

ST. MARY'S UNIVERSITY
FACULTY OF BUSINESS
DEPARTMENT OF MARKETING MANAGEMENT

**THE ROLE OF RELATIONSHIP MARKETING ON MAINTAINING CUSTOMER
LOYALTY IN THE CASE OF CBE, GOFA AREA BRANCH**

BY:

TSION G/EGZIABHER

JUNE, 2014

SMU

ADDIS ABABA

THE ROLE OF RELATIONSHIP MARKETING ON MAINTAINING
CUSTOMER LOYALTY: THE CASE OF CBE GOFA SEFER BRANCH

A SENIOR ESSAY SUBMITTED TO THE DEPARTMENT OF MARKETING
MANAGEMENT

BUSINESS FACULTY

ST. MARY'S UNIVERSITY

IN PARTIAL FULLFILLMENT OF THE REQUIREMENT FOR THE DEGREE
OF BACHELOR OF ARTS IN MARKETING MANAGEMENT

BY:

TSION G/EGZIABHER

JUNE: 2014

SMU

ADDIS ABABA

ST. MARY'S UNIVERSITY

THE ROLE OF RELATIONSHIP MARKETING ON MAINTAINING
CUSTOMER LOYALTY: THE CASE OF CBE GOFA SEFER BRANCH

BY:

TSION G/EGZIABHER

FACULTY OF BUSINESS

DEPARTMENT OF MARKETING MANAGEMENT

APPROVED BY THE COMMITTEE OF EXAMINERS

Department Head

Signature

Advisor

Signature

Internal Examiner

Signature

External Examiner

Signature

ACKNOWLEDGEMENT

The first individual who deserves my gratitude is Ato Yalew Gorfu who despite my many faults has been patient enough to advise me on the paper and help me improve it in many ways. Next, I would like to thank the respondents at CBE who have taken time from their busy schedule to fill out my questionnaire and also the management of CBE who have allowed me to conduct this research in their company.

TABLE OF CONTENTS

CHAPTER ONE **1**

INTRODUCTION

1.1. BACKGROUND OF THE STUDY	1
1.2. STATEMENT OF THE PROBLEM	3
1.3. BASIC RESEARCH QUESTIONS	4
1.4. OBJECTIVES OF THE STUDY	5
1.5. SIGNIFICANCE OF THE STUDY	5
1.6. SCOPE OF THE STUDY	6
1.7. RESEARCH DESIGN AND METHODOLOGIES	6
1.8. LIMITATIONS OF THE STUDY	8
1.9. ORGANIZATION OF THE STUDY	9

CHAPTER TWO **10**

LITERATURE REVIEW

2.1. THE WHAT OF RELATIONSHIP MARKETING	<u>10</u>
2.2. DIMENSIONS OF RELATIONSHIP MARKETING	12
2.3. RELATIONSHIP QUALITY	<u>19</u>
2.4. LOYALTY	<u>21</u>

DATA PRESENTATION, ANALYSIS AND INTERPRETATIONS

3.1. DEMOGRAPHIC AND REALTED ANALYSIS	25
3.2. DESCRIPTIVE ANALYSIS ON RELATIONSHIP MARKETING VARIABLES	29
3.3. A DESCRIPTIVE ANALYSIS ON LOYALTY	38
3.4. ANALYSIS OF THE INTERVIEW	39

SUMMARY, CONCLUSION AND RECOMENDATIONS

4.1. SUMMARY	41
4.2. CONCLUSION	42
4.3. RECOMENDATIONS	44

Bibliography.....I

Appendix.....III

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The focus of relationship marketing is frequently considered to be customer retention because retention is less costly than acquisition (Fornell and Wernerfelt 1987) and small increases in retention rates can have a dramatic effect on the profits of a company (Fornell and et al 1987). For example, existing customers tend to purchase more than new customers (Rose 1990); and, in most cases, there are efficiencies in dealing with existing customers as compared to new customers (Reichheld 1996). However, relationship marketing can refer to all marketing activities directed toward establishing, developing and maintaining successful relational exchanges” (Morgan and Hunt 1994).Moreover, Morgan and Hunt (1996) argued that building an enduring relationship is of great importance when it comes to creating sustainable competitive advantage as it would be difficult for competitors to duplicate the whole process of long-term relationship building due to immobile resources like trust, reputation and loyalty, among others.

This is also the case in Ethiopia, specifically in service industries that are highly involved in providing an intangible, inseparable and perishable service but can be managed through relationship marketing activities. Because relationship resolves high discrepancies between marketers and customers, when producers and consumers directly deal with each other, there is a greater potential for emotional bonding that transcends economic exchange. They can understand and appreciate each others’ needs and constraints better, are more inclined to cooperate with one another, and thus, become more relationship oriented.

Banking in Ethiopia has long life. The historical introduction of the banks in Ethiopia is traced back to the first decade of the 20 century. At the beginning agreement to open the bank in Ethiopia was reached in 1905 between Emperor Minilik II and Mr. Mac Gillivray, representative of the British owned National Bank of Egypt marked the introduction of modern banking in Ethiopia. Following the agreement, the first bank called Bank of Abyssinia was inaugurated in Feb.16, 1906 by the Emperor.

Since then, the banking sector dramatically grows as is the competition between the banks. Commercial bank of Ethiopia is among these rivals of the business. So making good relationship with customer and develop an image on customers mind is a crucial and timely task of all the banks.

Thus, to maintain their position in the market the Banks work on strengthening their relationship with customers. In fact, this requires understanding the relative importance of relational variables in the process of building strong and profitable relationship. To this effect, this study aims at examining the role of relationship marketing variables (communication, conflict handling, satisfaction, Relationship commitment, and Trust and service efficiency) in the process of building and maintaining an enduring relationship with customers and the Commercial Bank of Ethiopia.

1.2 Statement of the Problem

The fact that buyers and sellers have relationships is nothing new. In other words, relationships between buyers and sellers have existed since humans began trading goods and services. These relationships developed in a natural way over time as the buyers and sellers developed trust and friendships supported by quality products and services. Hence, from the ancient times to this era of hyper-competitive marketing the effect of relationship has always formed the base of the business for the simple fact that if there will be no relation between the buyer, the seller and the supplier then there will be no transactions, no repurchase and there will be no business at all (Berry 1991). The benefits of maintaining an excellent relationship for both parties (buyer and seller) is well grounded in the marketing literatures Ulga and Eggert (2003). For instance, a study conducted in Singapore (2002) showed that many companies in different industries (mainly in services and manufacturing sectors) are losing up to 50% of their customers over a five year period. Similarly, a study conducted in Nigerian financial service sectors showed that it costs 6 to 7 times more expensive to acquire a new customer than it is to retain a current customer while a 5% increase in customer retention on the other hand will increase profits by 25 to 95% (Bolajoko N. 2007).

In Ethiopia due to the deregulations had been made by the current government in the different sectors of the economy have brought down the boundaries of many industries. As a consequence of this, the banking sector has shown a historical pace of growth, for instance, to date there are more than 16 private and one state owned commercial Bank in the market, not counting those under the process of establishment. According to Kiyota , (2007) the coming into existence of private banks in Ethiopia have brought several changes in the banking industry. They also

indicated that private banks showed better performance in customer satisfaction than the Commercial Bank of Ethiopia and compared to the state owned commercial bank they exhibited a much faster pace of growth in the period between 2005-2006. In general terms, the competition in the sector mounts steadily and persistently time after time and there are also signals showing that the competition in the sector will increase in the years to come.

Due to the advance in competition and the value of customer service, relationship marketing has become an emerging area of interest in the marketing research arena. Thus, it makes sense to research the subject in the context of Ethiopian banking sector; however, up to the student researcher's best knowledge although large numbers of studies have been conducted in the banking industry both by academicians and practitioners, most research papers focused on issues like service quality, customer satisfaction and marketing practices. The studies focused on the transactional aspects of marketing rather relational aspects of marketing or what the proponents of relationship marketing called the kotlerism approach. Hence, the student researcher studied the subject of relationship marketing to fill the aforementioned gaps.

1.3 Basic Research Questions

The following are the basic research questions that the study addressed

1. How relationship marketing dimensions affect customer loyalty?
2. Whether customer loyalty depends up on relationship dimensions in CBE?
3. How is the relationship between customers and CBE?
4. How is customers' loyalty in CBE?
5. How the bank maintain customer satisfaction and loyalty in respective with relationship dimensions?

1.4 Objectives of the study

The student researcher's objective to be achieved in this study can be stated as general and specific objective as indicated as follows:

1.4.1 General objectives

The general objective of the research was to study the role of relationship marketing on maintaining sustainable customer loyalty in the Commercial bank of Ethiopia.

