

**MEKELLE UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF MANAGEMENT**



**EFFECTS OF CUSTOMER RELATIONSHIP MANAGEMENT ON MARKET**

**PERFORMANCE:**

**A COMPARATIVE PERISPECTIVE**

**(THE CASE OF SELECTED BANKS IN MEKELLE CITY)**

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Effects of Customer Relationship Management on Market Performance:  
A Comparative Perspective  
(The case of selected banks in Mekelle city)

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## **Declaration**

I, Mr. Gebeyehu Jalu hereby declare that the thesis entitled “Customer relationship management and market performance: A comparative perspective (The case of selected Commercial banks in Mekelle city)” submitted by me for the award of Master Degree in Business Administration of Mekelle university at Mekelle is my original work and it has not been presented for the award of any other degree, Diploma, Fellowship or any other similar titles of any other university or institutions.

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## **Certification**

*This is to certify that this thesis is entitled “Effects of CRM on Market performance: A comparative perspective (case of selected commercial banks in Mekelle city)” submitted in partial fulfillment of the requirements for the award of masters degree in Business Administration to the college of Business and Economics, Mekelle university, through the department of management, done by Gebeyehu Jalu, Id. No. CBE/PR047/05 is an authentic work carried out by him under our guidance. The matter embodied in this project work has not been submitted earlier for awards of any degree or diploma to the best of our knowledge and belief.*

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## Abstract

*Due to fierce competition in today's business environment, many companies are required to build long- term profitable relationship with customers and to achieve better market performance. Therefore, CRM has become more and more important since the last decade of 20<sup>th</sup> century, especially in the service industry. As a result, this study is aimed to empirically investigate the influence of CRM (key customer focus, customer knowledge management, CRM organization and technology based CRM) on market performance in banking industry with reference to Wegagen bank, Dashen bank and Commercial Bank of Ethiopia (CBE). A theoretical framework was used as a guideline to test the influence of CRM on market performance. A quantitative research approach was implemented. Besides, a descriptive research design was used and a cross - sectional survey was chosen for this study. A questionnaire derived from previous studies and the relevant literature is completed by 116 employees of the selected commercial banks in Mekelle city. Correlation analysis assessed the relationship between CRM and market performance and multiple regression analysis assessed the influence of CRM on market performance. The findings confirm that all the independent variables (key customer focus, knowledge management, CRM organization and technology based CRM) have a positive and significant relationship with market performance in selected commercial banks. Moreover, the study explore that there is a positive and significant influence of CRM on market performance. Besides, it is found that customer knowledge management underpinning of CRM has the highest influence on market performance in Wegagen and CBE and key customer focus underpinning of CRM has the highest influence on market performance in Dashen bank. Therefore, the selected banks have to implement CRM appropriately and continuously, as an indispensable tool for gaining competitive advantage and building long – lasting and profitable relationships with its customers in order to achieve their market performance.*

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**Key words:** *Customer Relationship Management, Key customer focus, Customer knowledge management, CRM organization, Technology based CRM and Market performance.*

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## **List of Abbreviations**

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CA	Customer Acquisition
CCS	Customer Complaints Structure
CL	Customer Loss
CR	Customer Retention
CRM	Customer Relationship Management
CS	Customer Satisfaction
IT	Information technology
RM	Relationship Marketing
RS	Relationship Share
CDB	Customer Data Base
SFA	Sales force automation
EMA	Enterprise marketing automation
WB	Wegagen Bank
DB	Dashen Bank
CBE	Commercial Bank of Ethiopia
SPSS	Statistical package for social science

# CHAPTER ONE: INTRODUCTION

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*This chapter starts with research background to give an idea about the area of thesis to the readers. This is followed by statement of the problem, objective of the study, research hypothesis, significance of the study, scope and limitation of the study and finally organization of the paper.*

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## **1.1. Background of the study**

Customer relationship management is progressively significant to firms as they pursue to improve their marketing performance through customer retention, customer acquisition, market share, and sales volume throughout long-term relationships with customers. In now days, many have interested heavily in information technology assets to better manage their collaborations with customers before, during and after purchase (Bohling et al., 2006). However, the achievable returns that were gained from information technology investment programs infrequently increase from a slight concentration on information technology only, with the maximum fruitful packages integration of technology with the effective use of organization of people and their knowledge's (Bharadwaj, 2000; Piccoli and Ives, 2005). They also demonstrate that, the better the capability about how firms productively build and combine their technological and organizational competences, the greater our understanding of how CRM influence firm's performance.

According to Wu, (2008) *“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). Or it is *“about managing customer knowledge to better understanding and serving them”* (Rahimi 2007). It also involves *“continuous use of advanced information about current and potential customers in order to anticipate and respond to their needs and draws on a combination of business processes and information technology to discover knowledge about the customers. With such effective use of information and communication technology, organization can offer their customers a variety of products, lower prices and customized services, at the same time in order to market effectively to the individual customers, companies gather information from both internal and external sources and use it to provide a unified profile of customers for target marketing devotions”* (KaraKostas, et al., 2004).

Entirely, customer relationship management is a philosophy which has recently become one of the most debatable issues in the business field. It is value stating that customer relationship management is mostly based on the belief that establishing a sustainable relationship with customer is the basis for obtaining loyal customers who are much more profitable than non loyal. In this concern, the successful implementation of CRM philosophy were of great benefit to the organizations, adopting it, such organizations can secure the benefit of increasing sales through better market segregation, modifying products and services, attaining higher quality products, gaining access to information and employee satisfaction, and above all, warranting ongoing customer-retention and loyalty (Verma and Chandhuri,2009).

Chaston *et al.* (2004) find empirical support that the adoption of customer relationship management versus transactional marketing orientation has influence on the market performance of small accountancy practices. Parvatiyar and Sheth (2001) consider CRM to be the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost.

Badrinarayanan (2005) noted that the phenomenon described by this concept is strongly supported by on-going trends in modern business. Ndubisi (2004) reported that more and more firms are capitalizing on strong firm-customer relationship to gain invaluable information on how best to serve customers and keep them from defecting to competing brands. Hence, customer relationship building creates mutual rewards which benefit both the firm and the customer. By building relationship with customers, an organization can also gain quality sources of marketing intelligence for better planning of marketing strategy (Eisingerich and Bell, 2006).

Banks are fighting with each other to achieve a great slice 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). In Ethiopia, according to Tsegay and Shifera (2011) banking sector is considered as main beneficiary in recent economic upturn. Therefore, better formation of strategies in banking sector is the most needed one especially in the recent information technology era.

Moreover, in Ethiopia, the rapid growth of banking and other financial services provide the financial infrastructure facilities to the economic expansion & structural transformation. This is clearly reflected in the growth of assets in the financial sector and the contribution of the financial sector to gross national product in last ten years (Ibid).

Recently, more than ever before, strong competition, fragmentation of markets, short life cycles of products and increasing customer awareness and complexity are the big challenges to the banking sector (Tsegay, 2011). In such situation, banks can use the CRM strategy to create, maintain, and enhance strong relationships with their customers to secure their market performance.

Therefore, it is important to empirically investigate the actual effect of CRM on market performance. Such understanding will assist in better management of bank-customer relationship and in achieving higher level of market performance among competition (Ndubisi, 2006). This study aims to empirically investigate the influence of relationship management on market performance with reference to Wogagen, Dashen and CBE, Mekelle city.

## **1.2. Statement of the problem**

According to Parvatiyar and Sheth (2002), 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.

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. However, in today's world customers have more awareness and choice of various products and services

due to modern and sophisticated channels of communication like internet than ever before. 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 solidier 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).

According to Umesh et al. (2006), the magnitude and structure of banking transaction is a mirror reflection of the economic growth and recession in the country. As well as, it is an established fact that banking industry by networking the spread savings to productive uses and providing mobility to the capital plays a significant role in achieving the desired socio-economic development of a country. Accordingly, the achievement and attainment of the banking industry is a necessary condition for the economic development of a country. However, customers are vital for business in general and banking industry in particular in Ethiopia has to go a long way in meeting the changing needs and demands of customers. These frustrations have many problems from economical to political, principles to complicated tools for customer satisfaction, customer retention, customer acquisition, sales volume, market share from legislation to implementation.

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.

As the researcher try to refer local published studies in this area he find few such as, Tsegay (2011), the effect of customer relationship marketing on customer retention, Mekelle University and Shifera (2011), the impact of relationship marketing on customer loyalty, Addis Ababa University. Therefore, this gives the reason for this research project to be conducted to help bridge the literature gap existing.

Furthermore, in Ethiopia, especially in Mekelle city, Wogagen Bank, Dashen Bank and CBE are highly penetrated to the market through the opening of branches in several places of Mekelle. Meanwhile, those banks face high competition from the other service giving sectors such as high competitiveness; high level preliminary expensive and customers switching to other banks. It used 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 a study on the effect of CRM on market performance with reference to Wogagen Bank, Dashen Bank and CBE in an emerging market like Mekelle can be a fruitful empirical work. Hence, the main aim of the researcher is to investigate the influence of customer relationship management (key customer focus, customer knowledge management, CRM Based technology and CRM organization) on market performance.

### **1.3. Research questions**

1. What is the perception of employees towards CRM among the selected commercial banks?
2. What is the market performance of each bank?
3. What is the relationship between CRM (key customer focus, customer knowledge management, CRM organization and technology based CRM) and market performance?
4. What is the relative influence of CRM (key customer focus, customer knowledge management, CRM organization and technology based CRM) on market performance among each banks?

### **1.4. Research Objectives**

#### **1.4.1. General objectives**

The general objective of this study is to explore the effect of customer relationship management on market performance of the selected banks' in Mekelle city.

### **1.4.2. Specific objectives**

In conformity with the above general objective the following specific objectives are set.

1. To examine the perceptions of employees towards CRM among the selected commercial banks.
2. To measure market performance of selected banks in Mekelle city.
3. To analyze the relationship between CRM (key customer focus, knowledge management, technology based CRM and CRM organizations) and market performance.
4. To identify the relative influence of CRM (key customer focus, knowledge management, CRM based technology and CRM organizations) on market performance among each banks.

### **1.5. Research Hypothesis**

In order to achieve the purpose of this study the following hypotheses are considered to be tested

**H1:** Key customer focus has positive and significant influence on market performance.

**H2:** Customer knowledge management has positive and significant influence on market performance.

**H3:** CRM organization has positive and significant influence on market performance.

**H4:** Technology based CRM has positive and significant influence on market performance.

### **1.6. Significance of the study**

Conducting a study on customer relationship management in public and private organization, “banks” is believed to be an important approach. The research results would provide assistance to the commercial banks management to better satisfy their customers, respond to their needs efficiently and on timely manners.

Furthermore, implementation of CRM in the banks would be the stage for building a good partnership with customers which consequently leads to services development and

improvement. Besides, it helps to provide important information for decision makers of the banks. As a result, the findings of this study specifically significant for the following reasons.

- The result of this study offer valuable inputs and directions for the banks to consolidate their marketing strategy, organizational productivity, and customer knowledge management in order to increase their market performance.
- The result of this study provides knowledge how to identify the needs of their customers in delivering advanced technologies to improve the quality of their services.
- The study also gives a direction for the banks how to maintain the existing customer and attracting the new customer by providing technology based service in light of its competitors.

### **1.7. Scope of the study**

Conducting a research in all service industries is not an easy task; it requires much money, time and effort. Considering money, time and willingness of the banks to give necessary data for the study, therefore, this study was delimited to a comparative perspective on the effects of CRM on the market performance of the banks regarding to Dashen bank, Wogagen bank, and commercial bank of Ethiopia in Mekelle city.

In terms of the constructs showing in the research framework (figure 2.1), only four ways of CRM underpinnings (key customer focus, knowledge management, technology based CRM and CRM organizations) and their influence on market performance has been examined. Other elements or underpinnings measurements of customer relationship management were excluded from this study. And in terms of respondents all employees those who have serving more than one year were considered but others like employees who are serving for less than one year and customers of the bank are not included in this study. It is perceived that they might not have sufficient banking experiences to interpret and respond to all the questions in the survey questionnaire.

## **1.8. Limitation of the study**

The study was covered managers and employees of the bank, considering Dashen bank, Wogagen bank and Commercial Bank of Ethiopia, branch offices located in Mekelle town this limits the generalizability of the findings to other parts of service industry. Also since this study employed cross sectional survey design, it did not check the situation through longitudinal survey. However, in Ethiopia, there is lack of sufficient research conducted on the study. Thus, it is difficult to obtain adequate data from published articles; journals concerning the financial institution working in the country (Ethiopia).

## CHAPTER TWO: REVIEW OF LITERATURE

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*This chapter provides theoretical foundation of the study, presents a summary of CRM literature such as definitions, assumptions and major concepts regarding CRM and market performance. Finally, conceptual framework of the study is included by summarizing different literature results.*

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### **2.1. Definition of Customer Relationship Management**

The aim of this research is not just to familiarize the reader with the techniques and technology of CRM philosophy. The more ambitious goal of this research is to benefit the readers to understand the importance of customer relationship management as necessary and significant elements of managing every successful enterprise. Hence, *“a firm most valuable asset is its customers, and given the new and unfolding technological capabilities to recognize, measure, and manage relationship with each of those customers in order to succeed, a firm must focus in deliberately increasing the value of the customer base”* (Peppers & Rogers, 2004,p.6). Therefore, the competitive advantage for any enterprise can be gained only by leveraging knowledge of customers’ expectations, preferences and behavior, which involve creating an ongoing dialog with customers and manipulating the information and insight obtained at every customers touch points (Payne, 2004). It's worth mentioning that, building good life time value with customers is not a brief assignment of the marketing department rather it’s an ongoing process which required the involvement of the entire organization. This is true for nonprofit (when the customers may be donors or volunteers), as well as for-profit, large or small, public or as well as for private enterprise" (Peppers, 2004, p.6).

