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Examining the Effect of Customer Loyalty on Competitive Advantage: The Case of Zemen Bank S.C

BY

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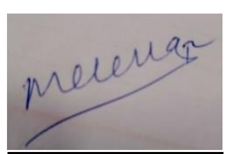
Internal Examiner Dr. Tesfaye Tilahun Signature 

Declaration

I, Hilina Dereje, declare that this work Entitled “Examining the Effect of Customer Loyalty on Competitive Advantage: The Case of Zemen Bank S.C”, is the outcome of my own effort and study prepared under the follow up and guidance of my advisor. All sources of material used for the thesis have been duly acknowledge. I further confirm that he thesis has not been submitted either in partial or full fulfilment of any other higher learning institution for the purpose of earning any degree.

Hilina Dereje

Signature __________

Endorsement

This thesis has been submitted to St. Mary’s university, School of Graduate studies for examination with my approval as a university advisor.

Dr. Tewodros Mekonen

Signature 

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Abstract

In today's highly competitive and increasingly standardized financial services landscape, Customer loyalty has become a strategic imperative for achieving sustainable competitive advantage. This study examines the effect of customer loyalty on competitive advantage in the case of Zemen Bank S.C., a leading private bank in Ethiopia. Employing a quantitative, Explanatory research Design, data were collected via Structured questionnaires from customers at a selected branch. The study investigates five key dimensions of customer loyalty: trust, service quality, commitment, perceived value, and customer experience. The results indicate that trust, service quality, and customer experience significantly enhance Zemen Bank's competitive positioning by promoting customer retention and advocacy. Meanwhile, customer commitment and perceived value were found to reinforce emotional bonds and long-term engagement. The findings emphasis the importance of aligning loyalty-building strategies with the bank's broader competitive goals. By establishing the linkage between customer loyalty and competitive advantage, this study provides practical insights for banks seeking to strengthen customer relationships and market differentiation. It also contributes to the limited body of empirical literature on loyalty-driven competitiveness within the Ethiopian banking industry.

Key Words: *Trust, Service Quality, Commitment, Perceived Value, Customer experience, Competitive Advantage,*

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the study

The Banking industry is characterized by providing more or less similar services. The existence of several Banks in Ethiopia that provide almost identical services makes the competition to reach its all-time peak. Banks are forced to use different mechanisms to differentiate their services from that of their competitors. From many things that Banks use to stay on top, attaining customers' loyalty is a core idea. According to Kotler and Keller (2006), creating loyal customers is at the heart of every business.

Customer loyalty has always remained a central concept in the marketing field. (Oliver, 1999) It is when a person has dedication to a company supplier or brand referring to positive attributes in continuing purchases (Tijiptono, 2018). To overcome the current competitive market environment, obtaining high customer loyalty is a key. Success of retaining customers as loyal customers displays high commitment to continue their support with the service provider. (Long, Teerasak & Sook, 2024). By consistently focusing on customers, business can attain loyal customers who generate repeat sales, serve as brand advocates, and drive word-of-mouth marketing and referrals (Freedman, 2024).

To survive in this business competition, all businesses are competing to update their systems to maintain customer loyalty, which is one of the keys to a company's success. Profitability is considered the lifeblood of the business, whereas customer loyalty is the most dominant factor (Rashid, Nurunnabi, Rhman & Masud, 2020). Particularly these days there is an increasing customer demand for superior service which make firms to rethink of their business environment; otherwise they may not be able to retain the existing customers (Long, Teerasak & Sook, 2024).

This is stressed by the importance of perceived service quality, satisfaction, and trust in building the customer loyalty. (Chios &Cornelia, 2002). The construct of loyalty is often divided into two dimensions; behavioral loyalty and attitudinal loyalty. Behavioral loyalty, refers to repeated purchase behavior over time, reflecting the actual buying actions of customers and Attitudinal loyalty, which relates to emotional attachment, trust and commitment that customers develop toward a brand or organization. Both dimensions are essential for fostering long term customer relationships and can be influenced by factors such as perceived value, satisfaction, and trust (Dick & Basu, 1994).

Studying and understanding Customer's loyalty is crucial in today's dynamic world and new way of Banking service delivery, according to Muhammad H et al. (2015). Banks need to assess which factors dominate the attainment of competitive advantage via acquiring customer loyalty. The financial sector depends on long-term relationships with its clients, as the loss of a customer is observed with deep concern. If there are no customers, a firm will not be able to get any revenue, profits, and therefore no market value (Rashid, Nurunnabi, Rhman &Masud 2020).

Zemen Bank, as one of the prominent banks in Ethiopia, faces increasing competition from both established and new entrants. Understanding the drivers of customer loyalty in this context is vital for the bank's strategic planning and growth. Despite the growing interest in customer loyalty, there is limited empirical research focusing on how loyalty related to competitive advantage in the Ethiopian banking sector. This study aims to fill that gap by examining the relationship dimensions of customer loyalty and competitive advantage.

1.2 Background of the Organization

Zemen bank was established in 2009 as a private commercial bank in Ethiopia, with a unique focus on providing a modern and distinct financial solution banking experience. It aims to deliver highly personalized banking service with a business focus. Its head quarter is located in Addis Ababa with several branches placed across major cities in Ethiopia. (Zemen Bank., Annual report 2023/24)

The bank has built its reputation on providing exceptional service and embracing distinctive business model that emphasizes innovation and efficiency. Despite its accomplishments, the bank operates within an evolving environment characterized by shifting customer expectations. Thus it not only maintains but continuously enhance its brand image to stay relevant and competitive. Customer loyalty serves as a basis of Zemen bank's strategy. It's loyal customers not only contribute to a steady revenue stream but also become brand ambassadors, promoting the banks services through word of mouth and online platforms. However, building and maintaining loyalty in the banking sector requires more than high quality services; it demands an emotional connection between the brand and its customers, supported by consistent positive experience and trustworthiness.

While addressing this, this study aims to contribute to the disclosure of the importance and role of customer loyalty and brand image has on the achievement of competitive advantage in the case of Zemen bank.

1.3 Statement of the problem

The banking sector today is highly competitive and very dynamic. Especially since products and services are relatively similar. Nowadays, retaining customers and ensuring their long-term commitment has become a challenge. (Richheld & Sassser, 1990). Many banks struggle to establish and maintain deep customer loyalty. Creating and maintain stable customer relationships is considered as an essential factor in most business environments' (Gonzalez,2015) The underlining factors that foster customer loyalty such as, trust, service quality and perceived value, often vary across customer segments and are influenced by broader socio-economic and technological trends (Morgan & Hunt,1994)

Organizations are under constant pressure to differentiate themselves and secure sustainability. The role of customer loyalty in building sustainable competitive advantage is critical factor in commercial banks, as loyal customers not only provide consistent revenue but also act as advocates, reducing the cost customer acquisition and mitigating the impact of competitive pressure (Rust, Zeithaml, & lemon, 2024). Banks that fail to adequately nurture customer loyalty may face high churn rates, diminishing trust, and challenges in maintain long term profitability, all of which weaken their competitive positioning (Jones & Sasser 1995).

The Ethiopian banking sector is witnessing intensified competition, marked by rapid technological evolution and increasing customer expectations. As banking services become more standardized and easily replicable, retaining loyal customers has emerged as a critical challenge. Despite offering similar products, many banks struggle to establish meaningful, long-term relationship with their clients. This lack of deep-rooted loyalty often leads to high customer churn, reduced profitability, and vulnerability to competitive pressures.

Core drivers of loyalty-such as trust, service quality, commitment, perceived value, and customer experience- are not uniformly understood or leveraged by banks. Their influence varies based on customer segments, digital maturity, and organizational responsiveness. Yet, many commercial banks continue to apply generalized loyalty programs without aligning them to strategic objectives or tailoring them to evolving customer needs. Consequently, the role of customer loyalty as a driver of competitive advantage remains underexplored and undervalued.

While existing studies examine the relationship between loyalty and financial performance, they often fail to provide a comprehensive analysis of how loyalty specifically contributes to sustainable competitive differentiation. In Ethiopia, empirical research that links loyalty dimensions to long-term strategic positioning is especially scarce. Zemen Bank, as one of the the country's leading private financial institution, faces increasing pressure to retain clients while innovating its service delivery.

Therefore, this study aims to fill this critical gap by investigating how key dimensions of customer loyalty contribute to building and sustaining competitive advantage in the context of Zemen Bank. The findings are expected to offer both theortical contributions and actionable insights for financial institutions navigating an increasingly complex competitive landscape.

1.4 Research Questions

This research study seeks to address the following research questions

1. What is the effect of trust on competitive advantage of Zemen Bank?

2. what is the effect of service quality on competitive advantage Zemen?

3. What is the effect of commitment on competitive advantage of Zemen Bank?

4. what is the effect of perceived value on competitive advantage of Zemen Bank?

5. What is the effect of customer experience on competitive advantage of Zemen Bank?

1.5 Objectives of the study

1.5.1 General Objective

The general objective of the study is to examine the effect of customer loyalty on competitive advantage in the case of Zemen bank.

1.5.2 Specific Objectives

The specific objectives of the study are

1. To examine the effect of customer trust on competitive advantage for Zemen Bank

2. To evaluate how service quality influences competitive advantage for Zemen Bank

3. To determine the effect of customer commitment on attaining competitive advantage for Zemen Bank

4. To analyze the effect of perceived value in attaining competitive advantage of Zemen Bank.

5. To evaluate the effect of customer experience on attaining competitive advantage of Zemen Bank

1.6 Significance of the study

This study holds both theoretical and practical significance by exploring how customer loyalty influences competitive advantage in the context of Ethiopia's banking sector, using Zemen Bank as a case study.

From a theoretical view, the research contributes to existing literature by empirically examining how key dimensions of customer loyalty affect a bank's ability to achieve and sustain competitive advantage. While global literature acknowledges the importance of loyalty, limited empirical research contextualizes it within the Ethiopian banking environment. This study fills that gap by offering a localized analysis rooted in contemporary strategic marketing and relationship management theories.

From a practical view, the findings offer actionable insights for banking institutions aiming to strengthen customer loyalty and improve market positioning. The study provides a framework that managers can use to evaluate and prioritize loyalty-building strategies that align with broader competitive goals. It also serves as a decision –making tool for resource allocaton, customer relationship management, and service delivery innovation.

Additionally, this research may benefit management by highlighting customer-centered strategies that can enhance banking sector efficiency and resilience. Future researchers can also build on this work to further explore loyalty-performance dynamics across different industries and demographic settings.

