturbance, so named because it “disturbs” an otherwise stable relationship. The disturbance arises for several reasons, primarily because we cannot expect to capture every influence on an economic variable in a model. The net effect, which can be positive or negative, of those omitted factors is captured in the disturbance term (Green, 2003). For our case the error term represents the value of  $Y_j$  deviation from its mean. The error term can be imputed to either the effect on the amounts of life insurance demand ( $Y$ ) from the variables which are not included in the model or a random residual element in the regressing. Since population parameters are not easy to determine directly, their values can be estimated from finite sample size taken from the population. Thus, the above equation which is population linear regression equation will be expressed as sample linear regression model written as follows:

$$Y_j = b_0 + b_1X_{1j} + b_2X_{2j} \dots + b_kX_k + e_j$$

Estimating the sample linear regression function, as the most common method will be using the OLS regression given that OLS assumptions are satisfied. Therefore, the general model of life insurance demand will have a form of:

$$Y(\text{customer retention}) = B_0 + B_1CFD + B_2CRMOD + B_3 KMD + B_4TCRMD + e_{ij}$$

Where



CFD = Customer focus dimension

CRMOD = CRM organization dimension

KMD = Knowledge Management Dimension

TCRMD = Technology-based CRM dimension

### **3.5 Ethical Considerations**

The study has approval from St. Mary's university school of graduate studies, department of Masters of Marketing Management. To collect primary data through questionnaire from Employees and Customers of CBE permission is obtained from both. The respondents are instructed not to write their names on the questionnaire and assured of that their response is used only for academic purpose and kept confidential. The purpose of the study and the potential benefit of the research result are mentioned in the introductory part of the questionnaires. Similarly, All assistance, collaboration of others and sources from which information was drawn is acknowledged.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

#### 4.1. Demographic Characteristics of Respondents

##### 4.1.1. Sex and Education Level of Respondents

Table 4.1 represents the frequency of the respondents' age and their education status. Accordingly, majorities (63.96%) of the respondents were male and the rest 36.06% of the respondents were female. Further, among male respondents 63.38 % of them were degree holders, 1.41 of them were diploma holders and 35.21 of them were master's degree holders. On the other hand, from the total female respondents only 17.5% of them were master's degree holders, the majority (80%) were degree holders and the rest 2.5% were diploma holders. With regard to the education status generally 77 (69.36) respondents were degree holders, 32 (28.82%) were masters holders and the rest 2(1.8%) were diploma degree holders.

Table 4.1 Sex and Education level of Respondents

Sex of respondents	Education level of respondents							
	Diploma		Degree		Masters			
	Freq	%	Freq	%	Freq	%	Total	%
	Male	1	1.41	45	63.38	25	35.21	71
Female	1	2.5	32	80	7	17.5	40	36.06
Total	2	1.8	77	69.36	32	28.82	111	100

Source: own survey, 2018

##### 4.1.2. Job Category and Work Experience

The job categories of respondents were classified in to six, where, 25.22 percent were worked as customer relationship officer, 23.42 percent were Customer r/ship manager-commercial customer and 18.01 percent of the sample employees were customer service manager. Further, 13.51 and 3.6 percent of the respondents were corporate customer's relationship managers and branch managers respectively. The rest 16.21 percent of the respondents were belongs to different tasks and job categories (table 4.2).Moreover, the work experience were categorized in

to four, the first group belongs to 1 to 3 years of work experience, this groups incorporate 35.13 percent of the respondents, the second group is 4-10 years of work experience and this group also takes 17.11 percent of the respondents and the rest 43.24 and 4.5 percent of the respondents had a work experience of 11-20 year and more than 20 years respectively. In terms of proportion customer service managers had more experience in the banking sector than the others.

Table 4.2 Work Experience and Job Category of Respondents

Job title		Work experience				Total	
		1-3 years	4-10 year	11-20 year	>20 years	Freq	%
Branch manager		1	0	2	1	4	3.6
Customer service manager		3	5	12	0	20	18.01
Customer r/ship officer		17	0	10	1	28	25.22
Customer r/ship manager-business and corporate customers		1	4	1	3	15	13.51
Customer r/ship manager-commercial customer		7	9	10	0	26	23.42
Other		10	1	13	0	18	16.21
Total	Freq	39	19	48	5	111	100
	%	35.13	17.11	43.24	4.5	100	

Source: own survey, 2018

## 4.2. Practice and Application of CRM

### 4.2.1. Dimensions of Customer Relation Management

From literature four different customer relation dimensions were identified which are suitable for this particular study; Key customer focus dimension, CRM organization dimension, Knowledge Management Dimension and Technology-based CRM dimension. The existing situation of all the four CRM dimensions in CBE would be discussed below in detail.

#### 4.2.1.1. Key customer Focus Dimension

Customers need care and treatment, accordingly, around 75 percent of the respondents confirmed that the bank provides customized services and products to its key customers; apart from this close to half of the respondents said that the bank strive to constantly surprise and delight its key customers. In line with this, more than half of the employee respondents suggested that the

employee of the banks strengthen the emotional bonds with their key customers by wishing them on important occasions, further, the majority of the respondents said that the bank leverages the power of word of mouth by using referral marketing programs i.e. marketing programs that make use of satisfied customers to promote the bank for related others.

Moreover, the very majority of respondents also confirmed that their bank do cross selling of products/ services to increase customer share such as instigate saving customers to use the credit products of the bank and the like. However, significant amounts of sample employee respondents said that the bank didn't strive to surprise and delight its key customers regularly and also didn't leverage the power of word of mouth by using referral marketing programs. In addition to these, considerable amounts of respondents didn't want to say on either issue of the services such as service customization, creating emotional bond with customers, leveraging word of mouth advertising and cross selling of services.

In order to figure out the customer focus dimension seven questions were employed and more than 57 percent of the respondents agreed that this service dimension is in a good status in commercial bank of Ethiopia, conversely, close to 14 percent of them were not happy on the customer focus issue; and the rest 18 percent of them neither agree nor disagree with regard to any of the customer focused dimension. Furthermore, the key customer focused dimension had a mean score of 3.5 which lies between neutral and agree level; however, according to the interpretation the mean score is approached to agree level;

Table 4.3 Description of Customer Focused Dimension

<b>Key customer focus dimension</b>	(1)	(2)	(3)	(4)	(5)	Mean
My bank provides customized services and products to its key customers.	3.6	6.31	14.41	58.56	17.12	3.79
We strive to constantly surprise and delight our key customers.	1.8	11.71	42.34	33.33	10.81	3.39
We strengthen the emotional bonds with our key customers by wishing them on important occasions.	1.8	9.01	30.63	52.25	6.31	3.52
We use the concept of 'Relationship Pricing' in pricing our different products/ services.	2.7	18.92	38.74	33.33	6.31	3.21
We do Co-branding/Affinity partnering programs i.e. programs that associate the Bank with reputable organs to provide increased value to our	0.90	15.32	27.03	52.25	4.50	3.44

customers.						
We leverage the power of word of mouth by using Referral Marketing programs i.e. marketing programs that make use of satisfied customers to promote the Bank for related others.	0.91	14.55	27.27	44.55	12.73	3.53
We do cross selling of services to increase customer share. For example; instigate saving customers to use the credit products of the bank and the like.	2.70	9.01	18.02	57.66	12.61	3.68
<b>Total/grand mean</b>	2.05	12.11	28.34	47.41	10.05	3.50
1= strongly disagree, 3 disagree, 3= neutral, 4 = agree, 5 = strongly agree						

