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**ST.MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MARKETING MANAGEMENT**

**IMPACT OF CUSTOMER ORIENTATION OF SERVICE
EMPLOYEES ON RELATIONSHIP QUALITY AND
CUSTOMER LOYALTY**

**(CASE STUDY OF COMMERCIAL BANK OF ETHIOPIA IN
ADDIS ABABA)**

BY

SAMRAWIT LEMMA

JUNE 2020

ADDIS ABABA, ETHIOPIA

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SUBMITTED TO INSTRUCTOR: TEMESGEN (PhD)

**THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL
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ADDIS ABABA, ETHIOPIA

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DECLARATION

I, the undersigned, declare that a thesis entitled **IMPACT OF CUSTOMER ORIENTATION OF SERVICE EMPLOYEES ON RELATIONSHIP QUALITY AND CUSTOMER LOYALTY** is my new and original work prepared under the advisor or direction of **TEMESGEN(PhD)**, submitted for MA Degree in Marketing Management. It has not been offered to any other University for award of a degree, diploma or certificate.

Name

Signature

ENDORSEMENT

This is to clarify that SAMRAWIT LEMMA carried out his thesis on “**Impact Of Customer Orientation Of Service Employees On Relationship Quality And Customer Loyalty**” and submitted in partial fulfillment of the requirements for the award of the degree of Masters of Art in Marketing Management at St. Mary’s University, School of Graduate Studies for examination with my approval as a university advisor.

Signature: _____ **Date:** _____

TEMESGEN (PhD) Advisor

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ACRONYMS AND ABBREVIATIONS

CFA	Confirmatory factor analysis
COSE	Customer orientation of service employees
RQ	Relationship Quality
SEM	Structural equation model

ABSTRACT

The main purpose of this research is to conduct an empirical study on selected branch customers to assess the impact of customer orientation of bank employees on relationship quality and customer's loyalty dimensions. In order to achieve the underlying objective, an analytical model is developed based on previous researches as a guideline to test the relationships between Customer orientation of service employees (COSE), relationship quality (trust, commitment and satisfaction) and customer loyalty. For this purpose a structural equation modeling was used to identify how customers perceive customer orientation of service employees and how this effect their loyalty intention towards Commercial Bank of Ethiopia in Addis Ababa. Total number of 384 respondents served as a particular sample for this study. A self-completed questionnaire distributed to serve the purpose and the SPSS 25 for windows and STATA 15 are used to process the primary data. The findings of this study prove that COSE does have a strong positive relationship with the three relationship quality dimensions (Trust, Commitment and Satisfaction). Further, this study also supports that Behavioral and attitudinal customer loyalty can be presented as a positive and linear function of Satisfaction and trust. However, the relationship between commitment and Loyalty is not strong and significant. Based on the findings of the study recommendations are put forward.

KEYWORDS: Customer Orientation of Service Employee, Relationship, Loyalty, Commercial Bank of Ethiopia

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Decades has elapsed since the old transactional marketing concept was replaced by loyalty based relationship marketing. Because of the high cost associated with acquiring new customers, Marketers have gradually come to understand that long term customer relationship is advantageous than serving new customer now and then on a transaction basis. Thus, Customer loyalty is currently one of the most fundamental marketing focal areas which has comes to be an imperative concern for managers and academicians. Further, this increasing concern is generally exacerbated by the strong competition in the business environment. A special case to this phenomenon is the financial service industries where there is a wide range of choices and rapidly emerging innovative services, it is an imperative task of managers to win loyalty of their customers which have variety of choice at every corner and to retain them.

According to Hennig-Thurau and Thurau (2003), customer orientation provided by companies has undeniable influence on its continuing relationship with their customers. Within the area of services, regarding to customer's satisfaction and service quality, the main role consists of the performance of employees especially those personnel who interact personally with customers. Fatima and Razzaqu(2010)believe that employees are not responsible only for providing and generating the service, but in the customer's view, they are actually a part of it. This is more applicable to banking services since they compete and satisfy customers with a few core services.

Bearing in mind the critical role of service employees, the concept of customer orientation of service employees (COSE) with its dimensions and its influence on customer satisfaction and loyalty needs to be describe and investigated. Hennig-Thura and Thurau (2003) described COSE as “the behavior of service employees when serving the needs and wishes of existing and prospect customers”. They explained that there are three dimensions namely freedom, skills, motivation or authority in decision making that has impact on employee's behavior in order to fulfil customer needs. However, later the dimension of skills was divided into technical skills and social skills by Hennig-Thurau (2004). Therefore, the extent of COSE can be determined by the

strength and interrelationships of these dimensions. Once the COSE and its dimensions are specified, its relation to customer satisfaction and loyalty in that specific market sector can be investigated. Fatima and Razzaqu (2010) argued that in order to gain sustainable competitive advantage, banks should discover how perception of customers' interactions with contact employees influences continuing satisfaction. Local study by Beyene 2015 shows, that COSE does have a strong positive relationship with the three relationship quality dimensions (Trust, Commitment and Satisfaction). Further, this study also supports that Behavioral and attitudinal customer loyalty can be presented as a positive and linear function of Satisfaction and commitment. However, the relationship between Trust and Loyalty is not strong and significant. According to previous literatures, the extent to which the service employee is customer oriented in the mind of the customer has a significant effect on the quality of customer-employee relationship which in turn affect loyalty.

By combining the above key concepts, the purpose of this study was to find out the impact of customer orientation of service employees on relationship quality and customer loyalty using Commercial Bank of Ethiopia as reference.

1.1.1. Background of the Company

The history of 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 role in the development of the country. It is a pioneer to introduce modern banking to the country and is the leading African bank with assets of 384.6 billion Birr as of June 30th 2016. It introduced Western Union Money Transfer Services in Ethiopia early in 1990s and currently working with other 20 money transfer agents like Money Gram, Atlantic International (Bole), Xpress Money, etc. It is also the first bank in Ethiopia to introduce ATM service for local users (<http://www.combanketh.et>).

Currently CBE has more than 13.3 million account holders and 1140 branches stretched across the country. The number of Mobile and Internet Banking users also reached more than 1,352,000 as of September 30th 2016 (68% active users). Active ATM card holders reached more than 3 million (61% active users). CBE combines a wide capital base with more than 29,000 talented and committed employees (<http://www.combanketh.et>).

CBE plays a catalytic role in the economic progress & development of the country. CBE has a SWIFT bilateral arrangement with more than 700 other banks across the world. It has strong correspondent relationship with more than 50 renowned foreign banks like Commerz Bank A.G., Royal Bank of 4 Canada, City Bank, HSBC Bank, etc. CBE has reliable and long-standing relationship with many internationally acclaimed banks throughout the world and currently opened four branches in South Sudan and has been in business since June 2009 (<http://www.combanketh.et>).

Here in this study it does have three variables the first one is COSE which is the independent variable and the other are RELATIONSHIP QUALITY and LOYALTY which are the dependent variables

1.2. Statement of the Problem

As said by Zhang and Feng, (2009) attracting more customer, building good relationship quality with customers, making customers satisfied and trusting, and obtaining customer's loyalty, through relationship marketing tactics is a challenge that is a must to face for service providers.

Despite the very importance of customer orientation of service employees (COSE) to promote relationship quality which is an indicator of a stronger relationship and for creating loyal customer specially in service context, there are only few studies conducted on the issue as far as the reviewed literatures are concerned and only little empirical research has been conducted to examine these two important constructs (Hennig-thurau.,(2004), Macintosh, (2007)). Further no study has yet tested the impact of COSE on the way customers assess transactions with service employees or their relationship with the service provider as a whole (Hanzaee and Mirvaisi, 2011). Even if customer's perception of the firm depends on their experience of interaction with employees, Most studies (empirical and conceptual) focus on customer orientation/market orientation of the overall firm rather than customer orientation of the boundary spanners, which are the employees. Saxeand Weitz(1982),Hennig-Thurau(2004),Macintosh (2007) are among the very few scholars to assessed the link betweenCOSEand customer satisfaction, commitment, and retention and in 5 other countries with different socio-cultural and economical setting than countries like ours. Alemayehu (2014) attempts to assess the impact of Customer orientation on satisfaction and loyalty in Ethiopian context but fails to comprehensively study the concept of

relationship quality On the conceptual causal chain between customer orientation, relationship quality and customer loyalty.

Currently the commercial banks of Ethiopia improve its relationship quality by overcoming the existing challenges. To do so it is important to know the main factors that affect relationship quality. This study empirically investigates impacts of Customer Orientation of Service Employees on Relationship Quality and Customer Loyalty and which of those factors are influential.

1.3. Research Questions

In this study, the following questions are going to be addressed:

- What role does customer orientation play in creating a quality customer-employee relationship?
- What effect does Customer orientation have on trust, commitment and satisfaction?
- How do relationship quality dimensions affect customer loyalty?
- Will the research model developed holds in the target population of the study?

1.4. Objective of the Study

1.4.1 General Objective

The main purpose of this research is to conduct an empirical study on selected branch customers to assess the impact of customer orientation of bank employees on relationship quality and customer's loyalty by analyzing the relationship of every construct in the conceptual model.

