The effect of customer relationship marketing on customer loyalty: A study on public and private owned banks in Gondar City, Ethiopia

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Abstract: *The ultimate objective of the marketing progression is to hold present customers, attract new ones, turn the customers into loyal ones and promote the relationship. Every business organizations without loyal customers and strategic customer relationship marketing are bound to be unsuccessful. The main purpose of this study is to determine the effect of Customer relationship marketing on customer loyalty in case of public and private owned banks in Gondar city. Quantitative research methods with deductive approach and explanatory research design were used in this study. For conducting this study, convenience sampling technique was used. Structured questionnaire with five point Likert scale was used to collect the data from the customers of the banks. A total of 422 questionnaires were distributed to customers of both public and private owned banks found in Gondar city; however, 418(99.05%) were valid and accurate. The data were analyzed through descriptive and inferential statistics (descriptive analysis, correlation, and multiple regression analysis) by using SPSS version 20. The findings of this study has shown that, the dimensions of Customer relationship marketing namely trust, commitment, communications and conflict handling have positive and significant effect on customer Loyalty. However; both empathy and responsiveness have insignificant effect on customer's loyalty. It is suggested that banks should apply effective conflict handling practices, communicate with their customers permanently, creating and developing customer trust, and demonstrate commitment in order to be successful in gaining customers loyalty.*

Key words: customer relationship marketing, customer loyalty, Gondar, bank.

I.   INTRODUCTION

1.1 Background of the study

Every business organizations without loyal customers and strategic customer relationship marketing are bound to be unsuccessful. Customer loyalty is not a new concept in the business world. Customer loyalty is based on constantly positively affecting experience, physical attribute-based satisfaction and supposed value of an experience, which includes the product or services. Banks can increase levels of profitability by on condition that secure products and services to the customers. So as to increase customer loyalty, several banks have announced innovative products and services (Mishra *et al.,* 2011). Customer loyalty has been concern in banking to professionals because of serious rivalry and higher client expectations. Customer loyalty is the desired expectation of a company from its customer (Kotler and Keller 2012). With the present condition in which the competition intensifies, banks compete against each other to improve their performance by offering products and services (Mishra *et al.,* 2011).

Customer relationship marketing is not a very new concept in the business world. Since the late 1960s, researchers acknowledged that attracting and retaining customers is the main purpose of any business (Ahmad, Omar &Ramayah, 2010). The beginning of Customer relationship marketing (CRM hereafter) has enabled the tracking, capturing and analysis of customer activities across different contact points and led the shift from segment-centric to customer-centric focus, (Elkordy, 2014). Organizations that have practiced CRM are predictable to attract and retain customers leading to profitability. Banks are fighting with each other to achieve a great serving of the market share with a globalization effect. For that reason, the banks have to look difficulties to meet the high growth of customer expectations (Hinnawi, 2011). Newly, more than ever before, strong competition, fragmentation of markets, short life cycles of

products and rising customer awareness and difficulty are the big challenges to the banking sector (Tsegay, 2011).

The development of relationship marketing has received a lot of attention in both academy and practice areas in the last few decades. It was during the last decade of the 20th century that relationship marketing began to govern the marketing field. During this period, relationship marketing became a major trend in marketing and management of business practical and practiced by many all over the world. Currently, various companies begin to establish their network to new as well as existing customer to increase ongoing log-term customer satisfaction by implementing the principle of relationship marketing via strategic and technology-based CRM application. Customer is the only source of the creating loyal customers is at the heart of every business (Keller and Kotler, 2012). During the past decade, relationship marketing has seen as the mainstream of thought in planning a marketing strategy both in industrial and consumer marketing domains (Tseng, 2007).

The banking sector is becoming gradually more competitive around the world. So, maintaining a sustainable long-term relationship with customer is a major factor of gaining a competitive advantage in commercial banking sector (Shani, &Chalasani, 1992). In several studies (OlyNdubisi, *et. al.* 2007 and Reichheld and Sasser, 2010) and other studies estimate that the cost of winning a new customer is higher than that of maintaining an existing customer. Therefore, the main purpose of this study is to determine the effect of Customer relationship marketing on customer loyalty of bank sectors.

