ASSESING EFECTS OF CUSTOMER RETENTION ON CUSTOMER LOYALTY (IN CASE OF COMMERCIAL BANK OF ETHIOPIA GUBRE BRANCH)

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Endorsement

This research paper has been submitted to wolkite university, college of business and economics, department of marketing management for the examination with my approval as advisor.

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ABSTRACT

The general objective of this study was effects of assessing customer retention on customer loyalty of the bank and theoretical know how about its retention and loyalty as well as forward possible solutions for the inconsistencies which leads to customer dissatisfaction. For this research purpose both primary and secondary data source were used. In the primary data type both open and close ended questions were prepared in the form of questionnaires, whereas the secondary data type were taken from written books internet magazine and other the study also used judgmental sampling techniques it is non probable sampling techniques because of to get adequate information. Furthermore, data will be analyzed and interpreted by using tables and percent. By this study the company must be improving its trust more than its practice now and highly promoting its product for create the good image in the mind of customers. and the company should also increase alternative attraction by differentiated its product in terms of cost of service & quality of technical outcome they tend to be effectively serving customers and give different incentive for the loyal customers.

KEY WORDS: ASSESSING, CUSTOMER RETENTION, AND LOYALTY

CHAPTER ONE

Introduction

1.1. Background of the study

As a result of globalization of businesses and the evolving recognition of the importance of customer retention, customer loyalty, market economies and customer relationship economies, there has been a shift in marketing paradigm that emphasized long term and close relations with customers. Therefore transaction-based marketing that focus only on the selling of the product and only devoting effort to attracting new customers shifted to interactive marketing that focus on the establishment of sustainable and long-term relations with customers which recognize retaining companies' existing customers and attracting new profitable customers. Walsh et al. (2004) viewed that relationship marketing as a strategy to attract, maintain and enhance customer relationships in order to acquiring new customers and retaining existing customers. It is a core strategy used by firms to establish, maintain and enhance profitable relationships with clients, while ensuring benefits for both the firm and its clients. customers who are satisfied with the company are more willing to pay higher prices because they get their sense of value from more than price and in an established relationship, they are also likely to be less responsive to price appeals offered by competitors (Buttle, 2009).Customer retention is important for firms to implement the right marketing strategy in order to succeed (Armstrong &Kotler, 2008).Traditionally firms have focused their marketing strategies around attracting new customers & increasing their market share. However due to globalization most industries markets are becoming more & more competitive forcing significant changes in the way firm to business (Armstrong &Kotler, 2008).

In order to retain customers in industries characterized by high competition, firm need to meet its individual customer's needs &expectation (Gumesson, 2002) argue that, it is the value of the customer's experiences with the product/service, which is important. Therefore, customers' needs are important to be considered when developing product &service. From a cost perspective, retaining an existing customer cost less than creating a new one. Saeideh (2010) argues that commitment does not have a direct impact on loyalty; customer satisfaction has direct positive impact on loyalty, commitment and trust. Customer trust has the strongest direct effect on customer loyalty, whereas satisfaction has a stronger total effect on customer loyalty than that of customer trust. The firm ‘s complaint handling method has direct and positive impacts on customer trust and commitment and then loyalty. According to Forgaset (2010) Donio and Passiante (2006) Ribbink (2004) on their findings show satisfaction has significant positive correlation with loyalty and commitment. In addition to this, Sanchez-Franco and Rondan-Cataluna (2010) in their research state customer satisfaction has very. Customers, who are satisfied, are more likely to become loyal and demonstrate behavioral and/or attitudinal loyalty. Companies that have a loyal customer base enjoy with high business performance, and achieve increase in revenue growth, share of customer, and customer commitment. Satisfied customers keep doing business with the company, and over time customers’ trust begins to grow. As customers’ trust grows over time, customers’ commitment as well as spending increases; because customers prefer to do business with companies with whom they have a proven and satisfactory relationships. They do not want to take risks. Moreover, loyal customers are more likely to make positive word of mouth about the company and try to encourage other customers to do business with the company. Loyal customers become referrers (Buttle, 2009). This study is planned to examine the potential construct in customer retention by examining retention from the perspective of customer satisfaction, competitive advantage, service quality, trust, employee retention & attraction alternative by assessing this practice in Commercial bank of Ethiopia at Gubre branch.

1.2. Statement of the Problem

The service industry in Ethiopia is expanding rapidly in order to win & maintain the market share of industry within a country& global market. Customer retention can be defined as, the activity that selling organization undertakes in order to reduce customer defection (Reichheld, 1996). Customer retention is indispensable for the success of service quality firms & customer satisfaction. Service quality has long been a significant factor in customer retention. The role of service is more critical than ever a trend, which will continue affected customer retention (Brotman, 1994). Customer satisfaction is regarded as the key to customer retention (Kotler, 1995) & it has been taken has fundamental determinant for long-term customer behavior & customer retention (Oliver, 1980). Today in competitive environment customer retention is important to maintain & grow customer relationship in order to sustain profitable growth (Reichheld, 1996).