Source: own survey, 2018

#### 4.2.1.2. CRM Organization Dimension

The top management of CBE accepts and provides leadership for building and maintaining customer relationships as a major goal of the bank, this was confirmed more than 60 percent of the respondents. Close to the same amount of respondents replied that the bank commits time and resources in managing customer relationships; the systems of commercial bank of Ethiopia were designed to make it easy for customers to do business with them and this was replied by 60 percent of the respondents. In addition to these, majority of the respondents said that customer-centric performance standards were established and monitored at all customer contact points, and also the employee training programs are designed to develop the skills required for acquiring and deepening customer relationships, this was confirmed by close to 65 percent of the respondents. Moreover, very majority of the respondents replied that the bank provide increased customer convenience using a variety of distribution channels and branches.

However, on the contrary considerable amounts of respondents disagree on some aspects of organizational dimensions of customer relation management; accordingly, more than 13 percent of the respondents said that the designed systems were not easy for customers to do business, and also more than 20 percent of the respondents confirmed that the front line employees didn't treat the customers positively. In pursuit of identifying the organization dimension of customer relation management nine questions were employed, accordingly the overall summation and mean of the result showed that 2.7 percent of the respondents strongly agree, 11 percent of them agreed, 48.44 and 10.91 percent of the respondents agreed and strongly agreed respectively. The

rest 26.92 percent of the respondents neither agree nor disagree with this context. Furthermore, the grand mean score is 3.54.

Table 4.4 Description of Organization Dimension of CRM

<b>CRM organization dimension</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Mean</b>
Our top management accepts and provides leadership for building and maintaining customer relationships as a major goal of the bank.	0.9	11.7	27.9	45.9	13.5	3.59
CBE commits time and resources in managing customer relationships.	1.8	9.01	26.1	54.05	9.01	3.59
Our systems are designed to make it easy for customers to do business with us.	3.6	10.8	27.03	48.65	9.91	3.5
We provide increased customer convenience using a variety of distribution channels/branches.	1.8	9.01	16.22	57.66	15.32	3.75
We deliver a reliable customer experience across all customer contact points.	1.8	9.91	29.73	47.75	10.81	3.55
Customer-centric performance standards are established and monitored at all customer contact points.	1.8	12.61	36.04	41.44	8.11	3.41
CRM responsibilities of customer contact employees are clearly defined, assigned and understood.	3.6	9.91	28.83	48.65	9.01	3.49
Our employee training programs are designed to develop the skills required for acquiring and deepening customer relationships.	3.6	10.81	20.72	48.65	16.22	3.63
Our frontline employees are encouraged and empowered to positively exceed customer expectations.	5.41	15.32	29.73	43.24	6.31	3.29
<b>Total</b>	<b>2.70</b>	<b>11</b>	<b>26.92</b>	<b>48.44</b>	<b>10.91</b>	<b>3.53</b>

Source: own survey, 2018

#### **4.2.1.3. Knowledge Management Dimension**

Knowledge management dimension was assessed from ten different perspectives, according to 55 percent of the respondent's commercial bank of Ethiopia take customers feedback seriously and reply to them accordingly, and the bank also has a process in place to check and obtain customers' permission to interact with them using various channels like telephone, internet etc. close to 47 percent of the respondents said that the bank analyze the causes of customer defection through exit interviews and lost customer surveys with the aim to win back customers who have strong profit potential and broadcast to the employees the feedback given by customers. In addition to these, more than 51 percent of the respondents responded that the bank uses information from customers to design or improve services and have a different reward system that rewards customers based upon their contribution. Apart from these, around 49 percent of the respondents said that the bank do customer classification using customer lifetime value contribution and the feedback of customers were taken using a variety of direct and indirect measures.

Although significant amounts of respondents appreciate the knowledge management dimension of CRM, however, considerable amounts of respondents have a reservation on this service aspect particularly. In view of that, around 20 percent of the respondents replied that the bank didn't use any information's that helps to improve the service delivery and also it doesn't have customer recovery strategies. Apart from these, 18 percent of the respondents also responded that the institution didn't take customers and employees feedback seriously. Also 21 percent of the respondents confirm that they didn't analyze the causes of customer defection through exit interviews in pursuit of returning back lost customers; in line with this, this respondent also confirms that the bank didn't have reward system that rewards customers based upon their contribution. Ten questions were used to analyze the knowledge management dimensions of CRM, all in all 3.4 percent of them strongly disagreed, 16.1 percent of them disagree, 29.7 percent of them neither agree nor disagree and the rest 42.1 and 8.5 percent of them agreed and strongly agreed respectively. Apart from these, the overall grand mean was 3.35.

Table 4.5 Description of Knowledge Management Dimension of CRM

<b>Knowledge Management Dimension</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>mean</b>
We take customer feedback seriously and reply to them.	5.41	13.51	25.23	42.34	13.51	3.45
We have effective customer recovery strategies including guarantees for service failures.	3.6	17.12	42.34	32.43	4.5	3.17
Customer and employee feedback is taken using a variety of direct and indirect measures.	3.6	15.32	32.43	42.34	6.31	3.32
We broadcast to the employees the feedback given by our customers.	3.6	16.22	33.33	41.44	5.41	3.28
We use information from customers to design or improve our products or services.	2.7	18.02	27.03	45.95	6.31	3.35
We analyze the causes of customer defection through exit interviews and lost customer surveys with the aim to win back customers who have strong profit potential.	1.8	20.72	30.63	39.64	7.21	3.29
We do customer classification using Customer Lifetime Value (CLV) /revenue contribution or other related metrics.	3.6	15.32	31.53	40.54	9.01	3.36
CBE has a process in place to check and obtain customers' permission to interact with them using various channels like telephone, internet etc.	3.6	13.51	27.03	45.03	10.81	3.45
We have a well-developed privacy policy to ensure confidentiality of data collected from customers.	1.8	14.41	21.62	49.55	12.61	3.56
We have a differential reward system that rewards customers based upon their profit/ revenue contribution.	4.55	17.27	26.36	41.82	10	3.36
Total	3.4	16.1	29.7	42.1	8.5	3.35

Source: own survey, 2018

#### 4.2.1.4. Technology-Based CRM Dimension

According to the respondents commercial bank of Ethiopia uses technology to automate marketing, sales and service functions; this was confirmed by more than 64 percent of the respondents. In relation to this, more than 60 percent of the respondents also confirm that the information systems of the bank were designed to give comprehensive data about all aspects of customers, so that the bank can be responsive to them. In contrary close to 12 percent of respondents replied that the bank didn't apply automated technology to improve services. Further, the information system didn't give comprehensive information with regard to customer's data; this was confirmed by 15 percent of the respondents. Moreover, 22.5 percent of the respondents neither agree nor disagree with respect to automated service and information system design. Apart from these, the grand mean score was 3.58.

