



**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON  
CUSTOMER RETENTION; CASE OF COMMERCIAL BANK OF  
ETHIOPIA**

**BY**

**MEKDES YEMIYAMREW**

**JUNE, 2020**

**ADDIS ABABA, ETHIOPIA**

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**APPROVED BY BOARD OF EXAMINERS**

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## **List of Acronyms /Abbreviations**

|          |   |
|----------|---|
| CBE      | Commercial Bank of Ethiopia                                 |
| NAAD     | North Addis Ababa District                                  |
| CRM      | Customer Relationship Manangement                           |
| SPSS     | Statistical Package for the Social Sciences                 |
| ATM      | Automated teller machine                                    |
| SWIFT    | Society for Worldwide Interbank Financial Telecommunication |
| COVID 19 | Corona Virus Diseases 2019                                  |

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## Abstract

*The general objective of the study is to examine the effect of customer relationship management on customer retention by taking evidence from branches of CBE in North Addis Ababa district.. More specifically, the study tried to see the relationship of CRM with social network interaction, responsiveness, and Customer recognition & Primary data was obtained through structured questionnaire from customers selected branches in CBE NAAD. Data were collected through the five point's Likert scales of questionnaires, and the study used quantitative and qualitative research approach. Simple random sampling technique was used to sample between CBE North Addis Ababa districts branches. The researcher proportionally distributed 322 questionnaires to customers of the selected branches and 298 of them were collected for further analysis. . In order to meet the research objective collected data analyzed through descriptive analysis techniques, correlation and regression analysis methods were used to analyze the collected data by using SPSS software version and Descriptive analysis tools such as frequency, mean and standard deviation to present results statistical analysis tools such as correlation coefficient was worked out and used to investigate the relationships between variables. Regression analysis was performed to study the effect of independent variables on customer retention. The study examined three independence variables, social network interaction, responsiveness, and customer recognition. The explanatory variables explain dependent variables accounted for 57.6%. Research findings indicates that there is a significant relation between CRM components on Customer Retention, and also to regression testing that all variables were examined at the same time on customer retention; results showed that all components have a significant effect on customer retention. The researcher recommends that CBE may apply more effort in its staffs to create motivation on them in order to serve customers in the best manner and It is critically important to take care of that customer by listening to the compliant and resolving the problem to ensure a sustainable banking relationship.*

***Key words: Customer retention, social network interaction, responsiveness, customer recognition***

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

The fundamental motive for an existence of once organization is to satisfy the needs of its customers and in return customer satisfaction will open the avenue to increase the company profit. Customer Relationship Management which is the main focus of the study is a mechanism to retaining an existing customer and to attracting new once. CRM is a strategic process of shaping the interactions between a company and its customers with the goal of maximizing current and lifetime value of customers for the company as well as maximizing satisfaction for customers (Rajagopal, Romulo Sanchez, 2005).

CRM is a sound business strategy that is based on the philosophy of "customer is king", i.e. Customer is put in the central place (Boris, 2012). The practices of maintaining a long-term relationship with customers are designated relationship marketing and more recently CRM. This is facilitating businesses to improve in understand the customer, retain customers through better customer experience, attract new customers, increase profitably and decrease customer management costs. As Rajesh & Manivannan: 2013 states that appropriate understanding and implementation of CRM strategy is the key success factors in present competitive market.

CRM also helps companies to make sense of customer needs and helps companies to manage relationship more intelligently and predict future. Such knowledge provides a fundamental competitive differentiation advantage for companies to gain market share and to reduce operational cost of through retaining their customers.

Customer Relationship Management concerns the relationship between the organization and its customers and asserted customers are the life-blood of any organization be it a global corporation with thousands of employees and a multi-billion turnover, or a sole trader with a handful of regular customers Beks, (2008). The concept of relationship is very complex because it relates to different disciplines. During the past decade, relationship marketing has been seen as the conventional thought in planning a marketing strategy both in industrial and consumer marketing domains (Tseng, 2007).

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). Many studies report that it is more expensive for the organization to attract new customers as compared to adopting strategy to retain existing customers. F. F. Reichheld & Scheffer, 2000, found that it is more economical to maintain relationship with existing customers because they are fewer prices responsive than new customers existing customers are not only less price responsive. Customer retention directly influences extended lifetime values and benefits which is more beneficial opportunity for organizations that look for enhancement and prolong business activities and those that are looking for ways to protect them from market decline which is the consequence of reducing economy. (Gee et al., 2008).As a result of the above evidences retaining an existing customer has beneficiary to the organization than attracting new once.

A reference to the Ethiopian history reveals that the first bank in the country, Bank of Abyssinia was founded during the reign of Emperor MenelikII in February 1905. Due to a foreign domination of its management (mainly the British), the then Bank of Abyssinia was forced to dissolve and in its place was established the Bank of Ethiopia in 1931 whose management was still left to foreigners due to the then lack of skilled manpower in the country. The Bank of Ethiopia was later replaced by the State Bank of Ethiopia soon after the war with Italy. The latter was the first bank in the country fully controlled and owned by the Ethiopian government. In the meantime, however, a number of foreign banks had opened their branches in the country, most of them with an interest to have control over the nation's economy. It was the State Bank of Ethiopia that gave rise to the present Commercial Bank of Ethiopia (CBE) and National Bank of Ethiopia (NBE).

During the Dergue reign, CBE had remained as the only participant in the country's commercial banking sector. However, following the 1991 takeover by the present government and accompanying encouragement of private investment, a number of private banks have emerged in the country's financial sector. At present, there are nineteen commercial banks in the country (of which three are governmental and the rest private) that are in operation.

The history of the Commercial Bank of Ethiopia (CBE) dates back to the establishment of the State Bank of Ethiopia in 1942. CBE was legally established as a share company in 1963. In 1974, CBE merged with the privately owned Addis Ababa Bank. Since then, it has been playing significant roles in the development of the country. Pioneer to introduce modern banking to the country.

It has more than 1456 branches stretched across the country. The leading African bank with assets of 711.96 billion Birr as on June 30th 2019. Plays a catalytic role in the economic progress & development of the country. It is the first bank in Ethiopia to introduce ATM service for local users.

Currently CBE has more than 22 million account holders and the number of Mobile and Internet Banking users also reached more than 2.5 million as of June 30th 2019. Active ATM card holders reached more than 8 million. As of June 30, 2019, 2513 ATM machine and 9539 POS machines were available. It has strong correspondent relationship with more than 50 renowned foreign banks like Commerz Bank A.G., Royal Bank of Canada, City Bank, HSBC Bank,

CBE has a SWIFT bilateral arrangement with more than 700 others banks across the world. CBE combines a wide capital base with more than 37894 talented and committed employees and more than 22000 outsourced jobs as of June 30, 2019. Pioneer to introduce Western Union Money Transfer Services in Ethiopia early 1990s and currently working with other 20 money transfer agents like Money Gram, Atlantic International (Bole), Xpress Money, CBE has opened four branches in South Sudan and has been in the business since June 2009. CBE has reliable and long-standing relationships with many internationally acclaimed banks throughout the world.

## **1.2 Statement of the problem**

Parvatiyar and Sheth” (2002), states that the implementation of CRM as a tool of competitive advantage is increasing worldwide. However, there is no doubt that the real implementation and resourceful practice of CRM is important to the successes of a firm. They stated that the majority of the firms applying CRM were so far to well benefit of it in terms of increasing profitability, expanding market share, enhancing sales volume, satisfying customers, retaining customers and reducing customer defection by attracting potential customers, because there are no ground guidelines and procedures on adoption; implementation and practices.

Customer relationship management has gained wide attention in both business and service literatures recently and become of pivotal importance to many organizations as the key to profitability, through building and maintaining sustainable relationships with profitable customers. Zakaria (2014) stated that it is very important in our intensity changing competitive environment in the banking industry to be in direct contact with the customers in order to build up good relationship so that satisfaction can be attained. As a result of this knowing the main elements of customer relationship management which can achieve customer satisfaction and loyalty is a critical issue for financial Institutions; especially with the intensive competition between such institutions. In applying the CRM, the goal of the banks is to identify their own profitable customers and to provide personalized services, in order to enhance and increase both customer satisfaction and loyalty in the long run ( Shani and Chalasani, 1992). Thus customer relationship management becomes the main tool used to satisfy and retain customers in the banking industry.

Yatish and Ehtesham (2013) argued that heavy competition threatening banks revenues and putting downward pressure on operating margins and profits, so retail banks are facing increasing pressure to increase their growth rate and they are using CRM as a Main tool for competition. A clear and positive relationship exists between CRM and customer satisfaction, (Yao &Khong, 2011). But, Having CRM software installed or introducing the strategy does not ensure a successful result. To be successful in implementation of CRM practices, the financial and banking organizations must define and develop a business strategy as well as a supporting infrastructure for that strategy (Kwamena, 2013). One of the most important studies conducted in this field is by Reichheld and Sasser (1990), cited on Ali study (2007:16), which showed the large impact on profitability of small increases in customer retention rates, which made the marketing community more conscious of the need to manage customer relationships in the long term as well as prior to the first sale. Due to the dynamic and turbulence nature of business many service industries have moved from the idea of acquiring new customers in order to increase returns to a customer retention approach. Retaining customers that already exist has proved to be more cost- effective than acquiring new customers (Kotler & Keller, 2006). Cherinet (2015) stated that as financial market place becomes more dynamic and competitive in Ethiopia, banks also need to focus on retaining existing clients through effective relationship marketing. Hence, in recent times CRM is adopted as a marketing tool and strategy in Ethiopian banking industry.



Therefore, undertaking studies about the practice and effectiveness of CRM in Ethiopia banking industry is quite necessary to improve its implementation and practice. This study conducted to analyze the effect of customer relationship management on customer retention in commercial bank of Ethiopia north Addis Ababa district by considering some selected variables representing, Social network interaction management, responsiveness and customer recognition and dependent variables represented by customer retention.

### **1.3 Research Question**

According to these issues, the main problem of the research is formulated in the following questions:

- 2 What is the effect of social network interaction management on Customer Retention?
- 3 What is the effect of responsiveness on customer Retention?
- 4 What is the effect of customer recognition on Customer Retention?

### **1.4 Research objective**

#### **1.4.1 General objectives**

The general objective of the study is to examine the effect of customer relationship management on customer retention by taking evidence from branches of CBE in North Addis Ababa district.

#### **1.4.2 Specific objectives**

Besides the general objectives the research also has the following specific objectives:

1. To examine the effect of social network interaction management on Customer Retention.
2. To examine the effect of responsiveness of the bank on customer Retention.
3. To examine the effect of customer recognition on Customer Retention.

### **1.5 Significance of the Study**

Customer relationship management (CRM) has become more important in the service industry; especially in the banking industry, as CRM topic is considered to be one of the base for success of many financial institutions in particular and other institution in general. Even though this subject matter is basic issue for financial institution it is very important to make sure the main

elements of CRM which can lead to customer retention with the critical competition in this industry. Therefore, the result of the study is significant for supplying clear understanding relating to Customer relationship management (CRM) and become a channel to filling the knowledge gap in this regard, Help in identifying possible gaps of relationship management practice of commercial bank of Ethiopia and its contribution on customer retention; It will help management bodies of Commercial Bank of Ethiopia at every level to take actions to fill the gaps and lastly, contribute new knowledge to the existing literature and also invite other researchers to conduct further research concerning this topic.

### **1.6 Scope of the study**

The research work focused only on the impact of customer relationship management on customer retention on commercial bank of Ethiopia. So that the centre of attention of this study restricted only on Commercial Bank of Ethiopia, Hence, due to time and financial constraints in taking large sample size. So that, the research conducted only in North Addis Ababa district. In addition to this concerning the theoretical scopes of the study, the study conducted to analyze on customer relationship management components and investigate how such customer relationship management variables contribute to retain customers.

### **1.7 Limitation of the study**

For more accurate result, it is good to observe commercial banks that are found across the country. However, due to time, financial and other constraints, the researcher only take a sample from target population of selected branches of CBE in Addis Ababa from North Addis Ababa districts. The researcher also faced difficulties when the questioners were collected because of the new virus COVID 19 which becomes world's problem. It's hard to find customers easily.

## **1.8 Organization of the study**

The paper has five chapters, chapter one includes background of the study, statement of the problem, research questions, objectives of the study, significance of the study, scope of the study, and limitation of the study. Chapter two covers literatures which are relevant on the subject matter under study. Under chapter three, the methodology part of the study is described in detail. The findings of the study are presented, analyzed and discussed in chapter four. Finally, in chapter five summary, conclusions, and recommendations are forwarded based on the study findings.