According to Kumar, Batista, and Maull (2011), one of the important methods to increase the banking industry competitiveness is building customer loyalty. Customer loyalty means that the customers will repurchase the same brand product or services consistently in the future without affected by situation that could cause switching behavior (Oliver, 1999; Rodger, Taplin, & Moore, 2015) Commercial bank of Ethiopia (CBE) is the largest bank & its customers made it so, without them the bank will end to exist. It is important to understand the customer need & test their preference to satisfy them and to make them loyal. There are more than 11.5 million account holders in CBE. From the researcher observation commercial bank of Ethiopia is highly giving emphasis on expanding its customer base by attracting and capturing new customer than retaining the existing customer but they have to choose the strategy that help in retaining the existing customers and enhanced their loyalty to the organization.

Therefore; Commercial bank gives attention to existing & potential customers to increase their satisfaction, which result for retention. According to Mullen (2007) employee retention is crucial for establishing customer loyalty. The challenge of building customer loyalty through staff excellence according to Mullen is in hiring upper-level staffers with sufficient emotional intelligence. Competitive advantage is the most likely way to both retain customer &improve profitability is by adding value via a strategy of differentiation (Baker, 1993). Commercial bank of Ethiopia is a government organization. So, there is a problem in retaining customers in long time. Moreover, there was no similar research undertaken in the study area, therefore, this research will promise to undertaken similar research on the study to fill place gap of the previous research and add new variable that affect the loyalty of customer, non-money aspect factors

1.3. Research Question

In order achieve the research purposes and look in to the issues mentioned in the statement of the problem, the study poses the following main and specific research questions.

1.3.1 main research question

The main research question is what is the assessing effects of customer retention on customer loyalty (in case of commercial bank of Ethiopia gubre branch)?

1.3.1 specific research question

1. What factors affect customers' retention of the company?

2. What alternative the company used for customer retention?

3. How service deliveries affect customer retention?

1.4. Objectives of the Study

1.4.1. General objective

The general objective of this study was to assess effects of customer retention on customer's loyalty (in case of Commercial bank of Ethiopia Gubre branch).

1.4.2. Specific Objectives

- To examine the factors affecting customers' retention of the company
- To identify alternatives that the company uses for customer retention
- To evaluate how service deliveries affect customer retention

1.5. Significance of the study

This study has a significant for service performed companies to improve customer retention strategies Commercial bank of Ethiopia with regarded to customer retention implication. In addition, this study may the companies to build strong relationship with customers. It also identifies some basic strength to improve customer service create profit that generate from customer retention. It will be used as corner stone for researchers to make further analysis on this subject. It gives deep understanding for researchers about customer retention practice.

1.6. Delimitation/Scope of the study

The study will be delimited to customer of commercial bank of Ethiopia even the other customers are available. But the study will limit only on customer retention and loyalty of Commercial bank of Ethiopia at Gubre branch in Gubre town., the scope of the study was limit in descriptive type of research. Because the study was focus on the description of customer loyalty and retention commercial bank in Gubre branch, the study was focus on the assessing of customer retention&

customer loyalty in commercial bank Gubre town. the scope of the study is limited on the area of customer retention and customer loyalty in commercial bank in Gubre town.

1.7. Limitation of the Study

While conducting the study the researcher faced the following limitations:

- Difficulty in distributing questionnaire to the selected respondents in the center
- The distributed questionaries are not fully responded by customer.
- Some of the respondents does not interest to fill open-ended questions on the questionnaire.
- Since the researcher is full time students, it encountered constraints in time and budget.
- By limiting the scope of the study, the researcher overcomes the problem.

1.8. Organization of the study

This study consists of five chapters. The first chapter deals with the introduction part. Here, background of the study, background of the organization, the statement of the problem, research questions, objective of the study, & significance of the study, scope& limitation of the study were be included. Chapter two focus on literature review of important concepts & theories that is relevant to the study. The third chapter deal the methodology used for the research. Chapter four focus on result and discussion and finally chapter five represent Summary, conclusion and recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1. Definition of Customer Retention

Customer retention involves the steps taken by a selling organization in order to reduce customer defection (Reichheld, successful customer retention starts with the first contact an organization has with a customer & continues throughout the entire life time of a relationship. Customer retention is important to most companies because the cost of acquiring a new customer is far greater than the cost of maintaining a relationship with a current customer. Several studies put emphasis on the significance of customer retention in the Banking industry (Fisher, 2001; Marple& Zimmerman, 1999; Reichheld& Kenny, 1990).

The argument for customer retention is relatively straightforward. It is more economical to keep customers than to acquire new ones. The costs of acquiring customers to "replace" those who have been lost are high. This is because the expense of acquiring customers incurred only in the beginning stages of the commercial relationship (Reichheld& Kenny, 1990). In addition, longer-term customers buy more & if satisfied may generate positive word-of- mouth promotion for the company. Additionally, long-term customers also take less of the company's time & are less sensitive to price changes (Healy, 1999). These findings highlight the opportunity for management to acquire referral business, as it is often of superior quality & inexpensive to obtain. Thus, it believed that reducing customer defections by as little as five percent can double the profits (Healy, 1999) customer retention is concerned with repeated patronage, which is closely related to repeat-purchasing behavior & loyalty (Jacoby & Chestnut, 1978). Behavior& loyalty contains attitudinal aspects whereas customer loyalty contains both attitudinal & behavioral aspects. Customer retention only focuses on developing marketing strategies that cause repeat-purchasing behavior & ignores factors that influence such behavior Hennig-Thurau& Klee, 1997). According to Oliver (Oliver, 1997; 392) "deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, despite situational influences & marketing efforts having the potential to cause switching behavior"