Table 4.6 Description of Technology-Based CRM Dimension of CRM

<b>Technology-based CRM dimension</b>	1	2	3	4	5	mean
Our bank uses technology to automate marketing, sales, and service functions	1.8	10.81	22.52	51.35	13.51	3.63
Our information systems are designed to give comprehensive data about all aspects of our customers, so that we can be responsive to them	1.8	14.41	22.52	49.55	11.71	3.54
<b>Total</b>	<b>1.8</b>	<b>12.6</b>	<b>22.5</b>	<b>50.4</b>	<b>12.6</b>	<b>3.58</b>

Source: own survey, 2018

#### 4.2.1.5. Customer Retention and Relation Management

Retention in this context means keeping the loyalty of the customers and holding them for long period of time as a customer of the bank. Accordingly, around 60 percent of the respondents said that in last two years the loyalty of customers' to the bank were improved in the last two to three years; and the trust of customers have improved on the banking services provided for them, this was confirmed by around 48 percent of the respondents. Moreover, more than 46 percent of the respondents confirmed that the overall customer satisfaction from the banking services was improved in the last two years. Apparently, close to 53 percent of the respondents replied that the overall customer retention was improved in the last consecutive years.



However, in contrary to the above paragraph, considerable (22.44%) amounts of respondents said that customers' loyalty to the bank didn't show any improvement; and also around 24 percent of the respondents replied that the trust of customers on the banking services didn't show significant improvement in the past years. Apart from these, 32 & 25 percent of respondents confirmed that the overall customer satisfaction from the banking and overall customer retention of customers didn't show as such improvement in the previous years. In addition to these, the overall grand mean was 3.05.

Table 4.7 Description of Customer Retention

<b>Customer Retention</b>	1	2	3	4	5	Mean
Customers' loyalty to your bank	16.22	6.22	17.12	31.62	28.83	3.32
Customers have trusted on the banking services you have provided for them	12.61	21.62	17.12	25.23	23.42	2.96
Overall customer satisfaction from the banking services you have provided for them	19.82	12.61	20.72	22.52	24.32	2.81
Overall customer relation management and retention	10.81	14.41	18.92	28.83	27	3.11
<b>Total</b>	14.86	13.71	18.47	27.05	25.89	3.05
1 = not improved at all, 2 = moderately improved, 3= I don't know, 4 = improved, 5 = highly improved						

Source: own survey, 2018

### 4.3. Summary of Descriptive Statistics

Under this sub-topic, the summary statistic of all variables would be discussed. A five-point Likert scale was employed in order to measure the practice of customer relation management from the perspective of CRM dimensions, where, 1 stands for “Strongly Disagree” and 5 stands for “Strongly Agree”. Furthermore, according to Scott (1999), for likert scale data from 1 strongly disagree to 5 strongly agree if the sample is normally distributed the interpretation should be for mean up to 2.8 is “Disagree”, mean between 2.9 and 3.2 is “Neutral”, and mean above 3.2 is “Agree”. Hence, these criteria's were employed in order to analyze the summary statistics.

Looking in to the descriptive statistics more than 57 percent of the respondents agreed that the bank delivers a customer focused service. According to the analysis the customer focus dimension had a mean score of 3.5, implying that since the mean score lies on agree level it is possible to conclude that the service were practically a customer based service. Majority (59%) of the employee respondents also agreed that the customer relation management organization of

the bank was good. Furthermore, the CRM organization dimension had a mean score of 3.53 which lies on agree level that leads to conclude the CRM organization dimension were also at promising level. Above 59 percent of the respondents also agreed that the knowledge management dimension were contributing towards the customer relation management. This particular service feature score a mean of 3.35 which lies on agree level which indicates the knowledge management practice of the bank was at its better status towards contributing for better CRM. The last but not the least CRM dimension was Technology-based CRM dimension in which more than 62 percent of the respondents agreed that the CRM practice was technology based. Moreover, it had a mean score of 3.58 that shows the customer relation management of the bank was practically technology-based (Table 4.8).

Table 4.8 Summary Statistics of all CRM Dimensions

<b>Items</b>	1	2	3	4	5	Mean
Key customer focus dimension	2.05	12.11	28.34	47.41	10.05	3.50
CRM organization dimension	2.70	11	26.92	48.44	10.91	3.53
Knowledge Management Dimension	3.4	16.1	29.7	42.1	8.5	3.35
Technology-based CRM dimension	1.8	12.6	22.5	50.4	12.6	3.58
Customer retention	14.86	13.71	18.47	27.05	25.89	3.05

Source: own survey, 2018

#### 4.4. Correlation Analysis of CRM Management

A correlation analysis was also performed in order to see whether there is or not a relationship between customer retention and CRM dimensions. Accordingly, there was moderate (0.513) positive and significant relationship between customer retention and customer focus dimension. As clearly shown from the table below, there were strong (0.648) and positive relationship between organization CRM dimensions and customer retention. Furthermore, there were also positive and significant relationship between customer retention and technology-based CRM and knowledge management dimension, 0.61 & 0.63 respectively. In addition to these, as clearly shown in the table below, there also exists strong and moderate (since most of the correlation coefficients are greater than the agreed standard, 0.51) and positive relationship between different CRM dimensions (Key customer focus dimension, Technology-based CRM dimension, CRM organization dimension and Knowledge Management Dimension) (table 4.9).

