



**WOLKITE UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF CUSTOMER REL ATIONSHIP MANAGEMENT AND
CUSTOMER SATISFACTION PRACTICE CASE OF COMMERCIAL
BANK OF ETHIOPIA.**

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**A THESIS SUBMITTED TO DEPARTMENT OF MANAGEMENT COLLEGE OF
BUSINESS AND ECONOMICS, SCHOOL OF GRADUATE STUDIES WOLKITE
UNIVERSITY IN PARTIALS FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION.**

**JUNE, 2018.
WOLKITE,
ETHIOPIA**

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AND CUSTOMER SATISFACTION PRACTICE (CASE OF CBE)**

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FULFILLMENT FOR THE REQUIREMENT OF DEGREE OF MASTERS IN
BUSINESS ADMINISTRATION.**

WOLKITE, ETHIOPIA

JUNE, 2018

Declaration

I, **Gebeyehu Melesse**, declare that this thesis entitled: *“Assessment of customer relationship management and customer satisfaction practice in commercial bank of Ethiopia Gurage Zone”* is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged.

To the best of my knowledge, this study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of Masters of Business Administration.

By: Gebeyehu Melesse

Signature-----

Date-JUNE 2018G.C

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SHEET

We, the undersigned, members of Board of Examiners of the final open defense, we certify that we have read and evaluate the thesis prepared by GEBEYEHU MELESSE, ID.No. GSE/141/08 and examined candidate. We recommend that it can be accepted as fulfilling the thesis requirement of the Degree of Master of Science in Business Administration.

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School OF Graduate Studies Approval

Final approval and acceptance of the thesis is contingent upon the submission of the final copy of the thesis to the School of Graduate Studies (SGS) through the Department/School Graduate Committee (DGC/SGC) of the candidate's department.

DATE _____

ACKNOWLEDGEMENTS

All praises go to GOD, the Most Gracious and the Most Merciful. I thank him for his invaluable care and support throughout my life.

I would like to express my thanks and appreciation to my Advisor Tasew Shedaga and Wuiletaw Fentie, for their patience, guidance, professional assistance and dedication of his precious time in reading and correcting the paper.

Next, my sincere and heartfelt gratitude goes to Ato Abebe Yemane, Dawit Yohannes, Habtamu Zeyinu and **ADAA** they greatly helped me with the paper and the completion of this study would have not been realized without my friends help.

Finally, I would like to thank former Buee Branch manager ATO Wossen Zenbaba, customer service manager ATO Addisu Asnakew and customers of commercial bank of Ethiopia who gave their most valuable responses and employees to interview questions and questionnaires. Without their kind cooperation, this study would not be complete.

List of abbreviations

1. **ATM**-Automatic Teller Machine
2. **CBE**- Commercial Bank of Ethiopia
3. **CSM**- Customer Service Manager
4. **CSO**- Customer Service Officer.
5. **IT**- Information Technology.
6. **SCSO**-Senior Customer Service Officer.
7. **SPSS**-Statistical Package for Social Science.
8. **CRM**-Customer Relationship Management.
9. **SWIFT**-society for worldwide interbank financial telecommunications.

LIST OF TABLES

Table 2:1: Important Concept of CRM survey data 2018-----	29
Table 3:1customer’s distribution; survey data 2018-----	32
Table 3:2employee’s distribution; survey data 2018-----	32
Table 3:3validity and reliability table; survey data 2018-----	37
Table 4:1questioner’s distribution-----	38
Table 4:2 demographic characteristics of respondents; survey data 2018-----	39
Table 4:3Frequency distribution table of service quality; survey data 2018-----	41
Table 4:4 Frequency table about employee’s behavior; survey data 2018-----	43
Table 4:5Statistical analysis of solving customer problems; survey data 2018-----	45
Table 4:6Statistical description of physical environment; survey data 2018-----	46
Table 4:7distribution of social network interaction; survey data 2018-----	47
Table 4:8Descriptions of respondents about database; survey data 2018-----	48
Table 4:9Statistic description of dependent variable; survey data 2018-----	49

Table of Contents

ACKNOWLEDGEMENTS.....	i
List of abbreviations.....	ii
LIST OF TABLES.....	III
Abstract.....	vii
CHAPTER ONE	1
1.1 Introductions.....	1
1.2 Back ground of the study	7
1.3 Statement of problem.....	8
1.4 Research questions	11
1.5 Objectives of the Study	11
1.5.1 General objective	11
1.5.2 Specific Objectives	11
1.6 Purpose of the study.....	12
1.7 Scope of the study	13
CHAPTER TWO	14
2.1 Definition of Customer Relationship Management (CRM).....	14
2.2 important element of CRM	14
2.3 CRM dimentions.....	16
2.4 Components of CRM	18
2.5 Emprical findings.....	18
2.6 Customers Satisfaction	21
2.7 CRM Benefits In Banking industry.....	18
2.8 Key Customer Focus	24
2.9 Customers' Perception and Service Quality.....	24
2.9.1 The Effect of CRM Applications on Customer Satisfaction	25
2.9.2 CRM and Customer Satisfaction	26
2.10 Conceptual Frame Work.....	26
CHAPTER THREE	30
3.1 Research Design	30

3.2 Sampling Design and Techniques.....	30
3.2.1 Instruments.....	31
3.2.2 Sampling.....	31
3.3 Research Model.....	32
3.3.1 Pilot Study.....	34
3.4 Methods of Data Analysis.....	35
3.5 Source of Data.....	36
3.6 Methods of Data collection.....	36
3.7 Validity and Reliability Issue.....	36
3.8 Ethical considerations.....	37
CHAPTER FOUR.....	38
4.1 Background Characteristics of the Respondents.....	38
4.2 Assessment of CRM And customer satisfaction.....	40
4.2.1 Respondent’s response about service quality.....	40
4.2.2 Behaviors of the Employees.....	42
4.2.3 Solving customer’s problem.....	43
4.2.5 Social network interaction.....	47
4.2.6 Customer database.....	48
4.2.7 Customer satisfaction.....	49
4.3 Findings of data analysis.....	51
CHAPTER FIVE.....	52
5.1 SUMMARY.....	52
5.2 CONCLUSION.....	54
5.3 RECOMMENDATION.....	55
5.3.1 General recommendations.....	56
5.4 Implications for Future research.....	58
REFERENCES.....	59
APPENDIX A.....	61
SECTION I.....	63
SECTION II.....	65
APPENDIX B.....	69
Interview.....	69

Abstract

Customer Relationship Management (CRM) is the strongest and most efficient approach in maintaining and creating close relationships with customers in the service sectors including banks.

As world has become a global village, competition become tough and stiff between organizations and formed a climate of constant change, achieving and holding a customer has become vital for the success of any organization and Ethiopia is no exception.

To examine and measure customer relationship management and its assessment on customer satisfaction practice in Commercial Bank of Ethiopia west Addis Ababa districts was the aim of this study.

In this study both qualitative and quantitative approaches were employed. The study used primary and secondary sources to gather data. Primary data were collected through close ended questionnaire and semi-structured interview. The study has been conducted on a sample group of both customers and employees a total of 392(three hundred ninety two) respondents in three branches of CBE West Addis Ababa district located in Guraghe zone.

To analyze the collected data correlation, simple linear regression was used. The findings show that customer relationship management dimensions affects customer satisfaction.

Keywords: Customer Relationship Management, customer satisfaction

CHAPTER ONE

1.1 Introductions

Customer relationship management (CRM) is a concept for managing a company's interactions with customers, clients, and sales prospects which can achieve financial institutions goal such as customer satisfaction.

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

Generally speaking, all businesses and particularly financial institutions have been affected to some degree in what is happening in the global market place. The most important goal of an organization is to maintain customer satisfaction and focus on customer centric approach to their organizational and marketing strategies.

Companies that enter to compete in a new market weaken the existing and solid ones, due to new ways of doing and conceiving businesses. One of the factors that have driven all these changes is the constant change and evolution of technology. Because of this reality, the CRM concept has evolved in such a way that nowadays it must be viewed as a strategy to maintain a long-term relationship with the customers. Relationship building and management, or what has been labeled as relationship marketing, is a leading approach to marketing. The use of customer relationship management (CRM) systems is becoming increasingly important to improve customer life time value. Understanding the needs of customers and offering value-added services are recognized as factors that determine the success or failure of companies. By providing information on customer data, profiles and history they support important areas of a company's core processes, especially in marketing, sales and service. When managing the transition to a customer-centric organization, it is mandatory to develop the capabilities to

acquire the necessary resources, knowledge and tools to meet customer's requirements with the appropriate products and services.

An effective CRM system should enable an organization to gain greater insight into customer behavior and preferences whereas ERP analytics are more likely to focus on supply and demand for key resources and materials.

Customer Relationship Management (CRM) is to create a competitive advantage by being the best at understanding, communicating, delivering, and developing existing customer relationships, in addition to creating and keeping new customers. It has emerged as one of the largest management buzzword. Popularized by the business press and marketed by the aggressive CRM vendors as a panacea for all the ills facing the firms and managers, it means different things to different people. CRM, for some, means one to one marketing while for others a call centre. Some call database marketing as CRM. There are many others who refer to technology solutions as CRM. If so, what is CRM?

During recent years, CRM has been widely promoted both by academics and professional marketers as an alternative strategy to traditional transaction oriented approach.

CRM plays a key role in the improvement of firms' performance. In the current competitive world, companies deliver products and services that are personalized for every customer. Indeed, these organizations can achieve competitive advantages in sale and service marketing through customizing their mass services. In today's business world customers play a key role and matter most to make organizations profitable and it is difficult to achieve sustainable business success in the absence of meaningful customer relationship management practices. Many organizations such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management and its potential to help them acquire new customers retain existing ones and maximize their lifetime value.

The current competitive terrain in the banking sector has resulted in commercial banks adopting and implementing strategies in the areas of customer service and information, in order to gain competitive advantage over their global competitors. Recent literature on marketing theory and practice acknowledge the increasing emphasis on designing customer-centric strategies and processes by organizations in order to realize lifetime value of customers (Coltman 2007; Hunter et al 2007; Jain et al 2007; Ramani and Kumar 2008).

The shift towards CRM has re-oriented marketing activities to emphasize relationships with individual customers as a means of developing sustainable competitiveness. As Rogers (2005) observes, some companies have created management positions for chief customer officers, chief relationship officers, directors of customer experience and even customer value officers. Even the traditional title of 'Marketing Manager' in most service organizations has been changed to 'Relationship Manager'. With the emergence of new technologies and processes, marketers are now beginning to understand each customer better than ever before and are choosing with whom to do business and how to manage customers' behaviors and attitudes (Christopher et al 1991; Sheth and Parvatiyar 1995 and Gronroos 2000).

Duran (2001: 3) lists the reasons for the emergence of customer relationship management as follows: that mass marketing has become more costly, ii) that customer share has gained importance, not market share, iii) that the concepts of customer satisfaction and customer loyalty have become more important, iv) that the term customer value has gained importance, v) that one-to-one marketing has gained importance, vi) intensive competition and developments in communication technologies.

In an era of mature and intense competitive pressures such as the increased competition, the need for innovation, the need to improve quality of products and services, and availability of new and effective information management tools, many firms are increasingly investing in technology and humans with the aim of leveraging intellectual assets (Asiedu, 2015) to maintaining a loyal customer base. This is particularly true in financial services sectors where deregulation has created an environment that allows customers considerable choice in satisfying their financial needs.

CRM is a growing trend in banks today and banks are spending a lot on CRM. According to Raffaella Molignani, research analyst for the European, IT Opportunity Financial Services research program, CRM is still at the top of banking priorities IDC (2002).

CRM is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, re-pricing, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses business is not so important, the critical thing is to maintain this huge volume through customer satisfaction and increase

profitability of the business. This needs a strategy which can help banks in maintaining long term valuable relations with their customers and offer them life time value like CRM.

One of the basic elements of modern marketing understanding is customer satisfaction. Businesses can survive as long as they can meet the customers' needs and enable customer satisfaction. Determining consumer's wishes and needs and meeting them is one of the ways of enabling consumer satisfaction. For this reason, it is important in our intensively competitive environment to be in regular contact with the customers and to follow the changes in them closely.

