

**THE PROBLEM OF CUSTOMER RELATIONSHIP MANAGEMENT AND ITS
IMPACT ON CUSTOMER LOYALTY ON BIRHAN INTERNATIONAL BANK
(IN CASE OF WOLKITE BRANCH)**



**A RESEARCH PAPER SUBMITTED TO DEPARTMENT OF MANAGEMENT
COLLEGE OF BUSINESS AND ECONOMICS
WOLKITE UNIVERSITY**

**FOR THE PARTIAL FULFILMENT OF THE REQUIREMENT OF BACHELOR OF ART IN
MANAGEMENT**

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**WOLKITE, ETHIOPIA
DECEMBER, 2020**

DECLARATION

I hereby declare that the problem of customer relationship management and its impact on customer loyalty Birhan bank in wolkite branch is my own work, prepared under guidance of TAFESSE.A (MBA).All source of material used for the research have been fully acknowledged.

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Signature.....

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Signature.....

Date.....

Acknowledgment

First of all thanks to almighty God the source of every knowledge and wisdom: next, I would like to express my deep gratitude to my advisor Tafesse A. for his genuine advice, critical comment and closer supervision. I am also thanks to all my friends that played a significant role by providing personal computer and any other facilities for preparing the proposal work. Finally yet importantly, I am highly grateful to all persons who have cooperated me in the development and successful completion of this paper.

ABSTRACT

The study was conducted on the problem of customer relationship management and its impact on customer loyalty in case of Birhan international bank Wolkite branch. The major objective of this study is to assess the problem of customer relationship management and its impact on customer loyalty and to identify the importance of customer relationship management in Birhan international bank Wolkite branch to keep (retain) its customers loyal. The respondents to the study were the employees of Birhan international bank Wolkite branch. All the necessary data for the accomplishment of the study was collected from published documents and from the internet. The study used descriptive type of research design. Finally the better, supposed conclusion and suggestion was being given on the problem identified.

Key Words: Customer relationship management, Customer loyalty, Birhan international bank

Acronyms

ATM	Automatic tailor machine
CRM	Customer relationship Management

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CHAPTER ONE

1. INTRODUCTION

1.1 BACKGROUND OF STUDY

Previously marketing efforts had been directed majorly at gaining new customers (Sivadas and Baker-prewitt, 2000). However, with increased competition and low customer switching costs, building customer loyalty is now a critical goal for organizations (Johnson et al, 2004).

The key to build lasting customer relationships is to create superior customer value and satisfaction. In their view, Kotler and Armstrong (2008:13) satisfied customers are more likely to be loyal customer and to give the company a larger share of their business. Targeting, acquiring, and retaining the right customer is at core of many successful business. Once a firm has won customer it sees as desirable, the challenge shift to building relationship and turning them in to loyal customers who was generate growing Revenue for the firm in the future.

Customer relationship management (CRM) concerned with customer data management, that is managing detail information about individual customers and carefully managing customer touch points in order to maximize customer loyalty by delivering superior customer value and satisfaction (Antony Lawrence 2010,2).

Customer relation management is one of several antecedent of loyalty. Because CRM is the “seed” out of which loyalty develops, enhancing customer relationship management is an important means for achieving loyalty. Failure to meet customer needs and expectation and failure in maintaining effective customer relationship management technique is assumed to result in dissatisfaction (Zeithaml and Bitner, 2003), which is considered as the major causes of customers exit from organizations (Buttle and Burton, 2001). Birhan international bank has been encountering a problem of customer dissatisfactions and customer exit from the organization. This is due to poor customer relationship management technique. Therefore, corrective action must be taken in order to eliminate this problem.

In fact, maintaining an effective customer relationship management is a big issue in banking service. There is no undertaken on the area of the impact of customer relationship management on customer loyalty. This is the reason that initiate the researcher to conduct a research on the topic “The problem of customer relationship management and its impact on customer loyalty in Birhan international bank, Wolkite branch.”

1.2. Statement of the Problem

Service business is a commercial enterprise that provides work performed in an expert manner by an individuals or team for the benefit of its customers. The typical service business provides in tangible products, such as banking, accounting, consulting and so on.

Birhan international bank is one of the most successful financial institution in Ethiopia and the one which provides service of that needs to attract many customer of the organization. Managing customer relationship is a key for service providers who want to earn their customer's loyalty and available themselves from its benefits such relationship management is facilitated through the implementation of CRM system.

However, there are some challenges which hinder relationship management in the bank such as how the bank measure satisfaction of its customers, how to handle customer complaints in order to retain loyal customer in the bank and to let loyal customers to the bank.

