The Impact Of Customer Relationship Management On Financial Performance: A Case Study Of Commercial Bank Of Ethiopia

Elias Emiru[1*], Dr.Tripti Gujral[2]

Abstract

The primary objective of this work is to study the impact of customer relationship management on financial performance (a study of Commercial Bank of Ethiopia). The survey research design was adopted for this study. The target population of this study is commercial bank of Ethiopia comprises of all categories of staff of in the customer service division of bank at the head office. The population size of this organization is 55 employees. These employees were categorized into management staff, middle level staff and the lower level staff. The population size is also adopted as sample size since the entire population is manageable. The overall population of this study was 55 respondents selected which covered the study area. The researcher adopted a descriptive analysis and the descriptive stability mean and standard deviation (correlation) to answer the research questions. The major findings suggest the Commercial Bank of Ethiopia should conduct special training programme to all front stage officers in order to deal positively with customers through identifying main CRM tools in banking industry. The researcher experienced financial difficulties due to economic downturn. It is concluded from the analysis of the study that CRM elements are responsible for creating customer satisfaction. Management of the bank should initiate CRM policies with inputs from the customers so as to serve them better and hence increase customer satisfaction in the banking services. The study revealed that the CRM packages in the bank meets customer needs and satisfaction, therefore more of such strategies should be adopted by the bank. Customer satisfaction approaches should be vigorously pursued in order for the bank to remain in competition with other banks. The study recommends Commercial Bank of Ethiopia should conduct special training programmes to all front stage officers in order to deal positively with customers through identifying main CRM tools in banking industry.

Keywords: Custom relationship management, Financial Performance, Efficiency, Technology, Loyalty, Banking services, Commercial Bank of Ethiopia

1. Introduction

[1]*PhD scholar Parul University, Faculty of commerce Department of Accounting and Finance and Director –Southern Region Hibret Bank S.C

[2]Associate professor, Parul University, Faculty of commerce Department of Accounting and Finance

Customer relationship management over the past years has been a topic of high interest for both academics, researchers and market managers (UlHaq, 2010). This could be attributed to ability of companies to compete for limited number of customers on the market. In the quest for current trend of globalize economy, competition from substitutes and from completely new offerings or bundles from industry outsiders is getting more and more fierce (Recklies, 2006). The author further asserts that since product differences are closed companies try to win the battle for customers by price reductions, products and services quality. Firms are motivated to adopt CRM strategies for both defensive and offensive reasons. Offensive arguments are associated with a desire to improve profitability by reducing cost and to increase revenues through improved customer satisfaction and loyalty. Defensive arguments apply when a firm's leading competitors have adopted CRM successfully, and it fears losing consumers and revenue (Buttle, 2004). The fundamental reasons why firms desire to build relationships with consumers are based on economic considerations.

Good customer relationships are at the heart of business success. If customer relationships are the heart of business success, then CRM is the valve that pumps a company's life blood. As such, CRM is best suited to help businesses use people, processes, and technology to gain insight into the behavior and value of customers. This insight allows for improved customer service, increased call center efficiency, streamline sale and marketing processes, improved customer profiling and targeting, reduced costs, and increased share of customers and overall profitability.

Customer Relationship Management (CRM) from financial institutions perspective is a sound strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, repricing, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses (Semih and Ibrahim, 2002). In a competitive consumer markets, customer choice decisions are at the root of business survival, focusing attention on the attraction and retention of customers through personalized service.

Like many other aspects of business the Banking Sector is faced with serious competitions among the different banks offering basically similar services, gaining an edge over competitors is a function of the effectiveness and efficiency of the services being offered by one bank over the others since banks offer almost the same nature of services to their customers. In the last 20 years the banking sector in Ethiopia has evolved with tremendous increase in the number of banks and their branches across Ethiopia. The increase in the number of banks has offered the public many choices in terms of where they wish to keep their money. With the increase in the competition bank executives are faced with daily challenges of attracting new customers to their banks as well as maintaining business relations with the old customers. Different strategies are utilized in attracting customers by banks and these include fast and efficient system of depositing and withdrawing money, used of cheque books for saving accounts, savings promo, establishing numerous branches, use of Automated Teller Machines (ATMs), fast and easy access to loan facilities, on-line banking, e-account opening, business financing, among others. All these strategies are geared towards having a good bank customer relationship.

In the cause of doing business many of such banks are unable to maintain a very efficient system of customer service relationship as a result they end up losing their customers to other banks that have a better customer relationship management standards. Omodero (2006) stated that the competitiveness of banks in Nigeria call for individual banks to strategize on how to retain potential customers. It is also a fact those customers' needs are dynamic and as such their banking needs can change at any time, therefore banks have to be proactive in order to anticipate such changes and strategies appropriately for the customer to be satisfied and retained.

