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Factors Affecting Customer Loyalty in Banks: The Case of Commercial Bank of Ethiopia

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Abstract:
Customer loyalty has become more important due to significant increase in competition in banking industry. Banks need to identify factors that affect customer loyalty to become more profitable. Identification and understanding of this factor is important for bank management to design various strategies to the factor that have significant impact on customer loyalty. The purpose of present study is to examine factors affecting customer loyalty in Commercial bank of Ethiopia. In this study five independent variables (trust, commitment, satisfaction, image and switching cost) are considered and their influence on customer loyalty is tested by using regression analysis. The result of regression analysis shows that H1which states that Bank trust has a positive influence on customer loyalty, H2 which states that Bank commitment has a positive influence on customer loyalty, H3 which states that satisfaction with Bank service has a positive influence on customer loyalty, H5 switching cost have a positive influence on customer loyalty are supported while, H4 which states that Bank image has a positive influence on customer loyalty is not supported.

***Keywords**: Trust, commitment, satisfaction, image, switching cost and customer loyalty*

1. Introduction

Customer loyalty has become a key factor for long-term success of the companies. Since, it can cost as much as five times more to win a new customer than it does to keep an existing one, the main emphasis in marketing has shifted from winning new customers to the retention of existing ones (Kuusik and Varblane, 2009). Today, firms have realized how important it is to understand, meet and predict customers" needs. Customers have also become increasingly conscious of their value to their banks. Due to the highly competitive nature in the banking sector, customers will be the key factor in determining the success of the enterprise. In short, under such intense competition, the bank that has the largest customer base and the highest customer retention rate will be a market leader in the industry. Hence, knowing customers" needs how they feel about the company and their expectations have become critically important for maximizing customer retention (Yap, Ramayah and Shahidan, 2012:154).

As the financial marketplace becomes more dynamic and competitive, banks need to focus on retaining existing customer through effective relationship marketing (Gilmore, 2003). The objective of a relationship is to build customer loyalty by creating and maintaining positive attitude toward the company. When a bank claims to practice relationship marketing, it signifies that they have undertaken an organization wide strategy to manage and nurture their interaction with clients and sales prospects. Relationship marketing is not only at the customer service point or at relationship manager level but at every point in the Organization (Keshvari and Zare, 2012).

Competition for the most profitable customer relationships is extremely tough and companies need to know who their customers are. This includes aspects like their preferences, their habits, and their experiences with companies and very importantly, their value. Customers have become very demanding and their expectations have increased to new heights. The environment has evolved into a complex landscape, which has resulted in the high value placed on relationship marketing today. Relationship marketing's focus is to move customers up the ladder of loyalty. The relationship marketing strategy also seeks to change the market demands in favor of a particular company by providing unique value, which must be sustainable over time. Relationship marketing is seen as a combination of quality, customer service, and marketing. The key relationship is based on the relationship between the supplier and the customer. All of this reflects the notion that the centre of the relationship marketing philosophy is to make the most of existing customers (retention) to enable the company to make long-term profits (Ravesteyn, 2005:13).

Mudie and Pirrie (2006) identify many benefits that have been shown to accrue to those companies that adopt a relational approach. Experienced customers tend to make fewer demands on the supplier and fewer mistakes in their operation of the service, Long-term satisfied customers will engage in positive word-of-mouth recommendation, thereby reducing the marketing spend necessary to attract new buyers**.** Ndubisi (2007) investigate the impact of relationship marketing (trust, commitment, communication and conflict handling) on customer loyalty. The four variables have a significant effect and predict a good proportion of the variance in customer loyalty. Moreover, they are significantly related to one another. The greater the trust in the bank, the higher the level of the bank's commitment, the more reliable and timely its communications and the more satisfactorily it handles conflicts, the more loyal its customers will tend to be.

Kuusik (2007) identifies different antecedents of customer loyalty such as satisfaction (expectation, satisfaction with product, satisfaction with service), trust (supplier, product and salesman), image (brand personality, goals and values of supplier) and commitment (termination cost, intimacy of relationship and importance of the product). Narteh (2013) found that satisfaction with bank services, image of the bank, availability of electronic bank services and perceived service quality as the determinants of bank loyalty. Aydin and Ozer (2005) point out that corporate image, perceived service quality, trust and customer switching costs are the major antecedents of customer loyalty, and loyal customers may buy more, accept higher prices and have a positive word-of-mouth effect.