1.4.2 Specific objectives of the study

The following are the specific objectives that the student researcher had tried to achieve:

1. To examine the relationship between relationship marketing variables and loyalty
2. To disclose factors affecting customer loyalty in CBE regarding relationship marketing.
3. To investigate things that need to be considered in creating relationship marketing to enhance customers loyalty at CBE
4. To assure whether there is strong relationship between CBE and customers of CBE in Gofa Sefer branch.
5. To explore customers loyalty in the bank.
6. Forwarded some recommendations in lights of the finding and conclusions drawn.

1.5 Significance of the study

The outcomes of this study will have the following significances; it might help the management of CBE to identify any performance gaps in their relational efforts and hence take corrective actions. It also provides important insights for other similar Banks about the relative importance of relationship marketing dimensions in building and maintaining customer loyalty. On the other hand, to those involved in the industry, it will help to better understand the strategic nature of

relationship marketing .Furthermore, being as an eyes breaker on the subject, it may serve as an important springboard for researchers who want to investigate the subject further.

1.6 Scope of the study

Though not a new concept, relationship marketing, it is not yet known in Ethiopia as developed countries. Even though a lot of factors affect the activity of the bank, the theoretical framework of the study limits its coverage on the the role of relationship marketing for maintaining customer loyalty in Commercial Bank of EthiopiaSo, other aspects related to the effect of relationship marketing on revenue and profitability of the bank will not be included under this study. Second, CBE operates throughout the country. This specific branch is picked for the research due to its vast customer base and services rendered. The time framework is delimited to the schedule of the submission of the paper. To examine customer satisfaction and loyalty and to triangulate the study, the respondents for this study were both the customers and the top management of the bank.

1.7 Research Design and Methodologies

1.7.1 Research Design

The study focuses on the role of relationship marketing to maintain sustainable customer loyalty in the Commercial bank of Ethiopia. Since the primary objective of the study will be to see how loyalty is affected by relationship variables (trust, commitment, service efficiency, communication, conflict handling, and satisfaction), the study required the data from both the secondary and primary sources. So, with this regard, the data regarding customers'

characteristics and other backgrounds have been collected and related literature reviewed and adopted. Based on this, the research is a descriptive research design.

1.7.2 Population and sampling Technique

In this study the total target of the investigation consists of all customers of commercial bank of Ethiopia, Gofa Sefer branch. As per the information from the bank, it has an average of 800 customers per day. To select the samples from this total population, convenience sampling was applied. This is to increase the likelihood of getting reliable information in those data collection dates. Based on this 200 customers, which is around 25 % of the daily average customer, were selected as a respondent.

1.7.3 Types of Data collected

In this research the student researcher basically used primary data that is obtained from customers of the bank and manager of the bank. Additionally some opinions, initial understandings, and documentary facts from secondary sources were used.

1.7.4 Data Collection Instruments

As a data collection instrument, structured questionnaire was applied to know the relationship between the customers and the bank. The Questionnaire contains relationship dimension and loyalty measures with specific question statements that will help to collect the data about the

issue. Each statement was assessed on a five point likert type of scale ranging from “strongly disagree =1” to “strongly agree=5”.

Personal interview was conducted with the Customer relation manager of the bank.

1.7.5 Methods of Data Analysis

The data gathered from different sources, basically through questionnaire, was analyzed qualitatively and quantitatively. For the primary data that include opinions, initial understandings, observed non numerical data and facts that are gathered from secondary data was analyzed through qualitative data analysis method. And data that are more of numerical has been analyzed through quantitative data analysis technique, in this case the SPSS system.

1.8 Limitations of the Study

The theoretical framework of the study limits its coverage on the the role of relationship marketing for maintaining customer loyalty in Commercial Bank of Ethiopia. Thus, other aspects related to the effect of relationship marketing on revenue and profitability of the bank has not been included under this study. Even in Addis Ababa, the bank has 126 branches. But because of financial resources and time limitations it's difficult to cover all this branches. Due to this the study has been limited to only on CBE Goffa Sefer branch. Again due to financial and logistical limitations customer respondents are limited to 200.

1.9 Organization of the study

This study has four chapters. Chapter one presents introduction and background, statement of the problem, objectives and significance of study, research methodologies, limitations of the study, and organization of the research paper. Chapter Two is devoted to the concepts and empirical studies that are relevant to the topic of the study. Chapter Three is all about data presentation, analysis and interpretations. The last Chapter consist the findings of the study, conclusions drawn, and recommendations forwarded.

CHAPTER TWO

LITERATURE REVIEW

2.1 THE WHAT OF RELATIONSHIP MARKETING

A key goal of relationship marketing theory is the identification of key drivers that influence important outcomes for the firm and a better understanding of the causal relations between these drivers and outcomes.

Relationships between buyers and sellers have existed since humans began trading goods and services. However in recent years, marketing educators and practitioners have embraced two important environmental shifts in marketing. The first is that, the migration from short-term, transactional exchanges to long-term relational exchanges has become standard practice for many marketing organizations. The second is that, marketers are increasingly moving away from the traditional assumption that consumer demand is homogeneous and are accepting the reality that customers are heterogeneous with respect to their needs and with respect to the value they provide to the selling firm. The result of these two changes has been visible in several streams of marketing literature including relationship marketing (RM) (Hunt and Morgan 1993). These studies and others including Gronroos (1996) and Gummesson (1999) stressed that at the intersection of these two shifts in the marketing landscape is the often challenging effort on the seller's part to identify and service the most important customers in a way that produces customer loyalty and superior financial returns thus RM has become more and more popular for business organization to build and maintain a competitive advantage over their competitors.

In fact, it was back in 1983 the concept was first raised by Levitt in his seminal article he argued that “The relationship between a seller and a buyer seldom ends when a sale is made. Increasingly, the relationship intensifies after the sale and helps determine the buyer’s choice the next time around.” As Zadi cited Jonas (2006) it seems that the expression RM was used for the first time by Berry in 1983. Even if RM is one of those fashionable concepts that every marketer and manager uses but there is no consensus on the definition of relationship marketing yet. It is a broad topic and many scholars and researchers have approached it from different perspectives and it has continuously changed over the years. Several studies in relationship marketing accentuated that the most important issue in marketing is to establish, maintain, and enhance relationships with customers at a profit so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises. Thus, in this study RM will be conceptualized as: all marketing activities directed toward establishing, developing, and maintaining successful relational exchange; and the process of relationship development is accelerated as firms strive to create relationships to achieve their goals (Morgan and Hunt, 1994).

The emphasis on relationship is now a key to successful business and the traditional concept of making sales is being replaced by making long time win–win relationship with customers and it was largely used to stress the specificity of services marketing.

2.2 Dimensions of Relationship marketing

Based on different authors' assumptions the student researcher developed the following diagram.



Figure 1 Dimensions of relationship marketing

This integration is also approved by numerous researchers and writers. The following table shows the constructs used by different researchers in the study of buyer and seller relationship

<i>RM variables</i>	<i>Description</i>	<i>Illustrative Research</i>
Satisfaction Approach	Customer satisfaction as antecedent of relational outcomes (i.e.,customer loyalty and positive word-of-mouth communication)	Anderson (1998); Anderson and Sullivan (1993); Fornell (1992); Hallowell (1996) Morgan and Bagdoniene et al. (2009)
Service efficiency Approach	Service quality as antecedent of relational outcomes	Boulding, Kalra, and Staelin (1993); Zeithaml, Berry, and Parasuraman 1996 Parasurman (1983) Andersen and Narus Dash, Bruning & Guin (2007) Moorman et al. 1993 Saleh et al (n.d)
Trust approach	Trust as antecedent to relational outcomes	Hunt (1994), Crosby et. al (1990), Parasurman (1983)'Andersen and Narus Dash, Bruning & Guin (2007) Moorman et al. 1993 Saleh et al (n.d) Shamdasain (1999) Suwandi (2005) Chen Chen & Yeh (2009)
Commitment Approach	Commitment as antecedent of relational outcomes	Pritchard, Havitz, and Howard (1999) Andersen and Narus Dash, Bruning & Guin (2007) Moorman et al. 1993
Conflict Handling Approach	Conflict resolving as antecedent of relational outcomes	Gwinner, Gremler, and Bitner (1998);Reynolds and Beatty (1999a)+ Crosby et. al (1990) Bruning & Guin (2007) Moorman et al. 1993
Communication Approach	Communication as antecedent of relational outcomes	Crutchfield (1998); Morgan (2000); Morgan, Crutchfield, and Lacey (2000)

Table 2.1 Dimensions of RM with the pervious illustrative research

2. 2.1 TRUST

Trust is widely posited as a determinant of closeness and the service provider's investment in relationship-specific assets (Nielson, 1998). In particular, a relationship deemed to be trustworthy is one in which a partner is more likely to wish to make a long-term commitment (Moorman *et al.*, 1992). According to Achrol (1997), trust helps determine a variety of performance-related indicators, including the extent of information exchange, joint problem solving, satisfaction with the outcomes of activities, and a greater motivation to maintain strong relationship. Arguably, trust creates the conditions under which commitment develops and firms become willing to make relationship-specific investments capable of and capable of enhancing relationship quality (Carney, 1998).