This proposal can provide scientific based contribution in more evidence based manner and ordinary understanding about customer relationship management.

This study answers the following basic questions:

1. What measure does the bank use to make customer loyal?
2. How the banks handle its customer complaints?
3. What are the strength and weakness of the bank regarding customer relationship management?

1.3. Objective of the Study

1.3.1 General Objective

The general objective of the study is to assess the practice of customer relationship management on Birhan international bank in Wolkite branch and its impact on customer loyalty.

1.3.2 Specific objectives

- To identify the different measure that the bank use to make customer loyal.
- To assess how the company handle its customer complaints to measure the satisfaction of its customer.
- To investigate the strength and weakness of the bank regarding its customer relationship management practice.

1.4 Significance of the Study

For researcher, help to gain experiences to prepare another research.

For organization, the outcome that drawn from this study may help the bank in order to identify the main customer oriented areas or touch point that should be carefully addressed to improve with customer needs and also to identify the strength and weakness of the bank in dealing with its customers. Then to take corrective action on the system that the study can find as a barrier.

And for future researcher, the study also used as a reference for other researcher who is interested in this subject matter and it also help the student in partial fulfillment of the requirement of bachelor art degree.

1.5 Scope of the Study

Even though, Birhan international bank have many branches, due to some constraints like time and budget these study was limited itself on Birhan international bank in Wolkite branch on customer relationship management practice and its impact on customer loyalty. In addition to this the study consume more time period. Nevertheless, it was completed within eight month start from November. There is not focus on all customers but it focuses on daily average customer of the bank. The conceptual scope of the study is customer relationship management.

1.6 Limitation of the study

It is obvious that every research study may have drawbacks in one way or other. In the same way, there are some factors that hinder the effectiveness of this research.

These include: Due to expansion of covid 19 make difficult to distribute questionnaires, Lack of efficient and sufficient data in desired way and inadequate computer facility.

1.7 Organization of the paper

This research is deal with background of the study, statement of the problem, objectives of the study, significance of the study, scope of the study, Limitation of the study and organization the proposal.

The second chapter focuses on review of related literature about the study. The third chapter focuses methodology of the study, focus about conclusion and recommendations of the whole finding of this research paper.

CHAPTER TWO

2. REVIEW OF RELATED LITREATURE

This chapter covers the review of related literatures. It includes two main parts; Theoretical review and Empirical literature review and conceptual framework of the study.

2.1. THEORETICAL REVIEW

2.2. Definition of Customer Relationship Management

“All business is based on relationships. The firm only has to make them visible and meaningful for its customer provided that the customer wants them” (Grunroos, 2007 p.23).

Customer relationship management is the over all process of building and maintaining profitable customer relations by delivering superior or value and satisfaction (Kotler and Armstrong, 2006. p. 13).

CRM is an attempt to modify customer behavior over time and strengthen the bond between the customer and the company, with the purpose of maximizing the value of the relationship to the customer for the customers benefit and the company’s benefit. CRM could enhance a company’s ability to achieve the ultimate goal of retaining customers and so gain strategic advantage over it competitors (Nguyen et al... 2007). CRM allows organizations to distinguish between customers that are profitable, nearly profitable, and unprofitable and have the potential to be profitable (Bull, 2003).

The customer awareness of organization customer relationships could raise their loyalty toward the corporation, which would in turn increase company income, enhance market share, and achieve other corporate objectives (Hsieh & Li, 2008). Different authors define customer relationship management in different ways. Customer relationship management is the process of building and maintaining profitable customer relationship management by delivery superior customer value and satisfaction and involves carefully managing customer touch point to maximize customer loyalty or its strategy, process and enabling technologies that allow organization to acquire and retain its best customer (Philip customer kottlre 12th edition, 2006).

Customer relationship management is an independent variable that has a large influence on the relationship of a service providing business with its customers. “A relationship is composed of a series of episodes between dyadic parties over time”. Each episode in turn is composed of series of interaction. Episodes are time bound (they have a beginning and an end) and nameable. Episode such making a purchase, enquiring about a product, putting together a quotation, making a sales call, dealing with a