1.2 Statement of the problem

Customer relationship marketing is a contemporary issue and it used to create long-term relationships with customers and the key to stability in an increasingly dynamic market.
Customer relationship marketing has become the main strategy to improve customer loyalty. Customer relationship marketing practice, particularly in the banking industry, has Enormous problems. According to Mishra *et al.* (2011), the banking sector is facing enormous challenges of attracting the new customers and retaining the existing ones supports it. However, in today's

banking environment, it is becoming difficult to build and maintain strong and long lasting relationships with customers (Bogale, 2017).

As a competition in the banking industry becomes confused, it is hard for banks to keep loyal customers who will contribute to the long term profit of the organization. Now days, in Ethiopia the banking industry and their branches increases from time to time. And there is high competition among banks in attracting the customers of one another and difficulties in retaining the lost customers one from the other; as a consequence users have many choices to prefer and consequently of this they are focusing on the quality of service. In addition, many customers' voice concerns about inefficiency and lack of quality in the banking sector (Gebre, 2010).

Payne, &Frow, (2006), stated that the implementation of CRM as a tool of competitive advantage is increasing worldwide. However, there is no doubt that the real implementation and resourceful practice of CRM is important to the successes of a firm. They stated that the majority of the firms applying CRM were so far to well benefit of it in terms of increasing profitability, expanding market share, enhancing sales volume, satisfying customers, retaining customers and reducing customer defection by attracting potential customers, because there are no ground guidelines and procedures on adoption; implementation and practices.

In the global literature sense, a number of studies have done in the more developed economies on the various dimensions of Customer Relationship Marketing (CRM). However, in the developing countries like Ethiopia, a very little attention had paid to the concept of Customer Relationship Marketing until recent times. Even in my empirical reviews to the studies made in Ethiopia as the researcher observed the following gaps. According to the researchers observed, there are no studies conducted to determine the effect of customer relationship marketing on customer loyalty of both public and private banks in a single study. Still many studies discussed in other problem areas of the banking industry, there are very few studies conducted on this issue in our country especially in the selected banking industries. Most of the studies considered only four or five independent variables

(dimensions) that is; trust, commitment, conflict handling and empathy, which made them to be less inclusive.

Therefore, to overcome the above problems, the researcher study on the effect of CRM on customer loyalty with regard to Commercial bank of Ethiopia, Awash International Bank and Dashen Bank in an emerging market like Gondar city can be a fruitful pragmatic work. This study is to bridge the above gaps and to contribute to literature on the effect of customer relationship marketing on customer loyalty.

1.3 Objective of the study

The main objective of study was to determine the effect of customer relationship marketing on customer Loyalty of Public and Private commercial banks at Gondar city, Ethiopia.

Specific objectives were:
- ➤ To determine the effect of trust on customer loyalty
- ➤ To determine the effect of commitment on customer loyalty
- ➤ To determine the effect of empathy on customers loyalty
- ➤ To ascertain the effect of responsiveness on customer loyalty
- ➤ To ascertain the effect of conflict handling on customer loyalty
- ➤ To determine the effect of communication on customer loyalty

1.4 Hypothesis:

H_1: Trust has statistically significant and positive effect on customer loyalty in banking sector.

H_2: Commitment has statistically significant and positive effect on customer loyalty in banking sector.

H_3: Empathy has statistically significant and positive effect on customer loyalty in banking sector.

H_4: Responsiveness has statistically significant and positive effect on customer loyalty in banking sector.

H_5: conflict handling has statistically significant and positive effect on customer loyalty in banking sector.

H_6: communication has statistical significant and positive effect on customer loyalty in banking sector.

II.   LITERATURE REVIEW

2.1 Theoretical framework

Today's banking industry is changing quickly. With the development of international economy and competitive markets, banks are also exaggerated (Gilaninia et al, 2011). Among banks at the international level, relationship marketing is taken into consideration as the ideal way to create and maintain long-term relationships with customers; because deliverable services in commercial banks is relatively identical and for the most part banks, to differentiate services towards competition is difficult. Consequently many of the world's banks are oriented the use of relationship marketing approach and implementation of its fundamentals (Gilaninia et al, 2011).

