EPOKA UNIVERSITY

The Impact Of Customer Relationship Management (CRM) On Customer Loyalty: An Evidence Of Albanian Banking Sector

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Prepared by: Oneda Dema   Supervisor: Assist. Prof. Dr. Yüksel Köksal

The Impact Of Customer Relationship Management (CRM) On

Customer Loyalty: An Evidence Of Albanian Banking Sector

Oneda Dema

MBA Master Of Arts
EPOKA UNIVERSITY
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DEDICATED TO MY DEAR

FAMILY…

Abstract of thesis presented to the Senate of Epoka University in fulfillment of the

requirement for the degree of Master of Science

THE IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM) ON

CUSTOMER LOYALTY: AN EVIDENCE OF ALBANIAN BANKING SECTOR

By

Oneda Dema

September 2012

Chairman: Assist. Prof. Dr.Yüksel Köksal

Faculty: Administrative Economics Science

Customer relationship management (CRM) covers the entire organization from front office to back-office. It is an engagement you make to put customers at the heart of your enterprise. Customer satisfaction and surviving in today's competitive environments require a heart to understand the customers; a brain to analyze; and hands to deliver the products to them. The customers are the main source of revenue as they are the one who pay and generate profit…

From our research we concluded that customer relationship management have a significant and positive effect of customer loyalty.

Abstrakti i tezës së paraqitur në Senatin e Universitetit Epoka në përmbushjen e

kërkesave për graden Master të Shkencave Ekonomike

IMPAKTI QE KA "MENAXHIMI I MARRDHENIEVE ME KLIENTET" TEK

BESNIKERIA E KLIENTEVE: NJE SHEMBULL NE SEKTORIN BANKAR SHQIPTARE

Pergatitur nga:

Oneda Dema

September 2012

Kryetar: Assist. Prof. Dr. Yüksel Köksal

Fakulteti: Shkencat Administrative Ekonomike

Menaxhimi I marredhenjeve me klientin, eshte nje strategji biznesi e cila mbulon cdo

pjese te nje kompanie, eshte nje angazhim te cilin ju e merrni per për të vënë klientët në

qender të kompanise tuaj. Kenaqesia e konsumatorit dhe mbijetesa ne nje ambjent kaq

konkurrues kerkon nje zemer per te kuptuar klientin, nje tru per te analizuar, dhe duar

per te ofruar produktet tek to. Klienti eshte burimi krysor i te ardhurave duke qene qe

se eshte i vetmi qe paguan dhe gjeneron fitim...

Ngahulumtimet tonakemi konstatuar se menaxhimi i marrdhenieve me klientet ka një

efekt të rëndësishëm dhe pozitiv ne besnikërinë e konsumatorit.

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APPROVAL

This thesis submitted to the Senate of Epoka University and has been accepted as fulfillment of the requirement for the degree of Master of Second Level. The members of the Supervisory Committee are as follows:

Examiner 1, PhD
Main Supervisor,
Assist. Prof. Dr.Yüksel KÖKSAL
Faculty of Economics and Administrative Sciences
Epoka University
(Internal Examiner)

Examiner 2, PhD
Assist. Prof. Dr. Mustafa ÜÇ
Head of The Department of Business Administration
Faculty of Economics and Administrative Sciences
Epoka University
(Internal Examiner)

Examiner 3, PhD

Assist. Prof. Dr. Ali IHSAN ÖZDEMIR

Faculty of of Economics and Administrative Sciences

Epoka University

(Internal Examiner)

DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at Epoka University or other institutions.

ONEDA DEMA

Date: 25 September 2012

TABLE OF CONTENTS

List of Tables and Graphs

List of Abbrevations

CRM - Customer Relationship Management

BKT – Banka KombetareTregtare

CROSSTAB – Cross tabluation

CHAPTER 1

Introduction

This thesis will discuss the main idea of CRM and its impact on customer loyalty of Albanian banking sector. For sure understanding customer satisfaction is one of the key elements of modern marketing. Today businesses can survive as long as they can meet the customers' needs and achieves customer satisfaction. As we know the easiest way to reach customer satisfaction which later leads to customer loyalty is by determining the consumer's wishes and needs and meeting them. So it's extremely important in this large competitive environment to be in contact with our customer regularly and also to follow nearly their changes.

Banking is one of the sectors where the intensive competition is experienced. Banks are the financial institutions that meet the economic needs of customers and companies that perform economic activities as collecting bank deposits, giving credits, providing capital, and etc.

It's occurring a big struggle for banks to attain a greater part of the market share as with the globalization effect banks are finding it very hard to meet the high growth of customer expectations. To increase their economic lines, they are continuously looking at ways of reaching organic growth through acquisition of new customers and retaining existing customers. (BhishamRamkelawon, 2010, p.3)

According to (Malik and Harper), CRMis the most important approach, which is creating a real buzz in the banking sector. Customer Relationship Management came into the power when banking institutions were getting more and more competitive. Banks have realized that the magical formula for them to gain success in such a competitive environment is to be extremely focused to customer relationship, maintaining a healthy relationship which helps them to lead at customer loyalty. What customer relationship involves is: organizing activities around the core or sole customer which makes possible ensuring differentiation at any POS (point of sale) by creating a unique customer experience to customer. (Ramkelawonet.al 2010)

Customer loyalty is an important goal of customer relationship management . Customer loyalty is the effort carried out by a company to ensure that its customers will stay loyal and will not switch over to the competition's products and services. Given this, it is extremely important to be next to you customers, especially highly profitable ones. Customer loyalty shows the mirror image of customer defection. This means that the equivalent to high loyalty is low defection. Customer loyalty can easily obtained if companies really listen to their clients and are willing to make changes to please them. (Buttle, 2009)

According to (Ghahfarokhi and Zakaria, 2009, p.309) Customer satisfaction and surviving in today's competitive environments require a heart to understand the customers; a brain to analyze; and hands to deliver the products to them. They also

mention that the customers are the main source of revenue as they are the one who pay and generate profit.