2.2 Factors that affect Customer Retention

The increasing competitiveness in the financial service industry is forcing organizations to place greater emphasis on building & establishing valuable customer relationship (Oracle Corporation, 2005). According to Anderson (1993), considering the situation from wider perspective maintained that with the expanding global competition, the emergence of new technology & improved communication has increased customers expectation for fuller satisfaction on their investment. A company's ability to attract & retain new customers is not only related to its product or service, but also strongly related to the way it services existing customers & the reputation it creates within & across the market place. There are different key factors affecting customer retention. Of the numerous factors,

2.2.1 Customer satisfaction

Customer satisfaction regarded as the key to customer retention (Kotler, 1995) and was been taken as fundamental determinant of long-term customer behavior & customer retention (Oliver, 1980; Yi, 1990). Marketers take customer satisfaction as a significant determinant of positive word-of-mouth consumer loyalty & repeat purchase (Anderson & Sullivan, 1993).

Satisfaction can be viewed as the key to retaining existing customers & building long-term relationship with customers; "Investing in customer satisfaction is like taking out an insurance policy. If some of the temporary, hardship befalls the firm “the customers will be more likely to remain loyal" (Anderson & Sullivan 1993; 160). Among the many articles published, satisfaction has been taken as the required promise for the retention of customers; thus, satisfaction is placed at the forefront of relational marketing approaches (Rust &Zahorik, 1993). Fornell (1992) stated that a fundamental aim of firms is to seek to manage & increase customer satisfaction in order to increase customer retention rates. Cronin & Taylor (1992) & Patterson et al., (1997) found that customer satisfaction has a significant impact on repurchase intentions in a range of services. Dewy et al, (1988) concluded that client satisfaction is unquestionably the key determinant in retaining current clients in professional services.

2.2.2 Attraction Alternative

The second factor is the attraction of alternative one of the argument of Richards (1996) is that the more alternatives attract the more dissatisfied customers will converse, meaning switch service provider. If the alternatives available are not considered as being good, conversation may then be dallied in spite of dissatisfaction. On the other hand, if the alternative attract customer may converse even though they are highly satisfied. Sharma & Patterson (1999) state that when customers are not available substitute or computing alternatives, they may continue in service relationship even though it is less satisfactory one. Patterson & smith (2000) conclude that when customers are aware of and perceive other supplier as offering a differentiated service in terms of price service & quality of technical outcome, they tend to be less committed to one suppler.

2.2.3 Service quality

Several studies have shown that, there are direct positive link between perceived service quality & customer purchasing intention(Ranaweera&Neely, 2003,Reichheld, 1996;Zeithaml&Bitner, 1996).When defining service quality, Ranaweera&Neely(2003).Following definition of Zeithaml (1988) the service quality is a consumers appraisal of services overall excellence of superiority the author further conclude that service customers may place greater importance on the quality of service rather than the cost of acquiring service.

A company must consider five main service characteristics when designing marketing programs: in tangibility, inseparability, variability, perishability. (Kotler, 1999, pp-647).

A. Intangibility

Service intangibility means that senders cannot be reading displayed, so they cannot be seen, tasted, felt, and heard, or sine lied before they are bought. Because, service offerings lack tangible characteristics that the buyer can evaluate before purchase, uncertainty is increased.

To reduce uncertainty, buyers look for “signals” of service quality. They draw conclusions about quality from the place, people, equipment, communication material and price that key can see, (Kennath E. clowDevid L. Kurta 2003)

Therefore, the service provider’s task is to make the service tangible in one or more ways. Whereas product marketers try to add intangible (e.g., fast delivery, extended warranty, after sales service) to their tangible offers. Service marketers try to add tangible cues suggesting high quality to their intangible offers. Consider about that wants to conveyance idea that its service is quick and efficient. It must make this positioning strategy tangible in every aspect of customer contact. The bank’s physical setting must suggest quick and efficient service; its exterior and interior should have clean lines; internal traffic flow should be planned carefully; and waiting lines should see short. The bank’s staff should be busy and properly dressed. The equipment computers, copying machines desks- should look modern. (Kotler,1999)

The banks advertisements and other communications should suggest efficiency, with clean and simple designs and carefully chosen words and photos that communicate the banks positioning.

B. Inseparability

Service inseparability means that service cannot be separated from their providers, whether the providers are people or machines. If a person provides the service, then the person is a part of the service. The other or feature of the inseparability of services is that other customers are also present or involved. The implication for management would be to ensure at all times that customers involved in the service do not interfere with each other's satisfaction.

C. Variability

As services in valve people in production and consumption there is considerable potential for variability**.** Service variability means that the quality of services depends on who provides them, as well as when, where and how they are provided. As such, service quality is different to control. Even the quality a single employee service varies according to his or her energy and frame of mind at the time of each customer contact. For example, two services offered by the same solicitor may not be has identical in performance.

Service firms can take several steps towards quality control. First, they can select and train their personal carefully.