Various strategies have been implemented by the commercial bank of Ethiopia to gain customers satisfaction and they include new branches, ATM machines, salary loan scheme among others. However, these strategies have failed to adequately address customers' desire for a robust, efficient and rewarding banking business from the banks. Most of the studies carried out on Commercial Bank of Ethiopia to look at its customer relationship management practices were centered on the southern states of Ethiopia. It is necessary to look at the situation in other parts of Ethiopia especially the north central states where very limited studies on Commercial Bank of Ethiopia were taken, this will bridge the gap in the research on CRM practices in Commercial Bank of Ethiopia as well as provide an understanding of the operations of the bank in this part of the country.

The primary objective of this work is to study the impact of customer relationship management on financial performance (a study of Commercial Bank of Ethiopia). While the specific objectives are:

- To determine the influence of customer satisfaction on banking performance in Commercial Bank of Ethiopia,
- To assess the influence of customer perception value on banking performance in Commercial Bank of Ethiopia,
- To ascertain the influence of technology on banking performance in Commercial Bank of Ethiopia and
- To examine the influence of customer retention on banking performance in Commercial Bank of Ethiopia.

2. LITERATURE REVIEW

2.1. Conceptual Framework

2.1.1. Concept of Customer Relationship Management

Customer relationship management (CRM) is a concept for managing a company's interactions with customers, clients, and sales prospects which can achieve financial institutions goal such as customer satisfaction. It involves using technology to organize, automate, and synchronize business processes. The objectives of CRM are to enhance profitability, income, and customer satisfaction. To attain CRM, many organizations use set of tools, technologies, and procedures to support the relationship with the customer to enhance sales. Therefore, CRM is an issue of strategic business and process rather that a technical one. Customer relationship management (CRM) is a concept for managing a company's interactions with customers, clients, and sales prospects (Long,et. al,2013). Bowen and Chen (2001) argue that having satisfied customers is not sufficient. This is because customer satisfaction needs to have direct impact on customer loyalty. Sivadas and Barker-Prewitt (2000) stress that there is a rising recognition that the last objective of customer satisfaction measurement should be customer loyalty. Many organizations merely categorize customer satisfaction measurement as type of "marketing intelligence" instead of using it as management tool to build customer service quality improvement processes and increase profit (Linnell, 2009).

Customer Relationship Management has to do with any methods, policies, and procedures that are utilized by a company to provide a high level of customer care to existing clientele, orient new customers to the products and services offered by the business, and encourage general customer retention (www.wisegeek.com/what-is-customer-relationship-management.htm). The management is a customer-focused business strategy that dynamically integrates sales, marketing and customer care service in order to create and add value for the company and its customers (Chalmeta, 2006). Argue that the present profit and future growth of any company is a function of the customer. To ensure the retention of these customers, the relationship between them and company should be a continuous bi-directional communication and interaction. This relationship involves the continuous corporate change in culture and process (Gray and Byun, 2001).

Customer Relationship Management is the establishment, development, maintenance and optimization of long-term mutually valuable relationships between consumers and the organizations. At the heart of a perfect CRM strategy is the creation of mutual value for all the parties involved in the business process. It is about creating a sustainable competitive advantage by being the best at understanding, communicating, delivering, and developing existing customer relationships in addition to creating and keeping new customers. So the concept of product life cycle is giving way to the concept of customer life cycle focusing on the development of products and services that anticipate the future need of the existing customers and creating additional services that extend existing customer relationships beyond transactions.

Customer Relationship Management can therefore be taken as a comprehensive approach for creating, maintaining and expanding customer relationship. It provides flawless synchronization between customer service, marketing, information technology and other customer related functions. It also integrates people, process and technology to maximize relationships with all the customers. CRM does not aim to build closer relationship with all customers, but rather recommends that businesses take initiative to identify the most valuable customers by looking for their lifetime value. CRM means building an interdependent relationship with the customer in whom each relies on the other for business solutions and successes.

Zikmund, McLeod, and Gilbert (2003) provided a more technology-oriented perspective by defining CRM as "a business strategy that uses information technology, to provide an enterprise with a comprehensive, reliable, and integrated view of its customer base so that all processes and customer interactions help maintain and expand mutual benefit relationships".Numerous other definitions of CRM might be cited, ranging from very narrow interpretations to very broad ones-with no two being the same. Lack of consensus on the meaning of CRM not only impedes academic discourse on the subject, but also adds to business practitioner skepticism and indecisiveness in establishing CRM systems.

In view of the wide variance among CRM definitions, Yim (2002) attempts to provide more conceptual clarity, of CRM by synthesizing the relevant marketing, management, and IT literature to identify four key areas necessary for successful CRM implementation: (1) strategy, (2)people, (3)processes, and (4) technology (Crosby and Johnson, 2001; Fox and Stead, 2001; Ryals and Knox, 2001). Despite the fact that each of these components is relatively straightforward, it is only when all four work in unison that a superior customer-relationship capability is developed (Day, 2003; Kotler and Armstrong, 2004).