Table 4.9 Correlation Analysis of Retention and CRM Dimensions

```

. pwcorr Retention customerfocus CRMorganization KnowledgeManagement Technology, star (0.05) sig

```

	Retent~n	custom~s	CRMorg~n	Knowle~t	Techno~y
Retention	1.0000				
customerfo~s	0.5135* 0.0000	1.0000			
CRMorganiz~n	0.6489* 0.0000	0.5148* 0.0000	1.0000		
KnowledgeM~t	0.6114* 0.0000	0.5210* 0.0000	0.6439* 0.0000	1.0000	
Technology	0.6312* 0.0000	0.5685* 0.0000	0.5210* 0.0000	0.6400* 0.0000	1.0000

Source: own survey, 2018

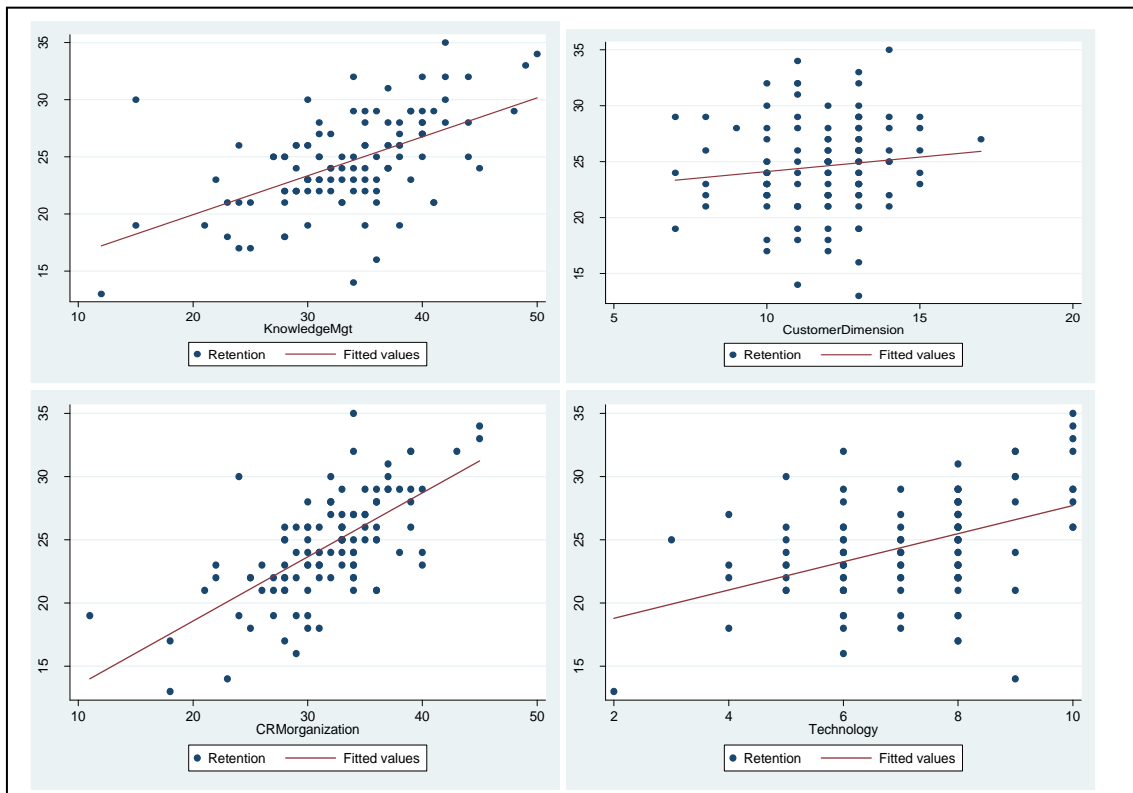
## 4.5. Effect of CRM Dimension on Customer Retention

### 4.5.1. Pre Regression Tests

Before discussing the results of the multiple regression analysis, it is important to see the performances of the model in terms of test of Linearity, Normality, Multicollinearity, Autocorrelation and Heteroscedasticity. And also it is important to test whether the model is fit or not. Each assumption are discussed below;

#### 4.5.1.1. Linearity Assumption

Linear regression needs the relationship between the independent and dependent variables to be linear. There should be a linear relationship between dependent (response) variable and independent (predictor) variable(s). It is also important to check for outliers since linear regression is sensitive to outlier effects. The linearity assumption can best be tested with scatter plots. A linear relationship suggests that a change in response Y due to one unit change in Xs is constant, regardless of the value of Xs. The test indicates the assumption is not violated the dependent and independent variables have linear relationship.



### 4.5.1.2. Normality Test

In order to perform normality test there are a many ways, however for the purpose of this study Skewness/Kurtosis test for normality were employed; in addition to these a histogram test was also performed. Hence, the null hypothesis is the residuals are normally distributed and the alternative hypothesis is the residuals are not normally distributed. Accordingly, if the p value is less than 5% significant level we will reject the null hypothesis that means the residuals are not normally distributed. However as we can see from the table below the test indicated that the p value is greater than 0.05, which indicate we reject the null hypothesis and accept alternative hypothesis, that means the data is normally distributed.

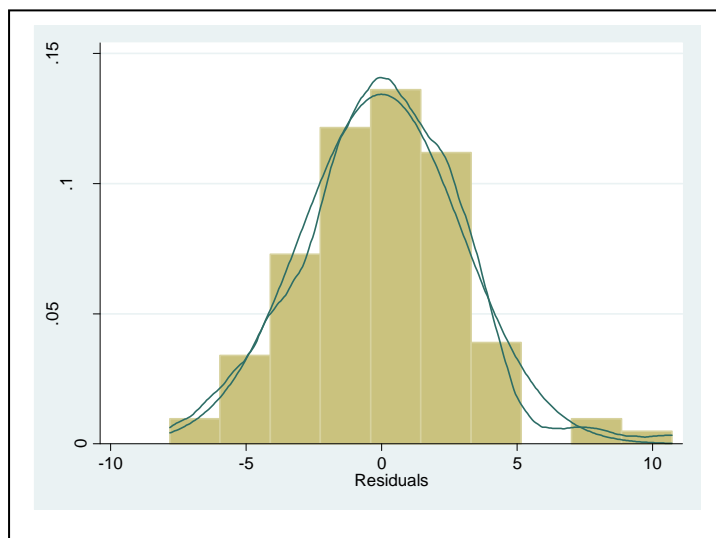
Table 4.10 Skewness/kurtosis test of normality assumption

```
. sktest resid
```

Skewness/Kurtosis tests for Normality					
Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	joint Prob>chi2
resid	111	0.4054	0.0368	5.02	0.0813

```
. histogram resid, kdensity normal  
(bin=10, start=-7.8173389, width=1.8523542)
```

Apart from this a histogram test was also performed, and it shows the residuals are normally distributed



### 4.5.1.3. Multicollinearity Test

Multicollinearity meant the existence of a perfect linear relationship among some or all explanatory variables of a regression model; the larger the value of  $VIF_j$ , the more collinear the variable  $X_j$ , if the variance inflation factor (VIF) of a variable exceeds 10, which will happen if  $R^2_j$  exceeds 0.90, that variable is said to be highly collinear (Gujarati 2003). Accordingly, the results of the test indicate the highest VIF 2.29 with Pseudo  $R^2 = 0.4810$ ; which indicates the model performed with no major Multicollinearity problem among the explanatory variables.