In current business environment banking jobs are become more and more lucrative and many people are joining the industry (asiedu, 2015). This to be made the industry highly competitive and as a matter of fact, satisfying customers and gaining their loyalty determining the long run fate of the business.

To meet the dynamic preference of the customer and to stay ahead of competitors, bankers are bound to deliver quality and efficient service to improve their service features and deal with customers compliant effectively.

“As more and more enterprises recognize the importance of becoming customer focus in today's competitive economy, they embrace CRM as an essential business approach”. However CRM is a method of “increasing a widespread picture of customer's desires, anticipation and conducts and managing those factors to affect business performance” (Hoots, 2005).

Satisfaction is the customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations (Olive, 1997).

Customer satisfaction is an evaluation by the customer after buying their goods and services (Oliver, 1981).

In other words, “customer satisfaction is the assessment of the pre-purchasing expectations from the product, with the results reached after the act of purchasing.” (Lemon et al, 2002: 1) A highly satisfied customer (Kotler, 2000: 48)

- continues his shopping for a long time,
- buys more as long as the firm produces new products and the existing products are improved
- speaks of the firm and its products with praise,
- Keeps indifferent to the trade-marks that are in competition with the products of the firm and does not place the emphasis on the price, and offers the firm suggestions and ideas about products and services.

Schiffman, 2005 has defined customer satisfaction as individuals’ perception of the performance of the product or service in relation to his/her expectations. According to the disconfirmations model, satisfaction is the consumers’ response of perceived discrepancy between prior expectations and the actual performance of the product as perceived after its consumption. Schiffman (2005) had also defined satisfaction as a person’s expression of pleasure or disappointment resulting from comparing a service outcome in relation to the expectations.

Customer satisfaction means that customer needs, wishes and expectations are met or overcome during the product and/service period, giving way to re-purchasing and customer loyalty.

Bowen and Chen (2001) argue that having satisfied customers is not sufficient. This is because customer satisfaction needs to have direct impact on customer satisfaction and loyalty (Sivadas and Barker).

Prewitt (2000) stress that there is a rising recognition that the last objective of customer satisfaction measurement should be customer loyalty. Many organizations merely categorize customer satisfaction measurement as type of “marketing intelligence” instead of using it as management tool to build customer service quality improvement processes and increase profit (Linnell, 2009).

Banking historically operated in a relatively stable environment for decades. However, today the industry is facing a forceful competition and banks have lost a substantial proportion of their domestic business to essentially non-bank competition. Fighting competition is vital for the profitability and ultimate survival of banks Zineldin (2005).

One of the sectors in which competition is experienced intensively is that of banks. Banks are finance institutions that meet the economic needs of the individuals and businesses and that perform such economic activities as collecting bank deposits, giving credits, providing capital, and etc. In recent years there have appeared important developments in understanding of modern banking. With the transition to automation, customer satisfaction and management of customer relationships have taken place among the subjects spoken of in the banking sector (Dr. Duygu KOÇOĞLU 2012).

The relationship between a bank and its customers involves continuous, two way communication and interaction (Bly, 1993).

According to Shekhar (1998), the primary function of a commercial banker is that of a broker and a dealer in money. By discharging this function efficiently, a commercial banker render valuable service to the community by increasing the productive capacity of the country and there by accelerating the pace of economic development.

1.2 Back ground of the study.

Banking industry in Ethiopia is consequently put into lot of pressures towards increase in competition. Various strategies are formulated to retain the customer and the key of it is to increase the service quality level. Service quality is particularly essential in the banking services context because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage. Nowadays, customer relationship management (CRM) for customer satisfaction gives more attention because of its obvious relationship with customer satisfaction and operational excellence.

Commercial Bank of Ethiopia (CBE) was legally established and took its shape as a share company in 1963. CBE took over the commercial banking activity of the then state bank of Ethiopia which was originally founded in 1942. The state bank of Ethiopia had been responsibly engaged in performing the duties of both commercial and central banking (CBE 2016/17). Commercial bank of Ethiopia is a state owned bank. CBE plays an important role in the country's economy and dominates the market in terms of asset, deposit, capital, and customer base and branch network. While CBE faces a growing competition in the banking industry from private banks, it still stands in the leading position with its long year bank service experience (CBE 2016/17). The rich experience of the bank in the service market & its strong capital base and large branch network enabled CBE to attract and overcome extremely high demand from both private and public companies and gave the bank the opportunity to increase its revenue in a sustainable base (CBE 2016/17).

1.3 Statement of problem

CRM aims at focusing all the organizational activities towards developing long term collaborative relationship with customers to develop them as lifetime customers. CRM in banking is a key element that allows a bank to develop its customer base and sales capacity. The goal of CRM is to manage all aspects of customer interactions in a manner that enables banks to maximize profitability from every customer. Banks have to come out with innovative measures to satisfy the needs of both the present and potential customers and at the same time they must adopt and procedures to bring back the lost customers through establishing an excellence in customer relationship.

As world has become a global village, competition become tough and stiff between organizations and formed a climate of constant change, achieving and holding a customer has become vital for the success of any organization and Ethiopia is no exception.

Hence due to increased customer awareness, customers are more demanding, and those banks having strong relationships with their customers have strong competitive advantage in terms of increasing profitability, market share, customer retention and attracting new and potential customers over other banks. However, in a competitive market place, customers are easily lost through in different services (Oracle, 2002). Customers are becoming solider to please, they are smarter, more price sensitive, more challenging, less sympathetic, and they are approached by many more competitors with equal or better offers (Kotler, 2007).

Study conducted in a European bank shows that with CRM, the bank was able to focus on profitable clients through efficient segmentation according to individual behavior and Information about ‘who buys what and how much’ enabled the bank to have a commercial approach based on the client and not solely on the product. From customers’ point of view, important criteria are: account and transaction accuracy and carefulness, efficiency in correcting mistakes and friendliness and helpfulness of personnel.

A case study has been carried out by Kim et al., (2003) to an online shopping company in South Korea that sales 30,000 products in 12 categories. This company ranked as 18th online shopping mall in South Korea. Data collected through experts’ interview, questionnaires and weblog analysis. Findings illustrates that, the factor which is very important to increase customer satisfaction, customer loyalty and benefits of the firm is to clear all vagueness and implicit problems that exist in the top level of strategic managements.

If the indicators of interaction, infrastructure, and atmosphere are linked to the product and process quality, it helps the researchers to find what changes are required in CRM strategy to improve customer satisfaction and loyalty.

An investigative study has been conducted in Bangladesh top telecommunication company which tried to find out the effects of the customer's perception on quality of service, trust on the product of the company and overall satisfaction of customers where the results of the that study indicated the significant rise in customer satisfaction and trust in relation to customers loyalty Akbar and Pervez (2009).

With regard to CRM, studies had been replicated in most developed countries like USA, Europe and Asia and developing countries like South Africa, Ghana and Nigeria, but without recourse to Ethiopia. But, currently it is obvious that Ethiopia is one of the fast growing countries in economy in the world, as such requires the application of CRM concepts for businesses to be relevant in the global marketing competition.

The ultimate goal of CRM is not only to attract new clients but also sustain the client's base at its maximum level of satisfaction because it has great importance for the marketing managers.

In Ethiopia, starting from the past two decades it is shown that there are a high growth and expansion of the banking industry. Banking industry play a key role in country's overall economy and customers are key participants in this industry. Nowadays there is high competition among banks in the industry to attract new customers and retaining the existing ones. Competition of this industry has been started after developing private banks. Acquiring competitive advantage requires delivering improved services for customers. Currently commercial bank of Ethiopia is among the leading banks in the industry that have great contribution in country's economy. Although CBE is one of the leading banks in the country, there is a problem in the continues improvement of its marketing performance due to different factors like lack of good relationship between the bank and its customers, lack of advanced technologies, lack of knowledge about its customers and competition in the banking industry. Even though few studies were discussed in other problem areas of the banking industry, there was no that much more studies which was conducted on this issue in our country especially in case of commercial bank of Ethiopia.

This gap initiates the researcher to focus on this study area. Meanwhile, banks face high competition from the other service giving sectors such as high competitiveness; high level preliminary expensive and customers switching to other banks. This leads the bank uses different formation of strategies to compete in the highly competitive market, but still the problems are not solved. Therefore, to overcome the above mentioned problems the study on assessment of customer relationship management (CRM) and customer satisfaction practice in commercial bank of Ethiopia west Addis Ababa district with reference to BUÉE, KELLA and ERENZAF branches of CBE found in GURAGHE zone in an emerging market. Hence, the main aim of the researcher was to investigate the assessment of customer relationship management (CRM) and customer satisfaction practice in commercial bank of Ethiopia west Addis Ababa district. So, this research moved to assesses the assessment of CRM and customer satisfaction practice.

Even though the bank aggressively working in branch expansions, human resource development, introducing new and modern technology and striving to realize its vision of becoming world class commercial bank in 2025, the bank does not have well organized action plan concerning improving customer satisfaction. So many critics were forwarded from different customers on the banks way of operation and customer handling, which were identified in order to take remedial actions.

Therefore, to fill this gap and point out possible solutions this study was undertaken to examine the assessment of customer relationship management (CRM) and customer satisfaction practice in commercial bank of Ethiopia west Addis Ababa district.

1.4 Research questions

What is the socio-economic characteristic of banks customer and its effect on CRM practice in selected branches of commercial bank of Ethiopia West Addis Ababa district?

- ❖ What are the perceptions of customers towards the application of CRM?
- ❖ What are the socio- economic factors that hinder assessment of CRM in customer satisfaction in commercial bank of Ethiopia?
- ❖ What problems were faced for application of CRM and measures on assessment of customer satisfaction in selected branches of commercial bank of Ethiopia west Addis Ababa district?
- ❖ What factors help to investigate the assessment of CRM on customer satisfaction practice?

1.5 Objectives of the Study

1.5.1 General objective

To analyze assessment of CRM and customer satisfaction practice in commercial bank of Ethiopia west Addis Ababa district.

1.5.2 Specific Objectives

- To study the customers perception towards application of CRM techniques in selected branches of commercial bank of Ethiopia.
- To discuss socio-economic characteristics of banks customers and its effect in application of CRM practices in selected branches of commercial bank of Ethiopia West Addis Ababa district.
- To explore the important components of CRM on customer satisfaction in selected branches of commercial bank of Ethiopia.
- To investigate the assessments of CRM on customer satisfaction practice.

1.6 Purpose of the study

“Customers became a center for all banking activities. Due to increased competition for greater market share, Focusing on customer satisfaction has been the key to increasing service quality according to customers’ expectations in the banking sector” (Zairi, 2000).

Hanson (2000) suggested that the level of service quality is an indication of the organization's ability to meet customers' desires and demands. So organizations must better their services to meet the customers' needs and requirements.

Managers and employee of the bank depend on customers’ anticipation of service quality for the competition in the market (Hoffman and Bateson, 2002).

The purpose of this study was to examine, in particular, the assessment of customer relationship management and customer satisfaction practice and it shows trends of CRM in commercial bank of Ethiopia west Addis Ababa district and its progress.

Significance of the study

This study provides desirable information about assessment of CRM and customer satisfaction with regards to banks specifically commercial bank of Ethiopia west Addis Ababa districts. Other significances of the study are;

- ❖ The result of this study gives insight for decision makers of CBE and other banks on how to attract retain and manage their customers.
- ❖ The findings of this study provide valuable inputs and directions to concerned parties of CBE and other banks in applying CRM strategies to improve customer’s satisfaction and overall performance.
- ❖ This study can help CBE and other financial institutions to identify their customers’ need in order to apply well managed customer services.
- ❖ Additionally, it can be used as a reference for other researchers who want to make further investigation in the area.

1.7 Scope of the study

This study only covers or investigates the assessment of customer relationship management and customer satisfaction practice in commercial bank of Ethiopia west Addis Ababa district. It is difficult and unmanageable to include all branches of CBE due to time and financial constraints. Thus, only grade one branches from west Addis Ababa district were chosen for this study. The study was delimited to collect data only from customers of this grade one branches located in Guraghe zone. The study was also delimited to collect primary data using questionnaire and interview. The above listed constraint is limitation or scope of the study, but after completion of the research researcher anticipates the following core concepts from this research.