1.4.2. Specific Objective

- To investigate the extent to which loyalty is affected by trust, commitment and satisfaction in CBE context.
- To test comprehensive COSE – loyalty model in the case of CBE
- To find out how to achieve loyalty through customer orientation

- To investigate the relationship between customer orientation and relationship quality dimensions (i.e. trust, commitment and satisfaction) and customer loyalty in the case of CBE

1.5. Scope of the Study

The ultimate objective of this study is to assess the impact of customer orientation on relationship quality and loyalty and the following are the delimitations;

First, in terms of the constructs in the model, Service employees Customer orientation was measured using *Hennig-thurau's, (2004)* COSE model in which it is conceptualized as a second order construct of four dimensions (i.e. Technical skills, Social skills, Motivation and decision-making authority) and only three basic components (trust, commitment and satisfaction) are used to measure relationship quality. Further global/true loyalty is conceived as composite construct of behavior and attitude. Other customer orientation and relationship quality measurements are beyond this study and deemed unnecessary. In addition, the importance of loyalty for the firm and causal relationship between RQ constructs specifically trust and commitment is beyond the objective of the study and is not investigated.

Second, this study is delimited to the financial service sector and specifically the banking sector only. This study only focus on Ethiopian commercial bank, others in the financial Industry in the countries are not involved. Further, geographically, the study delimits to bank branches in Addis Ababa city due to time and resource constraints.

Third, in this study the focus is on the perception of customer regarding the six constructs. This study is done only from customer's point of view, the service firms' or employee's Perspectives about this subject are not researched.

1.6. Significance of the Study

This research will focuses on the Impact of Customer Orientation of Service Employees on Relationship Quality and Customer Loyalty in case of Commercial bank of Ethiopia will expected to benefit from this study. The outcome of any research is its findings. Hence the findings of this study have theoretical/academic and managerial/strategic significance:

The followings are the major significance of the study:

- The findings of this study will give an input for various scholars, who are going to make further studies on similar issues or area.
- It will also helpful to the regulatory body to take as an additional input for future policy making.
- It will helps to the management of commercial bank of Ethiopia and other private banks in identifying the Impact of Customer Orientation of Service Employees on Relationship Quality and Customer Loyalty and enables them take proper adjustments to alleviate such problems.
- It will provide information for all stakeholders especially for boards and management of the commercial bank in order to minimize the impact of Customer Orientation of Service Employees on Relationship Quality and Customer Loyalty making them to design effective strategies.

1.7. Organization of the Research Report

The paper organized in to five chapters; the first chapter is an introduction for the study which introduces the overall study. This part consists of introduction or back ground of the study, problem statement, objectives, significance and scope of the study.

Chapter 2, the literature review of this study, provides the theoretical background for the empirical part of the study. It starts with a discussion of what relationship marketing is and comparison with the traditional transactional marketing. The concept of COSE is then examined in order to understand what it is and how it affects the quality of the bank – customer relationship. This is followed by a detail discussion about Relationship quality and its conceptualization and dimensions. Then, the benefits of and approaches to customer loyalty are discussed. Finally, based on the above discussion empirical framework and research hypothesis are forwarded.

Chapter 3 presents the methodology adopted in order to answer the research questions. The research design, methods, data collection, contents of the survey and the resulting data are all presented here in detail. This chapter also presents the statistical methods used in the study

starting with confirmatory factor analysis (CFA) and then structural equation model (SEM) analysis.

Chapter 4 presents the analysis of the empirical data regarding the effect that COSE has on Relationship quality and customer loyalty, based on the findings of the literature review. This chapter reviews the reliability and validity of the analysis and test the hypotheses portrayed in previous sections using the statistical methods mentioned earlier.

Chapter 5 discusses the empirical findings and their fit to the reviewed literature. Next, the key findings of the study are summarized for further elaboration.

Chapter 6 finalizes the thesis with discussions of the study's conclusion, managerial and theoretical implications, limitations and implications for future research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Relationship Marketing and Loyalty

Relationship marketing and customer relationship management have taken a central position in marketing strategy in the past two decades (Palmatier., 2008). Relationship marketing establishing, developing, and maintaining successful relational exchanges-constitutes a major shift in marketing theory and practice (Morgan and hunt, 1994).

Several definition of relationship marketing has been forwarded by many researchers over time. Some of the definitions are presented below.

Relationship marketing Involves activities aimed at developing long-term, cost-effective links between an organization and its customers for the mutual benefit of both parties (lovelock and wright 1999).

Relationship marketing is simply an orientation of treating all customer interactions as part of an ongoing stream of interactions, rather than treating each customer interaction as an isolated incident. Relationship marketing focuses on a long-term relationship and series of transactions with the customer (Gengler&Leszczyc, 1997).

Relationship marketing according to kotler is the process of creating, maintaining and enhancing strong, value laden relationships –with customers and other stakeholders. Relationship marketing is oriented more towards the long term. The goal is to and the measure of success in long-term customer satisfaction The objective is to deliver long-term value to customers build relationships and to develop loyal customers who will do a growing volume of business with the firm in the future (Kotler et.al. 1999).

After a due analysis of several aspects of relationship marketing, Palmatier R. (2008) forwards the following definition:

“Relationship marketing (RM) is the process of identifying, developing, maintaining, and terminating relational exchanges with the purpose of enhancing performance.”

We can better understand Relationship marketing by comparing its counterparts known as transactional/Traditional marketing.

For example, Christopher et al. (1991) explained that transactional marketing is focused on a single sale in the short term. Transaction marketing is said to be oriented towards product features with low emphasis in service, and involves moderate customer contact and limited customer commitment, when compared with relationship marketing which emphasizes product benefits with high service, customer contact, and customer commitment.

Understanding relationship marketing requires distinguishing between the discrete transaction, which has a "distinct beginning, short duration, and sharp ending by performance," and relational exchange, which "traces to previous agreements [and] ... is longer in duration, reflecting an ongoing process" (Morgan and Hunt, 1994)

Grönroos (1991) argues that transaction and relationship marketing differ in the following aspects:

- Time perspective, where transactional marketing is Short-term focused and relationship marketing has long term orientation,
- Price elasticity in which customers tend to be less sensitive to price in relationship marketing than in transactional marketing,
- The dominating marketing function and quality dimension,: Quality of interactions is the important one in relationship marketing and quality of output is dominant in transactional marketing
- Measurement of customer satisfaction, the customer information system, functional interdependence, and the role of internal marketing etc.

The ultimate goal of relationship marketing is to reap the highest value from a loyal customer by maximizing the value for the customer at the same time because Generally speaking, customers who buy more frequently and in larger volumes, who are not sensitive to price and who are more likely to spread positive word of mouth are more profitable than occasional users. As a result companies must be oriented toward a long-term relationship with loyal customers rather than focusing on transactions.

In this study all the variables raised are under the domain of relationship marketing

2.2. Customer Orientation of Service Employees (COSE):

One of the most important subjects in relationship marketing domain is customer orientation of service personnel and service firm. According to literatures customer oriented companies produce high-quality service from the customer's perspective, rather than the management's "we know what customers want" attitude. They put themselves in the shoes of the customer and design delivery systems that meet customer needs and expectations. They hold close to the concept of dedication to the customer. Customer orientation is a central theme in literature (Scheer and Loos, 2002). Customer orientation can be thought of as the behavior and ability of service employees to help and fulfill customer's expectation during the interpersonal interaction with customers. Hennig-Thurau (2004) defines COSE as the extent to which the employee's behavior in personal interactions with customers meets those customer needs.

In the marketing literature, the impact of a firm's customer orientation on its long-term economic success is largely undisputed. The concept of customer orientation has thus developed into one of the main fields of marketing research. The idea behind customer orientation - which is closely related to the fundamental thinking behind marketing itself is that a company has to address the needs and wishes of its customers adequately in order to ensure that they will buy the company's products and services, experience a high degree of satisfaction with these goods and services, and then become loyal customers of that company (Hennig-Thurau and Thurau, 2002).

Especially in the case of services with high interaction like bank, The customer's perception of the extent to which employee is inclined to the fulfillment of customers need have a significant input in the customer's judgment of the quality of their relationship or the quality of the service in general which leads not only to an increase in customer satisfaction and a positive relationship with employee but also to an emotional commitment to the organization, and for retaining these customer. In the words of Hennig-Thurau (2004) as a result of the intangible and interactive nature of services, customers often rely on the behavior of service employees when judging the quality of a service. Consequently, the employees' level of customer orientation is considered an important leverage for service firms' economic success.

The more client-contact service employees (bank employees) have communicated benefits, the stronger the clients' perception that bank employees put clients' needs first. When employees of

client-oriented bank provide superior and highly satisfactory services, the service image of the bank will improve and client satisfaction will increase. Client orientation appears to have a direct relationship with relationship quality. (al-alak and alnawas, 2010)¹² The findings of an empirical study by Hennig-Thurau (2004) for two service contexts (i.e. book/CD/DVD retailers and travel agencies) illustrate that service employees' level of customer orientation is a key driver for customers' satisfaction with the service firm, the level of emotional commitment of these customers to the firm, and, most importantly, their degree of retention.

The studies by Narver and Slater (1990) and Jaworski and Kohli (1993) empirically substantiate the economic potential of a firm's customer orientation. Further the existing sales literature generally agrees that customer-oriented selling leads to increased profits and customer satisfaction (Keillor et.al. 2000).

2.2.1. Conceptualizing Customer Orientation

In this study service employee's customer orientation is conceptualized as a construct having four dimensions as suggested by Hennig-Thurau (2004).

The four dimensions are:

1. Technical skills,
2. Social skills,
3. Motivation and
4. Decision-making authority

The employee's **technical skills** refer to the knowledge and those technical or motor skills which a service employee must possess in order to fulfill the customer's needs during the personal interaction process. Such technical skills are essential for customer need fulfillment as the characteristic of service encounters requires the employee to respond instantly to the customer instead of relying on data in knowledge databases, etc. In several service areas such as hairdressers and massage salons, the employee's motor skills are to a large extent identical with the service provided and cannot be substituted by other service components.(ibid.)