The case can be more difficult when talking about the concept of CRM philosophy and the new definition of relationship marketing in the public sector. Therefore, the public sector has different objectives and faces different challenges regarding customer management, customer satisfaction, customer retention, customer attraction and acquisition. In addition to this, the fact that, the public sector organization can't choose the proper people they serve; they oriented to serve the entire customer’s knocking their doors. The segmentation and targeting

process which considers essential requirements for the private sector companies marketing strategy are not valid. Implementing CRM concept on the public and private sector will be measured through this research when employing its effect on the customers of the bank. Linking the working area of banking with the new and developing practice of CRM, in order to measure the effect of adopting the concept on customer satisfaction, acquisition, retention and decreasing customer's loss, increasing market share, sales volume will be the main goal of this study.

However, many scholars give various definitions for customer relationship management, among these definitions technological and relationship aspects of customer relationship management are the fundamental ones. For instance some authors from marketing experience emphasize the marketing side to define customer relationship management while others consider information technology view point to define CRM. However, from marketing point of view, CRM is defined according to (Could well, 1998) as “*CRM is a blend of business process and technology that are used to realize a company’s customers from the viewpoint of who they are, what they do, and what they are like*”.

But, according to Swift, R.S., (2000,p.11), more emphasis is given for customer relationship management and is defined as “*it is a system of business approach that are thoughtful and manipulating customer behavior by managing relationships via meaningful communication in order to improve customer turnover*”. In these circumstances, customer relationship is defined as a multidimensional construct composed of four behavioral components: key customer focus, CRM organization, Knowledge management and technology-based CRM in order to implement the CRM in a successful way for increasing the market performance (Sadek et al., 2011).

## **2.2. Customer relationship management and Information Technology**

According to Buttle, F., (2009), customer relationship management puts more attention on the improvement of quality service and marketing function, and then worries about cross-selling and providing product or service indeed at right time for the right customers. Distinguished information technology applications are the central point and sales force automation in this extent. Information technology in customer relationship management deployed issues related

to business sales programs and effectiveness, campaign management, channel assimilation and increasing, increasing product and management, devotion and retention, cost minimization, customer service, and after-sales support. Nowadays, CRM-based information technology with its categories like operational, analytical, and collaborative support systems complements the processes involved in all aspects of customer-facing interactions. It incorporates marketing, customer services, and various contact channels and offers personalized services by modeling a customer's behavior so as to maximize the value of the enterprise. Information technology through the Internet has not only provided a completely new communications channel, but has forever changed the role and function of customer interaction.

### **2.2.1. Service Automation in Banking Industries**

The knowledge of service automation plays a vital role in business and it's the application of computerized system used to support service staffs and management in order to achieve their work related activities. For the moment customer service departments are responsible for managing inbound call center operations, complaint handling and resolution, order entry and processing, providing field sales support, managing outbound call center operations, and acting as liaison to other departments. Contact centers are configured to communicate with customers across multiple channels, including voice telephony, e-mail, SMS, instant messaging, web collaboration and fax.

According to Buttle, (2009), service agents need to be able to access an entire communication history, regardless of channel when communicating with customers about service issues. However, call centers are generally dedicated to telephony communications, whether through a public switched telephone network, cell phone network. But the information desks are usually associated with information technology environments where assistance is offered to information technology users. Many companies now compromise web based self service to customers, customers can place orders, pay, track service issues, or perform service diagnostic online at any time of day or night.

### **2.2.2. Marketing Automation in Banking Industry**

According to Buttle (2009), in addition to service automation, marketing automation also plays a crucial role in service giving business especially in banks and it can be defined as “the application of computerized technologies to support marketers and marketing management in the achievement of their work related objectives”. A very extensive range of marketing positions can make use of marketing automation as well as marketing managers, campaign managers, market analysts, promotion managers, database marketers, and direct marketing managers. Hardware and software are the key technological elements of marketing automation. Hardware includes desktop, laptop, and handheld devices whereas software consist of both point solutions that are designed to assist in a single area of marketing or marketing management, and integrated solutions that offer a range of functionality.

### **2.3. Customer Relationship Management Objectives in Banking Industry**

In business transaction the objective of CRM is that, it helps businesses to use know-how and human resources in order to gain understanding into the manners of customers and the value of those customers. In this case business can deliver improved services, making their activities more efficient, developing positive and close relationship with staffs, modernize marketing and selling activities, discover new customers, and increase customer revenues.

According to Semih and Ibrahim (2000), for CRM to be truly effective and successful primarily, an organization must understand and identify what kind of customer information is allowing for and it is indispensable to select what it intends to do with that information. For instance, most of banking institutions keep trail of customer life phases in order to market suitable banking products like mortgages to them at the right time to fit their needs. However, the organization must look into all of the various facts about customers into a business, where and how this data is warehoused and how it is currently used. For instance, one organization may have a relationship with customers through mail campaigns, websites, call centers, mobile sales force staff and marketing and promotion efforts.

Mehrota (2006) stated that, before the introduction of internet era, customers most of the time selected their banks based on how appropriate the location of banking branches was to their

homes or office. However, with the introduction of new technologies in the business of bank services, such as providing banking services through internet ‘internet banking’ and ‘ATMs’, now customers are more valuable and they can easily choose any bank for their transactions. This phenomena increased customer base of banks, and also has expanded the choices of customers for selecting the different banks as per their interests.

Due to fierce competition in the business environment, public sector banks are also becoming more technology focus and customer oriented. Accordingly, non-traditional competition, market partnership, new equipment, and the conception of the internet are varying the competitive landscape of the retail banking institutions. Through the increased number of banks, offers and services and basically nil switching costs, customers are easily switching banks whenever they find better services.

### **2.3.1. Benefits of Customer Relationship Management in the banking industry**

Customer relationship management is a philosophy that is providing incredible importance for any businesses particularly for banking industries since the knowledge of CRM enhances how to attract, retain, and catch potential and new customers for a business in order to compete and survive in stiff competition. According to Liyun *et al* (2008,) the emphasis of CRM is to focus on keeping and maintaining long-term relationship with customers, leading to customer satisfaction and hence creating business performance in the banking industry. However, Kalakota and Robinson, (2001); Shani and Chalasani, (1992) emphasize that the companies’ objectives from using customer relationship management is to know their personalized customers and to offer tailored services, in order to intensify both customer satisfaction and their marketing performance in the long run through keeping customers loyal to them. Nguyen *et al* (2007), sustained that the customer relationship management if used appropriately, would develop a bank’s ability to attain the ultimate goal of holding customers in order to improve a strategic advantage over its competitors. Accordingly, the successful management of customer relationship can increase customers’ satisfaction and loyalty, in order to give optimistic effect on promoting market performance (Liyun *et al.*, 2008). Furthermore, customer relationships are charming, especially important for banks as market

conditions get solidier. Competition is increasing, returns are declining, customers are becoming more challenging and the life-cycles of products and services are shortening dramatically. All these factors make it essential for banks to increase the relationship with their customers and provide them the services they need via the channels they prefer. Furthermore, the implementation of customer relationship management benefits banks to offer a lot of benefits to their customers; some crucial benefits are as follows:

CRM provide businesses to delivery service effectively and efficiently all the way through the entire life cycle of the business customer, from the introduction to the establishment of a close, continuing relationship with profitable clients (Could well, 1999).

CRM enables the organization substantial reduction and constraint of operational costs via system computerization and regulation, offers low maintenance and widening of costs paid for the use of modern administration tools with authorization bank employees to make a widespread range of modifications to the system.

CRM provides organizations particularly banks in order to control flow of information from their databases to achieve customer retention and to cross-sell new products and services to ongoing customers (Foss, and Stone, 2001).

In any business organizations, which implement customer relationship management sustainably, they able to improve relationships with their customers, attain loyal customers and a significant payback, increased revenue, market share, attracting new customers and minimized cost (Roh, T.H., *et al*, 2005).

As far as previous research stated, customer relationship management in the business arena, particularly in the banking sector provides convenience of location for customers, fairness of price, endorsements from others and advancements are not important selection criteria for business firms. However, for a business to be successfully and sustainably implement their activities they can use criteria's like account and transaction, accuracy and suspicion, competence in correcting mistakes and sociability and helpfulness of personnel on the customer's perspective. Hence, customer relationship management, superior quality features

of the product / service and distinction proved to be the most important factors for customers (Zineldin, 2005).

Furthermore, also other studies are conducted in a European banks emphasis that taking customer relationship management as a frame work, the bank institution was capable to focus on long term customers through efficient segregation according to individual behavior.

The effective implementation of customer relationship management results both in higher revenues and lower costs, making companies more effective and efficient, effective in focusing the right customer base with the right services through the right channels, and efficient in doing this at the lowest costs (Lindgreen and Antioco, 2005) .

## **2.4. Empirical Findings on Customer Relationship Management**

### **2.4.1. Empirical Findings in Developed Countries**

Most of the research conducted on Customer Relationship Management is based on evidence from majority of prior empirical studies that are done in developed countries. Here, in this section a certain empirical findings conducted based on developed countries are reviewed.

According to Swaminathan, (2004), the association of customer relationship management and its customer outcome has been done by considering banks, investment companies, insurance companies and other firms as a sample study which characterized as high degree of relationship orientation and thus well suited for testing CRM framework. Although for the purpose of data collection questionnaire was used and for these case questionnaires were sent directly to general managers and similarly level senior managers.

These senior-level respondents were highly knowledgeable about CRM implementation and practice within their companies as indicated by their ability to answer fully virtually all questions. Accordingly, the results shows that focusing on key customers and managing knowledge have significant effects on market performance in terms of customer satisfaction. However, customer satisfaction is not directly affected by organizing around CRM and incorporating CRM-based technology. Furthermore, organizing around CRM affects customer retention directly. Similarly, managing knowledge has a significant effect on

customer retention and sales growth via customer satisfaction. Incorporating CRM-based technology shows no sign of significant effect on the performance metrics.

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).

Also studies are conducted in Turkey on the customer relationship management process within a business and recommend a tool or customer relationship management measurement. For this matter the research is designed according to scale development literature. The feedbacks from several industries like manufacturing, information technologies, tourism, service, retail, finance, and logistics were collected. The study enables shortages of information about the relationship between the processes and outcomes of CRM such as CS, CL. As a result a wide-ranging model can be assembled and the relationship between CRM results, customer relationship management processes and other organizational factors can be investigated. The effect of organizational philosophy, arrangement and other organizational features on CRM processes and results can be analyzed (Oztaysi, 2011).

#### **2.4.2. Empirical findings in Developing countries**

In developing countries most of the studies on customer relationship management have been done on the basis of data obtained from developed countries.

For instance, a research was conducted on customer relationship management and customer orientation on the Hotel industry. Accordingly the study tried to classify hotels in Ashanti region of Ghana into a category of low, middle, or high customer relationship management conscious. The result of the findings suggests that significantly majority of the hotels have low orientation to CRM (Hamdallah and Evelyn, 2011).

According to Sayed (2011) research was conducted on exploring the hypothetical bases of customer relationship management and its relationship to the marketing performance from

the several perspectives. However, the population of the study includes all the financial institutions working in the Arab Republic of Egypt. The Result of the research shows that there is a significant correlation between marketing performance and focus on the main customers, organizational efficiency and customer knowledge management.

Furthermore, the research was conducted on how information technology could enhance firm performance in the organizations that are providing services for the customers and in order to enhance profitability in the Nigerian insurance industries (Oghojafor *et al*, 2011). Accordingly, the researcher was used survey methods to collect data among insurance companies in Nigeria. Also the researcher was selected a sample from Lagos state, the commercial center of the country. Finally according to the result of the finding shows, despite the fact that all most all organizations have a widespread data base of their customers, but not almost make provisions for their customers to make major businesses online because they have not fully incorporated their customer relationship management with information technology.

Furthermore, another research has been done by Hamid (2009). Hence the research was not only taking a non-traditional method of evaluating success; by approaches stakeholders' expectations as an evaluation criterion but also concentrating a case study from Pakistan, wherever ICT industry and specifically CRM is in the initial stages of adoption. The only suggestion the researcher would like to make is that instead of reinventing the wheel, stakeholders should learn from the mistakes of the western companies. If they have imported the solution from these developed countries, then those failure lessons should also be imported and applied in order to avoid damage and financial losses. The result shows that the loyalty card program has significant positive effect on the customers' loyalty. Although loyalty card program may not be the best choice for some stores, also there are many other ways to develop and maintain customer loyalty. Having all the above studies conducted by various scholars, the measurement of CRM earning can be different form researchers to researchers, some studies measured them through the customer's satisfaction and loyalty, others studies measured them through the return rate on investment and others measured it through increasing sales and profits. According to the result of different researchers, there was less interest in the market performance.

## **2.5. Conceptual Framework of CRM**

According to Langerak, and Peter, (2003) in marketing management the essence of customer relationship management philosophy originates from three concepts. Those are:-customer orientation, relationship marketing, and database marketing. Due to the advancement of information communication technology, these three marketing views combined together in the paradigm of CRM. However, CRM may be used to express different perspectives at different hierarchical arrangement of management. For instance, at the tactical level of management customer relationship management may be related to data-base marketing or electronic marketing; at the strategic level, customer relationship management may be understood as customer retention or partnering with customers (Peppers and Rogers, 1995); whereas at the theoretical level, it may be seen as developing research paradigm in marketing most often loosely associated to existing perspectives.

According to Sayed H. (2011) CRM is a multidimensional construct consisting of four broad behavioral components; those are: “key customer focus, CRM organization, knowledge management, and technology-based CRM”. Also he investigated the four CRM behavioral dimensions on market performance of financial institutions in maintaining current customers, attracting new customers, increasing market share, enhancing the standard of sales growth and adding the net profit standard to sales. Bearing in mind the model, the researcher focuses on the banks among many financial institutions. Performance dimension of CRM considers their performance in terms of combining technology, appropriate handling of key customers, customer knowledge management and organizational efficiency in relation with market performance of the selected banks. According to Kotler and Armstrong (2004), the greater customer relationship capability will be achieved when the four dimensions of CRM work in coordination.