complaints and playing a round of golf make up a relationship. Business relationships are made up of task and social episodes. Task episodes are focused on the business side of the relationship, whereas social episodes are not. Within each episode, each participant was act towards, and interact with, the other. The content of each episode is a range of communicative behaviors including speech, actions and body language. The parties within the dyad may have very different ideas about whether they are in the relationship. Buyers may think they are being tough and transactional. Sellers may feel that they have built a relationship. (F. Buttle, 2004). The evolution of relationship marketing has been one of the most significant developments in marketing since the 1990'. (Chattananon et al., 2008) RM emerged as a popular new paradigm in the 1980s, this happened, in part, as a result of a shift in focus from customer acquisition to customer retention (Chakravorti, 2006). Relationship marketing proposes that closer attention is paid to long term financial growth and other benefits or retained customers. (Heffernan et al, (2008). Although, relationship marketing has been heralded as an effective strategy to attract, maintain and enhance 10 customer relationship. (Robert et al, 2003). While transactional marketing tries to make the sale and find new customers (Zineldein et al., 2007), or it's about acquiring customers, rather than retaining them, (Ward et al., 2005). Gronroos (1994) defines relationship marketing as follows: "Marketing is to establish, maintain, and enhance Relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfillment of promises". While, Zinkhan (2002) defines relationship marketing, "as an approach to establish, maintain, and enhance long-term associations with customers and other stakeholders." On the other hand, Copulinsky and Wolf (1990) define relationship marketing from a different prospective with emphasis on the role of the IT as a "process where the main activities are to create a data base including existing and potential customers, to approach these customers using differentiated and customer specific information about them, and to evaluate the life term value of every single customer relationship and the costs of creating and maintaining them." RM can also be called one to one marketing, which shifts the focus of marketing exchange from transactions to relation with individual customers. The customers in the twentieth century wants to be an individual and wants to be acknowledged as individual by having his/her likes preferences known and acted upon. Business in every sector need to build individual relationship with customers based on what the customers wants, not on what the business want. Personalized customer communications and special preferences acknowledge that a special relationship exist between a company and each individual customer, this connects one person to another in a positive way, providing an aura of civility and pleasantness for every business experience. It is powerful

motivator to repeat this experience again and again. (Sharp, 2003) Customer relationship management has attracted the attention of both marketing practitioners and researchers over the last decade. Despite, or maybe due to, the attention drawn to the subject, a clear agreement on what CRM is and especially how CRM should be developed remains lacking. CRM is the values and strategies or relationship marketing with particular emphasis on customer relationships turned into practical application. (Peelen et al., 2006). CRM is a strategy view of how to handle customer relationship from a company 11 perspective. “The strategy deals with how to establish developed and increase customer relation from profitability perspective, based upon the individual customer needs and potentials. The basic underlying CRM is that the basis of all marketing and management activities should be the establishment of mutually beneficial partnership relation with customers and other partners in order to become successful and profitable”. (Ghavami et al., 2006). “CRM is the integration of customer focuses in marketing, sales, logistics, accounting .i.e. in all parts of the organization operation and structure. Those are the activities a business performs to identify, qualify, acquire, develop and retain increasingly loyal and profitable customers by delivering the right products or services to the right customer through the right channel at the right time and the right cost” (Johansson & Storm, 2002). CRM can be best describes as an evolution of marketing from product or brand management to customer management. (Peelen, 2006). Before positioning and investigating the components and the business philosophy of CRM. We must first develop our perspective of CRM for the purpose of this research. Hence, several researches have made attempts to define CRM. The definition of CRM adopted from different sources ranges from narrowing IT enabling solutions to a broadly and strategically approach to managing customer relationship. The main question remains, is how the substantial effort needed to create the CRM actually pays off? In other words, how does the CRM create value in an organization? In fact, “CRM is not just a technology; it’s a philosophy for survival in the customer centric economy.” (Helm, 2002) Successful CRM implementation influences how much customers spend and how loyal they remain. According to Freeland (2003), CRM is still one of the best strategies for growing revenue and increasing market share, and that CRM offers richer opportunities for developing the customer franchise and increasing brand value than most companies have realized. In fact, for companies that seek to keep customer relationships strong and profitable, acquiring the right mix of CRM processes, work force management approaches and technologies is critical. (Hazbon, 2006) Xu & Walton (2005), illustrated that, "the motivating factors for companies moving toward CRM technology are to improve customer satisfaction level, to retain existing customers, to improve customer life time value, to provide strategic information from the 12

CRM system and to attract new customers". (Zavareh, 2008) The real value to a company lies in the value they create for their customers and in the value the customers deliver back to the company. According, it is important at mark that the value doesn't lies in more information and in more advanced technology. The value lies in the customer knowledge and in how the companies use that knowledge to manage their relationship. Knowledge is according to Newell (2000) the sole of CRM. Unfortunately, few companies are transforming the information to customer knowledge and therefore they miss the opportunities to provide value to their customers. However, applied in the right way, CRM is the tool that contributes to profit. If companies transforming the customer data into knowledge and then uses that knowledge to build relationship it was create customer satisfaction, acquisition, retention, loyalty, and decrease customer's loss. (Rahimi, 2008)

Customer relationship management concerns the relationship between the organization and its customer. Customers are the life blood of any organization be it global corporation with thousands of employee and multibillion turn over or sole trade with a hand full of regular customer (Ellen Gifford, 2002).

