

**ASSESSMENT OF CUSTOMER RELATIONSHIP MANAGEMENT PRACTICE
(IN CASE OF COMMERCIAL BANK OF ETHIOPIA IN WOLKITE BRANCH).**



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ABSTRACT

The aim of this study was to assess Customer Relationship Management practice on Commercial Bank of Ethiopia in wolkite branch. The study would use secondary source of data and it can employ descriptive research design to see CRM practice of the bank. Thus, the study can tries to assess the status and ways CRM has been put in to practice by CBE by look over five CRM dimensions those are service quality, interaction management, employee behavior, relationship developments in the morning and physical environment. To achieve the objective of this study, was secondary source (internet and from published articles of the CBE. Finally the researcher can conclude and suggest based on findings.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Generally speaking, all businesses and particularly financial institutions have been affected to some degree in what is happening in the global market place. Now, not only the organizations aim to satisfy the customer's but they attempt to do this more efficiently and effectively than their rivals in the competitive market place in order to attain their goals. The most important goal of an organization is to maintain customer satisfaction and focus on customer centric approach in their organizational and marketing strategies. The significance of customer satisfaction cannot be dismissed while happy customers are like free advertising for the financial institutions. It is necessary to put the customer at the center of the business according to its strategies, events and processes. In fact, it is easier and more profitable to sell to present customers than to find new ones. Financial institutions are setting their strategies to ensure customer satisfaction, retention; therefore, their employees should be more customer-focused and service-oriented in order to satisfy their customers (Mohammed, 2014)

Customer relationship management (CRM) is a concept for managing a company's interactions with customers, clients, and sales prospects, which can achieve financial institutions goal such as customer satisfaction. It involves using technology to organize, automate, and synchronize business processes. The objectives of CRM are to enhance profitability, income, and customer satisfaction. To attain CRM, many organizations use set of tools, technologies, and procedures to support the relationship with the customer to enhance sales. Therefore, CRM is an issue of strategic business and process rather than a technical one. Customer relationship management (CRM) is a concept for managing a company's interactions with customers, clients, and sales prospects. (Long, 2013).

Today banking institutions face many challenges including global competition for deposits, loans, underwriting fees, increasing customer demands, shrinking profit margins, and the need to keep up with the new technologies (SAP AG, 2002). According to (Onutet,2006),banks and other service providers realize the importance of Customer Relationship Management (CRM)

and its potential to help them acquiring new customers, retain existing ones, and maximize their lifetime value. Customer Relationship Management (CRM) came into the power when banking institutions were getting more and more competitive. The focus of CRM helped banks to understand the customer's current needs, what they have done in the past, and what they plan to do in the future to meet their own goals (Xu, et al., 2002).

From the above explanation to understand, the wants and needs of customers' are essential for banking industries. Therefore, this study will be conducted on assessment of customer relationship management on commercial bank of Ethiopia at wolkite branch

1.2. Statement of the problem

CRM is a management approach that enables organizations to identify, attract, and increase retention of profitable customers through improved relationship management (Hobby, 1999 cited in Ramkelawon, 2010). However, successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes (Pritesh et al., 2010).

Customer relationship management practice, particularly in the banking industry, has enormous problems. It is supported by Mishra et al. (2011), that the banking sector is facing enormous challenges of attracting the new customers and retaining the existing ones. However, in today's banking environment, it is becoming difficult to build and maintain strong and lasting relationships with customers (Oogarah-Hanuman, 2011).

A study conducted on imperatives of customer relationship management in Nigeria banking industry proves that customers have experienced challenges ranging from delay, stock out, non-availability of staff at service points, unprofessional conduct or rudeness by the staff of the bank, poor standard of records or improper information, failed promises among others (Ogbadu and Usman, 2012).

Now days, in Ethiopia the banking industry increases from time to time; as a consequence users have many choices to prefer and as a result of this they are focusing on the quality of service. In Ethiopia, many customers voice concerns about inefficiency and lack of quality in the banking sector (Gebre, 2010). To be competitive in the prosperous market, CRM practice is the

fashionable solution. But researches that have been conducted in the banking industry both by academicians and practitioners focus on the transactional marketing. Therefore, the researcher will like to assess the status and ways CRM practice by commercial bank of Ethiopian.

