ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

# THE EFFECT OF CUSTOMERS RELATIONSHIP MARKETING ON CUSTOMER RETENTION: A CASE OF UNITED BANK S.C

**BY**

**ESKEDAR TESFAYE**

***MAY, 2018***
***ADDIS ABABA, ETHIOPIA***

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**ID. No: SGS/0562/2009A**


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**ST. MARY'S UNIVERSITY**

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# Declaration

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Hailemichael Mulie (PhD). All sources of materials used for the thesis have been duly acknowledged, the researcher further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

**Eskedar Tesfaye** ________________

**St. Mary's University, Addis AbabaMay, 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.

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Advisor Signature

**St. Mary's University, Addis AbabaMay, 2018**

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# Acknowledgements

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# Abstract

*This study was conducted with an objective of identifying effect ofcustomer relationship marketing on customer retention in United Bank S.C. It conceptualized and developed five dimensions of customer relationship marketing:social bonding, empathy, reciprocity, responsiveness and trust. This study used both descriptive and explanatory research designs. Random sampling method was used. Data were collected from primary sources through questionnaire analyzed through both descriptive and inferential methods. The descriptive analysis was conducted by using mean and standard deviation. On the other hand, inferential analysis was conducted by using Pearson correlation method and ordinary least square multiple regressions (OLS) method. The result indicated that customer relationship marketing has significant on customer retention. Social bonding, empathy, reciprocity, responsiveness and trust have significant positive effect on customer retention of the bank. Based on the findings the researcher recommends that management of the bank has to improve bonding, empathy, reciprocity, responsiveness and trust.*

**Key words:**customer relationship marketing, customer retention, United Bank

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

Tseng (2007) stated that relationship marketing has been developed over the years as stimulating area of marketing that emphasize on creating and maintaining long-term relationships with customers and other parties. In the competitive market, organizations are not only concerned on providing quality products or services but the key concern is to communicate with customers and understand their requirement to satisfy and retain them with a profitable relationship. According to Grönroos(2004) relationship marketing is a core strategy used by firms to establish, maintain andenhance profitable relationships with clients, while ensuring benefits for both thefirm and its clients.

According to Stefanou, Sarmaniotis, & Stafyla(2013), customer relationship marketing plays a decisive role for strategic position of an organization and concentrates on the integration of customer information, knowledge for finding, retaining and make customers loyal.Its purpose is the building of long term relationships withcustomers. Businesses have increasingly become aware that the retentionof existing customers implies a lower cost compared to the recruitment of newcustomers. There isalso a growing tendency amongst customers to establish a more intimate andenduring relationship with the business. Such a relationship must be characterized bythe involvement and commitment of both parties to the relationship and resolution of customer queries andcomplaints as well as the ability of the business to pay individual attention tocustomers.The building of a long term relationship between the business and the customerdepends on the principles of trust, commitment, shared objectives and mutual benefit.

Walsh, Gilmore, & Carson(2006)statedrelationship marketing in banks as the activities implemented by banks in order to attract, interact with, and retain more profitable customers.

Banks today are working in a highly competitive and rapidly changing work environment, with not only competing among each other but also competing with non-banks and other financial institutions. According to Caroline & Elizabeth(2014) mostbank product developments are easy to duplicate and they provide nearly identical services. Therefore it is easy for customers to switch from one bank to another. In such kind of environment, banks need to employ the marketing strategies which can enable them not only to attract new customers but also retain the existing ones. Customer retention is important to most companies because the cost of acquiring a new customer is far greater than the cost of maintaining the existing customer (Ro-King, 2005). Kotler (2006) insists that acquiring new customers can cost five times more than the costs involved in satisfying and retaining the current customers and that the customer profit rate tends to increase over the life of the retained customer. Thus, one strategic focus that banks can implement to remain competitive would be to retain as many customers as possible. To be successful in this, banks need to adopt a strategy of superior relationship marketing, because clients focus on the service aspect and interaction with the service provider when evaluating a service firm.

The objective of customer relationship marketing is to build customer loyalty by creating and maintaining a positive attitude toward the company (Thanban, 2013). When a bank claims to be practicing relationship marketing, it signifies that it has undertaken an organization wide strategy to manage and nurture its interaction with clients and sales prospects (Keshvari & Zare, 2013). Relationship marketing is not only at the customer service point or at relationship manager level but at every point in the organization. Firm–client relationships in service industries are important as they influence the satisfaction, support and retention of banking clients (Rootman, Tait, & Sharp, 2011). Proper relationship marketing may result in lower marketing costs, enhanced customer satisfaction, customer loyalty and possibly increases customer retention levels for banks. If banks focus on relationship marketing, clients may receive benefits, customized offerings, empathy, appreciation, friendliness, communality, decreased prices as well as experiencing feelings of trust the firm and customer satisfaction(Rootman, Tait, & Sharp, 2011).

This studyhas assessed the effect ofcustomer relationship marketing on customer retention in United Bank S.C.

## 1.2 Statement of the Problem

Today businesses follows different marketing strategies to survive in the highly in the competitive world by identifying, acquiring and retaining economically most important customers and developing ongoing and long-lasting relationship with them. In the competitive marketing environment, customer relationship marketing is critical to a company‘s profitability and long-term success. Developing a better understanding of existing customer allows companies to collaborate and respond more effectively to significantly improve retention rate. Customer relationship marketing is important element of organization help them assess customer satisfaction, retention, loyalty and profitability in terms of repeat purchases, money spent, and longevity(Keshvari & Zare, 2013).

In Ethiopian banking industry customer relationship marketing is highly ignored. The banks are focusing on deposit mobilization, foreign currency tracking, electronic banking promotion, customer base increment and loan management. These banks are highly focusing in recruiting new customer rather than retaining the existing customers. They are competing with the deposit, number of customers, foreign currency campaign and on financial performances. Hence, assessing customer relationship marketing practices and their effect on customer retention is important (Assefa & Megbaru, 2015).

Chacha, (2015)investigated the extent to which customer relationship marketing influences customer retention with commercial banks in Tanzaniaand suggested that a long-term customer-organization relationship is crucial in creating longer-term customer retention.In addition, Kaguri(2016) examined effect of customer retention strategies on customer retention and concluded that customer retention will largely be driven by customer relationship management.In Ethiopia there are very few studies conducted in banking industry (Asmamaw, 2016), (Cherinet, 2015),(Assefa & Megbaru, 2015)and(Shefera, 2011) about impact of customer relationship marketing on customer retention.

Asmamaw(2016) indicated that there is a significant relation between customer relationship marketing components including trust, bonding, reciprocity, empathy and responsiveness on customer retention and showed that all components have a significant effect on customer retention in Commercial bank of Ethiopia. But (Cherinet, 2015)reveal that there isinsignificant and weak correlation between relationship marketing and customer retention in Zemen Bank. But Zemen bank is most customer oriented bank in the country. In addition, Assefa & Megbaru(2015)indicated that trust, commitment, communication, and competency customer relationship marketing practices were contributed positively on the effort of Commercial banks in Ethiopia in customer retention while conflict handling practices was identified as a one constraints for customer retention.Shefera (2011) showed that some of relationship marketing dimensions have impact on customer retention in Bank of Abyssinia but in general relationship between relationship marketing and customer retention is significant. Results of these studies indicate that relationship between customer relationship marketing and customer retention is inconclusive in banking industry in Ethiopia. As a result, this studycontributes to fill this gap by assessing the effect of customer relationship marketing on customer retention in United bank S.C.

## 1.3 Objective of the Study

### 1.3.1 General Objective of the Study

The general objective of this study is to assess the effect of customer relationship marketing on customer retention in United Bank S.C.

### 1.3.2 Specific Objectives

Specific objectives of this study include;

i. To analyze the effects of reciprocity on customer retention in United bank;

ii. To examine the effect of social bonding on customer retention in United Bank;

iii. To examine the relationship between empathy and customer retention in United Bank;

iv. To find out the effect of truston customer retention in United Bank; and
v. To identify effect of responsiveness on customer retention in United Bank.

## 1.4 Research Hypothesis

Based on literatures the researcher empirically tested following hypotheses.

H1: reciprocity has positive and significant effect on customer retention in united bank.

H2: Social bonding has positive and significant effect on customer retention in united bank.

H3: Empathy has positive and significant effect on customer retention in united bank.

H4: Trust has positive and significant effect on customer retention in united bank.
H5: Responsiveness has positive and significant effect on customer retention in united bank.

## 1.5 Scope of the Study

The study has assessed the effect of customer relationship marketing on customer retention in United Bank S.C.to reach at this objective the researcher used customers in Addis Ababa irrespective of number of customers in different part of the country. From different data collection mechanisms, the researcher used only questionnaire to collect intended data. From factors affecting customer retention, the researcher used only five variables that are relevant to bank marketing. These variables include reciprocity, bonding, empathy, trust and responsiveness. Among different approaches of the research, the researcher used only quantitative approach. This study is scoped to be analyzed by descriptive and explanatory.

## 1.6 Significance of the Study

This study has identifiedeffect of customer relationship marketing on customer retention in United Bank S.C. This study will help management of the bank in giving information about the practices and their effect on customer retention. This study will used as source for further studies. The study will also provide deep knowledge for the researcher on practices of customer relationship marketing and their impact on customer retention in United Bank.

## 1.7 Organization of the study

The rest of the paper is organized as follows: The second chapter is about literatures reviews which include theoretical literature, empirical literatures and conceptual frame work. The third chapter discusses about methodology of the study which includes Background of the study area, research design, data type, sampling techniques, and method of data analysis. The fourth chapter presents result and discussion: Descriptive analysis and econometrics analysis. The last chapter, fifth chapter is about conclusion and recommendation.

