Jurnal Genesis Indonesia
Vol. 5, No. 01, pp. 46-53
journal.iistr.org/index.php/JGI
DOI: 10.56741/IISTR.jgi.002033

The Effect of Relationship Marketing on Customer Loyalty: The Case of Cooperative Bank of Oromia in Nekemte Town

[1]Gudata Abara Chali*
Corresponding Author: *gudataa@gmail.com
[1] Wallaga University, Oromia, Ethiopia

ARTICLE INFO

Article history
Received 26 January 2026
Revised 15 March 2026
Accepted 20 March 2026

ABSTRACT

This study investigates the impact of relationship marketing—specifically Customer Relationship Management (CRM) practices—on customer loyalty at the Cooperative Bank of Oromia (CBO) in Nekemte town. Despite the rapid growth of the Ethiopian banking sector, competition for customer retention remains intense. Utilizing a descriptive and explanatory research design, the study collected primary data from 180 respondents using structured Likert-scale questionnaires. Data analysis was performed employing descriptive statistics, Pearson correlation, and multiple regression analysis. The findings reveal significant positive correlations between all six studied dimensions—Key Customer Focus, Interaction Management, CRM Organization, Knowledge Management, Technology-based CRM, and IT Integration—with customer loyalty. Regression results ($R^2=0.755$) indicate that CRM practices explain 75.5% of the variance in customer loyalty. Notably, Technology ($\beta=0.337$) and ICT Integration ($\beta=0.320$) emerged as the most potent predictors. The study concludes that while CBO performs moderately in relationship marketing, a technology-driven, customer-centric approach is essential for long-term loyalty. Recommendations include upgrading digital banking infrastructures and enhancing personalized communication frameworks.

Keywords
Cooperative Bank of Oromia
Customer Loyalty
CRM
Relationship Marketing

This is an open-access article under the CC–BY-SA license.

Introduction

In the contemporary globalized economy, the paradigm of marketing has shifted from transactional exchanges to the cultivation of long-term customer relationships. Customer Relationship Management (CRM) is therefore no longer regarded as a luxury, but rather as a strategic necessity for organizational survival, particularly in service industries such as banking. Payan and Frow [1] explain that CRM involves the creation and enhancement of individual customer relationships in order to maximize the total lifecycle value of each customer. In this context, banks are increasingly required not only to attract new customers but also to retain existing ones through sustained relationship quality, personalized services, and effective communication strategies.

In Ethiopia, the banking sector has become increasingly competitive and heterogeneous due to the entry of new financial institutions and the expansion of digital banking services. For the Cooperative Bank of Oromia (CBO), especially in economically active areas such as Nekemte town, maintaining customer loyalty has become a key organizational priority. Customer loyalty emerges when customers repeatedly use a firm's services and willingly recommend the institution to others, thereby generating positive word-of-mouth that functions as a form of free advertising [2]. In highly competitive banking environments, loyalty is a critical asset because loyal customers are more likely to continue their relationships with the bank, use additional services, and contribute to long-term profitability.

Despite the increasing relevance of CRM in the Ethiopian banking industry, many institutions still appear to lack a comprehensive CRM philosophy that integrates customer knowledge, service interaction, and technology-based support. Preliminary observations at CBO branches in Nekemte indicate that although the bank has been successful in attracting a considerable number of customers, the retention and loyalty stages remain problematic. These challenges are often associated with inconsistent service quality, limited personalization, and the underutilization of technological tools that could otherwise strengthen customer engagement. While previous studies have emphasized that customer loyalty serves as a powerful competitive instrument, empirical evidence remains limited regarding which specific CRM dimensions most strongly influence customer loyalty within the context of CBO in Nekemte.

This study is conceptually grounded in Relationship Marketing Theory, which argues that building trust, commitment, and long-term relationships with customers is more effective and less costly than focusing solely on acquiring new customers. In line with this theoretical orientation, the study adopts the CRM framework developed by Yim et al. [3], which highlights four central dimensions: key customer focus, CRM organization, knowledge management, and technology. To better reflect the digital transformation occurring in the Ethiopian banking

sector, the framework is expanded by incorporating interaction management and IT integration as additional dimensions. These components are expected to provide a more comprehensive understanding of how CRM practices shape customer loyalty in a contemporary banking environment.

Customer loyalty itself is understood as a deeply held commitment to repurchase or continue using a preferred product or service consistently in the future [3]. It includes both attitudinal loyalty, reflected in customer preference and emotional attachment, and behavioral loyalty, reflected in repeat patronage and continued usage. In the banking sector, loyalty is strongly influenced by the perceived value of the customer-bank relationship, service quality, trust, and the convenience of transactions. Accordingly, examining the relationship between CRM dimensions and customer loyalty is important not only from a theoretical perspective but also from a practical standpoint, particularly for banks seeking to strengthen competitiveness and improve customer retention in dynamic market conditions.