Swift (2000) defined CRM as a method of understanding the customer behavior through intense communication with him/her to improve the performance in attracting the customer, keepinghim/ her and increasing his/ her loyalty and profitability. It can be noticed that this definition regards CRM as mere communication with the organization to understanding the customer's behavior. Stone & Findlay (2001) defined CRM as the organization carrying out a lot of information about the customer from various sources and keeping it in order to divide the territories, analyze and reuse. This definition regards CRM as only collecting and recording information about the customer. Fross and Stone (2001) defined CRM as the company use of its abilities in the field of research methodology, technology e-commerce in order to manage customer relationships.

This definition for CRM regards it as the ability to use technology in the domain of dealing with customers. Parvatiyar and Sheth (2002) mentioned that CRM is a comprehensive strategy that includes the process of acquiring certain customers, keeping them and cooperating with them to create a distinguished value for both the company and the customer. This strategy requires integrating the functions of marketing, sales, customer's service and exposition chain so as to achieve the highest competence and efficiency in delivering value to the customer. As it shows, this definition regards CRM as a strategy with a main goal of delivering a distinguished value to the customers through improving the marketing productivity and satisfaction.

2.1.2. Strategic Customer relationship management (CRM)

Customer relationship management (CRM) is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. A CRM strategy involves the entire enterprise and is employed on an ongoing basis. Despite the fact that CRM projects incur huge expenditures, a large percentage fails to achieve the stated objectives. Failure in CRM initiatives could be avoided if a firm's CRM strategies are intelligently linked with its employees, customers, channels, and IT infrastructure. Even though the relationships between IT and business strategies have been extensively explored in the IT alignment literature, prior research has not addressed how a firm's CRM strategies are aligned with its IT infrastructure (SenandSinha, 2010).

Strategic CRM on the other hand is conceptualized as an endogenously determined function of the organization's ability to harness and orchestrate lower-order capabilities that comprise physical assets, such as IT infrastructure, and organizational capabilities, such as human analytics (HA) and business architecture (BA). Positive and significant path had being identified to exist between a superior CRM capability and firm performance. In turn, superior CRM capability is positively associated with Human Analysis (Coltman, 2011).

A strategic and successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes. Virtual worlds are another CRM strategy that provides companies opportunities for valuable co-creation and co-production with their customers. In order to harness this potential, companies need to design effective entry strategies for 'Virtual Customer Relationship Management' (VCRM). "Understanding how self-expression and collaboration work in virtual worlds can help design better customer-facing strategies (Goel&Mousavidin, 2007).

2.1.3. Developing a Customer Relationship Management Strategy

Planning and developing a CRM strategy is not the task of an individual but a team (Shah, 2002). The first step therefore to initiate any CRM process should be the institution of a team. The team, must consist of users as well as business area experts. Shah (2002) expressed that in developing a CRM strategy; an organization should first tackle business needs to vendors/partners before investing. In any situation the customer‘s priority should be-Number One. He went further to say that the whole project should be carried out in phases and its enterprising identity be kept.

2.1.4. Customer Relationship Management in Financial Institutions

Today‘s financial institutions are undergoing tremendous revolutions in its scope of work due mainly to competition and products diversification among the actors in the industry (Oduro-Senyah et al., 2009). Financial institutions are restructuring to fund only those core competencies that are the key to their profitability and long-term survival.

Managing relationships with their customers-especially with employees, channel partners, and strategic alliance partners are critical to the firm's long-term success (Beckett-Camarata, Camarata, & Barker, 1998). Customer relationship management based on social exchange and equity significantly assists the firm in developing collaborative, cooperative, and profitable long-term relationships (Beckett-Camarata et al., 1998).

Customer relationship management from financial institutions perspective is a sound strategy to identify the bank‘s most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, re-pricing, discretionary decision making, and customized service.(Semih& Ibrahim, 2010). The ability to identify profitable customers and then customize marketing on the basis of customer value has enabled many banks to punch above their weight in today‘s competitive environment (Beckett-Camarata et al., 1998). According to a recent study, personal and retail banking in the United Kingdom is a comic story as banks continue to offer sub-standard service despite the huge investment in CRM technology (Beckett-Camarata et al., 1998). Over a quarter of these banks (28 per cent) failed to respond to simple customer queries and more than 60 per cent of respondents felt that banks could do much more to improve customer service standards. Far from improving profits and cementing relationships, many firms across a wide range of industry sectors (that includes banks) have found themselves in the worst case scenario; where their CRM systems wind up alienating long-term customers and employees.

2.1.5. Customer Relationship Management in Banks

The instigation of financial sector reforms has led to swift progress in the banking industry. The influence of financial sector transformation aimed to increase the effectiveness and the competitiveness of the monetary structure. The establishment and the functioning of new generation technology driven banks have given a new face to the Banking industry. Customer relationship management is a vital factor to improve the performance of the banks (Sugnadhi 2003). In order to excel in their services, the present day banks have shifted their focus from the twin functions of accepting of deposits and lending of loans.