### **2.5.1. Key customer focus**

According to Shelth *et al.*, (2000); Vandermerwe,( 2004), key customer focus involves an overall customer-centric focus and continuously delivering superior and added value through

customized offers to the key customers. According to Armstrong and Kotler, (2004), in today's business environments the ultimate goal of any key customer focus is to achieve a deep customer relationship that makes an organization a necessary partner to its most profitable customers. The overall company understanding and support for key customer focus encourage sales force to foster long-term customer relationships by offering more personalized services.

Evelyn and Hamadallah (1996) stated that firms are engaged in enough amounts of transactions with significantly diverse customers in terms of their needs, preferences and expectations. Also they consider customer relationship management to some extent as challenging. In order to reduce the CRM challenges, most of the firms have option to formal customer relationship management programs. CRM programs are generally classified as either database-driven refers to recognizing profitable segments through statistical techniques or customer-needs-driven refers to the use of database to supply information that benefits in the development and keep of long-term relationships with key customers. Furthermore, Evelyn and Hamadallah (1996), viewed that customer's 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 improves inter-firm relationships. In summary, key customer focus can be considered as a function of customer relationship management of a retailer's integrity as well as firms' ability to perform their services, to keep its promises and commitment and in general to do the right things' consistently.

### **2.5.2. Customer Relationship Management Organization**

The key considerations in order to successfully organize the entire company around customer relationship management are as follows: organizational structure, organization-wide commitment of resources, and human resources management. CRM means indispensable variations in the way that firms are systematized and business progressions are directed (Hoffman and Kashmeri, 2000). As a result, firms should take into consideration the organizational challenges inherent in any customer relationship management advantage (Agarwal *et al.*, 2004).

According to Anderson and Swaminathan (2005), strong focus on key customers deeply surrounded throughout its CRM system, the whole company should be structured around promoting, encouraging, stimulating these valuable relationships. The organizational arrangement and structure needs to be flexible and, if necessary, reassembled to generate customer-centric values and develop coordination of customer-focused, cross-functional teams in order to attract potential pool of customers. They stated that with meticulous efforts by all organizational functions to constantly provide a stream of value-rich actions and customer outcomes. This enables the organizations and its sales force is secure that they can satisfy customers' needs and enhance customer relationships. The success of CRM programs call for commitment of resources at all levels and functions of the firm. In summary, well organized customer relationship management can be considered as a function of customers' personal attachment to a retailer, as well as their perception of the company in relation to its competitors, and their orientation towards a long- term relationship with the retailer.

### **2.5.3. Customer Knowledge Management**

According to Salomoun et al, (2005) in today's competitive world, knowledge is well-thought-out as one of the competitive factors in global economy. It is compulsory to think and consider for a business firms in order to attract customer as another important factor in order to come in today's dynamic market successfully. Despite of this customer knowledge management can be defined as the system of attaining, allocating, and increasing the customer knowledge among employees for making profit to the organization and customers. With the intention of improving the organizational productivity and value, assure from delivering required products and services to the customers and acquire their satisfaction, it is compulsory to manage the organization's knowledge about customers. Accordingly, it can be decided that knowledge management is an integrative part of CRM.

In today's business environment firms are encouraging towards the implement of customer relationship management applications to trail customer behavior to gain understanding into customer tastes, preferences and evolving needs (Mithas *et al.*, 2005). CRM applications help firms to gather and use customer knowledge through CRM applications in order to facilitate customer employees to record relevant information about each customer transaction. Later

information is taken from employees can be administered and converted into customer knowledge on the basis of information processing rules and organizational policies and businesses organizations can segment their stored customer knowledge with customers to allow those customers to serve themselves by defining the service and its delivery to suits their needs. However, a firm cannot be customer focused without knowing the needs and preferences of customers. Customer needs and preferences driven CRM strategies require unrecognized customer needs and preferences through the analysis of customer information.

Customer knowledge management is the system used to provide firms with market intelligence that can be used to retain and build profitable portfolios of customer relationships in order to build customer life value. The value of knowledge management is improved by its level of accessibility in order to address customer's current and anticipated needs by providing an offer and services as per their needs and expectations. Successful dissemination of knowledge management requires firms to develop both information technology systems, such as marketing management support systems to spread explicit knowledge and other processes and procedures to encourage the distribution of implicit knowledge (Ryals *et al.*, 2001).

#### **2.5.4. Technology-Based CRM**

According to Abbott *et al.*, (2001) to measure the CRM performance successfully, relevant and reliable customer data is necessary. Therefore, to accurately gather customer data technology has a vital role in CRM in addition to firm intelligence (Boyle, 2004). Indeed, the development and improvement of information technology provide the ability to gather, investigate, and share customer information which will lead to a customer satisfaction, customer loyalty and retaining customers (Bulter, 2000). The CRM demands for "information-wide strategies" which exploit computer technologies in maintaining relationships (Harding *et al.*, 2004) such as: computer-aided design or manufacturing, data warehouses, data mining and CRM application systems that allow the firms to offer maximum customization with better quality at lower cost. Moreover, it helps the staff at all contact points or touch points to serve the customers in a better way. Hence, many customer

focus activities would be impossible without the use of an appropriate technology (Sin *et al.*, 2005).

According to Zeblah, (2004), knowledge management is considered as one of CRM oriented activities which cannot be optimized without influencing the latest technology. And also CRM technology considered as one of the organizational resources commitments that serves as an input into the CRM process and is intended to enhance firms' ability to successfully build and maintain a maximum profit portfolio for relationships with customer.

According to Osborne, & Ballantyne, (2012),as cited by Robinson,(1999), CRM tools are particularly designed to support sales in order to outlook management, developing marketing management campaign, and service and support tasks in order to develop case management, and serve to either support the coordination of tasks within a process or across functions, systematize routine tasks, offer detailed insight regarding organizational and individual employee performance, or standardize common tasks and processes. They noted that the expansion of sophisticated information management tools, such as database marketing, data warehousing, data mining, and push technology keep firms in a continuous such for the latest technology that could be built-in into their CRM systems. With the right customer relationship management technology, firms are able to collect, analyze, and distribute information firm-wide.

According to Yim, Anderson and Swaminathan (2005), firms will be in the position to enhance prospecting, improve communication and sales presentations, and able to customize their product configurations by using appropriate customer relationship management technology for data collection and distribution.

## **2.6. Market performance**

In today's world as competition increasing at increasing rate, companies were able to deliver their offer and services that are tailored for every customer. Certainly, these organizations can accomplish competitive advantage in sale and service marketing through tailoring their mass services. At the moment, the profitable companies endeavor to transfer their mass services to the individual customer. Market performance refers to the enhancement of the

organizational standing in the market, improvement of the customers' perception of organization and its products, and increase in their loyalty toward organization (Martin, 2005). Market performance consists of the following components:

### **2.6.1. Sales Growth**

According to Buttle, (2009), improving profitability at the customer level is an indicator of effort within the marketing discipline towards a less comprehensive view of markets. On the other way, the single customer rather than segments of customers is increasingly stressed as the unit of analysis. This occurrences has given birth to labels such as “one-to-one marketing” and “micro marketing”. Understood from this viewpoint, customer profitability is rising as an important measurement in which each customer can be defined. An emphasis on customer-level profitability can also be considered as a mirror image of marketing's changing role within the firm. A significant aspect of the new role is that “marketing is too important to be left to the marketing department”. For that reason, in any case in marketing literature, other departments are encouraged to deal with marketing issues. This can be understood predominantly in terms of controlling cost, in the logic that marketing performance measures are being introduced in cost accounting literature and practice. However, Reichheld and Sasser (1990) stated that, reducing customer defections by 5 percent can increase profits by 25 percent to 85 percent. Recently, although the precise numbers may vary, empirical findings consistently show a substantial jump in revenue and profits with a small gain in customer retention (Oliver, 1999; Pfeifer and Farris 2004).

### **2.6.2. Customer retention**

According to Ghavami (2006), customer retention has a significant relation on firm profitability and they conclude that “1% improvement in retention can increase firm value by 5%”. In this case firms are interested in maximizing their lifetime value in order to understand that customer retention is a key to increasing long run firm profitability. An understanding of forces for customer's defection can help companies in designing customer relationship management strategies and interventions aimed toward increasing customer retention and prolonging the lifetime of customers to increase market performance better than

before. Customer retention is the safeguarding of continuous trading relationships with customers over the long term.

According to Buttle, (2009) positive retention strategies are strategies that lock the customer in by rewarding a customer for remaining in a relationship. These positive retention strategies include the following:

- Customer delights, when customer expectation exceeding, this is going further than what would usually satisfy the customer. It means being responsive of what it usually takes to satisfy the customer and what it might take to pleasure or pleasantly surprise the customer.
- Adding customer perceived value: - companies can explore ways to create additional value without creating additional costs. If cost is suffered accordingly the value-added may be expected to recover those costs. Value can be added through programs such as, loyalty schemes, customer clubs and sales promotions.

### **2.6.3. Customer Satisfaction**

According to Hansemark and Albinsson, (2004), the major goal of business organizations is customer satisfaction, since customer satisfaction affects customer retention and companies' market share, profitability, sales volume. However, customer satisfaction is a complex construct which has been defined in various ways (Hair, *et al* 2003: Fournier *et al*, 1999: Sheth and Sisodia, 2001).

According to Hair, *et al* (2003), customer satisfaction is defined as "customer's response to a product or service in terms of the extent to which consumption meets expectations". Indeed, customer satisfaction is crucial for successful application of the marketing concept. Various organizations mission statements and marketing strategies are designed around the goal of increasing customer satisfaction (Fournier *et al*, 1999). In implementing customer relationship management, a firm pursues to establish and retain a long-term relationship with customers based on increasing full customer satisfaction as opposed to transaction-specific customer satisfaction.

According to Sheth and Sisodia (2001), successful customer relationship management implementation requires a committed organizational wide in order to focus on significant customers in customized marketing efforts to fully realize and fulfill their needs and wants on an enduring basis. The seller's entire organizational structure should be centered on customers, often with customer-focused teams designed to create fully satisfying customer experiences. According to Stefanou *et al*, (2003), successful customer relationship management activities must cultivate customer satisfaction by continuously adapting to the evolving needs and wants of customers.

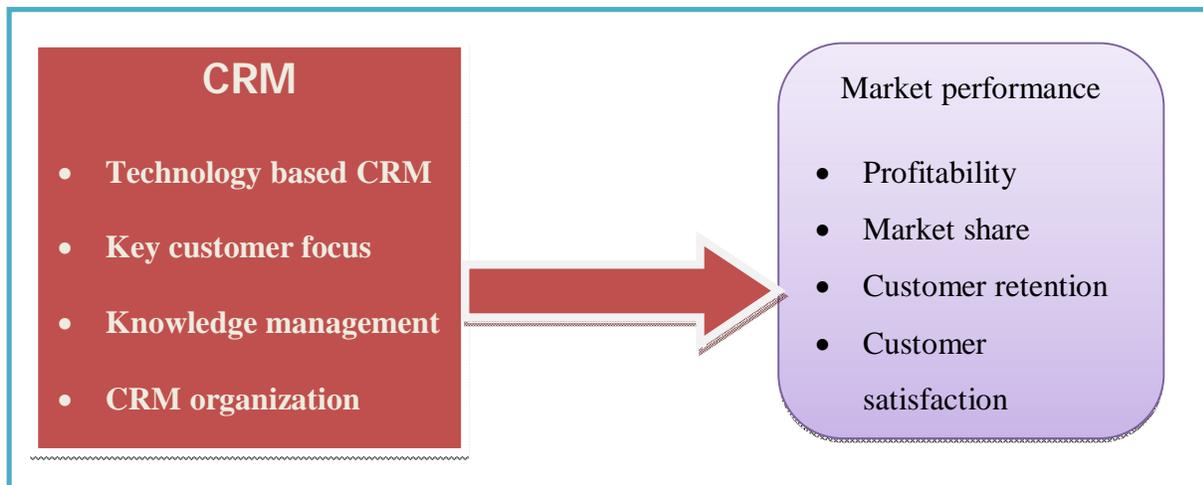


Figure 2.1: Conceptual framework of Customer relationship management and its relationship to business performance

Source: Sayed H., (2011)

## CHAPTER THREE: METHODOLOGY OF THE STUDY

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*This chapter provides the research methodology employed to conduct the study. Accordingly, this chapter presents site selection and description, data type and source, method of data collection, sampling design technique, research design and technique, total population and sample size and method of data analysis and presentation.*

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### 3.1. Site selection and description

Mekelle city was founded in the 13<sup>th</sup> century. It was located 780 km north of Addis Ababa. However, its peak comes soon after Emperor Yohannes (1871-1889). Mekelle covers 23km square. Setting 2200 meters above sea level, it enjoys good weather all the year round. Mekelle, the capital city of Tigray National Regional State, has become a town where fast political and economic developments were undertaking. The availability of public and private higher institutions makes the city center of education (Tourism Bureau, n.d).

Mekelle has 215,546 populations .The city is located at the center of a road system that connects all major cities in the region. The recently built Alula Aba Nega International Airport provides various business activities for the society in general and Mekelle in particular. In Mekelle Commercial banking takes place through the commercial bank of Ethiopia and a number of private banks. The CBE and the private commercial banks provide various services like savings and checking accounts, giving short-term loans, foreign exchange transactions, and mail and money transfer services. Furthermore they participate in equity investments, provide assurances and perform other commercial banking activities despite of these focusing on profitable customer enhance their activities than other competitors (Bryant, 2009). Taking all the above facts about the city and study area in to consideration the researcher is interested to contribute his share for the city's growth by conducting research.

### **3.2. Research design and strategy**

To accomplish the objectives of the study both qualitative and quantitative research strategies were used. Such research strategies are good way of approaching issues as it enabled to respond and triangulate evidences. The researcher used cross sectional design because the data collected at one point in a time to compare the effectiveness of customer relationship management on market performance of public and private banks. Cross sectional design is a study in which various segments of population are sampled at a single point in a time (Zikmend, 2003).

Based on the purpose, the study was descriptive in nature because, this type of study was conducted to provide detailed description about the existing phenomena and to justify current condition with the intent of employing data and whenever possible to draw conclusion from the fact discovered (Kothari, 2004).