The concept of **social skills** focuses on the service employee's ability to take the customer's perspective during interactions. Specifically, such perspective taking can take place visually (i.e. the employee understands what the consumer sees and perceives), cognitively (i.e. the employee understands what the consumer thinks), and emotionally (i.e. the employee understands what the consumer feels). All of these three facets enable the employee to understand the consumer's needs and are therefore considered necessary for need fulfillment (Hennig-Thurau, 2004).

Regarding the **motivation** dimension of service employee's customer orientation, Hennig-Thurau (2004) deduce employee's motivation to serve customers from Vroom's expectancy theory which assumes that people's motivation to exert effort is dependent upon their expectations for success and consists of three elements, namely: Expectancy, Instrumentality and Valence (Jobber and Lancaster, 2009).

1. Expectancy. This refers to a person's perceived relationship between effort and performance, i.e. to the extent to which a person believes that increased effort will lead to higher performance.

2. Instrumentality. This reflects the person's perception of the relationship between performance and reward; for example, it reflects the extent to which a person believes that higher performance will lead to promotion.

3. Valence. This represents the value placed upon a particular reward by a person. For some individuals promotion may be highly valued; for others it may have little value.

Motivation is essential for the employee's transformation of social and technical skills into customer-oriented behavior (Hennig-Thurau, 2004).

2.3. Empirical Literature Review

Customer Orientation and Relationship Quality

The concept of motivation to behave in a customer-oriented way requires the existence of all three components, as non-compensatory inter-component relationships are expected to exist between the three. If an employee is not attracted by the idea of serving customers or the related

consequences (e.g. pay, employee-of-the-month award), then he or she will probably not engage in customer-oriented behavior, even if there is a realistic chance of performing well and receiving monetary or non-monetary rewards..

The Final dimension of customer orientation, the employees' self-perceived **decision-making authority** corresponds to the extent to which service employees feel authorized to decide on issues that concern customers' interests and needs (ibid). Self-perceived decision-making authority is related to the empowerment concept intensively discussed in the services literature (ibid). As with motivation, decision-making authority is needed in order 14 to transfer an employee's skills and intention to treat customers in a friendly and competent way into actual behavior.

Consequently, service employees' Customer orientation is considered a four-dimensional construct with technical skills, social skills, motivation, and decision-making authority as dimensions. The assumption of Hennig-Thurau, (2004) that the four dimensions belong to the same constructs was also supported by the data. In the analysis correlations between all four Customer orientation dimensions were strong and highly significant, clearly indicating that the dimensions belong to a joint construct.

2.4. Relationship Quality: Definition and Conceptualization

Another imperative theme in relationship marketing is relationship quality. Relationship Quality (RQ) can be seen as the degree of appropriateness of a relationship to fulfill the needs of the customer associated with the relationship (Thurau and klee, 1997). Based on a review of the marketing literature, Relationship quality can be viewed as model that shows the degree that the customer trusts the service provider and in the future, has confidence in the service provider's performance to be consistently satisfactory.

Relationship quality is focused more on long-term customer relationships rather than on short-term transactions. Previous researchers have shown that a high quality relationship can earn life-long customer commitment and is valuable for a business. Such a relationship reduces uncertainty for customers and helps maintain a good business relationship.

Relationship quality has not only a direct effect on the seller's outcomes but also a conceptually meaningful, positive, leveraging effect through its interaction with relationship breadth and composition on performance outcomes (Palmatier, 2008).

Relationship Quality is a critical success factor that influences the competitiveness of an organization. Relationship Quality is one of the important outcomes of marketing activity (Mousavi, 2012) Findings reveal that a better quality of the relationship results in a greater satisfaction with the relationship (Lages, et.al.,2004).

The result of a study by Grégoire and Fisher (2006) Reveals that compared to low RQ customers, High RQ customers experience a very low desire for retaliation, which should result in a lower propensity to spread negative word-of-mouth, to exit the relationship with the firm, and to contact third-party organizations. When strong RQ customers attribute a service failure to uncontrollable factors, they do not consider retaliation to be a reasonable response. Given the quality of their relationship with a firm, they tend to give the firm the benefit of the doubt.

Good relationship quality makes customers want to stay with the current service provider (C.-T. Liu et.al. 2011) Relationship quality represents an important asset allowing maintaining and developing ongoing customer relationship (Ghzaïel and Akrouf 2012).

Crosby, Evans and Cowles (1990)(cited on Pepur et.al. 2011) state that quality relationship represents the utmost importance while offering professional services such as accounting and to many financial services due to the following facts:

- The service is complex, customized, and delivered over a continuous stream of transaction,
- Many buyers are relatively unsophisticated about the service,
- The environment is dynamic and uncertain in ways that affect future needs and offerings.

2.4.1. Dimensions of Relationship Quality

There are several contextual dimensions of relationship quality developed by researchers in the marketing literature. Lages, et.al.(2004) Propose the RELQUAL scale in export marketing in which Relationship quality is presented as a high-order concept with Multidimensional scale comprising four dimensions (1) amount of information sharing in the relationship, (2)

communication quality of the relationship, (3) long-term relationship orientation and (4) satisfaction with the relationship. In their study in the service context, Grégoire and Fisher (2006) conceptualize RQ as a higher-order construct that is reflected in trust, satisfaction, commitment, and identification. Morgan and Hunt (1994) empirical result suggest that commitment and trust is the key to cooperative relationships which are required for relationship VF marketing success. Further they posit that Identifying commitment and trust as key mediating variables is critical to the study and management of relationship marketing.

After a rigorous survey of a literature relevant to relationship quality, Vieira et.al., (2008) forward the following comprehensive table illustrating the most common dimensions of relationship quality.

2.5. Customer Loyalty

Nowadays, in competitive economy there is no warranty for business companies to survive. Loyal customers can be of great help to companies to survive and improve. Therefore, companies need to concentrate on loyalty of customers and enjoy customers' loyalty as a main strategy for future (Aliabadi et.al, 2013).

In the age of cut throat competition and heightened customer expectations, cutting on defection and building bonds of long lasting loyalty with the customers seem to be the only means of sustained profitability and growth (Rai and Medha, 2013).

The distinctive nature of services, increased role of technology and higher customer involvement in service delivery processes have furthered the importance of customer loyalty in service industries (ibid).

Customer loyalty is the most important goal of implementing relationship-marketing activities (Zhang and Feng, 2009). Customer loyalty is one of the most important indicators used to evaluate the quality of services offered by an organization. According to the results of numerous researches published in the relationship marketing literature, a loyal customer may bring many benefits to the organization, contributing both to the improvement of the growth rate and to the increase of the safety degree or organizational stability (Filip and Anghel, 2009).

There is an observable worldwide shift toward loyalty marketing in most of the sectors across various industries (Rai and Medha, 2013).

Customer loyalty is winning the confidence of the customer in favor of an organization such that the relationship becomes a win-win situation for both the organization as well as the customer (Ganiyu, Uche and Elizabeth, 2012).

Customer Loyalty can be considered as customer's willingness to continue patronizing a firm over the long term, preferably on an exclusive basis, and recommending the firm's products to friends and associates (Lovelock and Wirtz, 2007).

According to Rai and Medha (2013) "Customer Loyalty is a psychological character formed by sustained satisfaction of the customer coupled with emotional attachment formed with the service provider that leads to a state of willingly and consistently being in the relationship with preference, patronage and premium".

Consumer loyalty in the service industry also referred as service loyalty means customer's faithfulness to specific brand in the service industry. Therefore customers maintain a series of loyalties to the organizations whose service they usually consume (Ali I. et.al. (2012).

The most widely accepted definition of loyalty is that customer loyalty is the behavioral outcome of a customer's preference for a particular brand or a selection of similar brands, over a period of time that is the result of an evaluative decision-making process (Gilmore A. 2003).

Customer loyalty is not a process that finishes with the customer joining the loyalty program but actually a process that starts with the customer joining the same. Customer loyalty is something more of what an enterprise must get from the customer. As opposed to what the name suggests, it is not just something that the customer has to build towards the enterprise (Ganiyu, Uche and Elizabeth 2012).

2.5.1. Importance of Customer Loyalty

Customer loyalty broadly refers to customers' behavior that indicates a desire to better an ongoing Relationship with an organization. It is customers' willingness to purchase again from a company, having preference for the company's products or services, or recommending the

company to others (Palmatier et al., 2006). It is customer's desire to remain in a relationship with a company that demonstrates how much a customer is loyal to the company.

Customer loyalty is winning the confidence of the customer in favor of an organization such that the relationship becomes a win-win situation for both the organization as well as the customer (Ganiyu, Uche & Elizabeth, 2012).

Loyalty is developed over a period of time from a consistent record of meeting, and is very difficult to be achieved. More and more unique ways are adopted to meet the ever changing nature of the service industry. Every organization in the market competes to develop advanced methods to keep on track. Technology, for example affects the service industry since constantly meeting customer satisfaction over a period of time is the only way to achieve customer loyalty (Teich, 1997). Kotler et al. (1999) claim that the cost of attracting a new customer may be five times the cost of keeping a current customer happy.

Customer Loyalty can be considered as customer's willingness to continue patronizing a firm over a long term, preferably on an exclusive basis, and recommending the firm's products or services to others (Lovelock & Wirtz, 2007).

The most widely accepted definition of customer loyalty is that it is the behavioral outcome of a customer's preference for a particular brand or a selection of similar brands, over a period of time that is the result of an evaluative decision-making process (Gilmore, 2003). Customer loyalty is not a process that finishes with the customer joining the loyalty program but actually a process that starts with the customer joining the program. As opposed to what the name suggests, it is not something that the customer has to build towards the enterprise, but something that the enterprise must get from the customer (Ganiyu, Uche & Elizabeth, 2012).