1.3 Research Questions

The study was conducted with the aim of providing answers to the following basic research question.

1. To what extent is committed to applying customer relationship management practice in terms of service quality, interaction management, employee behavior, relationship development and physical environment in the bank?
2. What are the challenges in the implementation of the CRM in the bank?
- 3 How do customers perceive the CRM practices of the bank?

1.4 Objectives of the study

1.4.1 General objective

The main objective of this study was to assess customer relationship management practice in the commercial bank of Ethiopia at Wolkite branch.

1.4.2 Specific objectives

- ✓ To assess the extent that committed to applying customer relationship management practice in the bank
- ✓ To assess the challenges in the implementation of the CRM in the bank
- ✓ to assess customers perceive the CRM practices of the bank

1.5 Significance of the study

This study may has significant for the; The student researcher; the student researcher was beneficiary on getting knowledge about the study and experience on conducting such assessment and get satisfaction when the study would the solution to the problem.

The organization; the organization was beneficial in that the manager of the organization see the identified problem and recommend solutions and take corrective actions accordingly this study.

Other researcher: other researcher can take this study as reference for conducting other similar assessments.

Other similar organization: This study can also use for other organizations which are similar by taking this study and they can team selves with identified problem and if the problem was originated on them can take their corrective measure.

1.6 scope of the study

The study can be delaminated geographically, conceptually and methodologically.

Geographically the study was conducted in the case area of wolkite town at commercial bank of Ethiopia specifically at wolkite branch. Conceptually, the study was on the assessment of customer relationship management practice and methodologically the study was descriptive type of research design.

1.7 organization of the study

The paper can be organized in three chapters. The first chapter contains the introduction part, This include background of the study, statement of the problem, objective of the study, Significance of the study, Scope of the study, the second chapter deals with related review literature, the third chapter deals with research methodology, conclusion and suggestion.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 Introduction

The review of literature can lead to draw some significant conclusions and serve as a guide mark for the study. In this chapter, focus on two main important issues like theoretical, empirical that guild the study would briefly highlighted.

2.1.1 Theoretical review

2.1.2 History of CRM

Before 1993, CRM included two major markets (Financial Times, 2000,):

1. Sales Force Automation (SFA) and
2. Customer Services (CS).

1. Sales Force Automation was initially designed to support salespersons in managing their touch points and to provide them with event calendars about their customers. SFA's meaning expanded to include opportunity management that is supporting sales methodologies and interconnection with other functions of the company such as production. Below indicates the range to sales force automation capabilities currently available.

2. Sales Force Automation Capabilities

- Contact Management: Maintain customer information and contact histories for existing customers. May include point in the sales cycle and in the customer's replenishment cycle.
- Activity Management: Provide calendar and scheduling for individual salespeople
- Communication Management: Communicate via E-mail and fax
- Forecasting: Assist with future sales goals, targets, and projections
- Opportunity Management: Manage leads and potential leads for new customers
- Order Management: Obtain online quotes and transform inquiries into orders
- Document Management: Develop and retrieve standard and customizable management reports and presentation documents

- Sales Analysis: Analyze sales data
- Product Configuration: Assemble alternate product specifications and pricing Compared to Sales Force Auto (SFA), Customer Service (CS) is an after sales activity to satisfy customers. The goal of Customer Service is to resolve internal and external customer problems quickly and effectively. By providing fast and accurate answers to customers, a company can save cost and increase customer loyalty and revenue. As shown in the box below, customer services include call center management, field service management, and help desk management. Assessment of CRM Practice Customer Services Capabilities Call Center Management
- Provide automated, end-to-end call routing and tracking
- Capture customer feedback information for performance measurement, quality control, and product development Field Service Management
- Allocate, schedule, and dispatch the right people, with the right parts, at the right time
- Log materials, expenses, and time associated with service orders
- View customer history
- Search for proven solutions Help Desk Management
- Solve the problem by searching the existing knowledge base
- Initiate, modify, and track problem reports
- Provide updates, patches, and new versions

Today, CRM includes all customer-facing applications, including: Sales Force Automation (SFA), Customer Service (CS), Sales and Marketing Management (SMM), and Contact & Activity Management (Emerging Market Technologies, 2000).