Customer relationship is a corporate wide approach to understanding customer behavior influencing it through continuous relevant communication and developing long term relationships to enhance customer loyalty acquisition, retention and profitability (Sharp, 2003).

Customer Relationship Management is an enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty and customer profitability (Swift, 2001).

2.3. Why do Organizations need and Undertake Customer Relationship Management?

As Ellen Gifford stated the ultimate purpose of customer relationship management, like any organization initiative, is to increase profit. In the case of customer relationship management this is achieved mainly by providing a better service to your customer than your competitor. Customer through a good customer relationship management capability

was also reduce cost wastage and complaints effective CRM also reduce staff stress because, a major cause for stress reduces as service and relationship improve.

2.4 Components of the customer relationship management

Trust: is the “cornerstone” of long-term relationships (Jusćius and Grigaite, 2011). Trust is a willingness to rely on an exchange partner in whom one has confidence”

A betrayal of this trust by the supplier or service provider could lead to defection (Ndubisi and Wah, 2005).

It means taking mutually agreed words as fact and reducing one’s perception of the likelihood that either party was act opportunistically (Leung et al, 2005).

Trust is defined as a belief or conviction about the other party’s intentions within the relationship. In the context of relationship marketing, trust is defined as the dimension of a business relationship that determines the level to which each party feels they can rely on the integrity of the promise offered by the other (Chattananon & Trimetsoontorn, 2009). Fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retaining the customer base, and securing long-term profitability, besides fanning the fire of trust. Gro’nroos (1990) believed that the resources of the seller – personnel, technology and systems – have to be used in such a manner that the customers trust in them, and thereby in the firm itself, is maintained and strengthened. Trust in organizations comes from customers’ positive experiences that induce them to continue with the relationship (Vesel and Zabkar, 2010).

Commitment: is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency. In the marketing literature, Moorman et al. (1992) have defined commitment as an enduring desire to maintain a valued relationship. Hocutt (1998) views commitment as "a 10 intention to continue a course of action or activity or the desire to maintain a relationship". Studies in calculative and affective commitment, for example, have in fact demonstrated that buyers base their commitment on calculations of switching risks as well as on sentiments of allegiance (Barry et al, 2008). In general, commitment refers to an orientation that specific intentions and behaviors characterize with the purpose of realizing value for both parties over the long term (Vesel and Zabkar, 2010).

Communication: is defined as “the consumer’s perception of the extent to which a retailer interacts with its regular customers in a warm and personal way”. Such an interaction is reflected in the feelings of

familiarity and friendship, personal knowledge, and the use of the client's family name and/or first name on the sales spot (Naoui and Zaiem, 2010).

Also communication is defined as the formal as well as informal exchanging and sharing of meaningful and timely information between buyers and sellers (Sin et al, 2002).

Communication refers to the ability to provide timely and trustworthy information. Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the preselling, selling, consuming and post consuming stages (Anderson and Narus, 1990). Communication in relationship marketing means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs.

It is the communicator's task in the early stages to build awareness, develop consumer preference (by promoting value, performance and other features), convince interested buyers, and encourage them to make the purchase decision. Communications also tell dissatisfied customers what the organization is doing to rectify the causes of dissatisfaction. When there is effective communication between an organization and its customers, a better relationship was result and customers was be more loyal (Ndubisi, 2007). Bidirectional communication leads to a strong relationship satisfying both parties, which in turn leads to increased loyalty. Communication should be proactive rather than just reactive (Boedeker, 1997) and it has three sub constructs. These are the frequency, relevance and timeliness of communication from the organization to the customer (Macmillan et al, 2005).

Competence: Heene and Sanchez (1997) define competence as an ability to sustain the coordinated deployment of assets (anything tangible or intangible the firm can use in its processes for creating, producing, and/or offering its products to a market) in a way that helps an

11 firm achieve its goals. On the other hand Smith and Barclays (1996) defined competence as the perception of customers on the amount of skill, abilities and knowledge needed by the opposite party to effective function/service.

Conflict handling: Conflict, which has been defined as “tension and frustration between two or more social entities that arise from the incompatibility of actual and desired responses”, is an opportunity for the company to show its engagement towards its client through its efforts to resolve the conflict and its willingness to openly discuss reasons and possible satisfactory solutions (Naoui and Zaiem, 2010). Dwyer et al. (1987) defined conflict handling as a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise.