The distinctive nature of services, increased role of technology and higher customer involvement in service delivery processes have furthered the importance of customer loyalty in service industries. Customer loyalty is one of the most important indicators used to evaluate the quality of services offered by an organization. According to the results of numerous researches published in the relationship marketing literature, a loyal customer may bring many benefits to an organization by increasing organizational profitability and stability (Fillip & Anghel, 2009).

2.5.2. Approaches to Customer Loyalty

Loyalty to an object (e.g. a brand, store, service or company) is shown by favorable propensities towards that object. These propensities may be behavioral or attitudinal (East et.al. 2005). The following section gives a brief explanation for the concepts.

I. Behavioral/Purchase Loyalty

The behavioral approach considers customers loyal only based on their actual conduct i.e. because they continue to buy. In fact, this approach is the earliest form of loyalty conceptualization ((Mousavi, (2012), Bobalca (2013).

Behavioral loyalty relates to shares of purchase, purchasing frequency (Zhang and Feng, 2009). It is according to Motamedifar et.al (2013) the customer's willingness to repurchase the product and to continue a relationship with the supplier.

Behavioral loyalty is evaluated with the help of different quantitative indices like: the number of purchases made by the customer from the product portfolio of a company, the frequency of acquisition, the percentage from the total expenditures made by a customer for a certain product or service, with regard to a certain organization, the cross-buying potential of the customer. (Filip and Anghel, 2009) However the behavioral definition has its own draw back that it does not allow to differentiate true loyalty from that of artificial/spurious loyalty. It is possible for a customer to continue purchasing from the same service provider without a strong attitude toward the firm. This type of loyalty or customer retention may be called spurious loyalty, if the repeated customer behavior happens without a strong attitude or a clear preference of the customer toward the current bank. In cases of spurious loyalty, customers continue to patronize a certain bank due to familiarity or habit, inertia, passivity, deals, low income or lack of others alternatives, but do not have a corresponding positive relative attitude (Filip and Anghel, 2009).

Ii. Attitudinal Loyalty

The attitudinal approach treats loyalty as a state of mind. Attitudinal loyalty describes customer's attitude toward loyalty by measuring customer preference, buying intention, supplier prioritization and recommendation willingness (Zhang and Feng, 2009). Attitudinal loyalty is also the level of the customer's psychological attachments and attitudinal advocacy vis-à-vis the

supplier (Motamedifar et.al (2013). It is defined as a consumer's desire to continue his relationship with the company in spite of the lower prices of the competing companies and to recommend the products or the services to his friends (Bobâlcă, 2013).

Attitude determines the grade to which a customer's position towards a product or service is desirable (Mousavi,, 2012).

The intensity of these attitudes represents a key predictor of the repeating purchase. It is also shown that the clients who manifest attitudinal loyalty are less capable of spread negative information about the brand. An expanded perspective of “attitude defines loyalty” indicates the existence of a relation between clients and brands (Bobâlcă, 2013).

This attitude can be measured by asking people how much they love the brand, how much are they attached to the brand or have positive feelings about it, what are the chances they will recommend the brand to other people (Dick and Basu, (1994), Mousavi,, (2012)).

Again the attitudinal approach could not measure a true loyalty status of a customer. By just having a positive attitude or preference over others a person cannot be treated as a true loyal without favorable behavior i.e. purchase because aside from their promotional value they have little or no contribution for the company's revenue. This is the case of latent loyalty in dick and basu's (1994) loyalty typology where a customer is characterized by high relative attitude combined with low repeat purchase. Sondoh, (2009) (in Bobâlcă (2013) posits that Measuring attitudes means involving customer' feelings for a brand or a company, the buying intentions or the recommendation intentions but the global loyalty phenomenon cannot be understood without the act of buying. The discussion on behavioral and attitudinal approaches to loyalty is clearly seen from the following Dick and Basu's (1994) Typology of Loyalty. As can be seen from the matrix true loyalty can only be assessed using both attitudinal and behavioral aspect.

iii. Composite Loyalty

Composite loyalty is a merger of behavioral and attitudinal loyalty, and is expected to have a better anticipative power (Mousavi,, 2012). Customer loyalty incorporates consumer preferences and their affective disposition toward the bank, which combined with repeat purchasing, describes the ideal situation of true loyalty. (Filip and Anghel, 2009) The composite definitions

suggest that loyalty should always comprise favorable attitudes, intentions and repeat-purchase (Mousavi, 2012)

Customer Orientation And Relationship Quality

Domain expertise which represents the customer's perception of the other party's level of technical knowledge and the ability to demonstrate such knowledge is one of the key drivers of RQ (Vieira et.al.,2008).

Client-oriented service providers provide service that goes beyond customer expectations and continue to put clients' needs and interests ahead of any other interest. The more client-contact service employees (bank employees) have communicated benefits, the stronger the clients' perception that bank employees put clients' needs first. When employees of client-oriented bank provide superior and highly satisfactory services, the service image of the bank will improve and client satisfaction will increase. Client orientation appears to have a direct relationship with relationship quality (Al-alak and Alnawas 2010).

Most importantly, the customer may stay with a certain service provider not because of superiority of performance, but because of the commitment he or she has developed to the service provider and its employees, that can be characterized by elements of emotionality and friendship. In the case of services, such an emotional commitment is based predominantly on the customer's personal familiarity with and affinity to single service employees. Consequently, we presume that the employees' handling of interactions with customers strongly influences the level of commitment a customer develops toward a service provider(Hennig-Thurau, 2004). COSE is found to significantly impact the consumer's emotional commitment to the service provider (Hennig-Turau, 2004).

The conceptual framework postulates that an organization's market orientation and their perceptions of their partner's market orientation have an association with the organization's trust, commitment and relational norms. Based on the regression analysis, it was clear that market orientation significantly and positively influences the elements of commitment and the elements of trust practicing high level of market orientation would help increase trust, commitment and relational norms (Zakaria et.al, 2011).

COSE is also found to significantly impact the consumer's emotional commitment to the service provider and its impact on customer satisfaction is clearly stronger (Hennig-Turau, 2004).

Seller expertise which is the Knowledge, experience, and overall competency of seller has strong association with building both trust and commitment (Palmatier et al., 2006).

Market orientation consists of customer orientation, competitor orientation, and cross-functional coordination where customer orientation measures the degree to which firms satisfy their target customers. Buyer will perceive a seller firm more trustworthy if the firm is market oriented (Chowdhury, 2012).

There exist a significant positive relationship between customer orientation and expertise and respondents' perception of relationship quality (Macintosh, 2007).

Based on the analysis of the above empirical studies the first hypothesis is proposed as follows

H1: Customer orientation of service employee positively affects dimensions of relationship quality

H1a: Customer orientation of service employee positively affect trust dimension of relationship quality

H1b: Customer orientation of service employee positively affect and commitment dimension of relationship quality

H1c: Customer orientation of service employee positively affect satisfaction dimension of relationship quality

Relationship Quality And Loyalty

The findings would seem to suggest that trust and commitment are indeed two important notions that cause corporate clients to uphold a relationship with their provider(Gounaris, 2005).

There is a significant positive relationship between trust and loyalty with correlation coefficient $r=0.663$, commitment and loyalty with correlation coefficient $r=0.587$ (Motamedifar, 2013). Customer satisfaction exerted a positive impact on customer loyalty with a positive standard coefficient at 0.83 and $t = 6.48$ (Haghighi et.al. 2012).

Based on the analysis of the findings of the above empirical studies the following hypothesis and sub-hypotheses are proposed

H2: Relationship quality dimensions have a positive impact on both attitudinal and behavioral customer loyalty

H2a: Trust has a positive impact on customer attitudinal loyalty.

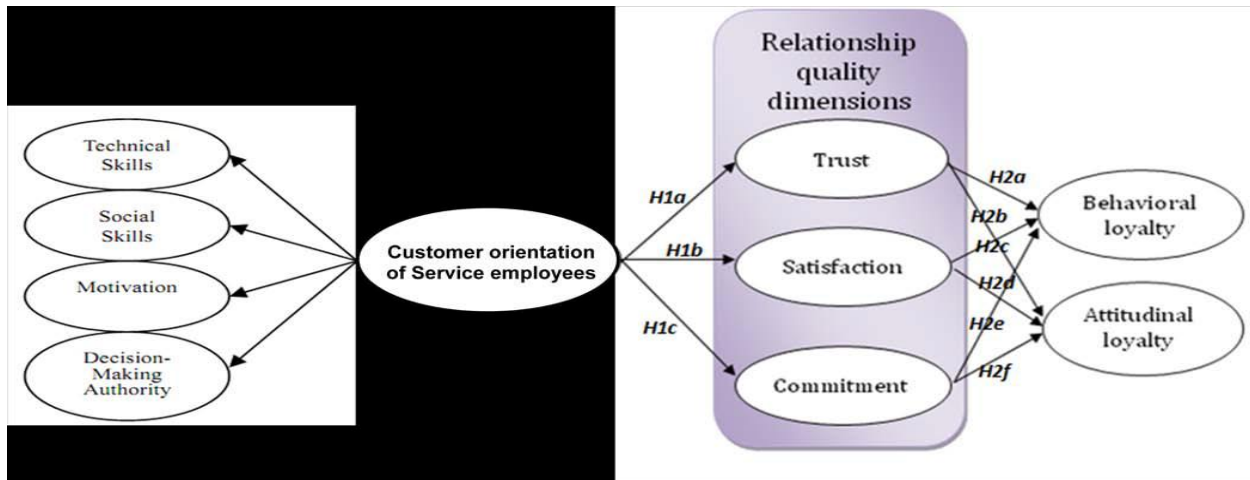
H2b: Trust has a positive impact on behavioral loyalty.