Materials and Methods

This study employed an empirical investigation using both descriptive and explanatory research designs to examine the effect of customer relationship management (CRM) practices on customer loyalty at the Cooperative Bank of Oromia (CBO) branches in Nekemte town. The descriptive design was used to provide a clear picture of the existing CRM practices and customer loyalty conditions within the bank, while the explanatory design was applied to test the relationships between the selected CRM dimensions and customer loyalty [4]. The target population consisted of clerical employees and key customers of CBO branches in Nekemte, as these groups were considered to have direct experience and sufficient knowledge regarding the bank's service delivery and CRM implementation. To determine an appropriate sample size, Yamane's formula was employed, resulting in a final sample of 185 respondents.

The study used non-probability sampling techniques, specifically purposive and convenience sampling. Purposive sampling was applied to identify respondents who had a high level of awareness and familiarity with the bank's CRM practices, while convenience sampling enabled the researcher to reach accessible participants within the selected branches. These techniques were considered suitable because the study required information-rich respondents capable of providing relevant insights into the variables under investigation. Primary data were collected directly from respondents and then coded, organized, and analyzed using Statistical Package for the Social Sciences (SPSS) version 24. Both descriptive and inferential statistical methods were employed in the analysis. Descriptive statistics were used to summarize respondent characteristics and the general pattern of responses, whereas multiple regression analysis was conducted to assess the effect of the independent variables on customer loyalty. The regression model was specified as:

$$Y = \beta0 + \beta1(KCF) + \beta2(CRO) + \beta3(KMT) + \beta4(TCR) + \beta5(COM) + \beta6(ICT) + \varepsilon \quad (1)$$

where (Y) represents customer loyalty, (β0) is the intercept, (β1) to (β6 are the coefficients of the explanatory variables, and (ε) is the error term.

Results and Discussion

A. Demographic Profile of Respondents

The demographic analysis shows that the respondent group was predominantly male, accounting for 71.7% of the total participants, while female respondents represented the remaining proportion. In terms of age, the majority of respondents (71.2%) were between 29 and 50 years old, indicating that most participants were within the economically productive and professionally active age category. Regarding educational background, 66.7% of the respondents held a first degree or higher. This finding suggests that the responses were obtained from relatively well-educated individuals who were likely capable of providing informed perceptions regarding customer relationship management practices and loyalty issues at the Cooperative Bank of Oromia in Nekemte.

B. Correlation Analysis

The correlation analysis was conducted to examine the association between the dimensions of customer relationship management and customer loyalty. The results revealed that all CRM dimensions had positive relationships with customer loyalty, although the strength of these relationships varied across variables. Key Customer Focus showed a positive and significant correlation with loyalty ($r = 0.358$, $p < 0.01$), while Communication also demonstrated a positive association ($r = 0.231$, $p < 0.01$). Similarly, CRM Organization ($r = 0.320$, $p < 0.01$) and Knowledge Management ($r = 0.284$, $p < 0.01$) were positively related to customer loyalty. The strongest correlations with loyalty were found for ICT Integration ($r = 0.467$, $p < 0.01$) and Technology ($r = 0.447$, $p < 0.01$). These findings indicate that digital and technology-related dimensions of CRM are more strongly associated with customer loyalty than traditional relational dimensions in the CBO Nekemte context.

Table 1. Correlation Matrix

Variables	KCF	COM	CRO	KMT	TCR	ICT	Loyalty
KCF	1	.643**	.547**	.442**	.142	.126	.358**
COM	.643**	1	.331**	.335**	.117	.060	.231**
CRO	.547**	.331**	1	.390**	.070	.028	.320**
KMT	.442**	.335**	.390**	1	.053	.016	.284**
TCR (Tech)	.142	.117	.070	.053	1	.225**	.447**
ICT	.126	.060	.028	.016	.225**	1	.467**
Loyalty	.358**	.231**	.320**	.284**	.447**	.467**	1

*Note: **Correlation is significant at the 0.01 level (two-tailed).*

C. Regression Analysis

Multiple regression analysis was performed to assess the extent to which CRM dimensions explain variation in customer loyalty. The model summary showed an R-square value of 0.755,

indicating that 75.5% of the variation in customer loyalty was explained by the included CRM variables. This suggests that the model has substantial explanatory power and that CRM practices are highly relevant in predicting customer loyalty in the study area.