### **3.3. Data type and source**

The study employed both qualitative and quantitative data .The qualitative data includes those data that are primarily collected through interview whereas quantitative data includes objective items through the questionnaires. Regarding the data source, the study was used primary source. Primary source of data were collected through closed ended questionnaires and structured and semi-structured interviews with the selected branch managers.

### **3.4. Data collection instruments**

Methods of data collection relatively dependence on standard questionnaires prepared by Swaminathan (2004) which was prepared in the form of Likert five scales. However, to measure CRM dimensions on market performance the researcher modify in relation to the study for that matter the researcher test the reliability and check the dependability. For the purpose of data collection, the researcher was used closed-ended questionnaires and both structured and semi structured interviews. Closed-ended questionnaires were prepared on the basis of customer relationship management dimensions and banks market performance. Thus,

closed ended questionnaires helps to avoid pressure up on the respondents in any direction and better be able to obtain the required data in the study area.

The questionnaire was divided in to two sections. The first section contained the demographic characteristics of the respondents were requested to provide information about their gender, age, year of service or experience and education level.

The second section of the questionnaire was designed to enable the researcher to gather information about effectiveness of CRM on market performance in public and private banks of selected commercial banks.

For all questionnaire included in section 2, the respondents were requested to indicate their feeling on a five point Likert scale type to measure weighted as follows: 1=strongly disagree, i.e., very much dissatisfied with the case described, 2=disagree, i.e., not satisfied with the case described, 3=neutral, i.e., uncertain with the case, 4=agree, i.e., feeling alright with the case described, and 5= strongly agree, i.e., very much supporting the case described.

### **3.5. Sampling design technique**

The researcher is interested to explore the effects of CRM on market performance in selected commercial banks the case of Mekelle city. However, eventually the researcher finds out the difficulty of conducting on the industry base in the city commercial banks, because it requires great deal of time and money. Hence, the researcher purposively select three commercial banks (one from public and two from private) branches found in Mekelle city; Namely commercial bank of Ethiopia Romanat branch, Dashen bank Mekelle branch and Wogagen bank Mekelle branch. Therefore, from the selected commercial banks, for interview branch managers and questionnaire with employees are assumed to be selected to conduct the research.

### **3.6. Target population and sample size**

The target populations of the study were the branch managers, employees of the selected commercial banks excluding secretaries, guards and other supportive staffs whom they are insignificant for the study. In the determination of sample size the three criteria were very

important to gather the required data from sample respondents. These included the level of precision, the level of confidence or risk and the degree of variability in the attributes being measured that enable the researchers to determine appropriate sample size (Miauou & Michener, 1976). Therefore, the total numbers of employees in commercial bank of Ethiopia (45 employees), Wogagen (65 employees) and Dashen (54 employees) in Mekelle there were 164 employees. The researcher used Yamane' (1967) formula to calculate sample size.

$$n = \frac{N}{1 + N(e)^2}$$

Where **n** is the sample size, **N** is the population size, and **e** is the level of precision. By using this formula at 95% confidence level and 5% level of precision the sample size were obtained as follows:-

$$n = 164 / 1 + 164(0.05)^2$$

$$n = \underline{\underline{116}}$$

Proportional sample size from each stratum is calculated by using the following formula:

$$ni = \frac{n * Ni}{N}$$

Where:

ni= sample size for each Bank , Ni= the total number of employees in each Bank, N=the total number of employees in the selected Banks (3 Banks), n= the total sample size for selected Banks

Accordingly, the table below shows the proportionate sampling for each Banks based on the above given formula.

**Table 3.1: proportionate sample distribution for each Banks**

No	List of Banks	Total number of employees	No. of sample size
1	CBE	45	32
2	Dashen Bank	54	39
3	Wogagen Bank	65	45
Total		164	116

**Source: Own computation based on census taken from each Banks (2014)**

By taking the above table in to consideration, the researcher selected only 116 respondents from the total members of these employees using proportionately. Having selected such number of respondents, the questionnaires were distributed by using simple random sampling to get each respondent from each Bank. This sampling technique was chosen as it gives each member of population fair or equal chance of being selected.

### **3.7. Methods of Data Analysis**

After the data was collected from primary source it was checked and in-house editing was undertaken to detect errors that had been committed by the respondents. Then, the edited data were coded and manually entered in to statistical package for social science (SPSS) version 16 computer software. Moreover, both qualitative and quantitative methods of data analysis techniques were employed. Analysis of data in this research was done by using descriptive statistical methods like: frequency, mean, standard deviation and inferential statistical methods such as: correlation and regression. The regression analyses were conducted to determine by how much percent the independent variable i.e. customer relationship management explains the dependent variable which is market performance. Correlation analysis was conducted to test the proposed hypothesis whether there is a positive significant relationship between the customer relationship management dimensions and market performance.

## CHAPTER FOUR: RESULTS AND DISCUSSION

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*This chapter presents the Results and discussions of the responses gathered from the respondents through questionnaire and interview.*

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In this chapter, the data collected from respondents were analyzed and interpreted using quantitative analysis which involves analysis of the demographical information of respondents and the descriptive and inferential statistics employed to test the hypothesis and to investigate the influence of independent variables on dependent variable. To analyze the collected data in line with the overall objective of the research undertaking, statistical procedures were carried out using SPSS version 16.

### 4.1. Response rate on questionnaire

A total of 116 questionnaires were distributed to employees of the three branch banks to assess the influence of CRM on market performance and all questionnaires were filled up and returned making the response rate 100 percent. This indicates that;-the banks under study were committed to give information relevant to the research understudy.

**Table 4.1: Response Rate on Questionnaire distributed to Bank Employees**

Name of Bank	Questionnaire distributed	Questionnaire responded	Response rate (%)
CBE	32	32	100
Wegagen Bank	45	45	100
Dashen Bank	39	39	100
<b>Total</b>	<b>116</b>	<b>116</b>	<b>100</b>

*Source: Own survey (2014)*

### 4.2. Reliability Test Result

The reliability test is an important instrument to measure the degree of consistency of an attribute which is supposed to measure. As stated by Mahon and Yarcheski (2002) the less variation of the instruments produces in repeated measurements of an attribute the higher its

reliability. Reliability can be equated with the stability, consistency, or dependability of a measuring tool.

Cronbach's alpha is one of the most commonly accepted measures of reliability. It measures the internal consistency of the items in a scale. It indicates that the extent to which the items in a questionnaire are related to each other. It also indicates that whether a scale is one-dimensional or multidimensional. The normal range of Cronbach's coefficient alpha value ranges between 0-1 and the higher values reflects a higher degree of internal consistency. Different authors accept different values of this test in order to achieve internal reliability, but the most commonly accepted value is 0.70 as it should be equal to or higher than to reach internal reliability (Hair *et al.*, 2003).

**Table 4.2: Cronbach's Alpha for each field of the questionnaire**

No	Field	Number of Items	Cronbach's Alpha
1.	Key customer focus	7	0.886
2.	Customer knowledge management	10	0.807
3.	CRM organization	7	0.753
4.	Technology based CRM	10	0.832
5.	Market performance	12	0.872
		Entire 46	0.891

*Source: Field Survey (2014)*

The Cronbach's coefficient alpha was calculated for each field of the questionnaire. The table 4.2 shows the values of Cronbach's Alpha for each field of the questionnaire and the entire questionnaire. For the fields, values of Cronbach's Alpha ranged from 0.753 and 0.872. This range is considered high as the result ensures the reliability of each field of the questionnaire. Cronbach's Alpha equals 0.891 for the entire questionnaire which indicates very good reliability of the entire questionnaire. Therefore, based on the test, the results for the items are reliable and acceptable.

### **4.3. Demographic characteristics of respondents**

This descriptive analysis is used to look at the data collected and to describe data captured through the questionnaire. It was used to describe the demographic factors for more clarification. It is mainly important to make some general observations about the data gathered for general or demographic questions. The demographic factors used in this research were gender, age, educational qualification, and work experience of respondents in the banks.

**Table 4.3: Demographic characteristics of respondents**

Demographic Categories	Wegagen bank		Dashen Bank		CBE		
	Fr	Per	Fr	per	Fr	per	
Sex	Male	25	55.6	24	61.5	19	59.4
	Female	20	44.4	15	38.5	13	40.6
	Total	45	100	39	100	32	100
Age	18-30	15	33.3	18	46.2	13	40.6
	31-45	30	66.7	21	53.8	19	59.4
	Total	45	100	39	100	32	100
Education	Certificate	5	11.1	4	10.3	7	21.9
	Diploma	16	35.6	14	35.8	10	31.2
	Degree	24	53.3	17	43.6	12	37.5
	MA& above	-	-	4	10.3	3	9.4
	Total	45	100	39	100	32	100
Work experience	2-3 years	9	20	12	30.8	6	18.8
	6-10 years	34	75.6	27	69.2	25	78.1
	11& above	2	4.4	-	-	1	3.1
	Total	45	100	39	100	100	100

*Source: Field survey (2014)*

As far as the table 4.3 is concerned, 55.6 percent of the respondents of Wegagen Bank were male while the remaining 44.4 percent of the respondents were female. This indicates that majority of the employees of the bank were male. From this we can infer that female participation in Wegagen Bank was low relative to male. The above table also reveals that 61.5 percent of the respondents of Dashen Bank were male while 38.5 percent were female. Similar conclusion to that of Wegagen Bank can be drawn in Dashen Bank were female participation was low relative to male.

When we come to CBE in the table 4.3, 59.4 percent of the respondents were male while the remaining 40.6 percent were female. This shows majority of the respondents in all the three banks were male.

Another description observed in table 4.3 is the age interval of respondents. 66.7 percent of the respondents of Wegagen Bank were found in the age interval of 31 to 45 years .The remaining 33.3 percent were found in the age interval of 18 to 30 years. This indicates that the majority of the employees of Wegagen Bank were young and middle aged.

As the table 4.3 also depicts, 53.8 percent of the respondents of Dashen Bank were found in the age interval of 31 to 45 years. The remaining 46.2 percent were found in the age interval of 18 to 30 years. This shows that the age distribution in Dashen Bank is almost similar to that of Wegagen Bank, were the employees are young and middle aged.

On the other hand, 59.4 percent of the respondents CBE were found in the age interval of 30 to 45 years, the remaining 40.6 percent were found in the age interval of 18 to 30 years. From this data the researcher can conclude that majority of the respondents in the three banks were fall in the age range of 31 to 45 years. From this we infer that in all the three banks the number of young and productive age group was almost similar.

As far as the educational qualification of employees is concerned in the table 4.3, 53.3 percent of the respondents of Wegagen Bank were BA degree holders, 35.6 percent were diploma holders, and the remaining 11.1 percent were certificate holders. Like Wegagen Bank, in Dashen Bank majority of the respondents i.e. 43.6 percent were BA holders, 35.8 percent were diploma holders, 10.3 percent were master's degree holders and the remaining 10.3 percent were certificate holders.

As the table 4.3 displays, like Wegagen and Dashen Bank, in CBE majority of the respondents (37.5 %) was BA holders followed by diploma holders who constitute 31.2 percent, the rest 21.9 percent were certificate holders and the remaining 9.4 percent were master's degree holders. From this data we infer that the educational status of the given individual has a great value to do with the efficiency and effectiveness of what he/she performs to the banks.

As far as work experience of the respondents is concerned in table 4.3, 75.6 percent of the respondents of Wegagen Bank have 6 to 10 years of working experience, 20 percent of the respondents have 2 to 5 of years working experience and the remaining 4.4 percent have above 11 years of working experience. While 69.2 percent respondents of Dashen Bank have 6 to 10 years working experience, and the remaining 30.8 percent of the respondents have 2 to 5 years of working experience. When we come to CBE, 78.1 percent of the respondents have 6 to 10 years of working experience, 18.8 percent of the respondents have 2 to 5 years of working experience and the remaining 3.1 percent of the respondents have above 11 years of working experiences. This implies that all selected banks are in a good track on establishing, maintaining and enhancing long- lasting relationships with customers in order to improve market performance. In general, results of demographic characteristics of the respondents entail that, they can clearly understand and respond to the questions provided to gather primary data.

#### **4.4. Descriptive Statistics of Scaled Type Questionnaires**

In this part descriptive statistics in the form of mean and standard deviation were presented to illustrate the level of agreement of the respondents with their implications of the three selected Banks. The responses of the respondents for the variables indicated below were measured on five point Likert scale with: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree. But, while making interpretation of the results of mean and standard deviation the scales were reassigned as follows to make the interpretation easy and clear. 1 - 1.8= Strongly Disagree, 1.81 – 2.6 = Disagree, 2.61 – 3.4= Neutral, 3.41 – 4.20= Agree and 4.21 – 5 = Strongly Agree (Best, 1977, as cited by Yonas, 2013).

##### **4.4.1. Perception of respondents towards Key customer focus**

Key customer focus is one of the most important dimensions of customer relationship management that involves an overall customer-centric focus and continuously delivering superior and added value through customized offers to the key customers. In today's business environments, the ultimate goal of any key customer focus is to achieve a deep customer relationship that makes an organization a necessary partner to its most profitable customers. The overall company understanding and support for key customer focus

encourages sales force to foster long-term customer relationships by offering more personalized services (Armstrong and Kotler, 2004).