# CHAPTER TWO

# REVIEW OF LITERATURES

## 2.1 Theoretical literatures

### 2.1.1 Customer Relationship Marketing

The idea of building a relationship with customers was not implemented by most firms. The development and the creation of a conceptual framework to understand relationships and to study its nature was very slow in adoption. For a long time, marketing focused on acquiring customers instead of attempting to retain them. Therefore relationship marketing was developed as an effective strategy to attract, maintain and enhance customer relationships (Roberts, Varki, & Brodie, 2013). (Sheth & Parvatiyar, 2005)indicated that relationship marketing emerged in the 1980s as an alternative to the prevailing view of marketing, because it was recognized that many exchanges, particularly in the service industry, were relational by nature. They add that in the first half of the 1990s the development of marketing changed from transaction marketing to relationship marketing. Concerned parties (sellers and buyers) understood and appreciated each other's needs and constraints much better, and they change their trends for the favor of cooperation with one another, so, they become more relationship oriented. It is worth mentioning that in the past, marketers were concerned with retaining customers, influencing repeat purchases, fostering trust and facilitating future marketing. Therefore, producers established permanent retail shops in the marketplace for selling goods daily, and those who participated in the market knew and trusted each other. Accordingly, consumers and producers had direct relationships with each other. The relationships between customers and suppliers were critical since customers depended on manufacturers and traders to provide them with goods according to specifications and expectations(Sheth & Parvatiyar, 2005).

Grönroos(2004) reported that relationship marketing origin is coming from the convergence of the following four different approaches:

### *2.1.1.1. The interaction and network approach to industrial marketing*

There are several and ongoing interactions that take place daily through the flow of goods and services, financial and social exchanges. It is not necessary that sellers initiate these interactions, but they may continue for a long period of time. Moreover buyer and seller positions may not be clear when the exchange of resources flow in both directions. The management of such relationships requires the involvement of the marketing department, all of the company's employees and part time marketers (Gronroos, 2000). Regarding business to business exchanges, points of contact between organizations occur in non-marketing functions such as research and development, design, deliveries, customer training, invoicing and credit management.

### *2.1.1.2The marketing of services:*

Services marketing cannot be separated from overall management. Service consumer interacts with physical resources and employees of service providers. The service providers are involved in service production. No differences should exist between industrial marketing and service marketing in terms of developing a long lasting relationship between a service provider and his/her customers. Marketers determine the success of those relationships.

### *2.1.1.3 The interest in customer relationship economics:*

According to (Reichheld & Sasser, 2008)companies can obtain market economies, and achieve better economic results through understanding the customers they deal with. (Gronroos, 2004)indicated that a mutual satisfactory continuing relationship makes it possible to reduce transaction costs and quality costs.

### *2.1.1.4 International marketing:*

Gronroos(2000)argued that although the transaction marketing approach is primarily based on the mass marketing of packaged consumer goods in USA, such a concept if transferred to other markets outside of the USA, risk not being applicable because of many issues such as cultural differences, traditions, economic structures, legal systems and institutional settings. Therefore, many researchers suggest that a relational approach to marketing is better suited to accommodate or adapt to the cultural, economic and institutional characteristics of most countries.

Various authors define customer relationship from different academic or practical perspectives. In general most of them agree that customer relationship marketing is a philosophy or culture that should penetrate the whole organization (Gofton 2001). In a general sense, relation marketing is about identifying, establishing, maintaining, enhancing and, when necessary, terminating relationships with customers, so that the objectives of both parties are met (Rashid, 2003). Anonymous, et al (2002) defined relationship marketing in a financial institution as an approach to providing seamless coordination among process, people, information and technology that creates positive experiences for a party each time he or she interacts with the bank. It is the capability for delivering each valued experience enabled by the bank's knowledge about a party including their preferences, behaviors, goals, and attitudes.

Walsh et al (2004) define relationship marketing as the activities carried out by banks in order to attract, interact with, and retain more profitable or high net-worth customers. Based on the mentioned definition, we can say that relationship marketing seeks to increase customer profitability while providing better services for customers. According to Clark and Payne (1995) relationship marketing is the business of attracting and enhancing long-term client relationships. This is achieved by a mutual exchange and fulfillment of promises. Gummesson, (1999) indicated that relationship marketing had a strong emphasis on business to customer relationships within a customer relationship marketing paradigm.

Kotler and Armstrong (1999) illustrated this idea in their definition of relationship marketing: Relationship marketing involves creating, maintaining, and enhancing strong relationships with customers and other stakeholders. Relationship marketing is orientated to the long term. The goal is to deliver long-term value to customers, and the measure of success is long-term customer satisfaction. Most of relationship marketing definitions emphasize longer term perspective, focusing on keeping customers rather than getting customers. One common point among the many definitions of relationship marketing is that it is associated with attempts by firms to develop long-term relationships with certain customers.

Gremler et al., (2001) reported that strong relationships increase customer satisfaction for service companies, and added that supporting strong interpersonal relationships between employees and customers encourages positive word of mouth behavior. These outcomes enhance a company's market share and return on investment. Moreover, it is assumed or even well known that if any customer used the same supplier for a long period of time then, the length of the period will lead to relationship building between the two parties. This means that such customers may have high levels of cumulative satisfaction and the relationship strength continues growing with the time period. Bove and Johnson, (2000) indicated that strong relationships develop incrementally over time and that relationship duration has a positive effect on relationship strength as trust and commitment increase as the relationship matures.

### 2.1.2 Aims of Customer Relationship Marketing

The primary goal of relationship marketing is to build and maintain a base of committed customers, and reduce time and effort spent on them. The advantages that the organization obtain from building and maintaining a base of committed customers are many and can be linked directly to an organization's bottom line (Aalton, 2004). According to Grönroos (1994), the aim of relationship marketing is to establish, maintain, and enhance relationships with customers and other partners, so that the objectives of the parties involved are met.

Relationship marketing plays a major role to get the firm close to the customers for the purpose of enabling the firm to accurately and adequately discern and satisfy their needs. Moreover, it enhances a company's ability to understand customers, increase its market share, and ultimately reduce cost and increase profitability. Ndubisi, (2003) argued that the cost of serving one loyal customer is five to six times less than the cost of attracting and serving one new customer.

Rapp and Collins (1990) reported that relationship marketing goals are to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides. In other words, a key objective is to foster customer loyalty. Further objectives of relationship marketing include the delivery of sustained or increasing levels of satisfaction, and the retention of those customers by the maintenance and promotion of the relationship (Christopher, 1996). Sheth and Parvatiyar (1995) also support this objective as they argued that relationship marketing focuses on building, maintaining and retaining customers. Profits tend to climb when a company increases its retention rate. Retention rates tend to increase as customer satisfaction rates increase. Relationship marketing addresses the basic human need to feel important. Consumers like to reduce the choices they have by engaging in ongoing relationships. It is a form of commitment made by consumers to patronize selected products, services, and marketers rather than exercise choices. Palmatier and Gopalakrishna, (2005) study reported that there is a positive association between relationship marketing and business performance. Keltner (1995) found in his study that German banks compared with American banks, managed to maintain a stable market position during the 1980s and early 1990s as a consequence of relationship oriented banking strategies.

### 2.1.3 Importance of Customer Relationship Marketing

The customer's attitude towards any form of relationship between him/her and the supplier is important. So if the customer perceives the importance of relationships strongly, then he/she develops a stronger relationship with the supplier (Ward et al., 1997).

With respect to the firms, the importance of relationship marketing motives of investment in customer relationship building include access to privileged information on customer needs and wants, mutual rewards, cost reduction and increase in profitability, (Ndubisi, 2004). Reichheld (1993) reported that a 5 per cent increase in customer retention typically increased the company's profit by 60 per cent by the fifth year. It has been argued that long term relationships where both parties over time learn how to interact best with each other lead to decreasing relationship costs for the customer as well as for the supplier or service provider. Efficiency is gained, and value is created on both sides of the customer equation. Webster (1992, 14) reported that "there has been a shift from a transaction to a relationship focus". Ndubisi (2003) argued that the only real sustainable business growth strategy is through a mutual symbiotic relationship with customers, which enables a business to understand their needs more clearly and to create and deliver superior value. Verhoef (2003) reported that a relationship is important for firms since establishing and maintaining relationships with customers will foster customer retention, customer share development and increased profit. Relationship marketing, therefore, has become increasingly important as a business strategy (Verhoef, 2003). A relationship orientation implies that the focus of marketing is on retaining customers by maintaining and strengthening win-win relationships over time (Payne and Frow, 1997). This approach implies that relationships are more likely to develop in situations where the customer has more frequent contact with the service provider, where the service is continuously delivered over an extended time period and where the customer perceives the relationship to be important (Bove and Johnson, 2000). Several studies on services marketing have suggested that in order to acquire and maintain a competitive edge, service organizations should develop long-term relationships with their customers (Berry, 1995). There are three strategic rationales for implementing Customer Relationship Marketing:

i. To increase customer retention.

ii. To respond effectively to competitive pressure.

iii. To differentiate competitively based on customer service superiority.

By linking customer relationship marketing data with customer satisfaction survey data all companies do show that Customer Relationship Marketing has a larger, indirect effect by influencing customers' intentions, (James, 2002). There are a number of underlying assumptions inherent to relationship marketing, including:

1- A relationship can be formed with all customers, in all service situations, suggesting that all organizations should partake in relationship development.

2- Relationship strength will increase as the duration of the relationship increases.

3- The more frequent contact consumers have with a particular service provider, the greater the opportunity for the relationship to strengthen.

4- That customer demographic characteristics impact on relationship strength; and that relationship strength will increase more if the customer places greater importance on such relationships.

## 2.1.4 Benefits of Customer Relationship Marketing

Relationship marketing strategy helps in understanding customers' needs, and can also lead to customer loyalty and cost reduction. Research has shown that the cost of serving one loyal customer is significantly less than the cost of attracting and serving one new customer (Ndubisi, 2004). Rashid (2003) reported that Gwinner et al. (1998) conclude that relationship marketing could bring customers the following advantages:

**1- Confidence***:* reduce anxiety, faith in a product or service provider, and a feeling of trustworthiness towards the provider.