Customers are considered as the fundamental non- core financial asset by the banks across the globe in the present day scenario. Courteousness, correctness and rapidity are the imperative factors in the efficient running of a bank. A highly satisfied customer will market for the bank and bring in more new customers to increase the business of the banks. (Bhaskar 2004)Many banks adopt novel strategies and policies to decide on what to offer, whom to be focused, when to approach, how to promote and are unique in product and service offerings to increase their performance and enhance their profitability. Banks make a difference in them by offering general products to meet the general demands of the customers and to offer customized services for the specific requirements of the customers. Also identify right type of products or services for the right type of customers; which help them to serve the customers with utmost cost efficiency.

2.1.6. Benefits of Customer Relationship Management

Bank have patronized customer Relationship Management across the globe due to its benefits though it is not the only application tool but can be seen as a major success driver.

From a financial institution perception, the benefits of CRM can be categorized into three groups namely: Benefits for customers, benefits for employees and benefits for banks.

There is a more coordinated and professional approach to customer contact. With up-to-date customer information, banks can offer more personalized services. Customers feel empowered if they have greater access to products and services. For example 24 hours banking, targeted product and service offerings can be timed to coincide with customer events and requirements e.g., Education Loans and Tourism Loans.

Specific benefits to clients through relationships with service providers, as a result of CRM, include confidence benefits, social benefits, and special treatment benefits.

Confidence benefits represent psychological benefits to clients: they trust the service provider, experience less anxiety when purchasing a service, and are confident that the service will be delivered correctly and as desired. In the banking branch of the financial services industry, for example, a client will experience confidence benefits if he/she completely trusts the bank with personal funds and believes that it will correctly provide services regarding his/her financial matters.

Social benefits include the advantage of being recognized by service provider employees and developing friendships with these employees. An example of social benefits experienced by a client in the banking industry is if a client is personally known by bank employees.
Special treatment benefits include advantages for clients such as being placed on priority lists or receiving special prices (Swartz &Iacobucci, 2000). In the banking industry, for example, a client will receive a

special treatment benefit if he/she is awarded reduced banking charges on transactions.

As a result of the above-mentioned benefits, clients specifically may experience beneficial customized and valuable services, increased customer satisfaction and decreased prices (Customer Relationship Management Benefits, 2004). Through CRM, firms get to know their clients on a more personal level and may even alter their service rendering process to the desired service delivery of a specific client. If a firm focuses on a specific client, the firm will provide a service to him/her with added value, according to the client's specifications.

If a firm implements CRM strategies, its clients will possibly experience higher levels of customer satisfaction and this indicates that clients will have a higher level of satisfaction at individual service encounters. The implementation of sufficient CRM strategies may lead to higher levels of efficiency and cost reduction for a firm. This may possibly lead to lower price levels for clients. Thus, in the banking branch of the financial services industry, additional benefits to clients from CRM may include individualized services, higher customer satisfaction during banking services encounters, and special decreased bank charges.

Employees are empowered with the information to deliver high quality service and meet customer expectations. Employees may have more time to serve customers, as customers will be well informed about the services of the bank.

Managers are empowered with information that can help them manage customer relationships and make better decisions. It results in the optimum use of resources, customer satisfaction and increased loyalty. It helps in capitalizing on short windows of opportunities in the market. A greater focus on Customer Relationship Management (CRM) is the only way the banking industry can protect its market share and boost growth. A successful CRM strategy aims at understanding the needs of the customer and integrating them with the organization‘s strategy, people, technology and business process. Therefore, one of the best ways of launching a CRM initiative is to start with what the organization is doing now and working out what should be done to improve its interface with its customers. It does not happen simply by buying the software and installing it. For CRM to be truly effective, it requires a well-thought-out initiative involving strategy, people, technology, and processes. Above all, it requires the realization that the CRM philosophy of doing business should be adopted incrementally with an iterative approach to learn at every stage of development. Most widely accepted classification of Customer

Relationship Management (CRM) systems includes operational, analytical, collaborative and e-CRM. While operational, collaborative, and e-CRM has received a significant interest among practitioners and scholars, but they have mostly neglected analytical CRM. The major function of analytical CRM is to support strategic customer information provision and customer knowledge acquisition to help achieve the final goal of CRM, which is to enhance customer profitability. Customer profitability is the difference between revenue and costs.

The value of CRM is well recognized by many firms, especially by service firms (Lin & Su, 2003). As CRM is a strategic approach incorporating a process of maintaining valuable long term relationships with clients by providing the firm with an enhanced opportunity to understand its clients (Christopher, Payne & Ballantyne, and 2002). It allows a firm to target clients more closely and implement “one-on-one” marketing strategies. CRM therefore provides a firm with the opportunity to acquaint itself with its clients’ needs and change its service delivery to suit their needs. In effect, this generates substantial benefits for the firm. The fundamental motivation why firms should build relationships with clients and successfully manage these relationships is of an economic nature (Buttle, 2004).It is a key objective of CRM strategies that firms should generate better results when managing clients by identifying, satisfying and retaining the most profitable clients.