2.2 Customer Relationship marketing

The term relationship marketing is popularizing in the 1980s when the focus of marketers started to switch from customer acquisition to customer retention. Relationship marketing is a new approach in the banking industry to build close and long-term relationships with its customers in order to provide an understanding of the customer and their satisfaction considering the increasing competition. In the other hand, companies have found that the cost of attracting new customers is five times more valuable than retaining existing customers. Therefore, the loss of a customer, not only the loss of a sale item, but more significant since the loss of total purchases that the customer is able to do in life (kotler, 1999). The relationship marketing is the process to identify and create new value for customers, in which the mutual benefit has considered. This benefit shared with customer during his life. Kotler and Keller (2009) indicated that relationship marketing was mainly to match the customers 'needs and the service promise, so that the customer loyalty would increase Taleghani*et.al.* (2011).

The objective of a relationship is to build customer loyalty by creating and maintaining a positive attitude toward the company. When a depository financial institution claims to be practicing relationship marketing, it means that they have undertaken an organization wide strategy to oversee and take care of their interaction with customers and sales expectations. Relationship

selling is present at every point in the system and not merely at the relationship manager level or at the customer service point. Relationship marketing is the biggest paradigmatic shift in marketing theory and exercise in existing world. Customer Relationship marketing concerns attracting, developing and retaining customer relationship (Parasuraman and Berry 1991).

2.3 Dimensions of customer relationship marketing

Researchers divide different mechanisms of customer relationship marketing into internal and external programs (Ghafari*et al.,* 2011). According to them internal programs emphasize on organizational structure, culture and knowledge management while external programs include interactive activities with customers. Thus, based on this the paper has been focused on external programs of customer relationship marketing. This is, therefore, although CRM practices are measured under different dimensions but for this study the relevant dimensions are trust, Commitments, empathy, responsiveness, Conflict handling, and communication

2.3.1 Trust: Trust is defined as a belief or conviction about the other party's intentions within the relationship (Taleghani*et. al*., 2011).Moorman *et al* (1993) also define trust as "the willingness to rely on an exchange partner in whom one has confidence". The nature of service offerings means that service consumers typically pay in advance to buy a firm's promise and, therefore, must be willing to rely on the firm to deliver its promise (Berry, 2005). Trust thought to be an essential for loyalty, especially in the risk-dominated cyberspace where transactions conducted at a distance (Taleghani*et. al*., 2011).

Good relationships and trust are built over time, with give and take on both sides, and not too much pressure (Rigby et. al, 2003).The maintenance of consumer trust in the retail banking industry is of considerable importance as it can influence the likelihood ofretaining existing customers and attaining new ones. Trust-indicates that each person of relationship to what extent can consider other person promise and defined as the willingness to trust and reliance to audience (Wong & Shoal, 2002). Furthermore, trust in a bank can also be

more important to a bank customer than price. Customer perception of a firm's trustworthiness is valuable not only in terms of satisfying and in terms of retaining existing customers but also in attracting new customers through word of mouth marketing (Wong & Shoal, 2002).

We conceptualize trust as existing when one party has confidence in an existing partner's reliability and integrity (Morgan and Hunt 1994). Therefore according to these authors, trust permits firms to lessen or avoid dependence on expensive formal controlling mechanisms to maintain their partnerships. In this study trust variable is measured by factors such as bank security in transactions, bank service quality, reliability promises of bank, staff behavior towards clients and the bank commitment to our customers. (Morgan and, Hunt 1994)

2.3.2 Commitments are also an important element of relational exchanges. It specified as an abiding desire to keep a valued relationship with customers. (Moorman, *et al.,* 1992), Inquiry suggests that relationship commitment is at the heart of all effective working connections and that it is an indispensable element in successful long-term relationships, including supplier–buyer relationships (Anderson and Lindestad, 1998). In the relationship, marketing literature the idea of commitment assumes a key part; equally, it is a major feature of relationship marketing models (Scanzoni, 1979).

As Scanzoni (1979), expressed commitment is the most developed period of accomplices' relationship. In marketing-practice and research, it is concurred that mutual commitment among accomplices in business connections produces huge advantages for organizations (Farrelly& Quester, 2003). Morgan, *et al,* (1994) also defined commitment as "an exchange partner believing that a continuing relationship with one more is so important as to guarantee maximum efforts at maintaining it". The same is supported by Parasuraman and Berry (1991) who argue that "relationships are built on the foundation of mutual Commitment".