**2- Social Benefits***:* personal recognition by employees, customers feeling familiar with employees, the development of friendship with employees.

**3- Special Treatment***:* extra services, special prices, higher priority than other customers.

With respect to relationship marketing advantages from the perspective of the organizations, it allows organizations not only to retain customers, but to also improve profitably and decrease costs of acquisition. Some of the motives behind organizational investment in customer relationship building include access to privileged information on customer needs and wants (Ndubisi, 2004).

Relationship marketing enables organizations to expand their business, if implemented successfully. Loyal customers' word-of-mouth can be very influential in terms of gathering new business and helping to attract new customers, because satisfied customers convey positive messages about the company's service and personal recommendations are often taken most seriously in consumers' purchase decisions (Gremler and Brown, 1999). Stone et al. (2000) reported that satisfied customers can become powerful advocates for a company. New customers attracted by the company's reputation would be likely to generate revenue for the company more quickly. Building relationships is beneficial for both the customer and the firms. Organizations seek benefits in order to develop a relationship with their customers, so that they will be able to create a competitive advantage. At the same time, customers seek a benefit to start a relationship and respond with their loyalty.

### 2.1.5 Advantages of Relationship Marketing in Banking

There are some advantages of using relationship marketing in retail banking activities such as (i) increased consumer loyalty (ii) consumers benefits (iii) improved promotion of complementary services (Arturo et al, 2007). Moreover, the customers expect more benefits from their banks through maintaining long term relationships such as receiving good service, social benefits, confidence and special treatment (Gwinner, et al. 1998). They added that these types of benefits are the principal motivation for the customer to develop a long-term relation with the bank. Confidence benefits refer to a detailed combination of benefits in relation to trust in the marketer, reduction in perceived operation risks, and a decrease in anxiety. Social benefits are referees to benefits of a social nature which adopt the form of personal recognition by employees in direct dealings, or the forging of links and social relationships, which are gratifying for the customer. These types of benefits are especially relevant in those service banks where a high level of interpersonal contact exists between customers and employees.

In this context Beatty et al. (1996) classified benefits received by consumers in two main categories: functional and social benefits.

The first include confidence and special treatment benefits, while the second consist of the social benefits. San Martin, (2005) reported that there are three elements that increase relational benefits in the relationship between consumers and service providers, relationship with the trademark, interpersonal relationships, and company relationships:

1- Relationship with the trademark: consumers expect specific trademark characteristics (trust) and project their feelings onto the trademark (loyalty).

2- Interpersonal relationships: it is important to consider the affective or emotional component, which may create influential variables such as trust and commitment.

3-The company relationships: It is difficult to separate the different relationship levels in the case of financial businesses, because the establishment, the staff, and the services are all integrated into one unit.

## 2.1.6 Dimensions of Customer Relationship Marketing

Customer relationship marketing has the following key dimensions:

### *2.1.6.1Trust*

Trust refers to relying on someone's word. It is based upon reputation, personality, systems and processes. Some consider trust as an important consideration because many aspects of relations between customers and suppliers cannot be formalized on legal criteria. Instead, relationships have to be based on mutual trust. Trust is built upon experience, satisfaction and empathy. A high level of trust is likely to enhance a more positive attitude, which in turn is likely to increase the level of customer orientation/empathy. Conversely, low trust can have the opposite effect: how can you begin to empathize with someone you do not trust? (Conway and Swift, 2000).

Trust has been defined as, “A willingness to rely on an exchange partner in whom one has confidence” (Moorman et al., 1993). Other authors have defined trust in terms of opportunistic behavior, shared values, mutual goals, uncertainty, actions with positive outcomes and making and keeping promises (Morgan and Hunt, 1994, Bitner, 1995, Wilson, 1995). Grönroos (1990) believed that the resources of the seller personnel, technology and systems have to be used in such a manner that the customers have trust in them, and thereby trust in the firm itself is maintained and strengthened.

Overall, “trust is a key ingredient in establishing and maintaining successful inter organizational systems” (Meier, 1995, p. 145). Customer’s trust reduces these feelings of vulnerability. Also, higher levels of trust advance information exchange.

Based on various contributions to the definition of trust, the researcher defines customer trust as the extent to which a customer believes that the supplier is honest, benevolent, and competent.

Ganesan (1994) found that long-term orientation is affected by the extent to which customers and vendors trust their channel partners. Each partner’s ability to provide positive outcomes to the other determines commitment to the relationship. Trust is therefore a major determinant of relationship commitment (Morgan and Hunt, 1994), and exists when there is confidence in a partner’s reliability and integrity. Ganesan (1994) proposed that a key component of trust is the extent to which the customer believes that the vendor has intentions and motives beneficial to the customer and is concerned with creating positive customer outcomes.

### *2.1.6.2. Commitment:*

Commitment is another important determinant of the strength of marketing relationship and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Gundlach et al., 1995). Customer commitment is defined as the customer’s durable intention to develop and sustain the relationship with the supplier on the long run (Anderson and Weitz, 1992). Egan (2001) suggests that commitment is central to relationship marketing. At the same time Conway and Swift (2000) feel that the level of commitment a partner feels towards that relationship is of great importance in developing relationships. In contrast Hocutt (1998) views commitment as "an intention to continue a course of action or activity or the desire to maintain a relationship". Morgan and Hunt (1994) reported that trust and commitment are paired in the relationship marketing literature. Both trust and commitment are invariably associated with the prerequisite that the relationship is of significantly high importance to one or both parties. Commitment is defined by psychologists by decisions that bind an individual to a behavior (Kiesler, 1971 cited in Ndubisi, 2008). While commitment in marketing literature is defined as an enduring desire to maintain a valued relationship, this implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Gundlach et al., 1995).

It is also means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs. At the same time, communication refers to the ability to provide timely and trustworthy information (Ndubisi and Chan, 2005). Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the pre-selling, selling, consuming and post-consuming stages (Ndubisi, 2008).

Commitment was the most common dependent variable used in buyer-seller relationship studies Wilson (1995). The concept of commitment in sociology is used to analyze both individual and organizational behavior and mark out forms of action characteristic of particular kinds of people or groups (Wong and Sohal, 2002). Customer commitment can be described along four dimensions: (i) loyalty, (ii) willingness to make short-term sacrifices, (iii) long-term orientation, (iv) willingness to invest in the relationship (Gundlach et al., 1995). According to Morgan and Hunt (1994), commitment and trust together encourage marketers to work towards preserving relationship investments by cooperating with exchange partners. Both are very important elements in ensuring a long-term orientation towards a business relationship, an orientation that is necessary to implement relationship-marketing strategies.

### *2.1.6.3. Social Bonding*

Bonding is defined as the dimension of a business relationship that results into parties (customer and supplier) acting in a unified manner toward a desired goal. Various bonds exist between parties and indicate different levels of relationships (Callaghan et al., 1995). Bonding served effectively to control social and business behavior in society, and contribute to remove doubt, create trust and form close relationships (Hinde, 1997).

The dimension of bonding, as it applies to relationship marketing, consists of developing and enhancing consumer loyalty, which results directly in feelings of affection, a sense of belonging to the relationship, and indirectly to the sense of belonging to the organization (Sin et al., 2002). Buyers and sellers who have a strong personal relationship are more committed to maintaining the relationship than less socially bonded partners.

#### *2.1.6.4. Empathy*

Empathy is the dimension of a business relationship that enables the two parties to see the situation from the other's perspective. It is defined as seeking to understand somebody else's desires and goals. It involves the ability of individual parties to view the situation from the other party's perspective in a truly cognitive sense. Empathy may be concerned with liking someone or some organization. In the initial stages of a relationship it is important that the seller empathizes with the buyer but, as the relationship develops, empathy from both parties becomes increasingly important. Liking the other on the behalf of each party develops a close interpersonal and business relationship and gives a more positive outlook to each party.

#### *2.1.6.5. Good Experience*

Experience is another factor in successful relationships. Conway and Swift (2000) suggest that both parties must have positive experiences in order to reach the required overall level of satisfaction over a period of time and develop the relationship further. The writers add that negative experiences may, of course, hinder the relationship, or even lead to customer defection. Furthermore, we tend to remember best the last experience. Thus, one positive experience may be sufficient to alter perceptions of more than one preceding negative experience, and vice versa. This suggests the important influence experience can have on customer satisfaction and, the more satisfied the customer, the more durable the relationship. In terms of customer communications to peers and others, the facts and perceptions of the "experience" is the item that is shared with others and drives much of the individual satisfaction.

#### *2.1.6.6. Promise Fulfillment*

Fulfillment of promise is seen as a core construct in the relationship marketing philosophy. It is one of the dimensions which will determine if a relationship is to continue or be terminated. For example, if the promise made by the organization is not fulfilled to the full satisfaction of the customer then the customer may terminate the relationship. Equally, for instance, if the customer fails to deliver on the promise of payment to the organization, then the organization may terminate the relationship. Therefore, just making promises is not enough, but delivering them by action is also very important.

Zineldin and Jonsson (2000) state that "trust and commitment between business companies can only be built on actions rather than promises", meaning that it is necessary to fulfill promise by actions. Claycomb and Martin (2001) also highlight the link between trust and promise. In the service sector trust is particularly relevant because customers often do not buy a service per se. What they buy is implicit and explicit promise of service. A firm may attract customers by giving promises, thus persuading them to behave in some desired way. These promises may be explicit or implicit in the image of a brand. A new customer may be attracted and a new relationship built. Long-term profitability requires that the relationship be maintained and enhanced in order to retain the customer base. The fulfillment of the promises given is essential to achieving customer satisfaction.