How well this is done was determine whether the outcome is loyalty, "exit" or "voice". Frequency and bi-directionality communications has the strongest effects on interpersonal conflict and that communication should be meaningful, supportive and appropriate to be more effective (Meunier FitzHugh & Piercy, 2010).

2.5 Benefit of Customer Relationship Management

Gifford, (2002), states that there are significant business benefit derivable forms an integrated customer relationship management approach. These include: Improved ability to target profitable customers, integrated offerings across channels, improved sales force efficiency and effectiveness, individualized marketing messages, customized products and services, improved customer service efficiency and effectiveness and improved pricing.

2.6 Achieving Good CRM

Achieving good CRM required many organizations to adopt new perspective (Ellen Gifford) clarity as follows. Consider the following: Traditional customer is something you 'do to' the customer, Modern CRM is 'done with' the customers.

The second statement is emphasized the big difference between conventional traditional service, and the modern progressive CRM approach, your relationship with customer should be on going cooperative and built for long term organizations who have many transitory relation with customer the cost of keeping existing customer is a tiny fraction of cost of acquiring new customers (Ellen Gifford, 2002).

2.7 Customer Loyalty

There is still no universal agreement on the definition of loyalty. However, researchers have agreed that customer loyalty les two dimensions; behavioral and attitudinal dimensions (Skogland and Siguaw, 2004).

2.7.1 Behavioral Loyalty

Behavioral loyalty is a customer's overt behavior toward a specific product/ service in terms of repeat purchasing pattern a repeat purchasing pattern. It can be determined as actual purchase frequency, the portion of occasions in which a specific brand is purchased as compared to the total number of purchased brand. According to Kumer and Shah (2004), behavioral loyalty is observed form purchase behavior if a

business can successfully achieve repurchase behavior, then it is on the way to generating customer loyalty (Gee et al, 2008).

2.7.2 Attitudinal Loyalty

Researcher widely agrees that the mere measurement of repeat purchase does not capture the whole meaning of loyalty. Some scholars argue that behavioral loyalty (repeat purchase) alone is too simplistic and does not capture the multidimensionality of loyalty (Kumar and Shah 2004). Attitudinal loyalty represents a high order, or long term, commitment of customer to the organization that can not be inferred by merely observing customer repeat purchase behavior.

This is often results as an outcome of a long fruitful relationship between the organization and the customer over the time (Kumar and Shah, 2004).

Van Looy et al. (2003 P. 59) putting in to consideration both behavioral and attitudinal aspects of loyalty, defined customer loyalty as “customer behavior characterized by a positive buying pattern during an extended period (measured by means of repeat purchases, frequency of purchase) and driven by positive attitude towards the company and its products or services”. The consideration of attitude in addition to behavioral representation makes loyalty not just richer conceptually (loyalty is a process, not just an act) but also more useful for practical purpose. (Dick and Basu, 1994)

2.7.3 Benefit of Customer Loyalty

Customer loyalty generates numerous benefits. According to Rowley (2005), a stable customer base is a core business asset that enables improved organizational profitability. Chaudhuri and Holbrook (2001) suggest that a high customer loyalty implies a higher market share and an ability to demand relatively a higher price compared to those competitors. Loyal customers are cheaper to serve; less price sensitive, foster positive word of mouth promotion.

Customer loyalty creates a stable pool of customers for firms products or services Loyal customers demand less time and attention from the organizations they patronize and behave favorably towards the company in a variety ways (e.g. forgiving product (service) because they are emotionally committed (Crosby, 2002)., As result, they are a major source of sustained growth (Anderson and Mittal, 2000).

2.8 Antecedent factors of customer Loyalty

Maintaining customer is increasingly difficult in many industries consequently; companies need to consider the antecedents of customer loyalty and their relative importance (Lewis and Soureli, 2006).

It is important to gain insight to the two antecedent factors of customer loyalty customer satisfaction and customer relationship management (CRM).

2.8.1 Customer Satisfaction

Satisfaction is one of the several antecedents of loyalty (Buttle & Burton, 2001). Customer satisfaction is the ability to bridge the gap between customer expectations and product/ service delivery”. (Dafty, 2011 P. 44), It is achieved when the customer expectations about the performance of service or product being consumed are met or exceed (Anton et al.. 2007). The strong focus on customer satisfaction is based on the implicit assumption that there is strong positive relationship between customer satisfaction and loyalty (Homburg and Giering, 2001).

Failure to meet customer needs and expectations is considered as a major cause of customers exit from organization because it is assumed to result in dissatisfaction (Zeithaml and Bither, 2003). Therefore organizations must be customer focused/driven to gain intrinsic knowledge of the customer’s needs and expectations. Moreover, an organization’s capacity to satisfy customers need prevent both customer withdrawal and the arrival of new competitors (Gomez et al, 2004).