2.1.3 Customer Service

Several scholars tried to define Customer service in different ways. Kotler and Amstrong (1991) defined service as an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. According to the definition of Gronroos (2000), a service is a process

that consists of a set of activities which take place in interactions between a customer and people, goods and other physical resources, systems and/or infrastructures representing the service provider and possibly involving other customers, which aim at solving customers' problems. Service is intangible in nature, it cannot be mass produced. It cannot be inventoried and stored after production. Due to the fact that services and consumers of services are inseparable, they cannot be produced until the consumer is ready to consume them. Providing consistent quality is difficult for service because of the characteristic of variability (Clow and Kurtz, 2003)

Assessment of CRM Practice According to Adrian (1995), pure services have several distinctive characteristics that differentiate them from goods and have implications for the manner in which they are marketed. These characteristics can be described as follows.

- I. Intangibility: - a pure service cannot be assessed using any of the physical senses; it is an abstraction which cannot be directly examined before it is purchased. It has no tangible properties that can be used by consumers to verify advertising claims before the purchase is made. The intangible process characteristics that define services, such as reliability, personal care and attentiveness and friendliness of staff, can be verified only when a service has been purchased and consumed.
- II. Inseparability: - the production and consumption of a tangible good are two quite distinct activities. On the other hand, consumption of a service is said to be inseparable from its means of production. Producer and consumer must interact in order for the benefits of the service to be realized: both must normally meet at a mutually convenient time and place in order that the producer can directly pass on service benefits. In the extreme case of personal care services, like health care service and ATM service, the customer must be present during the entire production process.
- III. Variability: - refers to the fact that the quality of services depends on who provides them as well as when, where, and how they are provided (Armstrong and Kotler, 2011). For services, variability impacts on customers not just in terms of outcomes but also in terms of processes of production. The latter point causes variability to pose a much greater problem for service than for goods. Because, customers are usually involved in the production process for a service at the same time they consume it, it can be difficult to carry out monitoring and control to ensure consistent standards.

Many service organizations have sought to reduce variability by adopting equipment base production methods such as automation of baking services.

IV. Perishable: - services cannot be stored for later sale or use (Armstrong and Kotler, 2011). A producer of cars that is unable to sell all its output in the current period can carry forward stocks to sell in a subsequent period.

V. Ownership: - The inabilities to own services are related to their intangibility and perishability. In purchasing goods, buyers generally acquire title to the goods in question and can subsequently do as they want with them. On the other hand, when a service is performed, no ownership is transferred from the seller to the buyer.

2.2.1 Customer Relationship Management: The Concept

Different organizations define CRM differently (Chopra et al., 2012). For this study it is defined as the utilization of customer-related information or knowledge to deliver relevant products or services to customers (Blery and Michalakopoulos, 2006). Others also defined CRM as a managerial philosophy that seeks to build long-term relationships with customers (Berndt et al., 2005). Or CRM is a simple philosophy that places the customer at the heart of a business organization's processes, activities and culture to improve his satisfaction of service and, in turn, maximize the profits for the organization (Agarwal, 2009).

Today, banks have realized the importance of CRM and its ability to retain existing customers and thereby maximization of customer lifetime value (Tamilarasan, 2011). Thus, the relationship between banking and CRM practices is such that nowadays it is almost impossible to think of the former without the latter. This indicates that they are inseparable.

It has been observed by Blery and Michalakopoulos (2006) that CRM helped the bank to come closer to its customers and emphasis is given to customers instead of sales. However, Rigby et al. (2003) added that, Customer Relationship Management is, above all, about building a relationship with your most valuable customers.

Chang (2007) stated that CRM involves a concerted effort to improve customer identification, acquisition, and retention in addition to this it aims to improve customer satisfaction, boost customer loyalty, and consequently increase revenues from existing customers. Thus, CRM involves new and advance marketing strategies which not only retain the existing customers but

also acquire new customers. Therefore, maintaining good CRM practice helps to retain existing customers and attract potential customers of the bank.