H2c: Commitment has a positive impact on attitudinal loyalty.

H2d: Commitment has a positive impact on behavioral loyalty.

H2e: Satisfaction has a positive impact on attitudinal loyalty.

H2f: Satisfaction has a positive impact on behavioral loyalty.



Summary of the hypotheses and conceptual framework

(Modified from Hennig-Thurau (2004))

CHAPTER THREE

3. RESEARCH METHODOLOGY

This chapter highlights the overall methodology adopted for the study. It includes research approach, research design, population and sample size, data collection sources, data collection instruments, data analysis techniques, reliability and validity test, and ethical considerations.

3.1 Research Approach

There are basically two types of research approaches i.e. qualitative and quantitative research approach.

Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior. Research in such a situation is a function of the researcher's insights and impressions. Such an approach to research generates results either in non-quantitative form or in the form which are not subjected to rigorous quantitative analysis (Kothari,2004).

The essence of qualitative research is to identify the characteristics and structure of phenomena and events examined in their natural context. Subsequently, these characteristics are brought together to form a mini theory or a conceptual model. Conducting qualitative research requires an open attitude in order to understand how others experience their situation (Jonker & Pennink, 2010).

In contrast, quantitative research involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion (Kothari, 2004). The essence of quantitative research is to use a theory to frame and thus understand the problem at hand. Its starting point, if not focus, can be to contribute to the development of theory. It is grounded in the basic attitude that knowledge about reality can also be obtained 'through the eyes of the researcher' (Jonker & Pennink, 2010).

In this study,a **quantitative** approach is found fundamental in order to examine the customers' perception of service employees' customer orientation, the quality of their relationship as indicated by trust, commitment and satisfaction and their loyalty level and to analyze the causal

relationship between these construct. Quantitative approach is employed to visualize a fuller image of the relationship between variables.

3.2 Research Design

Research design is the conceptual structure within which a research is conducted. It constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2004). Research design is the overall plan for connecting the conceptual research problems to the pertinent empirical research. A research design is the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Jonker & Pennink, 2010). There are basically three categories of research designs i.e. exploratory, descriptive and causal/explanatory research.

The main purpose of exploratory study is to formulate a problem for more precise investigation or to develop the working hypotheses from an operational point of view. The major emphasis of such studies is on the discovery of ideas and insights (Kothari, 2004).

Descriptive research is a study that describes what is happening in a market without potentially explaining why it is happening. The main aim of descriptive research is to provide an accurate and valid representation of the factors or variables that are relevant to the research question (Williams, 2004). Such research is quantitative, more formal and more structured than exploratory research.

And finally causal study aims at establishing the cause and effect relationship between variables by examining whether one variable causes or determines the value of another variable (Williams, 2004). This design is by far the most formal and structured design.

In this study the researcher utilized causal design mainly and some aspects from exploratory and descriptive designs

Afterward, since one of the objectives of this study is describing the relationship between the mentioned concepts, descriptive design in the form of central tendency (mean value/average), and relationship (covariance/correlation) is employed.

3.3 Population and Sample Size

Population can be defined as all people or items (unit of analysis) with the characteristics that one wishes to study. The unit of analysis may be a person, group, organization, country, object, or any other entity that you wish to draw scientific inferences about (Bhattacharjee, 2012). The target population for this study consists of all the customers of CBE in Addis Ababa. However, in order to manage the study, sample is drawn.

There are four strategies to decide the sample size; census for small population, imitating the sample size of similar studies, applying formulas to calculate the sample size, and using published tables (Narangajavana, 2007). The first strategy is appropriate for a population of 200 or less. It allows collecting data from all subjects, thus eliminating sampling error that occurs because only part of the population is directly contacted. This strategy, however, is impossible when conducting research on a larger population and when cost is a factor. The second strategy, imitating the sample size of similar studies, saves time but has a major drawback of repeating errors that were made in determining the sample size in previous studies. The third strategy allows the researcher to achieve the necessary sample size for a different combination of levels of precision, confidence, and variability of a particular study. The fourth strategy is simply using published tables (Narangajavana, 2007).

To gather the information needed for the research, this study used the formula method to calculate the appropriate sample size. As per Buglear's (2003) guide, 384 questionnaires are appropriate for a population of 100,001-300,000,000 with 95% confidence level and 5% sampling error. This figure is also recommended by scholars (<http://research-advisors.com>).

$$n_0 = \frac{z^2 pq}{e^2}$$

$$e = 0.05$$

$$n_0 = \frac{(1.96)^2 (0.5) (0.5)}{(0.05)^2}$$

$$n_0 = 384$$

Sample size = 384

Where n_0 = sample size,

Z is the abscissa of the normal curve that cuts off an area α at the tails ($1 - \alpha$ equals the desired confidence level),

e is the desired level of precision,

p is the estimated proportion of an attribute that is present in the population, and

q is $1-p$.

From the total customers of CBE branches delivering service in Addis Ababa, the researcher distributed 384 questionnaires, given time and monetary constraints.

3.3.1 Sampling Technique

Sampling is the statistical process of selecting a subset (called a sample) of a population of interest for the purpose of making observations and statistical inferences about that population (Bhattacharjee, 2012). Social science research is generally about inferring patterns of behaviors within specific population. Studying entire population is impossible because of feasibility and cost constraints, and hence, selecting a representative sample from the population of interest for observation and analysis is a must. Further, greater speed, greater scope, and greater accuracy are the other advantages of sampling (Bhattacharjee, 2012). It is extremely important to choose a sample that is truly representative of the population so that the inferences made from the sample can be generalized back to the population of interest.

Basically there are two categories of sampling i.e. probability and non-probability sampling techniques. Probability sampling is a technique in which the chances of each case being selected from the population is known and is usually equal for all cases (Bhattacharjee, 2012). Simple random sampling, systematic sampling, stratified sampling, cluster sampling are some common probability sampling techniques. Non-probability sampling is a sampling technique in which some units of the population have zero chance of selection or where the probability of selection cannot be accurately determined. Typically, units are selected based on certain non-random criteria, such as quota or convenience (Bhattacharjee, 2012). Convenience sampling, quota sampling, judgment sampling, and snowball sampling are among the most common.

In this study a non-probability judgment technique employed for selecting branches of the CBE in Addis Ababa Districts. Since CBE branches in Addis Ababa are divided into four districts, three branches from each district will be selected. Specifically, three larger branches are selected based on the Willingness of the manager. Larger branches are preferred because it is expected that large response rate is obtained from large branches due to large volume of transactions and customer base. This selection method would provide 12 branches to cover for data collection. In these branches the survey instrument were distribute to respondents by the researcher. Hence, here again a non-probability convenience sampling is adopted, where only customers who happens to come to the bank with in the surveying period are selected. Thus 384 questionnaires were distributed equally among customers of the chosen twelve branches in the four districts i.e. 32 questionnaires were given to customers of each branch.

3.4 Data Collection Sources

Primary data are those, which are collected afresh and for the first time, and thus happen to be original in character. Primary data is collected first-hand, directly by the researcher him/herself. These are data that the researcher gathers and assembles for the purpose of inquiry at hand, specific information in the area of investigation and pointed to the research objectives (Kothari, 2004).

Secondary data are those which have already been collected by someone else and that have passed through statistical process i.e. data that is already available (Kothari, 2004). When the researcher utilizes secondary data, then he/she has to look into various sources from where he/she can obtain them. In this case he/she is certainly not confronted with the problems that are usually associated with the collection of original data.

In this research, all the necessary information was acquired from primary data sources.

3.5 Data Collection Instruments

In this survey a closed ended questionnaire is developed for self-completion by respondents. Questionnaire (survey) containing structured questions about the four dimensions of COSE (technical skills, social skills, motivation, and self-perceived decision making authority) each having three items was adopted from Hennig-Thurau (2002) Relationship quality–adoptedfrom

(Morgan and hunt, (1994), Gounaris (2005), Grégoire and Fisher (2006), (Alawneh, 2012), mousavi (2012). etc) Trust Commitment Satisfaction and Customer Loyalty – adopted from (Mousavi, (2012), Bobâlcă,(2013), (Zhang and Feng, 2009), Motamedifar et.al (2013),(Filip and Anghel, 2009) (Dick and Basu, (1994) and put on a five-point Likert scale ranging from “1-strongly disagree” to “5-strongly agree”.. In addition, a section on customers’ personal profile Is added to obtain information on their demographics and account types.

3.6 Data Analysis Techniques

In the analysis part of this study which is the empirical part, statistical analysis methods that are relevant for testing the conceptual model are used. The purpose of the empirical part is to test the hypotheses based on the literature review. The statistical analysis is performed using two multivariate statistical methods: Confirmatory factor analysis and multivariate Regression analysis. These methods are appropriate to extract sufficient factors to represent the data and to examine the relationships between the constructs.

Factor analysis is a statistical method used to find a small set of unobserved variables (also called latent variables, or factors) which can account for the covariance among a larger set of observed variables (also called manifest variables). A factor is an unobservable variable that is assumed to influence observed variables (Albright and Hun, 2009). Factor analysis is a multivariate statistical procedure that has many uses, to briefly note here, Firstly; factor analysis reduces a large number of variables into a smaller set of variables (also referred to as factors). Secondly, it establishes underlying dimensions between measured variables and latent constructs, thereby allowing the formation and refinement of theory. Thirdly, it provides construct validity evidence of self-reporting scales (Williams’s et.al. 2010).