2.9 Customer Relationship Management in Banking Industry

Today, many businesses such as banks, insurance companies and other service provider realizes the importance of CRM and its potential to help them acquire new customers, retain the existing ones and their life time value.

Onut et al (2007) argues that CRM is a business strategy of identifying the banks most profitable customer & prospects, and devotes time and attention to expanding account relationships with those customer through individualized marketing and customized service all delivered through the various sales channels that the bank uses.

The banking industry is facing an ever increasing level of completion around the world as the dynamics of the business change bank have understood the need to capitalize on the new technologies to gain advantage in the competition by exploiting their customer base, brand value and costly infrastructure

investment in order to increase profits as there is a direct link between the customer satisfaction and profitability. However the banks faced challenges in implementing CRM it include lack skilled people quality of customer data using customer data more intelligently and using right technologies

2.10 Challenges of CRM in the Bank

As (Antony Lawrence, 2010) stated that CRM is not easy to understand but when it come up to implementation it becomes very difficult for the bank.

Generally it is observed that the bank do not fail to select right tools but they fail to implement it improper way.

Banks are finding it difficult track and pitch profitable customers across the various contact channel such as ATM, el mail, voice recognition and wireless. Bank should train customer to serve themselves and connect customer focused marketing campaign across the various service and products.

The challenge for the bank is to retain and depend on the profitability of existing customer relationship. In attempt to be more profitable the banks have been come competitive and more customers oriented. The CRM is one of such tools which help in meeting the customer expectation according to their changing needs. Banks have started acknowledging the importance of the customer in developing their business.

They have recognized that is essential to protect and grow its customer base and ultimately its profitability.

The banks can do this by building relationship with its customer. To meet the customer need to beat the computation they must deliver superior quality service.

The CRM approach adopts by the bank focused on maximizing the value of customers and the bank. There are key drivers to customer loyalty such as: positive staff attitude, honesty, integrity, productive advice and delivery promised service and so on (Antony Lawrence, 2010, 2nd edition, page 146-147).

2.11 Empirical Review.

The following studies were reviewed to familiarize the topic of customer relationship management to demonstrate the originality of this study and to reveal the gap it was fill in the customer's loyalty research.

All the quoted studies on the impact of customer relationship management on customer loyalty/retention have concluded that relationship building with customers is important factor for retaining one's

customers. Whether used as strategy or not, it is indicated that organizations who have built relationships with their customers and have managed that well are more successful in their attempt of retaining their customers. Most papers see customer relationship as important contributor towards customer satisfaction where by satisfaction resulting in customer loyalty. According to Swift (2001), cited in Rahimi (2007:18), companies can gain many benefits from CRM. He states that the benefits are commonly found in one of these areas:

1. Lower cost of recruiting customers – the cost for recruiting customers was decrease since there are savings to be made on marketing, mailing, contact, follow-up, fulfillment, services, and so on.
2. No need to recruit so many customers to preserve a stay volume of business – the number of long-term customers was increase and consequently the need for recruiting many new customer’s decreases.
3. Reduced costs of sales – the costs regarding selling are reduced owing to that existing customers are usually more responsive. In addition, with better knowledge of channels and distributions the relationships become more effective, as well as the costs for marketing campaigns are reduced.
4. Higher customer profitability – the customer profitability was get higher since the customer wallet-share increases, there are increases in up-selling, cross-selling and follow-up sales, and more referrals comes with higher customer satisfaction among existing customers.
5. Increased customer retention and loyalty – the customer retention increases since customers stay longer, buy more and buy more frequently. The customer does also more often take initiatives, which increase the bounding relationship, and as a result the customer loyalty increases as well.
6. Evaluation of customer profitability – the company was get to know which customer are profitable, the ones who never might become profitable, and which ones that might be profitable in the future. This is very important since the key to success in any business is to focus on acquiring customers who generate profit, and once you have found them, never let them go. All customers are not valuable; some many even be danger to the business. This occurs when the customers use the company’s time, energy and resources without generating enough business to make them worth the effort. (Budhwani, 2002:38)