Trust is a fundamental relationship building block, and has been widely studied in many buyer-seller relationship models, particularly as a crucial factor in the shift from discrete market transactions to continuous exchange relationships (Dwyer *et al.* 1987). Its presence generates feelings of security and credibility, hence reducing the buyer's perceptions of risk (Selnes, 1998).

Trust is defined as a state that exists "when one party has confidence in an exchange partner's reliability and integrity" (Morgan and Hunt 1994). Trust is evidenced by the ability of partners to work closely together and share important information.

Relationship marketing scholars Parvatiyar and his colleagues (2002) in their comprehensive study acknowledge that trust is the pivotal factor in evaluating buyer-seller relationships, and they stressed that building trust deserves priority attention to build strong relationship. They note that when business relationships entail both buyers and sellers expending resources to develop

relationships over an extended period of time, one expects trust to be a key aspect in defining the emotional aspect of the relationship for both parties.

2.2.2 SATISFACTION

Satisfaction is often confused with loyalty. Satisfaction is an emotional or feeling reaction (Westbrook et al.1978). It is the result of a complex process that requires understanding the psychology of customers. The range of emotion is wide with, for example, contentment, surprise, pleasure, or relief. Satisfaction is influenced, in the end, by expectations and the gap between perceived quality and expected quality, called "expectancy disconfirmation". (Rust et al.1996)

Satisfaction appears to be an important dimension that contributes to the establishment of long-term relationships and various researchers describe the positive effect of satisfaction on long-term relationship (Costabile et al. 2002). In relationship marketing literatures, customer satisfaction has been thought to be a key performance indicator for evaluating the quality of a relationship between service provider and customers. Customers' expectations regarding costs and benefits of the relationship mainly depend on past experience, and satisfying experiences increase the motivation and the likelihood that an individual stays in the relationship (AMouri, 2005). It is also an expected outcome of implementing marketing activities, as providing satisfying services to customers relates to success achieved in relationship Fornell (1992).

2.2.2.1. Satisfaction- relationship marketing-Loyalty link

High-quality products and associated services designed to meet customer needs will create customer satisfaction. This high level of satisfaction will produce increased customer loyalty.

According to conventional wisdom, we would be tempted to believe that the link between satisfaction and loyalty is a simple, linear relation. But reality proves us wrong: it is neither linear nor simple. The relation reacts differently according to time and circumstances. Unless they are totally satisfied, there is always a chance you will see your customers be lured away (Jones & Sasser Jr., 1995).

2.2.3 COMMITMENT

Several studies in relationship marketing espoused commitment as the central constructs to successful relationship marketing and these studies argued that commitment plays an important role in strengthen the relationship between the buyer and seller. Commitment is defined as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it” (Morgan and Hunt, 1994). This definition of commitment reveals two important aspects. First, commitment is a belief that a relationship to be of high value (Ivens, 2004). Second, commitment represents the stability of a relationship because partners are ready to make efforts to preserve the relationship (Ivens, 2004). Relationship continuity and relationship stability reflect these two different aspects of the concept of commitment (Venetis and Ghauri, 2004). *Relationship continuity* refers to the behavioral aspect of commitment, which is an explicit or implicit intention to continue the relationship (Dwyer et al., 1987), and *relationship stability* represents its attitudinal aspect, which is a desire for a stable relationship and a willingness to sacrifice short-term rewards to maintain the relationship (Anderson and Weitz, 1992; Morgan and Hunt, 1994). Johnson et al. (2004) also consider relationship stability as a dimension of relationship quality in interfirm partnering.

2.2.4 CONFLICT HANDLING

Conflict handling has been examined in a large number of empirical studies across literatures in marketing, and has been debated in RM research for over several years (Lichtenthal and Tellefsen, 2001). Some researchers found statistically significant relationships between conflict handling and performance criteria, such as greater relationship investment, satisfaction, RQ and sales (Crosby et al., 1990; Smith, 1998). Conflict handling has been included as an important construct of RQ in several studies conducted in B2B and services contexts (Dwyer et al. 1987).

Conflict is typically viewed as a multidimensional phenomenon most often consisting of perceived or manifest conflict, and affective conflict (Brown et al. 1991). Affective conflict is hostility, frustration, and anger toward the other party (Frazier et al. 1989). Manifest conflict is characterized by behavioral responses, including open expressions of disagreement and/or overt attempts to prevent the other party from achieving its goals (Anderson and Narus, 1990). Conflict entails the overall level of disagreement between the service provider and customers, and often termed “perceived” or “manifest” conflict. As conflicts increases, customers are less likely to have confidence in the long-term orientation of the seller or invest in building or maintaining a relationship; thus, conflict negatively influence the customer’s trust and commitment toward the seller and can negatively affect the quality relationship (Anderson and Weitz 1992). According to Ndubisi and Sinto (2006) conflict handling reflects the seller’s ability to avoid potential conflicts and solve manifest conflicts before they create problems. It also requires open discussion between the buyer and the seller on solutions when problems arise.

In this study, conflict handling refers to the bank's ability to minimize the negative consequences of manifest and potential conflicts and openly discuss with business customers on solutions when problems arise (Anderson and Weitz 1992).

2.2.5 COMMUNICATION

Beyond trust and relationship commitment, relationship development relies on the exchange of information that is informative, truthful, relevant to the exchange, and correctly understood. Business relationships involve exchanges concerning products or services, monetary instruments, and other relevant information that would enhance the RQ. The nature of communication that exists between exchange partners is an important part of relationship atmosphere (Anderson and Narus 1990). Previous studies in RM have noted communication as the lifeblood of a good relationship, and it is also critical in the development of commitment and trust by reducing disputes (Schultz and Evans 2002). Especially, good communication is a significant facilitator of relationship development and effectiveness. Ellram (1991) reported that poor communication was the most important barrier to success in buyer-seller relationships. The quality of an inter-organizational relationship depends on the many dyads and interactions between boundary spanners who interact, negotiate, and deliver value to the partner organization. To this effect, several researchers put communication as a construct in their models (Dwyer et al. 1987), to mention a few.

2.2.6. SERVICE EFFICIENCY (QUALITY)

Here, the student researcher expresses service quality in terms of employee efficiency and customer quality judgment- i.e. the assumption of quality is not zero defects only, but it is also level of customer satisfaction. If it is so, relationship will be strength.

Customer requirement and expectation is a dynamic function, implying that the status of service quality is accepted in a certain time but it does not mean it will be always accepted by customer in the future. So we need continual improvement of the service quality and under such a situation, the quality of service becomes more and more vital.

service quality is often “conceptualized as the comparison of service expectations with actual performance perceptions” According to the general definition, as originally developed in Japanese management practice, *quality is developed through ‘zero defects- doing it right the first time.’* Scholars give various explanations of quality such as (Crosby, 1979) who indicates that quality as ‘*conformance to requirements*’.

2.3 RELATIONSHIP QUALITY (strength of relationship between customers and service providers)

Within the RM paradigm, relationship quality (RQ) has long been regarded as an important concept because of its critical role in the customer decision-making/post-purchase process (Crosby et al., 1990; Morgan and Hunt, 1994). It measures how strong the relationship is between both parties and as a result the buyer may continue to buy even if the encounters problems. It is important for the retention of customers. In most relationship marketing literatures, RQ has been treated as both global and specific, but the global view has been more natural (Molm, 1991). Similarly, Smith (1998) argued that it is essential for assessment of

relationship strength and the satisfied degree of customer needs and expectations. Equally, Jarvelin and Lehtinen (1996) in their research described relationship quality as a customer's perception of relationship fulfillment with a service provider or customers' evaluation of whether their relationship with a provider meets their expectations, goals, and/or desires. From customers' perspective, high RQ can be achieved when the service provider reduces perceived uncertainty or failure to offer a positive outcome. Although different scholars define RQ in their way in this study it is conceptualized as Palmatier et al (2004).