2. Statement of the Problem

Currently banking industry in Ethiopia is operating in an increased competition. Many new banks have entered the banking industry. The choice of banks by customer is increased within this competitive banking industry. As the competitive environment becomes more turbulent, the most important issue the sellers face is no longer to provide excellent, good quality products or services, but also to keep loyal customers who will contribute long-term profit to organizations (Tseng, 2007). Businesses need to build long-term relationships with customers to increase customer retention. These relationships and interactions are needed to create a loyal customer base. Ensuring a loyal customer base can have financial benefits, and ensure the long-term success for the business (Zhang, Dixit and Friedman, 2010). Creating loyal customers has become more important due to significant increase in competition in banking industry. In order to make customers loyal to a specific bank, bank decision makers need to deepen their understanding of the driver customer loyalty. Such understanding of the variables influencing loyalty could help banks to retain their customers and become more profitable. To the best of researcher knowledge, there is no published research work on factors affecting customer loyalty to banking industry in Ethiopia specifically in Commercial bank of Ethiopia Diredawa branches.

3. Literature Review

3.1. Definition of Customer Loyalty

There have been many ways of defining and measuring customer loyalty. Customer loyalty can be defined as a willingness to continue patronizing a firm over the long term, preferably on an exclusive basis, and recommending the firm's products to friends and associates. Customer loyalty extends beyond behavior and includes preference, liking, and future intentions (Lovelock and Wirtz, 2007). According to Ehigie (as cited in Yap et al., 2012) loyalty is a feeling of commitment on the part of the customer to a product, brand, marketer or services: staying with same provider, likely to take out new products with the bank and recommend the bank's services. He also stated that loyal customers visit banks more frequently than newly acquired customers do, and they can be served at a reduced operating cost because there will be fewer complaints to deal with. Loyalty includes a customer's intention to return to a service provider as well as their intention to recommend the provider to others and a customer's desire to continue the relationship (even if competitor's lower prices), willingness to recommend to a friend, and intentions to continue patronizing.

Customer loyalty expresses an intended behavior towards the service or the company. This includes the likelihood of future renewal of service contracts or the probability of a change in patronage. Customers may be loyal due to high switching barriers or due to lack of real alternatives. If real alternatives exist or switching barriers are low, management discovers the organization's inability to satisfy its customers via two feedback mechanisms: exit and voice. Exit implies that the customer stops buying the agent's services while voice is customer complaints expressing their dissatisfaction directly to the agent. Customers" exit or change of patronage will have an impact on the long-term revenue of the agent (Dehghan, 2011).

3.1.1. Dimension of Customer Loyalty

Rayner (as cited in Ravesteyn ,2005) describes two dimensions of loyalty: one referring to the emotional side, for example faithfulness and allegiance, and the other based on the behavioral side, such as being constant, for example, frequently occurring behavior. He defines customer loyalty as "the commitment that a customer has to a particular supplier. Dick and Basu (as cited in Dehgan, 2011), developed a framework for customer loyalty that combines both attitudinal and behavioral measures. The authors propose that loyalty is determined by a combination of repeat purchase levels and relative attitude. Relative attitude is determined by attitude strength and attitudinal differentiation.

Loyalty, with its high repeat patronage and high relative attitude, would obviously be the ultimate goal for marketers. Loyal customers are less motivated to search for alternatives, are more resistant to counter-persuasion from other brands, and are more likely to pass along positive word-of-mouth communication about the service to other consumers.

Repeat Patronage	High	Loyalty	Latent loyalty
Relative attitude	Low	Spurious loyalty	No loyalty

Table 1: Loyalty Classification
Source: Dick and Basu (cited in Dehgan, 2011)

Latent loyalty exists when a consumer has a strong preference for or attitude toward a company's brand over its competitors‟ brands, but does not exhibit high repeat patronage due to situational or environmental variable. Spurious loyalty occurs when a consumer frequently purchases a brand, but sees no significant differences among brands. This could occur if there were no alternatives in a category or if choice is made strictly on past experiences and habits.

Finally, no loyalty exists in a category when consumers see few differences between alternative brands and there are low repeat purchases. Brand switching is common and choice among brands is usually made based on some situational factor, such as the brand that is on sale.

Howcroft et al., (as cited in Ravesteyn, 2005) found that customers are more behaviorally loyal rather than attitudinally loyal in respect of their relation to transactional activities with financial service providers. Many participants indicated that they only remain "loyal" because of the "hassle factor", "laziness" and "lack of differentiation". These responses suggest that there are no real feelings of belonging or supports for banks. Banks are seen as nothing more than utilities and that no real added value is provided through transactions. It transpired that many customers expect nothing less than fast, reliable and accurate transactions or service. However, the participants acknowledged that loyalty is personalized and based on a long-term relationship with an individual, when relational services and products are needed. This also confirms the importance of consistency of personnel. It was further found that the provision of sound advice and good service over a sustained period of time resulted in increased loyalty.

3.2. Types of Customer Loyalty

Rowley (2005) propose a categorization of customer loyalty types to further increase understanding of the nature of loyalty. There is agreement that loyal customers are important for the future of the business, and that this category is deserving of special attention. Since loyalty is a key in customer development and profitability, it is important to understand the loyalty condition in more detail, and to use this understanding to develop further the relationship with customers in the loyal category. According to Rowley (2005) the four categories of loyal customer are: captive, convenience-seekers contented and committed. Any one individual is likely to exhibit the characteristics of each of these categories in relation to different products, services, outlets, and their associated brands.