(Winer, 2001) says that if companies want to retain their customers, they must develop and efficiently execute a comprehensive set of relationship programs to deliver a targeted performance customers expect.

According to (Winer et al, 2001) to reach this purpose new and different tools and mindset are required.

If we give importance to human and organizational resources as much as technological capabilities is necessary to manage good relationships with the customers (Keramati et al., 2008).

According to (Blery andMichalakopoulos, 2006, p.116) in the banking sector, CRM is very important because of the effects it has on customer satisfaction and loyalty which is the final goal in any successful businesses.

Therefore, briefly, this study tries to study the impact of CRM on customer loyalty in Albanian banks. Some banks have tried to use CRM but we do not know for sure the real situation if they have been successfully implemented and their rate of success. As it is showed this research is divided into six chapters. The first chapter which is the introduction presents the background of the research, the research problem, and research objectives. Chapter 2 and 3 presents a literature review which provides the reader with an overview on the main previously published papers related to CRM and

customer loyalty. The methodology used is presented in Chapter 4. It shows the method and procedure made in this work and it also examines its validity and reliability. Chapter 5 analyze the data which are collected by the questionnaire to test the research hypothesizes. This study ends with chapter 6 in which the conclusions related to the formulated hypotheses will be stated.

CHAPTER 2

LITERATURE REVIEW

2.1   Introduction

This chapter presents the literature review which provides the reader with an overview on main previously published papers related to CRM and customer loyalty.

2.2   History of Customer Relationship Management

Before going in details is important to KEEP IN MIND that CRM stands for Customer Relationship Management and not for marketing. This happens because management itself is a larger concept thanmarketing which includes: marketing management, HRM, service management, sales, manufacturingmanagement and research and development management. So, CRM invoke two kinds of approaches, organizational and business level approaches – which are customer centric – todoing business.

CRM requires contacting customers indirectly or directly. (Ueno, 2006)

When customer relationship management is mentioned people think of it as a new concept, but in fact CRM came as a concept since 1990. The truth is that since 1980 when the economy was matured, came to be very difficult to sell the products and services.

When the economy reached this point than the idea that was more appropriate and confident for the business sector was that of "Relationship Marketing". This concept itself was aiming to build long-term relationship with customers, and paid more attention on the loyalty of the existing customers rather than gaining new customers, who meant more marketing, more cost.

Marketing operations was composed of two activities: gaining new customers and retaining the existing ones. In the mass and target marketing world, the focus was on the acquisition side. (Ueno, 2006)

Again, in the world of relationship marketing, attention shifted to loyalty. The main focus should be at customer loyalty and retention because the cost is involved too. Why? So simple... we know that the cost of acquiring a new customer it is five to ten times more costly or expensive rather than to continue the business with the existing customers. (Gray and Byun, 2001, p.10)

Another point which gives more value to the customer loyalty is the well known "Pareto Principle". According to this principle, just 20% of a company's customers generate 80 percent of its profits.The main objective of CRM is to return to the world of personal marketing. The concept is really easy to be understood. Simply, rather than market to a mass of people or firms, market to each customer individually.In this one-to-one approach, the information gathered about a customer is used to shape offers that are more likely to be accepted. (HaridasanandVenkatesh, 2011, pg 112).

2.3   What is Customer Relationship Management?

At 90's the concept of Customer Relationship Management, which is abbreviated as CRM rise and came to be very important in the business approach. The aim of this concept is to be focused at the world of personal marketing. The logic is so simple. It means that we should focus to market to each customer individually, no more to market at a mass of customers and companies.

Customer relationship Management (CRM) seems as a simple and understandable concept, but there are so many different definitions and implementations of CRM. After explaining more clearly CRM, we are going to see different definitions from different studies done around CRM. In focus should be that CRM is a holistic process of getting, retaining and growing customers. It includes all kinds of relationship management, in-line and off-line. To make loyal customer depends on the ability of the firms to manage the customer relationship as well as possible. Now that customer is more conscious, companies are obligated to pay the price of the mistakes and errors they do in customer relationships. Something good that happened at 1990 is that customer understood that they were the king for enterprises, so they revealed they powers and realized that they had something which should be listened.

According to (Bozkurt, 2000) After the 2000s, when the number of internet users increased too much, customers had the opportunity to be more powerful and effective

against the enterprises. Thus, enterprises understood that they could only be successful if they adopted customer-based marketing. (Koçoğlu andKirmaci, 2012)

As the CRM is based on the idea of creating a learning relationship with each customer, the company has the opportunity to learn the wants and needs of its customers more easily and can meet them just in time, also getting an advantage of competition. During a learning relationship, the customer shows to the enterprise his/her needs and wants and the company may meet these needs and wants through its products and services. Since the company will possess better information about its customers through the learning relationship it has developed, it will differentiate the enterprise from its rivals. (Koçoğlu et al, 2012)

Customer relationship management, or CRM, means different things to different people says (Russell S. Winer, 2001). The funny thing is that even the meaning of the three-letter abbreviation CRM is contested. Most people use CRM alludes to be customer relationship management. Others use CRM to mean customer relationship marketing. Still others opt for the expression relationship marketing. CRM is absolutely a business practice focused on customers. The aim of customer relationship management is getting the customers and providing those services and product which make them feel satisfied, so they can raise the economic status of banks and also other businesses.