Regarding RQ most studies conducted in financial services industry (banks and insurance) put in to light that successful exchange events in services finally lead to relational outcomes valued by the buyer and seller relationship if and only if they are properly treated from the service provider and customers' perspectives. This link is especially important for service businesses because of the intangible and variable nature of services, customers would feel high uncertainty and risk in the transaction whereas, good RQ could reduce service uncertainty and risk for the purpose of increasing customers' reliability to develop long-term relationships. In other words, higher quality of relationship creates association between service providers and customers, and fosters long-term stable exchanges where both parties can gain mutual benefits or loyalty (Wah et al 2009; Singh, 2008), to mention a few. Thus, relationships perceived well by customers in service businesses is important, in the battle for winning consumer preferences, referrals and maintaining sustainable competitive advantages as buyer may continue to buy even if they encounter problems as it is very important for the retention of customers and it is also a reservoir of goodwill, among others. Equally, Gassenheimer et al (2003) colorfully stated that many banks in Singapore recognize the strategic importance of building and maintain strong relationship with business customers, in the battle for winning consumer preferences and maintaining sustainable

competitive advantages because higher quality of relationship creates association between service providers and customers, and fosters long-term stable exchanges where both parties can gain mutual benefits or loyalty.

In the works of many researchers RQ has been regarded as a higher-order construct, mainly includes different first order constructs Palmatier et al (2004). Crosby et al. (1990) for example had treated RQ as a high-order construct and should containing trust and satisfaction as first order constructs. Morgan and Hunt (1994) on the other hand drew the commitment-trust theory proposing trust and commitment as basic constructs of relationship. As per the constructs there is no consensus among the existing literatures Palmatier et al (2004). In their meta-analysis they put into light that even although the literature is diverse generally the following constructs are most commonly used in RM studies: trust, satisfaction, commitment, conflict handling, communication are the most frequently used relational factors that are important to long-term relationship with their customers, and in turn achieve customer loyalty behavior mainly in the context of service marketing. Thus, all the five constructs of RQ will be considered in this study.

2.4 Loyalty (Relationship outcome)

Earlier, the focus of loyalty construct was primarily on product-related or with respect to tangible goods which focused on brand loyalty (Day, 1969). Over the years the spectrum has widen into other type of loyalty such as vendor loyalty. Gremler and Brown (1996) extend the concept of loyalty to intangible products. They viewed service quality as a key antecedent. However, there are a number of reasons why findings in the field of product loyalty cannot be generalized to service loyalty (Gremler and Brown, 1996). Service loyalty is more dependent on the development of interpersonal relationships as opposed to loyalty with tangible products, for

person - to - person interactions form an essential element in the marketing of services (Crosby et al. 1990).

In a services context, loyalty is frequently defined as observed behavior (Liljander and Strandvik, 1995). However, behavioral measures, such as repeat purchasing and purchasing sequence, have been criticized for a lack of a conceptual basis and for having a narrow, i.e. outcome focused view of what is in fact a dynamic process (Day, 1969). Therefore, the behavioral approach to loyalty may not yield a comprehensive insight into the underlying reasons for loyalty; instead it is a consumer's disposition in terms of preferences or intentions that plays an important role in determining loyalty (Bloemer and Kasper, 1995). Researchers also suggest that, repeat purchasing behavior may not even be based on a preferential disposition but on various bonds that act as switching barriers to consumers

Loyalty is dead, the experts proclaim, and the statistics seem to bear them out. On average, the U.S. corporations now lose half their customers in five years, half their employees in four, and half their investors in less than one (Reichheld, 1996). **No**, loyalty is not dead; it remains a dominant key of success. In fact, the corporate leaders in loyalty – that apply a strategic loyalty-based management – have enduring records of productivity, solid profits and steady expansion. More than a limited customer approach; the loyalty effect should be viewed as a wide context in which all the key players of a firm are far more powerful, further reaching, and more interdependent than we have ever imagined. There would be no customer loyalty without loyal employees as there would be no loyal employees without long term investors. We will later focus on the customer side, but the employees and the investors problematic should be kept in mind during the entire process. We will also, now and then, show the implications of such a three

dimensional environment in which creating value for customers has become a strategic issue. The advantages of loyalty are numerous, but the implementation of such a culture does not go without posing problems. What should be done, who should be responsible for these changes, who should be targeted, and how should these changes be conducted are some of the questions this study will try to answer in this compilation of some classical theories.

Reichheld opposes loyalty to the actual profit-theory. This theory gathers the firm's resources toward one unique goal: creation of profit. Reichheld views loyalty as a value-creation theory. The fundamental mission of a business is oriented toward the **creation of value for the customer** and profit becomes a consequence of value creation. It turns out to be a mean rather than an end.

Customer loyalty, as we conceptualize it, focuses on a customer's repeat purchase behaviour that is triggered by a marketer's activities. Evolving out of, and contradictory to, early definitions that were solely behavioural, customer loyalty today is usually viewed as comprising both behavioural and attitudinal components (Day 1969). *Loyalty is a primary goal of relationship marketing and sometimes even equated with the relationship marketing concept itself* (Sheth 1996). The connection between loyalty and profitability has been the focus of both theoretical and empirical studies (Oliver 1999; Payne and Rickard 1997; Reichheld and Sasser 1990). Customer loyalty is not always easy to construct and many definitions have been proposed.

Let's first settle what customer loyalty is not (Prus & Randall, 1995):

- 1. Customer loyalty is not customer satisfaction.** Satisfaction is a necessary but not sufficient Criterion. We know that "very satisfied" to "satisfied" customers sometimes switch to competitors.

2. **Customer loyalty is not a response to trial offers or incentives.** Customers who react to incentives are often highly disloyal and they often leave as fast as they came. They are very much inclined to respond to a competitor's incentive.
3. **Customer loyalty is not a strong market share.** High level of market share can also be influenced by other factors such as poor performance by competitors or price issues.
4. **Customer loyalty is not repeat buying or habitual buying.** Some of your consumers choose your products because of convenience or habits and they can be tempted to defect for any reason.

Prus & Randall then describe customer loyalty as follows: *"Customer loyalty is a composite of a number of qualities. It is driven by customer satisfaction, yet it also involves a commitment on the part of the customer to make a sustained investment in an ongoing relationship with a brand or company. Finally, customer loyalty is reflected by a combination of attitudes (intention to buy again and/or buy additional products or services from the same company, willingness to recommend the company to others, commitment to the company demonstrated by a resistance to switching to a competitor) and behaviors (repeat purchasing, purchasing more and different products or services from the same company, recommending the company to others)".*

CHAPTER THREE

Data Presentation, Analysis and Interpretation

Out of 200 questionnaires distributed to customers of CBE, 195 questionnaires were properly filled and returned. From these 6 questionnaires were not filled properly and as such they were not done as per the instructions as well as they were not viable responses. From this we can understand that the analysis is done with only 189 valid responses.

Some of the respondents did not answer some of the questions; hence it was problematic to properly identify their demographic frequency. Thus, these kinds of questionnaires have been deemed invalid and not included in the analysis. The customers of CBE Gofa Sefer Branch were very much responsive and understand the matter in hand.

Here I have tried to put the whole demographic data of the respondents in a single table which I have then tried to analyze in the next page.

Table 1 Respondents' demographic frequency analysis in CBE Gofa Sefer Branch.

Table 1		Frequency	Percent
Item 1	Educational Background		
	primary school	20	10.6
	high school graduate	18	9.5
	Diploma	52	27.5
	first degree	48	25.5
	second degree	51	26.9
	Total	189	100
Item 2	Gender Composition		
	Male	119	63
	Female	70	37
	Total	189	100
Item 3	Age Composition		
	18-24	47	24.9
	25-28	36	19
	29-35	59	31.2
	36-46	31	16.4
	Above 46	16	8.5
	Total	189	100

Source:- Survey questionnaire

Education wise, most of the respondents are qualified and the number in each category is very similar .Diploma holders has the largest amount with 27.5%. Second degree and first degree holders cover the second and third largest amount and has (27.5, 25.5, 26.9) % respectively where as the two least number of respondent categories are primary school level customers and high school graduates which takes almost one fifth of the total and each covers 10.6% and 9.5% respectively.

As it is clearly depicted in table 1 item 3 males take the majority and cover the largest portion of the respondents i.e. 63% of the total valid response. And females take 37% of the total.

The majority of the sampled respondents are young. As it is clearly depicted in item 3 most of the respondents are below the age of 35.

This indicates that new customers of the bank cover the largest portion of the sampled respondents. Because the age gap (18-24, 25-28,29-35) accounts (24.9,19, 31.2)% respectively.

As it is seen above the least number of sampled respondents are peoples in the age of above 46 which covers 8.5% of the total valid sampled respondents. Additionally the age between 36 and 46 has 16.4% contribution in responding the distributed questionnaire.