The first step towards successfully winning, retaining and growing the profitability of banking customers is to understand what their wants and needs are, so that the organization can be built around serving those needs (Pritesh, 2010). One of the original big ideas in marketing is that for firms to stay in existence, they should not focus on selling products but rather on fulfilling needs (Levitt, 1960 cited in Boulding, 2005). To do this you need to know your customers well enough to determine what kind of relationship they want to have (Rigby et al. 2003). In other words, successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes (Agarwal, 2009). Understanding what their wants and needs are, so that the organization can be built around serving those needs (Pritesh, 2010). However, its failure if any is due to improper conception and implementation of CRM as a practice (Tamilarasan, 2011).

2.2.2 Types of CRM

Several researchers have presented different views about which types comprise a best CRM consideration. For instance, Reynolds (2002) in her book presented three different types of CRM i.e. operational, analytical, collaborative and strategic CRM. These four different

2.2.2.1 Operational CRM

According to Dyche, (2002, p.13) an operational CRM is also known as front office CRM. It involves the areas where direct customer contact occurs which is also known as touch points. A touch point can be an inbound contact (e.g. a call to a company's customer support hotline) or an outbound contact (e.g. an in-person sales call or an email promotion to customers). In other words, the operational CRM is used to capture customers' data. The operational CRM also enables and streamlines communications to and from customers, but it does not necessarily mean optimizing service. Just because a banking customer checks his/her balance on a mobile telephone would not conclusively establish that he/she does not prefer to perform his/her transaction in the branch.

2.2.2.2 Analytical CRM

An analytical CRM is also known as a back office CRM. It involves understanding the customers' activities that occurred in the front office. The analytical CRM requires technology (to compile and process the mountains of customers' data to facilitate analysis) and new business processes (to refine customer-facing practices to increase loyalty and profitability). Under pressure from analysts and industry experts, most of today's CRM vendors are either creating analytical CRM capabilities or partnership with business intelligence (BI) vendors to incorporate analysis into their offerings (Dyche, 2002, p.13). If enhanced customer loyalty is the door, then integration is the key. Similarly, Adebajo (2003) described that an analytical CRM is mainly used for building data warehouses, improving relationships, and analyzing customers' data.

2.2.2.3 Collaborative CRM

According to the definitions from Search CRM, 2007, "collaborative CRM is an approach to CRM in which the various departments of a company such as: sales, technical support, and marketing etc., share any information which they collect from interactions with their customers. For instance, customer feedback gathered from a technical support session could inform marketing staff about products and services that might be of interest to the customer. The purpose of this collaboration is to improve the quality of customer service in order to increase customer satisfaction and loyalty. Minna and Aino (2005) and Adebajo (2003) explained that: "a collaborative CRM system is mainly used for building online communities, developing business to-business customer exchanges, and personalizing services".

2.2.2.4 Strategic CRM

Based on the ideas of Buttle (2009, p.4), strategic CRM is focused upon the development of a customer-centric business culture within an organization. This culture is dedicated to winning and keeping customers by creating and delivering value better than competitors. The author further argues that such business culture is reflected in leadership behaviors, the design of formal systems of the company, and the myths and stories that are created within the firm. Also, in such culture, the resources would be allocated where they would best enhance customer value, reward system to promote employee behaviors that enhance customer satisfaction and retention, and customer information to be collected, shared and applied across the business. In this way, the heroes of the business would be those who deliver outstanding value or service to the customers.

2.2.3 The benefits of customer relationship management

Marketers are on an eternal quest to understand what motivates their customers. Customer relationships are becoming even more important for banks as market conditions get harder. Competition is increasing, margins are eroding, customers are becoming more demanding and the life-cycles of products and services are shortening dramatically. All these forces make it necessary for banks to intensify the relationship with their customers and offer them the services they need via the channels they prefer. By understanding customers better, companies can provide higher levels of customer service and develop deeper customer relationships. Companies can use CRM to pinpoint high-value customers, target them more effectively, cross-sell the company's products, and create offers tailored to their specific requirements (Nyarku, Kwamena M. (2013). There are some benefits to customers, these may include the following.