Table 4.11 VIF test of Multicollinearity

Variable	VIF	1/VIF
KnowledgeMgt	2.29	0.436566
CRMorganiz~n	2.06	0.485016
Technology	1.31	0.763427
CustomerDi~n	1.04	0.962543
Mean VIF	1.68	

### 4.5.1.4. Test for Autocorrelation

Auto-correlation refers to the case when your errors are correlated with each other. In layman terms, if the current observation of your dependent variable is correlated with your past observations, you end up in the trap of auto-correlation. It is often an issue when the data is collected over time. You will observe High R-Square value even if there is absolutely no relation between the dependent and explanatory variables. Serial correlation (also called Autocorrelation) is where error terms in a time series transfer from one period to another. In other words, the error for one time period  $a$  is correlated with the error for a subsequent time period  $b$ . accordingly, in order to test the existence of Autocorrelation the researcher employs both Durbin-Watson and Breusch-Godfrey Test. According to the test if the  $p$  value is less than 5% level of significance we will accept the null hypothesis and reject the alternative one, and the reverse is also true. Hence, the test shows that the  $p$  value is greater than 0.05 ( $p = 0.82$ ) which indicates the data is free of serial correlation or autocorrelation problem.

Table 4.12 Durbin Watson and Breusch-Godfrey test of Autocorrelation

```
. estat durbinalt
```

Number of gaps in sample: 4

Durbin's alternative test for autocorrelation

lags(p)	chi2	df	Prob > chi2
1	0.050	1	0.8237

H0: no serial correlation

```
. estat bgodfrey
```

Number of gaps in sample: 4

Breusch-Godfrey LM test for autocorrelation

lags(p)	chi2	df	Prob > chi2
1	0.052	1	0.8201

H0: no serial correlation

#### 4.5.1.5. Heteroscedasticity

Since the data employed is cross-sectional data, a test has been done in order to ensure and avoid the bias of the variance of the estimated parameters and to confirm the error terms are distributed equally. Although there are different ways and techniques to check the existences of Heteroscedasticity, for the purpose of this research this was done using the Breusch-Pagan test. In this test, the null hypothesis is formulated in such a way that there is no Heteroscedasticity or the error variances are equal. If the P values are less than 0.05 we reject the null hypothesis and accept alternative hypothesis. Accordingly, as we can see below from the table the p values is less than 0.05 which indicate the data is suffering from Heteroscedasticity. As a remedial action there are many alternatives solution, accordingly, in order to avoid the problem the researcher employs a robust regression.

Table 4.13 Breusch-Pagan test of Heteroscedasticity

```
. estat hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of Retention

chi2(1)      =      4.16
Prob > chi2  =      0.0415
```

#### 4.5.2. Model Estimation Results

As the intension of this project stated in the theoretical sections, the key research question was to test how different CRM dimensions determine customer retention. Particularly, this study analyzes how customer focused dimension; CRM organization dimension, Knowledge Management Dimension and Technology-based CRM dimension affect customer retention. Furthermore, the dependent variable customer retention was estimated using Ordinary Least Square model. However, since the data had Heteroscedasticity the researcher made robust regression. The coefficient of determination ( $R^2$ ) for the model was 0.4810 showing that the model explained 48.10% of the variation in the level of customer retention and the overall model is statistically significant.

The results of the econometric model estimation revealed that, CRM organization dimension and technology-based CRM dimension were found to contribute significantly and positively to customer retention. In contrast, customer focused dimension and knowledge management dimension didn't show significant effect on customer retention (table 4.8).

CRM organization dimension and knowledge management dimension had a positive and significant effect ( $p < 0.05$ ) on customer retention, indicating that as the organization of customer relation organization and knowledge management becomes more good and better so that the more the customers retention would be. Furthermore, technology-based CRM dimension and



customer retention had also positive and significant ( $p < 0.05$ ) relationship as the customer relation management become more technology based the more would be the customer retention.

Table 4.14 Estimation Result of The Regression

. regress Retention CustomerDimension CRMorganization KnowledgeMgt Technology, robust						
Linear regression						
					Number of obs =	111
					F( 4, 106) =	22.08
					Prob > F =	0.0000
					R-squared =	0.4810
					Root MSE =	3.0251
Retention	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
CustomerDimension	.0623312	.1335513	0.47	0.642	-.2024472	.3271097
CRMorganization	.4023045	.0917166	4.39	0.000	.2204674	.5841415
KnowledgeMgt	.0545669	.0844191	0.65	0.519	-.1128021	.2219359
Technology	.4566864	.2157331	2.12	0.037	.0289745	.8843982
_cons	5.913242	2.658013	2.22	0.028	.6434721	11.18301

Source: own survey, 2018

## 4.6. Customers Perception towards CRM

### 4.6.1. Profile of Sample Customer Respondents

The researcher also tried to the customer relation management practice of the bank from the perspective of customers. The analysis is done using the data collected from 154 conveniently selected customers. Accordingly, 50.65 percent of the sampled customers were females and the rest 49.35 were males. 46.75 percent of the sampled customers used the bank for personal saving, 16.88 percent of them were used for business through current accounts and the rest 36.36 percent of the respondents use both services.

Table 4.15 Type of Service Business Uses from the Bank

```
. tab sex service
```

sex	for what type of business uses the service			Total
	Personal	Business	Both	
male	32	18	26	76
female	40	8	30	78
Total	72	26	56	154

Apparently, 15.58 percent of the respondents have been a customer of the bank for less than 3 years and the rest 55.84 & 28.57 percent of the respondents have been a customer of the bank for 4 to 10 and more than 10 years respectively. Apart from these the customer respondents were asked about what type of service they were using from the bank, accordingly, 31.81 (49) percent of the respondents used a service of saving and Hawala, 27.27 (42) percent of the respondents uses saving and ATM and 21.42 (33) percent of the customer respondents used a service of saving, Hawala and ATM. The rest 19.48 (30) percent of the respondent uses all of the service offered by the bank including saving and current account, Hawala, ATM and loan (table 4.10).

Table 4.16 Type of service and year as a customer

```
. tab servicetype customeryear
```

Type of service uses from the bank	Total year as a customer of the bank			Total
	<3	4-10	>10	
1 3	8	19	6	33
1 4	9	20	13	42
1 3 4	7	33	9	49
all	0	14	16	30
Total	24	86	44	154