# **CHAPTER TWO**

## **REVIEW OF RELATED LITERATURE**

### **2.1 Theoretical Literature Review**

#### **2.1.1 Customer relationship management (CRM)**

Today's world is the world of quality and competition. The position of present world, regarding service is in a way that any country has a potential to serve, and meet technology indifferent contexts. However, their difference is in the idealization of the delivery of the service to customers. Nowadays, treating customers with respect is the main organizational activity and a necessity to their existence (Dadkhah, 2009). While the management of relation with the customer is a kind of trading strategy which goes far more than that of the amount of the transaction, and its goal is to increase the profitability, income and the pleasure of customer (Buttle, 2005). To fulfil these purposes, the organization uses a wide set of tools, methods, procedures, and communications with the customers (Roland, 2006).

Customer Relationship Management is the strategic process of shaping the interactions between a company and its customers with the goal of maximizing current and lifetime value of customers for the company as well as maximizing satisfaction for customers (Rajagopal, Romulo Sanchez, 2005). CRM is the integration and collaboration of different business departments to process and access the customer information to provide a unified assessment of customer interaction to enhance the quality of service delivery in the company.

Customer relationship management (CRM) is increasingly important to organisations worldwide as they seek to improve their profits through longer-term relationships with customers. Today, CRM is still being utilized most frequently by companies that rely on two distinct features: customer service or technology. According to Anderson (2000), the three sectors of business that rely most heavily on CRM and use it to great advantage are: Financial services sector, a variety of high tech corporations and telecommunications industry. The financial service sectors in particular, tracks the level of customer satisfaction and what customers are looking for in terms of changes and personalized features. Customer relationship management is widely described as a strategy, processes and practices or methodology. Customer relationship management is not

just something that is done once to new customers it is a continuous process. Customer Relationship Management is an essential part of modern business management.

On the other hand, Richards and Jones, 2008, states that customer relationship marketing is a systemic managerial process for creating, maintaining, and developing relationships with customers in every position in order to maximize relationship value. Also customer relationship management refers to the participative and interactive relationship between business and its customers for acquiring a comprehensive view about customers and predicting and satisfying their needs and wants through efficient and effective efforts that are tangible for every customer.

### **2.1.2 Customer relationship management in banking industry**

Nowadays, CRM is playing a vital role for the entire business environment including banking business all over the world. So that companies must move closer with their customers, finding new ways to create value to their customers. According to Kotler & Armstrong, 2010, Today 's customers are becoming more price conscious, more demanding of great service, and are being approached by many more competitors with equal or even better offers at cheaper prices. The challenge therefore, is not to provide satisfied customers; but to produce delighted and loyal customers. These relationship developments with customers will lead to improve customers' satisfaction, which in turn make them loyal customers.

According to Liyun (2008,) the emphasis of CRM is to focuses on keeping and maintaining long-term relationship with customers, leading to customer satisfaction and hence creating business performance in the banking industry. CRM if used properly would enhance a bank's ability to achieve the ultimate goal of retaining customers in order to gain a strategic advantage over its competitors (Nguyen, Sherif and Newby, 2007). Thus, the successful management of customer relationship can improve customers' satisfaction and loyalty in order to give positive effect on upgrading business performance (Liyun, Keyi, Xiaoshu and Fangfang, 2008).

Generally speaking, all businesses and particularly financial institutions have been affected to some degree in what is happening in the global market place. Enterprises product benefits of form, time, place and property that will satisfy the customers' demands through goods and service. Forming and marketing of the goods and services that satisfy the customer demands is the basis of producing benefit. (Altitas, 2000 :). Whether the customer is satisfied or not depends

on whether the he compares what is offered to him with his own expectations. If what is offered suits the expectations, the customer is satisfied. If what is offered is above the expectations, the customer is highly satisfied and pleased. (Kother, 2004: 36) for example, if the real performance of a product or service in a bank is below the expectations, the result is dissatisfaction, but if it equal or higher, customers satisfaction is achieved. (Kocoglu, Duygu ,2012;Gubuz, 2008: )

### **2.1.3 The importance of customer relationship management in banks**

In recent years, in such fields as banking, where there is a strong competition, customer satisfaction has gained a good deal of importance. It may be very easy to let another bank capture a displeased customer. To raise the customer satisfaction to the highest level and retain their customers, the banks are to attach importance to customer relationship management.

The advantages provided to the banks by customer relationship management are as followings: (Duygu, 2012; Alagoz, 2003 ;)

- ❖ Making the way of bank management customer-based.
- ❖ Bringing, with technology, in the foreground the human relationships based on gathering and using information by institutionalizing the personal sale concepts,
- ❖ Reshaping the selling and marketing campaigns of the bank,
- ❖ Picking out the real customers in a bank in the long run and helping to make the relationships effective
- ❖ A successful customer relationship management system, providing a permanent advantage of competition,
- ❖ Increasing the total productivity of the bank.

### **2.1.4 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.

## **2.1.5 Dimensions of Customer Relationship Management**

Major critical elements of CRM are to be examined in this study are responsiveness, information technology and customer recognition

### **2.1.5.1 Responsiveness**

Responsiveness is Willingness to help customers and provide prompt service (Ananth et.al, 2010; Kheng et. al., 2010). Responsiveness is the willingness to support customers and provide them immediate services right on demands. Responsiveness has to do with the degree with which the selected banks were able to respond to the needs and wants of customers. For a firm to be responsive, it must gain deeper understanding and profiling of customer behaviour, real-time customer information and loyalty, and management at Point of Service. However, Taiwoet. al. (2011) described that responsiveness is the degree to which customers perceive service providers 'readiness to assist them promptly. Therefore, showing sincerity and willingness to help customers are some of the key issues in responsiveness. Again what was tested in respect of responsiveness include included devoted time to customers and efficient services.

### **2.1.5.2 Interaction Management**

According to the Brown and Gulycz (2002), if an organization willing to make a stable relationship with its customers, there are different ways to have an interaction with them including interaction along touch points and distribution channels. The main purpose is to find out how and when the customers would like to interact with the organization (Prahalad and Ramaswamy, 2001). The interaction activities should be well customized and organized through the available touch points provide in relation to the customer profiles developed by data gathered from the former records of the customers. According to Lindgreenet.al (2006) and Peppers etal. (1999). interaction management is implemented by a few such as getting customers feedback and interaction with customers by attractive ways such as using social network.

### **2.1.5.3 Customer Recognition**

Customer recognition is when firms try to identify which customers are valuable and which customers are not. This is believed to benefit firms because once the firm knows which



customers are valuable they are able to maximize their efforts in ensuring that their valuable customers remain happy at all times. This means that customers have to be divided into groups in order to fit them in their various segments (Wanjau, 2011). This however does not mean that other customers are neglected. Buttle (2009) proposed the value chain model which is used by organizations as a guideline to create customer value. This model consists of two levels the primary level and the secondary level. The primary level consists of 5 stages whereby at the first stage the firm carries out a customer portfolio analysis. This is a stage where company identifies the customers that are more desirable; Buttle (2009) argued that some customers are more desirable than others.

After identifying their customers firms try to find out everything they can about their customers so as to make them strategically fit. At this stage firms try to find out information that they need about their customers, every aspect of their lives from the day they were born to the last detail that would seem unnecessary. This helps them know what sort of product to target their customers and hence create value for customers.

## **2.2 Empirical Literature review**

### **2.2.1 The Relationship between Customer Relationship Management and Customer Retention**

The establishment of profitable and long lasting relationship with customers is very essential in service industry (Christopher et al., 1991; Bejou & Palmer, 1998; Berry, 1995). Service providers who practice CRM efficiently gain competitive advantage over their competitors and are able to retain their customers (Uppal, 2008; Speier & Venkatesh, 2002; Bhattacharya, 2011; Sharma et al., 2011). Further studies discovered that, retained customers are very crucial business property for companies and this asset cannot be duplicated by competitors. Therefore, there must be strong integration among customer related strategies (acquisition, retention and add-ons) through CRM strategies (Webster, 1992; Kalakota & Robinson, 1999; Kotler et al., 2011; Winder, 2001; Blattberg et al., 2001; Thomas, 2001; Reinartz et al., 2004; Collier & Bienstock, 2006). In Addition, McKim & Hughes (2001) studies classified customer acquirement and customer retention as the main purpose of CRM. West (2001) & Kincaid (2003) findings show that CRM provides a comprehensive set of strategies for managing those relationships with

customers that relate to the overall process of marketing, sales, service, and support within the organization

Retaining customer relationships are viewed as one of the crucial possession for companies (Webster, 1992; Collier & Bienstock, 2006). Some previous studies affirms that, maintaining obtainable customers is mostly worthwhile than acquiring new customers (see Rosenberg & Czepiel, 1984; Vandermerwe, 1996). As a result, some researchers have developed interest in examining the strategies for attracting and sustaining good relationships with obtainable customers (Duncan & Moriarty, 1998; González et al., 2004). Finn (2005) suggests that, Relationship quality plays an important role in sustaining long lasting relationship. Researchers have studied relationship quality from customer's perspective (Crosby et al., 1990; Kumar et al., 1995).

### **2.2.2 Concept of Customer Retention**

Abratt and Russell (1999) identified several benefits customer retention provides to an institution. In reality, customer who stays with an institution or company for long is much more profitable than searching for prospects (Reichheld & Kenny, 1990; Rust & Zahorik1993). Numerous reasons such as reducing high cost of searching and catching the attention of prospects, expanding the volume of sales and profits, and advertising by customers through word of mouth. When customers understand clearly the services of the company, this influences the customer's willingness to stay with the institution hence customer retention. Furthermore, customer retention positively affects the organizations returns, productivity, reducing switching of customer to competitors and introducing fresh prospect (Felvey, 1982; Reinartz & Kumar, 2000).

Boohne et al. (2012) argued that an improvement in the market orientation practice will lead to high business performance thus ensuring the long term survival of the businesses. The long term survival of business is based on the retention of customers meaning that if business performs well then customers are most likely to come back to repurchase services and remain loyal. According to Homburg et al. (2011) maintaining a high-level of customer oriented service helps in building long term agent-customer relationships and identifying the highest level of customer orientation can help an agent maximize his customer relationship potential to achieve maximum

sales results. The ultimate goal for any organization is profitability and continued survival and to achieve this companies have to maximize efforts and make their customers a priority. Homburg et al. (2011) believe that the heart of market orientation is its customer focus.

A study carried out by Mascareigne (2009) showed that some customers acknowledge the advantages of pinpointing products directly to them; this means that customers are happy when they feel that their needs are directly targeted to them. It tells the customer that you are concerned and put their needs first. Customers that feel appreciated will come back.