According to (Clay and Maite, 1999) Customer relationship management aims making long-term customer relationships and profitability, and this concept serves as a link between marketing strategies and information technologies. (Koçoğlu et al, 2012) Customer Relationship Management is adopted to create and manage more effectively the relationships with customers through the detailed and accurate analysis of consumer data using various information technologies. (Ko, Kimand Woo, 2007: p.65) "Customer relationship management helps to provide a proper, helpful and stable communication with each customer." (Kathleen, 2000, p.21)

(Furness P, 2001) mentioned that CRM can be viewed as a process aiming to increasing the value of customers over their lifetime . (Mishra, Mishra, Praharaj and Mahapatra, 2011)

According to Swift (2001), CRM is "The enterprise approach used to understand and influence customer behavior through meaningful communications to better improve customer acquisition, customer loyalty, and customer profitability(Mishra et al, 2011) "Customer relationship management itself is a philosophy of working which should be popular to the entire firm." (Koçoğlu et al, 2012)

Kincaid (2003) remarks CRM as "the use of information, technology, processes and people strategically to manage the customer's relationship with firms across the whole customer life cycle."(Ko et al, 2007)

According to Ko et al. (2004), CRM is the integrated strategy of customer management use by a company to manage customers efficiently by providing customized goods and services and maximizing customers' lifetime values. (Ko et al, 2007)

According to (Gartner Group, 2005, 2006) the primary goal of customer relationship management is achieving a competitive advantage and to increase profit levels. (Koet al, 2007)

According to (Armstrong and Kotler, 2007, p. 14) Customer relationship management (CRM) is the full process of creating and maintaining beneficial customer relationships by delivering superior customer value and satisfaction. "The economics of customer relationships are shifting in essential ways and companies are facing the need to implement new solutions and strategies that address these changes. Many companies are aiming on developing stronger connections with their customers – called Customer Relationship Management (CRM). A highly satisfied customer generally stays loyal, buys more as the company introduces new products and upgrades existing products, talks favorably about the company and its products, no price sensitive, offers his ideas and costs less to serve them new customers because transactions are routine". (Rouholamini andVenkatesh, 2011)

2.4 Key drivers to CRM

Bhattacherjee, 2001 states that each day more priority is given to customer relationship management due to powerful forces such as: economical, technological and social.Those have made the traditional business be inappropriate in the recent business and technological background. So the key drivers to customer relationship management are as below:

- By the expansion of e-business, nowadays the customers are just a click away from our competitors.

- Top customer-related knowledge can make more real and minor replicable differentiation strategies.

- Except satisfied customer are less expensive than new customers they also help by positive word of mouth (advertising channel).

- Retaining customers provide more revenue. If 5% is increased in customer loyalty can result in reducing the operating expense by 18%.

- Financial institutions (banks) assume that 80 % of their profit is generated from 20% of its customers (Pareto).

- Acquiring new customers cost 5-10 times more than retaining an existing one.

- Financial institutions are facing powerful competition, not only from existing actors within the industry, but as well from new entrants from diverse business sectors.

- IT makes possible retaining customers and building strong relationships.

Nowadays "customer data" is known as an asset. Banks that have large amount of customer data have become conscious of the opportunity of using the data to create long term relationships. (Karakostasa, Kardaras, Papathanassiou, 2005, p. 853–863)

2.5 CRM, Types:

There are two different way of CRM's categorizations which help to broadly understand the types of Customer Relationship Management.

Below are shown the two types of categorization:

- Reactive versus Proactive CRM:

- Operational, Collaborative and Analytical CRM

2.5.1 Reactive versus Proactive CRM:

Reactive CRM occurs or is called when the bank gives answers to the recommendations/suggestions/complaints/requests of the customers.

Its opposite, it is called Proactive CRM. When bankforesees and responds to customers' need by itself. In time that market situation is chancing constantly, proactive companies take stock of their customers' future needs and provide value to customers through their offerings.

2.5.2 Operational, Collaborative and Analytical CRM

The forms of CRM are often used by authors. (Crosby and Johnson, 2001)

2.5.2.1 Operational CRM

There are many ways that help customers to reach banks today. This kind of interaction is directly with bank and its employees. Touch point is called the junction where this interaction happens. At banks these operational touch points usually happen transactions like sale, payment, information seeking, queries, suggestions, and complaints. That the reason it is also called front office CRM. Operational CRM in banks happens always at branches as they deal directly with customers.

There are many ways the customer can approach / be approached:

- Face to face: Interacting while selling, serving customers by way of organizing events, promotions etc.

- Database driven: In this interaction contacting customers is through Telephone/Email/Mail/Fax/Loyalty programs/Cards/ATMs/SMS.

- Mass Media: when the contact is through public broadcasting. The contact is public in nature and people at large are contacted. For example public advertising and public relations campaigns.

In dealing with operational CRM, financial affairs and human resources can be combined together. (Tohidi, Afshar and Jafari, 2010)

2.5.2.2   Collaborative CRM

According to Jill Dyche Collaborative CRM is a particular functionality that enables a two way communication by improving the quality of customer interaction. (Dyche 2002), remark that the essence of collaborative CRM is to manage partners of the firm. These could be channels, agents and other business stakeholders but not direct customers. The focus is on maintaining relations with partners to facilitate coordination in business. In these case bank try to collaborate with its parteners and its branches in order to improve customer service and relationships. (Dyche, 2002, p71-88)

Communicative tools of CRM as follows: (H. Tohidi, M. J. Tarokh, 2006)

◉ Project Management

◉ Project Collaboration

◉ Internet Chat and Instant Messaging

◉ E-Learning Systems

◉ Web cast systems

◉ Broadcast tools

◉ Web Audio and Radio

◉ Web Video and Cams

◉ Customer Support

◉ Interactive Sales Support

(Tohidi and Jabbari, 2012, p. 579-582)

2.5.2.3   Analytical CRM:

Analytical CRM is also known as back office or strategic CRM. This type of CRM is characterized by presence of designations like business analysts. Analytical CRM is concerned with attracting, saving, fragmenting, integrating, processing, interpreting, distributing, using and reporting customer-related data to enhance both customer and bank value. The main aim of analytical CRM is to find out various taste, preferences, and activities of the customers to customize solutions for them.(Tohidi et al, 2012). Banks in this case can not proceed without the help of branches which gathers the info through operational CRM. Specific departments works on the informations to use it effeiciently.