1.7 Scope of the study

This study is designed with specific boundaries to ensure a focused and manageable research process. The scope is defined along five key dimensions: time, geography, topic, variables, and method. The time scope covers January 2025 to March 2025.This timeframe allows for the collection of recent and relevant data reflecting current customer perceptions and behaviors at Zemen Bank. Geographical scope is limited to Addis Ababa, Ethiopia, where Zemen Bank has a significant customer base and operation presence. Focusing on this urban area ensures accessibility to a divers sample of customers. The topic scope focuses on the relationship between competitive advantages and the five independent variable namely trust, Service quality, Commitment, Perceived Value and Customer Experience. Other potential influencing factors such as price sensitivity, digital banking and demographic characteristics are acknowledged but excluded from the primary analysis to maintain focus. The methodological scope employs quantitative research approach using structured questionnaires to collect data which is analyzed by statistical methods.

1.8 Limitations of the study

Despite the efforts made to ensure the quality and reliability of this research, few limitations do exist. The study was limited geographically on customers of Zemen Bank in Addis Ababa, Ethiopia. This geographical limitation was necessary due to resource constraints and the banks primary market concentration being in the capital city. This limits the whole representative nature of the study to all areas of the country. Another limitation is time, although the time represents recent customer perceptions, it does not capture long-term trends or seasonal variance which may affect the stability of the relationships observed. Specific Variables were selected for the research, other variables were excluded to maintain focus and feasibility. This exclusion limits the comprehensiveness of the model and suggests opportunities for boarder further studies.

1.9 Operational Definitions of Key Terms

Trust: Customer trust in banking is the customer's confidence in the bank's reliability, honesty, and ability to protect their interests. It reduces risk and encourages long-term relationships (Morgan & Hunt, 1994: Aydin & Ozer, 2005)

Service quality: Service quality refers to the degree to which banking services meet or exceed customers' expectations. (Parasuraman, Zeithaml & Berry, 1988)

Commitment: commitment is the psychological attachment and intention of customers to maintain a long-term relationship with their bank, reflecting loyalty beyond transactions (Morgan & Hunt, 1994)

Perceived Value: perceived value is the customers' overall assessment of benefits received versus costs paid for banking services. It shapes satisfaction and loyalty decisions by balancing quality and price. (Rasid et al., 2020; Zeithaml, 1988)

Customer Experience: customer experience refers to the total cognitive, emotional, and sensory responses during all interactions with the bank, influencing overall satisfaction and loyalty (Lemon & Verhoef, 2016)

Competitive Advantage: competitive advantage is a bank's ability to deliver superior value compared to competitors, resulting in sustained customer loyalty, market share growth, and profitability. It arises from unique capabilities and strong customer relationships. (Porter, 1985)

1.10 Organization of the study

The paper is organized into five chapters. The first chapter deals with the introduction of the topic and the second chapter presents review of related literature which relates trust, service quality, commitment, perceived value, customer experience and competitive advantage. The third chapter deals with the methodology of the research and the fourth chapter presents data analysis, findings and discussion of the data gathered. The fifth chapter presents the conclusion and recommendations.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 Introduction

In the rapidly evolving and highly competitive landscape of the banking industry, commercial banks are increasingly recognizing that traditional sources of competitive advantage- such as product innovation or pricing strategies, which are no longer sufficient to ensure long term success. The commoditization of banking products and services, coupled with the rise of digital financial technologies and alternative financial services providers, has intensified competition and heightened customer expectations. In context, customer loyalty has emerged as a pivotal strategic asset that can differentiate banks, foster sustainable profitability, and secure enduring competitive advantage (Gan et al., 2006; Mantymaa, 2013).

2.2 Review of Theoretical Literature

Customer loyalty has been conceptualized as multidimensional construct comprising both attitudinal and behavioral components (Dick &Basu, 1994). Attitudinal loyalty reflects a customer's psychological commitment and favorable disposition towards a bank, while behavioral loyalty refers to repeat patronage and consistent usage of banking services. Uncles, Dowling, and Hammond (2003) further emphasize that loyalty is often complex and customers may exhibit loyalty to multiple banks simultaneously, making it essential to distinguish between geniuine loyalty and habitual behavior.

In banking, loyalty manifests not only as repeat transactions but also as trust, commitment, advocacy, and resistance to switching (Abratt & Russell, 1999). Loyalty is dynamic and influenced by customers' perceptions of value, satisfaction, and experience across multiple touchpoints (Lemke, Clark & Wilson, 2011; Makudza, 2020)

Relationship Marketing Theory

Relationship Marketing theory provides a foundation lens to understand how customer loyalty is cultivated through trust and commitment. Trust is defined as the confidence customers have in the bank's reliability, integrity, and ability to deliver promised services (Didit Darmawan, 2019). In the banking sector, where customers entrust sensitive financial information and resources, trust is paramount.

Commitment refers to the enduring desire to maintain a valued relationship (Bricci, Fragata & Antunes, 2016). Trust acts as a precursor to commitment, which stabilizes the relationship and reduced customer propensity to switch. This theory explains why banks that invest in building trust and commitment are more likely to develop loyal customer bases that provide sustained revenue and competitive advantage.

Attitudinal-Behavioral Loyalty Model

The Attitudinal-Behavioral loyalty model (Dick &Basu, 1994) highlights the distinction between customers' psychological attachment and their actual purchasing behavior. This distinction is critical in banking, where customers may remain with a bank due to switching costs or lack of alternatives rather than true loyalty. Fabrigar et al. (2006) and Cooil et al. (2007) note that cognitive loyalty-based on the cost-benefit evaluations are fragile and customers may switch if competitors offer better value.

Evanschitzky and Wunderlich (2006) describe loyalty stages where customers evaluate price, quality, and benefits before making repeat purchase decisions. This model underscores the importance of both affective (emotional) and cognitive (evaluative) loyalty in understanding customer retention and switching behavior.

Service-profit chain model: Internal drivers of loyalty

The service-profit chain Model (Heskett et al. 1994) links internal organizational factors to customer loyalty and profitability. It posits that internal service quality, employee satisfaction, and engagement lead to superior external service quality, which enhances customer satisfaction and loyalty. In banking, frontline employees' attitudes, responsiveness, and empathy significantly influences customer's perceptions and loyalty (Arhas et al., 2022). This model highlights that customer loyalty is not solely a customer-side phenomenon but also depends on effective internal management and service delivery processes.

Resource-based view loyalty as a strategic resource for competitive advantage

The resource-based view (Barney, 1991) frames customer loyalty as a valuable, rare, inimitable, and non-substitutable resource that underpins sustainable competitive advantage. In the banking industry, where products are often commoditized and easily replicated, loyalty represents an intangible asset that differentiates banks through relational and experiential value (Gan et al., 2006; Mantymaa, 2013).

Loyal customers generate stable revenue streams, reduce marketing and acquisition costs, and provide positive word-of-mouth, all of which contribute to a bank is competitive positioning (Ndubisi, 2007; Khan & Rizwan, 2014). Loyalty thus acts as a strategic mechanism through which banks convert relationship investments into durable market advantages.

Together, these frameworks provide a robust foundation for examining how trust, service quality, commitment, perceived value and customer experience practices influence customer loyalty and, ultimately, how loyalty enables banks to attain and sustain competitive advantage.

2.3 Dimensions of Customer Loyalty

2.3.1 Trust

When observing the dimensions of customer loyalty; Trust, as a key determinant of loyalty, plays a particular significant role in the banking sector, where customers are more likely to remain with a bank they trust with their financial resources and sensitive information (Morgan & Hunt, 1994). According to Didit Darmawan (2019), trust plays a significant role in fostering customer loyalty in the banking sector. The research highlights that trust, defined as a psychological condition encompassing the customer's belief in the Bank's reliability, integrity, competence, has a strong and positive effect on customer loyalty. The findings revealed that 84% of the variation in customer loyalty can be attributed to trust, emphasizing its critical importance in maintain long term customer relationships. Trust is built through consistent delivery of high quality services, secure transactions and the professionalism of a bank employees, all of which reassures customers about the banks dependability. Customers who trust a bank are more likely to continue their engagement, conduct repeated transactions and promote the bank through positive word of the mouth. This trust driven loyalty reduces customer acquisition costs and enhances profitability by creating a loyal customer base that is less likely to be swayed by competitors. The study underscores that banks must prioritize building and maintain trust through improved service quality, employee's competence, and ethical practices as these elements are fundamental to sustaining customer loyalty in a competitive market.

Another study by Vithya Leninkumar (2017), explains that trust is a critical determinant of customer loyalty in the banking sector. Studies conducted in commercial banks revealed a significant positive relationship between customer trust and customer loyalty Trust encompasses customer perception of the bank's honestly, reliability, and ability to act in their best interest. The research also emphasizes that without trust, customers are unlikely to remain loyal, highlighting its mediating role. It is also stated that banks should foster trust through transparent communication, ethical practices, and consistent service delivery, as trust not only strength customer relationship but also contributes to competitive advantage.

2.3.2 Service quality

It is emphasized that service quality has a critical role in driving customer loyalty in the banking sector. Delivering premium quality service and addressing both explicit expectations and emotional needs, financial institutions can foster long-term customer relationships, encourage repeated patronage, and gain positive referrals, ultimately strengthening their market position and performance. (Khan & Fasih 2022).

According to that study of Ismail and Yunan (2016), the interaction between service quality and customer loyalty is a critical dynamic. The research identifies five service quality dimensions and explores their collective and individual impacts on fostering loyalty among customers. The findings reveal that while all five dimensions contribute positively to customer loyalty, reliability above all had a critical role, underscoring its role in building trust and encouraging repeated service usage. This study emphasized that high service quality not only meets customer expectations but also strengthens psychological and emotional bonds, creating foundation for sustained loyalty. By providing actionable insights, it highlights the importance of integrating these quality dimensions into service strategies to ensure customer retention and long term organizational success.

A study of Arhas et al. (2022) emphasized that the relationship between service quality and customer loyalty is explored through the lenses of service productivity, responsiveness, accountability, and employee's attitudes. It is demonstrated that service productivity and responsiveness directly impact customer loyalty. It highlights the criticality of maintain high service standards and emphasizing the need to improve productivity, responsiveness, accountability and attitude to foster strong customer loyalty. The findings also underline the importance of identifying the specific contributions to each dimensions and taking actionable insights to refine service quality to enhance loyalty in a competitive market.

Another review by Yingsheng & Youchun (2014) divided the effect service quality has on customer loyalty into direct and indirect effect. The above mentioned showing the direct effect. When it comes to the existence of indirect effect, it is said service quality had an indirect effect on customer loyalty through one or more intervening variables such as customer satisfaction, customer trust and customer perceived value.