Second, they can motivate staff by providing employee incentives that emphasize quality, such as, employee to- the mouth- a words or bonuses based on customer. Feedback third, they can make service employees more visible and accountable to consumers car dealership can let customers talk directly with the machines working on their cars. A firm can cheek customer satisfaction regularly through suggestion and complaint system. Customer surveys and comparison-shopping. When poor is found. It is corrected.

Fourth, service firm can increase the consistency of employee performance by substituting equipment for staff (example, vending machines, automatics cash dispenser), and through heavy enforcement of standardized as well a detailed job procedure (Kotler, 1999).

D. Perishability

Service perishability means that service cannot be stored for later sales or use. The perishability of services is not a problem when demand is steady. However, when demand fluctuates, service firms often have difficult problems. Service firms can use several strategies for producing a better match between demand and supply. On the demand side, differential pricing- that is charging different prices at different times- will shift some demand from peak periods to off, peak periods. On the supply side, firms can hire part time employees to service peak demand.

Peak time demand can be handled more efficiently by rescheduling work so that employees do only essential tasks during peak periods. (Kennth E. clow and David l. Kurzt, 2003)

2.2.4 Employee retention

According to Mullen (2007), staff retention is crucial for establishing customer loyalty. The challenge of building customer loyalty through staff excellence, according to Mullen, is in hiring upper-level staffers with sufficient emotional intelligence. The relationship between customer retention & employee loyalty works in both directions. Satisfied employees mean satisfied customers, & according to Reichheld& Kenny (1990), satisfied customers can in turn mean satisfied employees. It is easier for employees to deal with customers who are pleased than it is with those who are dissatisfied. The ability to retain employees for longer periods confers multiple benefits. Hiring costs, value of training, &development investments is proportional to employee longevity. In addition, long-term employees are more likely to form bonds with customers, which can lead to additional customer retention.

2.2.5. Competitive advantage

Competitive advantage the most likely way to both retain customers & improve profitability is by adding value via a strategy of differentiation (Baker, 1993) while increasing margins through higher prices. Jones (2002; 123) state that a business has competitive advantage if its profits are higher than that of the industry standard; the business has sustainable competitive advantage when it maintains this situation for a period. Andreessen& (2000; 76) define sustainable competitive advantage as achieving success over the long term by relying on the unique assets & skills owned the business.

2.2.6. Trust

The authors define trust, as the belief that the service provider can be reliance on to behave in such a way that the long-term interests that of the buyer will be served (Shamra&Pattersen, 2000). It was appliance reliance on confidence in the process or person. Hens, the grater is the level trust, the stronger is the relay Population

CHAPTER THREE

Research Methodology

3.1 Research Design

This research would be descriptive research design. This research design selected because it provides an opportunity of collecting data from manager, employees& customer of the bank and they gives an adequate information about the banks.

3.2 Source of data

In order to achieve the objectives, the researcher was used both primary and secondary data.

Primary data

The primary data collected through questionnaire from the customers of the CBE. The questionnaires were structured with closed and open-ended type and interview to manager.

Secondary data

The secondary data accessed from the company's work processes, policies, procedures, forms and other documents and from different kinds of literatures in the area and from books Internet magazine and from newspapers

The questionnaires distributed to respondents while they are served at the branch.

3.3 Population

This study population was 10652customer and conduct at commercial bank of Ethiopia Gubre Branch. So, the targeted populations for this study were customer of the bank and front-line employees of the bank

3.4 Sample Size

The study population was 10652 customers and 20 employees in commercial bank of Ethiopia in Gubre branch. From this target population the researcher was collect data from 100 out of 10652. The number of samples was need for the study; the researcher was determine based on the general formula projected by *Yamane (1967)*.

Where: n=Total sample size

N=Total population

e=Measure of error

e= the error of 10% points

By using Yamane's formula of sample size with an error term 10% and confidence coefficient of 90% the sample is calculated as follows.

Thus, at 10% error and 90% of confidence coefficient;

$$n = N/1+N\ (e)^2$$

$$n = 10652/1+10652(0.1)^2$$

$$n = 10652/107.52 = 100 \text{ from customers}$$

Therefore, the sample size is 100 but, the researcher can add 20 front line employees to get adequate information about the customer retention and loyalty due to this reason the total sample is 120.

3.5 Sample Techniques

The method of sampling techniques use in this study was non- probabilistic sampling techniques. Non-probability sampling is a subjective procedure in which the probability of selection for each population unit is known beforehand. From non-probability, sampling technique the researcher was use convenience-sampling technique to collect the data. Because convenience-sampling technique involves including in the sample whoever happens to be available at time.

3.6 Date Collection Instrument

The data was collected using questionnaires from employees, customers & interview for manager of Commercial bank of Ethiopia.

3.7 Data Analysis

Data was analyzed using descriptive statistics, which encompasses calculating of various percentages& presenting by table.

3.8 Ethical Considerations

At the beginning, a clear and accurate information about the research was given to the participants of the study and their voluntary participation was respected. The participants' identity was protected and all information obtained from the respondents were confidential and no one was having access to the identity of the respondents. Moreover, no information was be modified or changed. Information was presented as collected and all the secondary

CHAPTER FOUR

Data Analysis and Interpretation

This research conducted on the title of customer retention and loyalty of gubre commercial bank on this chapter deals about demographic information of respondents, data analysis from customers, employee responses and manager interview response.