- The study helps to understand the assessment of customer relationship management and customer satisfaction practice in commercial bank of Ethiopia west Addis Ababa district.
- This study brings out the responsibility of customer satisfaction on banking sector in commercial bank of Ethiopia west Addis Ababa district.
- The study shows that CRM practice in commercial bank of Ethiopia and its effect on customer satisfaction.

CHAPTER TWO

REVIEW OF RELATED LITRATURE

2.1 Definition of Customer Relationship Management (CRM)

Customer relationship management is perhaps the most important concept of modern marketing. Until recently, CRM has been defined narrowly as a customer data management activity. By this definition, it involves managing detailed information about individual customer and carefully managing customer touch points in order to maximize customer loyalty. More recently however, CRM has taken on a broader meaning. In this broader sense, CRM is the overall process of building and maintaining profitable customer relations by delivering superior customer value and satisfaction. It deals with all aspects of acquiring, keeping and growing customers (Kotler and Armstrong, 2008). CRM is a strategic approach concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and co-create value with them. This requires a cross-functional integration of processes, people, operations and marketing capabilities that is enabled through information, technology and applications (Payne and Frow, 2005).

2.2 Important element of CRM:

Critical elements of CRM are to be examined in this study. These elements are *interaction management, relationship development, customer service, employees' behavior and physical environment*. (Long, et.al.2013):

Interaction Management

According to the Brown and Gulycz (2002), if an organization willing to make a stable relationship with its customers, there are different ways to have an interaction with them including interaction along touch points and distribution channels. The main purpose is to find out how and when the customers would like to interact with the organization (Prahalad and Ramaswamy, 2001). The interaction activities should be well customized and organized through

the available touch points provide in relation to the customer profiles developed by data gathered from the former records of the customers. Peppers and Rogers (1997) stress that the touch points must be used for distribution of different products, service and communication with the customers. According to the works of Lindgreen et al. (2006) and Peppers et al. (1999) interaction management is implemented by a few methods such as getting customers feedback and interaction with customers by attractive ways such as using social network.

Relationship Development

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

Quality of services

According to Gee et al. (2008) in an attempt to understand the factors that induce customer satisfaction, the concept of service quality is increasingly common in the literature. Studies show that service quality has a positive effect on consumer satisfaction and also has significant relationship with customer satisfaction and loyalty, and profitability of the firms. According to the works of Hanley (2008), the quality of services could be implemented by a few methods such as 1) Meeting customer expectation of good service level and having many varieties of products 2) Provide good quality products with reasonable price. 3) To handle the customer complaints about the products and services tactfully.

Behaviors of the Employees

An Employee that conforms to organization behavior and value is likely to strengthen the connection between the customer and the firm. Reverse pattern of effects is to be expected when the employee act through his/ her own behavior. In these cases, a consumer may think that the organization actually does not deliver the symbolic benefits that she/he had expected for and may evaluate the organization in a negative way. In order words, under circumstance such as the ones described, an employee will probably exert a strong impact on organization reputation and attitudes (Coulter2002). According to the works of Hanley (2008) and Coulter (2002), the effect of positive employees' behavior could be increasing speed of response to customer and ensure employees are friendly and respectful to customers which enhance customer satisfaction toward the services provided.

Physical Environment

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

2.3 CRM Dimensions

Customer relationship management is becoming an important issue in marketing in order to gain customer loyalty, improve customer retention rates (Wong and Sohal, 2003) as well as increase profits (Fornell and Wernerfelt, 1987).Sin, Tse and Yim(2005) identified the four dimensions of CRM in their study; key customer focus, CRM organization, knowledge management, and technology based CRM. Additionally, Yim, Anderson and Swaminathan (2005) stated the dimensions of CRM as key customer focus, CRM organization, knowledge management and technology based CRM. These four dimensions were the most frequently used dimension in most of previous studies because together they cover a wide range of CRM activities. The major

challenges that banks face in implementing CRM the banking industry is facing an ever-increasing level of competition around the world as the dynamics of the business change (Pokharel). Therefore, any bank that wishes to either grow in size of its banking operation or improve its profitability must consider the challenges affecting its customer relationship (Kumar & Rajesh, 2009 cited in Das, 2012). Because knowing CRM challenge can help in finding the true solutions.

CRM is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationship with those customers through individualized marketing, reprising, discretionary decision making, and customized service through the various sales channels that the bank uses (Das, 2012). Despite many benefits, CRM is exposed to various problems as discussed in the following lines (Chary and Ramesh, 2012).

- Building and maintaining a customer database require a large investment in computer hardware, database software, analytical programmers' communication links and skilled personnel.
- It is difficult to collect the right data, especially to capture all the occasions of company interactions with the individual customers.
- The difficulty of getting everyone in the company to be customer-oriented and to use the available information. Employees find it far easier to carry on with the traditional transaction marketing than to practice CRM.
- The other problem is that not all customers want a Relationship with the company and they may resent knowing that the company has collected that much personal information about them.
- Marketers must be concerned about customer attitudes towards privacy and security.

On the other hand, (Payne &Frow, 2005) demonstrated that there are various points of view related to the concept of CRM. Whereas, some points of view were in favor of regarding CRM as correspondence in direct mail, a diagram for customer satisfaction and loyalty programs or databases, other points of view regarded it as an assistant office work or a call center. Still, some considered it data storage or taking care of data search and processing. Finally, some considered it gaining the systems that make it able to perform e-commerce (Payne &Frow, 2005) mentioned that the obvious lack of accepted and appropriate definition of CRM may lead to the failure of the project of CRM, particularly if organizations adopt the limited point of view, which is related

to specific technology (the technological dimension). Therefore, the two researchers tried to put a more comprehensive definition which pays attention to the strategy point of view. So they defined CRM as a strategic method related to creating a distinguished value for the contributors through improving good relationships with the main customer's categories, as it (CRM) seeks to unify the strategies of marketing using relationships and information technology to create profitable, long-term relations with customer and other parties.

2.4 Components of CRM

Customer:-customer is the only source of the company's present profit and future growth. However, a good customer, who provides more profit with less resource, is always scarce because customers are knowledgeable and the competition is fierce. Sometimes it is difficult to distinguish who is the real customer because the buying decision is frequently a collaborative activity among participants of the decision making process. Information technologies can provide the abilities to distinguish and manage customers. CRM can be thought of as a marketing approach that is based on customer information (Wyner, 1999).

Relationship:-The relationship between a company and its customers involves continuous bidirectional communication and interaction. The relationship can be short-term or long-term, continuous or discrete, and repeating or one time. Relationship can be attitudinal or behavioral. Even though customers have a positive attitude towards the company and its products, their buying behavior is highly situational (Wyner, 1999).

Management:-CRM is not an activity only within a marketing department. Rather it involves continuous corporate change in culture and processes. The collected customer information is transformed into corporate knowledge that leads to activities that take advantage of the information and of market opportunities. CRM required a comprehensive change in the organization and its people (Wyner, 1999).

2.5 Empirical Findings

Swaminathan,(2004) stated the relationship of customer relationship management and performance. The study sample consisted of 1,223 service firms selected on a random probability basis from the Business. The sample frame that the researcher has taken were banks, investment companies, insurance companies and other firms characterized by a high degree of relationship orientation. Questionnaires were sent directly to general managers or similar level senior

managers at each of the companies selected for the study. The selected senior level respondents were highly knowledgeable about customer relationship management implementation and practice within their companies. A total of 215 returned questionnaires were complete and used for analysis. The finding shows that focusing on key customers and managing knowledge have significant effects on customer satisfaction. Organizing around customer relationship management affects customer retention directly. Customer satisfaction is not directly affected by organizing around customer relationship management and technology based customer relationship management. Similarly, managing knowledge has a significant effect on customer retention and sales growth through customer satisfaction.

Payne and Frow, (2005) emphasize the role of customer relationship management in achieving value for customers, shareholders, employees and reducing costs. The study mentioned customer satisfaction and retention have been achieved in 36% and 51% of the companies respectively when it the company applied customer relationship management practices.

Sayed (2011) explore the theoretical foundation of customer relationship management and its relationship to marketing performance. The research population represented 197 financial institutions working in Egypt. From these financial institutions 39 were banks, 20 insurance companies and 138 brokerage companies. The researcher used a stratified random sample that constitutes 50% of the society. The sample consisted of 20 banks, 10 insurance companies and 69 brokerage companies. The finding of the study showed that there is a significant relation or correlation between marketing performance and focusing on the main customers, organizational efficiency and customer knowledge management.

Colgate and Danaher (2000), undertake the study to show the effect of customer relationship management on customer satisfaction and loyalty. Their study title is the effect of implementing the strategy of customer relationship in the domain of banks on the customer satisfaction and loyalty. The study is undertaken in New Zealand, a systematic random sample of 1917 subjects was taken from the telephone directory data was collected by mail. The researchers got back 784 investigation lists. The study noticed the presence of both positive and negative effects; the positive effects appear when the strategy of customer relationship management is carried out in a highly skillful way, resulting in enhancing the customer satisfaction and loyalty, while the

negative effects appear when the execution of such strategy is deficient, resulting in the customer dissatisfaction and disloyalty.

Khaligh et al. (2012) investigate the impact of CRM on customer loyalty and retention in the telecom industry in Iran. The data are collected from 200 Iranian telecom services users. Finding shows that commitment and vision of the management system is highly required for a successful CRM implementation. The structure of the strategy should be based on flexibility and explicitly of the policies especially pricing policies. These factors are very important to increase customer loyalty and benefit of the firm (Khaligh et al. 2012).

According to the conceptual framework proposed by Faed (2010), customer relationship management amplifies the relationships of customers and competitors in a firm to increase the share of the organization in marketplace by integrating technology, procedures and people. The aim of CRM is to maintain the customers and increase their loyalty and organization profit. Customer satisfaction and pleasing are two main elements in a successful CRM implementation for retaining customer's loyalty to a firm.

Wang and Lo (2004) found that CRM model is based on two perspectives. First, measures the factors related to customer behavior such as: repurchasing, cross and up selling and customer acquisition rate, and second, measures the relationship quality, such as customer satisfaction and customer loyalty (Wang and Lo, 2004). Data were collected randomly from 400 selected customers of two security companies from China. The finding shows that emotional and functional behavior of customers has positive impact on customer satisfaction and customer satisfaction has positive effect on customer behavior based on CRM elements. Finally, the result of this study shows that customer behavior based on CRM have a positive effect on customer and brand loyalty (Wang and Lo, 2004).

Also another research has been conducted on the fundamental role of customer relationship management on customer knowledge and customers 'satisfaction. For this research the necessary data was gathered from experienced managers of information technology almost from 300 institutions working in United States of America. The finding showed that the applications of CRM have a positive effect as they contribute to improve the knowledge of the customer and enhance the market performance (Mithas and Frow, 2005).

2.6 Customer Satisfaction

“Customer satisfaction is one of the most important issue concerning business organization of all types, which is justified by the customer oriented philosophy and the principles of continues improvement in modern enterprise” (Arokiasamy, 2013).

Marketing concept suggests that a satisfied buyer will be more likely to repurchase again, or at least has the intention of repurchasing again, than those who are dissatisfied. They consider that customer satisfaction and retention the most important long-term objectives of firms. Reichheld and Sasser (1990) suggested that new buyers cost more to serve than repeat customer, which means that repeat customers are benefiting a firm’s cost structure.

A firm’s primary strategic objectives are to minimize customer regress and to maximize customer intention rates to buy, as evidenced by the recent emphasis on customer relationship management.

Thus, previously satisfied buyers may help firms both reduce marketing costs, and develop more stable levels of sales when a large number of satisfied buyers are retained to purchase again in the future.

Customer satisfaction is a concept beyond the positive effect on the organizational efforts. Customer satisfaction is a customer’s response, or judgments to a product or service in terms of the extent to which consumption meets expectations (Hair, Robert and David, 2003). Customer satisfaction is an important factor in customer retention. If the customer is satisfied then he/she may become volunteer marketer of that product or service. Customer develops an attitude after using any product or service and it is called customer satisfaction. If there is no difference between customer satisfaction and customer’s expectations then the customer is satisfied, otherwise customer is not satisfied. Companies try to not only minimize the difference between these factors but also trying to provide products and services to their customers that exceed their expectations in order to retain them as loyal customers (Jamal and Naser, 2002).