2.6   Customer Relationship Management and Knowledge Management

According to (Dous et al, 2005) banks have integrated both, customer relationship management and knowledge management efforts because the last one plays an important role in the success of customer relationship management. Usually the technology can assist in the success of CRM but the knowledge management puts the information into an effective use through technology.

Lambe, 2008 notes that to collaborate with customers is needed a great tacit knowledge exchange. According to (Brenner et al, 2005) CRM processes are based on large amounts of knowledge.(Zablah et al,2004) says that the knowledge management is seen as the

main sub-process of customer relationship management.To manage it effectively firms should develop some capabilities which are related to knowledge management processes.(Shi and Yip, 2007), mentions that a firm's capabilities are difficult to be imitated and copied so they may become a source of competitive advantage. The most valuable and rare assets of a firm will be the customer knowledge which will help to answer customers' needs very quickly and to adapt market changes. If we collect the data information for our customer through our relationship (us and customer) and offering to them superior value, that will be inimitable and our key advantage.

According to Davenport &Prusak, 1998, unlike data or information, knowledge is embedded in people and not in IT.

So the way how people get, share and interpret knowledge in an enterprise is very important in aiming to retain competitive advantage. **(**Moreno, Meléndez, 2011; p. 437–444)

2.7   CRM Perspectives

There are three different types of CRM perspectives. They consist as below:

1. Technological Perspective

2. Business Perspective

3. Customer Perspective

2.7.1 Technology perspective

According to L. Ryals, A. Paynethrough, technological perspective the IT makes possible for banks to get closer relationship with their customers, get the right information from customers and provide the necessary view of customer. D. Peppers, M. Rogers, and B. Dorf say that in order to provide the relevant and accurate info to the banks's employees an integrated information system is required. This itself needs the integration of the, sales marketing and service functions of the bank. (Teo, Devadoss and Pan, 2006)

2.7.2 Business perspective

According to L. Ryals, A. Payne, the CRM business perspective is recognized as an organizational strategy which is related to customer understanding and behavior predicting, one-to-one marketing, basically everything about the customer; knowing the customer (who and where they are and what they need).(Teo et al, 2006)

This kind of analysis is essential for the decision making about the appropriate strategies to satisfy customers. An important point where CRM helps too much is regarding employees. They have access to the right information when they deal with customers, by this employees will be placed where is more convenient in responding to customer's needs.

2.7.3 Customer perspective

According to K. Anderson, C. Kerr, from the customer perspective, customer relationship management deals mainly with the interaction channels of bank with the customer. Usually happens that customers are not aware and do not care about what happens in the internal processes of a bank.

What they mostly care and are influenced are the interaction opportunities with the banks. Parts of the interactions are: (Teo et al, 2006)

- Front Sale Personnel
- Call Centers
- Internet
- Email, Fax
- Fax…

This kind of interactions leads to customer loyalty and demonstrates the efficiency and customer friendliness of the bank. Due to bad interactions customers leave the bank.

(Padmavathy, BalajiandSivakumar, 2012,pp. 246-266**)**

2.8 SEVEN E's of Customer Relationship Management (in Banks)

Below we are going to show the seven key elements of Customer Relationship Management according to the author of many books on customer loyalty, Chip R. Bell. With his seven E's of CRM he tries to show us how banks can develop relationships that will last. Seven E's are shown as below:

1. Enlistment

2. Engagement

3. Enlightenment

4. Entrustment

5. Empowerment

6. Endearment

7. Enchantment

2.8.1 Enlistment

This process helps and encourages customers to be part of the bank and in its activities.

In this takes part all the community activities where the customers feel that the major

part of the community is the bank. One example may be sponsoring house show, and

part of them should be the local dealers who use the banks lot to show off the new

houses and having the bank's loan officers to help them in order to close deals.

To be more clear the bank should be part of activities and events that makes evident the

role of bank in the community. (Bell, 2000, p.1-180)

2.8.2 Engagement

It is very important to engage with your customer in straight talk. You should always

encourage your customers to come back to your bank even when problems or questions

arise. Your employees should be trained not to be defensive toward the customer, and an important part is that to them should be given the authority to correct problems. Usually occurs that 70 % of customer who may have any problem with you, will not tell you BUT on average them will share the problem with 11 other people (friends and family). The bank needs to make sure the customer that in cases he/she has problems may come back to the banks because can get solutions for his/her problems. (Bell et al, 2000)

2.8.3   Enlightenment

Usually when enlightenment is mentioned to people mind come the customer, who should be informed about anything new, but the truth is that the employee also plays an important role in the enlightenment process. So even the employees should keep themselves updated on what the bank is doing and the reason why. Because happens that customers at call centers do not get mad because of slowness but because they lose their time with employees who cannot give any right answer and have lack of knowledge. So customer should be well informed through regular communication and your employees through communication and training. (Bell et al, 2000)

2.8.4 Entrustment

The key for any positive relationship is TRUST. Absolutely the bank should be very reliable in any action with the customer, because they are dealing with their money, in both ways. The most important thing is not just to be reliable and trustworthy, BUT should also trust to their customer, to have a win- win relationship. What customer expects from the bank is to listen, care and deal with their problems.