2.1.7. Bank Performance

By bank performance, generally it implies whether a bank has faired well within a trading period to realize its objectives. The only document that explains this is presumably the published financial statements. According to Rose, a fair evaluation of any bank’s performance should start by evaluating whether it has been able to achieve the objectives set by management and stockholders. Certainly, many banks have their own unique objectives. Some wish to grow faster and achieve some long-range growth objective, others seem to prefer quiet life, minimizing risk and conveying the image of a sound bank, but with modest rewards to their shareholders Ordinarily, stock prices and its behavior are deemed to reflect the performance of a firm. This is a market indicator and may not be reliable always. However, the size of the bank, the volume of deposit and its profitability could be deemed as more reliable performance indicators. For the purpose of this study, profitability indicators, precisely the Return on Equity Capital (ROE) and the returns on Assets (ROA) are used to assess bank performance.

These ratios are indicators of management efficiency, and rate of returns. According to Rose, these profitability measures vary substantially over time and from one banking market to another. The ROE and ROA are popularly in use today. Nikolai and Bazley posit that the amount of net income earned in relation to total assets is an indicator of how efficiently a company uses its economic resources. They further stressed that when the ROE is higher than the ROA, the company has favourable financial leverage.

2.1.8. Dimensions of customer relationship management

Customer Satisfaction: with the increasingly intense levels of competition among banks, there is intense race to provide high level of satisfaction to customers. Giving satisfaction to customers is very important and is the key in creating customer loyalty because banks will get a lot of benefit from the achievement of a high level of satisfaction. In addition to preventing customers switching to other banks, a high level of satisfaction may also be provided in order to reduce customer sensitivity to price, which may reduce service costs and, in turn, improve the reputation of marketing failures Fornell, (2002). This can create high customer loyalty that will create the worth of mouth regarding the banks‟ good reputation. Getting satisfaction as expected, customers will express high level satisfaction which can be the step of managing customers to create realistic expectations (Jones, 2008). Furthermore, Ranaweera and Prabhu (2003) added that if customers are satisfied with products and services provided by the company, they will be motivated to be loyal.

Fecikova (2004) stated that the key to the sustainability of an organization or bank is the persistence of satisfaction perceived by internal and external customers. For this reason, the performance of an organization is determined in part by the level of customer loyalty where customer loyalty is influenced by the (driven) customer satisfaction (Anderson, 1994; Bowen and Chen, 2001). This is supported by Lovelock (1998) who revealed that customer satisfaction would provide many benefits for the company and the level of customer satisfaction would result in higher customer loyalty. According to Kotler (2004), customer satisfaction can be defined as the level of one's feelings after comparing the performance or results which the customer felt to their expectations. If performance is below the expectations of the customer, the customer will be disappointed while if performance exceeds expectations, the customer will feel very satisfied. Engel (1990) argued that customer satisfaction is the after-service evaluation where the chosen alternative at least equals to or exceeds customer expectations. Otherwise, dissatisfaction will arise if the results are not as expected. According to Jamal and Naser (2002), customer satisfaction can be measured by using indicators that include: very satisfied, meets expectations, and performance.

Customer Perceptions of Value: today, customers are more value oriented in their consumption of services because they have alternative choice (Slater, 1997; Woodruff 1997). Studies by Cohen, Gan, Young &Choonge (2006) and Ochefu (2008) explained how customers make purchase decisions among competing providers. They argued that customers buy on value; they do not simply buy products but solutions to problems with good feelings.

Thus, banks must be able to provide “up -close” personal service for customers who come with high expectations. Ovia (2006) and Sampson (2005) argued that most banks in the Nigerian financial sector choose not to engage in price but rather make use of service as an effective competitive tool. It is in the light of this that Varki and Colgate (2001) argued that nothing can replace quality service. Quality service according to them as perceived by the customer has an effect on the perceived value of the service rendered. Reichheld (1995) however argued that, customer value is a more viable element than customer satisfaction because it includes not only the usual benefits that most banks focus on but also, a consideration of the price that the customer pays. In an attempt to explain customer value in the banking industry, Parasuraman (1997) and Aigbiremolem and Aigbiremolem (2004) pointed out two basic ingredients that might convey customer value. They include: The innate quality of the product and the process of service delivery.

By this view, banks must determine how customers define value in order to provide added-value services. Coleman (2001) laid credence to this view when he argued that, as customers’ needs change, the value bundle needs to be renewed in terms of product concept, operations, design and delivery. They further affirmed that, the more carefully the firm designs the process with the customer in mind, the more likely the process ensures ease, convenience, quality and above all, a high retention myth.