3.2.1. Captive

Captive customers continue to patronize a brand, service, or service outlet because they have no real choice. These customers have few opportunities for switching, or alternatively they experience what they perceive as a high switching cost (in terms of either convenience, or finance).

3.2.2. Convenience-Seeker

Convenience-seekers‟ loyalty is driven by a range of convenience factors. Such customers exhibit a behavior that includes possibly frequent re-purchases or visits to a store location, but are inert in attitude. In other words, the customer does not really hold an attitude about the brand, because this is irrelevant, because convenience dominates the choice. Convenience of access is largely dominated by location, but can also be influenced by other factors, such as opening hours. Convenience driven loyalty may extend to both store and outlet brands (e.g. bank teller machines, supermarket brands) and product brands. Convenience for product brands may derive from factors such as pack size, or reputation (when customers are buying for someone else), but is often associated with availability.

3.2.3. Contented

Contented loyal have a positive attitude to the brand, but are inertial in their behavior. This means that they continue as a customer, but do not extend their involvement with the brand by subscribing to additional services or expanding their expenditure on products or services associated with the brand. This absence of expansion of behavioral commitment to the brand may arise because other products that are associated with the brand are not perceived to be relevant to the customer's requirements, or because contented customers make each purchase decision separately. Contented customers are likely to stay with the brand, and to support the brand through positive word-of-mouth exchanges. However, they may not be particularly profitable customers, because they may hold a wide brand portfolio, and their relative commitment to the brand might not be at a level to generate significant revenues.

3.2.4. Committed

Committed customers are positive in both attitude and behavior. Many might be described as delighted or besotted with the brand. They can be depended upon to make continuing purchases and to engage in positive and delighted word-of-mouth exchanges with other potential customers. Committed customers barely consider other brands. Information search and the decision-making associated with switching is regarded as too labor intensive, and switching, in general, is regarded as too risky. Such loyal are very susceptible to marketing communications from brands to which they are loyal, and may even communicate the messages embedded in those marketing communications to other actual or potential customers. Committed loyal are likely to be willing to extend their business with the brand, and to evolve their relationship with the brand over a period of time. Committed loyal are the customers whom organizations would wish to retain, and for whom some investment in retention, in the advent of a service delivery failure, or onslaught from a competitor, may be worth significant investment and counter- persuasion (Rowley, 2005:577-580).

3.3. Benefits of Customer Loyalty

Loyalty of a firm's customer has been recognized as the dominant factor in a business organization's success. Lam and Burton (as cited in Yap et al., 2012) found loyal customers are more likely to participate in repeat purchases from a supplier or increase their share"" of purchases from a particular supplier. They may also provide a recommendation of business to their bank provider or engage in word of mouth promotion. Customer loyalty can also lower costs and increase profitability, as the cost of recruiting a new customer is said to be five times more than the cost of retaining an existing customer. It is also claimed that the costs of customer retention are substantially less than the relative costs of customer acquisition, and loyal customers, if served correctly, are said to generate increasingly more profits each year when they stay with a company.

Rowley (2005) indicate the benefits of customer loyalty to a provider of either services or products: lower customer price sensitivity; reduced expenditure on attracting new customers; and improved organizational profitability. A loyal customer base can be a valuable asset for any organization. It reduces the need to seek new customers and is positive feedback that the organization's products and services are meeting the needs of a particular group of people. Brunner, Stocklin and Opwis (2008) identify the benefit of having loyal customers. Loyal customers allow for a continuous stream of profit, reduce marketing and operating costs, increase referral, and are immune to competitors" promotion efforts. Ravesteyn (2005) identify different advantages of customer loyalty. The first one is that once customers become loyal to the company, repeat sales and referrals will increase, which will lead to growth in revenues and market share. Existing customers, who are willing to give enthusiastic references and word of mouth referrals, create free advertising. The second one is that through the delivery of superior value to customers, employees" loyalty increases as it gives them pride and satisfaction in their work. Companies will attract and retain the best employees if they are able to sustain their growth. A further benefit is the strong relationship of long-term employees and long-term customers, which also results in increased loyalty. The third one is that Customers who have learnt the company's procedures and acquainted themselves with its full product line invariably receive greater value from the relationship. This also results in these customers becoming less price-sensitive and willing to pay a premium, thus resulting in a substantial entry barrier to competitors. Customers also buy more. Finally, Loyalty provides the time to respond to competitive moves – it gives breathing room. For example, if a competitor develops a superior product, a loyal customer will allow the company the time needed to respond by matching or neutralizing.

3.4. Building Loyalty

According to Lovelock and Wirtz (2007) having the right portfolio of customer segments, attracting the right customers and delivering high levels of satisfaction are a solid foundation for creating customer loyalty, However, firms can do even more to bond more closely with their customers. Specific strategies include deepening the relationship through cross-selling and bundling, creating loyalty rewards and higher-level bonds such as social, customization, and structural bonds.