**Table 4.4: Descriptive statistics of Key customer focus**

N	Variables of key customer focus	Wogagen		Dashen		CBE	
		Mean	St.D	Mean	St.D	Mean	St.D
1	Working with key customers	3.66	.785	3.72	.724	3.62	.780
2	Clear objectives and strategies for key customers	3.47	.739	3.69	.695	3.59	.712
3	Making coordinated efforts with key customers	3.62	.638	3.62	.711	3.72	.888
4	Continuously delivering superior and added value	3.73	.809	3.74	.677	3.56	.702
5	Meeting and ensuring key customer needs	3.84	.562	3.89	.521	3.49	.875
6	Treat customers with especial care	3.80	.661	3.82	.683	4.06	.982
7	Customer lifetime value	4.00	.603	3.49	.885	3.78	.659
Average mean		3.76		3.71		3.69	

*Source: Field survey (2014) n=116*

As it can be seen in the table 4.4 in Wogagen Bank the concern of working with key customers has scored mean of 3.66 with standard deviation of 0.785, setting clear objectives and strategies for key customers has scored mean of 3.47 with standard deviation of 0.739, making coordinated efforts with key customers has scored a mean of 3.62 with standard deviation of 0.638, continuously delivering superior and added value for key customer has scored a mean of 3.73 with standard deviation of 0.809, meeting and ensuring key customers' needs has scored a mean of 3.84 with Standard deviation of 0.562, treat customers with especial care has scored a mean of 3.80 with standard deviation of 0.661 and life time value has scored a mean of 4.00 with standard deviation of 0.603. Yet in Wegagen bank meeting and ensuring key customers' needs, treat customers with especial care and customer life time value are the most important variables that play decisive role to achieve market performance of the bank.

As the interview conducted with the general manager of Wegagen Bank concerning on key customer focus shows that as it plays a vital role for market performance especially for importers and exporters by serving them better than other banks. In addition to this, the manager stated that the primary strategy of the bank was putting customers at the center and supporting the services with more advanced banking technology. In addition to this the manager pointed out that as customer's needs-driven customer relationship management programs are common with firms to adopt business-to-business marketing strategies because, customers-needs-driven customer relationship management programs improves inter-firm relationships (Hamadallah ,1996).

When we come to Dashen Bank the concern of working with key customers has scored mean of 3.72 with standard deviation of 0.724, setting clear objectives and strategies for key customers has scored mean of 3.69 with standard deviation of 0.695, making coordinated efforts with key customers has scored a mean of 3.62 with standard deviation of 0.711, continuously delivering superior and added value for key customer has scored a mean of 3.74 with standard deviation of 0.677, meeting and ensuring key customers' needs has scored a mean of 3.89 with Standard deviation of 0.521, treat customers with especial care has scored a mean of 3.82 with standard deviation of 0.683 and customer life time value has scored a mean of 3.49 with standard deviation of 0.885. However, in DB meeting and ensuring key customer needs and treating customers with especial care are the most important variables that play a decisive role to achieve marketing performance of the bank.

As the information obtained through interview with the general manager of Dashen Bank, the bank was emphasizing on key customer focus. Towards this issue the bank manager confirmed as without key customer focus there is no profit and even difficult to achieve the goals of the bank. Additionally, the manager stated that the bank provides loans, holiday gifts to the key customers to make them to feel like their own business. Furthermore, the bank has given attention not only to key customers but also for "All customers of the bank" and considering using the idea of a customer focus to ramp up business and appeal to their client base as stated by the manager of the bank.

As it is clearly pointed out in the table 4.3 in CBE the concern of working with key customers has scored mean of 3.62 with standard deviation of 0.780, setting clear objectives

and strategies for key customers has scored mean of 3.59 with standard deviation of 0.712, making coordinated efforts with key customers has scored a mean of 3.72 with standard deviation of 0.888, continuously delivering superior and added value for key customer has scored a mean of 3.56 with standard deviation of 0.702, meeting and ensuring key customers' needs has scored a mean of 3.49 with Standard deviation of 0.875, treat customers with especial care has scored a mean of 4.06 with st. deviation of 0.985 and customer life time value has scored a mean of 3.78 with standard deviation of 0.659. Yet treating customers with especial care and customer life time value are the most important variables that play a crucial role to achieve market performance of the bank.

According to the information obtained through the interview with the general manager of CBE indicates that the bank was giving more emphasis to key customer focus by giving loans and accepting their money to deposit in their banking. The manager also stated as the works of the bank were to satisfy their customers in a better way by working with key customers, setting clear objective and strategies for key customers because, the bank can't maximizes its market share if its customers are not satisfied and they are not remained loyal to the bank for a long period of time to avoid customer turnover in the future.

In addition to this, table 4.3 also reveals that the mean rating score of all the entire sub-construct variables in the three banks i.e. working with key customers, clear objectives and strategies for key customers, making coordinated effort to modify services for key customers, continuously delivering superior and added value for key customers, meeting and ensuring key customers' needs, treat customers with especial care and customer life time value were falling between the ranges of 3.41-4.20. This shows that respondents agreed that all those entire sub-construct variables are the important factors that have influence on market performance.

#### **4.4.2. Perceptions of respondents towards CRM Organization**

CRM is an enterprise wide initiative. It requires that all areas of the organization work toward the common goal of building stronger customer relationships. Strong focus on key customers are deeply surrounded throughout its CRM system, the whole business were structured around promoting, encouraging, stimulating the valuable relationships. The

organizational arrangement and structure needs to be flexible and, if necessary reassembled to generate customer-centric values and develop coordination of customer-focused, cross-functional teams in order to attract potential pool of customers. Furthermore, with meticulous efforts by all organizational functions to constantly provide a stream of value-rich actions and customer outcomes. This enables the business firm and its sales force was secure that, they can satisfy customers' needs and enhance customer relationships. The success of CRM programs call for commitment of resources at all levels and functions of the firm (Anderson and Swaminathan, 2005).

**Table 4.5: Descriptive statistics of CRM organization**

N	Variables of CRM Organizations	Wegagen		Dashen		CBE	
		Mean	St.D	Mean	St.D	Mean	St.D
1	Good organizational structure	3.87	.625	3.77	.667	3.47	.803
2	Organizational wide commitment resources	3.51	.727	3.69	.655	3.75	.842
3	Flexible organizational structure and arrangement	3.67	.661	3.64	.668	3.69	.592
4	Coordination of customer focused	3.86	.509	3.74	.785	3.59	.798
5	Meticulously designed around customers	3.67	.786	3.36	.737	3.99	.592
6	Cross-functional teams	3.70	.634	3.72	.725	3.52	.733
7	Good organizational image	3.72	.642	3.80	.522	3.57	.761
Average Mean		3.64	.654	3.67	.679	3.65	.731

*Source: Field survey (2014) n=116*

Table 4.5 illustrates that the perception of the respondents towards CRM organization. Accordingly, in Wegagen Bank the concern of good organizational structure has scored a mean of 3.87 with standard deviation of 0.625, organizational wide commitment resources has scored a mean of 3.51 with standard deviation of 0.727, flexible organizational structure and arrangement to capture and attract customers has scored a mean of 3.67 with standard deviation of 0.661, coordination of customer focused has scored a mean 3.86 with standard deviation of 0.509, meticulously designed around customers has scored a mean of 3.67 with standard deviation of 0.786, cross-functional teams has scored a mean of 3.70 with standard

deviation of 0.634, good organizational image has scored a mean of 3.72 with standard deviation of 0.642. However, in Wegagen bank good organizational structure and coordination of customer focused are the most decisive variables to achieve the market performance of the bank.

As far as table 4.5 is concerned, in Dashen bank the concern of good organizational structure has scored a mean of 3.77 with standard deviation of 0.667, organizational wide commitment resources has scored a mean of 3.69 with standard deviation of 0.655, flexible organizational structure and arrangement to capture and attract customers has scored a mean of 3.64 with standard deviation of 0.668, coordination of customer focused has scored a mean 3.74 with standard deviation of 0.785, meticulously designed around customers has scored a mean of 3.36 with standard deviation of 0.737, cross-functional teams has scored a mean of 3.72 with standard deviation of 0.725 and good organizational image has scored a mean of 3.80 with standard deviation of 0.522. Yet good organizational image and structure are the most significant variables to achieve market performance of the bank.

When we come to CBE table 4.5 illustrates that the concern of good organizational structure has scored a mean of 3.47 with standard deviation of 0.803, organizational wide commitment resources has scored a mean of 3.75 with standard deviation of 0.842, flexible organizational structure and arrangement to capture and attract customers has scored a mean of 3.69 with standard deviation of 0.592, coordination of customer focused has scored a mean 3.59 with standard deviation of 0.789, meticulously designed around customers has scored a mean of 3.99 with standard deviation of 0.592, cross-functional teams has scored a mean of 3.52 with standard deviation of 0.733 and good organizational image has scored a mean of 3.57 with standard deviation of 0.761. However, organizational wide commitment resources and meticulously designed around customers are the most important variables to achieve market performance of the bank.

From this we infer that as employees are believed that organizational structure of Wegagen bank is better in terms of attracting, retaining and confine potential customers through manipulative organizational structures, cross-functional teams and coordination of customer focused to improve market performance than the rest two banks. While CBE is better in terms of resource commitment, flexible organizational structure and arrangement and

meticulously designed around customers through doing this they are able to achieve market shares. While, Dashen Bank is better in terms of good organizational image to enhance market performance.

As information gained through the interview with general managers of the three banks indicates that the bank target were improving their service using different measures such as designing organizational structure that attract and promote customers, intensive manpower training to implement totally performance standards through all customer touch points. In addition to this, the managers stated as to be customer-centric, companies need to collect and store meaningful information in a comprehensive customer database. As they stated customer database is an organized collection of information about individual customers or prospects. The database must be current, accessible, and actionable in order to support the generation of leads for new customers while supporting sales and the maintenance of current customer relationships. Smart organizations are collecting information every time a customer comes into contact with the organization. Based on what they know about the individual customer, organizations can customize market offerings, services, programs, messages, and choice of media (Agarwal *et al.*, 2004).

#### **4.4.3. Perception of respondents towards customer knowledge management**

Knowledge is well-thought-out as one of the competitive factors in global economy. It is compulsory to think and consider for a business firms in order to attract customer in today's dynamic market successfully. Despite of this customer knowledge management can be defined as the system of attaining, allocating, and increasing the customer knowledge among employees for making profit to the organization and customers. With the purpose of improving the organizational productivity and value, assure from delivering required products and services to the customers and acquire their satisfaction, it is necessary to manage the organization's knowledge about customers (Salomoun et al, 2005).

**Table 4.6: Descriptive statistics of customer knowledge management**

No	Variables of Customer Knowledge Management	Wegagen		Dashen		CBE	
		Mean	St.D	Mean	St.D	Mean	St.D
1	Enable ongoing and two-way communication	3.80	.894	3.69	.977	3.27	.733
2	Good management practice	4.0	.522	4.11	.833	3.92	.634
3	Well-trained and motivated employees	3.71	.695	3.72	.791	3.97	.609
4	Manages all customer communications	3.64	.562	3.97	.843	3.85	.672
5	Successful dissemination of knowledge management	3.94	.638	3.65	.759	3.66	.710
6	Transform locally acquired knowledge into organization-level knowledge	3.67	.726	3.92	.721	3.68	.645
8	Detail knowledge of every procedures	4.0	.533	3.70	.645	3.82	.823
9	Works well with others	3.70	.872	3.89	.721	3.92	.542
10	Ability to handle customers	3.94	.545	4.0	.451	3.73	.745
Average mean		3.83		3.84		3.81	

Source: Field survey (2014)  $n=116$

As it can be seen in the table 4.6 in Wegagen bank employees were perceived as customer knowledge management is significant for market performance of the bank. Accordingly, in Wegagen bank the concern of ongoing and two-way communication with customers has scored a mean of 3.80 with standard deviation of 0.894, good management practice to handle customers has scored a mean of 4.0 with standard deviation of 0.522, well-trained and motivated employees who have a great contribution for the success of the organization has scored a mean of 3.71 with standard deviation of 0.691, manages all customer communications has scored a mean of 3.64 with standard deviation of 0.562, successful dissemination of knowledge management has scored a mean of 3.94 with standard deviation of 0.638, ability to transform locally acquired knowledge into organization-level knowledge has scored a mean of 3.67 with standard deviation of 0.726, ability to trial customer behavior has scored a mean of 3.90 with standard deviation of 0.742, detail knowledge of every procedures has scored a mean of 4.0 with standard deviation of 0.533, works well with others

has scored a mean of 3.70 with standard deviation of 0.872 and ability to handle customers has scored a mean of 3.94 with standard deviation of 0.543. However, in Wegagen bank ongoing and two-way communication with customers, good management practice to handle customers, successful dissemination of knowledge management, ability to trial customer behavior, detail knowledge of every procedures and ability to handle customers are the most decisive variables that influence the marketing performance of the bank.

Also as far as the table 4.6 concerned in Dashen Bank the concern of ongoing and two-way communication with customers has scored a mean of 3.69 with standard deviation of 0.777, good management practice to handle customers has scored a mean of 4.11 with standard deviation of 0.833, well-trained and motivated employees who have a great contribution for the success of the organization has scored a mean of 3.72 with standard deviation of 0.791, manages all customer communications has scored a mean of 3.97 with standard deviation of 0.843, successful dissemination of knowledge management has scored a mean of 3.65 with standard deviation of 0.759, ability to transform locally acquired knowledge into organization-level knowledge has scored a mean of 3.92 with standard deviation of 0.721, ability to trial customer behavior has scored a mean of 3.26 with standard deviation of 0.766, detail knowledge of every procedures has scored a mean of 3.70 with standard deviation of 0.645, works well with others has scored a mean of 3.89 with standard deviation of 0.721 and ability to handle customers has scored a mean of 4.0 with standard deviation of 0.451.

Yet, in Dashen Bank good management practice to handle customers, manages all customer communications, ability to transform locally acquired knowledge into organization-level knowledge, works well with others and ability to handle customers are the most crucial variables to achieve the market performance of the bank.

While in CBE employees were also perceived that customer knowledge management is essential for any business especially for service giving businesses. Accordingly, as the result of the respondents shows that, the concern of ongoing and two-way communication with customers has scored a mean of 3.27 with standard deviation of 0.733, good management practice to handle customers has scored a mean of 3.92 with standard deviation of 0.634, well-trained and motivated employees who have a great contribution for the success of the organization has scored a mean of 3.97 with standard deviation of 0.672, manages all

customer communications has scored a mean of 3.85 with standard deviation of 0.672, successful dissemination of knowledge management has scored a mean of 3.66 with standard deviation of 0.710, ability to transform locally acquired knowledge into organization-level knowledge has scored a mean of 3.68 with standard deviation of 0.645, ability to trial customer behavior has scored a mean of 3.71 with standard deviation of 0.677, detail knowledge of every procedures has scored a mean of 3.82 with standard deviation of 0.823, works well with others has scored a mean of 3.92 with standard deviation of 0.542 and ability to handle customers has scored a mean of 3.73 with standard deviation of 0.745. However, respondents rated good management practice to handle customers, well-trained and motivated employees, works well with others, detail knowledge of every procedure and manage all customer communications as the most significant variables to achieve the market performance of the bank.