### 2.3 Conceptual Framework

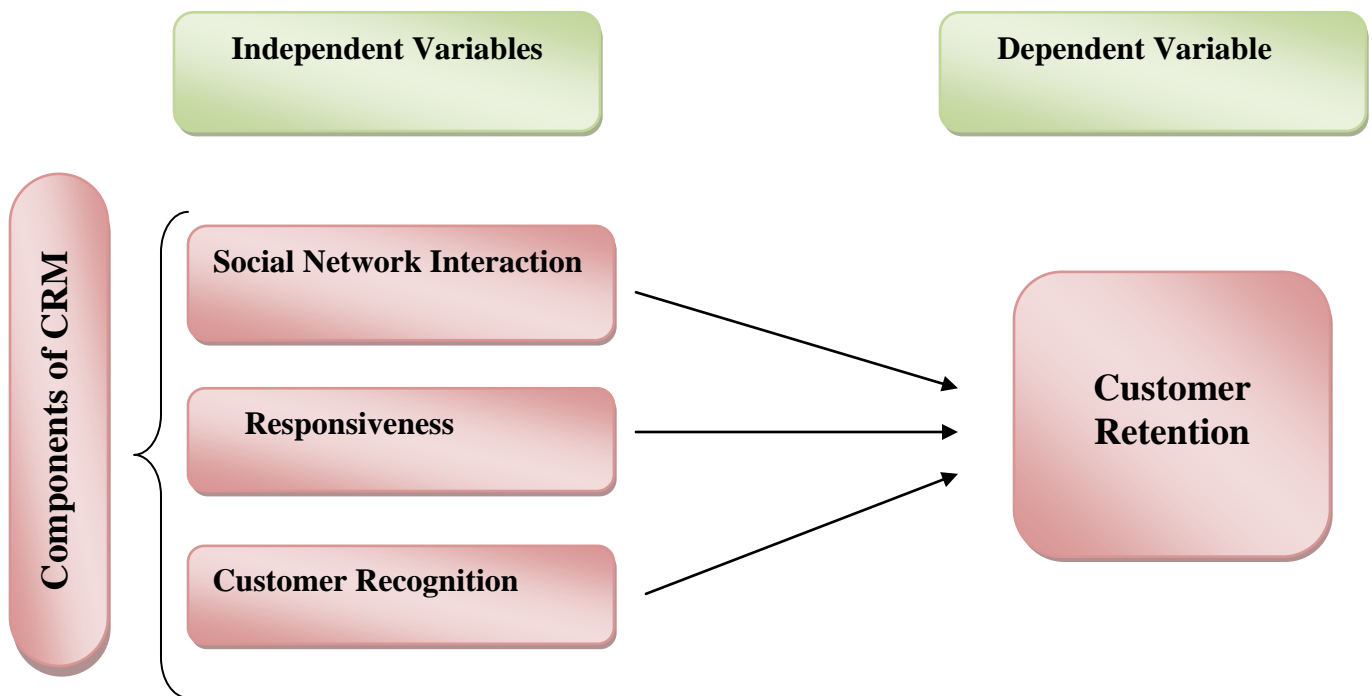


Figure 2.1 conceptual framework, Source: Long, et.al. (2013) cited by Dr. Zakaria

### 2.4. Research Hypotheses

In order to achieve the purpose of this study the following hypotheses were tested,

H1: Social network interaction has a significant and positive effect on customers' retention.

H2: Responsiveness has a significant and positive effect on customers' retention.

H3: Customer recognition has a significant and positive effect on customers' retention

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

This chapter of the study deals with the research design and methodology of the study. It includes the research approach, research design, target population, sampling designs & techniques, source of data, data collection methods, and methods of data analysis.

#### **3.1 Research Approach**

The research can be classified in to three research approaches. These are qualitative, quantitative and mixed research. Mixed research contains both qualitative and quantitative approaches, therefore the researcher choose mixed (quantitative and qualitative) research approach to describe the effect of CRM on customer retention in Commercial bank of Ethiopia in North Addis Ababa district because mathematical models is applied which require quantitative data and methods, Qualitative method is also be employed for instrument development, problem identification and a self-administered questionnaire is considered an appropriate approach to collect the data for the research.

#### **3.2 Research Design**

Cooper and Schindler (2003) states that, research design is the plan and structure of investigation so conceived as to obtain answers to research questions. The plan is the overall scheme or program of the research. It includes an outline of what the investigator will do from writing hypotheses and their operational implications to the final analysis of data. A research design expresses both the structure of the research problem and plan of investigation used to obtain empirical evidence on relations of the problem. The research can be classified in to three as descriptive, explanatory and exploratory. Descriptive research sets out to describe and to interpret what is. It aims to describe the state of affairs as it exists. Explanatory research is conducted when we encounter an issue that is already known and have a description of it, we might begin to wonder why things are the way they are. The desire to know “why”, to explain, is the purpose of explanatory research. The study explains the relationship between the dependent and independent variables. So the research is explanatory type.

### 3.3 Sample and sampling methodology

#### 3.3.1 Population of the Study

Population is a collection of all conceivable elements, subjects, or observations with one or more attributes in common. It represents a specified segment of the real world with common definite specified characteristics relating to a particular phenomenon of interest to the researcher. Therefore, the target populations for the study were employees and customers of the commercial bank of Ethiopia in North Addis Ababa District.

#### 3.3.2 Sample Size Determination

In addition to the purpose of the study and the population size, five criteria was needed to be specified to determine the appropriate sample size Population variability (approximated p),the maximum allowed error (E),and confidence interval(Z),the probability of the population not to be occurred(q).due to large number of customers in branches of commercial bank of Ethiopia in North Addis Ababa District, The data is collected from the selected branches of North Addis Ababa districts of CBE which are located at Addis Ababa. The total sample size of the populations is large and determined through the equation developed by (Cochran, 1963).

$$n = (Z^2 * p * q) / e^2$$

Where n the total number of sample required

Z=the critical table value of the confidence level (z=1.96)

p=the population variability (p=0.3)

q=the probability of the population not to be occurred (q=1-p=0.7)

e =the maximum allowed error i.e. (e =0.05)

Therefore, the researcher take the maximum allowed error as 5% at a confidence interval level of 95% and the moderate population variability interval is 0.3(p=0.3) because this allows the researcher a largest sample size and the minimum error(q=0.7).

$$n = (1.96^2 * .3 * .7) / 0.05^2 \text{ which is approximated } 322$$

Since the large sample size have the probability of minimizing the population parameters and increases likelihood of the sample to be true representative of the population. This reduces chance errors (Gupta, et al. 2009).

### 3.3.3 Sampling Techniques

The researcher applied a multi – step sampling technique to take sample in the study. The key tools for data collection were interview and questionnaires that administered through the help of staffs and customers of selected commercial banks in Ethiopia found in North Addis Ababa District in Addis Ababa city. The researcher used simple random sampling technique to select branches to select the sample respondents. The data collected from the selected branches of North Addis Ababa districts of CBE which are located at Addis Ababa

**Table 3.1 Number of questionnaire distributed for each branch.**

| <b>No</b> | <b>Branches</b>  | <b>No. of Questionnaires distributed in each branches</b> |
|-----------|------------------|---|
| 1         | Addis Ababa      | 42  |
| 2         | Piassa           | 36  |
| 3         | Tewodros Square  | 28  |
| 4         | Arat Kilo        | 35  |
| 5         | Tikur Anbessa    | 27  |
| 6         | Kidste Mariam    | 21  |
| 7         | Mehateme Ghandi  | 18  |
| 8         | Enkulala Fabrica | 19  |
| 9         | Gullele          | 17  |
| 10        | Filwuha          | 26  |
| 11        | Yared            | 15  |
| 12        | Semene Gebeya    | 14  |
|           | Total            | <b>322</b>  |

### 3.4 Data Sources and Collection Method

The study used primary data sources in gathering data for analysis. Primary method of data collection used 5 point Likert scale questionnaire and interviews consisting close-ended questions. The questionnaire was prepared in line with the objectives of the study and it organized in two sections. The first section is design to obtain the demographic information. The second section is consisting how respondents perceive the relationship management components

relationship with customer retention and its effects. A five – point Likert scale questionnaire is distributed to customers of Commercial Bank of Ethiopia in North Addis Ababa district and interview would be ready to the branch managers of the selected branches

### 3.5 Method of Data Analysis

In order to meet the research objective the collected quantitative data is analyzed by using the Statistical package for social Science (SPSS). Descriptive statistics (Mean, Standard deviation, frequency) used as found appropriate. On the other hand, correlation and multiple regression analysis is performed to determine the relationship and effect of the independent variables. The regression model was prepared in the form of:-

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + \epsilon_i$$

Where,

Y is dependent variable:-variable which is affected by other variables or explained by the independent variables

$\alpha$  is an intercept, where the regression line crosses the y axis

$\beta_1 \dots \beta_n$  are the coefficient of the independent variables  $X_1$  to  $X_n$ . Substituting both dependent and independent variables in equation 1 above, we have the following equation Specifically, for the study the expression is appropriate:

$$CR = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \epsilon_i$$

Where,

$\beta_1$  is the partial slope for  $x_1$  on y and indicates the change in y for one unit change in  $x_1$ , controlling  $x_2 \dots \dots B_5$  is the same thing

CR – Customer retention-dependent variable

X1 – Interaction management

X2 – Responsiveness

X3 – Customer Recognition

$\epsilon_i$  –Error

### 3.6 Reliability and Validity

#### 3.6.1 Reliability

The level of reliability of the instrument that is the consistency of the variables is checked with the Cronbach's alpha statistics. Cronbach's alpha is an index of reliability associated with the variation accounted for by the true score of the —underlying construct (Nunnaly, 1978). Cronbach's Alpha's can only be measured for variables which have more than one measurement question. Nunnaly (1978) has stated that 0.5 is a sufficient value, while 0.7 is a more reasonable Cronbach's alpha. For the study Cronbach alpha used to determine the consistency of the variables. The results were extracted as Table 3.1 and according to this theory the result is more than 0.7.

**Table 3.2 Reliability test the reliability coefficient Cronbach's alpha**

| <b>Construct</b>                      | <b>Cronbach's Alpha</b> | <b>Number of Item</b> | <b>Internal Consistency</b> |
|---------------------------------------|-------------------------|-----------------------|-----------------------------|
| Social network Interaction management | 0.760                   | 5                     | Acceptable                  |
| Responsiveness                        | 0.734                   | 7                     | Acceptable                  |
| Customer Recognition                  | 0.752                   | 5                     | Acceptable                  |
| Customer Retention                    | 0.796                   | 8                     | Acceptable                  |

#### 3.6.2 Validity

Validity represents how well a variable measure what it is supposed to measure. Validity is concerned with whether the findings are really about what they appear to be about. Kazi (2010) defined the validity as “the degree to which a measure accurately represents what it is supposed to”. Validity is concerned with how well the concept is defined by the measure(s). Validity refers to the issue of whether an indicator (or set of indicators) that is devised to measure a concept really measures that concept. The researcher used standardized questionnaire, so, the instrument is already valid and tested.



### **3.7 Ethical Consideration**

The researcher is planning to maintain scientific objectivity throughout the study. Every person involved in the study was given 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 and other sources from which information were drawn is acknowledged.

## CHAPTER FOUR

### DATA ANALYSIS, INTERPRETATION AND DISCUSSION

This chapter deals with the presentation of data, analysis, and interpretation. To collect the data and extract findings, questionnaire was prepared and distributed to customers of commercial bank of Ethiopia in North Addis Ababa district, thus a total of 322 questionnaires was distributed to different branches in North Addis Ababa districts in Addis Ababa city, and a total of 298 (93%) as returned and used for this study, while 24(7%) remained uncollectible.

#### 4.1 Background Information about the Respondents

This sections that follow present profile of respondents' like gender, Age, qualification, department and experience they have at Commercial Bank of Ethiopia.

**Table 4.1 Respondents' profile**

| <b>Factors</b>                              | <b>Particulars</b> | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> | <b>Cumulative Percent</b> |
|---|--------------------|------------------|----------------|----------------------|---------------------------|
| Gender                                      | Male               | 154              | 51.7           | 51.7                 | 51.7                      |
|   | Female             | 144              | 48.3           | 48.3                 | 100.0                     |
|   | Total              | 298              | 100.0          | 100.0                |                           |
| Age   | Below 25           | 43               | 14.4           | 14.4                 | 14.4                      |
|   | 25-35              | 116              | 38.9           | 38.9                 | 53.4                      |
|   | 36-46              | 58               | 19.5           | 19.5                 | 72.8                      |
|   | 47-57              | 47               | 15.8           | 15.8                 | 88.6                      |
|   | 58 And Above       | 34               | 11.4           | 11.4                 | 100.0                     |
|   | Total              | 298              | 100.0          | 100.0                |                           |
| Educational Background                      | Diploma            | 63               | 21.1           | 21.1                 | 21.1                      |
|   | Degree             | 52               | 17.4           | 17.4                 | 38.6                      |
|   | Masters            | 84               | 28.2           | 28.2                 | 66.8                      |
|   | Under Graduate     | 99               | 33.2           | 33.2                 | 100.0                     |
|   | Total              | 298              | 100.0          | 100.0                |                           |
| How long have you been customer of the bank | Less Than 2        | 12               | 4.0            | 4.0                  | 4.0                       |
|   | 2-5                | 72               | 24.2           | 24.2                 | 28.2                      |
|   | 6-10               | 108              | 36.2           | 36.2                 | 64.4                      |
|   | Above 10           | 105              | 35.2           | 35.2                 | 100                       |
|   | Total              | 298              | 100.0          | 100.0                |                           |

Source: calculation from SPSS, 2020

Analyzing the data obtained from the questionnaire, table 4.1 reveals that, 51.7% of the respondents were male while 48.3% were female respondents. In terms of age, 14.4% of survey respondents were below 25 years, 38.9% under age 25-35, 19.5% in age 36-46, 15.8% between 47-57 and the remaining 11.4% respondents were 58 and above. Therefore, the largest respondents were between the ages of 25-35. In addition to the above, respondents were asked to identify their education qualification, the 33.2% of respondents were Under Graduate, 28.2% of the respondents replied were Masters and the remaining 21.1% and 17.4% of respondents had diploma and degree. On the other hand, 24.2% of respondents had 2-5 years being customer of the bank, 36.2% customers being stay the bank 6-10 years, and 4.0% of respondents being customers of the bank under 2 years with CBE. The remaining 4.2% of the respondents had being customers of CBE for over 10. The fact that majority of the respondents had being customers for the bank for 2-10 years.