2.3.3 Customer Commitment

Commitment emerges as a vital factor in fostering customer loyalty. According to Bricci, Fragata, and Antunes (2016), It is emphasized that trust acts as a critical precursor to commitment, which in turn strongly influences loyalty. Commitment, defined as a psychological attachment or bond, manifests when customers perceive consistent value and trust in their relationship with a service provider. The study underlines that companies can enhance commitment by fulfilling promises, delivering superior value, and equipping employees with the skills needed to co create meaningful customer experiences. Furthermore, the findings align with the principles of relationship marketing, which consider commitment and trust as essential pillars for sustain long-term customer relationships.

Customers with stronger levels of commitment are indeed willing to contribute as customer advocates (Lacey and Morgan 2009). When customers are happy with what they are getting that increases the chances of being committed to that organization and more likely to form emotional attachments, further solidifying their loyalty. The research advocates for organizations to adopt strategies that prioritize transparency, reliability and the delivery of value. By doing so, they can establish a strong sense of commitment among customers, there by fostering loyalty that goes beyond transactional interactions. This approach not only enhances customer retention but also reduces the costs associated with acquiring new customers, ultimately driving profitability and competitive advantage.

Commitment also has a mediating role between trust and loyalty, when direct relationship between trust and loyalty weaken; commitment serves as stabilizing force according to Tabrani and Nizam (2018). Accordingly, commitment is defined through three dimensions: emotional, calculative and normative, each of which contribute to a customer's enduring relationship with their bank. The emotional aspect of commitment creates a bond that encourages customers to remain loyal. Calculative commitment, on the other hand, reflects the perceived cost of switching providers, while normative commitment arises from shared values and ethical alignment. It is also mentioned that emotionally committed customers are more likely to recommend services, engage in positive word of mouth, and continue their patronage.

2.3.4 Perceived value

According to Rasheed and Abadi (2014), Perceived value plays a crucial role in influencing customer loyalty. It conceptualizes perceived value as a multidimensional construct that combines quality, price and convenience, all of which are fundamental to shaping customer loyalty. The study highlights that perceived value significantly explains a large number of the variation in customer loyalty, demonstrating a stronger impact compared to other factors. This finding underscores perceived value as a key driver of customer retention and profitability, as customers who perceive greater value are more likely to remain loyal. It is further emphasized that superior perceived value fosters trust, creating a virtuous cycle that enhances customer relationships. Mangers are advised to strategically focus on optimizing services delivery, maintain competitive pricing, and ensuring convenience to create high-perceived value. This holistic approach not only helps to retain loyal customers but also reduces the costs associated with customer acquisition, providing a sustainable competitive advantage for service providers in the region.

Another study by El-Adly (2019) provides a comprehensive exploration of the relationship between perceived value and customer loyalty. The research examines perceived value as multidimensional construct encompassing seven key dimensions: self-gratification, price, quality, hedonic, aesthetic, prestige, and transaction values. The study showed that price and quality show direct impacts on loyalty, while others enhance loyalty indirectly through customer satisfaction as a mediating factor. Notably, the findings highlights that emotional and experimental dimensions, like hedonic and self-gratification, are as critical as economic considerations in fostering customer loyalty. This underscores the importance of creating an enriching and comprehensive experience that appeals to both the cognitive and emotional aspect of customer behavior. This not only enhances customer satisfaction but also builds customer loyalty, which is vital for maintain a competitive edge.

2.3.5 Customer experience

Customer experience is express as client experience quality as its clear superiority or greatness, and the client's subjective reaction to the strange experience and full immediate with the firm. Lemke, Clark and Wilson (2011). According to Schmit (1999), five different types of experiences are identified. These are sensory experience, affective experience, creative cognitive experience, physical experience and behavioral, social identity experience. All this are what appeal to customers during their interaction with a service provider. These experiences can be categorized into three dimensions; sensory experience, emotional experience and social experience. Sensory experience includes the customers' five senses which result is seen from their reaction. Emotional experience is observed from the emotions and moods of the individuals. Lastly, social experience is observed from interactions with others. Thus, it is the collective effect of the three that will drive the customer to increase or decrease the interaction with the service provider.

A journal by Makudza, F. (2020) showed that customer experience plays a significant role in influencing customer loyalty in the banking sector through three critical dimensions; virtual interaction, service interaction and physical interaction. Service interaction, which involves the quality of engagement between frontline employees such as bank tellers and customer service officers and the customer, was found to be vital. This highlights the necessity of continuous employee training to enhance customer service and deliver seamless interactions that build long-term loyalty. Improving the bank's hall physical environment is one way of to enhance the physical interaction and strengthen customer perceptions.

According to Nobar, H.B K., & Rostamzadeh, R (2018), customer experience and customer loyalty are critical factors in building brand power. It emphasizes the importance of understanding customer's preferences and importance of delivering tailored, high quality experience that foster satisfaction and emotional connection. Customer experience management plays a key role by aligning services with customer expectations, which in turn, enhances loyalty through trust and commitment. Positive customer experience not only drive repeat business but also encourage word of mouth recommendations, which strength brand credibility. Focusing on customer service excellence and customer service excellence can differentiate a brand, increase revenue and sustain long-term customer relationships.

2.4 Significance of Customer Loyalty in the Banking Sector

Customer loyalty is a critical determinant of success in the banking industry, where competition is fierce and customer acquisition costs are high. In an environment characterized by commoditized products and services, fostering strong customer loyalty provides banks with a competitive edge that ensures long-term profitability and growth. Loyalty not only strengths the financial position of banks but also builds resilience in the face of market disruptions, economic challenges and evolving customer expectations (Reichheld & Schefter,2000).

Retaining customer is considerably less expensive than acquiring new ones, making customer loyalty cost effective. The cost of acquiring a new customer can be five times higher than retaining an existing one, highlighting the importance of loyalty in reducing marketing and operational expenses (Reichheld, 2003). Banks that prioritize customer satisfaction and loyalty through high quality service and personalized inter action have been found to experience lower churn rates. (Zeithamal, Berry &Parasuraman, 2002).

Another importance is seen in driving profitability. Loyal customers contribute more to a banks bottom line over time. They are also less sensitive to price changes, allowing banks implement premium-pricing strategies without fear of losing market share (Anderson &Srinivasan 2003). Furthermore, customer loyalty fosters positive word of mouth, which helps banks acquire new clients with lower marketing expenditures (Sweeney & Soutar, 2001). In an increasingly competitive banking environment, loyal customers provide a competitive advantage by remaining committed even when faces with attractive offers from competitors (Oliver, 1999). Overall customer loyalty plays a pivotal role in enhancing customer satisfaction, minimizing attrition, ensuring the long-term growth of banks.

2.5 Relationship Between Customer Loyalty and Competitive Advantage

The relationship between customer loyalty and competitive advantage has been well documented in marketing and strategic management literature, particularly in industries where service quality, brand reputation and customer relationships are center to success (Huand, 2010). In the banking industry, customer loyalty is often driven by factors such as trust, satisfaction, service quality and perceived value (Bendapudi &Berry). According to the study to Kay (2006), Customer loyalty serves as a sustainable source of competitive advantages, allowing businesses to retain customers at a lower cost compared to acquiring new ones. Reichheld and Teal (1996) argued that increasing customer retention rates by just 5% could lead to 25 to 95% increase in profits, highlighting the financial benefits of loyalty. This highlights customer loyalty provides a stable revenue stream, reducing reliance on costly customer acquisition strategies. When financial institutions successfully foster customer loyalty, they can gain a significant competitive advantage by securing repeat business, maintaining stable revenue streams, and reducing customer acquisition costs. As loyal customers are more likely to continue using a brand's service, banks with high loyalty levels can generate more consistent income.

Customer loyalty also directly influences competitive advantage by providing companies with a distinct market position. Loyal customers often serve as brand advocates, recommending products and services to others, which creates word of mouth marketing that is both cost-effective and impactful (Dick & Basu, 1994). In the financial sector, this type of customer advocacy can enhance a bank's reputation, attracting new customers and reinforcing its position in the market. By consistently meeting or exceeding customer expectations, banks can build a loyal customer base that drive organic growth and strength their competitive positioning. Furthermore, the retention of loyal customers allows financial institutions to focus on long-term relationships rather than short-term acquisition efforts, providing a strategic edge over competitors that struggle with high turnover rates (Zeithaml, parasuraman, & Berry, 1990).

Moreover, customer loyalty contributes to a firm's ability to charge premium prices, which is another avenue through which it reinforces competitive advantage. Loyal customers are often less price sensitive and are more willing to pay for premium services, which allows businesses to improve profitability (Lemon, Rust & Zeithaml, 2001). However, the relationship between customer loyalty and competitive advantage is not always straightforward, and several factors can influence the strength of this relationship. For instance, trust, perceived value and service quality are all integral components that affect loyalty and, in turn, competitive advantage. (Huang, Yang & Kim, 2014)

2.6 Competitive Advantage and Its Importance in the Financial Industry

Competitive advantage is a critical concept that enables financial institutions to differentiate themselves in a highly saturated and competitive market. (Porter, 1985) explained the idea that competitive advantage stems from a company's ability to deliver greater value to customers compared to its competitors, either by offering lower prices or providing more desirable products and services. In the financial sector, this can translate to superior customer service, innovative financial products, or more efficient operations. A strong competitive advantage enables financial institutions to retain clients, command premium pricing, and ultimately achieve better profitability (Barney,1991). Banks and financial firms that build a unique and sustainable competitive advantage are better positioned to weather market volatility, regulatory changes, and shifting consumer demands (Collis & Montgomery, 2008)

Competitive advantage is the ability of a bank to perform better than its competitors, often through strategies that provide unique value to customers (Porter 1985). In the banking sector, competitive advantage can be achieved via different methods. However, customer loyalty can be viewed as a strategic resource that banks can use to sustain their competitive edge. Loyal customers contribute to competitive advantage by reducing customer acquisition costs, enhancing brand reputation through positive word of mouth and acting as a stable source of revenue (Reichheld & Sasser 1990). Banks that successfully cultivate loyalty benefit from a customer base that is less likely to switch to competitors, even in the face of attractive alternatives, thereby enhancing their market position (Huang,2010).

Competitive advantage plays a key role in driving revenue, profitability, and overall financial performance in the financial industry. According to Porter (1985), firms that possess a sustainable competitive advantage are able to generate higher revenues by attracting and retaining customers through superior value propositions, which can range from lower pricing to innovative products. Financial institutions with a competitive edge can capitalize on customer loyalty, leading to long term revenue streams through repeated business. As highlighted by Barney (1991), firms with unique capabilities, such as technology and skilled staff, are more likely to enjoy operational efficiency and boost profitability.