Table 2 Length of experience as a customer of CBE

Table 2		Frequency	Percent
Item 1	Length of Experience as a Customer		
	below 1 year of experience	14	7.4
	1-2 year of experience	28	14.8
	3-4 year of experience	66	34.9
	5-6 year of experience	60	31.8
	above 6 year of experience	21	11.1
	Total	189	100

Source: - Survey questionnaire

As shown in table 2 item 1 large numbers of the respondents have been customers from 3-4 years- i.e.66 (34.9%). The next large numbers of respondents are customers having 5-6 years of service use of the bank which covers 60(31.8%) of the valid and the third largest year of experience is covered by those who have 1-2 years of experience in service and accounts 28(14.8%) of the respondents who are valid. The least number of respondents are customers who are served by the bank below one year which takes 14(7.4%) of the total while the second least number is 21(11.1%) of the total valid percent who covers the largest year of service experience in the bank.

3.2 A DESCRIPTIVE ANALYSIS ON RELATIONSHIP MARKETING VARIABLES

Here, all the relationship dimensions are analyzed based on the data that the student researcher collected from the sources that are mentioned previously in chapter one. All the following analyses are descriptive and interpreted based on the SPSS(statistical package for social science) out come.

3.2.1 Trust (antecedent for a relational out comes)

Most of the time marketing authors write the word trust in the body of their report if the head line statement is relationship. This indicates that trust is the one among basic parameters in creating relationship, though other factors contribute for the existence of trust itself. For evidence the student researcher can quote the following statement .Trust exists if a customer believes a service provider to be reliable and to have a high degree of integrity (Morgan and Hunt 1994).

Trust is seen by several authors as a necessary ingredient for long-term relationships (Bendapudi and Berry 1997)

The table indicated in the next page shows the agreement level of the sampled respondents on the availability of trust in Commercial Bank of Ethiopia.

Table 3 **Trust (antecedent for a relational out comes) measuring variables with customer response mean.**

Trust (measuring points)	N	Mean
When making important decision, this bank is concerned about our interests.	186	3.2735
When I have an important requirement, we can depend on this the bank's support	189	3.3723
I am convinced that this bank performs its task professionally	189	3.2872
I can count on this bank's promise made to our firm	189	3.2884
The Bank always keeps its promises	189	3.5279
I believe information from this Bank	189	3.4259
Overall, I can always trust upon this bank	189	3.6138
Over all mean		3.3984

Source:- Survey questionnaire

As the table shows above, the overall mean for all parameters of trust is **3.3984** which indicates that the bank is somewhat better and act in the interest of customers , though the agreement that the respondents reached is in between –i.e neutral and agreed likert scales. The highest being the bank's ability to keep its promise with a mean of **3.5279**. Authors also agreed on the concept of trust, as it is the corner stone for building relationship marketing which is the way to develop and maintain sustainable customer loyalty special in service organizations whose product is intangible and perish immediately (Morgan and Hunt 1994).

Trust is an essential relationship model building block and has often been defined as a belief that one relationship partner will act in the best interests of the other (Wilson 1995). It has also been referred to as the key element of successful relationship development (Naudé and Buttle 2000). Then, from the table in the previous page we can understand that the customers have a comparable positive attitude on the issues like implementation of promises, genuineness of information they get from the bank, competency of employees in the bank who serves the customers in each working days, customer base decisions and the overall trust up on the bank.

3.2.2 Communication (antecedent for a relational out comes)

Organisations that can implement CRM successfully are those that have a great deal of information concerning the customer and where there are differentiated needs among the customers (Kotler, 2002). Financial services meet the criteria for the implementation of RM as indicated by Kotler. Financial institutions have a great deal of information concerning their customers and their needs differ. The financial circumstances of customers differ, resulting in different packages being offered to customers. It is also possible for financial institutions to tailor their packages thereby making them customer specific which is supported by sound communication and information.

The student researcher reviewed different journals, theses, and articles, which indicates communication is among the vital determinants of relationship in every business among participants of the business (Brunjes & Roderick, 2002).

See table 4 below, the overall mean communication capacity of the bank is below an average of the two points i.e. (neutral and agree).

Table 4 Communication (antecedent for a relational out comes) measuring variables with customer response mean

Communication measuring variables	N	Mean
The bank provides information to customers if there are new services	189	3.4312
The Bank gets feedback from customers from time to time	189	3.2660
Most often the information provided by the bank is accurate	189	3.1958
The bank representatives have been frank in dealing with customers	187	3.3298
Over all mean		3.3057

Source: - Survey questionnaire

As it is shown in the above table the sampled respondents agreed on the idea that the information they got from the bank services is somewhat complete (3.4312) though the accuracy of the information is somewhat low (3.1958). Normally the data that gathered from the respondents shows that as there was communication between customers and the bank. This is also better in managing customer relationship marketing.

3.2.3 Commitment (antecedent for a relational out comes)

Providing an advice on how customers use their money, meeting the needs of the customers, solving the problem and giving solution, spirit of cooperative, keep decisions on behalf of customers and being flexible in managing the business activities are some of the measures of commitment.

Descriptive Statistics

Table 5 **Commitment (antecedent for a relational out comes) measuring variables with customer response mean.**

Commitment measuring points	N	Mean
The bank provides us important advice on how we should invest our money	189	3.3210
The bank took into account customers' benefits while taking decisions	189	3.3624
The bank is flexible in serving our financial needs	189	3.3624
Over all mean		3.3486

Source:- Survey questionnaire

It is known that relationship commitment is “an enduring desire to maintain a valued relationship.” Relationship commitment can be between individuals or organizations. Commitment is enhanced when exchange partners perceive that the relationship has high termination costs, superior benefits, and that partners share similar values. And table 4.7 also an evidence for such expressions. The flexibility according to the situation (3.3624), managing bank’s decision according to customer benefit (3.3624), advising customers on how they invest their money (3.3210). This implies that the bank commitment for implementing marketing activities and keeping the customers interest is relatively above average.

3.2.4 Conflict handling (antecedent for a relational out comes)

Managing conflict and being proactive in this sensitive and dynamic world is too difficult. Whatever it is all marketing efforts directed towards establishing, developing and maintaining successful relational exchanges. (Morgan and Hunt, 1994, p. 23). This is also true in this bank also, the bank always run for managing inconveniencies in its implementation. But how much it is applicable is determined by the customers' responses as follows.

Table 6 Conflict handling (antecedent for a relational out comes) measuring variables with customer response mean.

Conflict handling measuring points	N	Mean
The bank tries to avoid potential conflicts	187	3.2520
The bank tries to solve manifest conflicts before they create problems	189	3.2778
The bank openly discusses solutions when problems arise	187	3.2255
The employees of the Bank solve our problems quickly	189	3.4180
Over all mean		3.2933

Source: - Survey questionnaire

It is evident from the Table 6 that the customers of commercial bank of Ethiopia are mostly agreed on the empirical implementation of the activities like open discussion when problems arise (3.2255), quick response and solution for problems (3.4180) ,being proactive for potential problems(3.2520) and others. On all statements of conflict handling measures the sample customers were agreed.

3.2.5 Service efficiency (antecedent for a relational outcomes)

Serving the customers by *well trained and active employees* has enormous advantage to increase relationship between customers and service providers. See the statement from authors;

The 1970s saw the emergence of services marketing as a distinct aspect of marketing. Early attempts to apply marketing techniques were dismissed as being essentially product focused and failing to deal with the unique characteristics of services (Shostack, 1977).

The recognition that customer retention was central to service marketing focused attention on the notion of creating service relationships (Grönroos, 1983, 1989, 1994) and led Berry (1983) to coin the term relationship marketing. To ensure that service delivery personnel were fully trained and motivated to build and maintain service relationships, internal marketing was developed. It rested on the recognition that ‘a service must be successfully marketed to the personnel so that the employees accept the service offering and thoroughly engage in performing their marketing duties’ (Grönroos, 1978, p. 594).

Table 7 Service **efficiency (antecedent for a relational out comes) measuring variables with customer response mean.**

Service efficiency measuring points	N	Mean
Contact employees of the bank are knowledgeable about our needs	187	3.2016
Contact employees of the bank deal with our enquiry and complaint expeditiously	189	3.1190
Contact employees of the bank are always willing to help us	189	3.1534
Contact employees of the bank have professional training and education about banking services	185	3.3777
Contact employees of the bank demonstrates adequate knowledge about the banking service	189	3.1455
Contact employees of the bank seems to have a lot of experience	189	3.3810
Over all mean		3.2297

Source: - Survey questionnaire

As it is depicted in the above table, the sampled respondents are interested on the experience of the employees 3.3810, their appropriate past career pattern(3.2128), willingness to help customers (3.2016), demonstrate adequate knowledge about the banking service 3.1455 and etc. the highest mean is the employees professional training and educational know how about banking services. The bank is somewhat good in serving the customers and it leads to the creation of good relationship among partners.