The regression coefficients further revealed that not all CRM dimensions contributed equally to the model. Technology emerged as the strongest predictor of customer loyalty (β = 0.337, t = 5.743, p = 0.000), followed closely by ICT Integration (β = 0.320, t = 5.053, p = 0.000). In contrast, Key Customer Focus (β = 0.106, t = 1.357, p = 0.017) and CRM Organization (β = 0.121, t = 1.479, p = 0.014) showed weaker but still statistically significant effects. These results suggest that while customer-centered attention and organizational support remain relevant, customers in Nekemte place greater value on digital convenience, reliable technology, and efficient ICT-supported banking services.

Table 2. Regression Coefficients

Variable	Beta (β)	t-value	Sig.
Key Customer Focus	.106	1.357	.017
CRM Organization	.121	1.479	.014
Technology	.337	5.743	.000
ICT Integration	.320	5.053	.000

Overall, the findings demonstrate that Technology and ICT Integration are the primary drivers of customer loyalty at CBO Nekemte branches. This implies that customers are increasingly influenced by the ease, speed, and reliability of digital banking platforms, mobile applications, and ICT-enabled services rather than relying solely on conventional face-to-face interactions. As a result, strengthening technological infrastructure and improving digital service integration may be essential strategies for enhancing customer loyalty in the bank.

Discussion

The findings of this study demonstrate that customer relationship management (CRM) practices play a substantial role in shaping customer loyalty at the Cooperative Bank of Oromia (CBO) branches in Nekemte. The regression model showed that CRM dimensions explained 75.5% of the variance in customer loyalty, indicating that relationship-based and technology-enabled service strategies are highly relevant in the banking context. This result is consistent with the broader view that CRM is a strategic process through which firms build, maintain, and strengthen long-term customer relationships to enhance customer value and organizational competitiveness [5], [6]. In highly competitive service industries, loyalty is not merely a behavioral outcome but also a strategic asset that supports customer retention, positive word-of-mouth, and long-term performance [7], [8].

One important finding is that all CRM dimensions were positively correlated with customer loyalty, although the magnitude of the relationships differed. Key Customer Focus, Communication, CRM Organization, and Knowledge Management all showed meaningful

associations with loyalty, suggesting that customers continue to value personalized attention, effective communication, institutional support, and the proper use of customer information. This supports relationship marketing theory, which emphasizes that trust, commitment, and mutual value creation are central to maintaining stable customer relationships [9], [10]. Previous studies have similarly shown that customer-oriented organizational practices can improve perceptions of service quality and reinforce loyalty, especially when customers feel recognized and understood by the institution [11], [12].

However, the most striking result of the present study is that Technology and ICT Integration emerged as the strongest predictors of customer loyalty. Their stronger regression coefficients and correlation values indicate that customers in Nekemte increasingly prioritize convenience, accessibility, speed, and reliability in banking services. This finding reflects a broader transition in contemporary banking, where digital channels, mobile banking, and integrated information systems have become central to customer experience [13], [14]. In this sense, loyalty is no longer driven only by interpersonal interaction at the branch level, but also by the extent to which customers can seamlessly perform transactions through technological platforms. Studies on service innovation and digital transformation have similarly found that customers are more likely to remain loyal when technologies reduce effort, save time, and improve transaction security [15], [16].

The dominance of technology-related variables may also be interpreted within the Ethiopian banking environment, where digital transformation is still evolving. In emerging economies, customers often perceive reliable digital banking as a sign of modernity, efficiency, and institutional trustworthiness. Therefore, when a bank successfully integrates ICT into service delivery, it not only improves operational efficiency but also strengthens customers' psychological confidence in the institution [17]. This finding also aligns with the argument that technological capability has become a source of competitive advantage in service organizations, particularly where customer expectations are rapidly changing [18]. Thus, for CBO, investment in mobile banking reliability, system availability, and user-friendly digital platforms is likely to generate stronger loyalty outcomes than reliance on traditional banking interactions alone.

At the same time, the significance of Key Customer Focus and CRM Organization indicates that technology should not replace human-centered service, but rather complement it. Effective CRM requires an integrated approach in which technological systems support employees in understanding customer needs, managing complaints, and delivering timely responses [6], [10]. Without organizational readiness and customer-oriented culture, even advanced technologies may fail to create meaningful loyalty [12], [19]. Therefore, the study suggests that customer loyalty in Nekemte is best understood as the product of both relational

and digital service quality, with technology and ICT integration functioning as the most influential drivers in the current market context.

Conclusion

This study concludes that Customer Relationship Management significantly influences customer loyalty at the Cooperative Bank of Oromia in Nekemte. The findings show that all CRM dimensions examined in the study have positive relationships with customer loyalty, indicating that effective relationship-building remains essential in the banking sector. This confirms that customers are more likely to remain loyal when banks understand their needs, organize services effectively, and maintain consistent communication.