As information gathered through interview with general managers of the three banks indicates that customer knowledge management plays a decisive role in any business firms especially in service giving businesses through the knowledge of understanding customers, needs, wants and aims. The managers also said that it is essential for a business to align its processes, products and services to build real customer relationships. It includes intimate and tacit knowledge such as key account managers, and distant or analytic knowledge including database information about sales, web-behavior or other analytical piece of data. Furthermore, obviously companies know about their customers, but frequently this is in a fragmented form and difficult to share or analyze and often it is incomplete or just in the head of one or two people. To be effective customer knowledge needs to be visible throughout the organization to ensure the voice of the customer is heard (Mithas *et al.*, 2005).

#### **4.4.4. Perceptions of respondents towards CRM-based Technology**

Technology and the Web has changed the way companies approach CRM strategies because advances in technology have also changed consumer buying behavior and offers new ways for companies to communicate with customers and collect data about them. With each new advance in technology especially the proliferation of self-service channels like the Web and smart phones, customer relationships are being managed electronically.

The development and improvement of information technology provide the ability to gather, investigate, and share customer information which will lead to a customer satisfaction, customer loyalty and retaining customers (Bulter, 2000). The CRM demands for “information-wide strategies” which exploit computer technologies in maintaining relationships (Harding *et al.*, 2004) such as: computer-aided design or manufacturing, data warehouses, data mining and CRM application systems that allow the firms to offer maximum customization with better quality at lower cost. Moreover, it helps the staff at all touch points to serve the customers in a better way. Hence, many customer focus activities would be impossible without the use of an appropriate technology (Sin *et al.*, 2005).

**Table 4.7: Descriptive statistics of CRM-based Technology**

No	Variables of CRM based technology	Wegagen		Dashen		CBE	
		Mean	St.D	Mean	St.D	Mean	St.D
1	Comprehensive database	4.0	.798	3.54	.756	4.09	.641
2	Provide Automated Teller Machines	3.52	.634	3.94	.707	3.52	.851
3	Right hardware and software	3.64	.777	3.54	.682	3.84	.574
4	Provide technical support	3.98	.753	3.69	.614	3.75	.762
5	Computer aided design	3.69	.745	3.59	.595	4.0	.568
6	Disseminates information through e-mail	3.69	.874	3.34	.756	3.69	.693
7	Attention and prompts services using online media	3.59	.682	3.67	.838	3.68	.751
8	Data warehousing and data mining	3.69	.611	3.99	.890	3.66	.653
9	Online without physical contact for customer convenience.	3.74	.789	4.00	.884	3.95	.608
Average Mean		3.77	.736	3.69	.747	3.81	.688

*Source: Field survey (2014) n=116*

As it can be seen in the table 4.7 in Wegagen Bank the concern of comprehensive data base for customer has scored a mean of 4.0 with standard deviation of 0.798, provide Automated Teller Machines at all branches has scored a mean of 3.52 with standard deviation of 0.634,

right hardware and software has scored a mean of 3.64 with standard deviation of 0.777, providing technical support has scored a mean of 3.98 with standard deviation of 0.753, computer aided design has scored a mean of 3.69 with standard deviation of 0.745, disseminates information through e-mail has scored a mean of 3.69 with standard deviation of 0.874, attention and prompts services using online media has scored a mean of 3.59 with standard deviation of 0.682, data warehousing and data mining has scored a mean of 3.69 with standard deviation of 0.611, serving customers online without physical contact for customer convenience has scored a mean of 3.74 with standard deviation of 0.789. However, in Wegagen bank respondents rated that comprehensive data base for customer and provide technical support as the most significant variables of technology based CRM to achieve market performance of the bank.

As information gathered through interview with the general manager of Wogagen Bank indicates the bank was emphasizes on technology based CRM to engage in enough amounts of transactions with significantly diverse customers in terms of their needs, preferences and expectations using a bundle of technologies like compressive data base for customers and providing technical support for customers. In addition to this, Currently Wogagen Bank has introduced networked banking system which is called Smart banking and Agar Visa Card which helps the bank in order to segregate their services, reducing customer waiting time, and avoiding customer defection to achieve their market performance.

When we come to Dashen Bank the concern of comprehensive data base for customer has scored a mean of 3.54 with standard deviation of 0.756, provide Automated Teller Machines at all branches has scored a mean of 3.94 with standard deviation of 0.707, right hardware and software has scored a mean of 3.54 with standard deviation of 0.682, providing technical support has scored a mean of 3.69 with standard deviation of 0.614, computer aided design has scored a mean of 3.59 with standard deviation of 0.595, disseminates information through e-mail has scored a mean of 3.34 with standard deviation of 0.756, attention and prompts services using online media has scored a mean of 3.67 with standard deviation of 0.838, good customer data warehousing and data mining has scored a mean of 3.99 with standard deviation of 0.890, delivering services for customers through online without physical contact for customer convenience has scored a mean of 4.0 with standard deviation

of 0.884. Furthermore, as employees rated, in Dashen bank provide Automated Teller Machines at all branches, good customer data warehousing and data mining and delivering services for customers through online without physical contact for customer convenience are the most decisive elements of technology based CRM to achieve market performance of the bank.

While in CBE the concern of comprehensive data base for customer has scored a mean of 4.09 with standard deviation of 0.641, provide Automated Teller Machines at all branches has scored a mean of 3.52 with standard deviation of 0.851, right hardware and software has scored a mean of 3.84 with standard deviation of 0.574, provide technical support has scored a mean of 3.75 with standard deviation of 0.762, computer aided design has scored a mean of 4.0 with standard deviation of 0.568, disseminates information through e-mail has scored a mean of 3.69 with standard deviation of 0.693, attention and prompts services using online media has scored a mean of 3.68 with standard deviation of 0.751, good customer data warehousing and data mining has scored a mean of 3.66 with standard deviation of 0.653, delivering services for customers through online without physical contact for customer convenience has scored a mean of 3.95 with standard deviation of 0.608. Yet employees of CBE were rated that, comprehensive data base for customer, information technology facilitates like computer aided design, delivering services through online without physical contact for customer convenience as the most crucial variables of technology based CRM to achieve market performance of the bank.

Based on the information gathered through interview with the general managers of the Dashen and Wegagen banks shows that CRM-based technology enables their market performance through providing information about the customer to be stored in databases, businesses to analyze data, pull out customer preferences and make clear their behavior, easy access to data across departments that may be widely geographically disperse, easy access for customers in terms of online transactions, speedy personalized communications that enable the customer to feel valued and special even though in reality they may be just one of hundreds of thousands of customers. In addition to this, Currently Dashen and CBE Banks were introduced networked banking system which is called Swift Card which helps the bank

in order to segregate their services, reducing customer waiting time, and keep away from customer defection to achieve their market performance.

#### **4.4.5. Perceptions of respondents towards market performance**

Market performance refers to the enhancement of the organizational standing in the market, improvement of the customers' perception of organization and its products and increase in their loyalty toward organization (Martin, 2005). In today's world as competition becomes tough, firms are able to deliver their offer and services that are customized for every customer. Certainly, these organizations can accomplish competitive advantage in sale and service marketing through tailoring their mass services. At the moment, the profitable companies endeavor to transfer their mass services to the individual customer.

The table 4.8 below shows the perception of the respondents towards market performance. Accordingly, in Wegagen Bank the result of all sub-construct variables i.e. ability to retain customer, providing distinctive service to customers, developing system for customer feedback on services, standard process for managing operations, understand and wish to provide quality services for customers, strong devotion to standardized service delivery , ability to satisfy customers, extensive training for customer handling, focusing on day-to-day operations, improvement of quality services and expanding branches nearer to customers were falling between the range of 3.41 – 4.2 and this tells the majority of the respondents agreed that all those sub-construct variables are the important variables that can play a vital role for market performance of the bank. However, customer retention, providing distinctive service to customers, strong devotion to standardized service delivery, developing system for customer feedback on services and standard process for managing operations are the most decisive variables in Wegagen bank to achieve market performance having a mean of 4.13, 4.16, 3.98, 4.0 and 4.07 respectively.

As it can be seen from table 4.8 like Wegagen bank, in Dashen Bank the result of all sub-construct variables i.e. developing system for customer feedback on services, providing distinctive service for customers, ability to retain customers, standard process for managing operations, strong devotion to standardized service delivery, long lasting relationship with the customers, maintain adequate number of employees were falling between the range of

3.41 – 4.2 mean and this tells the majority of the respondents agreed that all those variables are the important variables that can play a vital role for market performance of the bank. On the other hand, like Wegagen bank, in Dashen bank customer retention, providing distinctive services to customers, developing system for customer feedback on services, standard process for managing operation and successful marketing strategy are the most crucial variables to achieve market performance having a mean of 3.92, 3.94, 4.03, 3.90 and 3.91 respectively.

**Table 4.8: Descriptive statistics of market performance**

N	Variables Market Performance	WB		DB		CBE	
		Mean	St.D	Mean	St.D	Mean	St.D
1	Customer retention	4.13	.842	3.92	.480	3.61	.466
2	Focus on providing distinctive service to customers	4.16	.767	3.94	.506	3.67	.538
3	Strong devotion to standardized service delivery	3.98	.892	3.77	.538	3.74	.435
4	Ability to satisfy customers	3.82	.777	3.85	.489	3.78	.609
5	Extensive training for customer handling	3.82	.576	3.79	.522	3.81	.644
6	We focus on day-to-day operations	3.73	.780	3.85	.630	3.75	.622
7	Developing system for customer feedback on services	4.0	.769	4.03	.537	3.71	.734
8	Standard process for managing operations	4.07	.580	3.90	.641	3.81	.535
9	Improvement of quality services	3.84	.706	3.80	.788	3.71	.390
10	Expanding branches nearer to customers	3.53	.654	3.80	.725	4.06	.721
11	Maintain adequate number of employees	3.45	.435	3.72	.537	4.12	.780
12	Successful marketing strategy	3.86	.712	3.91	.633	3.61	.512
Average Mean		3.93	.708	3.86	.586	3.78	.582

*Source: Field survey (2014)*

*n=116*

Like in Wegagen and Dashen Bank, in CBE the result of the entire sub-construct variables i.e. developing system for customer feedback on services, providing distinctive service to customers, ability to retain customers, standard process for managing operations, strong devotion to standardized service delivery, long lasting relationship with the customers to enhance sales growth, maintain adequate number of employees were falling between the range of 3.41 – 4.2 mean and this tells the majority of the respondents agreed as all those variables are the important variables that can play essential roles to achieve market performance of the bank. Yet, unlike Wegagen and Dashen bank, in CBE the respondents rated extensive training for customer handling, standard process for managing operations, and expanding branches nearer to customers and maintain adequate number of employees as the most decisive variables to achieve market performance having a mean of 3.81, 3.81, 4.06 and 4.12 respectively.

#### 4.4.6. Comparison analysis of perception of respondents towards CRM and Market Performance

**Table 4.9: Description of CRM and Market Performance**

N	Variables	WB	DB	CBE
		Average mean	Average mean	Average mean
1	Key customer focus	3.76	3.71	3.69
2	Customer knowledge management	3.83	3.84	3.81
3	CRM based technology	3.77	3.69	3.81
4	CRM organization	3.64	3.67	3.65
5	Market performance	3.93	3.86	3.78

*Source: Field survey (2014) n=116*

Comparative data on public and private bank are provided in the table 4.9. As far as the table 4.9 is concerned the mean score shows the rate of employees feeling on different aspects of CRM dimensions, their differences between the average mean scores of the three groups. To compare the overall CRM dimension between public and private banks the researcher used all four dimensions average mean. As far as the table 4.9 is concerned in all dimensions private banks (Wegagen and Dashen banks) are better than public bank (CBE) except in technology based CRM.

As we can see from the table 4.9 both Wegagen and Dashen banks were better in terms of key customer focus than CBE.

In public banks segmentation possible or no termination of unprofitable customers, unlike the private sector maximization of profit cannot be the object of public sector, the citizens, through the government institution, are ultimately the owners of the administrations. Furthermore, the public organizations have therefore even more reason to be citizen oriented, differential marketing offering a different grade of services to different citizens is likely to be hated in the public sector, and may well raise complaints because it is inherently undemocratic, or violate regulations regarding transparency and fair treatment of citizens(Saremi 2009).

Having all the above points private banks (Wegagen and Dashen) were better in terms of focusing on key customers especially in terms of working with key customers, setting clear objectives and strategies for key customers, continuously delivering superior and added value for key customers , meeting and ensuring key customer needs and customer life time value than public bank(CBE).

Furthermore, as the survey result and the discussion with the general managers of the banks indicated the concern of key customer focus in Wogagen bank were relatively higher having average mean of 3.76 than Dashen Bank (Average mean=3.71) and CBE(Average mean=3.69) respectively. Therefore all banks even though the extents that they are providing services are different, majority of them are emphasizing on providing quality services to their customers. But, the results inferred in the above table implies that still there were tasks that the commercial banks have to do on the above mentioned aspects of key customer focus in order to improve their market performance.

Regarding customer knowledge management no much difference subsists between private and public banks. Because employees perceived that customer knowledge management is a significant issue for a business firms mainly for service giving business in order to finger potential customers, to maintain customers and obtain customers.

Customer knowledge management is the system used to provide firms with market intelligence that can be used to keep hold of and build profitable portfolios of customer relationships in order to build customer life value.

The worth of knowledge management is improved by its level of convenience in order to address customer's current and anticipated needs by providing an offer and services as per their needs and expectations. Successful dissemination of knowledge management requires firms to develop both information technology systems, such as marketing management support systems to spread explicit knowledge and other processes and procedures to encourage the distribution of implicit knowledge (Ryals *et al.*, 2001).