According to Kotler and Armstrong (2008), customer satisfaction depends on product’s perceived performance relative to a buyer’s expectations. Lin (2003) states that, the customer’s past experiences in terms of product consumption or interaction with organization and his.

Or her satisfaction plays a critical role in the customer’s future satisfaction formation. Customers have expectations about products and services they use and these expectations are developed from their previous buying, from friends and relatives opinions. There are two main approaches

for customer satisfaction. Based on the first approach, customer satisfaction is a state that resulted for customer after consumption. The second approach implies that the satisfaction is the customer's perceptual process and evaluation that is resulted from his or her personal consumption experiences. Customer satisfaction is important and it is significant source of loyalty and retention.

The key to building lasting relationships is to create customer value and satisfaction .satisfied customers are more likely to be loyal customers and to give the company a larger share of the business(Kotler and Armstrong, 2008).By making creative use of the customer knowledge acquired and by leveraging CRM based on technology, an organization can provide customized offerings to its valued customers, which should boost customer satisfaction (Anderson and Srinivasan, 2003).According to Stefanou, Sarmaniotis and Stafyla, (2003), successful CRM activities must cultivate customer satisfaction by continuously adapting to the evolving needs and wants of customers.

In the context of relationship marketing, satisfaction is conceptualized as an element of the relationship quality concept (Crosby et al. 1990). It is a judgment that a product or service feature, or the product or service itself, provided a pleasurable level of consumption-related fulfillment, and includes levels of under or over fulfillment (Tronvoll, 2011). From the above definitions, it is understood that satisfaction relates to a subjective evaluation of emotions. The end- result is a positive or negative feeling of fulfillment.

The field of customer satisfaction ishug and passes through a number of differentacademic disciplines. The twenty first century concepts of customer intimacy, customer centric and customer focus reconstruct the corporation as an entity that deliver value tocarefully selected market segments (Christopher et al., 2002). The focus of these topics is on retaining customers and togain long term profitability for the organization.

The reliability of the study measures will assess by computing Cronbach's Alpha Coefficients, which will used to assess the internal consistency or homogeneity among the variable measures (Sekaran, 1992). Cronbach's alpha coefficients ranged from 0.05 (service quality) to 0.9082 (customer satisfaction) revealing a high degree of reliability. Since all the reliability results exceeded the 0.6 lower level of acceptability (Bagozzi and Yi, 1988; Sekaran, 1992; Hair et al., 1998), the internal consistency reliability of the measures used was considered to be sufficiently high and to have adequately measured the study's variables.

2.7 CRM Benefits in the Banking Industry

Many organizations have large number of customers, many different touch points (for instance, tellers, call center staffs, self-service machines and websites) at multiple geographic locations. Managers historically lacked the tool to practice relationship marketing. However, today CRM system act as an enabler, capturing customer information and delivering it to the various touch points. Well implemented CRM system can offer a “unified customer interface”, which means that at each transaction the relevant account details, knowledge of customer preferences and past transactions or history of service problem are at the fingertips of the person serving the customer. This can result in a vast service improvement (Lovelock et al., 2004).

CRM if used properly would enhance a bank’s ability to achieve the ultimate goal of retaining customers in order to gain a strategic advantage over its competitors (Nguyen, Sherif and Newby, 2007).

Thus, the successful management of customer relationship can improve customers’ satisfaction and loyalty in order to give positive effect on upgrading business performance (Liyun, Keyi, Xiaoshu and Fangfang, 2008).Customer relationships are becoming even more important for banks as market conditions get harder. Companies that implement CRM make better relationships with their customers, achieve loyal customers and a substantial payback, increased revenue and reduced cost (Roh, Ahn and Han, 2005).

According to Foss and Stone (2001), CRM permits banks to leverage information from their databases to achieve customer retention and to cross-sell new products and services to existing customers. Lindgreen and Antioco (2005) states that, CRM results both in higher revenues and lower costs, making companies more effective and efficient: effective in targeting the right customer base with the right services via the right channels, and efficient in doing this at the lowest costs.

2.8 Key Customer Focus

The fundamental goal of key customer focus is to achieve a deep customer relationship that makes an organization a necessary partner to its most profitable customers. Company-wide understanding and support for key customer focus motivate sales force to cultivate long-term customer relationships by offering more personalized services Yim, Anderson and Swaminathan(2005); Armstrong and Kotler (2004). Evelyn and Hamadallah (1996) noted that, firms are engaged in numerous transactions with significantly diverse customers in terms of their needs and expectations; they consider Customer relationship management as quite challenging. To reduce the Customer relationship management challenges, most of the firms have resorted to formal customer relationship management (CRM) programs. Customer relationship management programs are generally classified as either database-driven refers identifying profitable segments through statistical techniques or customer-needs-driven refers the use of database to supply information that aids in the development and maintenance of long-term relationships with key customers.

Evelyn and Hamadallah (1996) observed that customers-needs-driven customer relationship management programs are common with firms that adopt business-to-business marketing strategies because customers-needs-driven customer relationship management programs boost inter-firm relationships.

According to the customer relationship management behavioral component model of Sin, Tse and Yim (2005), Key customer focus is a composition of dialog with customers on customizing their needs, customer needs assessment, and implementation of customer needs information

2.9 Customers' Perception and Service Quality

Customers' perception of the company's image represents consumers' effective answer to the company's marketing activities. Attraction and loyalty programs can form customers' perception about the company or the service it provides (Izquierdo, cilian and Gutierrez, 2005).According to Dean (2007), Perceived service quality is customers' assessments of the overall superiority of the services provided by the firm, with specific reference to the service interactions and outcomes.

2.9.1 The Effect of CRM Applications on Customer Satisfaction

Customer satisfaction has significant implications for the economic performance of firms (Bolton, Lemon, and Verhoef 2004). For example, customer satisfaction has been found to have a negative impact on customer complaints and a positive impact on customer loyalty and usage behavior (Bolton 1998; Fornell 1992). Increased customer loyalty may increase usage levels (Bolton, Kannan, and Bramlett 2000), secure future revenues (Rust, Moorman, and Dickson 2002), and minimize the likelihood of customer defection (Anderson and Sullivan 1993; Mithas, Jones, and Mitchell 2002). Customer satisfaction may also reduce costs related to warranties, complaints, defective goods, and field service costs (Fornell 1992). Finally, in a recent study, Anderson, Fornell, and Mazvancheryl (2004) find a strong relationship between customer satisfaction and measure of shareholder value after controlling for fixed, random, and unobservable factors. Customer relationship management applications are likely to have an effect on customer satisfaction for at least three reasons. First, CRM applications enable firms to customize their offerings for each customer. By accumulating information across customer interactions and processing this information to discover hidden patterns, CRM applications help firms customize their offerings to suit the individual tastes of their customers. Customized offerings enhance the perceived quality of products and services from a customer's viewpoint. Because perceived quality is a determinant of customer satisfaction, it follows that CRM applications indirectly affect customer satisfaction through their effect on perceived quality. Second, in addition to enhancing the perceived quality of the offering, CRM applications also enable firms to improve the reliability of consumption experiences by facilitating the timely, accurate processing of customer orders and requests and the ongoing management of customer accounts. For example, Piccoli and Applegate (2003) discuss how Wyndham uses IT tools to deliver a consistent service experience across its various properties to a customer. Both an improved ability to customize and a reduced variability of the consumption experience enhance perceived quality, which in turn positively affects customer satisfaction. Third, CRM applications also help firms manage customer relationships more effectively across the stages of relationship initiation, maintenance, and termination (Reinartz, Krafft, and Hoyer 2004). In turn, effective management of the customer relationship is the key to managing customer satisfaction and customer loyalty.

2.9.2 CRM and Customer Satisfaction

The relationship between customer satisfaction and CRM is complex. Increased customer satisfaction is one of the CRM's promises. The measuring customer satisfaction serves to measure CRM return on investment. It also provides service and product quality feedback to another function (Allen, 2000). A symbiotic relationship exists between CRM and customer satisfaction measurement program. CRM programs generate sample for the customer satisfaction program. Customer feedback data are then recorded in the CRM system, assuming of course, that respondent permission has been procured (Allen, 2000).

2.10 Conceptual Frame Work

Customer relationship management is a multidimensional construct consisting of four broad behavioral components: *key customer focus*, *knowledge management*, and *technology based customer relationship management* and *organizing around customer relationship management* (Sayed, 2011). He investigated these four customer relationship management dimensions on marketing performance of financial institutions in preserving current customers, attracting new customers and increasing market share. Kotler and Armstrong (2004) stated superior customer relationship capability will be achieved when the four dimensions of Customer relationship management work in harmony or as a unit. In other words success in one of the key factors may not necessarily enhance effective and efficient customer relationship management.

The improvement of the organizational status in the market, improvement of the customers' perception of organization and its products, and increase in their loyalty toward organization refers marketing performance (Martin and Camero, 2005). Marketing performance components include customer loyalty, customer satisfaction, customers' perception and service quality and market share.

As a logical result of the appearance of the concept "Relationship Marketing" since the 1920s, the concept "Customer Relationship Management" (CRM) has been brought to attention in late nineties, especially among the academics and partitions. The new concept has directed attention towards various vital aspects, including the necessity of direct relationship between customers and markets, the important of keeping current customer, as well as the inevitability building long-term relationships with customers instead of the customer-oriented transaction method in order to augment the profitable of the institutions, especially in today's increasingly competitive economy (Ismail & et. al, 2007, p.16; Jayachandran& et. al.,, 2005). Therefore, the organization

has directed their attention to CRM and abundant investing in the necessary infrastructure, with special concern the great advance in information technology (Ismail & et al., 2007; Jayachadran& et. al 2005,).Possible to say that CRM systems would only have more future realization and understanding on the part of beneficiaries if they were easy to use and carry out. In a modern study of De Paul University about the best practices of sales administrator, only 50% of companies – of which sales reached more than one million dollars- admitted that they practice CRM, and only 55% of these companies made it clear that their CRM programs greatly helped establish relationship with customers. While, 81% of the companies, which achieved sales of less than 100 million dollars adopted ready-made CRM programs, admitted that these programs were useful; 75% mentioned that this helped establish customer relationships (Hisham, Soliman, 2011). Generally speaking, the easier the system, is, the stronger it can help establish customer relationships.

Table1: Most Important Concept of CRM.

Point of view	Description	Success requirement	concept
As a process	Improving the relationships between the seller and the buyer; this relationships must be strong and durable.	The institution should have the ability to discover the customer's desires and to respond to them.	CRM is creating the engagement and relationships with the external parties, specially the agents and end- consumers.
As a strategy	The value of the life period of the customer with the situation determines the amount and kind or resources that the organization can invest in a relationship.	The institution should assess its relationship with the customer continuously. It should assign priorities in dealing with him/her on basis of the quantitative profitability during the life period of the customer.	CRM is the investment of the companies in the customers who are expected to be valuable for the institution, and the reduction of investment in the valueless customers of the company.

As a philosophy	Customer retention can be better achieved through focusing on establishing relationships and maintaining them.	The customer should be the focus of the attention of the institution, which should be oriented towards understanding the changeable needs of the customer.	CRM is not temporary project, but a work philosophy, which aims at putting the customer in the focus of the attention of the organization.
As an ability	Profitable and long-term relationships only arise when the companies are able to customize its behavior continuously towards every customer.	The company should possess a group of tangible and intangible resource, which the company uses to flexibly remodel its behavior towards the customer continuously.	CRM means the desire and ability of the institution to custom its behavior towards every customers, on the basis of the information the customer tells and what the institution knows about that customer.
As a technology	Knowledge management and reaction represent the main resources that the institution needs to establish profitable and long-term relationships with the customer.	The institution should be direct with the functional method, and also the user's acceptance of the technology applied by the institution in order to establish the customer's knowledge and reaction	CRM is the technology used to integrate sales systems, marketing systems and information systems to establish relationships with customers.

		management.	
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Source: Hisham, SayedSoliman;(2011), Customer relationship Management and It's Relationship to the Marketing Performance, International Journal of Business and Social Sciences, Vol.2.No.10.June.Pp.168.

CHAPTER THREE

3.1 Research Design

The study employed both qualitative and quantitative approach in order to answer the research questions and it was more of descriptive type.

The research design used in the study since it sought to describe and establish the associations among the study variables, namely, service quality, customer database, and customer relationship and employees behavior.