Mohammad Taleghani, Shahram Gilaninia and Seyyed Javad Mousavian, have mentioned some of the key relationship marketing virtues based on their literature review as identified by various scholars. The stated virtues are: Trust (Macintosh and Lockshin,1997; Sirdeshmukh et al, 2002; Veloutsou et al., 2002; Knemeyer et al., 2003; Beetles and Harris, 2010), Commitment (Morgan and Hunt, 1994; Beetles and Harris, 2010), Competence (Smith and Barclay, 1997; Metawa and Almoosawi, 1998; Hunt et al, 2006), Equity (Kavali et al, 1999), Benevolence (Ndubisi and Wah, 2005), Empathy (Ndubisi, 2004), Conflict

handling (Ndubisi and Madu, 2009; Gilaninia et al, 2011), and (Morgan and Hunt, 1994; Ndubisi and Wah, 2005; Knemeyer and Murphy, 2005; Tian et al., 2008). Five of the virtues listed above (trust, commitment, communication, conflict handling & competence) was used to see the impact of Customer Relationship Management on Customer Loyalty. These five virtues are chosen for this study as they are found to be highly applicable to any service giving industry and are mentioned repeatedly on most of relationship and loyalty related studies like studies. There were a study of Rootman, Tait and Sharp, (2001) in banking industry of Greek and the CRM impact on customer expectation, and the major findings implies that, banks must understand what drives both value and delight for their customer and adopting a customer centric vision that enables customers to understand their delight and drive for loyalty and retention.

A study sharman (2009) conducted on the relationship between the component of relationship marketing and customer satisfaction in Iran commercial bank. The finding indicated that there was a relation between relationship marketing components including trust, commitment, communication, quality and competence on customer satisfaction and also on financial performance of a bank but did not confirm the relationship between the components of conflict management and customer satisfaction.

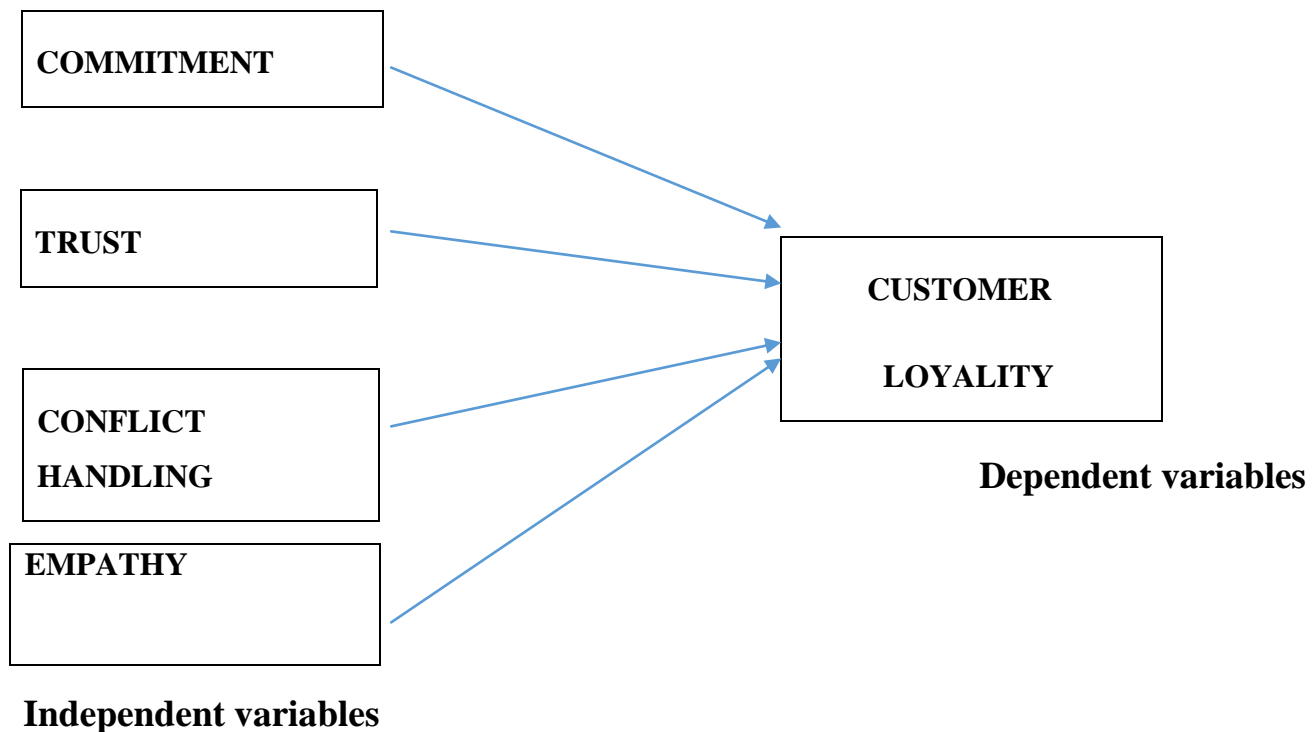
Chirstina and Army (2010) have conducted a study on the practice of relationship marketing and customer retention and its impact on resource mobilization performance in the banking industry of Ghana.