Furthermore, as the survey result and the discussion with the general managers of the banks indicated the concern of customer knowledge management in Dashen bank were relatively higher having average mean of 3.84 than Wegagen Bank (average mean=3.83) and CBE(average mean=3.81) respectively.

Regarding CRM based technology in all the three banks employees perceived that technology has long been recognized as an enabler to radically redesign business processes in order to achieve remarkable improvements in organizational performance.

Technology assists with the re-design of a business process by facilitating changes to work practices and establishing innovative methods to link a company with customers, suppliers and internal stakeholders. Furthermore, technology based CRM applications take full advantage of technology innovations with their ability to collect and analyze data on customer patterns, interpret customer behavior, develop predictive models, respond with timely and effective customized communications, and deliver product and service value to individual customers.

Using technology to "optimize interactions" with customers, companies can create a 360 degree view of customers to learn from past interactions to optimize future ones (Davenport and Short, 1990; Porter, 1987).

In general, as the survey result and the discussion with the general managers of the banks indicated the concern of CRM based technology in CBE were relatively higher having

average mean of 3.81 than Wegagen Bank(average mean=3.77) and Dashen Bank ( average mean=3.69).

Regarding CRM Organizations, in the private sector, databases are often developed as independent initiatives by separate departments. Over time, their integration into an organization-wide database becomes commercially justifiable it helps the company achieve commercial benefits of improving customer value cost-effectively.

In public sector issues such as value optimization motivate less, and there is usually little history of cross-agency or interdepartmental cooperation. There is also less appetite to understand and optimize the organization's data capabilities within data protection and privacy constraints. All this suggests that public sector CRM is more likely to be a follower than a leader in terms of using customer data.

As far as interview response concerned there is a strong measurement culture in the public sector, but it tends to be activity and work content-based. There is less experience of process, service and value measures. There is less focus on measures based on the perception of customers concerning the quality of service delivery (Anderson and Swaminathan (2005).

In general, as the survey result and the discussion with the general managers of the banks indicated the concern of organizing CRM around customer in Dashen bank were relatively higher having average mean of 3.67 than Wegagen Bank(average mean=3.64) and CB ( average mean=3.65) respectively. But, the results indicated in the above table implies still there were tasks that the selected commercial banks have to do on the aspects of CRM organizations in order to improve their market performance.

Finally, as we can observe from the table 4.9, the market performance of the three banks that they were achieve through key customer focus, customer knowledge management, CRM organization and technology-based CRM were compared using average mean. As far as the table 4.9 is concerned, Wegagen bank Mekelle branch were better having average mean of 3.93 than Dashen bank and CBE having average mean of 3.86 and 3.78 respectively. From this we infer that the more the banks emphasizing on key customer focus, customer knowledge management, CRM organization and technology-based CRM the more will be the market performance.

## 4.5. Correlation Analysis

Like the demographic factors, the scale typed questionnaire entered to the SPSS software version 16 to process correlation analysis. Based on the questionnaires which were filled by the employees of the selected Commercial Banks in Mekelle city, the following correlation analysis was made.

**Table 4.10: Correlations between customer relationship management and market performance**

Customer Relationship Management	Market Performance	
	Pearson Correlation	Sig. (2-tailed)
Key customer focus	.702	.000**
Customer knowledge management	.576	.000**
Technology based CRM	.521	.000**
CRM organization	.630	.000**

\*\**. Correlation is significant at the 0.01 level (2-tailed)*

*n= 116*

*Source: Field Survey (2014)*

Since all variables are interval, the relationship between the independent variables i.e. key customer focus, customer knowledge management, CRM organization and technology based CRM and the dependent variable i.e. market performance was investigated using Pearson product –moment correlation coefficient. The results of correlation analysis in the table 4.10 shows that all the independent variables were positively and significantly correlated with the dependent variable i.e. market performance at 99 percent confidence level ( $P < 0.01$ ). The highest correlation is signified by key customer focus ( $r = 0.702$ ), followed by CRM organization ( $r = 0.630$ ), customer knowledge management ( $r = 0.576$ ) and technology based CRM ( $r = 0.521$ ). Based on the Pearson correlation test shown in the table 4.10, CRM organization dimension is positively and significantly correlated with market performance. The correlation coefficient between CRM organization and market performance is the second of all correlation results of CRM dimensions which is ( $r = 0.630$ ). This means if the bank

improves the CRM organization, the firm's market performance will be improved. Therefore, CRM organization has power to determine the market performance of the banks.

With regard to CRM organization dimension, the banks can be perceived by their employees as good organizational structure has able to build strong and lasting relationship with customers. CRM organization has a significant role in building long-term relationship with customers and achieving market performance (Berry, 1983). So, the finding of Berry (1983) is similar with the results of this research.

Also, the findings of Anderson and Swaminathan (2005) suggested that the organizational arrangement and structure needs to be flexible and reassembled to generate customer-centric values and develop coordination of customer-focused, cross-functional teams the more its market performance will tend to be. Therefore, the result of this research is consistent with the findings of Anderson and Swaminathan, (2005).

Customer knowledge management is another element of CRM dimensions that is taken into account to explain market performance. Based on the correlation result as it is shown in the table 4.10, customer knowledge management dimension is positively and significantly correlated with market performance. The correlation coefficient between customer knowledge management and market performance is the third of all correlation results of CRM dimensions which is ( $r=0.576$ ). This shows that customer knowledge management is a determinant of market performance and that help firms to gather and use customer knowledge in order to record relevant information about each customer transaction. Later information is taken from employees can be administered and converted into customer knowledge (Mithas *et al.*, 2005). According to Mithas *et al.*, (2005), customer knowledge management has a strong positive effect on the softer aspects of market performance such as providing quality service for customers, modifying services for customer, satisfying customers, customer retention etc. Hence, this study is consistent with the finding of Mithas *et al.*, (2005).

The other factor that is included in the dimensions of CRM is technology based CRM. As far as the table 4.10 is concerned, it has positive and high relationship with market performance. In addition to this, the correlation coefficient between these variables is 0.521. This means if

the bank uses a package of technologies in their business, they will improve their market performance. Technology based CRM is one of the important tools to create long term relationship with customers in service provider organizations and CRM technology considered as one of the organizational resource commitments that serves as an input into the CRM process and is intended to enhance firms' ability to successfully build and maintain a maximum profit portfolio for relationships with customer (Zeblah, 2004). Hence, this study is consistent with the finding of Zeblah, (2004).

The last factor included in the CRM underpinnings is key customer focus. As it is indicated in table 4.10 of the correlation analysis, key customer focus dimension has positive and high relationship with market performance. The correlation coefficient between key customer focus and market performance is 0.702. It is the highest of all correlation results of CRM elements. This means if the bank focuses on key customers, the firm will improve its market performance. Furthermore, as a relatively broad sort of outreach strategy, achieving a customer focus is not a one-size-fits-all solution, but if firms are looking at how to approach their enterprise with this sort of outlook, they're not alone. Many business leaders are considering the idea of a customer focus to ramp up business and appeal to their client base (Mithas and Frow, 2005). Hence, this study is consistent with the finding of Mithas and Frow, (2005).

#### **4.6. Multiple Regression Analysis**

The multiple regression analysis was conducted using the hierarchical regression method. It is conducted to investigate the influence of independent variable on the dependent variable and identify the relative significant influence; i.e., independent variable (key customer focus, knowledge management, CRM organization and technology based CRM) to the dependent variable; i.e. market performance in each bank. The proposed hypotheses were tested using multiple regression analysis. The results of the regression analysis are depicted on table 4.11.

**Table 4.11: Multiple Regression analysis result of CRM and Market performance**

**Model Summary**

Name of Banks	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Wegagen	1	.791	.626	.624	.579
Dashen	1	.701	.491	.479	.241
CBE	1	.416	.230	.133	.227

Predictors (constant): key customer focus, Customer knowledge management, CRM organization and Technology-based CRM

Dependent variable: Market performance  $n = 116$

**Source: Field survey (2014)**

Table 4.11 depicts the results of multiple regressions of four underpinnings of CRM in each bank. The result shows that the model tested is significant ( $p < 0.01$ ).

As far as the above table is concerned, in Wegagen Bank the adjusted R square 0.624 indicates 62.4 percent of the variance in market performance is attributed to the four independent variables entered into the regression and the remaining 37.6 percent of the variance in market performance may be explained by other factors such as perceived value, cooperation, commitment and so on.

However, in Dashen Bank the adjusted R square 0.429 indicates 42.9 percent of the variance in market performance is attributed to the four independent variables entered into the regression and the remaining 58.1 percent of variance in market performance may be explained by other factors such as perceived value, cooperation, commitment.

Finally, in CBE the adjusted R square 0.133 indicates 13.3 percent of the variance in market performance is attributed to the four independent variables entered into the regression and the remaining 87.7 percent of variance in market performance may be explained by other factors such as perceived value, cooperation, commitment.

**Table 4.12: Coefficients of customer relationship management dimensions**

Independent Variables	WB			DB			CBE		
	Beta ( $\beta$ )	t	Sig.	Beta ( $\beta$ )	t	Sig.	Beta ( $\beta$ )	t	Sig.
Key customer focus	.173	1.054	.000	.377	2.362	.000	.247	1.365	.000
Customer knowledge management	.323	2.299	.000	.275	1.448	.000	.331	2.301	.000
CRM organization	.156	1.778	.000	.289	1.869	.000	.233	1.231	.000
Technology based CRM	.142	1.012	.000	.120	2.123	.000	.133	1.356	.000

*Dependent Variable: Market performance* *n=116*

**Source: Field survey (2014)**

The above coefficients table illustrates the influence of customer relationship management on market performance in each bank. At this point using this multiple regression coefficient results, the proposed hypotheses for this study were tested as follows.

**H1: Key customer focus has positive and significant influence on market performance.**

The result of multiple regression analysis of the table 4.12 above clearly indicates that in three banks key customer focus has significant influence on market performance ( $p < 0.01$ ). Besides, the value of beta in Wegagen, Dashen and CBE bank ( $\beta = .173, .377$  and  $.247$ ) respectively shows that the positive influence of key customer focus on market performance. This implies that a one percent increase in key customer focus results in 17.3, 37.7 and 24.7 percent increase in market performance of Wegagen, Dashen and CBE respectively. Hence, the above proposed hypothesis is accepted. The above result is supported by Chung and Shin (2010) in which key customer focus has a positive and significant influence on market performance in the online retailing. Besides, the study of Ndubisi (2007) showed that the more key customer focuses the banks have, the more they will be market leaders.

**H2: Customer knowledge management has positive and significant influence on market performance.**

The result of multiple regression analysis in the table 4.12 above clearly indicates that in the three banks customer knowledge management has significant influence on market performance ( $p < 0.01$ ). Besides, the value of beta in Wegagen, Dashen and CBE ( $\beta = .323, .275$  and  $.331$ ) respectively demonstrates that the positive influence of customer knowledge management on market performance. This implies that a one percent increase in customer knowledge management results in 32.3, 27.5 and 33.1 percent increase in market performance of Wegagen, Dashen and CBE respectively. Thus, the above proposed hypothesis is accepted. The above result is supported by the studies of Mithas and Frow, (2005) who found Customer knowledge management as having a significant impact on market performance in the banking industry.

**H3: Technology based CRM has positive and significant influence on market performance.**

Table 4.12 demonstrates technology based CRM which has a significant influence on market performance in three banks ( $p < 0.01$ ). Besides, the table depicts the value of beta in Wegagen, Dashen and CBE ( $\beta = .142, .120$  and  $.133$ ) respectively shows that the positive influence of technology based CRM on market performance. This implies that a one percent increase in technology based CRM results in 14.2, 12 and 13.3 percent increase in market performance of Wegagen, Dashen and CBE respectively. Therefore; the above proposed hypothesis is well accepted. The above result contradicted with the study of Swaminathan, (2004), whereby organizing around CRM affects market performance through customer retention directly. Similarly, managing knowledge has a significant effect on market performance in terms of customer retention and sales growth via customer satisfaction. Incorporating CRM-based technology shows no sign of significant effect on the market performance metrics.

**H4: CRM organization has positive and significant influence on market performance**

The coefficient of CRM in the multiple regressions on table 4.12 illustrates that in the three banks CRM organization has significant influence on market performance ( $P < 0.01$ ). Besides, the value of beta in Wegagen, Dashen and CBE ( $\beta = .156, .289$  and  $.233$ ) respectively point

outs that the positive influence of CRM organization on market performance. This implies that one percent increase in CRM organization results in 15.6, 28.9 and 23.3 percent increase in market of Wegagen, Dashen and CBE performance. Hence, the above proposed hypothesis is well accepted. The above result is supported by Swaminathan, (2004), whereby organizing around CRM affects market performance through customer retention, customer satisfaction and customer attraction.

In general, the multiple regression analysis of the table 4.12 clearly demonstrates that the independent variable: - customer relationship management has a positive and significant influence on the dependent variable in all the three banks.

Besides, when we see the relative influence of the independent variables on dependent variable in each bank, in Wegagen Bank and CBE, customer knowledge management underpinning of CRM has the highest influence on market performance by 32.3 and 33.1 percentages respectively. From this we infer that Wegagen and CBE have good customer knowledge management to higher revenues and lower costs, making companies more effective and efficient, effective in focusing on the right customer base with the right services through the right channels, and efficient in doing this at the lowest costs. Unlike Wegagen Bank and CBE, in Dashen Bank key customer focus underpinning of CRM has the highest influence on market performance. From this we can conclude that Dashen Bank has good habit of doing with key customers in order to secure their market performance through delivery service effectively and efficiently all the way throughout the entire life cycle of the business customer, from the introduction to the establishment of a close, continuing relationship with profitable clients.