Where, 1 = Saving Account, 2 = Current Account, 3 = Hawala, 4 = ATM, 5 = Loan

Source: own survey, 2018

### 4.6.3. Customers Perception Towards CRM

Table 4.17 Customer's Perception towards CRM

Customers perception towards CRM	1	2	3	4	5	mean
The bank deliver a service based on the need of its customers	5.19	11.69	6.49	48.05	28.57	3.83
The bank always strive to satisfy its prioritized customers	1.3	12.99	5.19	46.75	33.77	3.98
The bank express its best wish for its customers on public holidays	1.3	9.09	19.48	44.16	25.97	3.84
The bank works collaboratively with well-known institutions for better customer services	6.49	6.49	23.38	38.96	24.68	3.68
The bank guarantee for any service inconvenience	9.09	20.78	24.68	22.08	23.38	3.29
The bank respond customers complain and take the necessary measure and correction	6.49	14.29	18.18	36.36	24.68	3.58
The bank collect feedbacks from customers and respond accordingly; and also introduce new type of services	5.19	9.09	16.88	42.86	25.97	3.75
The management of the bank believes on establishing better relationship with customers and works towards that	2.6	9.09	16.88	40.26	31.17	3.88
Using its available resource the bank tries to create better relationship with its customers	3.90	9.09	16.88	42.86	27.27	3.80
The bank service is reliable and fast	2.06	9.09	20.78	36.36	31.17	3.84
The bank has enough branches to reach its customers for reliable service	1.3	7.79	12.99	35.06	42.86	4.10
The banks employee are well trained and competent enough to serve customers	6.49	5.19	15.58	54.55	18.18	3.72
employees strive to serve the customer with their own self-motivation	5.19	12.99	20.78	37.66	23.38	3.61
The bank reward those customers who contributes much for its profitability	1.3	5.19	19.48	42.86	31.17	3.97
The banks service is supported by modern technologies	3.90	10.39	28.57	29.87	27.27	3.66
The banks keep confidential its customers profile and data	2.60	10.39	7.79	55.84	23.38	3.87
The bank strive to bring back attrite customers through dialogue	1.30	11.69	19.48	50.65	16.88	3.70
Customer relation officers knows well their duties and responsibility	3.90	12.99	31.17	35.06	16.88	3.48
Based on the their contribution for profitability the bank provide special service for its customers	2.60	6.49	19.48	46.75	24.68	3.84
Total	3.79	10.25	18.11	41.42	26.38	3.75

Source: own survey, 2018

Perception of customers in this context means the feeling of customers with regard to the customer relation management service of the bank and how they perceive the CRM. Accordingly, 76.62 % of the respondents replied that the bank deliver its service based on the need of its customers, and it always strive to satisfy its prioritized customers, this was confirmed by 80 % of the respondents. Further, according to 63 % of the customer respondents in pursuit of addressing its customers the bank works collaboratively with well-known institutions for better customer services and express its best wish for its customers on public holidays as replied by 70% of the respondents. On the other hand, close to 15 % of the respondents had doubt on the banks customer need based service and its effort towards addressing its prioritized customers.

Apart from guarantying any service inconvenience (45%), the bank responds customers any complains and takes the necessary measure and correction (61%). 68 percent of the respondents also confirmed that the bank collects feedbacks from customers and respond accordingly; and also introduces new type of services for its customers. However, 29 percent of the respondents said that the bank didn't give guaranties for any service inconvenience, and also close to 21 percent of the respondents replied that the organization didn't respond for customers complain.

Respondents also asked about the motive of the banks with regard to creating smooth relationship with customers; accordingly, 71% of the respondents were confirmed that the management of the bank believes on establishing better relationship with customers and also they works towards that, and in pursuit of creating better relationship the organization uses its available resource including financial and human resources to create better and smooth relationship with its customers. Furthermore, the bank service were reliable and fast as replied by 67% of the respondents, likely, according to 77 % of the respondents the bank has enough branches to reach its customers for reliable service; the customer respondents also replied that the banks employee are well trained and competent enough to serve customers. On the other hand, close to 12 percent of respondents concluded that the banks service was not reliable and fast and it doesn't make much effort to create smooth and reliable relationship with its customers.

Commercial bank of Ethiopia rewards those customers who contribute much for its profitability; this was confirmed by majority (74%) of the respondents. Apart from its rewarding system, according to 57 percent of the respondents the banks service is supported by modern technologies,

and also 79 percent of the customer respondents said that the banks keep confidential its customers profile and data. Aside from providing special service for its customers based on their contribution, the banks customer relation officers knows well their duties and responsibility, this was confirmed by 71 and 51 percent of customer respondents respectively. In addition to all the above points the grand mean score of 3.75 indicates that the customers of commercial bank of Ethiopia perceive positively towards the customer relation management of the bank (table 4.11).

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATION

#### 5.1. Summary of Major Findings

This research was carried out to assess the application of customer relationship management in commercial bank of Ethiopia; therefore, the following are the major findings of the study

- The first issue raised was assessing the practice of customer relation management; in this regard the bank is performing the customer relation management in a way that the bank deliver its service based on the need of its customers, and it always strive to satisfy its prioritized customers, Further, the bank practices to improve its relation with customers such as it works collaboratively with well-known institutions for better customer services and express its best wish for its customers on public holidays. Apparently, the guarantying any service inconvenience through taking the necessary measure and correction and collects the necessary feedbacks from customers in pursuit of addressing and improving service inconveniences.
- The issue of customer relation was seen from key customer focused, organization dimension, knowledge management and technology dimension; accordingly, the current status and practice of all of the anticipated variables were performed well in the bank.
- There was moderate positive and significant relationship between customer retention and customer focus dimension. There were also strong and positive relationship between organization CRM dimensions and customer retention.
- There were also positive and significant relationship between customer retention and technology-based CRM and knowledge management dimension. There were also exists strong and moderate and positive relationship between different CRM dimensions.
- The results of the econometric model estimation revealed that, CRM organization dimension and technology-based CRM dimension were found to contribute significantly and positively to customer retention. In contrast, customer focused dimension and knowledge management dimension didn't show significant effect on customer retention

## **5.2. Conclusion**

The major purpose of this study was to assess the practice of customer relation management in selected branches of commercial bank of Ethiopia. Structures questionnaires were employed in order to collect the data; the findings are based on case studies made on only on four branches of commercial banks' employees and customers. The findings of the study revealed that the effectiveness of customer relationship management depends on a combination of different service aspects and primarily it comprise analysis of the different perceptions of customers, collaboration with important stakeholders and enhancement of front office operations in the bank. In addition, this study concludes that the major benefits of customer relationship management systems is that they enhance organization learning, leads to better organization performance and enhance the market productivity and effectiveness for organizations. Further, possibly to conclude the bank is developing an integrative approach which focuses on the customer needs and to deliver to it. For customer relationship management to deliver to its expectations, it should play an integrative role within the bank and ensure that all processes are integrated in the bank global strategy. Thus, the bank is developing a customer centric approach both for the customer as well as for the employees. Furthermore, the entire success and failure of an organization depends on customer acquisition and retention. It is for this reason that technology has become important to the concept of CRM. To provide worthwhile information about customers, effective data generation and data analysis is very important, backed with appropriate data mining, organizations can reap such benefits. The study reveals that an important stage in CRM is the process of applying lessons learnt from customer information to enhance business and customer relationship behaviors. Therefore, the findings of the study concluded that apart from indicating the importance of CRM practices, the CRM practice should be well organized and it should be technology based.

### **5.3. Recommendation**

- As new banks join the industry the banking industry in the country is undergoing dynamic expansion. Hence, it is very essential banks to continuously monitor their level of service delivery since the completion is going to be tougher more.
- All in all in order to sustain in the market and to be more competent and profitable the organization should provide personal attention and care for its customers while serving them, there should be effective grievance handling system and empathetic vision towards the customers, the behavior of the staff as much as possible should be positive and cooperative.
- Furthermore, as the study indicates that customer relationship management enhances the performance of the company, through customer satisfaction, increased profitability, organization learning and market productivity and effectiveness. Therefore, this study would like recommends that the bank must implement effective and research based CRM systems and get the facts right the first time.
- In addition to these, the generalizability of these findings is so limited to the selected banks. However, the finding can serve as a starting point for other researchers who would like to explore more regarding CRM systems.