2.7 Customer Loyalty in Banking

Customer loyalty is a critical component for success in the banking sector, as it directly influences customer retention, profitability and market competitiveness. Loyalty in banking refers to the degree to which customers are committed to their banks and willing to continue the relationship despite alternative offerings from competitors (Zeithaml, parasuraman, & Berry, 1990). In a highly competitive environment, where numerous financial institutions offer similar services, fostering loyalty can be challenging. However, understanding the factors that contribute to loyalty can help banks tailor their strategies to strengthen customer relationships.

Several studies have identified key determinants of customer loyalty in the banking sector, including service quality, trust and satisfaction. According to Lemon, Rust, and Zeithamal (2001). Trust plays a critical role in building loyalty. The banking industry, by nature, involves sensitive financial transaction, and customers need to feel confident that their bank is reliable and trustworthy. Morgan and Hunt (1994) highlights that trust is essential for developing a loyal customer base, as it reduces the perceived risks of engaging with a financial institution. When customers trust their bank, they are more likely to remain loyal and continue their relationship, even in the face of competitive offers.

Another significant factor influencing customer loyalty is the customer experience. Research by Verhoef (2003), emphasizes that a positive customer experience as in-branch service, mobile banking, and customer support leads to greater loyalty. The ability of a bank to provide seamless, personalized experience strengths the emotional bond between the bank and its customers. As digital banking becomes more prevalent, customers' expectations for convenience and innovation also rise, making it essential for banks to continuously improve the customer experience to maintain loyalty (Berry, Carbone, & Haeckel, 2002)

In conclusion customer loyalty in the banking sector is influenced by several interconnected factors, including service quality, trust, satisfaction, and the overall customer experience. Banks that effectively manage these factors are more likely to build a loyal customer base, which can lead to sustained profitability and competitive advantage.

2.8 Competitive Advantage in Banking

Competitive advantage is a crucial determinant of success in the banking sector, where institutions are competing not only on price but also on service quality, technology, and customer relationships. A competitive advantage allows banks to differentiate themselves from competitors, leading to higher profitability, customer loyalty, and market share (porter 1985). In the context of banking, competitive advantage can be achieved through various strategies such as innovation, cost leadership, differentiation, and fostering on customer needs. Understanding these factors is essential for banks aiming to maintain or improve their competitive position in an increasingly dynamic and competitive market.

Cost leadership is one critical strategy for gaining competitive advantage in banking. By focusing on cost reduction and operational efficiency, banks can offer competitive pricing, which in particular is important in a market where consumers are highly sensitive to price. This is particularly effective in markets with intense competition and low-profit margins. However, it is essential for banks to balance cost cutting with maintain service quality to ensure that cost leadership does not negatively affect customer satisfaction.

Differentiation is another approach used by banks to achieve competitive advantage. Banks can differentiate themselves by offering unique products and services, such as financial advices, tailored loan packages, or superior customer service. According to porter, (1985) differentiation enables banks to create a unique value proposition that appeals to customers and makes them less price sensitive. By focusing on customers, banks can build strong relationships and increase loyalty

In conclusion, competitive advantage in banking sector is shaped by a combination of several strategies. Banks that leverage these different strategies are better positioned to succeed in an increasingly competitive market. As the banking landscape continues to evolve, financial institutions must adapt their strategies to maintain their competitive edge and meet the changing needs of customers.

2.9 Empirical Literature Review

Customer loyalty dimensions and their influence on competitive advantage in banks is extensive and multifaceted. Empirical evidence consistently underscores customer loyalty dimensions as vital driver of competitive advantage in the banking sector. A study conducted in Ghana by

Techmind Research (2019) demonstrated that customer loyalty accounted for approximately 40.9% of the variance in sustained competitive advantage when modeled as a meditating factor within relationship marketing strategies. This finding affirms that loyalty is not merely an outcome but a strategic asset that banks can leverage to differentiate themselves in saturated markets.

Similarly, Wang and Feng (2016) found that customer loyalty significantly mediates the relationship between customer relationship management practices and competitive advantage in Chinese commercial banks. Their research revealed that banks with higher loyalty scores enjoy greater market share, profitability, and customer retention, all of which contribute to a durable competitive edge. These findings align with Barney's (1991) Resource-Based view, which conceptualize loyalty as a rare and inimitable resource that enhances firm performance,

Customer loyalty as a Mediator Between Relationship Marketing and Competitive Advantage

Emerald Insights (2016) developed a CRM framework emphasizing complaint resolution, customer knowledge management, empowerment and customer orientation. Their findings indicate that these CRM dimensions enhance customer loyalty, which mediates the impact on competitive advantage. This mediation highlights loyalty's role as the mechanism through which banks translate relationship investments into sustainable market benefits.

While the majority of studies support a positive relationship between customer loyalty and competitive advantage, some researches reveal mixed or context dependent results. For example, a study examining Bangladeshi Islamic banks (MDPI, 2024) found no statistically significant relationship between customer loyalty and financial performance. This suggests that in certain contexts, other factors such as regulatory environment, market maturity, or cultural difference may moderate the loyalty-performance link.

Such findings underscore the importance of contextualizing empirical research and caution against over generalizing results across diverse banking environments.

Effect of trust on competitive advantage

Trust is widely recognized as a critical factor influencing competitive advantage in the banking se .Empirical studies demonstrates that trust enhances customer relationships, reduces perceived risks, and improves banks' financial and market performance, thereby contributing to sustainable competitive advantage. Buriak et al. (2021) analyze the interaction between interpersonal trust and institutional trust in banks, emphasizing that higher trust levels facilitate smoother transactions and stronger customer loyalty, which are essential for competitive positioning. Similarly, research on relationship banking highlights that trust fosters customer retention by encouraging repeated interactions and reducing switching behavior, which directly supports bank growth and survival amid intense competition.

In the Nigerian banking industry, qualitative evidence shows that trust significantly impacts bank-customer relationship management and overall bank performance. Trust evolves over the lifecycle of the relationship, strengthens customer commitment and enhancing the bank's competitive edge. This dynamic relationship underscores trust as a strategic asset that banks must cultivate to differentiate themselves. Trust acts as a mitigating factor against market volatility, allowing banks to operate more efficiently and attract investment. Reinier (2018) further confirms that banks with strong past financial performance enjoy higher future customer trust, linking trust directly to profitability and competitive positioning.

Moreover, competition itself has been shown to increase trust within banking sector. Francois et al. (2009) provide evidence that increased competition leads to higher individual-level trust, which in turn correlates positively with sectoral competitiveness. This reciprocal relationship suggests that trust not only results from but also fosters competitive banking environments. Moreover, a study by Abdelsalam et al. (2024) highlights how societal and organizational trust reduce market risk and enhance bank's reputations, further strengthen their competitive advantage.

H1: Trust positively affects Competitive Advantage.

Effect of service quality on competitive advantage

Service quality is a key determinant of competitive advantage in the banking sector, as it directly influences customers' satisfaction and loyalty. Different empirical studies have confirmed that high service quality leads to enhanced customer retention and improved financial performance which are essential for sustaining competitive advantage. A research using the SERVQUAL model revealed that gaps exist between customer expectations and perceptions of service quality in major banks like CBE. Responsiveness and reliability were identified as the most critical dimensions influencing customer satisfaction (Yonatan Gebre, 2010; Mesay Sata,2012). These findings suggest that banks need to prioritize these dimensions to enhance customer satisfaction and loyalty, which in turn supports competitive advantage. Customer retention derived from quality service is a key driver of loyalty and competitive differentiation in competitive banking sector. A study by Monika (2010) emphasized that service quality is a vital intangible asset for banks, contributing to customer loyalty and long-term competitive advantage. She argued that in the face of globalization and technological progress, banks must focus on service quality to improve their image and increase profitability. Collectively these studies underscore that service quality is not only a driver of customer satisfaction but also a strategic lever for achieving and sustaining competitive advantage in the banking industry.

H2: Service quality positively affects competitive advantage of a bank.

Effect of customer commitment on competitive advantage

Customer commitment strengthens the relationship between banks and their customers, thereby enhancing competitive advantage. Studies consistently show that committed customers are more loyal, less price-sensitive, and more likely to engage in positive word-of-mouth, all of which contributes to sustained competitive advantage. A research by Affran, Dza & Buckman, (2019), found that customer loyalty, driven by commitment, mediates the relationship between relationship marketing strategies and sustained competitive advantages, indicating that commitment based loyalty significantly enhances banks' market position. Similarly, studies demonstrate that customer relationship management practices positively influences customer loyalty and commitment, which in turn improve competitive advantage. The findings suggest that banks should focus on strengthening customer commitment through effective CRM to retain customers and outperform competitors (Iqbal & Aslam, 2016). Moreover, competitive advantage in financial services is closely linked to personalization, communication, and positive customer experiences- all factors that foster commitment.

H3: Customer commitment positively affects the competitive advantages of banks.

Effect of perceived value on competitive advantage

Perceived value plays a significant role in shaping customer loyalty and competitive advantages in the banking sector. Studies consistently show that when customers perceive high value in banking services, by balancing benefits received against costs incurred, they are more likely to remain loyal, which strengthens the bank's competitive position.

Perceived value significantly influences customer's intention to continue using banking services and recommend the bank to others, thereby enhancing market share and profitability (Rashid, Aslam, & Shabbir, 2020). It influences customers' willingness to pay premium prices and reduces price sensitivity, enabling banks to differentiate themselves in competitive markets. Banks that effectively communicate and deliver superior value create stronger emotional bonds with customers, which are difficult for competitors to replicate (Chawla, Joshi, & Sharma, 2023).

H4: Perceived value positively affects the competitive advantage in banks

Effects of customer experience on competitive advantage

Customer experience in banking encompasses customers' perceptions and emotional responses formed through every interaction with the bank across multiple channels, including branches, ATMs, online platforms, and mobile applications (Lemon & Verhoef, 2016). Researches show that banks delivering seamless, personalized, and convenient experiences gain a significant competitive edge. Innovations, personalized recommendations, and Omni channel integration improve responsiveness and accessibility, leading to higher customer engagement and retention (Chawla, Joshi & Sharma, 2023; Verhoef et al., 2015).Despite all, personalized human interaction remain vital for complex banking needs and building emotional trust (Klaus, 2013).Effective management of customers experience enables banks to differentiate themselves in saturated markets by reducing churn and increasing cross-selling opportunities.

H5: Customer experience positively affects the competitive advantages of banks.