3.4.1. Deepening the Relationship

To tie customers more closely to the firm, deepening the relationship via bundling and/or cross- selling services is an effective strategy. For example, banks like to sell as many financial products to an account holder or household as possible. Once a family has a checking account, credit card, savings account, safe deposit box, car loan, mortgage, and so on, with the same bank, the relationship is so deep that switching becomes a major exercise and is unlikely, unless of course, the customer becomes extremely dissatisfied with the bank. Customers can benefit from consolidating their purchasing of various services from the same provider through the added convenience of one-stop shopping and potentially higher service levels and/or higher service tiers because of the higher volume of business they bring to the firm.

3.4.2. Reward-Based Bonds

Within any competitive product category, managers recognize that few customers consistently buy only one brand, especially when service delivery involves discrete transactions rather than being continuous in nature. In many instances, consumers are loyal to several brands while spurning. In such instances, the marketing goal becomes one of strengthening the customer's preference for one brand over the others, and well-designed loyalty programs can achieve increased loyalty and share-of-wallet. Incentives that offer rewards based on frequency of purchase, value of purchase, or a combination of both represent a basic level of customer bonding. Reward-based bonds can be financial or nonfinancial in nature. Financial bonds are built when loyal customers are rewarded with incentives that have a financial value. Nonfinancial rewards provide customers with benefits or value that cannot be translated directly into monetary terms. Important intangible rewards include special recognition and appreciation. Customers tend to value the extra attention given to their needs.

3.4.3. Social Bonds

Social bonds are typically based on personal relationships between providers and customers. Although social bonds are more difficult to build than financial bonds and may require considerable time to achieve, for that same reason they are also harder for other suppliers to replicate for that same customer. A firm that has created social bonds with its customers has a better chance of retaining them for the long term.

3.4.4. Customization Bonds

Customization bonds are built when the service provider succeeds in providing customized service to its loyal customers. One-to-one marketing is more specialized form of customization in which each individual is treated as a segment of its own. When a customer becomes used to this special service, he or she may find it difficult to adjust to another service provider who is not able to customize the service.

3.4.5. Structural Bonds

Structural bonds are seen mostly in business settings and aim to stimulate loyalty through structural relationships between the provider and the customer (Lovelock and Wirtz, 2007:373).

3.5. Factors Affecting Customer Loyalty

3.5.1. Trust

Morgan and Hunt (1994), define trust as a willingness to rely on an exchange partner in whom one has confidence. Ganesan (1994) proposed that a key component of trust is the extent to which the customer believes that the vendor has intentions and motives beneficial to the customer and is concerned with creating positive customer outcomes. Suppliers who are perceived as being concerned with positive customer outcomes will therefore be trusted to a greater extent than suppliers who appear interested only in their own welfare.

According to Aydin & Ozer, Chen & Xie and Du Plessis (as cited in Vuuren, Lombard and Tonder, 2012) Trust as an element of customer loyalty has an influence on building customer loyalty. Trust is an important factor in affecting relationship commitment and customer loyalty.

If one party trusts another, such a party is willing to develop a positive behavioral intention toward the other party. Accordingly, when a customer trusts a business or brand, that customer is willing to form a positive buying intention towards the business. The relationship between customer trust and customer loyalty is supported by reciprocal arguments. When service providers act in a way that builds customer trust, the perceived risk with the service provider is reduced, thus enabling the customer to make confident predictions about the service provider's future dealings. Trust influences loyalty by affecting the customer's perception of congruence in values with the service provider, and such value congruence is significantly related to the customer's satisfaction and loyalty.

Trust has been widely recognized as the most critical factor in relationship marketing, where trusting customers are needed in order to retain a business relationship. In banking, relationship managers can reveal trust by taking actions on behalf of their customers and by that increase the reliability and confidence of the bank among customers. Furthermore, as trust is highly depended on bank managers" actions performed in the interests of customers, the banks can add to the emotional relations customers have with their banks. Hence, important emotional relational variables such as connectedness and empathy can be increased, which leads to more trusting customers (Gill, Flaschner and Shachar, 2006).

Ndubisi (2007) emphasized that an integral element of the relationship marketing approach is the promise concept. He argued that the responsibilities of marketing do not only, or predominantly, include giving promises and thus persuading customers as passive counterparts in the marketplace to act in a given way, but also in keeping promises, which maintains and enhances evolving relationship. He also pointed out that fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retaining the customer base, and securing long-term profitability.

3.5.2. Commitment

Commitment is important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Morgan and Hunt, 1994). They defined commitment as an enduring desire to maintain a valued relationship. This implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial. They also suggested when commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received and highly committed firms will continue to enjoy the benefits of such reciprocity.