This study was institutional based inferential study that was designed to examine the assessment of customer relationship management and customer satisfaction practice in commercial bank of Ethiopia west Addis Ababa district. The target population of the study includes employees of commercial bank of Ethiopia that are senior customer service officers, customer service managers and branch managers and mostly customers of the banks who are found in the selected branches. Qualitative data was gathered from employees of the sample respondents using semi-structured interview and the related data with questionnaire was collected and analyzed.

3.2 Sampling Design and Techniques

CBE is one of the leading banks in the industry that facilitate different business transactions and economic activities. These business transactions and economic activities are undertaken mainly in Addis Ababa districts. Thus, taking branches of CBE in Addis Ababa district is ideal for the study. The bank clustered its branches geographically in fifteen districts and in Addis Ababa there are four namely north, south, east and west Addis Ababa districts. CBE also divides its branches in different levels and grades on the basis of their size, number of customers they serve, their profitability and different criteria. From these four districts, west Addis Ababa districts randomly chosen for this study. The study sticks to those branches which are found in west Addis Ababa district especially in Guraghe Zone. These specifically branches which are grade one branches are selected. These branches have large number of potential customers who communicate with the bank frequently and play a key role in the bank's profitability and the branches found some killo meters far from Addis Ababa. Therefore, taking these grade one branches is logical.

3.2.1 Instruments

The following instruments were used in this research: Questionnaire was developed by Rajput & Singh (2010) are used for the evaluation of Customer Satisfaction and effect of CRM on customer satisfaction. It has 30 items and used Likert Type Scale, where in Customer Relationship 5 stands for Strongly Agree and 1 stands for Strongly Disagree .The customer relationship is measured in four areas i.e., service quality (Q1,2,3,4,5), customer database(Q 6,7,8,9),employees behavior(Q10,11,12,13),solving customers problem(Q14,15,16,17),physical environment(Q18,19,20,21,22)and social network(Q23,24,25,26).The Cronbach's alpha reliability index used to check internal consistency of the questions.

3.2.2 Sampling

The purposive sampling technique was used in the present study because of the limited time available for data collection. “Purposive sampling can be defined as a type of non probability sampling in which element to be included in the sample are selected by the investigator on the basis of special characteristics of respondent” (Shaughnessy and Zechmiester, 1994). Customers who are dealing with the bank more than a year were selected for the present study. Of the total 377 respondent customers, 282 were males and 95 were females.

Research generalize ability is highly affected by sample size. Hence determining the number of representatives, sample size is a pivotal concern of every researcher to a given population. In this study, sample size is determined based on Yamane (1967) sample size formula.

The target population of the study includes employees of commercial bank of Ethiopia that are customer service officers, customer service managers ,branch managers and customers who are dealing with the bank more than a year found in the selected branches. These three branches have more than 20,000(twenty thousand) customers and have more than 50 permanent employees among these employees 18 (eighteen) employees are in senior position. Among these employees and customers 15,000(fifteen thousand) have dealing with the bank more than a year.

Sample Size (n) = $\frac{\text{No of customers}}{1 + \text{Total No of customers}}$

$$n = \frac{N}{1 + Ne^2}$$

Where, **n**: is sample size.

N: is the number of total employees and

e: is the 95% confidence interval (0.05)

Table 3.1 customer’s distribution

S. NO	BRANCHES	NO OF CUSTOMERS
1	BUEE	7500
2	KELLA	5000
3	ERENZAF	2500
TOTAL	3	15,000

Table3.2Employee’s distribution.

S. NO	BRANCHES	EMPLOYEES
1	BUEE	6
2	KELLA	6
3	ERENZAF	6
TOTAL	3	18

3.3 Research Model

A wide range of customer relationship are responsible for creating customer satisfaction, yet most banks in Jordan consider most of such elements which may foster customer satisfaction and loyalty .This research investigate the main elements of CRM that are responsible for customer satisfaction and loyalty(Long, 2013 ;

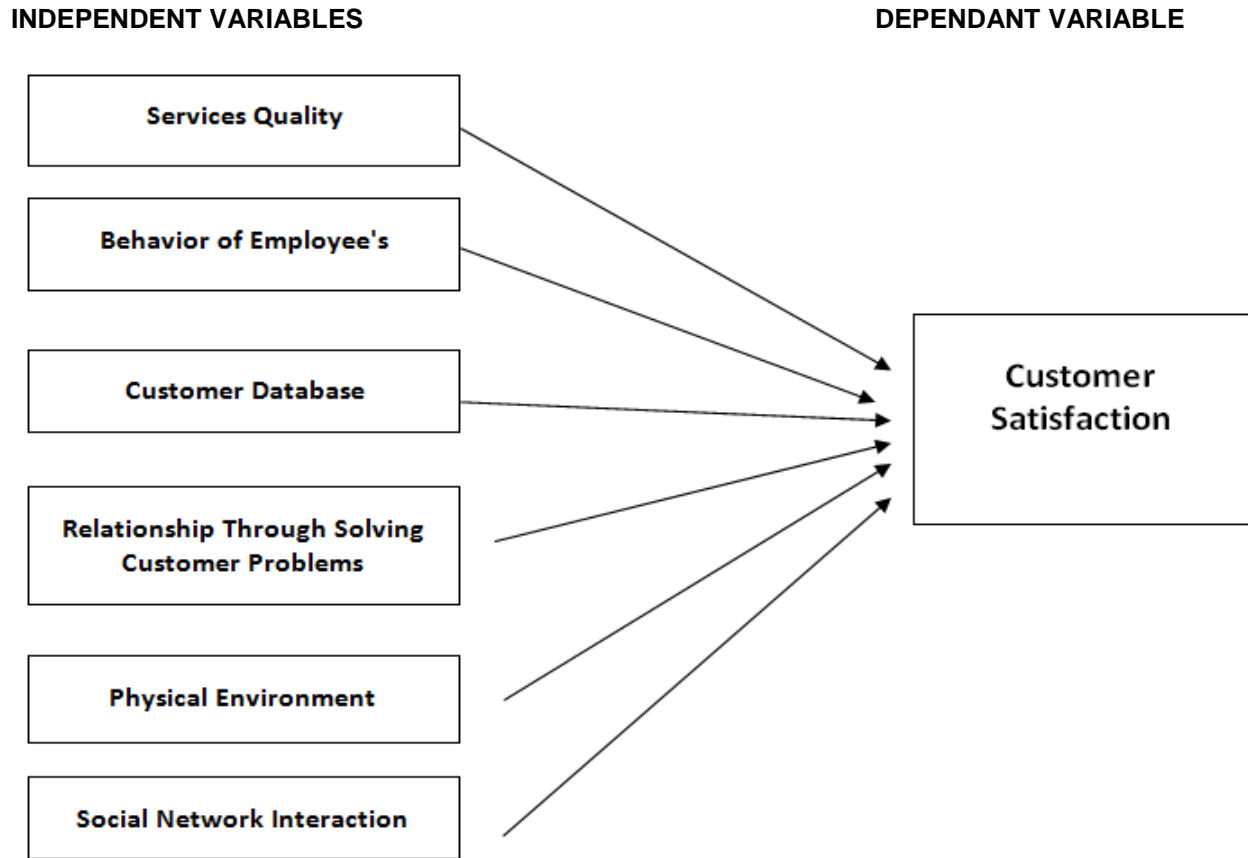
Khalighet. al. 2012 ; Bhattachry 2011 ; Hisham, 2011 ; Kocoglu, 2012; Faed, 2010; Kim et al., 2003; Bohling et al., 2006; Wang and lo, 2004 ; Zineldin, 2006; Izquierdo et al , 2005) .

Researcher based on the literature reviewed proposes a model which reflect the main elements of CRM that are responsible for creating customer satisfaction as shown in figure(1). CRM elements, as an independent variables represented on the left side of the model with six main

elements i.e. Services quality, learning customer needs and complaints, producing solutions peculiar to customer, behavior of bank employees, physical environment of the bank and social network capabilities of the bank. On the right side of the model the dependent variable is represented by customer satisfaction

Wide ranges of customer relationship are responsible for creating customer satisfaction .This research investigates the main elements of CRM that are responsible for customer satisfaction practice. CRM elements were representing as an independent variables and on the other side of the model the dependent variable is represented by customer satisfaction. These CRM elements were previously used by researcher Dr. Zakaria Ahmad Mohammad Azzam by the title, *The Impact of Customer Relationship Management on Customer Satisfaction in the Banking Industry –A Case of Jordan* in 2014 by European journals of business management. This CRM elements used by the previous researcher used were major elements that used for increase customer satisfaction in similar way in commercial bank of Ethiopia west Addis Ababa district.

Figure no.1



3.3.2 Pilot Study

A pilot study was conducted on 50(fifty) participants of which 18(eighteen) female and 32 thirty two males age ranging from 26-55years this covers 13% of total respondents. The purpose of the pilot study was to see the understandability and conceptual clarity of items of all questionnaires and the total time taken in the administration of questionnaires. They were informed about the nature and purpose of research and the procedure of administration of research tools. No major difficulty in understand ability of tools was reported. The average time taken to complete all tools was 10- 25 minutes.

3.4 Methods of Data Analysis

Using SPSS (version 20) statistical package, descriptive analysis, and frequencies were computed to find out the relationships and dependence between different variables.

After the accomplishment of the data collection there were careful analysis and interpretation of this data which were collected from the customers and employee of the branch. The analysis data shall be present in table form which will makes the researcher easy to interpret and draw conclusion and recommendation based on his finding on the data source.

As stated in back ground of the organization commercial bank of Ethiopia has 15 district office and **1,264**(one thousand two hundred sixty four) branches in April 30, 2018. West Addis Ababa district is one of the banks district and have **111** (one hundred eleven) branches on Jan, 15, 2018G.C.This district have more than **2500** (two thousand five hundred) employees and the branches are classified by grades depending on the banks classification procedure. In west Addis Ababa district there are **12**(twelve) Grade-4 branches, **13**(thirteen) branches are Grade-3, among these branches 2, (two) branches are found in Guraghe zone (Wolkite and Butajira) and hold huge customers.**42**, (forty two) branches are grade-2, and the remaining **44**(forty four) branches are grade-1 branches.

Among these grade one branch **10**, (ten) branches are found in Guraghe zonal administration.

Questionnaires developed by the researcher contain two main parts. The first part is related to demographic variables of the respondents regarding their years of dealing with the bank, gender, age, income, level of education, status, and bank they deal with. The second part of the questionnaire deals with elements of assessment of customer relationship management (CRM) and customer satisfaction practice in commercial bank of Ethiopia. Based on Likert – scaled items scoring from 1 (strongly disagree) to 5 (strongly agree) to measure all variables of the study. Employees who were assigned for interview are employees that are senior in the bank employee classification procedure includes senior branch controller, senior customers service officer-accounts, senior customer service officer-cash, customer service manager and branch manager.

The finding of this study shows that the customer perception and treatment given to each customer individually able to assist in solving many customer's problems. Thus, customer satisfaction and loyalty would be achieved through a successful CRM implementation.

3.5 Source of Data

The study use both primary and secondary sources to gather data. The Primary sources for gathering primary data were customers and employees of CBE. On the other hand, secondary sources that we used are books, internet and published journal articles related with customer relationship management and customer satisfaction.

3.6 Methods of Data collection

Primary data were collected through close ended questionnaires and semi- structured interview. Questionnaires were used to obtain data on the variables encompassed in this study namely customer relationship management, service quality, customer satisfaction and employees behavior.

CRM elements were representing as an independent variables and on the other side of the model the dependent variable is represented by customer satisfaction. This CRM elements were previously used by researcher Dr. Zakaria Ahmad MohammadAzzam by the title, *The Impact of Customer Relationship Management on Customer Satisfaction in the Banking Industry –A Case of Jordan* in 2014 by European journals of business management.

All of the measures used in this study were adapted from existing literature and also used 5-point Likert scales with the anchors 1= strongly disagree to 5= strongly agree. Multiple item indicators were adapted from the literature to operationalize the study constructs in the context of the banking industry.

All constructs were deemed reflective constructs since the items reflect the meaning of the construct.