3.2.6 Satisfaction (antecedent for a relational out comes)

Customer satisfaction is considered to be one of the most important outcomes of all marketing activities in a market-oriented firm. The obvious need for satisfying the firm’s customer is to expand the business, to gain a higher market share, and to acquire repeat and referral business, all of which lead to improved profitability.

Having an evidence from customers response in table 8, the customers somewhat agreed on the professional competency of employees in CBE(3.0955), expectation –perception level(3.1729), requirement fulfillment procedure (3.3342), the highest mean is the feeling of comfort being a customer of CBE (3.4533) and the overall satisfaction level was rated (3.2814).

Table 8 Satisfaction (antecedent for a relational out comes) measuring variables with customer response mean.

Satisfaction measuring points	N	Mean
I am satisfied with the professional competence of the employees	187	3.0955
The core service of the Bank satisfied our expectations	185	3.1729
Most often the Bank meets all the requirements that I see reasonable	187	3.3342
I am comfortable about the relationship with CBE	185	3.4533
Overall I am pleased with what the bank does for us	189	3.3511
Over all mean		3.2814

Customers have positively perceived all the activities that CBE implements when offering services for customers. The evidences for this are *trust (3.3984)*, *commitment (3.3486)*, *communication (3.3057)*, *conflict handling (3.2933)*, *service efficiency (3.2297)*, and *satisfaction (3.2814)*. Additionally what the student researcher recognizes that the customers admired the trust of the bank though service efficiency and satisfaction are below this value.

3.3. A DESCRIPTIVE ANALYSIS ON LOYALTY

To tie customers more closely to the firm (to make them loyal), deepening (extending) the relationship via bundling and/or cross selling service is an effective strategy.

Table 9 Loyalty measuring variable with customer responses mean.

Loyalty measuring points	N	Mean
I intend to stay loyal to the CBE	189	3.2725
I expect to expand using financial services with the CBE	189	3.4735
I consider the Commercial Bank of Ethiopia the first choice among all banks	187	3.5066
As far as is possible, I will choose to work with this bank in the future	189	3.2646
We expect to use the services of the CBE even price increased	185	3.4107
Over all mean		3.3855

The student researcher has empirical evidence at table 9 to say customers of CBE are considerably loyal (3.3855). Because all the parameters of loyalty measures have above average mean. Such as intention to stay loyal to CBE (3.2725), expanding financial service with CBE (3.4735), considering the bank as the first choice (3.5066), future integrity with the bank (3.2646) and use the services of the CBE even price increased (3.4107).

4.4 ANALYSIS OF THE INTERVIEW WITH THE CUSTOMER RELATION MANAGER OF CBE

I started the interview from the basics, which is to determine how the bank evaluates its relationship with its customers. The bank by using certain customer lists, it visits their offices. Moreover there is group within the marketing team, which checks on customers. With these mechanisms the bank evaluates and assesses its relationship with its customers.

Customer's loyalty will be assessed through communication, specifically with companies and investors; it's through the communication through top management. The financial data of a certain customer can show how much of its transaction, loans, and other financial activities are being processed through this bank, which in way can tell about the customer's loyalty. The bank makes them free to complain up to the top management, thus even in case of competitors lowering their service price, the customers stay loyal.

Regarding relationship marketing dimensions, the manager pointed out that the bank tries to apply them so as to affect the final outcome. Here again communication is the key dimension, as the bank have the data on each of their customers. The bank targets certain customers for certain services. When the bank starts a new service, it will check on its data to select customers who may need the service, thus it will promptly communicate with the customers. With CBE trust comes with the territory due to the fact that it's controlled by the state, though the CRM of the bank might not admit it as a main factor. Reliability is its key to make the customers trust the bank. Commitment wise the bank tries to meet the needs of customers by giving advice on certain financial situations, assisting on investment, and being flexible when necessary.

The bank always tries to evaluate and upgrade its service efficiency. Training its employees on the core businesses to develop their knowledge and further training them on their overall engagement with customers. This will help to avoid potential conflicts with customers. However In case of conflict or misunderstandings the bank engages in solving problems by rooting out the problems and it goes to the maximum possible to resolve the problems as it sees retaining a customer satisfied after such a problem is of a big importance to its market.

According to the CRM of the bank, those relationship marketing dimensions very much affect loyalty. When the bank measure customers loyalty , it goes through the financial data in the bank ,its share in the market, overall financial market data and communication with customers to name a few, with this parameters it can measure a customer loyalty. Thus when the bank evaluates factors for the loyalty, the relationship marketing dimensions come to the front. They are the key to get and retain customers.

According to the customer relation manager of the bank, CBE will further continue to apply the dimensions to help retain customer's loyalty, and as well attracting new customers and depositors. The bank will further the use of the relationship marketing dimensions through new technologies and system applications.

Chapter Four

Summary, Conclusion and Recommendations

4.1 Summary

The purpose of this research was to identify the role of relationship marketing for maintaining sustainable customer loyalty. Customers get an access of banking services from different rival banks. Keeping and retaining them for long period of time demands an appropriate market orientation.

Commercial bank of Ethiopia is, therefore, among these rivals and faces different problems to control the customers. Having this, the bank starts the philosophy of relationship marketing to keep the consistency and loyalty of customers in the long run. But how much it is implemented in branch offices specifically in gofa sefer branch is under question mark. This is the area that the researcher tried to see.

Based on the research questions, the student researcher adapted a questionnaire from different illustrative researches to know the role of relationship marketing to maintain loyalty and the experience of the bank on this issue in Ethiopian context. Based on the results of the questionnaire and interviews with management of the bank, the student researcher made conclusions and adapted some recommendations.

4.2 Conclusion

The researcher distributed two hundred questionnaires for sampled respondents. Out of this one hundred eighty nine of them was accepted and used as a valid base for the data analysis including some missed items. Based on an objective analysis of data and discussion of results and with respect to the basic questions, the student researcher refined the following major findings for this study:

- Large numbers of the respondents are experienced in service use from 3-4 years- i.e. 34.9%. The next large number of respondents is customers having 5-6 years of service use of the bank which covers 31.8% of the valid.
- Most of the respondents are qualified and the number in each category is very similar .Diploma, first degree and second degree holders cover the largest amount collectively and has (27.5, 25.5,26.9) % respectively.
- Males are dominant respondents who cover the largest portion of the respondents i.e. 63% the total valid percent.
- Majority of the sampled respondents are young
- Customers have a comparable positive attitude on the issues like implementation of promises, genuineness of information they get from the bank, competency of employees in the bank who serves the customers in each working days, customer base decisions and the overall trust up on the bank.
- The bank commitment for implementing marketing activities and keeping the customers interest is relatively above average.

- Customers of commercial bank of Ethiopia are mostly agreed on the empirical implementation of the activities like open discussion when problems arise, quick response and solution for problems, being proactive for potential problems and others
- The bank is somewhat good in serving the customers and it leads to the creation of good relationship among partners.
- Customers of CBE somewhat agreed on the professional competency of employees in CBE expectation –perception level, requirement fulfillment procedure, feeling of comfort being a customer of CBE and the overall satisfaction .
- Customers have positively perceived all the activities that CBE implements when offering services for customers. The evidences for this are *trust (3.3984)*, *commitment (3.3486)*, *communication (3.3057)*, *conflict handling (3.2933)*, *service efficiency (3.2297)*, and *satisfaction (3.2814)*. Additionally what the researcher recognizes that the customers admired the trust of the bank though service efficiency and satisfaction are below this value.
- Customers of CBE are considerably loyal (3.3855). Because all the parameters of loyalty measures have above average mean. Such as intention to stay loyal to CBE (3.2725), expanding financial service with CBE (3.4735), considering the bank as the first choice (3.5066), future integrity with the bank (3.2646) and use the services of the CBE even price increased (3.4107).

From the major finding its obvious CBE has more than an average score in the relationship dimensions which had an effect on the loyalty of the customers. Though the student researcher observed most customers rely on their relationship with branch managers which affects customer's loyalty to the bank if the branch managers leave for another bank.

Generally what the researcher understood from the results of the questionnaire, the interviews and from the observations is that the relationship variables have a significant role on relationship marketing and relationship marketing determines the loyalty of customers in CBE.

5.3 Recommendation

In light of the findings obtained from the data analysis, the following recommendations are made:

- ✓ In the bank there is a considerable relationship between CBE and customers, but still the relationship is not strong, therefore the bank should reassess the environment and make the management and the staff sound.
- ✓ Trust and commitment are very essential aspects than other variables, and then the student researcher highly recommends the bank to make cooperative effort on such issues.
- ✓ To be a market leader and to be a choice of others, the bank should further improve its service.