4.1. Analysis of data collected from employees and customer of commercial bank of Ethiopia

Table 4.1 Questioner distributed, returned and not returned.

	Customer		Employees	
	Frequency	Percent (%)	Frequency	Percent (%)
Selected respondent	1 0 0	1 0 0	20	100
Distributed questioner	1 0 0	1 0 0	2 0	100
Returned questioner	7 3	7 3	20	100
Not returned questioner	2 7	2 7	-	-

Source own survey (2023)

As indicated on the above table out of from the total 100 questioners distributed to customer of the company73 (73%) questioners were returned to the researchers and 27(27%) are not returned to the researchers. On the other hand, out of 20 questioners distributed to employees of the company 20(100%) were returned to the researchers.

Part,1 Background of respondents

This section indicates the total questionnaires distributed to customers and employees, the questionnaires returned and not returned to the researchers. In addition, the background of the respondents with regard to gender, age and work experience of respondents in organization as indicated as follows.

Table 4.2 sex of Respondent

Respondents	Customer		Employee		Total	
	Frequency	Percent (%)	Frequency	Percent (%)	Frequency	Percent (%)
Male	43	58.9	10	50%	53	57
Female	30	41.09	10	50%	40	43
Total	73	100%	20	100%	93	100

Source own survey (2023)

As shown in the above table out of respondents 43(58.9%) customers are male and30(41.09%) are female. On the other hand, out of 20 employees' respondents 10(50%) were female and 10(50%) are male. In general, out of total respondent 53(57%) were male and 40(43%) of respondent were female. The result shows that the majority of the respondent's male from customer and half on employees.

Table4.3 Age of Respondent

Age	*Customer*		*Employe*		*Total*	
	Frequency	*Percent*	*Frequency*	*Percent*	*Frequency*	*Percent*
18-21	*3*	*4.1*	*5*	*25*	*8*	*8.6*
22-32	*40*	*54.79*	*5*	*25*	*45*	*48.38*
33-44	*20*	*27.39*	*5*	*25*	*25*	*26.88*
45-55	*10*	*13.69*	*5*	*25*	*15*	*16.21*
Total	*73*	*100*	*20*	*100*	*93*	*100*

Source own survey (2023)

As indicated the above table out of total respondents between 22-32 ages of respondents40 (54.79%), between 33-44 ages of respondents 20 (27.39%) and the remaining between 45-55 ages of respondents 10(13.69%), this indicates that the majority of respondents were 22-32(54.79%).

Table 4.4 Employees Work Experience

Work experience	*Male*		*female*	
	Frequency	*Percent (%)*	*frequency*	*Percent (%)*
Less than 1 year				
1-5 year	*5*	*50*	*5*	*50*
Above 5 years	*5*	*50*	*5*	*50*
Total	*10*	*100*	*10*	*100*

Source: own survey (2023)

As indicated the above table out of the total respondent 1–5-year respondent (employes) has work experience 5(50%) and above 5years are 5(50%) male and out of the total respondent (employee)1-5 year are 5(50%) and above 5year are 5(50%) females but, less than 1 year have not employees.

4.2. Data Analysis for customer's response

This section presents the result of questioners obtained from of customer of commercial bank.

Strongly Agree=5, Agree= 4, Neutral=3, Disagree=2, Strongly Disagree=1

Table 4.6: Customer Satisfaction (N.B) the researcher used an average method to analyze the satisfaction and dissatisfaction of the company customers. The average is 3 if the response is less than the average the customers are not satisfied with the companies' strategies. If the average is greater than the average the company strategies are satisfy the customers.

Table 4.5 Customer satisfaction

Item	*Scale*	*5*	*4*	*3*	*2*	*1*	*Total*
1. I satisfied with convenient branch location &office layout	*frequency*	*20*	*33*	*20*	-	-	*73*
	percent	*27.39*	*45.2*	*27.39*			*100*
2.Satified with the hours of customer served	*frequency*		*33*	*20*	*20*	-	*73*
	percent		*45.2*	*27.39*	*27.39*		*100*
3.loyal for long with this company	*frequency*	-	*5*	*18*	*40*	*10*	*73*
	percent		*6.84*	*24.65*	*54.79*	*13.69*	*100*
4.overall level of satisfaction is very high	*frequency*	-		*40*	*20*	*13*	*73*
	percent			*54.79*	*27.39*	*17.8*	*100*

Source: own survey (2023)

As stated on the above table the item *I satisfied with convenient branch location &office layout* 27.39% strongly agreed, 45.2% agreed and 27.39% neutral of respondents were agreed. This indicate that the majority of bank customers were agreed. From the total respondents 45.2% agreed 27.39% neutral 27.39% disagreed. This indicator that the majority of bank customer was agreed on the bank does, *satisfied with the hours of customer served*. As presented on table the item or the bank loyal *for long with this company* 6.84% agreed, 24.65% neutral, 54.79% disagreed and 13.69% strongly disagreed. This indicates that the majority of the bank customers were disagreed on the bank *loyal for long with this company*. The last item on the table *overall level of satisfaction is very high the majority of the bank customer were neutral.*

Table 4.6 Trust

Item	*scale*	*5*	*4*	*3*	*2*	*1*	*Total*
The company has staffs of honest and trustworthy	*Frequency*	_	_	*20*	*43*	*10*	*73*
	percent			*27.39*	*58.9*	*13.69*	*100*
I trust this company more than others	*Frequency*			*20*	*40*	*13*	*73*
	percent			*27.39*	*54.79*	*17.8*	*100*

Source: own survey (2023)

From the above table we can observe that,27.39% neutral,58.9% disagreed and 13.69% strongly disagreed this means majority of customers were not satisfied with the company has staffs of honest and trustworthy, and they are not trust the company. Therefore, researchers conclude that the majority of respondents are disagreed with the company have staffs of honest and trustworthy.