There are two major classes of factor analysis: Exploratory Factor Analysis (EFA), and Confirmatory Factor Analysis (CFA). Broadly speaking EFA is heuristic. In EFA, the investigator has no expectations of the number or nature of the variables and as the title suggests, is exploratory in nature. That is, it allows the researcher to explore the main dimensions to generate a theory, or model from a relatively large set of latent constructs often represented by a set of items. Whereas, in CFA the researcher uses this approach to test a proposed theory (CFA is a form of structural equation modeling), or model and in contrast to EFA, has assumptions and expectations based on priori theory regarding the number of factors, and which factor theories or

models best fit. (*ibid.*) Confirmatory factor analysis (CFA) was used to test the theoretical model in order to build a measurement model to be used in a further analysis with the structural equation model (SEM) to test the study's hypotheses.

Another multivariate technique is structural equation modeling (SEM), Structural equation modeling is a general term that has been used to describe a large number of statistical models used to evaluate the validity of substantive theories with empirical data. Statistically, it represents an extension of general linear modeling (GLM) procedures, such as the ANOVA and multiple regression analysis. One of the primary advantages of SEM (vs. other applications of GLM) is that it can be used to study the relationships among latent constructs that are indicated by multiple measures. It is also applicable to both experimental and non-experimental data, as well as cross-sectional and longitudinal data. SEM takes a confirmatory (hypothesis testing) approach to the multivariate analysis of a structural theory, one that stipulates causal relations among multiple variables. The causal pattern of intervariable relations within the theory is specified a priori. The goal is to determine whether a hypothesized theoretical model is consistent with the data collected to reflect this theory. The consistency is evaluated through model-data fit, which indicates the extent to which the postulated network of relations among variables is plausible. (Lei and Wu, 2007). More specifically, various theoretical models can be tested in SEM that hypothesize how sets of variables define constructs and how these constructs are related to each other (Schumacker and Lomax, 2010).

SPSS and TATA used for conducting the above mentioned statistical analyses.

3.7 Reliability and Validity Test

3.7.1 Reliability

Reliability is defined as be fundamentally concerned with issues of consistency of measures. (Bryman and Bell, 2003). Bryman and Bell (2003) suggested that a multiple-item measure in which each answers to each questions are aggregated to form an overall score, we need to be sure that all our indicators are related to each other. One of the most used reliability coefficients is the Cronbach's alpha. Generally, reliability coefficients of around .90 are considered "excellent", while values around .80 are considered "very good", values around .70 are "adequate" and

values of .60 are questionable (Kiesi, 2012). Thus This research used Cronbach's alpha to test the reliability of the questionnaire on a small sample of respondents.

3.7.2 Validity

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. In other words, validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested (Kothari, 2004). Bryman and Bell (2003) suggested that the important issue of validity measurement relates to whether measures of concepts really measure the concept. The different types of validity include face validity, content validity, criterion-related validity, formative validity, and sampling validity.

Face validity ascertains that the measure appears to be assessing the intended construct under study. The stakeholders can easily assess face validity. Although this is not a very scientific type of validity, it may be an essential component in enlisting motivation of stakeholders. Content validity is used to ensure that the measure actually measures what it is intended to measure (i.e. the construct), and not other variables. Using a panel of experts familiar with the construct is a way in which this type of validity can be assessed. The experts can examine the items and decide what that specific item is intended to measure. Criterion-related validity is used to predict future or current performance - it correlates test results with another criterion of interest. Formative validity is used to assess how well a measure is able to provide information to help improve the program under study. Lastly sampling validity (similar to content validity) ensures that the measure covers the broad range of areas within the concept under study. Not everything can be covered, so items need to be sampled from all of the domains. This may need to be completed using a panel of experts to ensure that the content area is adequately sampled (Colin & Julie, 2006).

To assure validity in this research, the measuring instrument was adopted from the related literatures. In addition, it assures, the content of the questionnaire is in alignment with the research objectives.

3.8 Ethical Considerations

The confidentiality and privacy of the respondents will not be violated and anyone who has no interest to participate in the research project will not be forced to do so. Destruction of any sort that inhibits the respondents from effectively participating in the research project will be avoided. Data presented and interpreted in an unbiased manner. No omission of important results and altering data to meet the desired objectives.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND DISCUSSION

This chapter will present the empirical data collected from the survey, the data will be presented in table with SPSS AND STATA data processing results, followed by the data analysis which are combined with theories and empirical data.

4.1. Demographic Profile

The overall response was 349 out of 384 questionnaires giving a response rate of 91 %. Table 4.1 summarizes the demographic characteristics of the respondents. Based on Table 4.1, the majority 183(52.3%) of the respondents were males. While the remaining 147(47.7%) were females. Regarding the age of respondents, the majority 108(30.9%) fall in the age range <20 years and followed by 21-30years which makes up 86 (24.6%) of the respondents. Regarding education respondents indicates that the majority of them 200(57.3%) were diploma and graduates while 149(42.7%) hold less than diploma. Regarding respondent's length of customer-ship, 250 (71.6%) more than 2 years. The results on demographic characteristics suggest that participants of this study are conversant relate to the elements in the questionnaire. As such, their responses could be accurate and representative of the issues being studied.

Table 4.1 Demographic Information

		Frequency	Valid Percent
Gender	Female	166	47.6
	Male	183	52.4
	Total	349	100.0
Age	<20	108	30.9
	21-30	86	24.6
	31-40	76	21.8
	>41	79	22.6
	Total	349	100.0
Education level	<2ndary	77	22.1
	2ndary	72	20.6

	Diploma	66	18.9
	1st degree	61	17.5
	>1st degree	73	20.9
	Total	349	100.0
Level of customer ship	<2 years	99	28.4
	2-5	81	23.2
	6-10	81	23.2
	>10	88	25.2
	Total	349	100.0
Account type	saving account	133	38.1
	current account	111	31.8
	Both	105	30.1
	Total	349	100.0

Source: STATA output of the questionnaire survey, 2020.

4.2. Reliability Testing

Reliability of the measurement is one of the most important requirements for any survey instrument and in that respect the Cronbach's Alpha coefficient score is one of the most widely used criteria for assessing instruments that contain ordinal data. Cronbach's Alpha score evaluates the extent to which a measurement produces consistent results at different times (Cronbach, 1951).

George and Mallery (2003) define these threshold levels for evaluating alpha coefficients: greater than .9 is excellent, greater than .8 is good, and greater than .7 is acceptable. Kline (2005) and Morgan et al. (2005) state as a general rule of thumb that Cronbach's score greater than 0.70 indicates that a latent variable has adequate internal consistency. Therefore, a minimum level of .70 was used as the criteria for the reliability analysis for this study.

To check the validity of the model, the Average Variance Extracted (AVE) is used (Fornell & Larcker, 1981). The AVE measures the amount of variance that is captured by the constructs in relation to the amount of variance due to measurement error (Fornell & Cha, 1994). To ensure

discriminate validity of the constructs, the AVEs of the latent variables should be greater than the square of the correlations among the latent variables (Chin, 1998). The AVEs shown in Table 1 are above the recommended level of 0.50. In addition, the reliability measures in the table show that the questionnaire items have both internal consistency and alpha of above 0.70. The validity of the items is supported as all of the items are loaded on their constructs from 0.53 to 0.95 see appendix.

Table 4.2. Reliability Statistics

Reliability Statistics		
	Cronbach's Alpha	N of Items
Technical skill	.729	3
Social skill	.734	3
Motivation	.803	3
Decision making authority	.781	3
Trust	.711	7
satisfaction	.713	5
Commitment	.701	6
Behavioral loyalty	.821	4
Attitudinal loyalty	.917	3

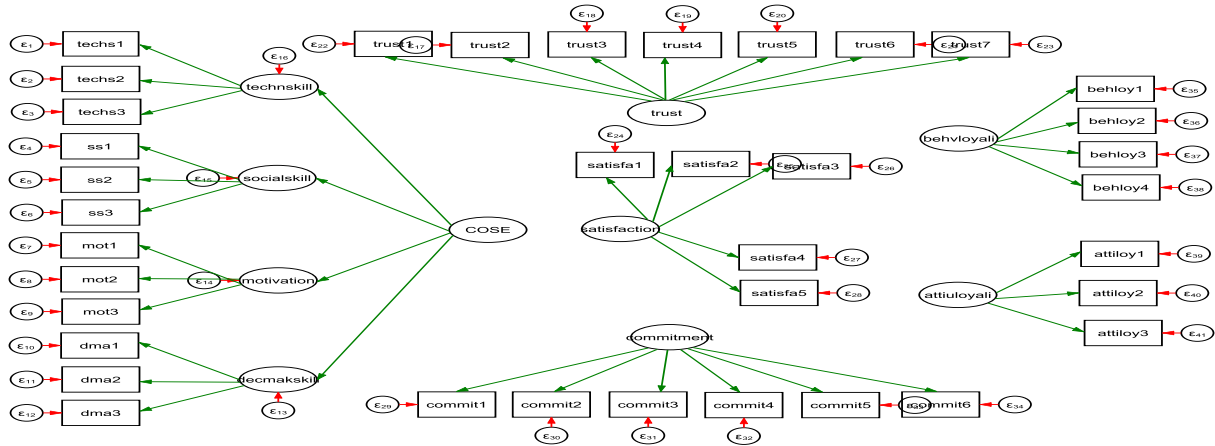
Source: STATA output of the questionnaire survey, 2020.