As indicated by the above empirical studies, specifically, a research studies that were conducted in Ethiopia were not assessed specific to this topic of the study, the problem CRM and its impact on loyal customer regarding private commercial banks. Some of the studies assessed on the above empirical literature were tried to assess CRM and its impact on loyal customers of Birhan bank, in addition they were more focused on the effect of service quality than the effect of CRM on loyal customers. Therefore, there is a research gap and there need a research study to fill the research gap on the area and thus researches were proposed to fill the research gap of the area by some authors.

2.12 conceptual frame work

The conceptual framework of the study was based on the model presented in a previous study by Ndubisi and Wah in 2005. It highlights the effect of relationship marketing underpinnings on customer loyalty.

CRM Dimension:



2.13 knowledge gap

This research tried to identify an apparent knowledge gap in prior research concerning practice of customer relationship management. In addition, the prior researches did not address the subject of CRM in detail and its impact on customer loyalty, different measure that bank use to make customer loyal and finally satisfaction of customer. This encompasses several unexplored dimension that lately have attracted research attention in other discipline the concept of CRM should be explored further to provide better understanding about the aspect. An excellent scientific proof and theories must be addressed to get clarities. So, this researcher was tried to investigate the above issue which previous researcher cannot include. This can lead better and new findings in such studies. Also Previous researcher do not give equal chance to respondent because they used simple random sampling technique but this study was try to give equal chance and opportunity to respondent by using census method.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages that follow in completing the study. These stages are research design, target population, sampling design, data collection instruments, data collection procedures and data analysis.

3.2. Background of the organization

The study is conducted in South Nation Nationality and people Regional state in wolkite town particularly in Birhan international bank in wolkite Branch. Wolkite town is located in gurage zone and 158km far from our capital city Addis Ababa to south west direction.

3.3 Research Design

The type of research design is a descriptive type of research. Because this type of research is used to identify and obtain data on the characteristics of particular issues or problem and also most of social researcher come under this category.

3.4. Data type and Source

This study used secondary source of data for successful accomplishment of the study. The secondary source of data was collected from different books, internet, organization record documents and other written materials. Moreover, this study is used qualitative type of data.

3.5. Target Population and Sampling Technique

The target population of the study includes all permanent employees found in Birhan international bank in Wolkite branch. There was no need for selecting sample respondents because the population is more easily manageable to gather relevant information regarding to the study. Thus, the researcher used census because the population is 26 which is less than 100

3.6 Method of Data Collection

Data in the research were gathered from secondary source of data.

Secondary sources include:

Related literature, regarding customer relationship management and customer loyalty was be used as a source of information. The researcher used different written materials. It includes books, different research work regarding the topic of the study and internet

3.6.1 Data Collection Procedure

Before gathering data required for the study, the required sample size was be identified. Then after, the necessary tools for collecting information have also been prepared as much as possible.

The next step would be collecting the required information using tools for collecting information.

The data had been collected based on inductive approach.

4. CONCLUSION

The researcher conclude that the positive customer relationship with bank play crucial role to take competitive advantage of other banks customer. The bank management should establish suitable customer relationship technique that can retain the existing customer of the bank and to make them loyal customer of the bank. The organizations that built relationship with their customers and have managed that well are more successful in their attempt of retaining their customers. Customer relationship management should concern with managing detail information about individual customers and carefully managing customer touch points in order to maximize customer loyalty by delivering superior customer value and satisfaction. CRM would an attempt to modify customer behavior over time and strengthen the bond between the customer and the company, with the purpose of maximizing the value of the relationship to the customer for the customers benefit and the company's benefit. Customer relationship management was play crucail role in over all process of building and maintaining profitable customer relations by delivering superior value to organization and satisfaction to customers.

CRM could enhance a company's ability to achieve the ultimate goal of retaining customers and so gain strategic advantage over it competitors. The CRM should have its own unique tools which help in meeting the customer expectation according to their changing needs.

5. SUGGESTION

Based on the above conclusion the researcher recommends the following important points.

- The bank should keep customer satisfaction by providing better service with good performance. In order to make them loyal and the bank always needs to improve its service providing mechanism with the daily requirement of its customer.
- Now a day's many private banks use the duration of service giving time as a competitive advantage. Therefore, the bank better to increase working hour from the previous service giving time.
- The bank should increase the number of windows which provide service to reduce service delays.
- The bank is better to use modern technologies to fasten money transfer and service delivery.
- The bank should give training for employees to improve their skill and knowledge in providing quality service specifically how they can handle customer complain properly.

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