Technology: today, many businesses such as banks, insurance companies and other service providers have realized the importance of customer relationship management and its potential to help them acquire new customers retain, the existing ones and their life time value. Most banks also seem to have understood the need to capitalize on the new technologies to gain advantage in the competition by exploiting their customer base, brand value and costly infrastructure investments in order to increase their performance and enhance profits, as there is a direct link between the customer satisfaction, profitability and technology Opara, (2010). CRM strategy in the banking sector is being employed to help organizations make use of technology and human resources to gain insight into the behaviour of a customer and value of those customers. If it works as planned, the organization can: provide better customer service, make call centers more efficient and accessible, cross sell products more effectively, help marketing staff close deal faster, simplify marketing and sales processes, discover new customers, and increase customer's revenues Onut (2007). Most of the challenges in the business world today are as a result of the innovations and advances in the global economy and the management strategies that are directly tied to the evolution of technology. Technology is changing the way we consume products and services rendered by organizations. All the different forms of business, such as business-to-business (B2B), business-to-customer (B2C), and customer-to-customer (C2C), are processed faster, easier, and with more convenience through online transactions. These online transactions have the potential to attract customers easier, retain existing customers, produce higher profits, and shareholders return on investment (Wali & Opara, 2012).

Customer Retention: customers are the fortitude of Banks (Gupta and Zeithaml, 2006) hence their main agenda is to produce a customer (Ang and Buttle, 2006). Organizations would not be able to uphold and increase their performance without customers (Gupta and Zeithaml, 2006) as organizations are believed to have no revenues, no profits and therefore no market value (Ang and Buttle, 2006).Similarly, several past studies claimed that the existence of a firm is mainly to create and sustain an advantageous relationship with its preferred customers (Ang and Buttle, 2006) As such, customer retention has been the center of discussion (Terblanche and Hofmeyr, 2005) and the key agenda of firms since the last decade (Gupta and Zeithaml, 2006). Saturated markets and high levels of competition within industries have necessitated the practice of customer retention strategies among firms (Singh, 2006). In addition, it has been discovered that recruiting new customers is essentially a costly affair as compared to retaining the existing customers (Woo and Fock, 2004; Trasorras 2009; Ghavami and Olyaei, 2006). Accordingly, the practice is believed to enable the firms to sustain in the said intense competition besides enjoying significant savings from retaining existing customers. This is supported with past studies, which ascertained a significant relationship between improvement in firm performance and customer retention practice (Ryals and Knox, 2005; Singh, 2006; Trasorras 2009; Stengel, 2003). For instance, firms can increase profits by 25 to 95 percent with a mere increase of 5 percent in customer retention rates. Thus, it is wise to conclude that a small increase in customer retention rate will further accelerate firm's profits Reichheld and Schefter, (2000). Review on past literatures indicates that firm performance is normally associated and computed using either accounting or financial expressions Gupta and Zeithaml, 2006 and Avci(2010) where profit, operational costs and market share are amongst the most common measures used to assess a firm's financial performance (FP) Kaplan and Norton, (2001). Nevertheless, both practitioners and academicians claim that firm performance should not be assessed solely based on the financial dimensions (Kaplan and Norton, 2001). Hence, consideration on the non-financial performance (NFP) metrics is also equally important in measuring the performance of firms particularly within the service sector Avci*et al*., 2010; Kaplan and Norton, (2001).

2.2. Review of related Empirical Studies

Adeyeye, Tolulope Charles (2013) Department of Business Administration, Ajayi Crowther University of Oyo, Oyo State Nigeria. This study investigated the impact of CRM on perceived bank performance. The objective of this study was to determine the relationship between the variables. Measuring, CRM (bonding, trust commitment, communication and satisfaction) and bank performance. The study employed survey research, primary data was used for the study with questionnaire as research instrument. The subjects were one hundred and thirteen (113) employees of selected banks in Oyo Town. The (GT bank, Stanbic Bank, Zenith, Skye bank) the hypothesis were tested using t-test, Pearson's correlation, regression, and analysis of variance with the use of statistical package for social sciences (SPSS).The findings from the study indicate that commitment, independently predicted perceived organization performance. Based on the finding, it was recommended that there is a need for organization especially banks to have a good relationship with their customers who can sustain competitive advantage.

In a related study by Obiak (2017) the impact of Technology in banking industry: A case study of Skye bank. This project work is on the impact of information technology in the making industry. A Skye bank was chosen as a case study. Both primary and secondary data were collected to solve the research problem. The population of the study comprises of personnel of Skye bank and the customer that patronize their services. The research instrument used for data collection, were questionnaire and oral interviews. Tables, frequency and percentages were used in presenting and analyzing the data collected. The chi-square statistic as used at 0.5% level of significant to test the various hypotheses. From the data analyze the research, came up with the following findings, that the customer are satisfied with the level of information technology of the Skye bank.