- Customers feel empowered if they have greater access to products and services e.g. 24hour banking.
- There is a more coordinated and professional approach to customer contact throughout the entire life cycle of the corporate customer.
- Targeted product and service offerings can be timed to coincide with customer events and life stages, thus simplifying marketing and sales process e.g., educational loans, car loans, mortgages etc.
- Up-to-date customer information, database and better profiling and targeting.
- More personalized services (customization).
- Improved service, loyalty, retention and Tracking of all customer interactions.

2.2.4 The major challenges that banks face in implementing CRM

- ❖ Building and maintain a customer database require a large investment in computer hardware, database software, analytical programmers communication links and skilled personnel.
- ❖ It is difficult to collect the right data, especially to capture all the occasions of company interactions with the individual customers.
- ❖ The difficulty of getting everyone in the company to be customer-oriented and to use the available information. Employees find it far easier to carry on with the traditional transaction marketing than to practice CRM.

- ❖ The other problem is that not all customers want a Relationship with the company and they may resent knowing that the company has collected that much personal information about them.
- ❖ Using customer data more intelligently.
- ❖ Incorporating customer data and customer preferences to the customer data base.
- ❖ Using right technologies

2.2.5 Customer satisfaction

Customer satisfaction lies in the ideal of the beholder it is very complicated and relative phrase as it is very specific to the customer who measures what satisfies whom. So it invites other probes of what hampers customer satisfaction and needs of the customer.

Jamal (2003) defined customer satisfaction as the full meeting one's expectations relating to the product used by the customer; these are the total feelings and sentiments about the product used by the customer. Previous studies; Schultz and Good, (2000); Churchill and Surprenant, (1982); and Patterson, (1993) agreed that service performance has a direct impact on customer satisfaction, particularly in the high-involvement situation. They believed that Salespeople's interaction with their customers plays a key role in organizational success or failure and customer satisfaction is a critical performance indicator. File and Prince, (1992) stated that satisfied customers are become loyal for the organization and tell others their favorable experiences and thus engaged in positive word of mouth advertising. Customer satisfaction has for many years been perceived as key in determining why customers leave or stay with an organization (Cohen et al., 2006). Customers are becoming more individualistic quality conscious and impulsive in their buying behavior that demands a complete range of products and services under one roof in order to optimize their satisfaction (Chopra et al., 2012).

A customer always wants something and expects that the bank should come up to the level to fulfill those needs (Mishra et al., 2011). Individual clients' need can be satisfied by customizing the banks product, service and communication. It is supported by Berndt et al. (2005) customization is carried out by the organization in order to ensure that customer needs are met, to address the specific needs and profile the customer, and organization also makes use of personalization as part of this process. This would not only ensure better customer relations but also loyalty among them, which is very critical and important in today's competitive world

(Agarwal, 2009). Customer satisfaction and loyalty are inseparable each other. OogarahHanuman et.al (2011) supported that, customer satisfaction and loyalty are some key elements of business success and profitability thus the more satisfied the customer, the more loyal the customer and the more durable the relationship. Lastly, it is understood that customer satisfaction is very important for the aim of CRM practice of the banking industry.

2.2.6 Customer Retention

Customer retention is increasingly thought as an important managerial issue, especially in the context of saturated market or lower growth of the number of few customers (Ghavami&Olyaei, 2006). Cohen et al. (2006) have noted that, customer retention is potentially an effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing banking competitive environment. Thus, organizations need to focus on existing customers in order to ensure that they continue purchasing and continue supporting the product (Berndt et al., 2005). Thus, at this time, close relationship with customers will require a strong coordination between banks and its marketing departments to provide a long-term retention of selected customers (Chary and Ramesh, 2012).

Rust and Zahorik (1993) as cited by Cohen et al. (2006), the financial implications of attracting new customers may be five times as costly as keeping existing customers. Doing so significantly helps to reduce the cost of the organization. Several research show that customer acquisition costs 5 to 7 times higher than customer retention costs. Thus, since revenues increase with incremental improvements in customer retention, the ultimate goal of a professional services firm should be to retain customers (Crutchfield, 2001). However, this is only achieved when you are providing excellent customer service, which then turns in to Customer loyalty (Ghavami&Olyaei, 2006). Thus, retaining an existing customer has beneficiary to the organization than attracting new once. Villanueva and Hanssens (2007) cited by Parker et al. (2009) clearly stated the following five customer retention benefits. Those benefits are:-

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

company, so that the company can increase their share-of-wallet through up-selling and cross-selling.