From the table above, the reliability measures in this study meet the acceptable satisfactory levels (Cronbach's alphas > .70, Average Variance Extracted > .50, composite reliability > .70) as recommended by scholars (Fornell and Larcker, 1981; Vandenberg, 1996). Furthermore, the factor loadings (ranging from 0.71 to 0.87) showed good convergent validity. The resulting validity and reliability indicators reveal that the measurement model adequately fits the data for this research.

The measurement model contained all the relevant indicators (37 questions) from the three parts of the questionnaire: COSE (comprising Technical skill, Social skill, Motivation, and Decision-

making authority), Relationship Quality dimensions (Trust, Commitment and Satisfaction), and the two Loyalty aspects i.e. Attitudinal and Behavioral loyalty.

Figure 4.1. The Original Measurement Model



Source: STATA output of the questionnaire survey, 2020.

4.3. Description of the Empirical Data and Correlation Analysis

Table 4.4. Descriptive Statistics

	Descriptive Statistics							
	N Statistic	Mean Statistic	Std. Deviation Statistic	Skewness Statistic	Std. Error	Kurtosis Statistic	Std. Error	
Trust	349	3.6091	.45355	.180	.131	-.173	.260	
satisfaction	349	3.7066	.50842	.371	.131	-.640	.260	
commitment	349	3.5911	.41468	.405	.131	.103	.260	
behaviloya	349	3.7149	.62487	.199	.131	-.799	.260	
attidloya	349	3.5540	.75812	-.140	.131	-.742	.260	
Valid N (listwise)	349							

Table 4.4. Descriptive analysis of the latent variable in the model

Table 4.3 above shows the skewness and kurtosis values for all the constructs. Although all of the constructs are positively skewed except one, West, Finch, & Curran (1995) recommend concern if skewness > 2 and kurtosis > 7, (and according to Kline (1998) kurtosis values above 10, and skewness values outside of |3.0|) thus the assumption of normality of distribution is not violated.

Table 4.5. Correlation Matrix

		Correlations					
		COSE	trust	satisfaction	commitment	Behaviloya	attitidloya
COSE	Pearson Correlation	1					
	Sig. (2-tailed)						
Trust	Pearson Correlation	.783**					
	Sig. (2-tailed)	.000					
Satisfaction	Pearson Correlation	.632**	.604**				
	Sig. (2-tailed)	.000	.000				
commitment	Pearson Correlation	.528**	.272**	.402**			
	Sig. (2-tailed)	.000	.000	.000			
Behaviloya	Pearson Correlation	.773**	.624**	.575**	.282**		
	Sig. (2-tailed)	.000	.000	.000	.000		
Attitidloya	Pearson Correlation	.922**	.701**	.666**	.266**	.892**	
	Sig. (2-tailed)	.000	.000	.000	.000	.000	

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

Table 4.5. STATA output for the correlation analysis of the latent variables

From the correlation matrix in Table 4.5, first round tests of the hypotheses were in some way performed. All the variables are positively correlated to each other at the 0.01 level ranging from 0.528 to 0.922. However, in order to investigate the structure of the hypotheses in a more sophisticated way, it is necessary to fit the corresponding (multivariate) linear models by accounting for the effects of other constructs and this is done in the structural equation model.

4.4. Testing the Hypothesized Model

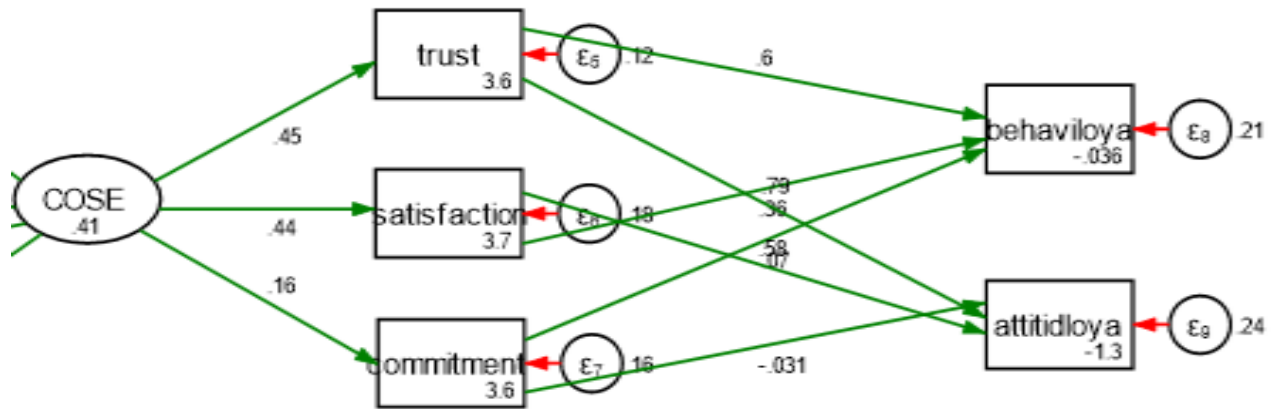
Table 4.6 presents the relationships between constructs, including the statistical significance of the relationships. A two-tailed test was used to assess the statistical significance. Almost all relationships were significant to at the .05 level and two relationships were not significant at all. All the significant relationships are positive and according to the theory.

Table 4.7. Summary Of Hypothesis Testing

Hypothesis	Regression coefficients	P<=.05	Status
H1a: Customer orientation of service employee positively affect trust dimension of relationship quality	0.45	0.000	Supported
H1b: Customer orientation of service employee positively affect and commitment dimension of relationship quality	0.44	0.000	Supported
H1c: Customer orientation of service employee positively affect satisfaction dimension of relationship quality	0.16	0.000	Supported
H2a: Trust has a positive impact on customer attitudinal loyalty.	0.79	0.000	Supported
H2b: Trust has a positive impact on behavioral loyalty.	0.60	0.000	Supported
H2c: Commitment has a positive impact on attitudinal loyalty.	-.031	0.652	Not Supported
H2d: Commitment has a positive impact on behavioral loyalty.	0.070	0.280	Not Supported
H2e: Satisfaction has a positive impact on attitudinal loyalty.	0.57	0.000	Supported
H2f: Satisfaction has a positive impact on behavioral loyalty.	0.36	0.000	Supported

4.5. The Result Of The SEM Test.

Figure 4.2. The Structural Equation Model



Source: STATA output of the questionnaire survey, 2020.

The model fit indices for the structural model are respectable and show that the data fits the model relatively well. Chisquare (χ^2) is 2239.26 (23df), Normed Chi square (χ^2/df)= 2.0888874, RMSEA=0.526, CFI=0.523, TLI=0.253, SRMR=0.220 and CD=0.995. However, the CFI result was not met.

Table 4.8. Criteria for the Model Fit

. estat gof, stats(all)

Fit statistic	Value	Description
Likelihood ratio		
chi2_ms(23)	2239.265	model vs. saturated
p > chi2	0.000	
chi2_bs(36)	4677.562	baseline vs. saturated
p > chi2	0.000	
Population error		
RMSEA	0.526	Root mean squared error of approximation
90% CI, lower bound	0.508	
upper bound	0.545	
pclose	0.000	Probability RMSEA <= 0.05
Information criteria		
AIC	3096.765	Akaike's information criterion
BIC	3216.273	Bayesian information criterion
Baseline comparison		
CFI	0.523	Comparative fit index
TLI	0.253	Tucker-Lewis index
Size of residuals		
SRMR	0.220	Standardized root mean squared residual
CD	0.995	Coefficient of determination

Source: STATA output of the questionnaire survey, 2020.

4.6. Discussion

According to results of this study, all hypotheses were supported except commitment and it was found that COSE has impact on trust, satisfaction and commitment thus supporting earlier work (Henning-Thurau, 2004). As shown in the structural equation model table 4.7 all are significant at $P \leq .05$.

The findings provide some important starting points for an effective management of service employees' customer orientation. Building on the distinction of four dimensions of service employees' customer orientation (COSE), namely technical skills, social skills, motivation, and decision-making authority, the findings illustrate that especially the employees' social skills and

their motivation to fulfill customer needs exert a strong influence on satisfaction and commitment and therefore the development of stable relationships with customers supported by previous studies like (Hennig-Thurau, 2004 and Al-Rousan and Badaruddin, 2010).

The findings analyzed in this study show that service employees customer orientation is a driver for customers' satisfaction, customers' commitment and their degree of loyalty. It is necessary to mention that employing customer-oriented employees does not guarantee economic success but represent an important step in achieving it (Hennig-Thurau, 2004 and Amirirad 2013).

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary of the Major Findings

The chapter covers summary, the conclusions derived from these results, followed by recommendation of the study, and implications for future research are discussed.

The purpose of this study was to examine the impact of COSE dimension on relationship quality dimensions and two loyalty aspects i.e. Behavioral and Attitudinal loyalty in the case of the commercial bank of Ethiopia in Addis Ababa. Conceptual model and questionnaire were developed according to study adapting proposed model.

Based on the theory and empirical data from a sample of 384 CBE customers, the empirical part of this study quantitatively examined the relationships between COSE and the three relationship quality dimensions, as well as the relationship between relationship quality dimensions and customers loyalty towards the firms.

The developed hypotheses were supported by the data as shown in table 4.7 summary of hypotheses. The results show that COSE has a strong positive influence on Trust, Commitment, and satisfaction. In addition, the three dimensions of Relationship quality and Attitudinal and Behavioral customers' loyalty. Some of these relationships were supported strongly while some are not.