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**APPENDIX**  
**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDY**  
**MASTER OF MARKETING MANAGMENT PROGRAM**

*A survey on Customer Relationship Management*

**(to be filled by employees of CBE)**

**Dear Respondents,**

This questionnaire is prepared to solicit primary data from the employees of Commercial Bank of Ethiopia (CBE) to assess **the level of Customer Relationship Management (CRM) application in the CBE-** for the partial-fulfillment of MA in Marketing Management from St. Mary's University.

The responses are to be kept confidential and will be used for academic purpose only.

**Instructions;**

- There is no need of writing your name.
- In all items where answer options are available please select the appropriate number by encircling it.

Thank you for your co-operation!

**Researcher: -Anteneh Mohammed**

**Contact address: +-251913281934**

**E-mail: - supermoh16@gmail.com /**

**antenehmohammed@cbe.com.et**

## Part I. General and Demographic Information

1. Please indicate your gender.

1. Male                       2. Female

2. Please indicate your level of education.

1. Diploma                       2. Degree   
3. MA                               4. PhD

3. Please indicate your job title in the Bank.

1. Branch Manager                       2. Customer Service Manager   
3. Customer Relationship officer   
4. Customer Relationship Manager – Business and Corporate Customers   
5. Customer Relationship Manager – Commercial Customers

4. Please indicate your years of job experience in CBE.

1. 1-3 years                       2. 11-20 years   
3. 4-10 years                       4. >20 years

## **Part II. Customer Relationship Management Dimension**

**Instruction:** Please indicate the extent to which you agree/disagree *with the following statements by encircling the appropriate number*. Strongly Disagree carries the least weight of 1 while Strongly Agree carries the highest weight of 5. Please put  $\surd$  mark accordingly.

<b>Item</b>	<b>Strongly Disagree (1)</b>	<b>Disagree (2)</b>	<b>Neutral (3)</b>	<b>Agree (4)</b>	<b>Strongly Agree (5)</b>
<b>Key customer focus dimension</b>					
1. My bank provides customized services and products to its key customers.	1	2	3	4	5
2. We strive to constantly surprise and delight our key customers.	1	2	3	4	5
3. We strengthen the emotional bonds with our key customers by wishing them on important occasions.	1	2	3	4	5
4. We use the concept of 'Relationship Pricing' in pricing our different products/ services.	1	2	3	4	5
5. We do Co-branding/Affinity partnering programs i.e. programs that associate the Bank with reputable organs to provide increased value to our customers	1	2	3	4	5
6. We leverage the power of word of mouth by using Referral Marketing programs i.e. marketing programs that make use of satisfied customers to promote the Bank for related others. /	1	2	3	4	5
7. We do cross selling of products/ services to increase customer share. For example; instigate saving customers to use the credit products of the bank and the like.	1	2	3	4	5
<b>CRM organization dimension</b>					
1. Our top management accepts and provides leadership for building and maintaining customer relationships as a major goal of the bank.	1	2	3	4	5
2. CBE commits time and resources in managing customer relationships.	1	2	3	4	5
3. Our systems are designed to make it easy for customers to do business with us.	1	2	3	4	5
4. We provide increased customer convenience using a variety of distribution channels/branches.	1	2	3	4	5
5. We deliver a reliable customer experience across all customer contact points.	1	2	3	4	5
6. Customer-centric performance standards are established and monitored at all customer contact points.	1	2	3	4	5
7. CRM responsibilities of customer contact employees are clearly defined, assigned and understood.	1	2	3	4	5
8. Our employee training programs are designed to develop the skills required for acquiring and deepening customer relationships.	1	2	3	4	5

9. Our frontline employees are encouraged and empowered to positively exceed customer expectations.	1	2	3	4	5
<b>Knowledge Management Dimension</b>					
1. We take customer feedback seriously and reply to them.	1	2	3	4	5
2. We have effective customer recovery strategies including guarantees for service failures.	1	2	3	4	5
3. Customer and employee feedback is taken using a variety of direct and indirect measures.	1	2	3	4	5
4. We broadcast to the employees the feedback given by our customers.	1	2	3	4	5
5. We use information from customers to design or improve our products or services.	1	2	3	4	5
6. We analyze the causes of customer defection through exit interviews and lost customer surveys with the aim to win back customers who have strong profit potential.	1	2	3	4	5
7. We do customer classification using Customer Lifetime Value (CLV) /revenue contribution or other related metrics.	1	2	3	4	5
8. CBE has a process in place to check and obtain customers' permission to interact with them using various channels like telephone, internet etc.	1	2	3	4	5
9. We have a well-developed privacy policy to ensure confidentiality of data collected from customers.	1	2	3	4	5
10. We have a differential reward system that rewards customers based upon their profit/ revenue contribution.	1	2	3	4	5
<b>Technology-based CRM dimension</b>					
1. Our bank uses technology to automate marketing, sales, and service functions.	1	2	3	4	5
2. Our information systems are designed to give comprehensive data about all aspects of our customers, so that we can be responsive to them.	1	2	3	4	5

**Thank you for your cooperation.**



**ቅድስት ማርያም ዩኒቨርሲቲ  
የድህረ ምረቃ ፕሮግራም**

የማርኬቲንግ ማኔጅመንት ድህረ-ምረቃ ትምህርት ክፍል

**APPENDIX B**

ክቡር ደንበኛ በቅድሚያ ይህን መጠይቅ ለመሙላት ፈቃደኛ ስለሆኑ አመሰግናለሁ።

ይህን መጠይቅ የተዘጋጀው የኢትዮጵያ ንግድ ባንክ የደንበኞች ግንኙነት አገልግሎት አሰጣጥን ለመመዘን ነው።

በዚህ መጠይቅ ላይ የሚያሰፍሩት ማንኛውም መረጃ ለትምህርታዊ አገልግሎት ብቻ እንደሚውል እያገለጸኩ፣ ከዚህ በተጨማሪም ግላዊ መረጃዎች በጥቅል ለሚደረግ ምርምር ግብአትነት ብቻ እንደሚውል ላረጋግጥሎ እወዳለሁ።

**ክፍል 1- የደንበኞች ግንኙነት አገልግሎትን በተመለከተ**

*ከዚህ በታች ለተዘረዘሩት መግለጫዎች የ ✓ ምልክት በማድረግ የሚመርጡትን ያመልክቱ*

**ክፍል 1:- መሠረታዊ መረጃዎች**

*የ ✓ ምልክት በማድረግ የሚመርጡትን ያመልክቱ።*

1. የታ፤ ወንድ  ሴት

2. የባንኩን አገልግሎት የሚጠቀሙት፤

ለግል  ለንግድ ሥራ  ለሁለቱም

3. ከዚህ ባንክ ጋር በደንበኝነት ምን ያህል ዓመት ሠርተዋል?