Commitment is the highest level in building the strength of a relationship and will provide a long-term advantage for both parties related, while Bloemer*et al.,*(2003) states that, commitment is important and have influence in building

relationships with consumers. According to (Ndubisi, 2007), the commitment is an important factor in building customer loyalty. To understand their trust and commitment between the customer with the company in order to construct and maintain a relationship marketing-oriented long-term, it is necessary to have effectual communication channels and harmony. With no commitment there is no relationship, if it is to be cemented for a longer time. In this study commitment will measured to compatible and consistent of bank services with customer needs and bank flexibility towards the customer and change services. As cited by, (Peyman, Freyedon,andMotreza 2013).

2.3.3 Empathy According to Ndubisi (2004) Empathy is the capacity to share and understand another's state of mind or emotion. This author also pointed out that the basic idea of empathy should characterized is that by looking expressions of the people facial or body movement, or by hearing their tone of voice, which will have immediate sense on how they feel. Empathy is the ability of a person to identify with the feelings or thoughts of another person. Empathy is defined as seeking to understand somebody else desires and goals and it is the ability to see a situation from another person's perspective (Taleghani, 2011)

Empathy is the ability to see a situation from another person's point of view (Wang, 2007). It is defined as seeking to be aware of somebody else desires and goals. It involves the potential of individual parties to view the situation from the other party's viewpoint in a truly cognitive sense (Chattananon&Trimetsoontorn, 2009). Empathy has a number of analogous meanings – the golden rule, the ethic of care and an "others" orientation. Empathetic marketers are not insensitive to the needs and concerns of the consumer. Empathy should not be equated with sympathy; marketers can be empathetic while still driving a hard negotiates with customers (Murphy *et al,* 2007).

If customers have special requests or problems, they want employees to understand the problem from their point of view. Zeithaml and Bitner (2006) argued that it is difficult to imagine an organization would deliver caring, individualized attention to customers independent of its employees. According to these authors, empathy

implies that employees will pay attention, listen, adapt, and be flexible in delivering what individual customers need.Sivesan and Achuchuthan (2012) stated that empathy can be viewed as the ability to share, understand and feel another person's feelings in a relational situation. Empathy is defined as seeking to understand somebody else desires and goals and it is the ability to see a situation from another person's perspective (Taleghani, 2011).

2.3.4 Responsiveness is Willingness to help customers and provide prompt service (Kheng, 2010)**.** Responsiveness is the willingness to support customers and provide them immediate services right on demands. However, (Kheng, 2010) described that responsiveness is the degree to which customers perceive service providers' readiness to assist them promptly. Therefore, showing sincerity and willingness to help customers are some of the key issues in responsiveness. Again what was tested in respect of responsiveness included devoted time to customers and efficient services. Responsiveness has to do with the degree with which the selected banks were able to respond to the needs and wants of customers. For a firm to be responsive, it must gain deeper understanding and profiling of customer behavior, real-time customer information and loyalty, and management at Point of Service. (Kheng, 2010)

2.3.5 Conflict handling: - The most important definition of conflicts by Deutsch (2001), states that a conflict exists when incompatible activities occur. This means that the action of one group or person attempting to reach his or her goals prevents, obstructs, interferes with or injures the action of another group or person, or makes the action less likely or less effective, in attempting to reach his or her goals. Many theorists on conflict handling literature agree with this explanation, although there are some differences. (Deutsch, 2001)

Bickmore (2004), on the other hand, focuses on the divergent wishes or needs of the conflicting parties, which lead to disagreements and problems. In general, many theories emphasize the interference of actions, interests, needs between parties which cause conflict to occur. Conflicts can occur within one-person, group or nation or between two or more persons, groups or nations (Deutsch, 2001). Conflict most often perceived as involving two or

more parties. Conflict handling defined as cooperative supplier in minimizing negative results from significant potential involvement (Ndobisi & Wah, 2005).

2.3.6 Communication A new idea of communication is an intuitive dialog between the organization and its customers, which takes place during pre-selling, consuming and part consuming stages. It has also described that communication as formal and casual sharing of significant and auspicious data between.Communication- is all-formal and informal exchanges that make meaningful and timely information exchange between buyer and seller. Empirical evidence suggests that communication increases the degree of confidence between alliances (Anderson and Lindestad, 1998; Morgan and Hunt, 1994). Bilata, (2018) Opined that communication is responsible for building awareness in the early stage, developing customer preference, convincing and encouraging the customers to make the decision to purchase. In general, communications helps build trust by providing partners with a mechanism that can be used to resolve disputes. In addition, it improves partners' ability to align their expectations and perceptions.