According to Ndubisi (2007) commitment is a critical factor in building customer loyalty, consisting in the study of accommodating to customers" needs, tailoring products to requirements, and being generally flexible in their customer relationships is needed. He also indicated that banks should recognize the influence of service commitment in keeping loyal customers, and act accordingly. They must also show genuine commitment to customer relations. A high level of commitment provides the context in which the customer and business can achieve individual and joint goals without fear of opportunistic behavior because more committed partners will exert effort and balance short-term problems with long-term goal achievement. Commitment is generally regarded to be an important result of good relational interactions and is affected by the customer's perception of the effort made by the seller. Commitment is fueled by the ongoing benefits accrued to each partner in the relationship, through the fact that committed customers have a greater propensity to act because of their need to maintain their relationship commitment. When the proportion of commitment becomes more marked, it is clear to infer that the relationship on both sides becomes more stable (Vuuren et al., 2012).

3.5.3. Satisfaction with Bank Service

Customer satisfaction has been gaining increasing attention from the researchers and practitioners as a recognized field of scholarly study and is a fundamental tool used by financial institutions for enhancing customer loyalty and ultimately organizational performance and profitability. The importance of customer satisfaction cannot be dismissed because happy customers are like free advertising. Customer satisfaction holds significant importance in corporate sector because without satisfied and loyal customers, we don't have a business. A single unsatisfied customer can send away more business from your organization than 10 highly satisfied customers. The more we focus on customer satisfaction and retention, the more long-term business we will get. In the banking industry, a key element of customer satisfaction is the nature of the relationship between the customer and the provider of the products and services i.e. banks. Thus, both product and service quality are commonly noted as a critical prerequisite for satisfying and retaining valued customers (Mohsan, Nawaz, Khan, Shaukat and Aslam, 2011:264).

According to Heskett et al., (as cited in Akhter et al., 2011) the impact of satisfaction on loyalty has been the most popular subject of studies: satisfied customers become loyal and dissatisfied customers move to another vendor

According to Lovelock and Wirtz (2007) the foundation for true loyalty lies in customer satisfaction. Highly satisfied or even delighted customers are more likely to become loyal apostles of a firm, consolidate their buying with one supplier, and spread positive word of mouth. Dissatisfaction, in contrast, drives customers away and is a key factor in switching behavior.

Customer satisfaction is the key to retain them for longer period of time and to influence for repeat purchases. Satisfied customers become ambassadors of brands. They recommend and advocate those brands to others; thus, play important role in the success of the organization (Akhter et al., 2011).

Lovelock and Wirtz (2007) classify the satisfaction-loyalty relationship into three main zones: Defection, indifference, and affection. The zone of defection occurs at low satisfaction levels. Customers will switch unless switching costs are high or there are no viable or convenient alternatives. Extremely dissatisfied customers can turn into "terrorists," providing an abundance of negative feedback about the service provider. The zone of indifference is found at intermediate satisfaction levels. Here, customers are willing to switch if they find a better alternative. Finally, the zone of affection is located at very high satisfaction levels, where customers may have such high attitudinal loyalty that they do not look for alternative service providers. Customers who praise the firm in public and refer others to the firm are described as "apostles." High satisfaction levels lead to improved future business. Customer satisfaction is the most important factor that affects customer loyalty. If customer is satisfied he/she buys the product again and again. It is one of the very important factors that affect customers.

According to Lewis, Newman and Hoq et al., (as cited in Akhter et al., 2011) Satisfaction is an element which fulfills the need of the customer associated with that product. Unsatisfied customers tend to convey their negative impression to other consumers. Consequently, customer dissatisfaction leads to decrease in loyalty. This implies that customer satisfaction and customer loyalty are highly related.

3.5.4. Image

According to Nguyen and Leblanc (as cited in Aydin and Ozer,2005) corporate image is related to the physical and behavioral attributes of the firm, such as business name, architecture, variety of products/services, and to the impression of quality communicated by each person interacting with the firm's clients. Success of the organization depends on the image of the product he/she offers. Image is the focal point where the customers first attract and contribute to purchase. The image depicts the standard of the company and the quality of the product. Image is the key factor that provides satisfaction to the customer regarding attributes of the product. Image of the brand is important for different reasons e.g. to promote one's own image, to satisfy one's own esthetic satisfaction or to attain certain comfort associated with the brand (Akhter et al., 2011).

According to Akroush (as cited in Narteh, 2013) a bank image built over time could play a vital role in retaining customers and is very likely to have a significant effect on the relationship between functional quality and customer loyalty Banks may portray different images such as reliability of service delivery, courtesy of staff, global connectedness and sometimes affinity to a country of origin. Ball, Coelho and Machas (2004) argue that a consumer may be loyal to a company or a brand because it is viewed as having a positive image among other consumers. This can be a critical influence factor in the context of credence goods or services such as in banking industries. Therefore, a strong and positive company image of a current bank may provoke resistance to switch to another bank. It has been suggested that the set of beliefs that determine corporate image will, in turn, determine satisfaction. Bloemer et al., (as cited in Narteh, 2013) found the relationship between image and loyalty to be mediated by satisfaction with the bank services. However, Brunner et al., (as cited in Narteh, 2013) found a positive and direct relationship between image and loyalty.