The example below may sound stupid but it's true, the image of a bank that leaves pens on the counter and replace or change them when it is necessary is more positive than the bank which chain pens to the counter. (Bell et al, 2000)

2.8.5 Empowerment

When you give to your customer a feeling of control the relationship will be more positive. Where does control comes from? We predict it. A goal for a bank should also be the predictability which gives control. When the customer knows what to expect from the bank they gain a sense of control over the situation. It is more appropriate for a bank to promise what really can effort and deliver consistent service than empty promises, like the expression promising the moon and only hitting it occasionally. (Bell et al, 2000)

2.8.6 Endearment

When a bank cares about his customer means that endearment occurs. Customers always know when the bank really cares about them. Of course this feeling is reciprocated. It is mutually beneficial when the customer is loyal or the bank is loyal. When a customer is loyal usually makes positive word of mouth, recommends the bank his friends, and forgives the bank when any mistake occurs. In cases that mistakes or errors are corrected immediately and also the feedback is accepted from the customer the relationship turns into a lifetime commitment. (Bell et al, 2000)

2.8.7 Enchantment

How can you attract your customers? By extra effort in the quality service, which beside the high quality products, little things or details that make people feel important should take place. Some of the efforts can be like remembering someone's name, his birthday, anniversary etc. It is making quality service commonplace and extraordinary service a regular occurrence. (Bell et al, 2000)

2.9 CRM in Banking Sector

The banks are doing a great battle between them for gaining market share. The ability to perform or develop the customer wants and turn them into effective operating models is depended the entire bank's strategy toward the customer acquisition. A successful strategy can be build if it is ensured a positive customer experience at each customer touch point. Having positive customer experience will lead to customer acquisition, than customer loyalty which for the bank means increased profits. That is the right way to create a successful Customer Relationship Management strategy.

Nowadays bankers know the cost difference between acquiring a new customer and retaining an existing one. By experience bankers are aware that is an expensive affair to fight for new customers and lose the existing ones. Shortly, the banks should focus on existing customers and by exploring in the actual customer base and deepen the profitability of the existing customer relationships. Now CRM is necessary, by the change that is done, the shift from transaction -centric to a relationship-centric business approach.Banks are trying to adopt CRM in order to create more effective and true relationship banking. The competition is very strong and customers have many preferences, so the banks are trying to pull customers by providing a wide range of services.Some of the services are online banking, ATM banking and telebanking. Banks can increase customer service by leveraging on technology, upkeep of efficient service delivery standards and business process reengineering.

An important part takes also the employees. They need to demonstrate certain service traits such as, putting on pleasing attire. If a bank implements the right CRM can retain the customer and increase the business growth. It is essential for banks to identify who are the potential customers in order to address to them the suitable offers. Through customer interaction the transactional data in generated, this information (data) needs to be collected into one database to facilitate its proper analysis. There are different ways a customer may interact with a bank like by: savings accounts, credit cards, home loans, car loans, etc. So the data that will be generated through all these services should be integrated to enable effective targeting. After the integration has finished, a profitability analysis of the customer needs to be done to acquire an understanding of the profit-worthiness of the customer before targeting him with new offers. (Shinde, Bhalerao and Dubey, 2011)

2.10 The dark side of CRM

2.10.1 Service provider relationships

In here we are going to talk about the dark side of customer relationship management which generally is related to the purposive behavior of customer service providers. This may occur because of, the bad intentions against the customer or misunderstanding of

customer relationship management. The consequence is the intentional actions go in for abusing the customer.

According to Caruanaet al, 2001 there are even cases where the customer is engaged to dark side behavior. One example may be the exaggerated complaining.

2.10.2 Communication

Information outflow plays a vital role in Customer Relationship Management.

By information outflows is made possible the communication between the customer and the buyer. Relationships are created and developed. A confident and timer information outflow assist customer to take better decisions but poor and intricate information may deform the decision making. Some forms of dark side occurs because of service provider hedge, deform or using the information just to their own interest.

2.10.3 Dishonesty

Another category of the dark side of CRM is dishonesty. Many times occur that pressure is placed at staff to up-sell and cross-sell products against the reward system. As a result to customers are sold unnecessary products. For example car servicing may replace parts and repair when it is not needed. According to (Akerlof, 1970) another example of the dark side is selling to customer products with known defects.

2.10.4 Privacy invasion

Nowadays companies may get the customers information from different sources, even information that customer is not aware that companies do have it and they use it. An example could be the record of client's expenditures at hotels, and by looking it you may understand his/her likes and dislikes. All this is done to know better the customer and discover their desires and wishes. The point in here is that, trying to implement the CRM; companies want to create closer relationship that customers may wish.

2.10.5 Customer favoritism

Customer relationship management segments customer according to their importance. To the most important customers are given additional and better service. But this may have a bad impact at the other customer that observes how the" Superior "customer is treated. Even in case that the price is not differentiated, there are some groups that are treated differently which leads to disagreements. Ramkumar and Saravanan(2007) identified a number of barriers to long-term relationship loyalty and selectiveapproach to the superior customers.

2.10.6 Relationship neglect

Anderson and Yap (2005) mentions how apparently good relationships can go bad and how great relationships, that seem durable, can also be destroyed.

According to Moorman et al. (1992) and Grayson and Ambler (1999) service providers may lead to the dark side of long term relationships when: dissolve their ability to be objective; become too stuffy to design and add other value; or customers come to believe that the service provider may take advantage of the trust between the two parties and act opportunistically against the interests of the customer. (Frow, Payne, Wilkinson and Young, (2011), pp. 79 – 89)

CHAPTER 3

Customer Loyalty

3.1   Introduction to customer loyalty

Customer loyalty is the will of clients to be faithful to a company or an organization. This means, even if the company makes any minor mistake, customers will still maintain loyal to them and do not switch. According to Kincaid, 2003, pp10, customer loyalty is a positive experience and value, which even in cases when the decision is not the most rational they still will to buy and maintain relations with the company.

Bothe, 1996, pp.31, mentions that customer loyalty means that customers adore too much a company's services and products that becomes a free word of mouth advertiser.

Customer loyalty is the customer's confirmation of a true and loyal pursuance to a company or financial institution (bank) apart from random errors and mistakes. It's the certain attitude and behavior that customers show. (Szűts and Tóth, 2008)

In the banking sector, customer loyalty is measured by an approach that takes in consideration four elements: satisfaction, loyalty, enthusiasm and migration. Satisfaction and loyalty bring to repeat transactions and both are based on rational customer behavior. For example, an investment decision making or credit transactions are considered to be based on rational judgments. The factors which determine the

customer loyalty on a bank are considered to be functional factors (tangible and measurable). So, after finding out this, when a customer say she is satisfied with the bank's services, in our mind we think that she will for sure execute repeat transaction, by showing her loyalty to the bank, and this equals to loyalty element.