Among all variables, Technology and ICT Integration emerged as the strongest predictors of customer loyalty. This suggests that customers in Nekemte increasingly value fast, reliable, and convenient digital banking services. In the current competitive environment, loyalty is shaped not only by face-to-face service but also by the quality of technological systems that support banking transactions and communication. Therefore, digital capability has become a strategic component of CRM implementation.

The study implies that CBO should continue strengthening its technological infrastructure while also improving customer-centered service practices. By integrating efficient digital tools with responsive relationship management, the bank can improve customer retention and long-term competitiveness. Overall, the study highlights that modern CRM, particularly technology-supported CRM, is a key driver of customer loyalty in the Ethiopian banking context.

Conflict of Interest

The authors declare that there is no conflict of interest.

References

[1] P. Frow and J. M. Payan, "A strategic framework for customer relationship management," *Journal of Marketing*, vol. 69, no. 4, pp. 167–176, 2005.
[2] C. Lovelock and J. Wirtz, *Services Marketing: People, Technology, Strategy*, 8th ed. Singapore: World Scientific, 2016.
[3] C. K. Yim, D. K. Tse, and K. W. Chan, "Strengthening customer loyalty through intimacy and passion," *Journal of Marketing Research*, vol. 45, no. 6, pp. 741–756.
[4] L. Y. M. Sin, A. C. B. Tse, and F. H. K. Yim, "CRM: Conceptualization and scale development," *European Journal of Marketing*, vol. 39, no. 11/12, pp. 1264–1290, 2005.
[5] N. Hicham, H. Nassera, and S. Karim, "Strategic framework for leveraging artificial intelligence in future marketing decision-making," *Journal of Intelligent Management Decision*, vol. 2, no. 3, pp. 139–150, 2023.
[6] A. Payne and P. Frow, "Relationship marketing: Looking backwards towards the future," *Journal of Services Marketing*, vol. 31, no. 1, pp. 11–15, 2017.
[7] P. Kotler and K. L. Keller, *Marketing Management*, 15th ed. Harlow, U.K.: Pearson, 2016.
[8] L. L. Berry, "Relationship marketing of services—Growing interest, emerging perspectives," *Journal of the Academy of Marketing Science*, vol. 23, no. 4, pp. 236–245, 1995.

[9] C. Grönroos, "Relationship marketing: The strategy continuum," *Journal of the Academy of Marketing Science*, vol. 23, no. 4, pp. 252–254, 1995.
[10] R. N. Bolton, K. N. Lemon, and P. C. Verhoef, "The theoretical underpinnings of customer asset management," *Journal of the Academy of Marketing Science*, vol. 32, no. 3, pp. 271–292, 2004.
[11] C. Varela-Neira, Y. K. Dwivedi, and Z. Camoiras-Rodriguez, "Social media marketing system: Conceptualization, scale development and validation," *Internet Research*, vol. 33, no. 4, pp. 1302–1330, 2023.
[12] M. A. Rust and P. K. Kannan, "E-service: A new paradigm for business in the electronic environment," *Communications of the ACM*, vol. 46, no. 6, pp. 36–42, 2003.
[13] K. C. Laudon and C. G. Traver, *E-Commerce: Business, Technology, Society*, 16th ed. Harlow, U.K.: Pearson, 2020.
[14] V. Shankar and M. Datta, "The growing influence of mobile banking on customer experience," *Journal of Financial Services Marketing*, vol. 23, no. 2, pp. 95–108, 2018.
[15] J. C. Lin and H. Lu, "Towards an understanding of the behavioural intention to use a website," *International Journal of Information Management*, vol. 20, no. 3, pp. 197–208, 2000.
[16] World Bank, *Digital Financial Services in Africa: Drivers and Strategies*. Washington, DC, USA: World Bank, 2021.
[17] J. Barney, "Firm resources and sustained competitive advantage," *Journal of Management*, vol. 17, no. 1, pp. 99–120, 1991.
[18] V. Kumar and W. Reinartz, *Customer Relationship Management: Concept, Strategy, and Tools*, 3rd ed. Berlin, Germany: Springer, 2018.
[19] T. Morgan, W. Friske, M. Kohtamäki, and P. Mills, "Customer participation in manufacturing firms' new service development: The moderating role of CRM technology," *Journal of Business & Industrial Marketing*, vol. 39, no. 4, pp. 857–870, 2024.

Author



Gudata Abara Chali is a researcher and assistant professor affiliated with the Department of Management at Wallaga University in Nekemte, Oromia, Ethiopia. He focuses his work on management topics with a particular emphasis on leadership styles and their impact on employee performance within Ethiopia's public sector. Based in Nekemte, he communicates research findings and collaborates with colleagues to advance understanding of how transformational leadership influences organizational outcomes in public institutions. (email: gudataa@gmail.com).