- ✓ Customers of the bank are a little bit loyal and this may not be a guaranty in the future since customers have lot of choices, therefore, the bank should aggressively continue to advocate relation marketing variables.
- ✓ The globe is dynamic and business activities and tactics are ever changing. So the bank needs to do further research and add values for customers in order to increase its loyal customers.

Bibliography

- Anderson, Eugene W. (1998), "Customer Satisfaction and Word of Mouth," *Journal of Service Research*, **1** (May), 5-17.
- Balajoko, C., Burton, S., and Elliot, G. (2005), "Determinants of customer loyalty and share of wallet in retail banking", *Journal of Financial Services Marketing*, **Vol. 9 No. 3**, pp. 231-248.
- Bateson (2002), "Customer relationship management: Key components for IT success", *Industrial Management & Data Systems*, **Vol. 102 No. 2**, pp. 89-97.
- Berry, L.L. & Parasuraman, A. (1991) "*Marketing Services: Competing through Quality*" (New York, Free Press).
- Chaudhuri, A. and M.B. Holbrook, (2001), "The Chain of Effects from Brand Trust and Brand Affect to Brand Performance: The Role of Brand Loyalty," *Journal of Marketing*, **Vol. 65, No. 2:81-93, April**.
- Crosby, L. (1979) Effects of relationship marketing on satisfaction, retention, and prices in the life insurance industry. *Journal of Marketing Research*, **24**, pp. 404± 411
- Dwyer, F. Robert, Schurr, Paul H. and Oh, Sejo: Developing Buyer-Seller Relationships. *Journal of Marketing*.
- Ganesan, Shankar and Ron Hess (1997), "Dimensions and Levels of Trust: Implications for Commitment to a Relationship," *Marketing Letters*, **8 (October)**, 439-48.
- Gronroos, C. (1986) "Relationship approach to marketing in service contexts: the marketing and organization behavior interface." *Journal of Business Research*, **20**, pp. 3 ± 12.

- Gronroos, C. (1999). "Relationship approach to marketing in service contexts: the marketing and organization behavior interface." *Journal of Business Research*, 20, pp. 3 ± 12.
- Hallowell, Richard (1996), "The Relationships of Customer Satisfaction, Customer Loyalty, and Profitability. An Empirical Study," *International Journal of Service Industry Management*, 7 (4), 27-42.
- Morgan, R., and S. Hunt. "The Commitment-Trust Theory of Relationship Marketing." *Journal of marketing*
- Moorman, Christine, Deshpande, Rohit and Zaltman, Gerald: Factors Affecting Trust
- Oliver, R.L. (1981), "Measurement and evaluation of satisfaction processes in retail settings", *Journal of Retailing*, No. 57, pp. 25-48.
- Parasuraman, A. (1985) "Measuring and Monitoring Service Quality." *In: W.J. Glynn*
- Reichheld Fredric.F "The loyalty effect. The hidden force behind growth, profits, and lasting value.", *Harvard Business School Press, Boston 1996*
- Schultz, Don E. (2000), "Surround Customers with Communications," *marketing News*, 34, 22, 12.
- Smith, J. Brock (1998), "Buyer-Seller Relationships: Similarity, Relationship Management, and Quality," *Psychology & Marketing*, 15 (January), 3-21.
- Stauss, Bernd and Patricia Neuhaus (1997), "The Qualitative Satisfaction Model," *International Journal of Service Industry Management*, 8 (3/4), 236-49.
- Webster, Frederick E., Jr. (1992), "The Changing Role of Marketing in the Corporation," *Journal of Marketing*, 56 (October), 1-17.

Appendix I
St.Mary's University
Faculty of Business
Department of Marketing Management

Questionnaire to be completed by Customers of CBE

Dear Sir/ madam

I am a graduate student at St. Mary's University. Currently, I am doing a research on "the role of relationship marketing for maintaining customer loyalty in CBE Gofa Sefer Branch, as a reference. The research is purely for academic purpose and your response is completely anonymous, but your views, in combination with those of others, are extremely important. Thus the following questions are for analytic purposes only. It will not be used to try to identify any individual and/ or to attack the dignity and reputation of both the customers and the bank.

"Thank you for devoting your precious time to complete this questionnaire".

PART I. Background Information

Direction: - *For the following items please mark '✓' on the one which suits your response*
- *Do not write your name*

1. How long have you been customer of

Commercial Bank of Ethiopia?

- | | |
|--|--|
| A. Below one year experience..... <input type="checkbox"/> | D. 5-6 years of experience..... <input type="checkbox"/> |
| B. 1-2 year of experience..... <input type="checkbox"/> | E. Above 6 years of experience..... <input type="checkbox"/> |
| C. 3-4 year of experience..... <input type="checkbox"/> | |

2.Educational background

- | | |
|---|--|
| A. Primary High school..... <input type="checkbox"/> | D. First Degree..... <input type="checkbox"/> |
| B. High school graduate..... <input type="checkbox"/> | E. Second Degree and above..... <input type="checkbox"/> |
| C. Diploma..... <input type="checkbox"/> | |

3. Gender

A. Male.....

B. Female.....

4. Age Composition

A. 18-24..... D. 36-46.....

B. 25-28..... E. Above 46.....

C. 29-35.....

PART-II QUESTIONS RELATED TO THE STUDY

Direction: for part **II** and **III**: Please rank the following questions according to your level of agreement or disagreement and put **(X)** mark in the box where **1** is strongly disagree, **2** disagree, **3** neutral, **4** agree, and **5** strongly agree.

S no	Questions	SD	D	N	A	SA
	Trust (measuring points)					
1	When making important decision, this bank is concerned about my interests.	(1)	(2)	(3)	(4)	(5)
2	When I have an important requirement, I can depend on this the bank's support	(1)	(2)	(3)	(4)	(5)
3	I am convinced that this bank performs its task professionally	(1)	(2)	(3)	(4)	(5)
4	I can count on this bank's promise made to our firm	(1)	(2)	(3)	(4)	(5)
5	The Bank always keeps its promises	(1)	(2)	(3)	(4)	(5)
6	I believe the information I get from this Bank	(1)	(2)	(3)	(4)	(5)
7	Overall, I can always trust upon this bank	(1)	(2)	(3)	(4)	(5)

		SD	D	N	A	SA
	Communication measuring variables					
1	The bank provides information to customers if there are new services	(1)	(2)	(3)	(4)	(5)
2	The Bank gets feedback from customers from time to time	(1)	(2)	(3)	(4)	(5)
3	Most often the information provided by the bank is accurate	(1)	(2)	(3)	(4)	(5)
4	The bank representatives have been frank in dealing with customers	(1)	(2)	(3)	(4)	(5)
	Commitment measuring points	SD	D	N	A	SA
1	The bank provides us important advice on how we should invest our money	(1)	(2)	(3)	(4)	(5)
2	The bank took into account customers' benefits while taking decisions	(1)	(2)	(3)	(4)	(5)
3	The bank is flexible in serving our financial needs	(1)	(2)	(3)	(4)	(5)

	Conflict handling measuring points	SD	D	N	A	SA
1	The bank tries to avoid potential conflicts	(1)	(2)	(3)	(4)	(5)
2	The bank tries to solve conflicts before they create problems	(1)	(2)	(3)	(4)	(5)
3	The bank openly discusses solutions when problems arise	(1)	(2)	(3)	(4)	(5)
4	The employees of the Bank solve our problems quickly	(1)	(2)	(3)	(4)	(5)

	Service efficiency measuring points	SD	D	U	N	SA
1	Contact employees of the bank are knowledgeable about our needs	(1)	(2)	(3)	(4)	(5)
2	Contact employees of the bank deal with our enquiry expeditiously	(1)	(2)	(3)	(4)	(5)
3	Contact employees of the bank are always willing to help us	(1)	(2)	(3)	(4)	(5)
4	Contact employees of the bank have professional training about banking services	(1)	(2)	(3)	(4)	(5)
5	Contact employees of the bank demonstrates adequate knowledge about the banking service	(1)	(2)	(3)	(4)	(5)
6	Contact employees of the bank seems to have a lot of experience	(1)	(2)	(3)	(4)	(5)

	Satisfaction measuring points		SD	D	N	A	SA
1	I am satisfied with the professional competence of the employees		(1)	(2)	(3)	(4)	(5)
2	The core service of the Bank satisfied our expectations		(1)	(2)	(3)	(4)	(5)
3	Most often the Bank meets all the requirements that I see reasonable		(1)	(2)	(3)	(4)	(5)
4	We are comfortable about the relationship with CBE		(1)	(2)	(3)	(4)	(5)
5	Overall we are pleased with what the bank does for us		(1)	(2)	(3)	(4)	(5)