#### *2.1.6.7. Communications*

Communication is considered as a vital component in the establishment of business relationships. Yet it is a variable that is often assumed or taken for granted and consequently overlooked as a component of relationship development (Andersen, 2001). Communication is important in marketing relationships; it plays a central role in providing an understanding of the exchange partner's intentions and capabilities, thus forming groundwork for building trust amongst exchange partners. The recency and frequency of communications are important variables. The recency (number of days/weeks since the last communication) and the frequency (number of communications received over a period of time) drive the perceived level of connection to the organization. In the same time Seines (1998) confirms that communication is not only an important element in its own right, but it also influences levels of trust between buyer and seller. In the same context Sin et al. (2002) asserts that communication, especially timely communication, fosters trust by assisting in solving disputes and aligning perceptions and expectations. Communications also inform dissatisfied customers what the organization is doing to rectify the causes of dissatisfaction. When there is effective communication between an organization and its customers, a better relationship will result and customers will be more loyal. Finally, conflict handling is supplier’s ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise.

### *2.1.6.8. Conflict Handling*

Ndubisi and Chan (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. The ability of the product or service provider to handle conflict appropriately will also directly influence customer loyalty. It is important that companies select their partners carefully, share common values, and maintain excellent communication at all times during the relationship continuum. Ultimately, the key factors that hold a relationship together are goal compatibility, commitment, trust, satisfaction, investments, social and structural bonding, and a favorable comparison with alternatives (Wilson and Jantrania, 1994).

### *2.1.6.9. Internal Relationship Marketing*

Bruhn (2003) reported that a chain of internal customer relationships can be put into effect by guiding internal relationships, establishing internal customer orientation, and adapting the relationship success chain. Ensuring high service quality level is deemed as a key prerequisite for customer's satisfaction and retaining internal ones. Therefore if an organization manages to guarantee internal customer orientation, an external relationship marketing success chain can be indirectly initiated. Bruhn (2003) said that the following internal customer orientation measures can be applied: (i) empowerment; (ii) internal relationship management; and (iii) internal communication. Internal marketing ensures that the team is operating with the same philosophies across the entire organization and that communication is seamless and delivered consistently externally, as a result.

### *2.1.6.10. Reciprocity*

Reciprocity is the dimension of a business relationship that causes either party to provide favors or make allowances for the other in return for similar favors or allowances to be received at a later date (Callaghan et al., 1995). It covers the bilateral contingency, interdependence for mutual benefit and equality of exchanged values aspects of social action between two individuals.

### 2.1.7 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. Thus, organizations need to focus on existing customers in order to ensure that they continue purchasing and continue supporting the product (Berndt et al., 2005). Thus, at this time, close relationship with customers will require a strong coordination between banks and its marketing departments to provide a long-term retention of selected customers (Chary and Ramesh, 2012). Rust and Zahorik (1993) as cited by Cohen et al. (2006), the financial implications of attracting new customers may be five times as costly as keeping existing customers. Doing so significantly helps to reduce the cost of the organization. According to Rouholamini&Venkatesh (2011), several research show that customer acquisition costs 5 to 7 times higher than customer retention costs. Thus, since revenues increase with incremental improvements in customer retention, the ultimate goal of a professional services firm should be to retain customers (Crutchfield, 2001). However, this is only achieved when you are providing excellent customer service, which then turns in to Customer loyalty (Ghavami &Olyaei, 2006). Thus, retaining an existing customer has beneficiary to the organization than attracting new once. Villanueva and Hanssens (2007) cited by Parker *et al. (2009*) clearly stated the following five customer retention benefits. Those benefits are:-

1. It is cheaper to retain customers than to acquire them.
2. The costs of serving long-life customers are less than those of serving new customers.
3. Long-life customers improve the reputation of the company and attract new customers through word-of-mouth advertising.
4. Long-life customers are less price sensitive than new customers and are therefore more willing to pay higher prices in some cases.
5. Long-life customers are more likely to buy more from the company so the company can increase their share-of-wallet through up-selling and cross-selling.

Therefore, the above benefit proof that long-life customers are means of profit to the organization and they can attract potential customers through their formal and informal communications.

Every organization needs to know how to retain its customers, even if they appear to be satisfied. Retention rate leads to higher net present value of customers. Another study by (Reichheld*at el*., 1990), has quantified the significance of customer retention. They found that profits in service industries, increased in direct proportion to the length of a customer's relationship and that a 5% improvement in customer retention increased the average customer value by 125%. At least 75% of an organizations marketing budget has to be spent on customer retention strategy and strengthening relationship (Weinstein, 2002). Customers are retained if customer service quality and satisfaction are improved (Parasuraman*et al*., 2002). Behavioral intentions are very important to understand whether customers will remain or defect from a company (Anani, 2013). These behavioural intentions will be influenced by service quality (Parasuraman*et al*., 2002). Service quality can increase customer loyalty, retention and improved business performance (Ennew and Binks, 1996). An empirical study conducted by (Nwankwo, 2013) using evidence from the Nigerians banking sector and its small business customers found that there is a positive impact of service quality on customer loyalty and retention. The study conducted in Tanzanian banks by (Caroline *et al*., 2014) discovered that academics in need to incorporate quality of products provided by the banks together with pricing of banks products in customer retention models. In this view, customer retention is extremely vital for business to remain competitive. It has recently become more significant compared to customer acquisition.

## 2.1.8 Customer relationship theories

### *2.1.8.1 Relationship Marketing Theory*

Relationship marketing theory Arnett &Badrinayanan (2005) states that successful relationship marketing is characterized by successful relational exchanges. The theory focuses on trust, commitment and communication (Sivadas and Dwyer 2000). The theory is applicable in this study for trust is the independent variables of this study.

The bank will have long term and profitable relationships with the bank customers if bank shows high levels of trust on bank products/ services, trust on the bank handled transactions, trust on the way the bank handled customers concern. Trust on loan information and trust on bank information confidentiality. When the bank customer loses trust with the bank, they shift to another bank, buy less bank products and talk ill of the bank. On the other hand, if the bank shows high levels of trust, the bank customers purchase more bank products, customers are satisfied, defection to the other banks is minimal and they positively recommendation their friends and relatives about the bank.

### *2.1.8.2. The Social Exchange Theory*

The social exchange theory by Homan (1958) states that person that give much to others tries to get much from them. The theory is pegged on the social exchange relationship between the parties which develop through mutual exchanges and fulfillment of promises. The theory is applicable in this study for the bank will develop long-term and profitable relationships with their customers if they offer quality services, communicated effectively and observed trust in the banking industry. Social exchange theory indicates that individuals are willing to maintain relationships because of the expectation that is rewarding. This is applicable in this study for the bank customers will maintain relationship with the bank after they are offered services qualities that are reliable, prompt and timely services. Social exchange theory attempts to account for the development, growth and even dissolution of social as well as business relationships. This means people or business firms evaluate their reward when deciding whether or not to maintain a relationship. This is applicable in this study for the bank customer evaluates how the bank quality service, its communication effectiveness and its trust levels rewards them before having a long term relationship with them.

### *2.1.8.3 Commitment-Trust Theory*

Morgan and Hunt (1994) the Commitment-Trust theory states that successful relationship marketing requires commitment and trust relationship. This is applicable in this study because a bank that is committed to offering quality services which are reliable, timely and prompt will have successful long termand profitable relationship with their bank customers.

The theory is pegged on three factors: trust,commitment and relational exchanges. The theory is applicable in this study for the bank trust, commitment and a relational exchange with their bank customers is crucial in the banking industry. The bank should be trustful to their customers. The bank observes trust on bank products/ services, trust on handling transactions, trust on handling customers concern. Trust on loan information and trust on bank information confidentiality. When the bank customer loses trust with the bank, they shift to another bank, buy less bank products and talk ill of the bank. On the other hand, if the bank maintains high levels of trust, the bank customers purchase more products /services, customers are satisfied, customer defection to the other banks is minimized and customers positively recommend their friends and relatives about the bank.

## 2.2 EmpiricalReviews

Rootman C. et al (2010) have conducted a study on relationship marketing and customer retention best lessons from banks in South African Canada and the UK. In the investigations, insight has been given into the relationship marketing and customer retention strategies of banks in South Africa, Canada and the UK and its contribution. More specifically, the article provided insight into the extent to which selected independent variables (relating to banks' activities, actions and methods) influence banks' relationship marketing and customer retention, and into practical strategies that can be learned from successful international banks. As banks are important contributors to any economy, sustained client relationships and stability through maintained clients, or customer retention, are essential for the survival of these institutions. Banks therefore need to familiarize themselves with service delivery activities and methods and should constantly adjust to improve their relationship marketing efforts and customer retention levels. The empirical findings of this study have established that six relationship marketing variables to have a positive influence on the customer retention and loyalty of South African, Canadian and UK banks.

The study revealed that trust, bonding, commitment, responsiveness, empathy and competence are important for South African and other developing banks to partner with Canadian and UK banks and to regularly benchmark themselves against these banks in order to develop as institutions and to discover how to adapt their banking aspects. If banks follow these strategies, their relationship marketing would improve, and relationships with clients would be better maintained. As the study showed, this would also increase banks _customer retention rates, recruiting potential of new customers, customer loyalty and potential of mobilizing deposit, which is crucial in the competitive banking environment in which these banks operate.

The study conducted by Zeithamlet al (1996) on The Effect of Service Quality on Customer Retention examined customer retention and defection from an organization in the context of customer service quality. The study concluded that the better a company's service-quality scores were, the higher the loyalty and pay more intentions were, and the lower the switch and external responses were. However, they noted that the relatively few customers had left their service firms despite of good service quality. This means that service qualities alone are not the only factors that retain customers in the firm. Another study by Morgan and Hunt (1994) on Influence of Customer Trust and Commitment on Long-term Relationship, found that successful relationship marketing requires relationship commitment and trust. However, other constructs of relationship marketing such as customer satisfaction, commitment and relationship were not also included in that research. This research must include them to fill up the gap.