Conceptual Framework

The conceptual framework guiding this study is designed to investigate how customer loyalty dimensions contribute to competitive advantage in the Ethiopian banking industry, with Zemen Bank as the subject study. The framework is anchored in two established theoretical foundations: The Resource-Based View and Relationship Marketing Theory, both of which emphasize the strategic value of intangible assets such as trust, service quality and customer relationships.

Drawing on studies, five key customer loyalty dimensions are identified as independent variables, which are have been empirically validated as critical drivers of loyalty and organizational performance in the financial and service sector. The Framework emphasis that each of the five dimensions has a direct and positive effect on competitive advantage.

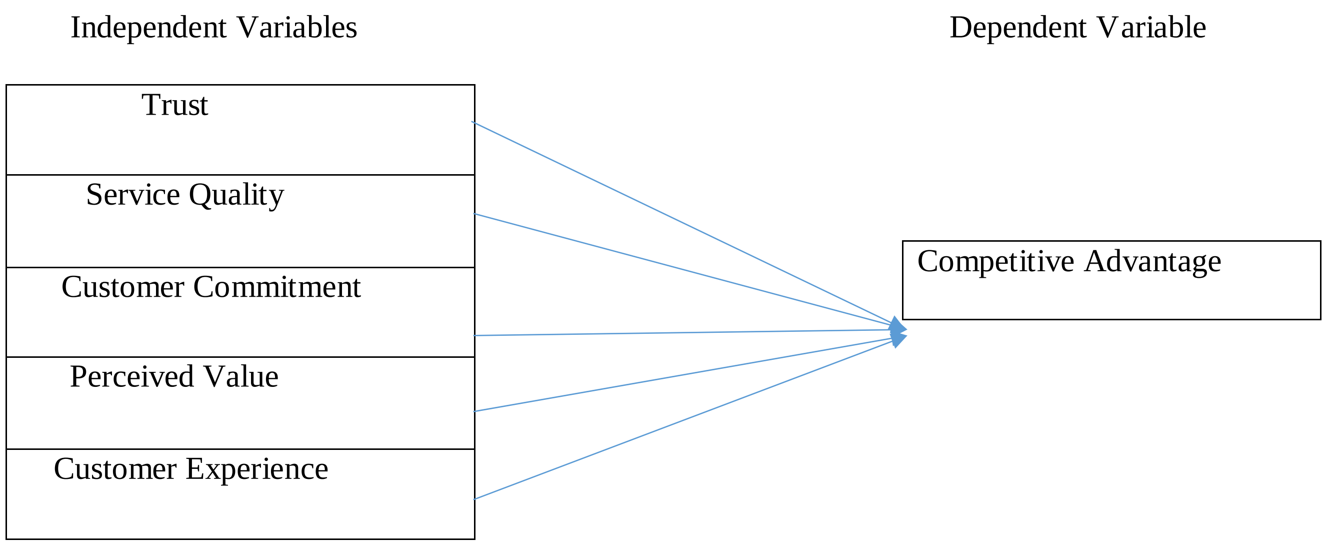

Figure 1: Conceptual Framework

Source Adopted from Ngo & O'cass, (2012); Eid, (2011); Kandampully et al., (2015); and Chen & Myagmarsuren, (2011)

CHAPTER THREE

3. RESEARCH METHDOLOGY

This section provides a comprehensive explanation of the research approach, methods, and tools to systematically collect and analyze data to address the research objectives. It ensures the research is valid and reliable.

3.1 Research approach

This study adopted a quantitative method approach, to provide a comprehensive understanding of dimensions of customer loyalty and their role in achieving competitive advantage. The qualitative data provides contextual understanding of industry dynamics and insights from secondary data. The quantitative aspect cover numerical data collected through structured questioner to quantify customer perceptions of key loyalty drivers and statistical analysis to help identify patterns among variables.

3.2 Research Design

The study employed an explanatory research design. It allowed for the collection of data at a single point in time, enabling the analysis of relationship between a set of independent variables and a dependent variable and test hypothesis. This research design is selected to quantify the extent and direction of the relationships, providing clear empirical evidence on how each factors influences competitive advantage.

3.3 Sampling Design and Population

The target population for this study comprises customers of Zemen Bank. Given the study's focus on customer loyalty and its influence on competitive advantage, the population specifically includes individual and business account holders who have had active relationship with the bank for at least six months, whom are assumed to have sufficient experience to evaluate the bank.

Due to the lack of a precise total number of eligible account holder, the study adopts a sample size formula for an unknown population, applying a 95% confidence level and a 5% margin of error. The estimated proportion (P) is set at 0.5 to ensure maximum variability and a conservative sample size estimate.

Using the formula

$$n = \frac{Z^2 . p(1-p)}{e^2}$$

$$n = (1.96)^2 . 0.5 . \frac{(1-0.5)}{(0.05)^2}$$

=384.16~ 385

Therefore, the final sample size for the study is 385 respondents selected using a Non probability convenient sampling method.

3.4 Sampling Technique

The study adopted a non-probability sampling technique, to select respondents. This method was appropriate given the research objective. Purposive sampling enables to intentionally target participants who are most likely to provide meaningful insights based on their experience and engagement with the Bank's services. In this study, the inclusion criteria required that respondents be active customers of Zemen Bank S.C., with a minimum of six months of continuous banking experience. This ensured that participants had adequate exposure to service quality, relationship processes, and value perception- all of which are essential to evaluating customer loyalty.

3.5 Sampling procedure

The sampling procedure was carried out across selected branch in Addis Ababa, with data collected during regular banking hours. A total of 385 questionnaires were distributed to customers who were available and willing to participate, based on the inclusion criteria of having maintained an active relationship with the bank for at least six months. Customers were approached within bank premises. After confirming eligibility, respondents were briefed on the purpose of the study and given the option to complete the questionnaire.

3.6 Methods of Data collection

The study employed primary data collected through structured questionnaires designed to capture customers' attitude towards loyalty factors. It used a 5-point Likert scale for ease of analysis. The questionnaire is developed based on previous studies on customer loyalty. This approach allows for the collection of standardized and quantifiable information on the key variables. Questionnaires are chosen as they are cost-effective, simple, effective and enable data collection from a large sample, and facilitate efficient statistical analysis to test the research analysis. It minimizes researcher bias, enhances the reliability and validity of the data. The study also uses secondary data collected from previous studies, online databases and others. This was identified and gathered based on the relevance to the study. By compiling and organizing existing data from multiple sources, the study uses an effective approach that complements primary data and enhances context.

3.7 Methods of Data analysis

The data analysis is conducted using SPSS version 27 and STATA version 17, following a systematic approach. Initially, descriptive statistic such as frequencies, percentages, means, and standard deviation were calculated to summarize the data. The internal consistency of the measurement scales was then assessed using Cronbach's alpha to ensure reliability. For inferential analysis, multiple linear regression was employed to test the effects of the independent variables on the dependent variable. Prior to running the regression, several assumptions are checked to validate the model. Multi-collinearity is evaluated using the variance inflation factor. The presence of heteroscedasticity is examined using the Breusch-Pagan test, while the normality of residuals is assessed with the Shapiro-Wilk test. Correlation analysis done using Pearson correlation is also used to measure the strength and direction of the linear relationship between the independent and dependent variable. Additionally, autocorrelation was tested through the Durbin-Watson statistic, with acceptable values. This through process ensures the robustness and validity of the statistical findings.

3.8 Validity and Reliability

According to Leung (2006), Validity in qualitative research refers to the appropriateness of the tools, processes, and data used, ensuring that the research question, methodology, design, sampling, data analysis, and conclusions are all suitable and accurately reflect the context of the study. Thus, Validity is ensured, as questionnaires is adapted from previously validated instrument of Muhammad et al. (2015) and Aregawi (2018). It involved selection and slight modification to fit the context of the study. All measures used to construct the instrument have shown acceptable level of construct and content validity in previous studies. Content validity of the questionnaire is also commented by the research advisor and experts of Zemen Bank.

Reliability

A reliability analysis assesses a questionnaire's internal consistency, reflecting how consistently a set of variables measures its intended constructs. Cronbach's alpha is a widely recognized measure of internal consistency and reliability, making it appropriate for this study. According to Meyers et al. (2006), a Cronbach's alpha coefficient greater than 0.7 indicates acceptable internal consistency or reliability. While a value of 0.8 or greater signifies very good reliability. However, values exceeding 0.95 may indicate redundancy. As demonstrated in the table below, SPSS was used to test reliability, yielding a result of more than 0.7, which indicates high reliability.

Variables	Cronbach's Alpha	N of Items
Trust	.821	5
Service Quality	.806	5
Customer Exp.	.733	5
Commitment	.720	5
Perceived Value	.802	5
Competitive Adv.	.768	5
Overall Value	.895	30

Table 1. Reliability

3.9 Ethical consideration of the study

The study adhered to strict ethical standards throughout the research process. Participation in the survey was entirely voluntary, and all respondents were informed about the purpose of the research prior to data collection. Informed consent was obtained, ensuring that participants understood their rights, including the right to withdraw at any stage. The confidentiality and anonymity of respondents were maintained; no identifying personal information was collected or disclosed, and all responses were used solely for academic analysis.

CHAPTER FOUR

4. RESULT AND DISCUSSION

4.1 Introduction

The chapter begins with an overview of the sample response rate and demographics, followed by analysis of Customer loyalty variables. It concludes with econometric model testing to ensure the validity and reliability of the results, providing a comprehensive understanding of Customer loyalty effects on competitive advantage.

4.2 Sample and Response rate

The questionnaire designed to examine the effect of Customer loyalty on competitive advantage in the case of Zemen Bank S.C has been used. 385 questionnaires were distributed, and 332 valid responses were collected, resulting in a high response rate of 86.23**%.** This ensured a reliable data set for analysis, which was carried out using SPSS v 27.

Items	Total	Percentage
Distributed Questionnaires	385	100%
Properly filled and ready for analysis	332	86.23%

Table 2 Survey Response Rate

4.3 Demographic characteristics of respondents

Gender structure of respondents.