Communication is an indispensable attribute in successful alliances and has thus been described as a core competence in alliance building (Rule and Keown, 1998). Hutt et al. (2000) noted that communication among boundary-spanning personnel produces a shared interpretation of expectations and goals, and a common understanding of the processes and responsibilities necessary to achieve those goals. Communication, as conceptualized by Mohr *et al.* (1996), "comprises a combination of relationship building communication attributes". These contain communication frequency, bi-directionality, formality, and influence activities. By highlighting shared interests and common goals, collaborative communication can generate volitional compliance between partners and thus bolster relationship performance (Farrelly & Quester, 2003).

2.4 Customer loyalty

Customer loyalty is the most imperative goal of implementing relationship-marketing activities. Oliver (1998) Customers are central to all marketing activities all over the world. Success and in turn profit is unthinkable without customers. Moreover, companies incur millions of dollars to attract customers and make them loyal. With the intense competition and increasing globalization of the financial markets, building customer loyalty has become a critical strategy for most financial institutions. A customer always wants something and expects that the bank should come up to the level to fulfill those needs (Mishra *et al.,* 2011). Individual clients need, can be satisfied by customizing the banks product, service and communication. It is supported by Berndt *et al.* (2005) customization is carried out by the organization in order to ensure that customer needs are met, to address the specific needs and profile the customer, and organization also makes use of personalization as part of this process. This would not only ensure better customer relations but also loyalty among them, which is very critical and important in today's competitive world (Agarwal, 2009).

Banks serving private customers seek to reduce defections by building relationship Loyalty is an emotional relationship between the customers and the company. Consequently, loyalty is measured by the customer relationship strength. According to the traditional banks principals of Relationship Marketing think the customers loyalty as its key goal, are going to be changed in to customer-based ones. In such dynamic situation, producing & setting strategies, which result in making customers loyal, is so important. Customer loyalty expresses an intended behaviour related to the service or the company. This includes the probability of future regeneration of service contracts, how expected it is that the customer changes patronage, how likely the customer is to make available positive word-of-mouth, or the likelihood of customers providing voice. If real alternatives exist, low management discovers the organization's lack of ability to satisfy its customers passing through two feedback mechanisms: exit and voice (Hirschman 1970).

2.5 Conceptual framework

In this research, customer relationship marketing was measured with 6 indexes using questionnaire is considered as independent variable (trust, commitment, empathy, responsiveness, conflict

handling and communications) and customer loyalty as dependent variable.
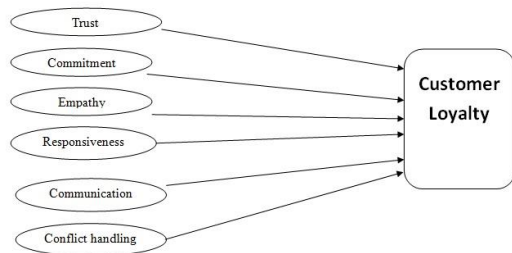
Source: Adapted from Hunt et al., (2006)

111. RESEARCH METHODOLOGY

Explanatory type of research design was employed for this study to the realization of planned objectives. Explanatory research aims at establishing the cause and effect relationship between variables. The reason also would be used explanatory research design in this study was to explaining, understanding, predicting and controlling the relationship between variables. The study would conduct on customers of commercial banks found in Gondar city. There are 18 commercial banks in Ethiopia including the two government banks, from these the researcher was only focus on three banks. The selections of these banks utilized in this study were one from the public bank and two from the oldest and the biggest privately owned Banks drawn based on purposive.

Convenience sampling procedure was employed to get a representative sample size. Convenience sampling is one particular type of non-probability sampling method that relies on data gathering from population members who are easily available to participate in the study. Due to large number of customer population, would be using the equation developed by (Cochran, 1977) to determine the sample size of the population.

$n = (Z^2*p*q)/e^2$

Where n the total number of sample required

Z=the critical table value of the confidence level (z=1.96)

p=the population variability (p=0.5)

q=the probability of the population not to be occurred (q=1-p=0.5)

e =the maximum allowed error i.e. (e =0.05)

Therefore, the researcher will take the maximum allowed error as 5% at a confidence interval level of 95% and the moderate population variability interval is 0.5(p=0.5) because this allows the a largest sample size and the minimum error(q=0.5).

n= $(1.96)^2*0.5*0.5)/0.0025$ which is approximated 384 so; the researcher was distribute 384 +10% questionnaires to have a better sample size and to increases accrues rate.