## 4.2 Data Analysis on Social Network Interaction Management

**Table 4.2 Descriptive Statistics of items that measure Social Network Interaction management.**

| Variable   | Alternatives      | Frequency | Percent | Mean  | SD   |
|--|-------------------|-----------|---------|-------|------|
| Sending e-messages to customers enhance customer to retain   | Strongly Disagree | 3         | 1.0     | 4.16  | .820 |
|  | Disagree          | 20        | 6.7     |       |      |
|  | Neutral           | 2         | .7      |       |      |
|  | Agree             | 175       | 58.7    |       |      |
|  | Strongly Agree    | 98        | 32.9    |       |      |
|  | Total             | 298       | 100.0   |       |      |
| Providing e-promotion promote customer retention             | Strongly Disagree | 2         | .7      | 4.11  | .800 |
|  | Disagree          | 22        | 7.4     |       |      |
|  | Neutral           | 2         | .7      |       |      |
|  | Agree             | 186       | 62.4    |       |      |
|  | Strongly Agree    | 86        | 28.9    |       |      |
|  | Total             | 298       | 100.0   |       |      |
| Providing e-information is essential for customer retention. | Strongly Disagree | 1         | .3      | 4.05  | .790 |
|  | Disagree          | 24        | 8.1     |       |      |
|  | Neutral           | 7         | 2.3     |       |      |
|  | Agree             | 192       | 64.4    |       |      |
|  | Strongly Agree    | 74        | 24.8    |       |      |
|  | Total             | 298       | 100.0   |       |      |
| The bank interacts with its                                  | Strongly Disagree | 5         | 1.7     | 3.980 | .955 |

|  |                   |     |       |        |        |
|--|-------------------|-----|-------|--------|--------|
| customers by providing e-banking service.                | Disagree          | 35  | 11.7  |        |        |
|  | Neutral           | 3   | 1.0   |        |        |
|  | Agree             | 172 | 57.7  |        |        |
|  | Strongly Agree    | 83  | 27.9  |        |        |
|  | Total             | 298 | 100.0 |        |        |
| The bank gives technology based service to its customers | Strongly Disagree | 2   | .7    | 4.4027 | .75138 |
|  | Disagree          | 12  | 4.0   |        |        |
|  | Agree             | 134 | 45.0  |        |        |
|  | Strongly Agree    | 150 | 50.3  |        |        |
|  | Total             | 298 | 100.0 |        |        |

Source: calculation from SPSS, 2020

Table 4.2 reveals that the study measured the Social Network Interaction management by taking five sub variable through questionnaire survey from customers. Concerning Sending e-messages to customers enhance customer to retain, the survey result showed that, 3(1.0%)of respondents were strongly Disagree, 20(6.7%) respondents were disagreed, 2(.7%) of respondents are not taking sides about Sending e-messages to customers, while 175(58.7%)respondents were agreed and 98(32.9%) customer were strongly agreed. The majority of the respondents agreed Sending e-messages to customers enhance customer to retain.

From the table aforementioned, 0.7% respondents were strongly disagreed and 7.4% of respondents were disagree that dealing withproviding e-promotion promote customer retention. 0.7% of respondents are not taking sides. However, 62.4% respondents were agreeing and 28.9% employees were strongly agreed regarding this issue. Therefore, the majority of the respondents agreed on providing e-promotion promote customer retention.

The finding of the study in table 4.2 depicted that majority of the respondents responded that providing e-information is essential for customer retention i.e., represented by 64.4% of respondents were strongly agreed, 24.8% respondents respectively were agreed. 2.3% of the respondents stay neutral, 8.1% of the respondents are disagreed and the rest 0.3% were strongly disagreed about the issue. Therefore, this indicates that the providing e-information is essential for customer retention.

Considering on the bank interacts with its customers by providing e-banking service finding of the study indicated that 57.7% respondents' response agree, 27.9% of the respondent replied were strongly agree, 1.0% respondents were neutral, 11.7% of them were disagree and the rest

1.7 % of the respondents strongly disagree. Results indicates that,the bank interacts with its customers by providing e-banking service.

Based on the bank gives technology based service to its customers finding of the study indicated that 45.0% respondents’ response agree, 50.3% of the respondent replied were strongly agree, 4.0% of them were disagree and the rest 0.7 % of the respondents strongly disagree. Results indicate that, the bank gives technology based service to its customers.

Consequently, according to the mean scores, the findings in Table 4.2 imply that has, the majority of the respondents agreed on: - sending e-messages, e-promotion and e-information enhance customer retention, the bank interacts with its customers by providing e-banking service and the bank gives technology based service to its customers. Generally, Social Network Interaction management was adopted in the commercial bank of Ethiopia north district of Addis Ababa. Since all Social Network Interaction management parameters used under this study had a mean score of between 4.0 and 4.4 and when you compare to the variation of social network interaction management in CBE the low deviation is 0.7and the highest deviation is 0.9. This implies that Low standard deviations indicated no significant deviations of the extent of adoption of a specific providing e-information is essential for customer retention parameter in relationship Social Network Interaction management practices while high standard deviations indicate significant deviation.

### 4.3Data Analysis Concerning on Responsiveness

**Table 4.3 Descriptive Statistics of items that measure responsiveness.**

| <b>Variables</b>  | <b>Alternatives</b> | <b>Frequency</b> | <b>Percent</b> | <b>Mean</b> | <b>SD</b> |
|---|---------------------|------------------|----------------|-------------|-----------|
| Employees of the bank with assurance respond to customers complaints. | Strongly disagree   | 12               | 4.0            | 3.8054      | 1.06792   |
|   | Disagree            | 37               | 12.4           |             |           |
|   | Neutral             | 21               | 7.0            |             |           |
|   | Agree               | 155              | 52.0           |             |           |
|   | Strongly agree      | 73               | 24.5           |             |           |
|   | Total               | 298              | 100.0          |             |           |
| The bank takes customer feedback seriously and replies to them.       | Strongly disagree   | 8                | 2.7            | 3.8255      | 1.05238   |
|   | Disagree            | 42               | 14.1           |             |           |

|  |                   |     |       |        |         |
|--|-------------------|-----|-------|--------|---------|
|  | Neutral           | 21  | 7.0   |        |         |
|  | Agree             | 150 | 50.3  |        |         |
|  | Strongly agree    | 77  | 25.8  |        |         |
|  | Total             | 298 | 100.0 |        |         |
| Employees of the bank give time to solve customers' problems.                          | Strongly disagree | 102 | 34.2  | 2.82   | 1.27157 |
|  | Disagree          | 132 | 44.3  |        |         |
|  | Agree             | 53  | 17.8  |        |         |
|  | Strongly agree    | 11  | 3.7   |        |         |
|  | Total             | 298 | 100.0 |        |         |
| Employees are always willing to help customers with any queries in a responsive manner | Strongly disagree | 48  | 16.1  | 2.54   | 1.16621 |
|  | Disagree          | 149 | 50.0  |        |         |
|  | Agree             | 93  | 31.2  |        |         |
|  | Strongly agree    | 8   | 2.7   |        |         |
|  | Total             | 298 | 100.0 |        |         |
| Customers give greater attention to bank reaction toward complaints presented.         | Strongly disagree | 5   | 1.7   | 3.8658 | 1.09272 |
|  | Disagree          | 56  | 18.8  |        |         |
|  | Neutral           | 2   | .7    |        |         |
|  | Agree             | 146 | 49.0  |        |         |
|  | Strongly agree    | 89  | 29.9  |        |         |
|  | Total             | 298 | 100.0 |        |         |
| Employees of the bank are not too busy to respond to customer request.                 | Strongly disagree | 61  | 20.5  | 2.1711 | .99540  |
|  | Disagree          | 184 | 61.7  |        |         |
|  | Agree             | 47  | 15.8  |        |         |
|  | Strongly agree    | 6   | 2.0   |        |         |
|  | Total             | 298 | 100.0 |        |         |
| Employees treat customers with respect.  | Strongly disagree | 2   | .7    | 4.1544 | .54711  |
|  | Disagree          | 3   | 1.0   |        |         |
|  | Neutral           | 4   | 1.3   |        |         |
|  | Agree             | 227 | 76.2  |        |         |
|  | Strongly agree    | 62  | 20.8  |        |         |
|  | Total             | 298 | 100.0 |        |         |

Source: calculation from SPSS, 2020

Table 4.3 shows the perception of employees of the bank with assurance respond to customer's complaints. In this regard, 12.4% and 4.0 % of the respondents disagree and strongly disagree

respectively, 7.0% neutral and 52.0% of the respondents agree and 24,5% were responded strongly agree. This indicates that the majority of respondents were agreed employees of the bank with assurance respond to customer's complaints.

Analyzing the data obtained from the questionnaire, table 4.3 also reveals that 14.1% and 2.7% of the respondents disagree and strongly disagree respectively with the bank takes customer feedback seriously and replies to them. About 7.0% of the respondents neither agreed nor disagreed with the statement but, 50.3% and 25.3% of them were agree and strongly agree with the statement. Therefore, considering the above results the bank takes customer feedback seriously and replies to them.

Table 4.3 shows which large proportion of sample respondents (78.5%) disagree and strongly disagree on employees of the bank give time to solve customers' problems. However, 21.5% of them strongly disagree and disagree with the statement. This implies that, employees of the bank should not give time to solve customers' problems.

Summary of employees are always willing to help customers with any queries in a responsive manner, table 4.4 disclosed that, 50.0% and 16.1% of the respondents disagree and strongly disagree about the above statement. However, 31.2% of the respondents agree with the statement about employees are always willing to help customers with any queries in a responsive manner. About 2.7% of the respondents strongly disagreed with the statement. Results indicated that, employees were not always willing to help customers with any queries in a responsive manner.

Based on the above table 4.3, 49.0% of the respondents replied agreed on customers give greater attention to bank reaction toward complaints presented and 29.9% of respondents were strongly agree. About 0.7% of the respondents neither agreed nor disagreed with the statement but, 18.8% and 1.7% of them were agree and strongly agree respectively with the statement. Based on respondent, researcher concludes that customers give greater attention to bank reaction toward complaints presented.

Table 4.3, concerned on employees of the bank is not too busy to respond to customer request. 82.2% of respondents replied were strongly disagree and disagree with the statement. And also the rest of them 15.8% and 2.0% of respondents were agree and strongly agree on the issue.

Therefore, considering the above results employees of the bank were busy to respond customer request.

Analyzing the data obtained from the questionnaire, table 4.3 also reveals that 1.0% and 0.7% of the respondents disagree and strongly disagree respectively with employees treat customers with respect. About 1.3% of the respondents neither agreed nor disagreed with the statement but, 76.2% and 20.8% of them were agree and strongly agree with the statement. Therefore, considering the above results employees treat customers with respect.

With regard to the mean scores, the findings in table 4.4 indicate that CBE has responsiveness of employees of the bank with assurance respond to customer's complaints, the bank takes customer feedback seriously and replies to them, the bank should not give time to solve customers' problems, employees were not always willing to help customers with any queries in a responsive manner, customers gives greater attention to bank reaction toward complaints presented, employees of the bank were busy to respond customer request and employees treat customers with respect. This is because all parameters used under responsiveness had a score of between 2.1 and 4.1 and this above the actual mean. The variation is exhibited in the differences of responses to the respective of responsiveness parameter practices by different proportions of respondents on the likert scale options. The variations are indicated by the standard deviations of the practices and they range from the low of 0.5 standard deviations for employees treat customers with respect and 1.2 the highest deviation employees of the bank give time to solve customers' problems. This implies that Low standard deviations indicated no significant deviations of the extent of adoption of a specific parameter in responsiveness while high standard deviations indicated that significant deviation.