Table 4:7 Alternative attraction

Item	*Scale*	*5*	*4*	*3*	*2*	*1*	*Total*
I am always looking for an alternative	*Frequency*	*40*	*15*	*10*	*4*	*4*	*73*
	Percent	*54.79*	*20.54*	*13.69*	*5.47*	*5.47*	*100*
I do not care about other company	*Frequency*			*50*	*16*	*7*	*73*
	Percent			*68.49*	*21.91*	*9.58*	*100*

Source: own survey (2023)

As it shown in the above table of respondents' 54.79% strongly agreed ,20.54% agreed, 13.69% neutral, 5.47% disagreed and 5.47% strongly disagreed customers are looking an alternative attraction and 68.49% neutral, 21.91%disagreed and 9.58% strongly disagreed which have care about other companies. Then due to this reason the researcher concluded that the majority of respondent were attract by an alternative attraction.

Table4.8 Competitive advantage

Item	*Scale*	*5*	*4*	*3*	*2*	*1*	*Total*
This company operates of wide branch across the country	*Frequency*	*43*	*30*				*73*
	Percent	*58.9*	*41.09*				*100*
This company has resourceful and experienced employee	*frequency*			*23*	*35*	*17*	*73*
	Percent			*31.5*	*45.94*	*23.*	*100*

Source: own survey (2023)

As it has indicated in the above table of 58.9% strongly agreed and 41.09% agreed this means all customers are satisfied with company operates of wide branch across the country. Because response is greater than the average. In addition, 31.5% neutral, 45.94% disagreed and 23% strongly disagreed from this the customers are not satisfied with the company's resource fullness and experienced employees.

Table 4.9 Service Quality

Factors	*5*	*4*	*3*	*2*	*1*	*Total*
The company has adequate facilities and equipment			*23*	*40*	*10*	*73*
The company uses fast order taking process				*58*	*15*	*73*

Source: own survey (2023)

As observe from the above table customers are not satisfied with the availability of the companies' adequate facilities and equipment. In addition, they are not satisfied with the company order taking process. That is why the process is time consuming and it is not fast. This situation makes the customers dissatisfied.

4.4. Data Analysis for Employees of commercial bank of Ethiopia

This part shows the response of questioners obtained from employees of the commercial bank at gubre town.

Table4.10 Employees' response of questioners that related to study

Item	Yes		No		Total	
	Frequency	Percent (%)	Frequency	Percent (%)	Frequency	Percent (%)
1.Are you willing to give service during off time	-	-	20	100	20	100
2.Have you ever had training on customer handling	20	100	_	_	20	100

Source: own survey (2023)

As we observed from the employee's response all of them are not willing to give service during off time. As we seen in the above table, all of respondent 20(100%) said that the companies make training to employee on customer handling.

Table 4.11 Types of benefit the company offer to its employee

Items	Number of respondents	Percentage (%)
Bones	5	25
Reward	7	35
Promotion	8	40
Total	20	100%

Source own survey (2023)

As the above table shows that the company offers number of benefits to its employees from this benefit are promotion is the first 8(40%)) and the remaining are bones 5(25%) and reward is7(35%). according to the table promotion is the major benefit that the company provide to its employee.

Table 4.12 Employee encouragement

Item	Number of respondents	Percentage (%)
Through training	14	70
Provide scholarship	-	-
Offering free transportation	-	-
Other	6	30
Total	20	100

Source own survey (2023)

As we observed from the above table the company encourages its employees through training14(70%) and other encouragement 6(30%).

4.4. Data Analysis for Manager

Commercial bank of Ethiopia is one of the first government banks which found in SNNPR of region at Gubre town.

As answered interview question that related to customer retention practice the manager respond that our company implemented the customer retention strategy such as; customer satisfaction, service quality, competitive advantage, alternative attraction and trust. However, the customers would not be full confidential in the trust in many companies. On other hand, since this company is established as the government company in this country, they have competitive advantage by large in capital and asset. Moreover, they have not a high turnover employee rate. Because the company uses different strategy to retain employees, such as; increasing salary, allowance, empowerment and reward.

For the next question**, what are the plans of the company to excel in the area of customer retention?** The company used effectively customer retention strategy by improving the service quality and highly advertising in order to creating the good image in the mind of customers about companies trusted. In addition to this, the company tries to increasing customer loyalty by motivated employee to personal contact with customer.