Furthermore, Cohen et al., (2006) did the study by empirically examining the potential constructs in customer retention in the New Zealand banking industry by investigating the chain of effects of retention from customer satisfaction, customer value, corporate image, switching barriers to competitive advantage. This finding was that consumers can be highly satisfied but still leave their service providers. Hence from that results it clearly shows that satisfaction only is not enough and a satisfactory factor to retain customers.

In addition, the gap still exists since the researcher did not observe other constructs such as trust and commitment which actually may have the profound effects on customer retention.

Onditi (2012) revealed that it is possible to increase customer loyalty by about 4.6% through manipulating quality of service. The study contributes to the validation of the determinants of customer loyalty. Similarly, Auka (2013) investigated the relationship between service quality dimensions and customer loyalty in Retail Banking in Kenya. The results indicated that all the dimensions of service quality had the positive and significant influence on customer loyalty in retail banking. Msokaet al., (2014) investigated the **“**Determinants of Customer Retention in Commercial Banks in Tanzania”. The study discovered that academics need to incorporate quality of products provided by the banks together with pricing of banks products in customer retention models. For Bank of Tanzania, there is a need to expand monitoring and include quality of the products provided by banks to determine the sustainability of banking industry. Again, Elly (2010), conducted the study on “Service Quality and Customers Retention in Tanzania Commercial Banks”, with the purpose of investigating the link between service quality and customers loyalty. The research findings revealed that the overall service quality provided by the commercial banks had a direct relationship with customer loyalty. However, despite of improving bank services still other customers could leave the particular bank (Auka, 2013 and Elly, 2010). From the four researchers still there is a contradiction on the best strategies which can be applied to retain customers since it seems that maintaining service quality alone is not a sufficient factor.

Mohammad et al. (2011) this research aimed to empirically investigate the impact of relationship marketing underpinnings (namely trust, commitment, communication, conflict handling, bonding, shared values, empathy, and reciprocity) on customer loyalty in the banking industry. The results revealed that the all underpinnings of relationship marketing were directly associated with customer loyalty and they had a significant effect on it.

Therefore it is reasonable to conclude that customer loyalty can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, handling conflict efficiently, paying attention to shared values, improving the empathetic and reciprocal abilities of the salespeople, and developing strong bonds between buyers and sellers.

Christiana and Amy (2011) have conducted a study on the practice of relationship marketing and customer retention and its impact on resource mobilization performance in the banking industry in Ghana. The study summarizes the banking sector in Ghana has witnessed significant improvement in relationship marketing. The research explains the role of relationship marketing in customer retention and also demonstrates relationship marketing applied and practiced by the banks in Ghana affects its resource mobilization performance and customer loyalty. A qualitative research approach was chosen and deductive research was conducted based on twelve case studies from both local and international banks. The findings of the study showed that indeed, all the banks have reasons for adopting relationship marketing in customer retention. The most popular reason for believing in the success of relationship marketing is customer retention.

Kuria (2010) has investigated a study on relationship marketing practices among commercial banks in Kenya with the purpose of establishing the nature of relationship marketing practices and to determine the extent to which relationship marketing is practiced among commercial banks in Kenya. The study found that the banks have applied products oriented Customer Relationship Marketing practices to a great extent. The findings indicate that employee oriented Customer Relationship Marketing strategies are present and enhanced top a great extent. From the findings it emerges that communication oriented CRM strategies have been applied to a moderate extent. The study further found that loyalty oriented CRM activities are not enhanced in the commercial banks in Kenya. The study recommends that the Kenyan commercial banks need to critically reconsider several aspect of the customer relationship marketing strategies especially on the areas of technology adoption and its interaction with CRM.

Kosile and Ajala(2006) this empirical study examines the effects of relationship Marketing process on Bank performance of selected Commercial Banks in Southwestern Nigeria. It examines the management and performance of marketing relationships from the perspectives of bonding, commitment, communication, conflict management, direct marketing, banks‘ relationship quality and customer‘s relation benefits in Nigeria context. The finding reveals a positive and significant relationship between relationships marketing and bank performance indicators. The bonding, commitment, communication, conflict management, relationship quality and Relation Benefits were found to be positively and significantly determinants of Bank performance. The findings revealed further that direct marketing are insignificant predictors of bank performance.

According to Velnampy&Sivesan (2012)have conducted a study on Customer Relationship Marketing and Customer Satisfaction a study on Mobile Service Providing Companies in Srilanka.The main purpose of the study is examining the relationship between customer relationship marketing and customer satisfaction. Customer relationship marketing was measured through trust, commitment, empathy and equity. The finding reveals a positive and significant relationship between relationships marketing and customer satisfaction.

Asmamaw (2016)indicates that there is a significant relation between customer relationship marketing components including trust, bonding, reciprocity, empathy and responsiveness on customer retention and also to regression testing that all variables were examined simultaneously on customer retention; results showed that all components have a significant effect on customer retention . There is frequent network problem and long wait in queue especially at the end of the month were viewed by respondents as customer relationship marketing practice weakness.So, based on the finding the researcher has recommended that the bank should provide consistence minimizing frequent network problems and should regularly visit customers.

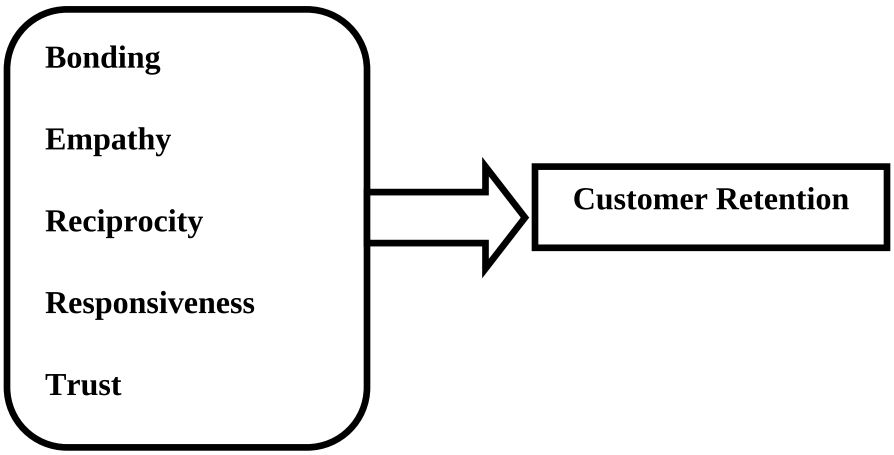
Cherinet (2015)reveal that there is a significant and strong correlation between relationship marketing and customers‟ loyalty. Moreover, the study reveals that there is significant effect of trust, commitment, communication, and gratitude on predicting customers' loyalty. Of these relationships, gratitude emerged as the strongest factor which influences customers' loyalty while conflict management remained statistically insignificant and negligible influence on customers' loyalty in the cumulative model. However, all underpinnings had statistically significant influence on customers' loyalty as individual. Moreover, management commitment had mediating effect between relationship marketing and customers' loyalty. Depending on the findings, practical implications of this study is, in order to ensure loyalty among bank customers; bankers should build a better relationship marketing strategy. Therefore, banks competitiveness and profitability will depend on their ability to build strong relationship bonds with their customers continuously.

Assefa & Megbaru(2015) identified the impact of customer relationship marketing on customer satisfaction; a case study on selected Commercial banks in Ethiopia". To achieve the aim of the study, five explanatory variables: trust, commitment, communication, competency and conflict handling were regressed against customer satisfaction. In this study both primary and secondary data collection methods were used. The primary sources of data for the study were collected through questionnaire survey from customers and customer service managers. Moreover, in order to support the questionnaire survey, additional information was obtained through unstructured interview with selected branch managers. Finally, the gathered information were analyzed by descriptive, correlation and ordered logit regression. The major findings of the study indicated that trust, commitment, communication, and competency customer relationship marketing practices were contributed positively on the effort of Commercial banks in Ethiopia in customer satisfaction While, conflict handling practices in Commercial banks in Ethiopia was identified as a one constraints for customer satisfaction.

Shefera (2011) shows that relationship marketing dimensions have impact on customer loyalty.

All the independent variables are positively and directly related to customer loyalty particularly in Bank of Abyssinia and in general in banking industry. The relationship between relationship marketing and customer loyalty is significant.

## 2.3 Conceptual Framework




***Source: Own Design based on literature, 2018***

# CHAPTER THREE
# RESEARCH METHODOLOGY

## 3.1Research Design

Designing a study helps the researcher to plan and implement the study in a way that helps the researcher to obtain intended results, thus increasing the chances of obtaining information that could be associated with the real situation (Burns & Grove, 2001). This study is an applied research which follows both descriptive and explanatory research designs in order to address the aforementioned objectives. It is conducted on United Bank S.C. The data for the study is quantitative in nature which is collected from primary sources. The researcher has used the Cross-sectional field survey method to assess the effect of customer relationship marketing on customer retention. In addition the study is also said to be associational in design because there is the intent to establish the relationship between independent and dependent variable of the study. After the data are collected, the researcher has analyzed the data by using correlation, particularly Pearson's coefficient of correlation, and regression analysis technique to show the effect of independent variables on the dependent variable.

## 3.2 Population and Sampling

According to Hair(2010), target population is said to be a specified group of people or object for which questions can be asked or observed made to develop required data structures and information. The target population of this study is customers of United Bank S.C in Addis Ababa. According to quarter report of the bank there are 892,191 customers of the bank in Addis Ababa.

According to Alreck & Settle (2005)the choice of sample size is normally made after considering statistical precision, practical issues and availability of resources. On the other hand, Tabachnick & Fidell(2001) noted that samples are selected on a random basis and those samples are considered as representative of the population.