But in reality happens that not every customer who confesses his satisfaction toward the bank's service quality will perform again and retain or be loyal to the bank. A different scale of customer expectation is a main hedge for banks to accomplish their customers' needs in terms of mitigation and benefits to increase customer satisfaction. The first two elements: satisfaction and loyalty are just the first steps to real and loyal customers. The third element is the customer migration. In this stage they are at the risk phase. It is the meridian point where the customer starts to flirt with the products of the competitors. Thus, the bank as a service provider has to be more aggressive to innovate a variety of loyalty programmers to create a migration barrier for customers leaving the bank. The last element is enthusiasm and belongs to the customer that stays loyal to the bank. So, a customer is both emotionally and also spiritually loyal. They do free marketing (word of mouth), by recommending and promoting to their friends and relatives the bank's services. They are active in the existing product community, and willing to defend the bank's position when it gets a negative response from others. These fourth types of customers are the most loyal customers.

3.2 Factors effecting customer loyalty

According to our study there are six CRM factors that would help positively on customer loyaty.

3.2.1 Service factor

Bank service quality is the most important element that customers consider in order establish a long-term relationship with them. That's the reason this factor is essential to be part of our questionnaire.

3.2.2 Security factor

In this factor we would like to see how secure customers feel when dealing with BKT. Do they really believe that their private activity is kept secret and their private information is confident? Assurance refers to employees' knowledge and courtesy and the service's ability to inspire trust and confidence in the clients.

3.2.3 Relationship factor

As customers increasingly interact with banks through remote technological channels (e.g. phone, Internet, etc.) the implications for bank-customer relationships are important.

3.2.4 Reliability

Reliability factor is the level to which the service provider can accomplish the service dependably and precisely. This dimension is substantial for clients in banking sector.

3.2.5 Loyalty

Loyalty refers to the emotional and psychological commitment between parties. In the banking branch of the financial services industry, for example,clients will be loyal to a specific bank if they always return for existing and new banking products and services. Banks will be loyal if they always listen to their clients' enquiries and focus on assisting them in all their banking needs.

3.2.6 Staff

The willingness staff to help clients and to provide prompt service refers to the responsiveness dimension of a service provider. This dimension is particularly important when clients have requests, questions, complaints and problems surrounding the service. So it's important to see the general performance of bank's staff.(Iymperopoulou, 2006)

3.3 Different ways to Improve Customer Loyalty

a) **Visibility**: Customers should have a clear idea where they should complain.

b) **Accessibility**: Customer has to know the way how to complain. As a rule of thumb, the more formal the system for lodging complaints, the less accessible it is to customers.

c) **Responsiveness**: This point is very important, because complains have no sense if they remain without a responsiveness. So they should deal with them quickly because the quicker the complaints deal with it the higher the customer satisfaction.

d) **Accountability**: Someone in the company should be appointed to handle complains that came from customers.

e) **Continuous Improvement**: when trying to fix them, the problem should be fixing from the root cause.

f) **Thank customers for doing business with you:** it's important to assure them that you really appreciate them and you are thankful to them.

g) **Keep in touch with new and old (existing and past) customers continuously:** if you do not forget them, they are also not forgetting you. Be in contact in different ways like: phone, mail, postcards, newsletters etc.

Give them more than their expectation: anticipate their needs and fill them quickly.(Kyle LaMalfa, 2007)

3.4 Customer Loyalty Advantages

Below are shown the economic effects as a result of customer loyalty. The advantages mentioned by Reichheld2011, are:

1. At the moment customers became loyal to a company, obviously repeat sales and also referrals will increase, this means that the revenue and the market share will be increased. Meanwhile they do free marketing by word of mouth while they are enthusiastic. Customers became your protectors.

2. At the time the superior value is delivered to the customer, also is increased the employee's loyalty as they feel pride and an important asset to the company. The best employees will be retained as they are able to sustain their growth. In the other hand its important the long-term relationship between your employee and the customer.

3. Companies attain a cost advantage as increased performance arises when they deal with loyal customers. This help the company to increase the competitiveness in the market

4. Loyalty gives to the company the opportunity to take time to respond competitive moves. For example, if your competitor develops a better product, you will have the needed time to respond by matching.

CHAPTER 4

Methodology

4.1   Quantitative and Qualitative Approach

We will discuss the methodology, meaning the method and the procedures that will be used in order to conduct this research. Also later we will discuss the way how the reliability and validity will be evaluated in the obtained results.

There are two types of research approaches available for researchers. They are: Quantitative and Qualitative Approach (Hair et al, 2007, p. 151–153). In the qualitative approach the data is collected through unstructured interview or either observation. Sometimes they are in the form of images, words and phrases. This approach gives a deeper understanding so furnishing a holistic view. An important role in this approach has judgment as it is difficult to duplicate the findings. The sample size in this approach is small. The data in quantitative approach are numbers and lends itself to statistical analysis in order to imply the characteristics of something. An important point to consider is that structure, representativeness, and providing objectivity are important strengths of quantitative research. This approach provides objectivity because the respondents are the ones who provide the numbers; therefore researcher's opinion does not have any impact on testing the hypothesis. In a general sense, this approach is used in explanatory researches. Furthermore, it allows generalization and enables the

researcher to predict the future. (Hair et al., 2007, p 151–153; Saunders 2009, p. 482)

From the above discussion and since the results are presented by digits and they are analyzed by statistical methods, we can conclude that quantitative approach proves to be suitable for this research.

4.2   Deduction versus Induction Approach

In the deductive approach, the researcher develops a theory or hypothesis and then designs a strategy to test it. The data are quantitative and they are collected through samples of sufficiently large size to generalize the results. (Hair et al., 2007; Saunders et al, 2009)

In the induction approach, the collected data are analyzed and as a result, a theory will be formulated and developed. Inductive researches use a more flexible structure in which the researcher is a part of that research and collects the qualitative data through a small sample size; therefore there is not much concern with the generalization (Hair et al, 2007; Saunders et al, 2009,).