According to table below, the results show, the sex distribution of respondents indicates that 65.7% (218 individuals) are male, while 34.3% (114 individuals) are female. This suggests that the majority of Zemen Bank's customers who participated in the survey are male

Demographic Variable	Category	Frequency	Percentage%
Gender			
	Male	218	65.7%
	Female	114	34.3%
Age			
	18-24	54	16.3%
	25-34	69	20.8%
	35-44	103	31.0%
	45-54	60	18.1%
	>55	46	13.9%
Occupation			
	Student	15	16.3%
	Employed	126	20.8%
	Self-Employed	89	31.0%
	Other	86	18.1%
Years of Use			
	< 1 years	55	16.6%
	1-3 years	80	24.1%
	3-6 years	102	30.7%
	> 6 years	95	28.6%
Service Frequency			
	Daily	78	23.5%
	Weekly	160	48.2%
	Monthly	73	22.0%
	Rarely	21	6.3%

Table 3 Demographic representation

Source; own survey 2025

The age distribution of respondents, as shown in the table, indicates that the majority (31.0%) fall within the 35–44 age group, followed by 25–44 years (20.8%) and 45–54 years (18.1%). The youngest group, aged 18–24, represents 16.3% of respondents, while those above 55 years constitute 13.9%. This suggests that most of Zemen Bank’s customers who participated in the survey are young to middle-aged adults, with a declining proportion in the older age groups.

The occupational distribution of respondents reveals that the majority (38.0%) are employed, followed by self-employed individuals (26.8%)., while students account for 9.3%. The "Others" category represents 25.9 % of the respondents. This suggests that Zemen Bank's customers primarily consist of working professionals, with a notable presence of self-employed individuals and retirees.

The data on customer tenure shows that the largest group (30.7%) has been with Zemen Bank for 3 to 6 years, followed by those who have been customers for more than 6 years (28.6%). Customers with 1 to 3 years of experience make up 24.1%, while newer customers with less than a year account for 16.6%. This indicates that a significant portion of respondents have long-term relationships with the bank, reflecting strong customer retention.

The service repetition data indicates that nearly half of the respondents (48.2%) use Zemen Bank’s services on a weekly basis, while 23.5% access them daily. Monthly users account for 22.0%, and only 6.3% use the services rarely. This suggests that the majority of customers engage with the bank frequently, highlighting strong customer interaction and service utilization.

4.4 Descriptive Statistics of the Variables

Descriptive statistics help assess data normality, guiding the choice between parametric or non-parametric tests. They also identify key metrics like mean, median, and standard deviation.

	Trust	Service Quality	Customer Experience	Commitment	Perceived value	Comp. Advantage
N	332	332	332	332	332	332
Mean	3.1524	3.2355	3.4145	3.4024	3.0542	3.1620
St Deviation	1.06616	1.12357	.88138	.87101	1.03915	1.06231
Minimum	1.00	1.00	1.00	1.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00	5.00	5.00

Table 4 Descriptive Statistics

Source; own survey 2025

The descriptive statistics provides a statistical summary of the main variables examined in this study: Trust, Service Quality, Customer experience, Commitment, Perceived Value, and Competitive Advantage. Each variable was measured using a 5-point Likert scale, where 1 indicated ‘’Strongly Disagree’’ and 5 indicated ‘Strongly Agree’. ‘The table represents the mean and standard deviation for each variable, offering insight into the central tendency and variability of respondents’ perceptions. It reveals that all variables—Trust, Service Quality, Customer experience, Commitment, Perceived Value, and Competitive Advantage—have mean values ranging from 3.05 to 3.41. The mean point 3.0 on a 5-point scale was used as the cut point for interpretation, with means above 3.0 indicating a positive perception and means below 3.0 indicating a negative perception (Joshi et al., 2015). This indicates that, on average, respondents have a generally positive perception of Zemen Bank’s performance across theses key factors. Notably, Customer Experience has the highest mean (3.41), suggesting that customers most strongly agree that the bank has excellent customer handling practices. Perceived value has the lowest mean (3.05), which, while still above the neutral midpoint of 3.0, indicating that there is relatively less agreement about the value received compared to other factors.

The Standard Deviation values, which range from 0.87 to 1.12, reflecting moderate variability in responses. This suggests that while most respondents share similar views, there is still some diversity in individual experiences and perceptions. Overall the descriptive statistic highlights that Zemen Bank’s customers view the bank positively in terms of trustworthiness, Service quality, experience and commitment.

4.5 Effect of Customer loyalty on Competitive Advantage of Zemen Bank

To ensure the reliability of the research findings, the paper's model be tested against key multiple linear regression assumptions: multi collinearity, heteroscedasticity, normality, linearity, and error independence. These tests help validate the model's accuracy and reliability. The subsections that follow provide a detailed explanation of how each assumption be tested, ensuring that the results are robust and trustworthy for further analysis.

4.5.1 Correlation Analysis

Correlation is a statistical measure that expresses the extent to which two variables are linearly related (they change together at a constant rate). The value of correlation coefficient is needed to be within -1 to +1. The table below shows that correlation coefficients of this research. The Pearson's correlation coefficient analysis helped the researcher to understand whether there was a positive relationship, negative relationship, or no correlation between dependent variables and independent variable. Thus, the researcher using Pearson's correlation coefficient analysis analyzed the strength and direction of relationship between variables. In addition, the researcher used it to measure whether there was a significant relationship between independent variables and dependent variable.

		Trust	Serv.Qual	Cos.exp	commitment	Perc.value	Comp. Adv
Trust	Pearson correlation	1	.739	.631	.086	.090	.779
	Sig (2-tailed)		<.001	<.001	.118	.102	<.001
	N		332	332	332	332	332
Service Q	Pearson correlation	.739	1	.688	.085	.042	.894
	Sig (2-tailed)	<.001		<.001	.124	.450	<.001
	N	332	332	332	332	332	332
Customer Experience	Pearson correlation	.631	.688	1	.001	.113	.733
	Sig (2-tailed)	<.001	<.001		.989	.040	<.001
	N	332	332	332	332	332	332
Commitment	Pearson correlation	.086	.085	.001	1	.047	.134
	Sig (2-tailed)	.118	.124	.989		.395	.015
	N	332	332	332	332	332	332
Perc. value	Pearson correlation	.090	.042	.113	.047	1	.106
	Sig (2-tailed)	.102	.450	.040	.395		.053
	N	332	332	332	332	332	332

Comp. adv	Pearson correlation	.779	.894	.733	.134	.106	1
	Sig (2-tailed)	<.001	<.001	<.001	.015	.053	
	N	332	332	332	332	332	332

Table 5 Correlations

Source: Own survey, computed in SPSS, 2025

The correlation table shows strong positive relationships between Competitive Advantage and Trust (0.779), Service Quality (0.894), and customer experience (0.733), all significant at the 0.01 level. This suggests that these factors play a crucial role in enhancing competitive advantage. Commitment and Perceived Value have weaker correlations (0.134 and 0.106, respectively), with Commitment being significant at the 0.05 level. The high correlations between Service Quality, Trust, and Customer experience indicate their interdependence in influencing competitive advantage. These findings highlight the importance of service quality and customer experience in gaining a competitive edge.

4.5.2 Assumption Tests

Multi-collinearity Test

Multi-collinearity occurs when independent variables in a regression model are highly correlated, making it difficult to determine their individual effects. A correlation coefficient of +1 or -1 indicates perfect collinearity, which can lead to less reliable statistical inferences. To detect Multi-collinearity, Tolerance and the Variance Inflation Factor (VIF) were used. According to Gujarati (2004), a Tolerance value below 0.1 or a VIF above 10 signals Multi-collinearity. In this study, however, all Tolerance values were above 0.1, and VIF values were below 10. This confirms that there is no Multi-collinearity issue, ensuring that the regression results are reliable and valid.

	Tolerance	VIF
Trust	.422	2.369
Service Quality	.368	2.719
Customer Experience	.484	2.065
Commitment	.981	1.019
Perceived value	.979	1.022

Table 6 Tolerance and VIF

Heteroskedastic Test

The breusch –pagan test is a statistical test used to detect the presence of heteroscedasticity in a linear regression model. Base it on the idea that if heteroscedasticity is present, the variance of the error term is to be related to the predictor variables in the model. If the test statistic yields a p-value below an appropriate threshold (e.g., $p < 0.05$), the null hypothesis of homoscedasticity is rejected, and heteroscedasticity is assumed.

For this model, the p-value for the heteroscedasticity test was 0.163, which is greater than the significance level of 0.05, indicating that there is no heteroscedasticity. The figure below shows the results generated from SPSS, confirming that the model does not suffer from heteroscedasticity. This is important because it implies that the assumptions of the Classical Linear Regression Model, particularly regarding the constant variance of the error terms, are met. This enhances the reliability of the regression results, ensuring that any inferences or conclusions drawn from the model are not biased due to unequal error variances.

Modified Breusch-pagan Test for heteroscedasticity

Chi-square	df	Sig.
.679	1	.410
-Dependent Variable: Competitive Advantage		
-Tests the null hypothesis that the variance of the errors does not depend on the values of the independent variables		
-Predicted values from design: intercept		

Table 7 Modified Breusch-Pagan test

The Breusch-Pagan test for heteroscedasticity results in a chi-square value of 0.679 with a significance level of 0.410. Since the p-value is greater than 0.05, we fail to reject the null hypothesis, indicating that there is no significant heteroscedasticity in the model. This suggests that the variance of the errors is constant, ensuring the reliability of the regression results for competitive advantage analysis.

Normality Test

A normality test is used to determine whether the error term is zero and whether the variance in the model is constant. The normal distribution is the most commonly used distribution in statistics.

A variable that is normally distributed will exhibit a histogram that is bell-shaped, with only one peak, and is symmetric around the mean. Multiple regression assumes that the variables are normally distributed, which means that the errors between observed and predicted values (i.e., the residuals of the regression) should also be normally distributed. The histogram below illustrates the standardized residuals from the regression for the dependent variable

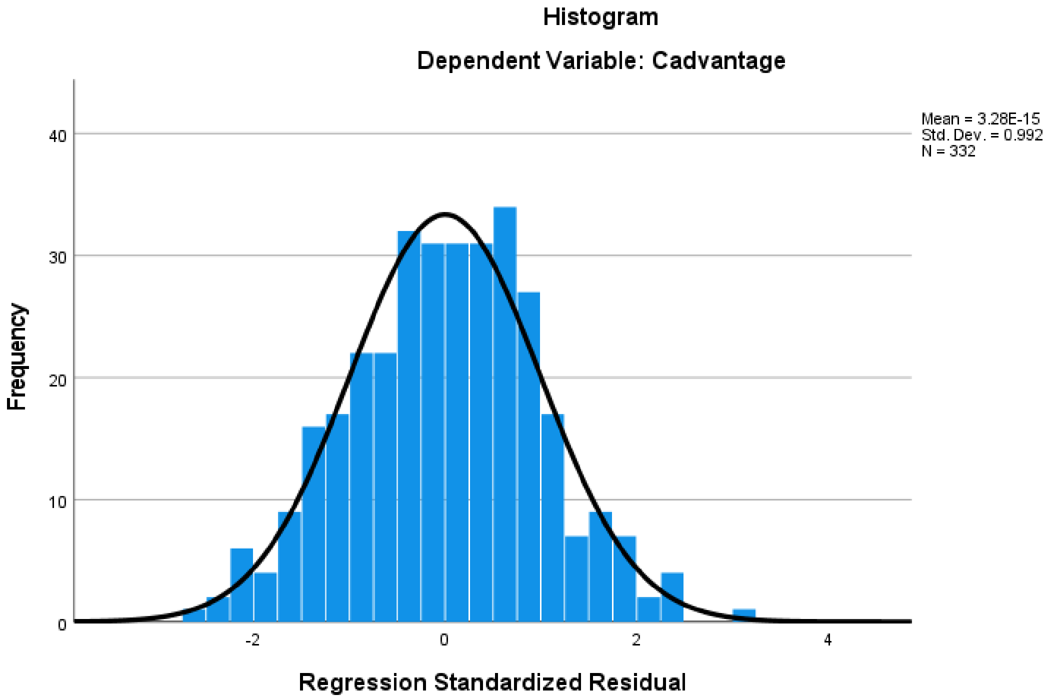

Figure 2 Histogram Normality test

Key Observations:

Normality of Residuals**:** The black line represents the normal curve superimposed over the distribution of residuals. The shape of the blue bars closely follows the curve, indicating that the residuals are approximately normally distributed. This supports the assumption of normality in regression.