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

2.2.7 Customer Relationship Management in the Banking Industry

Enterprises product benefits of form, time, place and property that would satisfy the customers' demands through goods and service. Forming and marketing of the goods and services that satisfy the customer demands is the basis of producing benefit. Whether the customer is satisfied or not depends on whether the he compares what is offered to him with his own expectations. If what is offered suits the expectations, the customer is satisfied. If what is offered is above the expectations, the customer is highly satisfied and pleased. (Kother, 2011: 36) for example, if the real performance of a product or service in a bank is below the expectations, the result is dissatisfaction, but if it equal or higher, customers satisfaction is achieved. (Kocoglu,Duygu ,2012;Gurbuz, 2008:). In recent years; in such fields as banking, where a strong competition customer satisfaction has gained a good deal of importance. It may be very easy to let another bank capture a displeased customer. To raise the customer satisfaction to the highest level and retain customers, the banks are to attach importance to customer relationship management (CRM).

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

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

Whether the banks gain benefit from the customer relationship management and become successful depends on whether they follow technologic development closely and make investments to this end. Also, their ability to determine right strategies for the purposes that they want to attain in customer relationship management are important factors that enhance the success chance of banks. There are four important stages of following customer relationship management strategy in the banks. The first step is the stage of ‘planning, targeting’ it necessary to make a documented strategy stating how customer relationships are wanted to be directed. The second step, ‘design’, allows preparing the prime designs supporting the bank strategy. A lot of banks ignore this step, but it is important for coordination and thus success. The third step is ‘building’. At this stage, projects for changing are started. The fourth step is ‘running and developing the programmers’. When the first projects for start to give fruits, it should not be thought that the work is over .it is necessary to place the change in the enterprise, to develop the activity and make the strategy more certain.(Sendogdu, 2006). Accurately-directed customer relationship management will be realized thanks to these steps.(Duygu, 2012)

2.2.8 Major important Element of CRM

Major critical elements of CRM is examined in this study, these elements are interaction management, relationship development, customer service, employees’ behavior and physical environment. (Long, 2013)

2.2.8.1 Interaction Management

According to the Brown and Gulycz(2002), if an organization willing to make a stable relationship with its customers, there are different ways to have an interaction with them including interaction along touch points and distribution channels. The main purpose is to find out how and when the customers would like to interact with the organization (Prahalad and Ramaswamy, 2001). The interaction activities should be well customized and organized through the available touch points provide in relation to the customer profiles developed by data gathered from the former records of the customers. Peppers and Rogers (1997) stress that the touch points must be used for distribution of different products, service and communication with the customers. According to the works of Lind green et.al. (2006) and Peppers et a (1999) interaction management is implemented by a few methods such as getting customers feedback and interaction with customers by attractive ways such as using social network.

2.2.8.2 Relationship Development

According to Ford (1980), the study of relationship development primarily involves research into structure and processing of the relationship between customer and supplier. Hakansson and Snehota(1995) argue that the relationship development process an interaction where connections have been developed between two parties. The most important activity to achieve relationship development is known as monitoring of the relationship management process such as service or complaint management (Brown and Gulycz, 2002). This relationship process includes procedures, mechanisms, schedules, and activities in which the products and services have been delivered to customers (Chritopher et al., 1991). The key performance indicators such as rate of retention, lifetime value of the customers, and satisfaction should be set by the organization (Brown and Gulyez, 2002) According to the works of Hanley(2008) and Lindgreen et al.(2006), relationship development can be made through commitment to convince customers that their feedback are taken seriously.

2.2.8.3 Quality of Services

Quality of Services According to Gee et al.(2008) in an attempt to understand the factors that induce customer satisfaction , the concept of service quality is increasingly common in the literature. Studies show that service quality has a positive effect on consumer satisfaction and also has significant relationship with customer satisfaction and loyalty, and profitability of the firms. According to the works of Hanley (2008), the quality of services could be implemented by a few methods such as:

- Meeting customer expectation of good service level and having many varieties of products
- Provide good quality products with reasonable price.
- To handle the customer complaints about the products and services tactfully.