PART –III QUESTIONS FOR LOYALTY VARIABLES

	Loyalty measuring points		SD	D	N	A	SA
1	I intend to stay loyal to CBE		(1)	(2)	(3)	(4)	(5)
2	I expect to expand using financial services with the CBE		(1)	(2)	(3)	(4)	(5)
3	I consider the Commercial Bank of Ethiopia the first choice among all banks		(1)	(2)	(3)	(4)	(5)
4	As far as possible, I will choose to work with this bank in the future		(1)	(2)	(3)	(4)	(5)
5	I expect to use the services of the CBE even if their service prices increased		(1)	(2)	(3)	(4)	(5)

1

2

3

4

5

uxU »MeTTU

»MeTTU

• 'ÓÖ— »ÁÁKG<U

• eTTKG<

uxU • eTTKG<

jōM »'É: Ÿ²=1 u < ÁK<f SÖÄq; Á"u™; ¼v"i »ÑMÓKAf c=ÁÑ< Ÿv"Ÿ<
Ò' ÁL†<" Se}Öw' ¼T>ÑSÓS<uf " <::

G. ¼=fÄäÁ "ÓÉ v"i KÄ"u™† ÁK< »e}TT" f		1	2	3	4	5
1.	T" —<U ¼v"Ÿ< " <d'@< ¼Ä"u™†" (¼—") ðLÖf SW[f ÁÄ[Ñ< "†<					
2.	¼UðMÑ"<" Ñ<ÇÄ KSðiu ¼=fÄäÁ "ÓÉ v"i" • "Ä ÉÖð SÖku • »LKG<::					
3.	¼=fÄäÁ "ÓÉ v"i ¼e^ H>Äf ¼T> • Ñ²< uS<Á"< ucKÖ'< vKVÁ< " <					
4.	¼=fÄäÁ "ÓÉ v"i ¼Ñv"<" nM ÄÖwnM::					
5.	¼=fÄäÁ "ÓÉ v"i uT>cÖ~ »"ð"†@i" /S • / • }TS"KG<::					
6.	¼=fÄäÁ "ÓÉ v"i }"Ä< K=ðÖ\ ¼T><K< »Öa< u • T" f Äð • K<::					
7.	»ÖnLÄ u=fÄäÁ "ÓÉ v"i • }TS"KG<::					
K. ¼SM°;f M"<<Ø" fÖu^		1	2	3	4	5
1.	¼=fÄäÁ "ÓÉ v"i »ÇÇ=e »ÑMÓKA," uÚS[lf' KÄ"u™† Áð<nM::					
2.	¼=fÄäÁ "ÓÉ v"i ŸÑ>²? Ñ>²? ŸÄ"u™; »eðLÑ> »e}Ä¼," ÄkuLM::					
3.	»w³—<" Ñ>²? v"Ÿ< ¼T>cÖ~ • • • f;ijM " <::					
4.	¼=fÄäÁ "ÓÉ v"i Y^ »eð†T>< ¼T>cÖ< • • • " <' • »²M " <::					
N. }Ö" f		1	2	3	4	5
1.	¼=fÄäÁ "ÓÉ v"i Ñ"²u?" U" LÄ T³M • "ÇKw~ U;` ÄcÖ—M::					
2.	¼=fÄäÁ "ÓÉ v"i w²<"<" Ñ>²? " <d'@ c=cØ ¼Ä"u™†" G<'@ • • " ØpU ÖUf " <eØ uTeÑvf " <::					
3.	¼=fÄäÁ "ÓÉ v"i ¼Ñ"²w ðLÖ," KTTTELf uT>ðKÑ"< ¼;c^ G<'@ • Äc^M—M::					

S. ÓBf" SÝLÝM" ¼ð•f G'@		1	2	3	4	5
1.	¼=fÄâÄ "ÓÉ v"; K=SÖ< ¼T><K< .KSÓvv,, kÉV ÄÝLÝLM::					
2.	¼=fÄâÄ "ÓÉ v"; Ñ<Çf K=ÁSÖ< ¼T><K< .Óa<" KSö•f 'ÓÌ'"<::					
3.	¼=fÄâÄ "ÓÉ v"; >KSÓvvf c=*' òf Kòf }²ÖÌ,, KSö•f 'ÓÌ'"<::					
4.	¼=fÄâÄ "ÓÉ v"; W^}TM, 'Ó' c=ÑØS~ uðØ'f Äð-M—M::					
W. ¼ÑMÓKAf >W×Ø wnf		1	2	3	4	5
1.	¼=fÄâÄ "ÓÉ v"; W^}TM, öLÖ," Ä[ÆM—M					
2.	¼=fÄâÄ "ÓÉ v"; W^}TM, uÄ"uTM, 'Ó'" >e}Ä¼f ²<]Á uÓMí'f Ä"ÁAK<::					
3.	¼=fÄâÄ "ÓÉ v"; W^}TM, Ä"u—" KS'Çf 'ÓÌ'"<::					
4.	¼=fÄâÄ "ÓÉ v"; W^}TM, uv"i >ÑMÓKAf >c×Ø LÄ ¼cKÖ'< "†"<::					
5.	¼=fÄâÄ "ÓÉ v"; W^}TM, ¼v"i >ÑMÓKAf KSYÖf wI vKS<Ä "†"<::					
6.	¼=fÄâÄ "ÓÉ v"; W^}TM, ¼Y^ MUÇ†< Ýð}— ÄSeLM::					
[. öLÖf" ÝT" f >†		1	2	3	4	5
1.	u=fÄâÄ "ÓÉ v"; W^}TM, S<Á© •Ñ³" wnf Äe}—":					
2.	¼=fÄâÄ "ÓÉ v"; ¼UðMÑ"<" >ÑMÓKAf eKT>cÖ~ ÝÖuÝ<f uLÄ u:c^\ • ["KG<::					
3.	¼=fÄâÄ "ÓÉ v"; SJ" ÁKuf" >ÑMÓKAf u>Övu< Äc×M::					
4.	Ý=fÄâÄ "ÓÉ v"; Ö' ÁK~ Ó"—<f U†" >eÄd<"<::					
5.	vÖnLÄ ¼=fÄâÄ "ÓÉ v"; ¼T>ÄÄ'ÓM~ 'Ñ' }eTU,,—M::					

jöM G<Kf

ÄI jöM Kv"Ý< ÁK-f" T'f U" "ÄT>SeM ÖpKM vK SMÝ< ¼T>Äðuf jöM "<

}T'>'f SKÝ=Á Seð'„		1	2	3	4	5
1.	>G<"U ¼=fÄâÄ "ÓÉ v"; Ä"u— J-< •qÁKG<					
2.	Ý²=IU u%EL ¼v"i >ÑMÓKAf eðMÓ ¼UÖKS"< ÄÌ" v"i "<::					
3.	¼=fÄâÄ "ÓÉ v"; ÝG<K<U v"†< uLÄ U'ÝÄ'"<::					
4.	uU<K"< >Ö×T> G<K< Y^Ä" Ý=fÄâÄ "ÓÉ v"; Ö' >Ý" "<"KG<::					
5.	uÑMÓKA~ LÄ ¼ªÖ "[f u=*'U ¼=fÄâÄ "ÓÉ v"; ¼²" f' U'ÝÄ'"<::					

}ÚT] >e}Ä¼f "K-f

**Appendix III
St. Mary's University
Faculty of Business
Department of Marketing Management**

Interview Checklist

Dear Sir/ madam

I am a graduate student at St. Mary's University. Currently I am doing a research on "the role of relationship marketing for maintaining customer loyalty in CBE Gofa Sefer Branch, as a reference. The research is purely for academic purpose and your response is completely anonymous, but your views, in combination with those of others, are extremely important. Thus the following questions are for analytic purposes only. It will not be used to try to identify any individual and to badmouth the dignity and reputation of both the customers and the bank.

"Thank you for devoting your precious time to conduct this interview".

Interview questions

1. How do you evaluate the relationship between the bank and your customers?
2. How do you evaluate customers' loyalty status in the bank?
3. How does the Bank apply the relationship marketing Variables?
4. How do these relationship marketing dimensions affect customer's loyalty?
5. How does your bank measure customers' loyalty with respect to relationship marketing variables?
6. What is your banks future plan to maintain customers' loyalty?

Declaration

I the undersigned, declare that this senior essay is my original work prepared under the guidance of Ato Yalew Gorfu. All resources of material used to the manuscript have been duly accumulated.

Name: TSION G/EGZIABHER

Signature: _____

Placement: ST. MARY'S UNIVERSITY

Date: _____

The Advisors Declaration

This senior essay has been submitted for examination with my approval as an advisor.

Name: _____

Signature: _____

Date: _____