#### 4.4 Data Analysis Concerning on Customer Recognition

**Table 4.4 Descriptive Statistics of items that measure Customer Recognition.**

| <b>Variables</b>  | <b>Alternatives</b> | <b>Frequency</b> | <b>Percent</b> | <b>Mean</b> | <b>SD</b> |
|---|---------------------|------------------|----------------|-------------|-----------|
| The Bank provides customized services and products to its key customers | Strongly Disagree   | 6                | 2.0            | 4.1007      | .75429    |
|   | Disagree            | 10               | 3.4            |             |           |
|   | Neutral             | 5                | 1.7            |             |           |
|   | Agree               | 204              | 68.5           |             |           |
|   | Strongly Agree      | 73               | 24.5           |             |           |
|   | Total               | 298              | 100.0          |             |           |
| Services are personalized to fit customers' needs and wants.            | Strongly Disagree   | 12               | 4.0            | 3.7785      | 1.04990   |
|   | Disagree            | 37               | 12.4           |             |           |
|   | Neutral             | 21               | 7.0            |             |           |
|   | Agree               | 163              | 54.7           |             |           |
|   | Strongly Agree      | 65               | 21.8           |             |           |
|   | Total               | 298              | 100.0          |             |           |
| All customers are treated with great care                               | Strongly Disagree   | 5                | 1.7            | 3.8658      | 1.09272   |
|   | Disagree            | 56               | 18.8           |             |           |
|   | Neutral             | 2                | .7             |             |           |
|   | Agree               | 146              | 49.0           |             |           |
|   | Strongly Agree      | 89               | 29.9           |             |           |
|   | Total               | 298              | 100.0          |             |           |
| The bank arranges special care to special customers                     | Strongly Disagree   | 10               | 3.4            | 3.6644      | 1.05480   |
|   | Disagree            | 53               | 17.8           |             |           |
|   | Neutral             | 13               | 4.4            |             |           |
|   | Agree               | 173              | 58.1           |             |           |
|   | Strongly Agree      | 49               | 16.4           |             |           |
|   | Total               | 298              | 100.0          |             |           |

|   |                   |     |       |        |         |
|---|-------------------|-----|-------|--------|---------|
| The bank rewards customers based upon their contribution. | Strongly Disagree | 12  | 4.0   | 3.7819 | 1.04579 |
|   | Disagree          | 36  | 12.1  |        |         |
|   | Neutral           | 22  | 7.4   |        |         |
|   | Agree             | 163 | 54.7  |        |         |
|   | Strongly Agree    | 65  | 21.8  |        |         |
|   | Total             | 298 | 100.0 |        |         |

Source: calculation from SPSS, 2020

Summary of customer recognition. A question is asked to sample respondents about their perception on the Bank provides customized services and products to its key customers; the table above clearly shows the analysis results 68.5% of the respondents of the Bank provides customized services and products to its key customers has an effect on customer's retention while 1.7% of them were neither disagree nor agree. The rest 5.4% of the sample respondents saying, the Bank were not providing customized services and products to its key customers. This implies that the majority of respondents were agreed on the Bank provides customized services and products to its key customers.

With regard to Services are personalized to fit customers' needs and wants. As we can observe from the above table, 4%, 12.4%, 7.0%, 54.7% and 21.8% of respondents of the bank strongly disagree, disagree, neutral, agree and strongly agree with the statement respectively. As a result, the majority of respondents agreed that services are personalized to fit customers' needs and wants.

Summary of all customers are treated with great care, as clearly shown from the table 4.4, 20.5% of the bank respondents don't accept all customers are treated with great care while 0.7% neither agree nor disagree. Large proportions of respondents 78.9%, however, do agree and strongly agree that all customers are treated with great care.

Summary of the bank arranges special care to special customers. Among the total respondents of the bank, 17.8% disagree about the issue and 4.4% neither agree nor disagree. However, 58.1% of the sample respondents consider the bank arranges special care to special customers.

In addition, Table 4.4 indicated that, 4% and 12.1% of the sample respondents strongly disagree and disagree, respectively, in responding to the bank rewards customers based upon their

contribution. About 7.4% of the respondents were also found to be neutral. Majority of sample respondents showed their agreement with the statement above 54.7% of them agrees and 21.8 % of them strongly agree. As a result, it is possible to say that the bank rewards customers based upon their contribution.

With regard to the mean scores, the findings result in Table 4.4 indicates that CBE has to a reasonable level to adopted customer recognition. This is because all customer recognition parameters used under this study had a mean score of between 3.6 and 4.1, the result, is above the actual mean. However, there were variations among respondents on the degree of adoption of customer recognition parameters by CBE. The variation is exhibited in the differences of responses to the respective of customer recognition parameter practices by different proportions of respondents on the likert scale options. The variations are indicated by the standard deviations of the practices and they range from the low of 0.7 standard deviations for the Bank provides customized services and products to its key customers and the highest 1.0 deviation all customers are treated with great care. This implies that Low standard deviations indicated no significant deviations of the extent of adoption of a specific bonding parameter in relationship customer recognition while high standard deviations indicated significant deviation.

#### 4.5 Data Analysis Concerning on Customer Retention

**Table 4.5 Descriptive Statistics of items that measure Customer Retention**

| <b>Variables</b>                            | <b>Alternatives</b> | <b>Frequency</b> | <b>Percent</b> | <b>Mean</b> | <b>SD</b> |
|---|---------------------|------------------|----------------|-------------|-----------|
| The bank tries to keep my interest.         | Disagree            | 11               | 3.7            | 4.2148      | .67234    |
|   | Neutral             | 9                | 3.0            |             |           |
|   | Agree               | 183              | 61.4           |             |           |
|   | Strongly Agree      | 95               | 31.9           |             |           |
|   | Total               | 298              | 100.0          |             |           |
| I have a good bond with the bank.           | Strongly Disagree   | 7                | 2.3            | 4.2047      | .80510    |
|   | Disagree            | 8                | 2.7            |             |           |
|   | Neutral             | 6                | 2.0            |             |           |
|   | Agree               | 173              | 58.1           |             |           |
|   | Strongly Agree      | 104              | 34.9           |             |           |
|   | Total               | 298              | 100.0          |             |           |
| The Bank gives me all the desired services. | Strongly Disagree   | 33               | 11.1           | 3.6745      | 1.29935   |
|   | Disagree            | 39               | 13.1           |             |           |
|   | Agree               | 146              | 49.0           |             |           |
|   | Strongly Agree      | 80               | 26.8           |             |           |

|  |                   |     |       |        |         |
|--|-------------------|-----|-------|--------|---------|
|  | Total             | 298 | 100.0 |        |         |
| The bank provides accessible web site for me | Strongly Disagree | 4   | 1.3   | 4.0772 | .67973  |
|  | Disagree          | 10  | 3.4   |        |         |
|  | Neutral           | 4   | 1.3   |        |         |
|  | Agree             | 221 | 74.2  |        |         |
|  | Strongly Agree    | 59  | 19.8  |        |         |
|  | Total             | 298 | 100.0 |        |         |
| I am continuing being customer of the bank   | Strongly Disagree | 6   | 2.0   | 3.9866 | .96739  |
|  | Disagree          | 35  | 11.7  |        |         |
|  | Agree             | 173 | 58.1  |        |         |
|  | Strongly Agree    | 84  | 28.2  |        |         |
|  | Total             | 298 | 100.0 |        |         |
| The bank is my primary choice                | Strongly Disagree | 5   | 1.7   | 3.8658 | 1.09272 |
|  | Disagree          | 56  | 18.8  |        |         |
|  | Neutral           | 2   | .7    |        |         |
|  | Agree             | 146 | 49.0  |        |         |
|  | Strongly Agree    | 89  | 29.9  |        |         |
|  | Total             | 298 | 100.0 |        |         |
| The Bank effectively deals with my problems  | Strongly Disagree | 106 | 35.6  | 1.8758 | .92187  |
|  | Disagree          | 159 | 53.4  |        |         |
|  | Neutral           | 2   | .7    |        |         |
|  | Agree             | 26  | 8.7   |        |         |
|  | Strongly Agree    | 5   | 1.7   |        |         |
|  | Total             | 298 | 100.0 |        |         |
| The bank response directly to my problems    | Strongly Disagree | 45  | 15.1  | 3.3960 | 1.30174 |
|  | Disagree          | 41  | 13.8  |        |         |
|  | Neutral           | 3   | 1.0   |        |         |
|  | Agree             | 169 | 56.7  |        |         |
|  | Strongly Agree    | 40  | 13.4  |        |         |
|  | Total             | 298 | 100.0 |        |         |

Source: calculation from SPSS, 2020

Summary of the bank tries to keep my interest. As depicted in table 4.5, 3.7% of the respondents disagree with the statement about the bank tries to keep my interest; however, about 3.0% of the respondents are neutral whereas 61.4% and 31.9 % of the respondents agree and strongly agree with the statement respectively. This implies that the majority of the respondents were agreed the bank tries to keep my interest.

On the other hand, the summary of customer's view on good bond with the bank, Regarding the question table 4.5 briefly described as follows, 2.3%, 2.7%, 2.0%, 58.1% and 34.9% of sample respondents replied as strongly disagree, disagree, neither disagree nor agree, agree and strongly

agree with good bond with the bank respectively. This indicates that the majority of respondents were agreed customers have good bond with the bank.

Considering the sample respondents, 49.0% and 26.8% of the respondents strongly agree and agree with the statement respectively about the Bank gives me all the desired services. However, about 13.1% and 11.1% of the respondents are against the above statement.

With regard to the summary of the bank provides accessible web site for customers, the reaction of respondents indicates that 1.3 % and 3.4% of customers strongly disagree and disagree respectively and 1.3% of the respondents replied were neither agrees nor disagree. However, 74.2% and 19.8% of the customers agree and strongly agree respectively with the bank provides accessible web site for customers.

Summary of customer's perception on customers' continuing being customer of the bank, Regarding the question table 4.5 briefly described as follows, 2.0%, 11.7%, 58.1% and 28.2% of sample respondents replied as strongly disagree, disagree, agree and strongly agree with customer's continuing being customer of the bank respectively. This indicates that the majority of respondents were agreed on customer's continuing being customer of the bank.

Considering the sample respondents, 49.0% and 29.9% of the respondents agree and strongly agree with the statement respectively about the bank is primary choice of customers. However, about 1.7% and 18.8% of the respondents are against the above statement.

With regard to the summary of the bank effectively deals with my problems, the feeling of respondents indicates that 35.6% and 53.4% of customers strongly disagree and disagree respectively and 0.7% of the respondents replied were neither agrees nor disagree. However, 8.7% and 1.7% of the customers agree and strongly agree respectively with the bank effectively deals with customer's problems.

Based on the above table 4.5 briefly described as follows, 15.1%, 13.8%, 1.0%, 56.7% and 13.4% of sample respondents replied as strongly disagree, disagree, neither disagree nor agree, agree and strongly agree with the bank response directly to customer's problems respectively. This indicates that the majority of respondents were agreed on the bank response directly to customer's problems.

Results indicates that, the bank tries to keep customers interest, customers good bond with the bank, the Bank gives customers all the desired services, provides accessible web site for customer's continuing being customer of the bank, the bank is primary choice of customers, the bank do not effectively deal with customer's problems, the bank response directly to customer's problems.

#### **4.6 Correlation Analysis**

Correlation measures the strength of the linear relationship between two variables. Thus, Pearson's correlation was used to identify the relationships between the variables and to describe the strength and the direction of the relationship between two variables. According to Berndt (2005), the level of association as measured by Pearson's co-efficient falls between -1.0 and +1.0, which indicates the strength and direction of association between the two variables. The interpretation of the result is as follows; a correlation result between 0 to 1 implies positive relationship, 0 (zero) for no relationship, 1 for perfect positive relationship, -1 for perfect negative relationship and between -1 to 0 indicate the existence of negative relationship. So, the correlation analysis was done to analyze the relationship between dependent variable customer retention and independent variables social network interaction management, responsiveness and Customer Recognition. To examine the relationship among these variables, Pearson correlation coefficients were calculated, the analysis and interpretations of the correlation results are presented here under.