3.7 Validity and Reliability Issue

To collect the necessary data from the study subjects the researcher uses or adapt the standardized questionnaire. The instruments (questions) internal consistency and stability was checked using Gronbach's alpha reliability index.

Table 3.3 validity and reliability table

Variable	Items	Cronbach's Alpha
Service Quality	5	0.756
Customer Database	4	0.784
Solving Customer Problems	4	0.819
Employee's Behavior.	4	0.792
Physical Environment	5	0.801
Social Network Interaction	4	0.860
TOTAL	26	0.802

As shown in table (2) all the variables are interrelated and show inter consistency, where the value of Cronbach Alpha is greater than 0.60 which is acceptable. Additionally, interviews were used because it is possible to schedule a mutually convenient time and place, it is easy to take notes during the interview, interviews can probe deeply into respondents' beliefs, attitudes and inner experiences by following up with questions to obtain more information and clarify vague statements and possible to obtain information that might not have been revealed using another data collection.

3.8 Ethical considerations

The study has approval from Wolkite University School of graduate studies, department of management Masters of Business Administration. To collect primary data through questionnaire from employees and customers, permission was obtained from the selected branches. The respondents were instructed not to write their names on the questionnaire and assured that the responses would be used only for academic purposes and kept confidential. The purpose of the study and the potential benefit of the research results were mentioned in the introductory part of the questionnaire. Similarly, before conducting interviews these senior staffs were informed about the objective of the research and the interview was conducted after obtaining their permission.

CHAPTER FOUR

Data Presentation, Analysis and Interpretation

4.1 Background Characteristics of the Respondents

The researcher has designed to take information from 392 respondents (subjects) in the total questionnaires. However, 377 (96.1%) respondents were successfully returned the requested questionnaires. The rest 15(3.89%) respondents were not voluntary to give back the questionnaires even though they were asked repeatedly.

Table 4.1 Questioner's distribution

Questionnaires	Frequency	Percent (%)
collected	377	96.1
Not collected	15	3.9
Distributed	392	100

Considering the demographic features of the customers included in the study 74.78%(282) of them are males and 25.20%(95) are females .The respondents are mostly between the age 26 - 55 years which represent 82.49% of the sample followed by the age 20-25 which constitutes 14.85% of the respondents .Related to qualification variables 48.54% are having bachelor degree (BA),and 8.5%Masters degree holder, 22.54% were college diploma and the remaining 20.42% have technical school educational qualifications. Majority of the respondents are working in the government sector with 41.9% of them. 29.44% of the respondents have their own business and the remaining 29% were involved in other business activities. Finally 80.63% of the respondents are dealing with the bank 5-10 years. This shows that most of the respondents in the sample deal with the bank more than a year, Frequency table under listed supports this idea.

Table4.2: Demographic characteristics of respondents.

S.N O.	VARIABLES		NUMBER	PERCENT (%)
1	Sex	Male	282	74.78
		Female	95	25.20
		Total	377	100
2	AGE	20-25	56	14.85
		26-35	122	32.36
		36-45	149	39.52
		46-55	40	10.61
		56 and above	10	2.66
		Total	377	100
3	Educational Qualification	Technical School	77	20.42
		College Diploma	85	22.54
		BA /BSC	183	48.54
		Masters Degree/	32	8.5
		PHD	0	0
		Others	0	0
		Total	377	100
5	Job	Private Sector	76	20.15
		Government Sector	158	41.90
		Own business	111	29.44
		Others	32	8.5
		Total	377	377
6	Years Of Dealing With the Bank.	1-5 years	44	11.67
		6-10 years	278	73.74
		11-15 years	55	14.59
		Above 16 years	0	0
		Total	377	100

Source: research document, 2018.

4.2 Assessment of (CRM) and customer satisfaction

In this section, the collected data was entered and analyzed using SPSS descriptive statistics software. The mean value of each CRM factors with respect to respondents' category is analyzed and presented. So, the objective of the study was to investigate the assessment of CRM and customer satisfaction practice commercial bank of Ethiopia west Addis Ababa district.

As mentioned in many studies and observed in this research, there are six main dimensions that affect the customer satisfaction in commercial banking industry. Customer relationship management composed of six behavioral components, such as; service quality, customer database, employee's behavior, solving customer's problem and complaints, physical environment and social networks.

Organizing around CRM and technology based CRM are crucial to gain customer loyalty, to improve customer satisfaction, to provide quality services/products and to increase market share. To find out the degree of effect of between the dependent variable (customer satisfaction) and independent variable (CRM elements; service quality, customer database, solving customer problems and complaints, employee's behavior, physical environment and social network interaction), descriptive analysis is done. For this purpose SPSSver.20 program is used.

4.2.1 Respondent's response about service quality.

Service quality

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

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

Five Likert scale type questions were presented to the customers concerning the service quality of commercial bank of Ethiopia west Addis Ababa district regarding to banking service, dealing with customers confidentiality, accuracy of transactions, and spreading of branches.

From customers point view, services can be defined in terms of process and its outcomes. In other words customers evaluate service quality by examining actual service delivery process and its out come at the end of the day (Parasuraman et al.; 1985). Asiedu (2016) argued that “bank service offering is a service rendered to customers to satisfy their needs. He continued that banks’ ability to know and understand their customer’s level of needs and interest is important and beneficial in changing and shaping the firms service portfolio”.

Table4.3: quality of service

Frequency distribution table of service quality

variables	service quality	providing banking service increases customer satisfaction	dealing with customer confidentiality fosters customer satisfaction	accuracy is essential for customer satisfaction	providing developed service is essential for customer satisfaction	spreading banks branches is important for customer satisfaction
Total	377	377	377	377	377	377
Std. Deviation		.92836	.77547	1.12012	.93423	.60002
Minimum		2.00	2.00	1.00	2.00	3.00
Maximum		5.00	5.00	5.00	5.00	5.00
Grand st.deviation						0.868

Source: research document, 2018.

Among the total respondents 63% of the respondents strongly agree about the idea of providing banking service to customer satisfaction and 55.17% of the respondents agree about dealing with customer confidentiality fosters customers satisfaction. But 37.1% of the respondents do not agree or have neutral idea about dealing with customer confidentiality fosters customers satisfaction. Based on the respondents opinion in table no.4.3, the standard deviation of the respondent in maximum were agree 1.12 this shows that the respondent requires accuracy of transactions in their business deal with the bank and the standard deviation of spreading branches were **0.6** it covers 86.47%.When the bank aggressively opens branches in different areas of the country. But the respondents were not satisfied by branch expansion of the bank as indicated above in frequency table. On the other hand, the calculated weighted mean which is greater than the calculated mean indicates service quality is the necessary element in the bank in application

of CRM. Grand total value of questions about service quality was (0.868) this shows that the bank gives more emphasis to service quality as a result this helps to recruit new customer and retain existing customers who contribute to the improvement of its performance and sustainability of business activities. The standard deviation of providing developed service (0.93) to the customer provides satisfaction to the customers as indicated in the above table followed by providing banking services (0.928).The respondents have moderate answers about the questions, providing banking service increases customer satisfaction, dealing with customer confidentiality foster customer satisfaction and providing developed service is essential for customer satisfaction with their mean value (3.5).

4.2.2 Behaviors of the Employees

An Employee that conforms to organization behavior and value is likely to strengthen the connection between the customer and the firm. Reverse pattern of effects is to be expected when the employee act through his/ her own behavior. In these cases, a consumer may think that the organization actually does not deliver the symbolic benefits that she/he had expected for and may evaluate the organization in a negative way. In order words, under circumstance such as the ones described, an employee will probably exert a strong impact on organization reputation and attitudes (Coulter 2002). According to the works of Hanley (2008) and Coulter (2002), the effect of positive employee's behavior could be increasing speed of response to customer and ensure employees are friendly and respectful to customers which enhance customer satisfaction toward the services provision.

As seen in table 4.4 employees' behavior in the bank affects customer satisfaction positively. The average mean value of respondents about employees behavior were **3.9** this shows majority of the respondents agree with the idea also supported by standard deviation **0.76**.while the mean value of being kind with customer were 2.9 this is less than the mean value 3 the bank required to train his employees to develop kind behavior with customers.

In general majority of the respondents had positive relations that employee's behavior is a factor for successful implementation of CRM in order to improve customer satisfaction and business growth in the market and helps to take competitive advantage.96.9% the respondents strongly agree or agree with employees' behavior of the bank with dealing sincerely with customers. The calculated mean is pointing how the employees' behavior in the bank affects customer satisfaction. As the mean indicated majority of the respondents prefer agree or more

option. The calculated mean which is greater than the table mean clearly shows this reality. The mean value the table regarding employees behavior is **3.9** this implies that customers satisfaction in the banking industry and other service sectors have directly related to employees behavior of employees. Average standard deviation of employees behavior is 0.76 this shows that positive relationship between employee's behavior and customer's satisfaction.

Table 4.4: employees' behavior

Frequency table about employees behavior

variables	dealing sincerely with customers makes them happy with the bank	being helpful with customers makes them loyal to the bank	being kind with customer makes them satisfied	highly skilled employee is necessary for the bank
Total	377	377	377	377
Mean	4.2865	3.9549	2.8674	4.4483
Std. Deviation	.51844	.87554	1.18879	.53406
Minimum	3.00	2.00	1.00	3.00
Maximum	5.00	5.00	5.00	5.00
Average mean				3.9
AverageStd. Deviation				0.76

Source: research document, 2018.

4.2.3 Solving customer's problem.

A major reason why customers switch service providers is unsatisfactory problem resolution. When customers face a problem, they may respond by existing (switching to a new supplier), voicing (attempting to remedy the problem by complaining) or loyalty (staying with the supplier anticipating that „things will get better“). Given that customers of banks have relatively high switching costs, it is likely that dissatisfying experience will evoke a passive reaction (non-complaint) or a complaint. Given that the customer complaints, the banks response can lead to customer states ranging from dissatisfaction to satisfaction. In fact, anecdotal evidence suggests that when the service provider accepts responsibility and resolves the problem, the customer become „bonded“ to the organization (Hart et al., 1990).

Service delivering organization, it is common phenomenon to encounter with complaining customers. Understanding service recovery is particularly important for managers as the unique nature of service (inseparability of production and consumption) makes it impossible to ensure 100 percent error-free service (Fisk et al., 1993). Therefore it is advisable for service giving organization to establish effective system of dealing with customer complaints in addition to striving to avoid it. If complaints are to be handled wisely organizational culture must not be threatening Benefits should accrue to those who complain the organization and potential customers. This can be achieved by encouraging employees to resolve & analyze complaints at the spot. So problems associated with inadequate customer complaints handling system worsen the overall service quality of any service operator

Enterprises product benefits of form, time, place and property that will satisfy the customers' demands through goods and service. Forming and marketing of the goods and services that satisfy the customer demands is the basis of producing benefit (Altitas, 2000 :). Whether the customer is satisfied or not depends on whether he compares what is offered to him with his own expectations. If what is offered suits the expectations, the customer is satisfied. If what is offered is above the expectations, the customer is highly satisfied and pleased. (Kother, 2004: 36) for example, if the real performance of a product or service in a bank is below the expectations, the result is dissatisfaction, but if it equal or higher, customers satisfaction is achieved. (Kocoglu, Duygu, 2012; Gubuz, 2008).

There are research evidence which shows the impact of resolving customers' problem in desirable manner on customer satisfaction, loyalty and bottom line performance. That is, customers who experience service failure but are ultimately satisfied based on recovery efforts by the firm will be more loyal than those whose problem are not resolved. Firms can translate that loyalty in to profitability. As Zeithaml and Bitner in their 2003 edition had articulated from the work of Technical Assistance Research Program (TARP) those customers who complain and have their problems resolved quickly are much more likely to repurchase than are those whose complaints are not resolved. Those who never complain are least likely to repurchase.

Based on table 4.5, reveals that mean of the banks officer response directly to problems have moderate response, calculated mean of the respondents (3.5) support this idea. Items that the respondents give more response for either neutral or disagree for the question were giving greater attention to banks responses towards customer complain. The calculated mean 2.7 support this

idea. Average mean (3.2) for the answer for respondents solving customer’s problem and complaints shows this. 51.44% of respondents are not comfortable about banks deals effectively with customer’s problem supported by standard deviation of (1.03).

The banks aggressively open branches and innovate different technology, the needs actively response customers problem and complain in order to improve service quality and properly applied CRM in the bank.