At our research the data we will use are quantitative and they will be collected through a large sample. Hence, we can say that the deductive approach will be used for this study.

4.3   Explanatory research

The aim of an explanatory research is to study or observe a problem and to find the relationship that is between the dependent and independent variable. In order to test if one variable causes any effect or change the value of another, than the most appropriate design is the explanatory research. Let's take our example" does any change in variable A (CRM) causes any change in variable B (customer loyalty)? (Hair et al, 2007,Saunders et al, 2009)

As we are going to collect our data through a questionnaire, which will help us to find out the relation between the dependent and independent variable, we can say that our research will be descriptive research.

4.4   Data Collection method

According to Sounders et al. (2009, p. 256) there are two categories to collect data: the primary data and the secondary data. The primary data usually is collected through observation, interview and questionnaires. The secondary data are taken for granted, meaning, is an information collected from researches and studies that are done before, and they can easily taken from the internet and libraries. The most used technique to collect data is through questionnaires, because all the respondents answer to the same set of questions which is more efficient and can collect to a large sample. The scaling

used in this research is the 5-point Likert scale of 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree. The demographic variables asked are gender, marital status, age, monthly income, education and the profession of the respondents. Then the questionnaire will be given to the branch manager in order to distribute it to the customer.

4.5 Schema of Customer loyalty
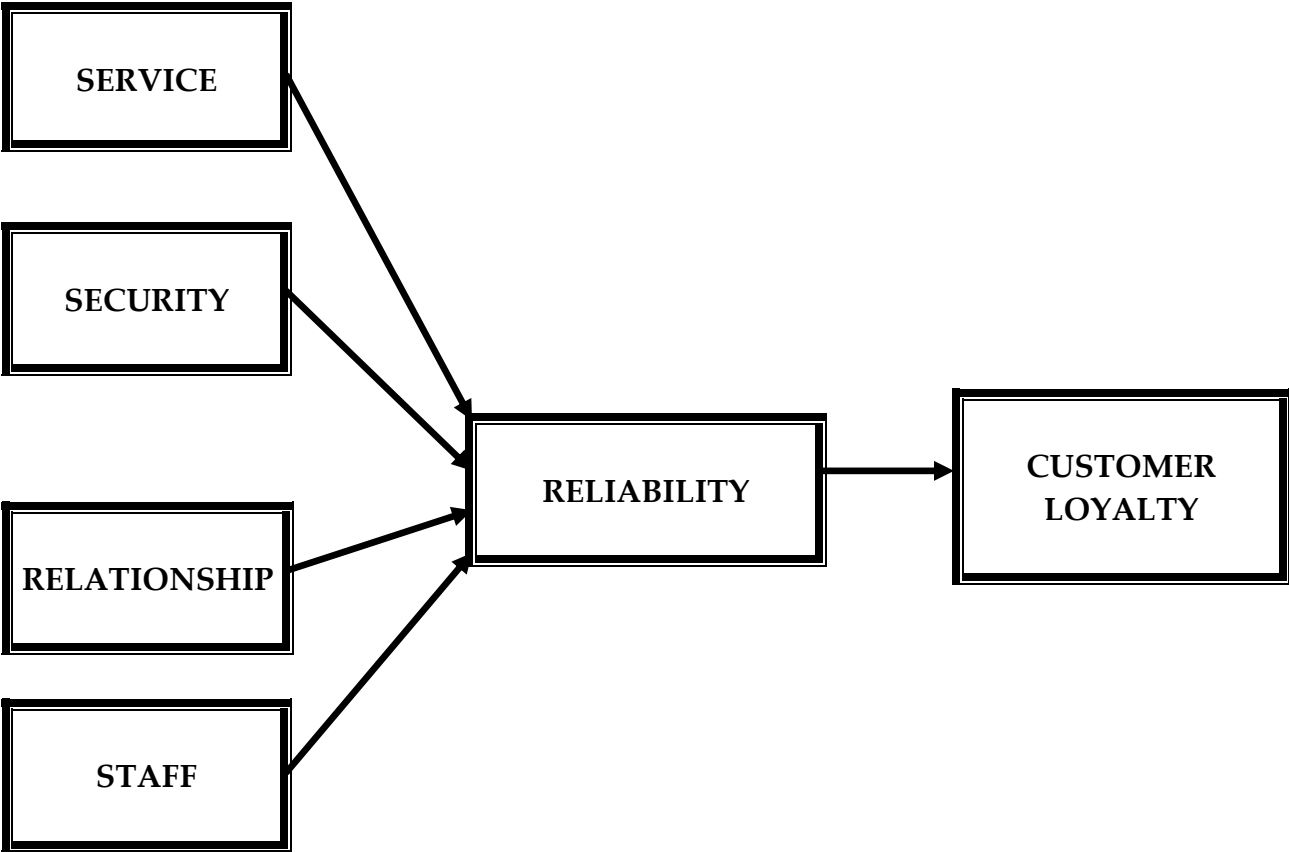
Fig 1. Schema of customer loyalty

Fig 1 shows the schema of customer loyalty with the factors that influence on it. These factors are: service, security, relationship, and staff, together with customer reliability on customer loyalty in banking business.

4.6 Population and Sample

To help us in our research questionnaire was selected one of the most successful branches of BKT, Abdyl Frasheri Branch. Firstly I would like to thank them for their collaboration as they immedialtely accepted to collaborate with us. They thought of it as mutually beneficial, a win – win situation. Many qustionnaires were delivered directly to the branch manger by showing him the procedure needed to complete the quetionnaire, who later delivered them to his staff, operational and marketing staff. Each staff member helped assisting in the client's completion of the questionnaire by explaining to them the procedure. During the completion of the questionnaire we observed that the Abdyl Frasheri's clients were very enthusiastic about their participation as they could express what they thought about their bank. After collecting them we observed that the number of total questionnaires completed and valid was 410. This number is the limit for a questionnaire to be trusted.