A different sampling paradigm noted that there is no a single precise way for the determinations of sample size hence there are a number of inadequacy for deciding on sample size.Malhotra & Peterson(2006)stated that, the larger the sampling size of a research, the more accurate the data generated. To determine the sample size of the study, the researcher used Yamane’s (1967) formula. It is a simplified formula to calculate the sample size. This formula is based on a 95% desired confidence level and a 5% desired level of precision.

$$n = \frac{N}{1 + N(e)^2}$$

Where: $n$ = Sample size

N = population size

e = level of precision

$n$ = 892,191/1+892,191 $(5\%)^2$

= 892,191/892,192 $(0.05)^2$

= 400

According to the formula the sample size for the study set to be400 respondents.

## 3.3 Data type

This study has used both primary and secondary sources to conduct the study. Primary data was collected from respondents and secondary data from dissertations, reports and books with relevant literature and the internet. Primary data was used for the purpose of assessing the effects of customer relationship marketing on customer retention. The researcher collected primary data from customers of the bank.

## 3.4 Data Collection Techniques

In order to achieve the objectives of the study, the researcher has used quantitative research methods. The study usedquestionnaire as a data collection instrument that helps to cover larger target groups than the interview, given the quality and chance of no response.

The questionnaire has three parts, the first part explains the purpose of the questionnaire; the second part comprises of profile of respondents while the third part is comprised of research questions. The questionnaire was prepared using 5 point Likert-Scale approach (i.e., from "Strongly Disagree to Strongly Agree"). In order to encourage respondents and maximize the chances of obtaining adequate responses, the length of the questionnaire was taken into consideration. Accordingly, respondents were asked to indicate their level of agreement on 5 point Likert scale with the following ratings; Strongly Disagree (1), Disagree (2), neutral (3), Agree (4) and Strongly Agree (5) .

## 3.5 Method of Data Analysis

After the data are collected both descriptive and inferential statistical techniques were employed to analyze the data. The data was analyzed using SPSS version 20. The statistical tools were aligned with the objectives of the research. Inferential statistics particularly the Pearson's correlation was used to show the relationship and the strength/degree as well as direction of associations between variables. The other inferential statistics to be used is regression analysis that shows interdependence of independent variables and dependent variable. Thus, both the strength of the relationship between variables and the influence of independent on dependent variable and statistical significance were assessed.

## 3.6 Validity and Reliability Test

### 3.6.1 Validity

Bryman & Bell (2007) defined validity as how much any measuring instrument measures what it is intended to measure. They also suggest that the important issue of measurement validity relates to whether measures of concepts really measure the concept or not. There are several ways of establishing validity such as content validity, convergent validity concurrent predictive validity, construct validity, and convergent validity. This study addressed content validity through the review of literature and adapting instruments used in previous studies.

### 3.6.2 Reliability

Nunnaly (1978) stated that reliability is the consistency of a test, survey, observation, or another measuring device. The level of reliability of the instrument indicates the consistency of the variables. Cronbach‘s alpha is an index of reliability associated with the variation accounted for the true score of the underlying construct and it can only be measured for variables which have more than one measurement question. 0.5 is a sufficient value, while 0.7 is a more reasonable value. Therefore, the reliability of the questionnaire was analyzed by using Cronbach’s alpha statistics.

As it is indicated in the table 1 below, all Cronbach‘s alpha indexes are above 0.7 suggesting that the variables are consistent to customer relationship marketing of the bank.

*Table 1Reliability Analysis*

| Variables | Cronbach's Alpha | N of Items |
|---|---|---|
| *Bonding* | .811 | 4 |
| *Empathy* | .710 | 4 |
| *Responsiveness* | .730 | 5 |
| *Reciprocity* | .776 | 3 |
| *Trust* | .741 | 4 |
| Customer retention | .707 | 4 |

*Source: Own computation, 2018*

## 3.7 Model Specification

The researcher has used ordinary least square (OLS) regression method to analyze the result. This regression analysis was conducted to know by how much the independent variables explain the dependent variable.

The regression was conducted between components of customer relationship marketing (independent variable) and customer retention (dependent variable) measured by opinion of customers.

The results of the regression analysis are presented as follows.

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \ldots.. + \beta_nX_n + \varepsilon_i$

Where

Y is dependent variable which is explained by the independent variables

$\beta_0$ is constant

$\beta_1 \ldots \beta_n$ are the coefficient of the independent variables $X_1$ to $X_n$.

$\varepsilon_i$is an error term

Specifically, model for this study can be expressed as follows;

$CR = \beta_0+\beta_1RCP+\beta_2BND+\beta_3EMP+\beta_4TRS+\varepsilon_i$

Where,

***CR=Customer Retention***

***RC=Reciprocity***

***BN= Social Bonding***

***EM= Empathy***

***TR= Trust***

***RS= Responsiveness***

## 3.8 Ethical consideration

Every person involved in the study is entitled to the right of privacy and dignity of treatment, and no personal harm was caused to subjects in the research. Information obtained was held in strict confidentiality by the researcher. All assistance, collaboration of others and sources from which information was drawn were acknowledged.

# CHAPTER FOUR

# RESULT AND DISCUSSION

This study identified the effect of customer relationship marketing on customer retention in United Bank S.C. this chapter presents results of data collected and discussions on the results. The researcher distributed 400 questionnaires to customers of United Bank in Addis Ababa. The data is analyzed through descriptive and explanatory analyses. But 345 questionnaires were returned fully filled with response rate of 86.25%.

## 4.1 Demographic Information

Table 2 below presents demographic profile of respondents.

*Table 2: Demographic information of Respondents*

| Variable | Category | Frequency | Percent |
|---|---|---|---|
| Gender | Male | 246 | 71.3 |
| | Female | 199 | 28.7 |
| Age | 18 to 30 | 56 | 16.2 |
| | 31 to 45 | 152 | 44.1 |
| | 46 to 60 | 104 | 30.1 |
| | Above 60 | 33 | 9.6 |
| Marital Status | Single | 192 | 55.7 |
| | Married | 153 | 44.3 |
| Education | High school | 5 | 1.4 |
| | Diploma | 99 | 28.7 |
| | University degree | 156 | 45.2 |
| | Master Degree and above | 85 | 24.6 |
| Employment | Employee | 214 | 62.0 |
| | Business man/woman | 92 | 26.7 |
| | Unemployed | 39 | 11.3 |
| Account type | Saving | 297 | 86.1 |
| | Current | 48 | 13.9 |
| Experience | Less than 5 year | 70 | 20.3 |
| | 6 year to 10 | 171 | 49.6 |
| | More than 10 | 105 | 30.4 |

Source: Survey, 2018

71.3% of the respondents are males and 28.7% of the respondents are females. This implies that male customers of the bank larger than female customers. 16.2% of the respondents are at age category of 18 years to 30 years. 44.1% and 30.1% of the respondents are at age category of 31 years to 45 years and 46 to 60 years respectively. But only 9.6% of the respondents have an age above 60 years. 55.7% of the respondents have marital status of single and remaining 44.3% of the respondents are married. This implies that martially single customers are higher than married in customers of the bank. Only 1.4% of the respondents have completed high school education. 28.7% of the respondents have diploma educational background. 45.2% of the respondents have university degree and remaining 24.6% of the respondents have educational qualification of masters' degree and above. 62.0% of the respondents are employees of different companies. 26.7% of the respondents have their own business. But only 11.3% of the respondents are unemployed.

The researcher identified the accounts type that customersare using. 86.1% of the respondents are saving account holders and remaining 13.9% of the respondents are current account holders. This implies that larger number of the customers is saving account holders. 20.3% of the respondents are less than 5 year since they became customers of the bank. 49.6% of respondents are customers from 6year to 10 years. But 30.4% of the respondents have more than 10 years.

## 4.2 Descriptive Analysis

### 4.2.1 Bonding

Table 3 below presents descriptions about the responses of customers about a feature of bonding.

As indicated in the table 3 below, mean value for all bonding features used in the study are above 3.00 indicating that the customers agree with the statements.

*Table 3: Descriptive Analysis for bonding*

| | N | Mean | Std. Deviation |
|---|---|---|---|
| The bank keeps in touch constantly with its customers | 345 | 3.7507 | .95626 |
| The bank tries very hard to establish a long term relationship with its customers | 345 | 3.8377 | .88085 |
| The bank works in close cooperation with its customers | 345 | 3.4841 | .83555 |
| Employees of the bank know you very well | 345 | 3.9391 | .87558 |

Source: Survey, 2018

This suggests that the bank keeps in touch with customers, establishes long term relationship with the customers, the bank works in close cooperation with the customers; and employees of the bank know their customers very well. The standard deviations values are low indicating the low variation from the mean responses. This suggests that the customers have similar perception about bonding practices in the bank.

### 4.2.2 Empathy

Table 4 below summarized the responses of customers about empathy.

*Table 4: Description about empathy*

| | N | Mean | Std. Deviation |
|---|---|---|---|
| The bank gives individual attention to its customers. | 345 | 3.7797 | .74564 |
| The bank shows a sincere interest in solving your problem. | 345 | 3.7884 | .76164 |
| Employees of the bank are never too busy to respond to customers' requests. | 345 | 3.9159 | .80073 |
| The working hours of the bank are flexible and convenient to me | 345 | 3.2754 | .94752 |

Source: Survey, 2018

All mean values are above 3.00 that the customers agree that the bank gives individual attention to its customers, shows a sincere interest in solving customers problem, employees respond to customers' requests, and the working hours of the bank are flexible and convenient. Comparatively, fast response of employees to customers' request has highest mean value of 3.92 and flexibility of working hour has lowest mean of 3.27.

### 4.2.3 Responsiveness

Table 5 below presents descriptions about the responses of customers about responsiveness of the bank.

*Table 5: Descriptions about Responsiveness*

| | N | Mean | Std. Deviation |
|---|---|---|---|
| The bank provides prompt service to its customers | 345 | 3.8174 | .55901 |
| Employees of the bank are willing to help customers. | 345 | 3.7188 | .74265 |
| Employees of the bank devote time to reply to any of your questions | 345 | 3.8464 | .71514 |
| The bank arranges special care to special customers. | 345 | 3.4696 | .79031 |
| The behavior of the employees inspires confidence in customers. | 345 | 3.8174 | .87520 |

Source: Survey, 2018

Summaries in the table 5 indicate that the customers on average are satisfied on the responsibility taking by the employees. All mean values are well above average on 3.00 indicating majority of the respondents agree with the statements.