3.5.5. Switching Cost

According to Keshvari and Zare (2012) Switching Cost is a onetime cost that customers associate with the process of switching from one service provider to another that occurred when customers have to spend time, effort or money in order to change the service provider. The higher the Switching Cost it may completely discourage the customers from switching and retain them with their current service provider. Therefore, the customers may not change the service provider even though the competitor offers new products and low prices. Klemperer (1987) defined a switching cost as a cost that deters customers from demanding a rival firm's brand. He said that many consumers in the market would face the issue of switching costs, at least three types of which: transaction Costs, learning Costs, artificial or Contractual Costs.

According to Selnes (as cited in Beerli et al., 2004) switching cost is the technical, financial or psychological factors which make it difficult or expensive for a customer to change brand. Vilagine (as cited in Beerli et al.,2004) classify switching costs as follows: the customer's personal costs, referring to tradition and the client's habits, to effort in terms of the time and commitment needed to evaluate new alternatives, to the economic advantages associated with loyalty, to the social and psychological risks stemming from making a wrong choice, and to the established contracts with the supplier company; and costs associated with the product, such as the costs of redesigning the process of production or consumption, investment in related equipment, and contractual costs.

4. Research Methodology

Quantitative research approach was employed in this study. Quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and their relationships. The objective of quantitative research is to develop and employ mathematical models, theories and hypotheses pertaining to natural phenomena. The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of an attribute that describe an individual and cannot be quantified. It is used predominantly as a method of describing and categorizing events (Creswell, 2006).

It is difficult to study the entire population of this study because of financial resource limitation. Therefore, it is important to study part of population in order to make inference about the population. The selection of sample size and sampling techniques depends on the purpose of the study and the kind of data analysis the researcher want to perform. It is often suggested that one should include at least 30 subjects in a sample since this number permits the use of large sample statistics (Kumar, 2006:94). Stevens (1996) as cited in Pallant (2005) recommends that „for social science research, about 15 subjects per predictor are needed for a reliable equation". According to Onwuegbuzie and Collins (2007 cited in Hesse-Biber, 2010), minimum sample size recommended for correlation analysis is 64 participants for one-tailed hypotheses and 82 participants for two-tailed hypotheses. Accordingly, the researcher took a sample of 120 respondents to gather relevant information for the study.

To gather information from respondents this study used both probability and non-probability sampling techniques. To select the number of branches used in this study simple random sampling technique specifically lottery technique was used. This type of sampling is also known as chance sampling or probability sampling where each and every item in the population has an equal chance of inclusion in the sample and each one of the possible samples, in case of finite universe, has the same probability of being selected (Kothari,2004).

The study made use of primary and secondary data sources in order to gather relevant information for the study. The primary data was collected from the selected respondents of the commercial bank of Ethiopia. The study employed mainly questionnaire in collecting the primary data and the analysis was largely based on primary data. The secondary data was collected by reviewing books, previous research works, articles and journals, brochures and internet sources. There are two main sections in the questionnaires, the first section- the demographic characteristics of the respondents. These characteristics are: gender, age, education, occupation and for how many time the customer using the bank's services. The second section of the questionnaires is designed to collect data relating to the factors affecting customer loyalty. This section consists of the dependent variable- customer loyalty, and five independent variables- Trust, Commitment, Satisfaction, image and switching cost. The questionnaire consisted of 45 items which were prepared on five-point Likert scale ranging from strongly agree to strongly disagree. The first dimension, trust consists of 9 questions and was adopted from Garrison & Noreen (cited in Hinnawi, 2011) and Ndubisi & Wah (2005). The second-dimension commitment which consists of 9 questions was adopted from Garrison & Noreen (2003), cited in Hinnawi (2011) and Ndubisi & Wah (2005). The third dimension, satisfaction, contained 8 questions and was adopted from Suleiman et al. (2011) & Ghazizadeh et al. (2010). The fourth dimension, image consists of 7 questions adopted from Ghazizadeh et al. (2010). The fifth dimension, switching cost consists of 5 questions adopted from Berli et al. (2004). The last dimension, customer loyalty which consists of 7 questions was adopted from Ndubisi & Wah (2005). Out of the 120-questionnaire distributed, there were only 101 valid questionnaires that can be used for further analysis. This represents a response rate of 84 %, in which it is adequate to arrive at the desired and expected achievement of this study.

The data was analyzed using statistical package for social science (spss, version 20). Descriptive analysis and inferential analysis were used to analyze the data. Background information of the respondents is summarized by using frequencies and percentages. To examine the relationship between customer loyalty and independent variable Pearson correlation were used. Regression analysis was used to test hypothesis and identify the most important factor influencing customer loyalty.