The researcher employed survey questionnaire. The questionnaire was designed in a structured manner which captures all the variables under the study. In this case, there were closed ended questionnaire which allow for various responses by the respondents. Therefore, after the questionnaires were systematically reviewed, 422 copies were distributed as planned but 418 copies were fully collected and valid.

For all the measures' customers' participants were asked to respond to a five- point likert type scale ranging from 1 (strongly disagree) to 5(strongly agree). Items were averaged to form the indices of the variables with large numbers representing higher levels. Customer relationship marketing and customer loyalty of the companies were measured using 34-item and 9 item scale respectively. In this research study quantitative research method was applied and thus, involved some quantitative analyses with the use of statistical tools (descriptive and inferential). While there are several Software packages for the analysis of quantitative data, the researcher utilized SPSS version 20.

IV RESULT AND DISCUSSION

Table 1. Demographic characteristic of the sample respondents

Demographic variables		Frequency	Percent	Demographic variables		Frequency	Percent
Gender	Male	220	52.6	Occupation	Student	162	38.8
	Female	198	47.4		Government sector	133	31.8
	Total	418	100		Private sector	61	14.6
Age	18-28	272	65.0		Own business	62	14.8
					Total	418	100

	29-39	78	18.7	Monthly income	<2500	196	46.9
	40-50	33	7.9		2500-4000	57	13.6
	>51	35	8.4		4000-6000	77	18.4
	Total	418	100		>6000	88	21.1
					Total	418	100
Education	Informal	5	1.2	Number of Years stayed in the banks	< 5 years	197	47.1
	Primary	12	2.9		5- 10 years	180	43.1
	Secondary	54	12.9		>10 years	41	9.8
	Certificate and Diploma	127	30.4		**Total**	418	100
	Degree	176	42.1	Type of account	Saving account	290	69.4
	Masters and above	44	10.5		Current account	91	21.8
					Fixed account	37	8.9
	Total	418	100		**Total**	418	100

Survey result, 2019

Table 2 descriptive statistics, correlations and reliability test

Variables	Skewness	Kurtosis	mean	SD	1	2	3	4	5	6	7	Cronbach's Alpha
(1) Trust	-1.208	1.347	3.96	.79	1	.685*	.612*	.640*	.624*	.634*	.614*	0.852
(2) Commitment	-.724	.232	3.63	.84	.685*	1	.657*	.581*	.605*	.574*	.605*	0.776
(3) Empathy	-.692	-.370	3.58	1.06	.612*	.657*	1	.746*	.726*	.586*	.580*	0.708
(4) Responsiveness	-.848	.081	3.69	.95	.640*	.581*	.746*	1	.743*	.606*	.592*	0.838
(5) Communication	-.606	-.355	3.59	.91	.624*	.605*	.726*	.743*	1	.713*	.665*	0.872
(6) Conflict handling	-.826	.058	3.64	.95	.634*	.574*	.586*	.606*	.713*	1	.689*	0.863
(7) Customer loyalty	-.879	-.276	3.57	1.05	.614*	.605*	.580*	.592*	.665*	.689*	1	0.931

*. Correlation is significant at the 0.05 level (2-tailed).

Table3. Multiple regression analysis

Variables	Customer loyalty		Collinearity statistics	
	Beta	t-value	Tolerance	VIF
Trust	0.117*	2.339	0.406	2.461
Commitment	0.169*	3.563	0.456	2.195
Empathy	0.028	0.603	0.461	2.168
Responsiveness	0.055	1.023	0.358	2.796
Communication	0.195*	3.387	0.310	3.225
Conflict handling	0.330*	6.735	0.428	2.337
Model fit statistics, R^2=57.9%, F=94.025				

Dependent variable: customer loyalty

*   Indicates variables significant at P<0.05

Table 1 has shown that among 418 respondents, 52.6% of respondents were male and 47.4% were female. The majority of respondents were between the age of 18 to 28 (63.15%). 42.1% respondents were degree holders. 38.8% of respondents were students. 46.6 % of respondents had less than 2500 birr income per month. Nearly fifty percent (47.1%) of respondents have stayed in the banks as a customer for less than five years. Lastly, the majority of respondents (69.1%) had saving account.