Average mean of the table above is 3.2 this is greater than calculated mean 3 this shows that solving customer’s problem and complaints have direct relation to customer satisfaction and also this idea is supported by standard deviation of the respondents.

Table 4.5 solving customers’ problem and complaints

Statistical analysis of solving customer problems

variables	bank deals effectively with customers problem	bank review complaints periodically	the bank officers response directly to problems	customer giving greater attention to the bank reaction towards complaints offer
Total	377	377	377	377
Mean	3.2467	3.3050	3.5013	2.7268
Std. Deviation	1.03664	1.05679	1.29468	1.33574
Minimum	1.00	2.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00
Grand mean				3.2

Source: research document, 2018.

4.2.4 Physical environment

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

Table 4.6: physical environment

Statistical description of physical environment					
variables	decoration in the bank is attractive to customers	cleanness of the bank fosters customer satisfaction	area arrangement in the bank is attractive	electronic screen service is up to customers expectations	lighting and conditioning facilities provided is attractive to customers
Total	377	377	377	377	377
Mean	4.1273	4.4005	4.4960	3.5650	4.5013
Std. Deviation	.87805	.49066	.54637	1.28686	.59307
Minimum	2.00	4.00	3.00	1.00	3.00
Maximum	5.00	5.00	5.00	5.00	5.00
Average mean					4.2

Source: research document, 2018

As it is seen in the above table 4.6, the calculated mean of each question is greater than table mean (3) also supports this response. The maximum mean calculated in response of physical environment of the bank was 4.5 customers are more satisfied when the branches have sufficient lighting and decoration materials. Smallest mean calculated in the respondents 3.6. This indicates that some respondents are not satisfied with electronic screening service of the bank. As a recommendation the bank needs to develop themselves by communication technology as per the customers' expectations. In order to sustain in competitive market communication technology is one means for satisfying customers need.

The average mean for physical environment is **4.2** this clearly shows that physical environment and customers satisfaction have direct relationships, average mean is greater than calculated mean of respondents 3.

CRM applications (CRMAPLC): This variable encompasses both the legacy IT applications (i.e., the applications that firms developed before modern CRM applications were introduced) and newer IT applications (i.e., the integrated suite of marketing and sales applications developed by CRM and enterprise resource-planning vendors). We measured the first component of CRM applications (legacy customer-related IT applications) using a 12-item summative index that indicates the deployment of IT systems to support business processes associated with customer acquisition and disposal of a firm's products and services. The specific IT systems covered by this scale are related to product marketing information, multilingual communication,

personalized marketing offerings, dealer locator, product configuration, price negotiation, personalization, trans- action system, online distribution and fulfillment system, customer service, and customer satisfaction tracking (Sunil Mithas, M.S. Krishnan, &ClaesFornell, 2005).

4.2.5 Social network interaction

Table 4.7: social network interaction

Frequency distribution of respondents about social network interaction

variables	sending messages to customers enhance customers satisfaction	providing promotion fosters customer satisfaction	providing information is essential for customers	web availability gives competitive advantage to the bank
Total	377	377	377	377
Mean	3.8488	4.3422	4.5782	3.5915
Std. Deviation	.89678	.47507	.49450	1.17949
Minimum	2.00	4.00	4.00	1.00
Maximum	5.00	5.00	5.00	5.00
Average mean				4.05

Source: research document, 2018

Technology is very important to improve the capability of CBE in collecting, saving, analyzing and sharing knowledge about the customer. Technology enables CBE to personalize its services with quality and affordable cost and help the organization employees to reach the individual customers.

Four Likert scale type questions were presented to the respondents about social network interaction of the bank’s customers, sending messages to serve customers, providing promotion to serve customers, availability of individual customer information at every point of contact, the ability of the bank to serve customers by using different communication technologies.Machines, if the bank uses phone calls, e-mails, and personnel visits to communicate with its customers and if the bank has the right technical staff to provide technical support for utilization of computer technology in building customer relationships.

This shows social network interaction is one of the factors to apply CRM in the bank to satisfy customers need and meet expectations.

The higher calculated mean (4.5) in social network interaction in the bank were providing information about the customers. Large numbers of respondents agree or strongly agree about social network interaction of the bank. Customer response about web availability of banks in order to address customers' needs and wants. Respondents in this concept were either neutral or disagree, calculated mean of the respondents were (3.5).

Average mean calculated is **4.05** this indicated that social network interactions have direct impact on customer's satisfaction.

4.2.6 Customer database

Table 4.8: customer data base

Description of respondents about database

variables	availability of bank customer database is effective to customer satisfaction	up grading customer database is effective to customer satisfaction	the bank can get any information about customers when needed	customers all information is easily obtained by officers to satisfy customers
Total	377	377	377	377
Mean	3.9443	3.7454	2.6578	3.4032
Std. Deviation	1.03120	.94750	.96874	1.21462
Minimum	1.00	2.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00
Average mean				3.4

Source: research document, 2018

Based on table 4.8, among the total 377 respondents maximum numbers of respondents were responding agree or strongly agree about effective management and handling of customer database both in hard and soft copy in the bank. The calculated mean 3.9 is greater than the table mean 3. The standard deviation also strengthen their opinion.

Considerable amount of respondents responded neutral or disagree in the response of the banks get any information when needed. The calculated mean (2.6) indicates that the mean value of the respondents were less than calculated mean of the table 3 shows the bank required work more on know your customer analysis (KYC) department in order to get sufficient information about its customers and uses different networks to address information for their customer.

Average mean of table 4.7(3.4) about customers database management in commercial bank of Ethiopia west Addis Ababa district have positive relationship with customers satisfaction.

4.2.7 Customer satisfaction

Table 4.9: customer satisfaction

Statistic description of dependent variable				
variables	I am satisfied with service quality of the bank	I am satisfied of being clients of this bank	I am satisfied with various ranges of services	I am satisfied with respectful behavior of employees
Total	377	377	377	377
Mean	3.3183	2.4218	3.2122	3.1777
Std. Deviation	1.28598	1.24193	1.52726	1.09532
Minimum	1.00	1.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00
Average mean				3
Average st.deviation				1.275

Source: research document, 2018

Customer Satisfaction

Customer satisfaction can be seen based on two approaches either resulted from customer satisfaction after consumption or the customer perceptual process and evaluated that is resulted from his/her personal consumption experiences. Accordingly, questions that is related customer satisfaction with the services delivered by the bank, customer satisfaction based on the varieties of services, overall service quality and employees interaction with customers were asked to the subjects.

Satisfied customers are loyal to the organization and retained for longer period of time. In the words of Asiedu (2016) A “Banks performance determines how loyal its customers are and it is normally measured in percentage of long term customers”. Reich held and Sasser (1990) has recognized the benefits that customer retention delivers to a bank. According to Asiedu (2016), customer satisfaction is very important because satisfied customers retained for longer and tend to lower cost, make vulnerable reference to new potential customers to increase banks market-share and spend more. For instance, the longer customer stays with a bank the more utility the

customer generates. This is the result of a number of factors relating to the time the customer spends with a bank.

There are two general conceptualizations of satisfaction namely, the transaction specific satisfaction and cumulative satisfaction. Transaction specific transaction resulted from consumers' evaluation of particular service encounters. Most of the transaction specific satisfaction is experienced first time users. Meanwhile, cumulative satisfaction refers to the customers over all evaluation of the consumption experience to date. Cumulative satisfaction is most important approach to guide service quality (Anderson, 2004).

Based on the respondents response, the larger mean by the respondents were (3.3) respondents replied by supporting service quality of banks by providing different products. Considerable numbers of respondents were responded about neutral or disagree in the question. The calculated mean is also indicates that the bank have some positive progress about elements of customer relationship management factors and customer satisfaction.

Based on different elements of CRM which shows in the above table 1-10 shows that customer relationship management (CRM) elements have a positive, relationship with customer satisfaction. As a result of this accepts the alternative hypothesis which states that there is a significant relationship between CRM and customer satisfaction. That all CRM element measured, shows a significant statistical relationship with customer satisfaction. As a result of which all alternative sub hypothesis are accepted which states that elements of CRM represented by service quality, customer database, solving customer problem and complaints, bank employee's behavior, bank physical environment, and banks social network interaction are all responsible for creating customer satisfaction(Dr. Zakaria Ahmad Mohmmad Azzam,2014).

4.3 Findings of data analysis

The results of this empirical study produced the following notable findings.

First, this analysis presented the most relevant and fundamental theoretical approaches that form the assessment of CRM and customer satisfaction practice in the industry, i.e. banking. In essence, this analysis contributes to assessment of CRM elements to increase customer satisfaction.

Second, the implementation of CRM is positively associated with customer satisfaction.

Third, there is a significant interaction between IT capability and CRM implementation in the context of improving customer satisfaction.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

The above results clearly show that CRM does have a positive relationship with the dependent variables (customer satisfaction). However, not all elements have significant impact on the dependent variables. The quality of service and solving customers problem and compliant contribute most to customer satisfaction followed by employee's behavior and physical environment. This result confirms the findings of previous studies (Coulter, 2002; Brown & Gulycz, 2002; Hanley, 2008). The outcomes of the findings implicate that quality of service, solving customer's problem and complaints; skilled employees who have good relation with customer will increase customer satisfaction. These findings are also supported by several previous studies (Hanley, 2008; Szczepańska & Gawron, 2011). The organization must put emphasis in these CRM elements which are important to increase customer satisfaction. Employees are expect not merely be polite and courteous towards their customer, but most importantly must have the product knowledge and communication skills that can create a relationship with the customers Hanley (2008) and Coulter (2002) further stress that positive employees' behavior is vital in sustaining customers' loyalty. By improving the competencies of employees in this area will definitely improve the overall service quality of the organization. Organization must also constantly keep their employees motivated because highly motivated people would definitely able provide better services.

Adebanjo (2003) argued that analytical CRM tools can be used in increasing relationship of the customers through analyzing the captured data from customers. Analytical CRM is used to analyzing customer inquiries and behavior to support the decision making for the services. Furthermore, Hanley (2008) and Lindgreen et al. (2006) stress that relationship development can be improved by a few methods such as:

- 1) Inform customers about promotions, discounts and other facilities of the organizations.
- 2) Encourage customers to purchase more by showing appreciation.
- 3) To convince customers that their feedback are taken seriously.

This study only focuses on one organization in a country in Ethiopia and few branches. However, a comparative study can be done in future to look in the different elements of CRM all over the countries on the CRM practices that help to assess customer satisfaction practice. CRM is the most efficient approach in maintaining and creating relationships with customers. CRM is not only pure business but also ideate strong personal bonding with people. Development of this type of bonding drives the business to new levels of success. Once this personal linkage is built, it is very easy for organization to identify the actual needs of customers and to serve them in a better way. It is a belief that the more sophisticated strategies involved in implementing CRM, the more fruitful is the business. Organizations must consider seriously in investing on tools for implementing CRM systems in their workplace.

The main objective of this study is to the assessment of customer relationship management and customer satisfaction practice in commercial bank of Ethiopia west Addis Ababa district with reference to BUEE, KELLA and ERENZAF Branches in commercial bank of Ethiopia in .In this study, both quantitative and qualitative research approaches are implemented and due to the purpose a descriptive research design was used and a cross-sectional research survey was also considered. The target populations of the study were employees and customers of the branches. The branches included in this study were grade one branches found in Guraghe zone and purposive sampling was employed.

In this study, both primary and secondary data were used as source of information. Based on the research objective, English version questionnaires were prepared. Three hundred ninety two (392) customers were approached using non- probability sampling (purposive sampling technique).

As the findings of this study indicated in chapter four respondents of all the branches agreed with the six elements of CRM. Moreover, respondents agreed with the elements of CRM by giving the higher rate scale to service quality, solving customer's problem and complaints, followed by employee's behavior and skills.

Also the results of descriptive analysis in table shows that all the independent variables i.e. service quality, customer database, employees behavior, solving customers problem and compliant, social network interaction and physical environment are positively and significantly correlated with the dependent variable i.e. customer satisfaction.

5.2 CONCLUSION

In banking industry trustful and quality banking services are the basis of sound CRM. From the results obtained, customers of the selected branches have feel safe in conducting transactions with their banks. However, it is difficult to arrive at such conclusion and generalize that the selected branches are doing their transactions well, since there were some respondents who disagreed and remained neutral.