The histogram of regression-standardized residuals for the dependent variable (Competitive advantage) shows a roughly normal distribution, as indicated by the bell-shaped curve overlaying the bars. The mean is approximately zero (3.28E-15), and the standard deviation is close to one (0.992), suggesting well-behaved residuals. This indicates that the assumption of normality in the regression model is reasonably met, supporting the validity of the results.

In conclusion, the residuals appear to follow a normal distribution, indicating that the regression model satisfies the assumption of normality for residuals. This helps validate the overall reliability of the regression results.

Test of linearity

Standard multiple regression can accurately estimate the relationship between the dependent and independent variables only if the relationship is linear in nature. If the relationship between the independent variable (IV) and dependent variable (DV) is not linear, the regression analysis results will underestimate the true relationship. Diagrammatically, a graph of one variable against another variable will show that the points tend to fall in straight line.

The plot below shows that there is a linear relationship between dependent and independent variables in the model.

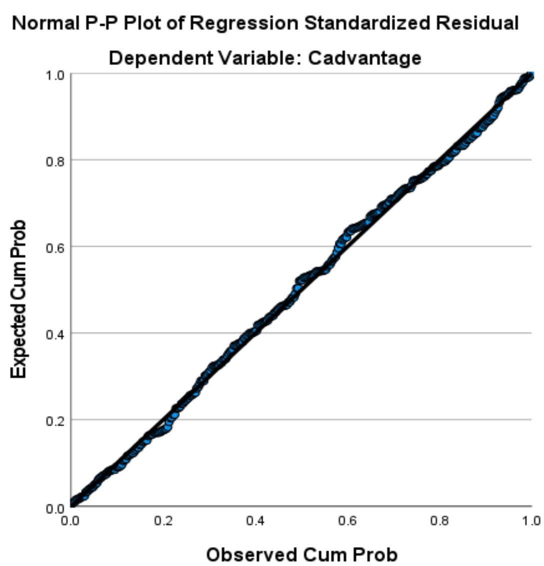

Figure 3 P-P plot of normality test

The Normal P-P Plot of regression-standardized residuals indicates that the residuals closely follow the diagonal line, suggesting that the residuals are approximately normally distributed. This confirms that the assumption of normality is satisfied, which supports the validity of the regression model applied in this study

Autocorrelation Test

Autocorrelation refers to the degree of correlation of the same variables between two successive time intervals. It measures how the lagged version of the value of a variable is related to the original version of it in a time series. Autocorrelation, as a statistical concept, is also known as serial correlation.

- Autocorrelation measures the relationship between a variable's current value and its past values.
- An autocorrelation of +1 represents a perfect positive correlation, while an autocorrelation of -1 represents a perfect negative correlation.

The most common method of testing autocorrelation is the Durbin-Watson test. Without getting too technical, the Durbin-Watson is a statistic that detects autocorrelation from a regression analysis. The Durbin-Watson always produces a test number range from 0 to 4. The Durbin-Watson statistic is approximately 2, with an acceptable range of 1.50 to 2.50. As you can see from the table 4.9 below, the Durbin-Watson statistic value is 1.874, which is close to 2. Therefore, this model has no autocorrelation problems.

Model	R	R square	Adjusted R Square	Std.Error of the Estimate	Durbin-watson
1	.922	.850	.848	.41458	1.874

Table 8 Model Summary

a. Predictors: (constant), Perceived value, Service quality, Commitment, Customer experience, Trust
b. Dependent Variable: Comp. advantage

The model summary indicates a strong relationship between the independent variables (Perceived Value, Service Quality, Commitment, Customer experience, and Trust) and the dependent variable (Competitive Advantage), as reflected. The regression model yielded an Adjusted R square value of 0.848, indicating that approximately 84.8% of the variance in competitive advantage is explained the five dimensions. While this level considered high it is justified by several supporting statistical and theoretical.

First the model is grounded in robust theoretical frameworks namely, the Resource-Based View and Relationship Marketing Theory-both of which emphasized the importance of intangible customer based resources in creating sustained competitive advantage prior empirical studies (Ngo & O'Cass, 2012; Kandampully et al., 2015)) have similarly demonstrated high explanatory power when multiple relational constructs are considered together.

Second the reliability and internal consistency of the measurement instrument were validated through a Cronbach's alpha exceeding 0.80, indicating strong coherence among the items. The reliability likely contributed to the strength of the regression outcome.

Third the key assumption of the regression analysis was properly tested and met. The Durbin-Watson statistics was 1.895, which is close to the idea value of 2.0, indicating no evidence of autocorrelation among residuals. Additionally, the variance inflation factor (VIF) values ranged from 1.368 to 2.408, well below the commonly accepted threshold of 5, confirming that multicollinearity was not concern. These diagnostic results support the conclusion that the regression model is statically sound and that high adjusted R2 reflects meaningful independent contribution from each predictor variable.

Collectively these findings confirm that the observed 84.8% explanatory power is both statistically valid and theoretically consistent with expectation in a relationship driven service industry such as banking.

4.5.3 Overall significance of the model (F test)

It is used to test whether at least one of the predictor variables is significant in a regression model

The F-test of overall significance tests whether all of the predictor variables are jointly significant while the t-test of significance for each individual predictor variable merely tests whether each predictor variable is individually significant.

The F-test is used to determine whether at least one of the predictor variables in a regression model is significant, testing the joint significance of all predictors. An F-value of 369.448 in the ANOVA table indicates a highly significant model, suggesting that the independent variables collectively explain a substantial amount of variance in the dependent variable. This high F-value leads to the rejection of the null hypothesis, which posits that all regression coefficients are equal to zero, indicating that at least one predictor significantly influences the outcome. The corresponding p-value is likely very low (often less than 0.001), further reinforcing the model's statistical significance.

Model	Sum of Squ	df	Mean Square	F	Sig
Regression	317.500	5	63.500	369.448	.001
Residual	56.032	326	.172		
Total	372.532	331			

Table 9Model Summary 2

a. Dependent variable: comp. advantage
b. Predicators:(constant), perceived value, service quality, customer experience, commitment, trust

The ANOVA table indicates that the regression model is highly significant ($p < 0.001$), meaning that the predictors (Perceived Value, Service Quality, Commitment, Customer experience, and Trust) collectively explain a significant portion of the variance in Competitive Advantage. The high F-value (369.448) suggests that the model fits well, and the large sum of squares for regression (317.500) compared to residuals (56.032) implies that the predictors account for most of the variation in Competitive Advantage.

4.6 Coefficients

This table presents both unstandardized and standardized coefficients for a regression model predicting.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std.Error	Beta		
Constant	-.469	.138		-3.392	<.001
Trust	.204	.033	.205	6.199	<.001
Service quality	.580	.033	.614	17.345	<.001
Customer experience	.213	.037	.177	5.742	<.001
Commitment	.076	.026	.062	2.884	.004

Perc. Value	.040	.022	.039	1.820	.070

Table 10 Coefficients

Dependent Variable: Comp. Advantage

Source: Own survey, computed in SPSS, 2025

The regression coefficients indicate that Service Quality ($\beta = 0.614$, $p < 0.001$) has the strongest positive impact on Competitive Advantage, followed by Trust ($\beta = 0.205$, $p < 0.001$) and Customer experience ($\beta = 0.177$, $p < 0.001$). Commitment also has a significant but weaker effect ($\beta = 0.062$, $p = 0.004$). Perceived Value ($p = 0.070$) is not statistically significant at the 0.05 level, suggesting its effect on Competitive Advantage is weaker or negligible. The constant term is negative, indicating that without these predictors, the Competitive Advantage score would be below zero.

4.7 Hypothesis Testing

By examining both the coefficients and their associated p-values, researchers can decide whether to accept or reject the hypotheses concerning the relationships among the variables in the regression model. Consequently, the hypotheses were tested in the following section.

Hypotheses	Statement	Beta Coefficient	T – Statics	P values	Hypotheses Result
H1	Trust has a significant positive effect on Competitive advantage	.205	6.199	<.001	Reject the null hypothesis
H2	Service quality has a significant positive effect on Competitive advantage	.614	17.345	<.001	Reject the null hypothesis
H3	Customer experience has a significant positive effect on Competitive advantage	.177	5.742	<.001	Reject the null hypothesis
H4	Commitment has a significant positive effect on Competitive advantage	.062	2.884	.004	Reject the null hypothesis

H5	Perceived Value handling has a significant positive effect on Competitive advantage	.039	1.820	.070	Insignificant

Table 11 Hypotheses Statement

4.8 Discussion

The findings of this study reveal that customer loyalty, driven by trust, service quality, commitment, perceived value and customer experience- plays a significant role in securing competitive advantage for Zemen Bank. The data indicate that trust, Service quality and Customer experience are particularly influential in fostering customer commitment and loyalty, while the others further strengthen emotional bonds, leading to increased retention.

These results support the notion that customer loyalty is not a singular construct but a multidimensional phenomenon encompassing both behavioral (repeat purchases) and attitudinal (emotional attachment, trust, and commitment) dimensions. This aligns with Dick & Basu (1994), who emphasized the importance of both behavioral and attitudinal loyalty in sustaining long-term customer relationships.