The results indicate that provision of prompt service to customers, support of employees for the customers, devotion of employees for timely reply to any of customers' questions, confidence inspiring behavior of employees and especial arrangement for special care for especial customers. Lower standard deviation values indicate similar perception about the responsibility of the employees and uniform responsibility taking by the all employees.

## 4.2.4 Reciprocity

Table 6 below summarizes the responses about reciprocity practices in the bank which is evaluated by the customers. The result indicate that all mean values are closer to range of agree.

*Table 6 Descriptive about Reciprocity*

| | N | Mean | Std. Deviation |
|---|---|---|---|
| The bank helps me to solve difficulties, so I am responsible to repay their kindness | 345 | 3.7391 | .98613 |
| The bank keeps its promises | 345 | 3.8000 | .82335 |
| The bank and you are interdependent | 345 | 3.7014 | .90260 |

Source: Survey, 2018

Mean values reveal that the bank helps to solve difficultiesthat customers are responsible to repay the kindness, the bank keeps its promises and the bank and the customers are interdependent.

### 4.2.5 Trust

Table 7 presents descriptive analysis for trust of customers on the bank.

*Table 7Discriptive Statistics about Trust*

| | N | Mean | Std. Deviation |
|---|---|---|---|
| You feel safe in all of your transactions with your bank | 345 | 3.8638 | .95934 |
| I am confident on the financial status of the bank | 345 | 3.8319 | .82872 |
| The bank is trustworthy on calculating charges | 345 | 3.9971 | .90058 |
| The bank is trustworthy during cash payment process | 345 | 3.7565 | .91427 |

Source: Survey, 2018

The result indicates that all mean values are closer to 4.00 that majority of customers agree on trust dimension. These results suggest that the customers feel safe in all transaction with the bank, they are confident with the financial status of the bank, and the bank is trustworthy on calculating charges and cash payment process.

### 4.2.6 Customer Retention

Results in table 8 summarize responses of selected customers' willingness to continue with bank.

*Table 8 Descriptive Statistics for customer retention*

| | N | Mean | Std. Deviation |
|---|---|---|---|
| I am giving positive word of mouth witnesses to other about this bank confidently | 345 | 3.8203 | .96578 |
| I am not intending to leave this bank in the future | 345 | 3.9159 | .80073 |
| I got that it is difficult to change to other banks due to what I receive from this bank | 345 | 3.7188 | .74265 |
| I will always choose this bank over any other bank | 345 | 3.7391 | .98613 |

The mean values for the responses is well above 3.00 and closer to 4.00 indicating the customers agree with the constructs of customers retention. The results imply that the customers are assuring the bank is competitive, they have no intention to leave the bank, and the bank is their best choice. Standard deviation values also declare that the customers have similar intention to continue with bank.

## 4.3 Correlation Analyses

This study used both descriptive and explanatory designs to reach at aforementioned objectives. Correlation analysis is one of explanatory design that is intended to identify the relationship between independent variables, customer relationship marketing, and dependent variable, customer retention.

Based on assumption of linear relationship between the variables, Pearson correlation method is used to identify the relationship between the variables. Table 9 presents the correlation coefficients and respective significance of the correlation.

*Table 9: Correlation analysis*

| | CR | BN | EM | RS | RC | TR |
|---|---|---|---|---|---|---|
| CR | 1 | | | | | |
| BN | .609** | 1 | | | | |
| EM | .713** | .498** | 1 | | | |
| RS | .843** | .479** | .646** | 1 | | |
| RC | .755** | .417** | .371** | .637** | 1 | |
| TR | .430** | .237** | .275** | .419** | .358** | 1 |

*** Correlation is significant at the 0.01 level (2-tailed)*
*Source: Survey, 2018*

As it shown in table 9 above all independent variables and dependent variable are positively and significantly correlated. Higher correlation implies higher relationship between the variables. Responsiveness of the employees has highest correlation with customer retention suggesting that when the employees become more responsive for the customers the customer retention in the bank becomes higher. This implies that the customers prefer the bank due to the responsiveness of the employees. On the other hand, trust has lower correlation coefficient and it is below 0.5. This suggests that trust on the bank is lowest reason to prefer the bank among the study variables.

## 4.4 Regression Analysis

This analysis is used to identify effect of customer relationship marketing on customer retention. Hypotheses are tested by using this analysis. The researcher analyzed both general and specific objects by using regression method. Multivariate linear regression method is used to run the regression analysis. All decisions are made at significance level of 0.05.

The model is summarized by using adjusted R squared. ANOVA analysis is conducted by F-statistics. Significance of independent variables in explaining the dependent variable is decided by using both p-value and t-statistics.Before running the regression analysis, diagnostic tests for the model were conducted.

## 4.4.1 Diagnostic Tests

### 4.4.1.1Multicollinearity Test

Multicollinearity problem arises when there is a linear relationship among explanatory variables that the result could not obtain estimates of all parameters. This causes large variance and standard error with a very low t- ratio and wide confidence interval. For continuous variables, if the value of VIF is 10 and above, the variables are said to be collinear (Gujarati, 2004).

To detect the problem of multicollinearity the VIF technique is used prior to executing the regression analysis. As presented in the table 10, the values of VIF are well below 10 and suggesting that there is no problem of multicollinearity among the study independent variables.

Table 10: Multicollinearity Test

| Variables | Collinearity Statistics | |
|---|---|---|
| | Tolerance | VIF |
| BN | .683 | 1.464 |
| EM | .528 | 1.892 |
| RS | .378 | 2.643 |
| RC | .560 | 1.785 |
| TR | .810 | 1.235 |

Source: Survey, 2018

#### *4.4.1.3 Normality Test*

The researcher conducted normality test by using Shapiro-Wilk test and the result is presented in table 11 below. The null hypothesis for this test is that data is normally distributed.

*Table 11:Normality test*

| | Kolmogorov-Smirnov | | | Shapiro-Wilk | | |
|---|---|---|---|---|---|---|
| | Statistic | df | Sig. | Statistic | df | Sig. |
| CR | .297 | 348 | .091 | .795 | 348 | .102 |
| BN | .152 | 348 | .156 | .951 | 348 | .231 |
| EM | .198 | 348 | .161 | .887 | 348 | .184 |
| RS | .168 | 348 | .122 | .939 | 348 | .171 |
| RC | .154 | 348 | .231 | .935 | 348 | .185 |
| TR | .198 | 348 | .101 | .882 | 348 | .144 |

*Source: Own computations, 2018*

Since results for all variables insignificant at significance level of both 0.05 and 0.01, the researcher cannot reject the null hypothesis of data is normally distributed instead the researcher accepts the null hypothesis for all study variables.

#### *4.4.1.4 Linearity Test*

This test is conducted to identify linear relationship between dependent variable and independent variables with null hypothesis of linear relationship and the result is presented in table 12 below.

*Table 12:Linearity Test*

| | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| **BN** | 1.072 | 13 | .134 | 1.338 | .234 |
| **EM** | 1.405 | 12 | .117 | 1.401 | .179 |
| **RS** | 1.890 | 14 | .145 | 1.462 | .147 |
| **RC** | 1.347 | 9 | .135 | 1.292 | .246 |
| **TR** | 1.562 | 13 | .390 | 1.438 | .102 |

Source: own computation, 2018

All variables are insignificant at both significance level of 0.05 and 0.01 suggesting that independent variables and dependent variables are linearly related. Since the linearity between study variables is insignificant, the researcher cannot reject null hypothesis instead accepts null hypothesis of dependent and independent variables are linearly related.

## 4.4.2 Regression Result

Table 13 below summarizes model of the study with R-squared and Adjusted R squared.

*Table 13: Model Summary*

| R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|
| .930[a] | .866 | .864 | .23707 | .930[a] |

As it is shown in the table, R squared is 0.866 and adjusted R squared is 0.864 suggesting that the 86.4% variation in dependent variable is explained by independent variables used in the model. This implies that 86.4% variation in customer retention in bank is affected by customer relationship marketing of the bank.

*Table 14ANOVA*

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 122.822 | 5 | 24.564 | 437.071 | .000[b] |
| Residual | 19.053 | 339 | .056 | | |
| Total | 141.874 | 344 | | | |

Source: Own computation, 2018

This analysis is used to address the general objectiveof the study. In addition, this analysis is used to identify appropriateness of the model to conduct the study. The researcher used multivariate linear regression method to run regression analysis. F-statistic is significant at 0.01 indicating that the model used is appropriate to explain effect of customer relationship marketing on customer retention. This implies that customer relationship marketingsignificantly affects customer retention.

*Table 15: Coefficients*

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | -.709 | .105 | | -6.734 | .000 |
| BN | .134 | .022 | .148 | 6.164 | .000 |
| EM | .285 | .029 | .266 | 9.706 | .000 |
| RS | .445 | .040 | .358 | 11.057 | .000 |
| RC | .298 | .023 | .350 | 13.161 | .000 |
| Trust | .044 | .021 | .046 | 2.096 | .037 |

Source: Own computation, 2018

The effect of individual dimension of customer relationship marketing is presented in table 15 above. The specific objectives are addressed and research questions were answered based on results in this table. All variables used in the model are positive and statistically significance implying that they have significant positive effect on customer retention.

## 4.5 Hypotheses Summary and Discussions

The researcher summarized the study hypotheses in table 16based on results from table 15 above for alternative hypotheses based on p-values.