This research has numerous functions in management of bank customers because commercial banks of Ethiopia west Addis Ababa District were interested in obtaining and retaining of customers to achieve market performance. During the investigation the researcher used descriptive statistics and based on the findings he made the research project to an end by outlining the following classic conclusions.

- ❖ The findings of the study showed that the application of CRM in the banks have good relationships with dependent variables (customers satisfaction).

Therefore, the researcher can convincingly conclude that the concept of customer relationship management is wide and applied in every organization helps to increase customer's satisfaction.

This idea is supported by previously analyzed chapters for different elements of CRM that fosters customer's satisfaction.

- ❖ Based on the results of the descriptive statistics, it is pertinent to conclude that the higher the level of quality service, employees behavior, customer database management,

Physical environment, social network interaction and others CRM elements can be applied in commercial bank of Ethiopia west Addis Ababa district in order to recruit new customers and retain the existing one.

This is clearly clarify in the above chapter by using descriptive statistics of average mean of each CRM factors like: service quality (3.5), employee's behavior (3.9), solving customer's problems and complaints (3.2), physical environment (4.2), social network (4.05) and customer database management (3.4).

The aim of CRM is also to establish, maintain, and enhance relationships with customers at a profit. So, doing what is promised to do is the fundamental issue to maximize profit. Though customers of all selected branches perceived that their banks were better in customer data base and physical environment there is a slight difference among them. It is common that as service

qualities of the bank not meet the expectations of customers, customers are unwilling to conduct business transaction. Particular to the banking industry, trust and quality of service leads to construct long-term relationship with their customers. Though there are customers who have doubt considering quality of service, employee's behavior and information technology service of the selected branches.

This study strongly supports the fact that CRM is need of an hour and no business may be it is banking business; retailing or something else can ever survive without proper introduction of CRM. This study strongly supports the connection that consumer were more satisfied with professional service provider who engaged in both courteous expressions and personal connections forms of sociality.

Moreover, finding revealed that regardless of services context customers expect service provider to be courteous usually , most conversation begin or end with a courtesy expression and includes some form of personal connection content.

The important point is that sociality communication can play a pivotal role in moving the provider and consumer for mere encounters to higher degree of relational development.

5.3 RECOMMENDATION

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

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

5.3.1 General recommendations.

The general recommendations are for the three selected branches of commercial bank of Ethiopia west Addis Ababa district considered in this study, which includes;

- ❖ Attention should be paid in continuous supervision and monitoring the quality of services in the branches and as a whole in the bank.
- ❖ These three branches of commercial bank of Ethiopia west Addis Ababa district should have dialogues with their customers in order to identify where the demand of customers lies and offer customized services to them in order to evaluate satisfaction level of customers.
- ❖ The selected branches of commercial bank of west Addis Ababa district should Implement CRM practices; which can enable the banks attract and retain customers.
- ❖ Banking management should enhance the process and procedures of solving customer complaints and problems directly which can foster CRM and customer satisfaction
- ❖ The three branches obtain information about their customers from their suggestion boxes. However, it will be better to adapt other mechanisms such as interview, using social media, personal contact and other related mechanisms or generally conducting research periodically.
- ❖ Special attention should be given by banks management to physical environment and technological infrastructure which has a direct relationship with customer satisfaction.

Service quality, customer database management, employee's behavior, physical environment, solving customer's problem and compliant have to be enhanced and reinforced in order to keep and increase customer's satisfaction

This can be enhanced and developed through the following:

- ❖ The selected branches have to improve the level of quality of service by continuous development of different products and benefits, working with key customers, increasing its ability to meet its promises, fulfilling obligation, providing consistent quality services and continuously delivering superior and added value for key customers.
- ❖ The selected branches have to improve employee's skill and experience and continuous improvement for employee's qualification in order to address customer's problem easily by enabling ongoing and two-way communication, good management practice, well

trained and motivated employees, successful dissemination of knowledge management, detail knowledge of every procedures and ability to handle customers.

- ❖ The selected branches have to developing meticulously designed physical environment around customers through good organizational structure, organizational wide commitment resources, cross-functional teams and good organizational images.
- ❖ The selected branches have to improve technology based CRM through maintain comprehensive databases of customers to improve their services, necessary hardware and software facilities to address the dynamic need of customers towards advancement of banking technologies, technical personnel support for utilization of computers and banking technologies to improve the capability of employees about the technologies.

Particularly, the following possible recommendations are suggested for each bank.

- ❖ CBE has to give attention to provide services in line with the needs and specializations of Quality of service.
- ❖ The CBE has to dialogue with key customers in order to identify where the demand of key customers lies and offering customized services to them.
- ❖ For CBE it is necessary to assign clear business goals related to obtaining and attracting new customers.
- ❖ CBE has to exerting more attention to provide individual customer information availability at every point of contact.
- ❖ CBE has to give attention to enhance employee performance measurement and to reward them on the basis of their level of achievement in succeeding customer services.

Generally, the selected branches have to implement customer relationship management appropriately and continuously as an indispensable tool for gaining competitive advantage and build long- lasting and profitable relationships with its customers in order to achieve market performance.

5.4 Implications for Future research

Although the objectives of this research were met, limitations were identified in the course of this research.

The study focuses on only the banking Industry, in banking industry also few branches. Such concentration could limit generalization of the findings to the entire service industry.

Anyway, this limitation creates an opportunity for future research in this area. This future research may replicate this study in other service sectors other than banking, and additional research is necessary to determine if the relationships identified can be generalized to other banks.

Another future research direction is to include customer relational management keystones not included in this research, for example, cooperation, communication and mutualism. Future studies may also investigate the possible moderation and mediation assessment of customer relationship management and customer satisfaction practice. By examining these effects, these future studies would add value to the present knowledge in this area, by establishing an indirect association between CRM practice and via customer satisfaction, customer retention and whether the relationship between the customer relationship management keystones and customer loyalty are moderated by customer satisfaction.

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APPENDIX A
WOLKITE UNIVERSITY
SCHOOL OF GRAGUATE STUDY

**MASTERSOFBUSINESS ADMINISTRATION PROGRAM QUESTIONNAIRE TO BE
FILLED BY CUSTOMERS AND EMPLOYEES OF COMMERCIAL BANK OF
ETHIOPIA**

Researcher; GEBEYEHU MELESSE

Email;GEBE512@YAHOO.com

**Research Topic; Assessment of customer relationship management (CRM) and
customer satisfaction practice in commercial bank of Ethiopia west Addis
Ababa district.**

Dear Respondents I would like to express my heartfelt appreciation for your willingness to fill this questionnaire and for your generous time and prompt responses.

Questionnaire Objective; the purpose of this questionnaire is to collect data about assessment of customer relationship management (CRM) and customer satisfaction practice in commercial bank of Ethiopia west Addis Ababa district. Information you provide in response to the items in the questionnaire will be used as part of the data needed for the study which I am conducting as a partial fulfillment of the requirements for the degree of Masters in Business Administration in Wolkite University under the School of graduate study. The results of the study are anticipated to supply understanding of assessment of customer relationship management (CRM) and customer satisfaction practice in commercial bank of Ethiopia west Addis Ababa district. I assure you that the information you provide will be used only for academic purpose and kept confidential.

Your honest and thoughtful response is valuable.

Instructions;

- There is no need of writing your name.
- In all items where answer options are available please tick (✓) in the appropriate box.

Thank you for your co-operation!

SECTION I; PARTICIPANT INFORMATION

1. Sex;

Male

Female

2. Age;

20-25

26-35

36-45

46-55

56nd above

3. Educational Qualification;

Technical school graduate

College Diploma

BA/BSc Degree

Master's Degree

PhD

Other

4. Field of specialization; _____

5. STATUS

Single

Married

6. Job

Private sector

Government sector

Own business

Other

7. Years of dealing with the bank

1 – 5 years.

6 – 10 years.

11 – 15 years.

Above 16 years.

SECTION II; Questions related to assessment of customer relationship management (CRM) and customer satisfaction practice in commercial bank of Ethiopia west Addis Ababa district. The following statements are related with the Customer relationship management practices towards customer satisfaction in commercial banks of Ethiopia. Please indicate the extent of your agreement or disagreement with each statement by ticking (√) in the box corresponding to a number from 1 to 5 that represents your level of agreement or disagreement. Your answers to these questions will enable the researcher to explore the impact of Customer Relationship Management on Market Performance of the bank.

Service Quality	Strongly agree	agree	neutral	disagree	Strongly disagree
Value	5	4	3	2	1
1. Providing banking services quickly increases Customer satisfaction.					
2. Dealing with customer confidentially foster customer Satisfaction					
3. Accuracy is essential for customers satisfaction in Banking services.					
4. Providing developed services by the bank is essential for customer satisfaction.					
5. Spreading bank's branches is important for customers satisfaction					
Customer Database	Strongly agree	agree	neutral	disagree	Strongly disagree
6. Availability of bank customer database is essential for effective marketing performance.					

7. Upgrading customer database is effective to customer satisfaction.					
8The bank can get any information about customers when needed.					
9. Customer's all necessary information is easily obtained by officer to satisfy customers.					
Employee's Behavior:	Strongly agree	agree	neutral	disagree	Strongly disagree
10.Dealing sincerely with customers makes them happywith the bank.					
11. Being helpful with customers makes them loyal tothe bank.					
12 .Being kind with customer makes them satisfied					
13. Highly skilled and experiences employees is necessary to provide good banking service.					
Solving Customers Problems and Complaints:	Strongly agree	agree	neutral	disagree	Strongly disagree
14. Banks deals effectively with customer problems.					
15. Bank review complaints periodically.					
16. The bank officer's response directly to problems.					
17. Customers give greater attention to bank reaction toward complaints offered.					
Physical Environment:	Strongly agree	agree	neutral	disagree	Strongly disagree
18. Decoration in the bank is attractive to customer.					
19. Cleanness of the bank fosters customer satisfaction.					
20.Area arrangement in the bank is attractive.					

21. Electronic screen services is up to customer Expectations.					
22. Lighting and conditioning facilities provided is attractive to customers.					
Social network interaction:	Strongly agree	agree	neutral	disagree	Strongly disagree
23. Sending messages to customers enhance customer Satisfaction.					
24. Providing promotion foster customer satisfaction.					
25. Providing information is essential for customer satisfaction.					
26. Web site availability gives competitive advantage to the bank.					
customer satisfaction	Strongly satisfied	satisfied	neutral	dissatisfied	Strongly dissatisfied
27. I am satisfied with the security of the bank services.					
28. I am satisfied of being clients of this bank.					
29. I am satisfied with various range of services.					

30. I am satisfied respectful behavior of employees of the bank.					
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APPENDIXB

Research Topic; Assessment of customer relationship management (CRM) and customer satisfaction practice in commercial bank of Ethiopia west Addis Ababa district.

Interview: for Employees of commercial bank of Ethiopia

The purpose of this interview is to collect data about the effects of Customer Relationship Management on customer satisfaction in Commercial Bank of Ethiopia. The information you provide in response to the questions will be used as part of data needed for the study which I am conducting as a partial fulfillment of the requirements for the degree of Masters of Business Administration at Wolkite University under the School of graduate studies.

1. Do you think that, your bank gives more emphasizes for key customers and provides customized services for them?

Yes **No**

2. If your answer is “**No**” Why and if your answer is “**Yes**”, would you please justify it?

3. Do you think that your organization provides and use appropriate channels to communicate with its customers?

Yes **No**

4. If your answer is “**No**” Why and if your answer is “**Yes**”, would you please justify it?

5. In your opinion, do you think that your bank maintains a comprehensive database of customers and have the necessary hardware and software?

Yes **No**

6. If your answer is “**No**” Why and if your answer is “**Yes**”, would you please justify it?

7. In your opinion, do you think that customer centric performance standards are established and monitored at all customer touch points?

Yes

No

8. If your answer is “No” Why and if your answer is Yes, would you please justify it?

9. Do you think that customer relationship management practices help your bank in improving marketing performance in terms of creating loyal customers, improving service delivery, Increasing customer satisfaction and market share?

Yes

No

10. If your answer is “No” Why and if your answer is Yes, would you please justify it?

THANK YOU!