CHAPTER FIVE

5.1 Summary Finding Conclusion and Recommendation

5.1. 1 Summary finding

- out of from the total 100 questioners distributed to customer of the company73 (73%) questioners were returned to the researchers and 27(27%) are not returned to the researchers. On the other hand, out of 20 questioners distributed to employees of the company 20(100%) were returned to the researchers.
- out of respondents 43(58.9%) customers are male and30(41.09%) are female. On the other hand, out of 20 employees' respondents 10(50%) were female and 10(50%) are male. In general, out of total respondent 53(57%) were male and 40(43%) of respondent were female.
- out of respondents 43(58.9%) customers are male and30(41.09%) are female. On the other hand, out of 20 employees' respondents 10(50%) were female and 10(50%) are male. In general, out of total respondent 53(57%) were male and 40(43%) of respondent were female. The result shows that the majority of the respondent's male from customer and half on employees.
- Out of the respondents *I satisfied with convenient branch location &office layout* 27.39% strongly agreed, 45.2% agreed and 27.39% neutral. This indicate that the majority of bank customers were agreed. From the total respondents 45.2% agreed 27.39% neutral 27.39% disagreed. This indicator that the majority of bank customer was agreed on the bank does, *satisfied with the hours of customer served*. As presented on table the item or the bank loyal *for long with this company* 6.84% agreed, 24.65% neutral, 54.79% disagreed and 13.69% strongly disagreed. This indicates that the majority of the bank customers were disagreed on the bank *loyal for long with this company*. The last item on the table *overall level of satisfaction is very high the majority of the bank customer were neutral.*
- Out of the respondents that,27.39% neutral,58.9% disagreed and 13.69% strongly disagreed this means majority of customers were not satisfied with the company has staffs of honest and trustworthy, and they are not trust the company. Therefore, researchers conclude that the majority of respondents are disagreed with the company have staffs of honest and trustworthy.
- Out of respondents' 54.79% strongly agreed ,20.54% agreed, 13.69% neutral, 5.47% disagreed and 5.47% strongly disagreed customers are looking an alternative attraction and 68.49% neutral, 21.91%disagreed and 9.58% strongly disagreed which have care

about other companies. Then due to this reason the researcher concluded that the majority of respondent were attract by an alternative attraction.

- from the employee's response all of them are not willing to give service during off time. As we seen in the above table, all of respondent 20(100%) said that the companies make training to employee on customer handling.
- The company offers number of benefits to its employees from this benefit are promotion is the first 8(40%)) and the remaining are bones 5(25%) and reward is7(35%). according to the table promotion is the major benefit that the company provide to its employee.
- From the interview question that related to customer retention practice the manager respond that our company implemented the customer retention strategy such as; customer satisfaction, service quality, competitive advantage, alternative attraction and trust
- The company used effectively customer retention strategy by improving the service quality and highly advertising in order to creating the good image in the mind of customers about companies trusted. In addition to this, the company tries to increasing customer loyalty by motivated employee to personal contact with customer.

5.1.2. Conclusion

The study was conducted on commercial bank of Ethiopia in gubre branch. As it analyzed and discussion part 120 sample were distributed through questionnaire. Out of these 93 questionnaires were respond to the researcher from this 73 from customer and 20 from employee. So, the conclusion was derived from the finding gained from survey of sample respondents. Based on the finding the researcher concludes the following points.

From the customers satisfaction perspective, the customers have satisfied with the company's convenient location and office layout and satisfied with the hour of customer service but, which is not loyal long with this company as well as overall level of satisfaction is low.

All customers were not satisfied with the company has staffs of honest and trustworthy, and they are not trusting the company. Therefore, the researcher conclude that the majority of the respondents are disagreed with the company have staffs of honest and trustworthy. The customers have looked an alternative attraction and which have care about other companies because the customers have not satisfied with the companies' alternative attraction.

In terms of competitive advantage and service quality the customers have satisfied with the companies operates of wide branch across the country because response is greater than above average (3). On the other hand, the customers are not satisfied with the companies' resource fullness and experienced employees as well as not satisfied with the availability of the companies' adequate facilities and equipment. In addition, they are not satisfied the company order taking process. That is why the process is time consuming and it is not fast. This situation makes the customers dissatisfied.

From the employee's perspective, all of employees 20(100) have not willing to give service during off time. But all respondent said that the companies' make training to employee on customer handling. The company offers numbers of benefits to its employee from these benefits are promotion is the first 8(40%) and the remaining are bones 5(25%) and reward 7(35%). According to the employee's response promotion is the major benefit that the company provide to its employee. From the employee's response the company encourage their employees through training 14(70%) and other encouragement 6(30%). But which is not provide scholarship and offering free transportation.

The researcher concludes that, the customers of this company were huge in numbers, and they use their products or services in widely. So those customers are not satisfied with the company overall level of satisfaction. Most respondents were negative towards about company service quality, adequate facilities and resource fullness of the company, company employees order taking process had not fast and very basic. The company was not providing quality service to customers and encouraging employee contribution of ideas for customer services and retention. As the result implies, all employees were not enjoying the benefits and facilities provided by the company and they are not willing to serve their clients during their off time. However, the company was not delivering highly customized and newly designed service to customers and the company does not gather data on customer retention and measure customer retention rate.

5.1.3. Recommendation

The following recommendations are forwards to alleviate or at least to minimize the problem encountered in the customer retention practice in Commercial bank of Ethiopia.