**Table 4.13: Summary of hypothesis testing**

No.	Hypothesis	Tool	Result
H1	Key customer focus has positive and significance influence on market performance.	Regression	Accepted
H2	Customer knowledge management has positive and significance influence on market performance.	Regression	Accepted
H3	CRM organization has positive and significance influence on market performance.	Regression	Accepted
H4	Technology based CRM has positive and significance influence on market performance.	Regression	Accepted

*Source: Field survey (2014) n=116*

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION**

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*In this chapter summary, conclusions of the research findings that have been analyzed and discussed in the previous chapter are briefly presented. Furthermore, based on the findings of the study possible recommendations are made.*

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### **5.1. SUMMARY**

The main objective of this study is to investigate the influence of customer relationship management on market performance with reference to Wegagen, Dashen and Commercial Bank of Ethiopia in Mekelle city. 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 managers of the branch banks. The branches included in this study were Mekelle branch (Wegagen and Dashen) and Romanat branch (CBE) 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. One hundred sixteen (116) employees were approached using non- probability sampling (purposive sampling technique). From the 116 survey forms, all are completed and returned. This is a 100 percent response rate.

Regarding the reliability of the questionnaire table 4.2 illustrates that all the quaternaries were reliable and acceptable with Cronbach's Alpha result 0.891. With respect to the demographic information of the respondents, table No 4.3 indicates majority of the respondents (58.6%) were males and (41.4%) were females and table No 4.3 also shows that majority of the respondents are youngsters (at the age between 18-35 years old). Moreover, table No 4.3 indicates majority of the respondents (74.1%) were degree holders, 23.3 percent were diploma holders and 2.6 percent of the respondents were master's holders.

As table No 4.3 also illustrates majority of the respondents (58.6%) have 1-5 years working experience, (34.5%) have 6-10 years working experience and (6.9%) of the respondents have above 11 years working experience.

As the findings of this study indicated in table No. 4.9, respondents of all the three banks agreed with the four dimensions of CRM. Moreover, in Wegagen bank respondents agreed with the four dimensions of CRM by giving the higher rate scale to customer knowledge management, followed by CRM based technology, Key customer focus and CRM organization with average mean of 3.83, 3.77, 3.76 and 3.64 respectively.

And also Dashen bank respondents agreed by giving the higher rate scale to customer knowledge, followed by Key customer focus, CRM based technology and CRM organization with the average mean of 3.84, 3.71, 3.69 and 3.67 respectively while in CBE respondents agreed by giving higher rate to customer knowledge management and technology based CRM, followed by key customer focus and CRM organization with the average mean of 3.81, 3.81, 3.69 and 3.65 respectively. Further, the respondents agree for dependent variable market performance with average mean of 3.93, 3.86 and 3.78 for Wegagen, Dashen and CBE respectively.

Also the results of correlation analysis in table 4.10 shows that all the independent variables i.e. key customer focus, customer knowledge management, CRM organization and technology based CRM are positively and significantly correlated with the dependent variable i.e. market performance at 99 percent confidence level ( $P < 0.01$ ). The highest correlation is signified by Key customer focus ( $r = 0.702$ ), followed by CRM organization ( $r = 0.630$ ), Customer knowledge management ( $r = 0.576$ ) and Technology based CRM ( $r = 0.521$ ).

Furthermore, table 4.11 depicts the results of multiple regressions of the four underpinnings of CRM. The result shows that in all the three banks the model tested is significant ( $p < 0.01$ ). In Wegagen bank the adjusted R square 0.624 indicate that 62.4 percent of variance in market performance attributed to the four independent variables entered into the regression. The remaining 37.6 percent of the variance in market performance may attribute to other factors such as perceived value, cooperation, and so on.

Also in Dashen bank the adjusted R square 0.479 indicate that 47.9 percent of the variance in market performance attributed to the four independent variables entered into the regression. The remaining 52.1 percent of the variance in market performance may attribute to other factors such as perceived value, cooperation, and so on. While in CBE the adjusted R square 0.133 indicate that 13.3 percent of the variance in market performance attributed to the four independent variables entered into the regression.

In addition, table 4.13 depicts the relative influence of an individual component of customer relationship management on market performance is concerned, the finding revealed that, customer knowledge management is found to be the most dominant relational dimension in determining the variation in market performance in Wegagen bank and Commercial Bank of Ethiopia and key customer focus is found to be the most dominant relational dimension in determining the variation in market performance in Dashen bank.

## **5.2. CONCLUSION**

This research has numerous functions in management of bank customers because commercial banks were interested in obtaining and retaining of customers to achieve market performance. During the investigation the researcher used both descriptive and inferential 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 employees in the three banks have good customer relationship management of key customer focus, customer knowledge management, CRM organization and technology based CRM. Therefore, the researcher can convincingly conclude that the concept of customer relationship management is well understood by the majority of employees of the selected banks from key customer focus, customer knowledge management, CRM organization and technology based CRM point of view and they were able to relate them with market performance. However, as the result of the finding shows private banks (Wegagen and Dashen) are better in terms of key customer focus and CRM organizations and public bank (CBE) is better in terms of technology based CRM. Whereas in the three banks respondents were at the same level of

agreement on customer knowledge management. But still some employees have not understood these CRM concepts.

- Based on the results of the descriptive statistics, it is pertinent to conclude that the higher the level of key customer focus, customer knowledge management, CRM organization and technology based CRM perceived by employees, the higher level of market performance can be achieved by selected Commercial banks.

In addition to the descriptive statistics, inferential statistics were made using correlation and multiple regression analysis and the results are concluded as follows.

- ✓ Regarding correlation analyses, the result of the finding shows a positive and significant relationship between customer relationship management (key customer focus, customer knowledge management, CRM organization and technology based CRM) and market performance. From this it is pertinent to conclude that the independent variables i.e. key customer focus, customer knowledge management, CRM organization and technology based CRM have the power to determine the market performance of the banks.
- ✓ Furthermore, the multiple regression analysis notifies that in Wegagen Bank more than sixty percent (60%) variance of market performance is attributed to CRM (key customer focus, customer knowledge management, CRM organization and technology based CRM), in Dashen Bank more than 47% variance of market performance is attributed to CRM (key customer focus, customer knowledge management, CRM organization and technology based CRM) and in CBE more than 13% variance of market performance is attributed to CRM (key customer focus, customer knowledge management, CRM organization and technology based CRM). Therefore, the researcher can convincingly conclude that the independent variable customer relationship management has a positive and significant influence on the dependent variable in all the three banks.
- ✓ As far as the relative influence of an individual component of customer relationship management on market performance is concerned, the result of multiple regression coefficient shows that customer knowledge management is the most dominant relational dimension in determining the variation in market performance in Wegagen bank and CBE and key customer focus is the most dominant relational dimension in determining the variation in market performance in Dashen bank.

### **5.3. RECOMMENDATION**

This study has demonstrated that the influence of customer relationship management on market performance in selected commercial banks with in the area of Mekelle city. In light of the findings and conclusions made above, the following possible recommendations are suggested as being valuable to the banks for improving customer relationship management activities to assure market performance.

In selected commercial banks the activities of customer relationship management (key customer focus, customer knowledge management, CRM organization and technology based CRM) have to be enhanced and reinforced in order to keep and increase market performance. This can be enhanced and developed through the following:

- The selected banks have to improve the level of key customer focus by continuous development of services 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 banks have to improve the level of customer knowledge management, 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 banks have to developing meticulously designed around customers through good organizational structure, organizational wide commitment resources, cross-functional teams and good organizational images.
- The selected banks 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 the key customers.
- 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 bank has to exerting more attention to provide individual customer information availability at every point of contact.
- Wegagen and Dashen banks have 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 banks 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.

## **Implications for Future research**

Although the objectives of this research were met, two limitations were identified in the course of this research. First, the study focuses on only the banking industry. 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, for example tourism, hospitality, health care, education, etc. and additional research is necessary to determine if the relationships identified can be generalized to other banks.

Another future research direction is to include other less common customer relational management keystones not included in this research, for example, cooperation, communication and mutualism. These were excluded from this research, which concentrated only on the stronger underpinnings as identified by past works. By using a more

comprehensive list, a richer outcome may possibly emerge. Future studies may also investigate the possible moderation and mediation effects of customer satisfaction. By examining these effects, these future studies would add value to the present knowledge in this area, by establishing an indirect association between the CRM underpinnings and market performance 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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# Appendices

## Appendix I

Mekelle University

College of Business and Economics

Department of Management

Post Graduate Program in Business Administration

Questionnaire to be filled by Employees

Dear Respondents:-

I would like to express my deep appreciation for your generous time, honest and prompt responses.

Objective:-

This questionnaire is designed to collect data about the effects of Customer Relationship Management on Market Performance of Banking industry in Mekelle city. The information that you offer me with this questionnaire used as a primary data in my case study which I am conducting as a partial fulfillment of the requirements for the degree of Masters of Business Administration (MBA) at Mekelle University. Therefore, this research is to be evaluated in terms of its contribution to our understanding of Customer Relationship Management and Its effects on Market Performance and its contribution to improvements in the area.

### *General Instructions*

- ✓ No need of writing your name.
- ✓ In all cases where answer options are available please tick (✓) in the appropriate box.

### **Confidentiality**

I want to assure you that this research is only for academic purpose authorized by the Mekelle University. No other person could access the collected data. In any sort of report I

might publish, but, I can not include any information that will make it possible to identify any respondents.

**PART I: Demographic Information**

- 1. Sex:    Male        Female
- 2. Age \_\_\_\_\_
- 3. working experience \_\_\_\_\_
- 4. Education level:  
       Certificate        Diploma        Degree        Maters and above

**PART II:** Please state your level of opinion for each given statement using the following scales:

1 = strongly disagree    2 = disagree    3 = Neutral    4 = Agree    5 = strongly agree

No	Perceptions of respondents towards the effects of CRM on market performance	Agreement scale				
		1	2	3	4	5
	<b>Items</b>					
	<b>key customer focus</b>					
1.	Our organization works with key customers to customize our offerings.					
2.	Setting clear objectives and strategies for key customers.					
3.	Making coordinated efforts to modify a service for key customers					
4.	Continuously delivering superior and added value for key customers					
5.	Meeting and ensuring key customer needs					
6.	All employees in our bank treat customers with especial care.					
7.	Customer lifetime value is the essential criterion for key customer selection.					
	<b>Organizing around Customer relationship management</b>					
8.	Good organizational structure that attract customers					
9.	Organizational wide commitment resources					
10.	Flexible organizational structure and arrangement					

11.	Coordination of customer focused					
12.	Our Bank structure is meticulously designed around our customers.					
13.	Cross-functional teams					
14.	Good organizational image					
<b>Customer knowledge management</b>						
15.	Enable ongoing and two-way communication					
16.	Good management practice					
17.	Well-trained and motivated employees.					
18.	Manages all customer communications					
19.	Successful dissemination of knowledge management					
20.	Ability to transform locally acquired new knowledge into organization-level knowledge.					
21.	Ability to trial customer behavior					
22.	Detail knowledge of every procedures					
23.	Ability to interact and works well with others					
24.	Ability to handle customers and solving customer complain					
<b>Customer relationship management-based Technology</b>						
25.	My Bank maintains a comprehensive database of our customers.					
26.	Provide Automated Teller Machines (ATM) at all branches					
27.	My Bank has the right hardware and software to serve our customers.					
28.	Right technical personnel for the utilization of computer technology in building customer relationships.					
29.	Providing Information Technology facilitates like computer aided design for managing customer relationships					
30.	Disseminating information to customers through e-mail to reduce customer waiting time.					
31.	We communicate with our customers with telephones to meet their urgent requests and needs.					
32.	Our staff gives much attention and prompts services to our customers irrespective of their status using online media.					

33.	Data warehousing and data mining					
34.	Providing major transactions through online without physical contact with the customer. e.g., transfers, direct debit, etc for customer convenience.					
<b>Market performance</b>						
35.	Increasing market share through retaining, attracting and satisfying customers					
36.	Focus on providing distinctive service to customers					
37.	My Bank marketing strategy is effective in promoting and attracting new customers					
38.	Strong devotion to standardized service delivery					
39.	My Bank marketing strategy satisfies customers					
40.	Extensive training for customer handling					
41.	Marketing strategy of my Bank is successful in retaining customers					
42.	We focus on day-to-day operations					
43.	Developing system for imploring customer feedback on services					
44.	Expanding branches nearer to customers					
45.	Understand and wish to provide quality services for customers					
46.	Maintain adequate number of employees					

*Thank you for your cooperation!!!*

## **Appendix II**

### **Section III: Questions for interview with bank managers**

1. Do you think that, your bank gives more emphasizes on key customers and provides customized services for them?
2. In your opinion, do you think that customer-centric performance standards are established and monitored at all customer touch points?
3. Do you think that, in your opinion your organization provides channels to enable ongoing two-way communication between key customers?
4. In your opinion, do you think that your bank maintain a comprehensive database of the customers having the necessary hardware and software?
5. Do you think that, customer relationship management practices helped your bank in Business performance in terms of increasing number of customers, increasing customer satisfaction, market share, and sales growth than before?
6. What are the customer relationship management strategies that your bank used to make customers satisfied and loyal?
7. According to your opinion, to what extent does good relationship with the customer is important for market performance?
8. How much do you think that the acts of employees of the bank, especially those on the front line, affect the level of customer satisfaction and intent to remain in your bank?
9. How do you see your employee's efforts in the bank to create good relationship with customers?
10. To what extent the bank informs customers' in advance about any change that takes place in the bank?

***Thank you again for your cooperation!!!***

## Appendix III

### Correlations

		Market performance	Key customer focus	CRM organization	Customer knowledge management	CRM based technology
Market performance	Pearson Correlation	1	.702**	.630**	.576**	.521**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	116	116	116	116	116
Key customer focus	Pearson Correlation	.702**	1	.583**	.387**	.432**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	116	116	116	116	116
CRM organization	Pearson Correlation	.630**	.583**	1	.361**	.375**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	116	116	116	116	116
Customer knowledge management	Pearson Correlation	.576**	.387**	.361**	1	.453**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	116	116	116	116	116
Technology based CRM	Pearson Correlation	.521**	.432**	.375**	.453**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	116	116	116	116	116

\*\* . Correlation is significant at the 0.01 level (2-tailed).