**Table 4.6 Pearson correlation coefficients**

| <b>Correlations</b>        |                     |                                       |                |                      |                    |
|----------------------------|---------------------|---------------------------------------|----------------|----------------------|--------------------|
|                            |                     | Social network Interaction management | Responsiveness | Customer Recognition | Customer Retention |
| Social network Interaction | Pearson Correlation | 1                                     | .231**         | .210**               | 0.333              |
|                            | Sig. (2-tailed)     |                                       | .000           | .000                 | .000               |
|                            | N                   | 298                                   | 298            | 298                  | 298                |
| Responsiveness             | Pearson Correlation | .231**                                | 1              | .509**               | .525**             |
|                            | Sig. (2-tailed)     | .000                                  |                | .000                 | .000               |
|                            | N                   | 298                                   | 298            | 298                  | 298                |
| Customer Recognition       | Pearson Correlation | .210**                                | .509**         | 1                    | .722**             |
|                            | Sig. (2-tailed)     | .000                                  | .000           |                      | .000               |
|                            | N                   | 298                                   | 298            | 298                  | 298                |
| Customer Retention         | Pearson Correlation | .333**                                | .525**         | .722**               | 1**                |
|                            | Sig. (2-tailed)     | .000                                  | .000           | .000                 |                    |
|                            | N                   | 298                                   | 298            | 298                  | 298                |

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

Source: calculation from SPSS, 2020

Pearson correlation test was conducted to know whether there is significant correlation or not between social network interaction management & customer retention and the results are shown in table 4.6. As it is clearly indicated on the table, there is positive correlation between social network interaction management & customer retention. The result of correlation analysis prove that social network interaction management & customer retention are correlated which has moderate and positive relationship ( $r=0.333$ )

The second customer relationship management component, according to the results of the Pearson correlation test is observed that the significant at one percent. Thus research question is confirmed and there is positive relationship between responsiveness and customer retention. In other words, responsiveness & customer retention has high relationship. ( $r=.525$  with  $p<0.01$ ).

Third customer relationship management component, according to the results of the Pearson correlation test is observed that the significant at five percent so, the research question is confirmed and there is a positive relationship between customer recognition and complaints and customer retention. In other words, customer recognition & customer retention have positive and high relationship. ( $r=0.722$  with  $p<0.01$ ).

## **4.7 Multiple Regression Analysis**

To investigate the significant effect of customer relationship management on customer retention in commercial bank of Ethiopia, multiple regression models was computed.

This regression is conducted to know how much the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (social network interaction management, responsiveness, customer recognition) explains the dependent variable, which is customer retention. The regression model presents how much of the variance in the measure of customer retention is explained by the underlying dimensions of CRM, in Ethiopian Banking industry, Customer retention was used as the dependent variable while Customer relationship management dimensions were used as the independent variables.

### **4.7.1 Test for Multicollinearity**

Multicollinearity exists where there is high but not perfect correlation between two or more explanatory variables (Cameron & Trivedi, 2010). This assumption does allow the independent



variables to be correlated but it must not be perfect, if not multiple regressions would not be useful for econometric analysis in the absence of correlation between the independent variables (Churchill & Iacobucci, 2005). There is no clear indication concerning how much correlation causes multicollinearity. As Anderson and Tatham (2006) argue that a correlation coefficient below 0.9 may not cause serious multicollinearity problems. In contrast, Franke (2010) states that, a multicollinearity problem exists when the correlation coefficient between variables is between 0.8 and 0.9. Malhotra (2007) stated that multicollinearity problem exists when the correlation coefficient among variables is greater than 0.75. Kennedy (2008) suggests that any correlation coefficient above 0.7 could cause a serious multicollinearity. These statements exhibit that there is no consistent argument on the acceptable level of correlation that would cause multicollinearity.

**Table 4.7.1 Test for Multicollinearity**

| <b>Coefficients</b> |                                       |                         |       |
|---------------------|---------------------------------------|-------------------------|-------|
| Model               |                                       | Collinearity Statistics |       |
|                     |                                       | Tolerance               | VIF   |
| 1                   | (Constant)                            |                         |       |
|                     | Social Network Interaction Management | 0.935                   | 1.069 |
|                     | Responsiveness                        | 0.725                   | 1.379 |
|                     | Customer Recognition                  | 0.732                   | 1.366 |

Source: calculation from SPSS, 2020

Therefore, in this study correlation matrix for three of the independent variables shown above in the table 4.7.1.had been estimated. The result of correlation matrix show that all VIF values are well below 10 and the tolerance level for all variables is above 0.2. So that, we can conclude that there is no problem of multicollinearity in this study.

#### **4.7.2 Normality test**

The simple linear regression requires that the interval level variables in the analysis be normally distributed. The skewness and kurtosis statistics for all variables are within the acceptable range for normality (-1.0 to +1.0).

**Table 4.7.2 Test for Normality**

|                            | N   | Min | Max | Mean | Std. Deviation | Skewness  |            | Kurtosis  |            |
|----------------------------|-----|-----|-----|------|----------------|-----------|------------|-----------|------------|
|                            |     |     |     |      |                | Statistic | Std. Error | Statistic | Std. Error |
| Social Network Interaction | 298 | 1   | 5   | 4.07 | .653           | -2.294    | .141       | 6.017     | .281       |
| Responsiveness             | 298 | 2   | 5   | 3.31 | .592           | -.069     | .141       | -.585     | .281       |
| Customer Recognition       | 298 | 1   | 5   | 3.79 | .825           | -1.240    | .141       | .917      | .281       |
| Customer Retention         | 298 | 2   | 5   | 3.66 | .639           | -1.062    | .141       | .020      | .281       |
| Valid N (listwise)         | 298 |     |     |      |                |           |            |           |            |

### 4.8 Multiple Regression Analysis between Independent and Dependent Variable

**Table 4.8.1 Regression result CRM components and customer retention**

| Coefficients <sup>a</sup> |                            |                             |            |                           |        |       |
|---------------------------|----------------------------|-----------------------------|------------|---------------------------|--------|-------|
| Model                     |                            | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig.  |
|                           |                            | B                           | Std. Error | Beta                      |        |       |
| 1                         | (Constant)                 | 0.600                       | 0.187      |                           | 3.200  | 0.002 |
|                           | Social Network Interaction | 0.162                       | 0.038      | 0.166                     | 4.238  | 0.000 |
|                           | Responsiveness             | 0.200                       | 0.048      | 0.186                     | 4.181  | 0.000 |
|                           | Customer Recognition       | 0.459                       | 0.034      | 0.592                     | 13.413 | 0.000 |

Source: calculation from SPSS, 2020

Table 4.8.1, depicted that, Beta coefficient of customer recognition has maximum impact (0.592) and responsiveness (0.300) on customer retention. Then regression model can be written as follows.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + \varepsilon_i$$

$$CR = .600 + 0.166SNI + 0.186R + 0.592CR$$

## 4.9 Hypothesis Testing

In this section the suggested hypothesis was tested and the result is presented. The hypotheses were:

**H1:** Social network interaction management has a significant and positive effect on customers' retention.

The output of the regression analysis of social network interaction management with customer retention shows that social network interaction management has a positive significant influence on customer retention with sig. level of (0.000). When there is a single unit change in social network interaction management, customer retention will be affected by 0.162. so that Ho will be rejected.

**H2:** Responsiveness has a significant and positive effect on customers' retention.

The amount produced from the regression analysis shows that responsiveness has a positive significant influence on customer retention with sig. level of (0.000). When there is a single unit change in responsiveness, customer retention will be affected by 0.20. So that Ho will be rejected.

**H3:** Customer Recognition has a significant and positive effect on customers' retention.

The result of the regression analysis shows that customer recognition has a significant positive significant influence on customer retention with sig. level of (0.000). When there is a single unit change in customer recognition has a significant, customer retention will be affected by .459. so that Ho will be rejected.

**Table 4.9 Hypothesis testing summary**

| No. | Hypothesis  | Tools      | Relationship | Result   |
|-----|---|------------|--------------|----------|
| H1  | Social Network Interaction has a significant and positive effect on customers' retention. | Regression | Positive     | Accepted |
| H2  | Responsiveness has a significant and positive effect on customers' retention.             | Regression | Positive     | Accepted |
| H3  | Customer Recognition has a significant and positive effect on customers' retention        | Regression | Positive     | Accepted |

#### 4.10 Multiple Regression or Model Summary

**Table 4.10 Result of Multiple Regression Model Coefficient or Model Summary**

| Model Summary |                   |          |                   |                            |
|---------------|-------------------|----------|-------------------|----------------------------|
| Model         | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1             | .762 <sup>a</sup> | 0.58     | 0.576             | 0.416                      |

Predictors: (Constant), mean of social network interaction variables, mean of responsiveness variables, mean of customer recognition of variables.

Source: calculation from SPSS, 2020

Based on table 4.10 in multiple regressions the impact of independent variables on customer retention is acceptable and significant at a confidence level of 76.2%. Meanwhile, the model or the predictor variables have accounted for 57.6% with estimated standard deviation .41, of the variance in the dependent variable (customer retention). The other variables that were not considered in this study contribute about 42.4% of the variability the Dependent.

**Table 4.11 ANOVA table**

| ANOVA <sup>a</sup> |            |                |     |             |         |                   |
|--------------------|------------|----------------|-----|-------------|---------|-------------------|
| Model              |            | Sum of Squares | Df  | Mean Square | F       | Sig.              |
| 1                  | Regression | 70.435         | 3   | 23.478      | 135.372 | .000 <sup>b</sup> |
|                    | Residual   | 50.99          | 294 | 0.173       |         |                   |
|                    | Total      | 121.425        | 297 |             |         |                   |

Source: calculation from SPSS, 2020

When doing regression analysis, we determine whether there is a relationship between the independent variable and the dependent variable by examining the significance of the regression in the ANOVA table. The probability of the F statistic for the regression analysis is 0.000, less than the level of significance of 0.05. So that it can be seen in multiple regressions that in examining independent variables on customer retention are acceptable and significant at a confidence level of 95%.

#### **4.11 Discussion Results of Interview Data**

This section presents the results of each interview questions. The interviews were conducted with 8 out of (12) operational managers up on current structure of the bank in view of the study subject matters. The interviewees were experienced enough in the field of customer management as well as relationship management having many years of service experiences in the bank. The interviews consisted of two structured questions that were prepared based on the questionnaire components, and the literature review.

The interview session began with an initial question related to the understanding of CRM, present practices and expected outcomes. In this regard, most of the respondents come up with similar and few separate variables under each factors of CRM. Interviewees from each branches responded as customer relationship management exercise in the bank, more and more in branches offices working with customers is fundamentally vital, normally it has a direct contact with customers, and it requires important interpersonal interactions that helps to provide quality services with on time response.

According to Kennedy (2006) internet and email are electronic and interactive media and they are now playing significant role in operational of CRM and enable personalization of products and service. This will increase customer retention. Concerning about Social network interactions and customer retention, interviewees from each branches responded as, Internet and mobile banking was also revealed as the recent service the bank and allow the bank customers to transact banking services accessibly. All the interviewees replied that when customers require information the bank should be in a position to provide this information; this will improve interaction between the firm and their customers and as a result build a lasting relationship with them.

Responsiveness is Willingness to help customers and provide prompt service (Ananth et.al, 2010; Kheng et. al., 2010). With regard to responsiveness employees at CBE showing sincerity and willingness to help customers and employees give genuine and detailed information regarding to any transaction of the bank. All interviewees of the selected branches replied that, genuineness and willingness to assist customers are some of the key issues in responsiveness to provide quality service. According to the interviewees, some customers provide information regarding employees not give time to listen customer complaints. In this case, customer service managers give greater attention to customer's reactions and offered response directly to problems.

Customer recognition is all about identifying your customers and providing products and services that best suit their needs. Managers should therefore know everything about their customers, products and services should be offered according to customers' needs this is termed customer orientation (Abdullateef, Mokhtar &Yussoff, 2010).Concerning about customer recognition and customer retention, managers from each branches replied that customer recognition indeed influences customer retention and for any organization to succeed they should know everything there is to know about their customers. In addition, they responded that the bank tries to find out the needs and wants of key customers. This enables the bank to provide services that satisfy a particular need and therefore gives customers a reason to retain with the bank.