2.2.8.4 Behaviors of the Employees

An Employee that conforms to organization behavior and value is likely to strengthen the connection between the customer and the firm. Reverse pattern of effects is to be expected when the employee act through his/ her own behavior. In these cases, a consumer may think that the organization actually does not deliver the symbolic benefits that s/he had expected for and may evaluate the organization in a negative way. In order words, under circumstance such as the ones

described, an employee will probably exert a strong impact on organization reputation and attitudes (Coulter, 2002). According to the works of Hanley (2008) and Coulter (2002), the effect of positive employee's behavior could be increasing speed of response to customer and ensure employees are friendly and respectful to customer which enhances customer satisfaction toward the services provided.

2.2.8.5 Physical Environment

Every customer is expecting that each bank is taking into consideration the importance of physical environment, which is represented by decorations, aisles, waiting areas. Air conditioning, lightening, and other facilities that are available for customer convenience. In modern days, especially in the services industry, customers are looking for supplementary services, where the core service is intangible issue to attract and convince customers it is necessary to concentrate on physical issues which can satisfy them. Because of their facts, physical environment of the bank is a matter of CRM through which customers can have a positive image about the bank which is caring for these issues and finally affect their satisfaction positively (Mohammad, 2014)

2.3 Empirical Review

Edusah Barbara, (2004) is conducted to find out what can be done to improve customer relationship management in the banking industry in Ghana with emphasis on Barclays bank Ghana Ltd. The study adopted both quantitative and qualitative methods of research. The study focused on management of Barclays Bank Ghana Ltd who are aware of Customer Relationship Management (CRM) strategies being pursued by the bank as well as customers of the bank who are aware of the Customer Relationship Management (CRM) strategies. 100 respondents is selected through non-probability sampling; data has been collected through questioners and interview conduct with some of the bank employee. The results of his study generally indicate that customers are enthused by some of the CRM strategies being implemented by the bank. However, some of the strategies are not implemented well and if it is properly done, it will improve the relationship the bank has with its customers.

Mohammad (2014,) conducted, research which examines the impact of CRM on customer satisfaction in banking industry of Jordan. The population of the study was customers of Jordanian banks operating in Amman city the capital of Jordan. He proposed that there is no

statistical relationship between CRM elements and customer satisfaction as a dependent variable. The statistical analysis revealed that there is a significant relationship between the independent variables (i.e. CRM elements represented by service quality, employee's behavior, Relation development, Physical environment and interaction management) and customer satisfaction as a dependent variable in the services banking industry.

Osunde (2014) conducted research which examines the importance of CRM in creating a sustainable relationship between customers and commercial banks in Nigeria. They investigate customers' perceptions of CRM practices of selected commercial banks in Edo State, Nigeria; relationship between the customers' perception and attitude of customers towards CRM practices of banks in Nigeria; impact of customer help desk of selected banks on customers' perception of banks in Nigeria; and the relationship between the CRM practices and attitude of the customers towards factors contributing to services quality.

2.3 Conceptual Framework

The main objective of this study is to address the impact of CRM dimensions on customers' satisfaction in commercial banks of Ethiopia. It is essential for the bank to enhance and improve a strong relationship with their customers in order to deliver products and services that meet their needs and expectations in order to satisfy them. The conceptual framework in this study developed on this framework, CRM dimensions are the key component of Customers' Satisfaction. Listed that the customer satisfaction indicators of CRM and Customer satisfaction.

Assessed customer satisfaction indicators

- Convenience and physical appearance
- Employees behavior, relationship development and reliability
- Pricing policy, responsiveness and customer service quality
- Customer information data base

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This part elaborates the research design, data type and source target population, data collection and data analysis. The methods selected below are found to be suitable because of their appropriateness for situations in the selected study area.

3.2 Research Design

The study used descriptive research design in order to describe the assessment of customer relationship management practices of the bank. Because, descriptive research help the study describe some aspect of a phenomenon, i.e. the status of a given phenomenon. It can help understand a topic. It aims to describe the state of affairs as it exists and interpret what is (Kothari, 2004). Accordingly, the study was a descriptive type because it describes how the bank customer relationship management practice based on the theories drawn from the literature.