The findings of this study are consistent with prior research in several key areas:

Trust as a foundation: The strong impact of trust on customer loyalty and competitive advantage mirrors the conclusions of Aydin and Ozer (2005), who found that trust has a greater effect on customer retention and replacement costs than service quality alone. Similarly, Morgan & Hunt (1994) highlighted trust as a critical antecedent to loyalty in the relationship marketing.

Service quality and experience: The study confirms that high service quality and positive customer experience are essential for building emotional connections and advocacy, echoing the work of Chios & Cornelia (2002), who identified service quality as a core driver of loyalty in the banking sector. This is further supported by Szymanski & Henard (2001), who linked service quality to reduced price sensitivity and increased customer advocacy.

Perceived Value: The role of perceived value in fostering loyalty is consistent with Rashid et al. (2020), who argued that profitability and sustainable growth in banking are closely tied to customers' perceptions of value and satisfaction.

Commitment and Advocacy: The study's findings that loyal customers act as brand advocates and help reduce acquisition costs are in line with the conclusions of Rust, Zeithaml, & Lemon (2024), who noted that loyal customers not only provide stable revenue streams but also contribute to operational efficiency and brand strength through word-of-mouth referrals.

While much of the literature on customer loyalty and competitive advantage has focused on Western or Asian markets, this study addresses a notable gap by examining these dynamics within the Ethiopian banking context. The results suggest that the drivers of loyalty identified globally are equally relevant in Ethiopia, but may be influenced by local socio-economic and technological factors. These contextual insights are important for banks operating in emerging markets, where customer expectations and competitive pressures are rapidly evolving.

The research highlights the necessity for banks to align loyalty-building mechanisms with their broader strategic objectives. Generic loyalty programs may not suffice; instead, should tailor their approaches to address the specific needs and expectations of their customer base. By doing so, they can enhance customer retention, foster advocacy, and achieve sustainable competitive differentiation.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The study examined how customer loyalty dimensions influences competitive advantage at Zemen Bank S.C. focusing on five dimensions. Descriptive statistic revealed that customers generally held positive perception of these loyalty drivers.

Among the loyalty dimensions, Customer experience (mean=3.41), Customer commitment (Mean=3.40) received the highest average scores while trust (Mean=3.15) and service quality (mean= 3.23), suggesting that customers view Zemen Bank as trustworthy and consistent in its service delivery. and perceived value (mean=3.05) also scored favorably, indicating satisfaction with the bank's processes and perceived benefits but scored slightly lower, suggesting an area for potential strengthen.

Pearson Correlation analysis revealed that all five customer loyalty variables were significantly and positively correlated with competitive advantage. The strong correlation was observed between Service Quality and competitive advantage (r=0.894), followed by trust (r=0.779) and customer experience (r=0.733). while Commitment and Perceived Value have weaker correlations (0.134 and 0.106, respectively)

The multiple regression model reported an Adjusted R of0.848, indicating that 84.8% of the variance in competitive advantage can be explained by the loyalty dimensions. This high level of explanatory power reinforces the theoretical assumptions of the study and affirms the relevance of relationship based drivers in banking competitiveness. The standardized beta coefficient indicated that service quality, trust and customer experience were the most influential predicators of competitive advantage.

In summary, Zemen Bank should focus on strengthening Service Quality, Trust, and Customer experience, as these are the most influential factors in maintaining a competitive advantage. Efforts should also be made to enhance customer commitment, even though its impact is relatively lower. Since Perceived Value was not statistically significant, further research is needed to understand its role in customer loyalty. Implementing strategies that improve service consistency, trustworthiness, and customer satisfaction will be key to sustaining long-term success.

5.2 Conclusion

This study examined the effect of customer loyalty dimensions on competitive advantage at Zemen Bank S.C., focusing on five key constructs: trust, service quality, customer commitment, perceived value and customer experience. Employing a quantitative approach and survey data collected from respondents, the study found a strong and statistically significant relationship between customer loyalty and competitive advantage, as evidenced by an R value of 0.848 from the multiple regression analysis.

Among the five loyalty dimensions, customer experience emerged as the most influential predictor, demonstrating the critical role of reliability, credibility, and confidence in fostering sustainable customer relationships that translate into competitive strength. Service quality also had a major impact, affirming the importance of consistency, responsiveness, and professionalism in enhancing customer satisfaction and differentiation in the financial services sector.

Additionally, perceived value and customer commitment were all found to significantly contribute to a competitive advantage, but to a slightly lesser extent. These findings highlight the multifaceted nature of customer loyalty, where emotional engagement, value perception, and service delivery all interact to influence customer retention and long-term brand positioning.

The results underscore that competitive advantage in modern banking is increasingly derived not just from products or pricing, but from intangible relational assets suc as trust and service quality. Zemen Bank's strong performance in these areas offers a strategic opportunity to consolidate market share. However, the slight lower influence of perceived value suggests that more effort may be needed to deepen.

Overall, the study confirms that customer loyalty is a critical driver of competitive advantage in the banking industry. For Zemen Bank to sustain and enhance its competitive position, it must continue to strengthen trust-building initiatives, maintain high service standards, and deliver consistently valuable and engaging customer experience.

5.3 Recommendations

1. **Enhance Service Quality:** It is recommended that Zemen Bank prioritize continuous improvement of its service quality, as this factor demonstrated the strongest positive impact on competitive advantage analysis. By investing in staff training, streamlining service processes, and adopting more of customer-centric innovations, the bank can further strengthen customer retention. Enhanced service quality not only differentiates the bank from competitors but also fosters repeat business and positive word-of-mouth, both of which are critical for sustaining long-term competitive advantage.
2. **Building and sustaining Trust:** The findings highlight the significant role of trust in shaping competitive advantage. Zemen Bank should therefore focus on transparent communication, ethical practices, and consistent delivery of promised service to reinforce customers' trust. Establishing robust security measures and promptly addressing customer concerns will further solidify trust, encouraging long-term relationships and reducing customer attrition.
3. **Customer experience:** Zemen Bank should focus on enhancing the overall customer experience by simplifying interactions and reducing the effort customers need to engage with the Bank's services. Ensuring a seamless and consistent experience across all channels will be key. Measuring key performance indicators such as Net Promoter Score (NPS), Customer effort score (CES), and customer satisfaction score (CSAT) is also vital to monitor and improve quality. Investing in user-friendly digital platforms and maintain reliable service delivery will further strengthen the customer experience.
4. **Commitment:** Although Commitment had a weaker but still significant effect on competitive advantage, It remains important for customer retention. The bank should develop loyalty programs, personalized offers, and regular engagements to deepen customers' emotional and practical commitment. Recognizing and rewarding long-term customers can further encourage ongoing relationships and advocacy for the Bank.
5. **Perceived Value:** While perceived value did not show a statistically significant impact in this study, Zemen Bank should not disregard it. The Bank should periodically review its pricing, product features, and added-value services to ensure they align with customer expectations and market standards

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APPENDIX

ST MARY'S UNIVERSITY

SCHOOL OF GRADUATES STUDIES

MASTERS OF BUSINESS ADMINISTRATION

QUESTIONNAIRE

QUESTIONNAIRE TO BE FILLED BY CUSTOMERS.

Dear Respondents,

First, I would like to thank you for taking your time to read and fill this questionnaire.

The questionnaire is prepared by MBA graduate student for conducting a research on the title of "Examining the effect of Customer loyalty on competitive advantage in the case of Zemen Bank S.C".

Regarding confidentiality, the whole process of the questionnaire administration and analysis is setup in such a way that utmost confidentiality is maintained. To assure this, you are not expected to write your name in any page of the questionnaire. ***To indicate your response, please put a (√) mark inside the box or the table for an alternative you think is right***.

NB: -This is only for the partial fulfillment of MBA Post graduate program (academic purpose)

Thank you in advance

Part One: DEMOGRAPHIC INFORMATION

1. State your gender below:

Male ☐ Female ☐

2. In what age group below do you belong?

18 - 24year ☐ 25 - 34year ☐ 35 - 44year ☐

45 - 54year ☐ Above 55years ☐

3. Indicate your educational qualification below:

High school ☐ Diploma ☐

Bachelor's Degree ☐ Master's Degree ☐

PhD ☐

4. Occupation

Student ☐ Employed ☐

Self-employed ☐ Others ☐

5 Length of years as a customer of Zemen bank?

Less than 1 year ☐ 1-3 years ☐

4-6 years ☐ More than 6 years ☐

6. How often do you use Zemen bank's services?

Daily ☐ Weekly ☐

Monthly ☐ Rarely ☐

Part two: Questionnaire related to components of Customer loyalty

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 where 1= strongly agree and 5 = strongly disagree.

Section I: Trust	1	2	3	4	5
Zemen bank is honest in its communication with customers.					
I feel safe sharing my personal information with Zemen bank.					
Zemen bank keeps its promises regarding services and commitments.					
Zemen bank values long-term relationships with customers.					
I trust Zemen bank to act in my best interest as a customer.					
Section II: Service quality	1	2	3	4	5
The service provided by Zemen bank meet my expectations.					
Zemen bank staffs are knowledgeable and capable of addressing customer needs.					
The Bank's service delivery is timely and efficient.					
I am satisfied with the availability banking channels (e.g.; - Branches, ATMs, Mobile banking).					
Zemen bank handles customer complaints and queries effectively.					
Section III: Customer experience	1	2	3	4	5
Zemen bank provides consistent and dependable.					
Transactions at Zemen bank are processed accurately.					
The Bank delivers services as promised without frequent errors.					
Zemen bank ensures secure and reliable banking operations.					
I rely on Zemen bank for uninterrupted access to my financial services.					

Section IV: Commitment	1	2	3	4	5
Zemen bank prioritizes customer satisfaction in its operations.					
The Bank shows dedications to build strong relationship with customers.					
The bank is willing to the extra miles to assist customers.					
The Bank demonstrates a genuine interest in understanding customer needs.					
I feel valued as a customer of Zemen bank.					
Section V: Perceived value	1	2	3	4	5
Zemen bank offers competitive rates for its services.					
The benefits I received from Zemen bank outweigh the cost I incur.					
Zemen bank provides value-added services that enhance my experience.					
I believe the quality of services justifies the fees charged by Zemen bank.					
Compared to others, I believe Zemen Bank offers superior value for the services it provides.					
Section VI: Competitive advantage	1	2	3	4	5
Zemen bank's services are superior compared to other bank services.					
The reputation of Zemen bank influences my decision to bank with them.					
Zemen bank has innovative banking solutions compared to its competitors.					
I feel a sense of exclusivity when banking with Zemen bank.					
Zemen bank's customer loyalty programs (e.g. discount and promotions) make it more attractive.					

Thank you!