In general on the subject of existing customer relationship management approach and service excellence of the bank, the branch managers of the selected branches came up with almost the

same response. Service excellence is stated as one of CBE goal. Service excellences not come up to without providing good quality service. Introducing new technology like e-banking, structure revision, preparing prize for special customer like exporters and customer focused services in order to satisfy and maintain long lasting relationship. Moreover, the respondents relate that it is important to focus on the customer rather than forcing products on the customer that they do not need. A bank that does not put the needs of the customers first is more prone to failure than a bank that puts the customer first. Listening and answering customer questions and continuous training will put the bank in a better condition and providing good communication skills with customers. However, from their challenge perspective, all interviewees raised internet interruption problem, long wait in line and delay in handling may create chance of customer complaints for some employees From the interview the researcher understands that the managers of selected branches identified their gaps that adversely affect their quality banking service towards customer's individual nature, needs, and preferences since human behavior is complex.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

This chapter addresses the results and findings on how Customer Relationship Management factors affect Customer Retention in CBE North Addis Ababa district.. The findings are outlined according to specific objectives of the study. These are based on the responses from the questionnaires filled and information gathered on the research questions. The general objective of the research was to establish the customer relationship management factors that affect customer retention in CBE North Addis Ababa district. The research was based on the following research objectives: To find out the effect of social network interaction on Customer Retention, to examine how Responsiveness affects Customer Retention and to establish the effect of Customer Recognition on Customer Retention.

#### **5.1 Summary of Major Findings**

Based on the analysis the following are the summary of key findings:

- The findings on the effect of social network interaction on customer retention established that social network interaction was a significant factor in customer retention. The findings in Table 4.2 imply that has, the majority of the respondents agreed on: - sending e-messages, e-promotion and e-information enhance customer retention, the bank interacts with its customers by providing e-banking service and the bank gives technology based service to its customers. The results also showed that a mean score of between 4.0 and 4.4.
- Findings of customer's perception with regard to responsiveness practice on employees of the bank with assurance respond to customers complaints, The bank takes customer feedback seriously and replies to them, Customers give greater attention to bank reaction toward complaints presented, Customers give greater attention to bank reaction toward complaints presented and Employees treat customers with respect on those practices most of respondents are agree. However, on the ideas of employees of the bank give time



to solve customers' problems, Employees are always willing to help customers with any queries in a responsive manner and Employees of the bank are not too busy to respond to customer request the results on table 4.3 showed that respondents are disagree.

- The findings on the influence of customer recognition on customer retention established that customer recognition was a significant factor in influencing customer recognition. The findings indicated that most of the respondents agreed that The Bank provides customized services and products to its key customers, Services are personalized to fit customers' needs and wants, all customers are treated with great care and the bank rewards customers based upon their contribution. The results and findings also showed that if customer recognition is improved it will increase customer retention all customer recognition parameters used under this study had a mean score of between 3.6 and 4.1.
- The finding on customer perception with regard to customer retention most of respondents agree on the idea of The bank tries to keep my interest, I have a good bond with the bank, the Bank gives me all the desired services, the bank provides accessible web site for me and the bank is my primary choice with a mean score of 3.8 up to 4.2. However, they are disagree on the idea the Bank effectively deals with my problems which have a mean score 1.88.
- The results of Pearson correlation show that, social network interaction management, responsiveness and customers recognition variables have significantly and positive relationship on customer retention with  $r = 0.33$ ,  $r = 0.525$ ,  $r = 0.722$  respectively. The results of the Pearson correlation test is observed that significant at one percent so, the research questions are confirmed and there is a positive relationship between CRM components and customer retention.
- The finding indicated that Customer Recognition has significantly positive effect at 59.2% relation between customer retention in the case NAAD CBE. Next to this responsiveness has significant effect on customer retention positively at 18.6% when measured statistically. To sum up social network interaction has positive significant effect on customer retention accounted for 16.6% in the statically measurement.

- As it is shown the regression model result indicated that 57% of dependent variable is explained by independent variables, which is customer relationship management (i.e. Social network interaction, responsiveness, and customer recognition). But this does not mean that all these factors of CRM practice variables have equally significant with customer retention. The results of the multiple linear regression analysis indicated that there is a variation in the effect of CRM practice variable dimensions on customer retention.
- At 5% level of significance there is a significant positive linear regression between independent variable of CRM practice that is social network interaction, responsiveness and customer recognition and independent variable of customer retention of selected NAAD of commercial bank Ethiopia.

## **5.2 Conclusions**

Customer Relationship Management is the main focus of the study and a mechanism to retaining an existing customer and to attracting new once. The general objective of the study is to examine the effect of customer relationship management on customer retention by taking evidence from branches of CBE in North Addis Ababa district. The research was based on the following research objectives: To find out the effect of social network interaction on Customer Retention, to examine how Customer Recognition affects Customer Retention and to establish the effect of responsiveness on Customer Retention among NAAD, CBE.

The study result indicated that social network interaction, responsiveness, and customer recognition has a positive and significance effect on customer retention. Their significance can be recognized through Sending e-messages, providing E-information, E-banking and E-promotion and also giving technology service to customers enhance customer to retain. Employees of the bank with assurance respond to customer's complaints and the bank takes customer complaints seriously. However, employees of the bank are too busy to respond to customer request immediately, the bank is not effectively deals with customer problems and employees are not always willing to help customers with any queries in a responsive manner.

CBE in the case selected NAAD provides customized services and products to its key customers and treats customers with care and reward them based on their contribution.

According to result of testing Pearson correlation show that there is a positive relationship between components of customer relationship management (social network interaction, responsiveness and customer recognition management) and customer retention. Relating to the Result of regression analysis show that all of components of customer relationship management have an impact on customer retention and the independent variables can predict or explained the dependent variable customer retention.

In general, based on the results for the standardized values, we are able to see that commercial bank of Ethiopia has a moderate extent adopted all components of customer relationship management parameters to retain customers within the bank. Although, all components of CRM have a positive effect on customer retention and constructing strong customer relationship practice and to put the bank in strategic position and facilitate to acquire permanent competition advantage together with escalating the total productivity of the bank.

### 5.3 Recommendations

To be successful in implementation of CRM practices, the financial and banking organizations must define and develop a business strategy as well as a supporting infrastructure for that strategy (Kwamena, 2013). This study investigated the influential dimensions of CRM that makes consumers to be loyal to the Bank and retain them. The findings of the study followed by the conclusion made by the researcher, the following recommendation was developed to be used by CBE currently exercising CRM.

- Taiwoet. al. (2011) described that responsiveness is the degree to which customers perceive service providers 'readiness to assist them promptly. Therefore, showing sincerity and willingness to help customers are some of the key issues in responsiveness. According to the result that customers responds that employees are too busy to responds and they don't not give time and the researcher recommends that bank give individual attention to its customers by providing genuine interest in solving their problems and to respond their requests timely
- Customer recognition is believed to be vital for the continued success of any business. Firms have to be able to identify their key customers and provide services that best suit their needs. The researcher therefore recommends that CBE make an effort to find out the needs of customers so that they can improve performance, satisfy customers and therefore retain members. The researcher also recommends a response system whereby they carry out surveys to get feedback from customers on how effective and efficient their services are.
- According to Watkins (1999) customer retention is an essential part of customer relationship management. Retention is an indication that there is a relationship between the customers and the company. The research result indicated that most customers disagree on the idea of that the Bank effectively deals with customer problems so that the researcher recommends that when a customer complaints or have problems, it usually stems from genuine concern. It is critically important to take care of that customer by

listening to the compliant and resolving the problem banking to ensure a sustainable banking relationship.

- From the result the relatively the least level is obtained from responsiveness on the idea of employees of the bank are too busy to respond to customer request immediately, and employees are not always willing to help customers with any queries in a responsive manner. The researcher recommends that CBE may apply more effort in its staffs to create motivation on them in order to serve customers in the best manner. Moreover, these, actions to make them participate in decision making activities, to provide an opportunity to learn and advance, and reward for their contribution have a lot to play in employee's motivation.
- Finally, since currently competition in the banking industry is very overwrought, so the researcher recommends that CBE give greater value to CRM as a tool to gain competitive advantage.

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## **APPENDIX A**

### **ST. MARY’S UNIVERSITY**

#### **SCHOOL OF GRADUATE STUDIES**

#### **MASTER OF BUSINESS ADMINISTRATION (MBA) PROGRAM**

Dear Respondents;

I am currently pursuing my Masters of Business Administration (MBA) at the St. Mary University Masters program. As partial fulfilment towards the completion of my postgraduate degree, this research titled as “the effect of customer relationship management on customer retention in the commercial bank of Ethiopia North Addis Ababa District” is undertaken. Hence, I kindly request you to fill in this questionnaire while assuring you that the information that you provide will be treated with confidentiality and shall only be used for the purpose of this academic research. I would also like to remind you that your fair and impartial feedback will make this research a very successful one.

Thank you for your cooperation and assistance.

Sincerely,

Mekdes Yemiyamrew

Contact address: ++251913 02 88 76

E-mail: - [Mekedonia2@gmail.com](mailto:Mekedonia2@gmail.com)

Please respond to each item by putting a tick ✓ mark in the box & fill in the blank on the number which best reflects your perception.

**Part I. Demographic Profile**

1. Gender

Male       Female

2. Age group

Below 25     25-35     36-46     47-57     58 and above

3. Education qualification

Diploma     Degree     Masters     Under graduate

4. For how long have you been customer of the bank (In years).

Less than 2     2-5     6-10     above 10

**Part II. Survey of Customer Relationship Management Components.**

Please show the extent to which you agree or disagree with the statements given below. This is to assess the following on the scales of strongly disagree to strongly agree. Strongly disagree is given the least weight of 1; while strongly agree is given the highest weight of 5.

**1= Strongly disagree    2= Disagree    3= Neutral    4=Agree    5= Strongly agree**

|     | <b>Descriptions</b>   | <b>Strongly Disagree</b> | <b>Disagree</b> | <b>Neutral</b> | <b>Agree</b> | <b>Strongly Agree</b> |
|-----|---|--------------------------|-----------------|----------------|--------------|-----------------------|
| 1   | <b>Social network Interaction management</b>                |                          |                 |                |              |                       |
| 1.1 | Sending e-messages to customers enhance customer to retain. |                          |                 |                |              |                       |
| 1.2 | Providing e-promotion promote                               |                          |                 |                |              |                       |

|     |   |  |  |  |  |  |
|-----|---|--|--|--|--|--|
|     | customer retention  |  |  |  |  |  |
| 1.3 | Providing e-information is essential for customer retention.                            |  |  |  |  |  |
| 1.4 | The bank interacts with its customers by providing E-banking service.                   |  |  |  |  |  |
| 1.5 | The Bank gives technology based service to its customers                                |  |  |  |  |  |
| 2   | <b>Responsiveness</b>   |  |  |  |  |  |
| 2.1 | Employees of the bank with assurance respond to customers complaints.                   |  |  |  |  |  |
| 2.2 | The bank takes customer feedback seriously and replies to them.                         |  |  |  |  |  |
| 2.3 | Employees of the bank give time to solve customers' problems.                           |  |  |  |  |  |
| 2.4 | Employees are always willing to help customers with any queries in a responsive manner. |  |  |  |  |  |
| 2.5 | Customers give greater attention to bank reaction toward complaints presented.          |  |  |  |  |  |
| 2.6 | Employees of the bank are not too busy to respond to customer request.                  |  |  |  |  |  |
| 2.7 | Employees treat customers with respect.   |  |  |  |  |  |
| 3   | <b>Customer Recognition</b>   |  |  |  |  |  |
| 3.1 | The Bank provides customized services and products to its key customers                 |  |  |  |  |  |
| 3.2 | Services are personalized to fit customers' needs and wants.                            |  |  |  |  |  |

|     |   |  |  |  |  |  |
|-----|---|--|--|--|--|--|
| 3.3 | All customers are treated with great care                 |  |  |  |  |  |
| 3.4 | The bank arranges special care to special customers       |  |  |  |  |  |
| 3.5 | The bank rewards customers based upon their contribution. |  |  |  |  |  |
| 4   | <b>Customer Retention</b>                                 |  |  |  |  |  |
| 4.1 | The bank tries to keep my interest.                       |  |  |  |  |  |
| 4.2 | I have a good bond with the bank.                         |  |  |  |  |  |
| 4.3 | The Bank gives me all the desired services.               |  |  |  |  |  |
| 4.5 | The bank provides accessible web site for me              |  |  |  |  |  |
| 4.6 | I am continuing being customer of the bank                |  |  |  |  |  |
| 4.7 | The bank is my primary choice                             |  |  |  |  |  |
| 4.8 | The Bank effectively deals with my Problems               |  |  |  |  |  |
| 4.9 | The bank response directly to my problems                 |  |  |  |  |  |

THANK YOU FOR YOUR COOPERATION!!