3.3 Population and Sampling Technique

The target populations of the study would employees of commercial bank of Ethiopia at wolkite branch. The researcher used secondary data collection method.

3.4 Sources and methods of Data collection

The study largely depended on secondary data, which was collected using internet, as well as data such as relevant to customer relation management practice documents was referred.

3.5 data collection procedure

The secondary source can be used as the main tool for data collection. Therefore, to protect confusion the about the study and collected by the researcher.

3.6 CONCLUSION AND SUGGESTION

3.6.1. Conclusion

The results of the study would be based up on the discussion of data obtained secondary source. However, the study emphasizes on the existence of relationship between the banks and their customers measured by customer relationship management practices.

In banking industry trustful and quality banking services are the basis of sound CRM. From the results obtained from empirical review, customers of the bank had feel safe in conducting transactions with their banks. However, it is difficult to arrive at such conclusion and generalize that the bank is doing their transactions well. The aim of CRM is also to establish, maintain, and enhance relationships with customers at a profit. So, doing what is promised to do is the fundamental issue to maximize profit. Though Customers of the bank perceived that the bank was better in keeping their promises, there was a slight difference among them. It is common that as trust declines, customers are unwilling to conduct business transaction. Particular to the banking industry, trust leads to construct long-term relationship with their customers. Though there are customers who have doubt considering trustworthiness of the bank, however, perceived that the bank was trustful. Considering the consistency of quality service provision by their banks, significant numbers of customers did not express their agreement.

Regarding reciprocal help between the bank and their customers, Successful CRM focuses also on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, and technology and business process.

It is also known that one of the CRM goals is to create and maintain long lasting relationships between the bank and its customers. One measurement for CRM is empathy. Empathy is a key component for harmonious and productive relationships in the work place. Thus, empathy can be viewed as the ability to share and understand and feel another person in a relational situation. As per the result from the data collected, is relatively weak in giving individual attention and sincere interest to solve difficulties.

From this study the researchers can also conclude that there exists direct relationship between CRM and retention concerning the bank included in the study. This in turn implies that the management bodies of the bank are encouraged to pursue CRM practices so that they can survive in the present globalized business environment as major competitors in the industry..

Finally, the purpose of customer retention is to keep a high proportion of valuable customers through reducing customer dissatisfaction. As suggested on the literature review part of this study, normally the costs of cultivating the existing customer base are far less than the costs of Attracting new customers. From the descriptive statistics results of this study, there exists a relationship between CRM and Customer retention. The results clearly revealed that the five CRM dimensions are very close. This shows us that CRM has significant influence on customer retention both from customers' and branch managers view. Though it needs further and detailed study, generally, the results indicate that customer relationship management is important for customer retention that is essential for the success of bank.

3.6.2 SUGGESTION

With the recent establishment of several new banks in Ethiopia, the banking industry in the Country is undergoing dynamic expansion. therefore, vital for bank to continuously monitor their level of service delivery and the drivers of satisfaction in order to retain their current customers and also to attract new ones.

The concept of customer participation in the service delivery process has a long history and is identified as one of the distinguishing characteristics of services. Since customer relationship management characteristics are relevant to financial services, customer participation in service Relationships are held to be of particular importance for banking services. Given these facts, based on the findings of this study, the following recommendations are proposed to help improve the CRM practice of Commercial Bank of Ethiopia, wolkite branch.

General Suggestion

The general Suggestion is for the bank considered in this study, which includes;

- ❖ Attention should be paid in continuous supervision and monitoring the quality of services.
- ❖ It is better for the bank conducting dialogues with their customers in order to identify where the demand of customers lies and offer customized services to them.
- ❖ The bank should Implement CRM practices; which can enable the banks attract and retain customers.
- ❖ By identifying its gap, cost effective training program for employees of the bank is helpful for better competitive advantage
- ❖ It is better for the bank obtains information about their customers from their suggestion boxes. However, it will be better to adapt other mechanisms such as interview, questionnaires or generally conducting research periodically.

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