5.2. Conclusion

According to results of this study, all hypotheses except two commitment parts were supported and it was found that COSE has impact on trust and satisfaction thus supporting earlier work (Henning-Thurau, 2004). One of the contributions of this study is based on the important ability of service organizations" grow and sustain a large group of loyal customers (Al-Rousan and Badaruddin, 2010). Marketing scholars argue that firms focusing their activities on their customers" needs - behaving in a customer-oriented way, perform better than companies that are not customer-oriented (Donavan et al., 2004).

The findings of this empirical study are summarized as follows:

- COSE is positively related to all of the relationship quality dimensions. This entails that the customer oriented behavior, skills and activities of employees (measured as a function of Technical and social skills, Motivation and Decision making authority of employees) have a determining effect on Trust, Commitment and Satisfaction.
- Satisfaction is positively and strongly related to both aspects of loyalty i.e. behavioral and attitudinal. This result also provide empirical evidence supporting previous marketing theories that the higher the level of satisfaction in the relationship perceived by customers, the higher the level of customer loyalty that service providers can achieve. Customer satisfaction has contribution for customer loyalty(Bagram& Khan (2012),Kuusik(2007))
- Commitment also is positively related to behavioral and negatively to attitudinal customer loyalty insignificantly.
- Trust in this study is proved to be affecting customer loyalty in the population under study, positively and strongly related to both aspects of loyalty i.e. behavioral and attitudinal.

5.3. Recommendations

Based on the conclusions following recommendations are provided.

- This study shows clear procedural links among Customer orientation, relationship quality and customer loyalty, which helps managers deeply understand the relationship and interaction between these three fields. Managers who are in charge of customer relationship marketing and management must understand the impact of relationship marketing tools like COSE from consumer’s perspective.
- The result of the study support that: “Customer orientation of employees can enhance the quality of a buyer-seller relationship and in turn increase customer loyalty”; customer satisfaction, commitment and Trust as the dimensions of Employee – Customer relationship quality are found to be highly the desired outcomes of Service employees customer orientation in the population under study.
- The study also investigate that Trust is noteworthy in influencing customer loyalty. In the population under study, customers in the Ethiopian Banking Industry in these

days consider trust as having significant input while making the decision of staying with the current service provider or switching to another.

- Future studies, which improve the model for determinants of COSE, can be useful for future investigation. Therefore, further research is needed in the area of relationship marketing within service industry in order to assist in substantiating this work.

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APPENDICES

Appendix I

Questionnaire to be filled by the Respondents

Dear Participant,

I am Samrawit Lemma, a graduate student at Saint Mary University, school of graduate. Currently, I am undertaking a research on Impact of Customer Orientation of Service Employees on Relationship Quality and Customer Loyalty(Case Study Of Commercial Bank Of Ethiopia In Addis Ababa). Your participation in this survey is voluntary. The information you provide will be used only for the purpose of the study and will be kept strictly confidential. Please do not write your name or contact details on the questionnaire.

Thanks in advance for your kind cooperation.

1 Respondent's Demographic Data

This part of the questionnaire includes item related to basic data of respondents please indicate your responses by putting or marks in the box

1. Sex Male Female

2. Age <20 21-30 31-40 41<

3. 3. Education status

 bellow 2ndary education 2ndary education

 Diploma 1st degree above 1st degree

4 . How long have you been customer of commercial bank of Ethiopia?

<2 years 2-5years 6-10 years > 10 years

5. what type of account do you have at commercial bank of Ethiopia?

Saving account current account Both

Part 2 Customer orientation of service employees

1-Strongly disagree 2- disagree 3-Neutral 4-Agree and 5-Strongly Agree

Technical skills	1	2	3	4	5
The employees of commercial bank of Ethiopia have a high level of knowledge.					
The employees of commercial bank of Ethiopia are experts in their job.					
The employees of commercial bank of Ethiopia are highly competent					
Social skills					
The employees of commercial bank of Ethiopia have extensive social skills.					
The employees of commercial bank of Ethiopia are able to consider their customers' perspective.					
The employees of commercial bank of Ethiopia know how to treat a customer well.					
Motivation					
The employees of commercial bank of Ethiopia show strong commitment to their JOB.					
The employees of commercial bank of Ethiopia do their best to fulfill their customers' needs.					
The employees of commercial bank of Ethiopia are always highly motivated.					
Decision-making authority					
The employees of commercial bank of Ethiopia are allowed to decide autonomously in customer matters.					
The employees of commercial bank of Ethiopia have appropriate room for maneuver in solving customer problems.					
In the case of customer requests, employees of this bank do not need to ask their superior for permission.					

Part 3 Relationship quality

TRUST	1	2	3	4	5
I can let the bank employee make important decisions without my involvement					
there is No need of questioning their motives					
The employees of this bank was always willing to provide assistance to me					
I believe in the information that the bank employee provides me with					
I have full confidence in the bank employees of commercial bank of Ethiopia					
employee of commercial bank of Ethiopia keep promises					
A bank employee is honest					
COMMITMENT					
The relationship I am having with this bank/ employee.... Is important for me					
Is something I intended to maintain indefinitely?					
Deserved a maximum of my effort to maintain.					
If this bank/employee no longer exist this would be significant loss for me					
I would ignore a minor mistake of the bank employee.					
SATISFACTION					
I was satisfied with the relationship I had with the employee of this bank.					
Compared to other relationships I knew or heard about, the one I had with the employee of commercial bank of Ethiopia was quite good.					
I am pleased with employees of commercial bank of Ethiopia					
I was happy with the effort this bank was making towards consumers like me.					
Decision to choose commercial bank for banking service was wise					
I am satisfied with bank's overall services					

Part 4 Customer Loyalty

I would like to use Bank services from this bank again.					
Likelihood to continue using this Bank's products and services.					
I am loyal customer of commercial bank of Ethiopia .					
Frequency of interaction with this bank as compared to other private banks					
I Believe commercial bank of Ethiopia products and services are superior to competitors.					
Regarding bank service, commercial bank of Ethiopia is my first choice than other banks					
If I has been asked about this bank I would say positive things					

Appendix II Confirmatory factor analysis

Communalities

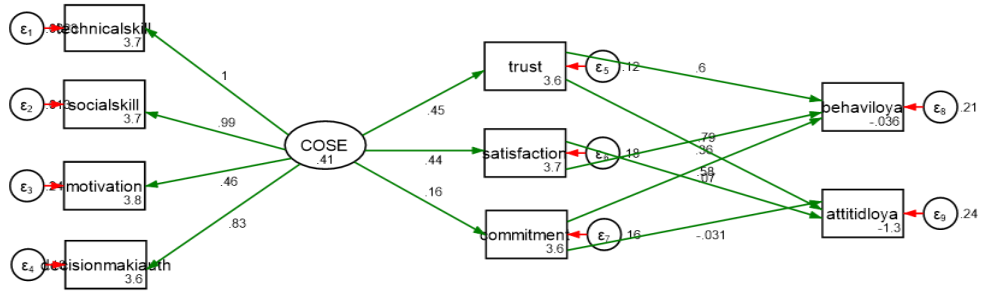
	Initial	Extraction
techs1	1.000	.988
techs2	1.000	.893
techs3	1.000	.950
ss1	1.000	.739
ss2	1.000	.852
ss3	1.000	.988
mot1	1.000	.564
mot2	1.000	.769
mot3	1.000	.767
dma1	1.000	.988
dma2	1.000	.731
dma3	1.000	.587
trust1	1.000	.745
trust2	1.000	.988
trust3	1.000	.500
trust4	1.000	.677
trust5	1.000	.988
trust6	1.000	.730
trust7	1.000	.547
satisfa1	1.000	.776
satisfa2	1.000	.988
satisfa3	1.000	.767
satisfa4	1.000	.739
satisfa5	1.000	.812
commit1	1.000	.988
commit2	1.000	.647
commit3	1.000	.786
commit4	1.000	.715

commit5	1.000	.720
commit6	1.000	.643
behloy1	1.000	.954
behloy2	1.000	.896
behloy3	1.000	.948
behloy4	1.000	.711
attiloy1	1.000	.795
attiloy2	1.000	.960
attiloy3	1.000	.761

Extraction Method: Principal Component Analysis.

Appendix III

The measurement and proposed model in figure and table



Measurement		1 (constrained)					
technicalskill							
COSE							
_cons		3.722321	.0344398	108.08	0.000	3.65482	3.789822
socialskill							
COSE		.9912446	.0111008	89.29	0.000	.9694874	1.013002
_cons		3.73467	.0346	107.94	0.000	3.666856	3.802485
motivation							
COSE		.4625036	.0408733	11.32	0.000	.3823935	.5426138
_cons		3.832722	.0305352	125.52	0.000	3.772874	3.89257
decisionmakiath							
COSE		.827471	.0354267	23.36	0.000	.7580359	.8969061
_cons		3.556017	.0362233	98.17	0.000	3.485021	3.627013
var(e.technicalskill)		.0023426	.0016903			.0005695	.0096358
var(e.socialskill)		.0133784	.0017906			.0102915	.0173914
var(e.motivation)		.2373612	.0180119			.2045584	.2754243
var(e.decisionmakiath)		.1761014	.0134892			.151552	.2046274
var(e.trust)		.1200453	.0091478			.1033907	.1393828
var(e.satisfaction)		.1783664	.0135532			.153686	.2070103
var(e.commitment)		.1615493	.0122364			.1392617	.187404
var(e.behaviloya)		.2128754	.0161149			.1835222	.2469235
var(e.attitidloya)		.2384217	.0180488			.205546	.2765558
var(COSE)		.4116064	.031381			.3544756	.477945

LR test of model vs. saturated: chi2(23) = 2239.27, Prob > chi2 = 0.0000

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