*Table 16: Hypothesis Summary*

| No | Hypotheses | Sig | Decision |
|---|---|---|---|
| **Hypothesis 1** | Bonding has significant positive effect on customer retention. | .000 | Accepted |
| **Hypothesis 2** | Empathy has positive significant effect on customer retention. | .000 | Accepted |
| **Hypothesis 3** | Responsiveness has positive significant on effect customer retention. | .000 | Accepted |
| **Hypothesis 4** | Reciprocity has positive significant effect on customer retention. | .000 | Accepted |
| **Hypothesis 5** | Trust has positive significant effect on customer retention. | .037 | Accepted |

Source: Own computations, 2018

Bonding had positive effect on customer retention statistically significant at significance level of0.01. This positive effect of bonding result is supported by descriptive statistics that United Bank S.C adopted bonding practices that enable retaining the customer of bank. This finding consistent with finding of (Kaguri, 2016) that bonding is among the main customer retention strategies in commercial banks in Kenya.

Empathy had positive and significant effect on customer retention at significance level of 0.01. This finding has similar result with findings of Rootman (2010), Kuria (2010) and Kosile&Ajala (2006), which revealed that the empathy has a positive effect on customer retention.

Responsiveness has significant positive impact on customer retention and it is statistically significant at significance level of 0.01. This positive impact result suggests that the bank adopted responsiveness practices showing sincerity and willingness to help customers and employees give genuine and detailed information regarding to any transaction of the bank this finding is in line with finding of (Chacha, 2015) that responsiveness is important strategy to retain customers.

Reciprocity had significantly positive effect on the customer retention in the bank and the impact is statistically significant at 0.01. This result is consistent with prior studies conducted on the practice of relationship marketing and customer retention in the banking industry by Velnampy&Sivesan, (2012) and Mohammad et al. (2011), which revealed that reciprocity is an important determinant for customer retention. The significant positive effect of reciprocity may signify that the bank and customer work for mutual benefit, interdependent, to solve difficulties and the keeps its promises.

The positive significant effect of trust as customer relationship marketing practice at the bank was contributed to customer retention providing consistence quality service, trustworthy on calculating charges. This finding is supported by empirical studies conducted on customer relationship marketing and customer retentionby Rootmanet al (2010) which revealed that trust has a significant positive effect on customer retention.

# CHAPTER FIVE

# SUMMARY OF MAJOR FINDINGS, CONCLUSSIONS AND RECOMMENDATIONS

## 5.1. Summary of Major Findings

This study was conducted with an objective of identifying effect of customer relationship marketing on customer retention in United Bank S.C. To measure customer relationship marketing, based on different literatures bonding, empathy, responsiveness, reciprocity, and trust were used as its dimensions. Practices of customer relationship marketing and customer retention were gathered through questionnaire.

With regard to the summary of bonding practice as customer relationship marketing, the bank works in close cooperation with its customers and builds long lasting and positive relation with customer.

Summary of customer‘s perception empathy practice indicates the practice at moderate extent on the bank and in a good position with regard to empathic relationship with its customers and influence on customer retention but it needs more effort to reach at high level of empathy.

Summary of customer‘s perception with regard to responsiveness practice indicates that the bank arranges special care to special customers, employees give genuine and detailed information regarding to any transaction of the bank and also it has significant positive relationship with customer retention.

Summary of reciprocity practice as customer relationship marketing indicates the bank and the customers work for mutual benefit.

United Bank S.C has adopted trust as a one customer relationship marketing practice. Among the trust practices used under this study, the majority of the respondents were agreed that the bank is calculating charges, cash payment process properly and the financial status of the bank is strong.

Generally, bonding, empathy, responsiveness, reciprocity, and trust have positive and significant effect on customer retention. On overall customer relationship marketing has significant effect on customer retention at significance level of 0.01 suggesting that customer relationship affects customer retention significantly.

## 5.2. Conclusions

Based on findings about effect of customer relationship marketing on customer retention in United Bank, the researcher provides the following conclusions.

Customer relationship marketing strategy of the bank enabled to retain the customers. Bonding, empathy, responsiveness, reciprocity, and trust have enabled the bank to retain the existing customers.

- Constant and long term relationship with customers of the bank improved the bonding practices that have positive effects on customer retention.
- Empathy of the workers with customers positively affectscustomer retention through individual attention to customers, sincere interest in solving problems with customers, attention to assist customers and flexible and convenient time to serve customers.
- Prompt service of the bank to its customers, support of the employees for customers, and devotion of the bank to reply customer questions, special attention for special customers has resulted on customer retention.
- Reciprocity has significant positive effect on customer retention in United Bank. The bank is supporting customers, the bank keeps its promises and the customers have feeling of interdependence with bank.
- Trustworthiness of the bank on calculating charges and cash payments enabled to retain its customers. The customers are feeling safe with transactions conducted with bank and itsfinancial status.

## 5.3. Recommendations

Based on the findings and conclusions, the researcher forwards following recommendations.

- Since customer relationship marketing has significant positive effect on customer retention, the management has to increase performance on the customer relationship marketing through collecting feedbacks from the customers and identifying practices of other banks.

- As bonding with the customers has significant effect on customer retention by improving individual attention to customers, sincere interest in solving problems with customers, attention to assist customers and flexible and convenient time to serve customers so that, the managers of the bank should improve bonding with its customers.

- Marketing managers of the bank has to improve responsiveness by providing quality service to its customers, supporting customers when they face problems in branches, replying customer questions responsively.

- Since trust on the bank has positive and significant effect on customer retention, the management of the bank has to increase trust of the customers by providing secured service for the customers and stating financial performance of the bank to the customers.

## 5.4. Limitations and Further Studies

- Since this study is confined to the evaluation of identifying effect of customer relationship marketing on customer retention in customers only in Addis Ababa, interested researchers in the field can take up this issue to reach at better generalization to include customers in another part of the country.
- This study used only questionnaire to reach at aforementioned objectives. Therefore, further studies are recommended to include other data collection techniques such as interview.
- This study is conducted only from the side of the customers. It is also recommended to include responsible organs of the bank.

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# APPENDIX

# AnnexA1: Questionnaire

*Dear Sir/Madam*

**RE: REQUEST FOR PARTICIPATION IN A RESEARCH STUDY**

I am a Postgraduate student at St. Mary's University. As partial fulfillment for the Masters of Marketing Management, I am conducting a research study on effect of customer relationship marketing on customer retention in a case of United Bank S.C in Addis Ababa.

Therefore, I would appreciate if you could spare a few minutes of your time to answer the following questions. All the information provided will be purely used for academic purposes and your identity will be treated with utmost confidentiality.

Your assistance will be highly appreciated and thank you in advance.
Yours faithfully,

**EskedarTesfaye**

Part I: General Information of Respondents

1. Gender
    - ☐ Male
    - ☐ Female
2. Marital status:
    - ☐ Single
    - ☐ Married
    - ☐ Separated
    - ☐ Divorced
    - ☐ Widowed
3. Education:
    - ☐ Illiterate
    - ☐ Primary
    - ☐ High school
    - ☐ TVET
    - ☐ University degree
    - ☐ Master Degree and above
4. Occupation:
    - ☐ Unemployed
    - ☐ Student
    - ☐ Salaried
    - ☐ Business man/woman
    - ☐ Pensioner
    - ☐ Other

5. Your account type
   - ☐ Saving
   - ☐ Current
6. For how long have you been customer of the bank (in years)
   - ☐ Less than Five
   - ☐ Five to Ten
   - ☐ More than Ten

**Part II: Survey of Customer Relationship marketing practice**

Please show to what extent you agree on the statements given below (use mark X).

**SD= strongly disagree D=disagree N=neutral A=agree SA= strongly agree**

| | **Bonding** | **SD** | **D** | **N** | **A** | **SA** |
|---|---|---|---|---|---|---|
| **1** | The bank keeps in touch constantly with its customers | | | | | |
| **2** | The bank tries very hard to establish a long term relationship with its customers | | | | | |
| **3** | The bank works in close cooperation with its customers | | | | | |
| **4** | Employees of the bank know you very well | | | | | |

| | **Empathy** | **SD** | **D** | **N** | **A** | **SA** |
|---|---|---|---|---|---|---|
| **1** | The bank gives individual attention to its customers. | | | | | |
| **2** | The bank shows a sincere interest in solving your problem. | | | | | |
| **3** | Employees of the bank are never too busy to respond to customers' requests. | | | | | |
| **4** | The working hours of the bank are flexible and convenient to me | | | | | |

| | Reciprocity | SD | D | N | A | SA |
|---|---|---|---|---|---|---|
| 1 | The bank helps me to solve difficulties, so I am responsible to repay their kindness | | | | | |
| 2 | The bank keeps its promises | | | | | |
| 3 | The bank and you are interdependent | | | | | |

| | Responsiveness | SD | D | N | A | SA |
|---|---|---|---|---|---|---|
| 1 | The bank provides prompt service to its customers | | | | | |
| 2 | Employees of the bank are willing to help customers. | | | | | |
| 3 | Employees of the bank devote time to reply to any of your questions | | | | | |
| 4 | The bank arranges special care to special customers. | | | | | |
| 5 | The behavior of the employees inspires confidence in customers. | | | | | |

| | Trust | SD | D | N | A | SA |
|---|---|---|---|---|---|---|
| 1 | You feel safe in all of your transactions with your bank | | | | | |
| 2 | I am confident on the financial status of the bank | | | | | |
| 3 | The bank is trustworthy on calculating charges | | | | | |
| 4 | The bank is trustworthy during cash payment process | | | | | |

| | Customer retention | SD | D | N | A | SA |
|---|---|---|---|---|---|---|
| **1** | I am giving positive word of mouth witnesses to other about this bank confidently | | | | | |
| **2** | I am not intending to leave this bank in the future | | | | | |
| **3** | I got that it is difficult to change to other banks due to what I receive from this bank | | | | | |
| **4** | I will always choose this bank over any other bank | | | | | |

**Source**: adopted from Ravichandran et.al (2010) and Frank KojoKuranchie (2014 and editing by the researcher.