To assess validity of the measures, the initial questionnaire developed were pilot tested to twenty respondents each at the four branches of the bank to verify that the questions were clear, such that responses would be consistent with the purpose of the study. Some minor modifications to the questionnaire are made as a result of this process.

To assess the reliability of the measures, Cronbach's coefficient alpha is examined. Cronbach's coefficient alpha is an estimator of internal consistency. Alpha coefficient ranges in value from 0 to 1. The higher the score, the more internally reliable the generated scale is Cronbach's.

5. Results

The mean and standard deviation of each dimension are summarized in the table. The mean value shows the average of all customers‟ response on a certain construct. While, standard deviation shows that how diverse are the responses of customers for a given variable.

Dimension	Mean	Standard deviation
Trust	4.05	0.43
Commitment	3.8	0.52
Satisfaction	4.06	0.48
Image	3.6	0.55
Switching cost	3.1	0.85
Customer loyalty	3.7	0.9

Table 2: Descriptive Statistics of the Variables
Source: Survey Finding (2017).

Pearson correlation test was conducted to know whether there is relationship correlation between trust and customers‟ loyalty

A correlation analysis indicates that there exists a significant and positive relationship between trust and customers' loyalty ($r=.456$, $p<0.01$). The value of ($r=.456$)indicates that trust and customer loyalty have moderate relationship.
Commitment is positively and significantly correlated to customer loyalty ($r=.577$, $p<0.01$). The value of ($r=.577$) indicates that commitment dimension and customers loyalty have strong relationship. Satisfaction is found to be significantly and positively correlated with customer loyalty ($r=.476$, $p<0.01$). The value of ($r=.476$) indicates that satisfaction and customers loyalty have moderate relationship. As indicated in the above table image has significant and positive relationship with customer loyalty ($r=.184$, $p<0.05$). The value of $r=.184$ indicates image dimension and customer loyalty have a weak relationship in the context commercial bank of Ethiopia. Switching cost is positively and significantly correlated to customer loyalty ($r=.341$, $p<0.01$). In other words, the value of ($r= .341$) indicates that switching cost and customer loyalty have weak relationship in the context of Commercial bank of Ethiopia.

Regression analysis was conducted to test the influence of commitment on customer loyalty. The R square value of 0.333 which indicates that 33% of variance in customer loyalty was explained by commitment and the remaining percent is explained by another variable. The R square value of .227 which implies that about 22.7% of variance in customer loyalty was explained by satisfaction and the remaining percent are explained by another variable. The result of table shows R Square value of .207 which indicates that 20.7 % of variance in customer loyalty is explained by trust and the remaining percent is explained by another dimension. The result of R Square value of .116 which indicates that about 11.6 % of variance in customer loyalty is explained by switching cost and the remaining percent is explained by another variable. The above regression result shows R square value of .034 which implies that only 3.4% of variance in customer loyalty is explained by image and the remaining 96.6% is explained another variable.

6. Discussion

As shown in table 4.7 above a high mean score of 4.06 was obtained for satisfaction. From this we can understand that most of the respondent have rate their level of agreement as agreed or strongly agree with the statement. This implies that the customers of the commercial bank of Ethiopia are highly satisfied with services of the bank. The second highest mean score was obtained for trust dimension which is 4.05. This indicates that customers of this bank have high trust on service provided by the bank. The third highest mean score was found for commitment dimension which account 3.8. This implies that respondents have agreement with the statement expressing commitment of the bank on five-point Likert scale. For the customer loyalty dimension, the means score is 3.7 and it is above average. This implies that the most of the respondents are loyal to their current bank. The mean scores of images are 3.6. This implies that respondents have agreement that the bank is reputable and widely known among societies. The mean score of switching cost is 3.1 and this implies that respondents have slight agreement with the process of switching from one bank to another.