The hypotheses were tested by using multiple regression analysis. The normal distribution condition for the dependent variable and degree of Multicollinearity in independent variables were assessed prior to the regression analysis. Reliability test has been carried out in the analytical process. To test the level of consistency among the items, Cronbach's alpha was calculated. Nunnaly (1978) has stated that 0.5 is a sufficient value, while 0.7 is a more reasonable Cronbach's alpha and acceptable. Correlation coefficient indicated that there were some interesting positive and statistically significant relationships between the constructed variables.

The skewness and the kurtosis statistics for the dependent as well as the independent variables fell within cut- off range commonly used to establish whether a variable is normally distributed. Multicollinearity was not an issue either as the Variance Inflation Factors for all the independent variables were under 3.225, far below the recommended cut- off level less than 5. The six independent variables measuring customer relationship marketing were regressed against the dependent measure of customer loyalty.

The result of multiple regression analysis in Table 3 has depicted that the first, the second, fourth, fifth and the sixth hypothesis that showing trust towards customer loyalty (H1), commitment towards customer loyalty (H2), communication towards customer loyalty (H5), and conflict handling towards customer loyalty (H6) will result in higher level of relationship marketing were confirmed in a statistical significant way (Beta=0.117, t=2.339, p<0.05), (Beta=0.169, t=3.563,p<0.05), (Beta=0.195, t=3.387,p<0.05) and (Beta=0.330, t=6.735,p<0.05) respectively. On the other hand, the proposition that empathy towards customer loyalty (H3) and responsiveness towards customer loyalty (H4) will result in higher levels of relationship marketing were not supported in a statistically significant way (Beta=0.028, t=0.603, p>0.05) and (Beta=0.055, t=1.023, p>0.05) respectively. The R square indicates the extent the independent variables can explained the variations in the dependent variable. From the result shown, independent variables can explain 57.9% of the variations in dependent variable (customer loyalty). However, the remaining 42.1% is unexplained in this research study.

V. CONCLUSIONS AND LIMITATIONS

5.1 Conclusions

The main purpose of this study is to determine the effect of customer relationship marketing on customers' loyalty in case of commercial banks in Ethiopia and to determine how each relationship marketing dimension (i.e. trust, commitment, empathy, responsiveness, communication and conflict handling) affects customer loyalty in both public and private owned banks.

Correlation analysis and multiple regression analysis were run to test the acceptance or rejection of the hypotheses that were put forward by this study. The findings support the view points that relationship marketing dimensions can improve the quality of a customer's-services provider relationship and in turn increase customer loyalty.

The power of the independent variables in explaining customer loyalty of commercial banks in Ethiopia has found that the dependent variable was explained (57.9%) by the six dimensions of customer relationship marketing which are known, for all uses and purposes of this study, as independent variables. All customer relationship marketing dimensions included in this study, namely trust, commitment, empathy, responsiveness, communication and conflict handling have a positive and moderate and strong correlation with customer's loyalty. The findings of hypotheses one up to sixth were verified by running a multiple regression analysis, which then showed that four dimensions (trust, communication, commitment and conflict handling) of customer relationship marketing have a positive and significant effect on customer loyalty of commercial banks in Ethiopia. But Empathy and

responsiveness have insignificant effect on customer loyalty of commercial banks in Ethiopia.

As a result, the study suggested that banks should apply effective conflict handling practices, communicate with their customers permanently, creating and developing customer trust, and demonstrate commitment in order to be successful in gaining more profit and loyalty of customers more than their competitive.

5.2 Limitation and direction for further studies

❖ This study was conducted on commercial bank of Ethiopia, Dashen, and Awash banks in Gondar city to determine the effect of customer relationship marketing on customer loyalty. Therefore, this research can be further explored by adding more relationship marketing dimensions like value, bonding, cooperation, and others which could affect customer loyalty.

❖ This study focuses on only the banking industry; such concentration could limit generalization of the findings to the whole service industry. This drawback creates an opportunity for future researcher in this area. The future researches may duplicate this study in other service sectors other than banking, for example telecommunications, tourism, hospitality, Ethiopian airlines, health care, education, etc. So, future research strength to generalize the model developed in this study to other services.

❖ The researchers have used non-random sample, especially convenient sampling technique to select sample respondents; however, this sampling technique has the opportunity for bias to confuse the results of the study. Therefore, other researchers are advised use random sampling methods.

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