≤3 ዓመት  4-10 ዓመት  ከ10 ዓመት በላይ

4. በባንኩ የሚጠቀሙት አገልግሎት፤ (ከአንድ በላይ ማመልከት ይችላሉ።)

የተቀማጭ ሂሳብ  ተንቀሳቃሽ ሂሳብ  የብድር አገልግሎት   
የሃዋላ አገልግሎት  ኤ.ቲ.ኤም  የክሬዲት ካርድ አገልግሎት

**ክፍል-2 የደንበኞች ግንኙነት አገልግሎትን በተመለከተ**

**ከዚህ በታች ለተዘረዘሩት መግለጫዎች የ ✓ ምልክት በማድረግ የሚመርጡትን ያመልክቱ።**

መግለጫ	በጣም አልሰማም (1)	አልሰማም (2)	አስተያየት የለኝም (3)	እስማማለሁ (4)	በጣም እስማማለሁ (5)
1. ባንኩ ለሚሰጣቸው አገልግሎቶች ከደንበኛው ጋር ባለው የሥራ ግንኙነት መሠረት በስምምነት የተለያየ የአገልግሎት ዋጋ ያስቀምጣል።	1	2	3	4	5
2. ባንኩ ለደንበኞች የላቀ አገልግሎት ለመስጠት ከስሙ-ጥር ተቋማት ጋር በህብረት ይሰራል።	1	2	3	4	5
3. የባንኩ ሠራተኞች ደንበኞች የባንኩን የተለያዩ አገልግሎቶች እንዲጠቀሙ ያበረታታሉ።	1	2	3	4	5
4. ባንኩ ለአገልግሎት መጓደል /መቋረጥ ዋስትና ይሰጣል።	1	2	3	4	5
5. ባንኩ የደንበኞቹን ቁጥር ለማሳደግ ደንበኞች ሌሎች ደንበኞችን እንዲያመጡ ተገቢውን ጥረት ያደርጋል።	1	2	3	4	5
6. ባንኩ የደንበኞችን አስተያየት ተቀብሎ ተገቢውን ምላሽ ይሰጣል።	1	2	3	4	5
7. ባንኩ የደንበኞቹ አስተያየት እንደግብአት ተጠቅሞ የሚሰጠውን አገልግሎት ያሻሽላል፤ አዳዲስ አገልግሎቶችንም ያስተዋውቃል።	1	2	3	4	5
8. የባንኩ አመራር ከደንበኞች ጋር መልካም ግንኙነት መገንባት አስፈላጊ እንደሆነ ያምናል፤ ለተግባራዊነቱም ይሰራል።	1	2	3	4	5
9. ባንኩ ያለውን የገንዘብና የሰው ሃይል ተጠቅሞ ከደንበኞቹ ጋር መልካም ግንኙነትን ለመፍጠር ይጥራል።	1	2	3	4	5
10. የባንኩ አሰራር ቀልጣፋና ምቹ ነው።	1	2	3	4	5
11. ባንኩ ለደንበኞች ምቹ አገልግሎት ለመስጠት ተደራሽ የሆኑ ቅርጫፎች አሉት።	1	2	3	4	5
12. ባንኩ በሁሉም የባንክ አገልግሎት ዘርፎች አስተማማኝ አገልግሎት ይሰጣል።	1	2	3	4	5
13. የባንኩ ሠራተኞች ደንበኛን ለማገልገል የሰለጠኑና ብቁ ናቸው።	1	2	3	4	5

14. የባንኩ ሠራተኞች ከተሰጣቸው ኃላፊነት በተጨማሪ በግል ተነሳሽነት ደንበኛውን የበለጠ ለማገልግል ይጥራሉ።	1	2	3	4	5
15. ባንኩ የደንበኞቹን መረጃ በሚስጥር ይይዛል።	1	2	3	4	5
16. ባንኩ በዘመናዊ ቴክኖሎጂ የታገዘ አገልግሎት ይሰጣል።	1	2	3	4	5
17 የባንኩ የደንበኛ ግንኙነት ሠራተኞች ኃላፊነታቸውን በሚገባ ያውቃሉ።	1	2	3	4	5

**ደንበኞችን ለረጅም ጊዜ በደንበኝነት ይዞ ከማቆየት ጋር የተገናኙ ጥያቄዎች**

<b>መግለጫ</b>	<b>በጣም አልስማማም (1)</b>	<b>አልስማ ማም (2)</b>	<b>አስተያየት የለኝም (3)</b>	<b>እስማማ ለሁ (4)</b>	<b>በጣም እስማማለሁ (5)</b>
1. ባንኩ ለተቀዳሚ ደንበኞቹ ከፍላጎታቸው ጋር የሚጣጣም አገልግሎት ይሰጣል።	1	2	3	4	5
2. ባንኩ ተቀዳሚ ደንበኞቹን ለማርካት ሁልጊዜ ይጥራል።	1	2	3	4	5
3. ባንኩ በህዝባዊ በዓላት ለተቀዳሚ ደንበኞቹ የመልካም ምኞት መግለጫ ይሰጣል።	1	2	3	4	5
4. ባንኩ ለትርፋማነቱ ከፍተኛ አስተዋፅዖ ላደረጉ ደንበኞች ሽልማት ይሰጣል።	1	2	3	4	5
5. ባንኩ የደንበኞቹን መረጃ ሁሉን-ዓቀፍ በሆነ መልኩ ስለሚይዝ የደንበኞቹ ፍላጎት የበለጠ መረዳት ይችላል።	1	2	3	4	5
6. ባንኩ ደንበኝነታቸውን ያቋረጡ ተቀዳሚ ደንበኞችን በማነጋገር ወደ ባንኩ እንዲመለሱ ጥረት ያደርጋል።	1	2	3	4	5
7. ባንኩ ለትርፋማነቱ በሚያበረክቱት አስተዋፅዖ መሰረት ደንበኞቹን በተለያዩ ክፍሎች በመመደብ አገልግሎት ይሰጣል።					

**አመሰግናለሁ።**

## **D E C L A R A T I O N**

I hereby declare that the thesis entitled “The application of customer relationship management in Commercial Bank of Ethiopia” has been carried out by me under the supervision of Dr. Getie Andualem in St. Mary’s University, Addis Ababa for the award of Masters Degree in Marketing Management. I further declare that this work has not been presented to any other University or Institution for the award of any degree or diploma.

**Anteneh Mohammed**

Signature \_\_\_\_\_

St. Mary’s University

Addis Ababa, Ethiopia

July, 2018

## **ENDORSEMENT**

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a University advisor.

Getie Andualem (Ph.D.)

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**Signature & Date**