From the regression analysis we can understand that when customers trust toward their bank increases, their loyalty also increases. Therefore, trust is significantly and positively correlated with customer loyalty in the context of Commercial bank of Ethiopia. When the bank commitment to deliver quality service increases, customer loyalty toward the bank also increases. Therefore, commitment is significantly and positively related with customer loyalty in the context of Commercial bank of Ethiopia, as satisfaction of customers by bank service increases, loyalty of customers also increases. Therefore, image has a positive but weak relationship with customer loyalty. Commitment towards explaining customer loyalty. As shown in the table commitment has large beta coefficient value (β=.577, $p<0.05$). This indicates that commitment is a significant predictor of customer loyalty. Satisfaction has the second largest beta coefficient value (β=.476, $p<0.05$). This indicates that satisfaction is important factors in creating customer loyalty in the context of Commercial bank of Ethiopia. Based on a result H3 that is satisfaction with Bank service has a positive effect on customer loyalty is supported. This finding is in line with the studies of Akhter et al., (2011) and Narteh (2013), which found satisfaction has a significant and positive effect on customer loyalty. The implication is that the higher level of trust perceived by customers, the higher level of customer loyalty achieved by the bank. When the bank is trustworthy, customers of the bank will become more loyal. Standardized coefficient (Beta value) in the table indicates the degree of importance of trust dimensions towards predicting customer loyalty. Accordingly, trust (β=.456, $p<0.05$) is the third important dimension in predicting customers" loyalty in Commercial bank of Ethiopia. Based on the above result H1 that is Bank trust has a positive effect on customer loyalty is supported. This finding is in line with study of Sivesan (2012) and Ndubisi (2007) which found trust has a significant impact on customer loyalty in banks. Standardized coefficient (Beta value) indicates the degree of importance of switching cost towards explaining customer loyalty. Accordingly, switching cost (β=.341, $p<0.05$) is the fourth important. dimension in explaining customers" loyalty in this study. Based on a result H5 that is switching cost has a positive effect on customer loyalty is supported. From the result we can see that image has the lowest contribution in explaining customer loyalty (β=.184, $p>0.05$). Based on the above result H4 that is Bank image has a positive effect on customer loyalty is not supported. Therefore, image was found as not important factor in affecting customer loyalty in Commercial bank of Ethiopia.

7. Conclusion

Based on the result of the discussion the following conclusions are drawn.

- Commitment of the Bank has a significant positive influence on customer loyalty in Commercial bank of Ethiopia.
- Satisfaction with the bank service has a significant and positive influence on customer loyalty in Commercial bank of Ethiopia.
- Bank trust has a significant and positive influence on customer loyalty in commercial bank of Ethiopia.
- Switching cost was found to be less important in affecting customer loyalty in Commercial bank of Ethiopia.
- Image of the bank has no significant effect on customer loyalty in commercial bank of Ethiopia.

8. Appendix

		Trust	Customer loyalty
Trust	Pearson Correlation	1	.456**
	Sig. (1-Tailed)		.000
	N	101	101
Customer Loyalty	Pearson Correlation	.456**	1
	Sig. (1-Tailed)	.000	
	N	101	101

Table 3: Correlation between Trust and Customer Loyalty
***Correlation Is Significant At the 0.01 Level (1-Tailed)*

		Commitment	Customer loyalty
commitment	Pearson Correlation	1	.577**
	Sig. (1-tailed)		.000
	N	101	101
Customer loyalty	Pearson Correlation	.577**	1
	Sig. (1-tailed)	.000	
	N	101	101

Table 4: Correlation between Commitment and Customer Loyalty
***Correlation Is Significant at the 0.01 Level (1-Tailed)*

		Satisfaction	Customer Loyalty
Satisfaction	Pearson Correlation	1	.476**
	Sig. (1-Tailed)		.000
	N	101	101
Customer Loyalty	Pearson Correlation	.476**	1
	Sig. (1-Tailed)	.000	
	N	101	101

Table 5: Correlation between Satisfaction and Customer Loyalty
*** Correlation Is Significant at the 0.01 Level (1-Tailed)*

		Image	Customer Loyalty
Image	Pearson Correlation	1	.184*
	Sig. (1-Tailed)		.033
	N	101	101
Customer Loyalty	Pearson Correlation	.184*	1
	Sig. (1-Tailed)	.033	
	N	101	101

Table 6: Correlation between Image and Customer Loyalty
**Correlation Is Significant at the 0.05 Level (1-Tailed)*

		Switching Cost	Customer Loyalty
Switching Cost	Pearson Correlation	1	.341**
	Sig. (1-Tailed)		.000
	N	101	101
Customer Loyalty	Pearson Correlation	.341**	1
	Sig. (1-Tailed)	.000	
	N	101	101

Table 7: Correlation between Switching Cost and Customer Loyalty
***Correlation Is Significant at the 0.01 Level (1-Tailed)*

Model		Un Standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.390	3.358	.577	-.116	.908
	Commitment	.752	.107		7.023	.000
R Square=.333						

Table 8: Regression Analysis Result between Commitment and Customer Loyalty
Source: Survey Finding (2017)

Model		Un Standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.390	4.039	.476	.344	.731
	Satisfaction	.739	.137		5.385	.000
R Square=.227						

Table 9: Regression Analysis Result between Satisfaction and Customer Loyalty
Source: Survey Finding (2017)

Model		Un Standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.484	4.446	.456	.109	.914
	Trust	.686	.135		5.091	.000
R Square=.207						

Table 10: Regression Analysis Result between Trust and Customer Loyalty

Model		Un Standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	16.814	1.783	.341	9.432	.000
	Switching Cost	.483	.134		3.610	.000
R square =0.116						

Table 11: Regression Analysis Result between Switching Cost and Customer Loyalty

Model		Un Standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	16.499	3.524	.184	4.682	.000
	image	.292	.157		1.863	.065
R square =0.034						

Table 12: Regression Analysis Result between Image and Customer Loyalty
Source: Survey Finding (2017)

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