In a similar study carried out by Osunde (2014) on CRM practice in selected commercial banks with reference to Skye Bank Ltd.,the researcher examined the importance of CRM in creating a sustainable relationship between customers and commercial banks in Nigeria. The Study investigated customers' perceptions of CRM practices of selected commercial banks in Edo State, Nigeria. For the purpose of the study a sampling survey was conducted among 120 customers of selected commercial banks in Nigeria with the help of a structured questionnaire. The tools used for this study are percentage analysis and chi-square test. The finding shows that effective CRM practice can lead to confidence in the formal banking sector given the culture perceptions of banks in Nigeria and wide spread practices of the Esusu which is a traditional method of saving money adopted by millions of Nigerians. Ibikunle, Frank, James and Oluwafemi (2017) impact of information technology on Nigeria banking Industry a case study of Skye Bank Covenant University Ota Nigeria. As information technology is vital in banking today, it becomes imperative for banks to realize its impact on operational performance in order to justify capital investments. The objective of this work is to examine how the adoption of information technology affects the operations of commercial banks in terms of effectiveness, efficiency, competitiveness customer base and globalization of the bank. Findings revealed that information technology led to increase customer satisfaction, improve operational efficiency, reduced transaction time, better competitions advantage.

Akakabota Edward (2017) Accounting/Banking and finance faculty of management science, Delta State University also undertook a study to assess the effectiveness of banker/customer relationship in banks performance. The objective of the study was to identify the factors affecting customer satisfaction and to establish better relationship between banks and their customers'. Correlation regression analysis was used to test the hypothesis. The research design adopted for study was research survey. Data was collected from primary source. The finding was that customers can only be retained if he/she enjoys cordial relationship with the bank. The recommendation was that banks should bring new ideas and seek the consent of their customers so as to make them participate in giving a complete service which will enable them satisfy their customers.

Kocoglue (2012), in his study titled customer relationship management and customer loyalty in the banking industry. The study was conducted on a sample of 350 staff employed in all the branches in Deniziliof T.C. Ziraat Bank. The study concluded that all elements of CRM i.e. customer database, learning customer needs and complaints, and providing solutions peculiar to customers are positively correlated with customer loyalty.

Casadesusand Carmel (2010)Customer satisfaction in Banking industry, a comparative study of Ghana and Spain, Department of Organization Business Management and product design of department of economics University of Girona. The main objective of the research was to compare the perceptions of customers regarding the quality of Bank Service in Ghana and Spain. A sample size of 1400 people from twenty four communities in both countries was used. One of the questionnaires was administered in both countries based on the five dimensions of SERVPERF. The principal component analysis was used to reduce the initial 21 items of SERVPERF. The main findings of the study included-the factor analysis produced 4 dimensions namely, reliability, convenience, tangible and empathy. Reliability, convenience and empathy were the determinants of overall customer satisfaction in Ghana. Recommendation bank should open make conscious efforts to be reliable so customers’ confidence and trust will increase.

Saka, Rahman Olawale (2014) Effects of CRM on Bank performance in Nigeria,Department of Business Administration Lagos State University Nigeria. The study examined the effect of CRM on banking performance in Nigeria. The study was carried out in OjoLGA of Lagos State. The population of the study was 150 employees and customers of selected banks, Skye bank, First bank, survey research method was used and data from the study was drawn from both primary and secondary sources. A sample size comprising 50 employees and customer were selected using stratified sampling technique and random sampling techniques. Quantitative data from the study was analyzed through descriptive statistic. The findings indicate that customer relationship management is an important tool to measure bank performance. The study recommends that adoption and management of customer relationship management requires the involvement of everybody in the bank in order for it to succeed. Ibrahim (2017) carried out a study on the impact of customer service on customer retention in Nigeria banking industry Federal Polytechnic Ilaro The study examined effective and efficient customer service delivery on customer retention in commercial bank in Nigeria. Data gathered was randomly selected and the population was made up of 200 customers of Access bank Plc. Data were analyzed using descriptive statistical tools. The main instrument for this study is a structured questionnaire and quantitative data was analyzed using SPSS software. The finding indicates that quality of service offered by the bank has a great effect on customers' retention. It was recommended that bank should ensure good qualitative service delivery so as to ensure high customer retention.

3. Methodology

3.1. Research Design

The survey research design was adopted for this study. This is because the study covers a larger population of people, and also, the survey design is economical in terms of time and resources involved.

3.2. Target Population of Study

The target population of this study is commercial bank of Ethiopia comprises of all categories of staff of in the customer service division of bank at the head office. The population size of this organization is 55 employees. These employees were categorized into management staff, middle level staff and the lower level staff. The population size is also adopted as sample size since the entire population is manageable.

3.3. Data Collection Technique

Data for this research work was obtained through primary and secondary sources. The primary sources involved the use of questionnaire that was designed to consider the views of all relevant stakeholders on the ways of improving customers relationship management in the banking industries in Ethiopia whereas, the secondary sources involve the use of journals, textbooks, internet and many other relevant publications.

3.4. Variable Specification

The study is to determine the linear relationship. The close-ended structured questionnaire was designed for the respondents in a 4 point scale with 4= strongly agreed (SA); 3=Agreed (A); 2= Disagreed (D) and 1= strongly Disagreed (SD).