## **Interview questions for managers**

I am currently pursuing my Masters of Business Administration (MBA) at the St. Mary University Masters program. As partial fulfilment towards the completion of my postgraduate degree, this research titled as “the effect of customer relationship management on customer retention in the commercial bank of Ethiopia North Addis Ababa District” is undertaken. Your genuine, frank and timely response is vital for the success of the study. Therefore, I kindly request you to respond to each question item carefully.

1. Can you describe the current Customer Relationship Management practice of the bank?
2. Did the bank try to identifying customers by studying their profile every time?
3. How do you evaluate the interaction management, responsiveness, and customer recognition of your Bank branches with customers?

**APPENDIX B**

**ቅድስት ማርያም ዩኒቨርሲቲ የድህረ ምረቃ ፕሮግራም**

**ቢዝነስ አድሚኒስትሬሽን ትምህርት ክፍል**

**ለኢትዮጵያ ንግድ ባንክ ደንበኞች የተዘጋጀ መጠይቅ**

ውድ መጠይቁን የምትሞሉ ደንበኞች፡-

የተከበራችሁ ደንበኞች እኔ የቅድስት ማርያም ዩኒቨርሲቲ የድህረ ምረቃ ተማሪ ስሆን የዚህ መጠይቅ አላማ የመመረቅያ ጥናት የምጠቀምበት መረጃ ከደንበኞች መሰብሰብ ነው። ስለዚህ ውድ ከሆነው ግዜዎ የተወሰኑ ደቂቃዎች ወስደው ጥያቄዎቹን እንደመልሱልኝ በትህትና እየጠየቅኩኝ የሚሰጡኝን መረጃ ሚስጥራዊነቱ የተጠበቀ ከመሆኑ በተጨማሪ ለትምህርታዊ አላማ ብቻ የሚውል ስለሆነ መረጃው በአጠቃላይ እንጂ በተናጠል የማይታይ መሆኑን ላረጋግጥልዎት እወዳለሁ። ስለዚህ የሚመስልዎትን መልስ በጥያቄዎቹ ትይዩ በቀረቡት ሳጥኖች የሚጠየቁትን መረጃ እንዲሰጡኝ እጠይቃለሁ።

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ክፍል 1:- አጠቃላይ መረጃ

1. ፆታ፡-

ወንድ  ሴት

2. ዕድሜ

ከ 25 በታች  25-35  36-46  47 -57  58 እና ከዛ በላይ

3. የትምህርት ደረጃ?

ዲፕሎማ  ዲግሪ  ማስተርስ  ከዚያ በታች

4. የባንኩ ደንበኛ ከሆኑ ስንት ጊዜ ሆኖዎት? እባክዎን የቆይታዎ ጊዜ /በአመት/

ከ2 አመት በታች  2-5  6-10  ከ10 ዓመት በላይ



ክፍል 11:-የደንበኞች ግንኙነት አስተዳድር የተመለከቱ ጥያቄዎች ከዚህ በታች በተዘረዘሩት ሀሳቦች የግልጽ አስተያየት በሃሳቦቹ ትይዩ አምዶች የ"✓" ምልክት በማስቀመጥ እንዲገልጹ በትህትና ስጦታ አማራጮቹ ከ በጣም አልሰማማም(1) ጀምሮ እስከ በጣም እስማማለሁ(5) ድረስ መሆናቸውን እገልጻለሁ።

1= በጣም አልሰማማም 2=አልሰማማም 3 =ነፃ 4=እስማማለሁ 5= በጣም እስማማለሁ

|     | ጥያቄዎች  | በጣም አልሰማማም | አልሰማማም | ነፃ | እስማማለሁ | በጣም እስማማለሁ |
|-----|--|------------|--------|----|--------|------------|
| 1   | <b>የ ደንበኞች መስትጋቢራዊ ትስስር</b>                          |            |        |    |        |            |
| 1.1 | ኤሌክትሮኒክ መልክቶችን ለ ደንበኞች መላክ ደንበኞችን ለማቆየት ይረዳል         |            |        |    |        |            |
| 1.2 | ኤሌክትሮኒክ ማስታወቂያዎችን ማቅረብ የደንበኞች ቆይታን ይጨምራል             |            |        |    |        |            |
| 1.3 | ኤሌክትሮኒክ ኢንፎርሜሽኖችን ማቅረብ ደንበኞችን ለማቆየት ይጠቅማል            |            |        |    |        |            |
| 1.4 | ባንኩ ኤሌክትሮኒክ አገልግሎት በማቅረብ ከ ደንበኞቹ ጋር ግንኙነት ይፈጥራል.     |            |        |    |        |            |
| 1.5 | ባንኩ ለ ደንበኞቹ በዘመናዊ ቴክኖሎጂ የታገዘ አገልግሎት ይሰጣል።            |            |        |    |        |            |
| 2   | <b>መልስ ሰጪነት</b>                                      |            |        |    |        |            |
| 2.1 | የ ባንኩ ሰራተኞች በርግጠኝነት ለ ደንበኞች ቅሬታ መልስ ይሰጣሉ።            |            |        |    |        |            |
| 2.2 | ባንኩ የደንበኞችን አስተያየት ተቀብሎ ተገቢውን ምላሽ ይሰጣል።              |            |        |    |        |            |
| 2.3 | የ ባንኩ ሰራተኞች ጊዜ ሰተው የደንበኞችን ችግር ይፍታሉ።                 |            |        |    |        |            |
| 2.4 | የባንኩ ሰራተኞች ሁልጊዜ ማንኛውንም የ ደንበኞች ጥያቄዎች ለመመለስ ፈቃደኛ ናቸው። |            |        |    |        |            |
| 2.5 | ደንበኞች ባቀረቡት ቅሬታ ላይ ባንኩ በሚሰጠው ምላሽ ላይ ከፍተኛ ትኩረት ይሰጣሉ።  |            |        |    |        |            |
| 2.6 | የባንኩ ሰራተኞች የ ደንበኞችን ጥያቄ በአግባቡ ለመመለስ ስራ አይበዛባቸውም።     |            |        |    |        |            |
| 2.7 | ሰራተኞች ደንበኞችን በ ክብር ያስተናግዳሉ                           |            |        |    |        |            |
| 3   | <b>ደንበኞን መለየት</b>                                    |            |        |    |        |            |
| 3.1 | ባንኩ ለቁልፍ ደንበኞቹ ከፍላጎታቸው ጋር የሚጣጣም አገልግሎት ይሰጣል          |            |        |    |        |            |
| 3.2 | የሚዘጋጁት አገልግሎቶች ከ ደንበኞች ፊላጎት ጋር የተስማማ ነው።             |            |        |    |        |            |

|     |                                     |  |  |  |  |
|-----|-------------------------------------|--|--|--|--|
| 3.3 | ሁሉም ደንበኛ በ ከፍተኛ እንክብካቤ ይሰጥዎታል፤      |  |  |  |  |
| 3.4 | ባንኩ ለተለዩ ደንበኞች የተለየ እንክብካቤ ያደርጋል    |  |  |  |  |
| 3.5 | ባንኩ ደንበኞቹን ያበረክቱትን መሰረት አድርጎ ይሸልማል። |  |  |  |  |
| 4   | <b>ደንበኛን ማቆየት</b>                   |  |  |  |  |
| 4.1 | ባንኩ ፍላጎቴን ለመጠበቅ ጥረት ያደርጋል።          |  |  |  |  |
| 4.2 | ከ ባንኩ ጋር ጥሩ የ ሆነ ግንኙነት አለኝ          |  |  |  |  |
| 4.3 | ባንኩ የምፈልገውን ሁሉ አገልግሎት ይሰጠኛል፤        |  |  |  |  |
| 4.4 | ባንኩ ተደራሽ የ ሆነ ዌብሳይት ያቀርብልኛል።        |  |  |  |  |
| 4.5 | የ ባንኩ ደንበኛ ሆኜ እቀጥላለሁ።               |  |  |  |  |
| 4.6 | ባንኩ የ የመጀመሪያ ምርጫዬ ነው።               |  |  |  |  |
| 4.7 | ባንኩ በቀልጣፋነት ችግሪን ይፈታልኛል።            |  |  |  |  |
| 4.8 | ባንኩ በቀጥታ ለ ችግሪ መልስ ይሰጠኛል።           |  |  |  |  |

ለተደረገልኝ ትብብር እጅግ በጣም አመሰግናለሁ!!!!

## APPENDEX C

### Correlations

[DataSet1] E:\PAPER\Mekdi Thesis SPSS.sav

|                            |                     | Social Network Interaction | Responsiveness | Customer Recognition | Customer Retention |
|----------------------------|---------------------|----------------------------|----------------|----------------------|--------------------|
| Social Network Interaction | Pearson Correlation | 1                          | .231**         | .210**               | .333**             |
|                            | Sig. (2-tailed)     |                            | .000           | .000                 | .000               |
|                            | N                   | 298                        | 298            | 298                  | 298                |
| Responsiveness             | Pearson Correlation | .231**                     | 1              | .509**               | .525**             |
|                            | Sig. (2-tailed)     | .000                       |                | .000                 | .000               |
|                            | N                   | 298                        | 298            | 298                  | 298                |
| Customer Recognition       | Pearson Correlation | .210**                     | .509**         | 1                    | .722**             |
|                            | Sig. (2-tailed)     | .000                       | .000           |                      | .000               |
|                            | N                   | 298                        | 298            | 298                  | 298                |

|                    |                     |        |        |        |     |
|--------------------|---------------------|--------|--------|--------|-----|
| Customer Retention | Pearson Correlation | .333** | .525** | .722** | 1   |
|                    | Sig. (2-tailed)     | .000   | .000   | .000   |     |
|                    | N                   | 298    | 298    | 298    | 298 |

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

## Regression

[DataSet1] E:\PAPER\Mekdi Thesis SPSS.sav

**Variables Entered/Removed<sup>a</sup>**

| Model | Variables Entered   | Variables Removed | Method |
|-------|---|-------------------|--------|
| 1     | Customer Recognition, Social Network Interaction, Responsiveness <sup>s</sup> |                   | Enter  |

a. Dependent Variable: Customer Retention

b. All requested variables entered.

**Model Summary<sup>b</sup>**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1     | .762 <sup>a</sup> | .580     | .576              | .416                       | 1.084         |

a. Predictors: (Constant), Customer Recognition, Social Network Interaction, Responsiveness

b. Dependent Variable: Customer Retention

**ANOVA<sup>a</sup>**

| Model |            | Sum of Squares | Df  | Mean Square | F       | Sig.              |
|-------|------------|----------------|-----|-------------|---------|-------------------|
| 1     | Regression | 70.435         | 3   | 23.478      | 135.372 | .000 <sup>b</sup> |
|       | Residual   | 50.990         | 294 | .173        |         |                   |
|       | Total      | 121.425        | 297 |             |         |                   |

a. Dependent Variable: Customer Retention

b. Predictors: (Constant), Customer Recognition, Social Network Interaction, Responsiveness

**Coefficients<sup>a</sup>**

| Model | Unstandardized Coefficients |            | Standardized Coefficients | t    | Sig.   | Collinearity Statistics |      |       |
|-------|-----------------------------|------------|---------------------------|------|--------|-------------------------|------|-------|
|       | B                           | Std. Error | Beta                      |      |        | Tolerance               | VIF  |       |
| 1     | (Constant)                  | .600       | .187                      |      | 3.200  | .002                    |      |       |
|       | Social Network Interaction  | .162       | .038                      | .166 | 4.238  | .000                    | .935 | 1.069 |
|       | Responsiveness              | .200       | .048                      | .186 | 4.181  | .000                    | .725 | 1.379 |
|       | Customer Recognition        | .459       | .034                      | .592 | 13.413 | .000                    | .732 | 1.366 |

a. Dependent Variable: Customer Retention

## **DECLARATION**

I hereby declare that this study entitled —The Effect customer relationship management on Customer retention: The Case of commercial bank of Ethiopia is my original work prepared under the guidance of my advisor, Temesgen Belayneh (Dr.). This paper is submitted in partial fulfilment of the requirement for the Award of Master of Arts Degree in General Business Administration and it has not been previously submitted to any diploma or degree in a college or university. I would like also to confirm that all the sources of materials used in this study are duly acknowledged.

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**Name**

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

---

**Signature**

June, 2020

## **ENDORSMENT**

This thesis has been submitted to St. Mary's university school of business for examination with my approval as university advisor.

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**Name**

**St Mary's University, Addis Ababa**

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**Signature**

**June, 2020**