- ✓ The company must be improving its trust more than its practice now and highly promoting its product for create the good image in the mind of customers.
- ✓ The company should have hired employees those who are neat and professional appearance. Because hiring upper-level staffers with sufficient emotional intelligence were very necessary in order to maintaining customers Mullen (2007).
- ✓ The company should also increase alternative attraction by differentiated its product in

terms of cost of service & quality of technical outcome they tend to be effectively serving customers and give different incentive for the loyal customers.

- ✓ The company should be giving more attention on the customer retention practice because retaining an existing customer cost less than creating a new one. The cost of creating a new customer has estimated to be five times more than that of retaining an existing customer (Reichheld,)

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APPENDIX

APPENDIX A

Questionnaire prepared for commercial bank customer on the title of ''assessments of Customer Retention and loyalty ''.

Wolkite University

College of Business and economics

Department of Marketing Management

BA Program

Dear participants

The BA degree student wolkite University the researcher has conducting research on "assessments of Customer Retention and loyalty at Commercial bank". The researcher would like to invite you to participate in its research study. Therefore, your valuable support and response to the questions raised are paramount importance to the success of this study. Hence, we respectfully request your kind cooperation in answering the questions clearly, honestly and objectively. Thank you for your cooperation.

Part I: Personal Information: You do not need to write your name!

Answer by placing a tick mark (✓) in one of the boxes corresponding to each item.

1. Sex: Male =☐ Female = ☐

2. Age: < 21 = ☐ 22-32 =☐ 33-44 =☐ 45-55 =☐ > 56 = ☐

Part II: Questions Related to the customer retention strategy: Please fill out the following information accurately and clearly. Please indicate on a five-point scale the extent you “strongly disagree” to “strongly agree.” Tick (√) appropriately.

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

Factors	5	4	3	2	1
Customer Satisfaction					
1. satisfied with the convenient company locations					
2. Satisfied with the hours customers served .					
3. Loyal for long with this company					
4. overall level of satisfaction is very high					
Trust					
5. The company has an honest and trustworthy staffs					
6. I trust this company more than others					
Alternative attraction					
11. Always on looking for alternatives					
12. I do not care about other company					
Competitive advantage					
14. This company operates of wide branch across the country					
15. This company has resourceful and experienced employees.					
Service quality					
16. The company has adequate facilitates and equipment.					
17. The company uses fast order taking process					

APPENDIX B

Questionnaire prepared for commercial bank of Ethiopia of Front-Line Employees on the title of ''assessments of Customer Retention and loyalty at commercial bank of Ethiopia Gubre branch''.

Wolkite University

College of Business and economics

Department of Marketing Management

BA Program

Dear participants,

The BA degree student at wolkite University has conducting research on "assessments of Customer Retention and loyalty at commercial bank gubre town". The researcher would like to invite you to participate in his research study. Therefore, your valuable support and response to the questions raised are paramount importance to the success of this study. Hence, we respectfully request your kind cooperation in answering the questions clearly, honestly and objectively. Thank you for your cooperation.

Part I: Personal Information

You do not need to write your name!

Answer by placing a tick mark (✓) in one of the boxes corresponding to each item.

1. Sex: Male ☐ Female ☐
2. Please indicate your age: 18- 21 ☐ 22-32 ☐ 33-44 ☐ 45-55 ☐ > 56 ☐
3. Work experience: less than 1 year ☐ 1-5 year ☐ above 5 years ☐

Part II: Questions Related to customer retention strategy: Please fill out the following information accurately and clearly. Tick mark (✓) in either yes or no.

Questionnaire	**Yes**	**No**
1. Are you willing to give service during off time		
2. Have you ever had training on customer service handling i		

Thank you!

1. What type of benefit does your company offer to its customer?

   Bonus reward promotion

2. How does your company encourages employees?

Through training offering free transportation

Provide scholarship other encouragement

Other related questionnaires

- how to satisfy your customers
- how do you know the customers satisfaction
- what types of benefits does you offers
- are you happy by this works

APPENDIX C

Interview Questions for Commercial bank manager of Gubre branch on the title of ''assessments of Customer Retention and loyalty ''.

wolkite University

College of Business and economics

Department of Marketing Management

BA Program

Dear Mangers,

The BA degree student at wolkite University has conducting research on "assessments of Customer Retention and loyalty ". The researcher would like to invite you to participate in our research study. Therefore, your valuable support and response to the questions raised are paramount importance to the success of this study. Hence, we respectfully request your kind cooperation in answering the questions clearly, honestly and objectively. Thank you for your cooperation.

Part I: Personal Information

You do not need to write your name!

Answer by placing a tick mark in (✓) one of the boxes corresponding to each item.

1. Sex: Male ☐ Female ☐

2. Level of education: 12 Complete ☐ Certificate ☐ Diploma ☐ Bachelor ☐ Degree ☐ Master's Degree ☐ & above ☐

3. Please indicate your age: less than 21 ☐ 22-32 ☐ 33-44 ☐ 45-55 ☐ above 56 ☐

4. Work experience: Less than 1 years ☐ 1- 5 years ☐ 6 _ 10 years ☐ More than 10 years ☐

Part II: Interview Questions Related to customer retention strategy

1. Does your company implemented any strategies or programs on retention?
2. Does your company have a high level of employee turnover?
3. What are strategies used to employee retention?
4. What are the plans of the company to excel in the area of customer retention?

Thank you!