CRM= Customer relationship management
CS=Customer Satisfaction
CL= Customer perception value
T= Technology
CR= Customer Retention

4. Data Presentation and Analysis

Responses generated from the questionnaire distributed among sampled respondents on a four-point Likert scale are presented below. All the distributed 55 copies of questionnaires were filled and received back, representing 100 percent of the total number of the questionnaires shared.

It indicates that the mean rating on items 1-3 were 3.18, 3.18 and 3.16 respectively with their corresponding standard deviation of 1.056, 1.073 and 1.067. Based on the cut-off point of 2.50 the implication is that the respondents accepted the question to what extent does customer satisfaction influenced banking performance in Commercial Bank of Ethiopia?. This means that customer satisfaction influenced banking performance in Commercial Bank of Ethiopia. Having good procedures of handling customer’s complaints within the shortest period, by protecting customers transactions and treating of customers with respect. This agrees with the study conducted by Adeyeye (2013) who found that customer satisfaction is as a result of commitment of the banking sector to their customer’s needs and desires. From all the studies it has become clear that by having good procedures of handling customer’s complaints within and treating the customer with respect.

It has also indicated that the mean rating on items 4-6 were 3.04, 3.05 and 3.15 respectively with their corresponding standard deviation of 1.018, .931 and 0.951. Based on the cut-off point of 2.50 it shows that, the respondents accepted all the items of the research questions How does customer value influenced banking performance in Commercial Bank of Ethiopia?. It means that, customer value influenced banking performance in the Commercial Bank of Ethiopia. Because it makes customers to patronize the bank when service quality perceived by the customer is high, the process of service delivery is efficient and the sensitivity to workers needs changes. The findings from the study agreed with Chung-Ju (2009).

It has also shown that, the mean rating on items 7 -9 were 3.29, 3.24 and 3.25 respectively with their corresponding standard deviation of 0.994, 0.999 and 1.040. With the cut-off point of 2.50 it indicates that the respondents accepted all the items of the research question To what extent does technology influenced banking performance in Commercial Bank of Ethiopia?. This is an implication that, technology influenced banking performance in Commercial Bank of Ethiopia in so many area including the following: the operation of 24 hours of Automated Teller Machine (ATM) in Ethiopia, through online transactions, it has also fasten business-to-customer (B2C), and customer-to-customer (C2C), transactions, make it easier, and with more convenience.

It further has shown that the mean rating on items 10-12 were 3.02, 3.04 and 3.15, respectively with their corresponding standard deviation of 1.009, 0.942 and 0.944 Based on the cut-off point of 2.50; it indicates that the respondents accepted all the items on the research question What is the relationship between customer retention and the performance of Commercial Bank of Ethiopia?. Therefore, there is significant relationship between customer retention and the performance of Commercial Bank of Ethiopia.

5. Summary, Conclusion and Recommendations

The descriptive survey design was adopted for the study. The overall population of this study was 55 respondents selected which covered the study area. Well constructed questionnaire was used by the researcher which was used to collect data. The researcher adopted a descriptive analysis and the descriptive stability mean and standard deviation (correlation) to answer the research questions. Correlation statistical method (r) was used to test the research hypothesis at 0.5% level of significance. The major findings suggest the Commercial Bank of Ethiopia should conduct special training programme to all front stage officers in order to deal positively with customers through identifying main CRM tools in banking industry. The researcher experienced financial difficulties due to economic downturn.

5.1. Conclusion

It is concluded from the analysis of the study that CRM elements are responsible for creating customer satisfaction. Management of the bank should initiate CRM policies with inputs from the customers so as to serve them better and hence increase customer satisfaction in the banking services. The study revealed that the CRM packages in the bank meets customer needs and satisfaction, therefore more of such strategies should be adopted by the bank. Customer satisfaction approaches should be vigorously pursued in order for the bank to remain in competition with other banks.

5.2. Recommendations

Based on the findings above the researcher recommended as follows:

- Commercial Bank of Ethiopia should conduct special training programmes to all front stage officers in order to deal positively with customers through identifying main CRM tools in banking industry.

- Commercial Bank of Ethiopia should enhance the process and procedures of solving customer complaints and problems directly which can foster CRM and customer satisfaction.
- The Bank should ensure, there is a strong interpersonal relationship between staff and customer of the bank to enable free flow of information from customers to the employees in order for management to find efficient ways of assessing the performances of their staff.
- The bank should increase its technological service delivery platforms as well as educate the customers on how to use such devices for effective service delivery.
- Staff who demonstrate excellent customer service by publicizing the name of the individuals or team in the bank's "wall of fame". This motivates all staff to be more active in their various positions.
- Commercial Bank of Ethiopia needs to improve upon the number of days it has with its clients, so that clients can have ample time to discuss the challenges they face in accessing the services of the bank.

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