CHAPTER 5

Data Analysis

5.1   Introduction

This chapter will show the results of our research. It analyzed all the results which are

provided by the SPSS Statistics 20program ,the statistical analysis program.

As it was mentioned at chapter 4 the study is lead in terms of descriptive research.

It starts with the demographic profile respondents, and then will continue with

frequency analysis, reliability, cross tabulation and correlation.

5.2   Demographic profile

5.2.1   Gender

43. Gender?

Table 1. Gender frequency

		Frequency	Percent	Valid Percent	Cumulative Percent
	male	**238**	.1	58.0	58.0
Valid	**female**	**172**	.1	42.0	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		
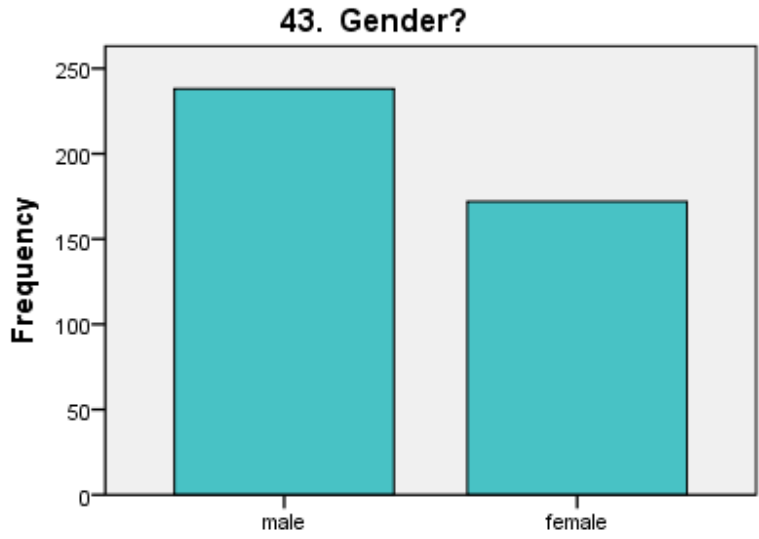
43. Gender?

The number of participants in the questionnaire was 410 and from the result we found that the number of males is greater than females: male 238 (58 %)and female 172(42%).

Graph 1. Gender frequency

5.2.2   Marital Status

44. Marital Status?

Table 2. Status frequency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	104	.1	25.4	25.4
	Married	45	.0	11.0	36.3
	Married and have one chil	135	.1	32.9	69.3
	Married and have two chil	96	.1	23.4	92.7
	Married and have three chil	30	.0	7.3	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

Graph 2. Status frequency
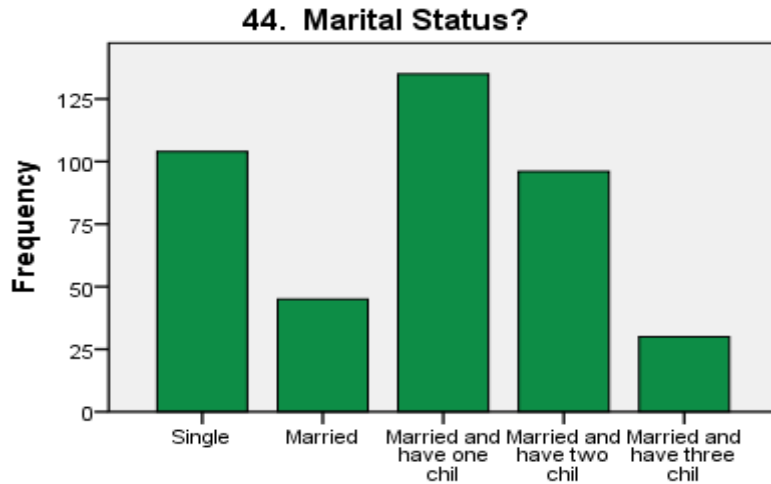
As it is obvious from the chart that the categories with the highest participations are single (25%),married and have one child (32%),married and have two children (23%).

5.2.3 Age

45. Please indicate your age?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18–30	**82**	.0	20.0	20.0
	31-40	**129**	.1	31.5	51.5
	41-50	**89**	.0	21.7	73.2
	50 or more	**110**	.1	26.8	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

Table 3. Age frequency

Graph 3. Age Frequency
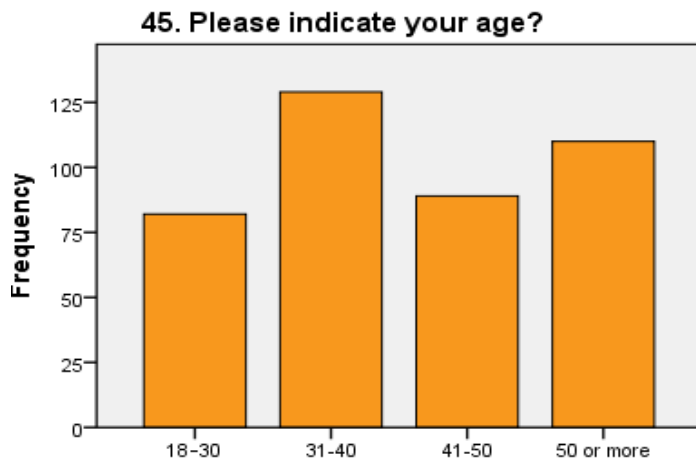
The second group of participants has higher percentage than the remaining part. Concretely from 31-40 years(31%).

5.2.4 Income Level

46. What is your monthly individual income category?

Table 4. Income level frequency

		Frequency	Percent	Valid Percent	Cumulative Percent
	50.000 Leke or less	**235**	.1	57.3	57.3
	50.0001 – 100.000 Leke	**110**	.1	26.8	84.1
Valid	100.001 – 200.000 Leke	**44**	.0	10.7	94.9
	200.000 Leke or more	**21**	.0	5.1	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		
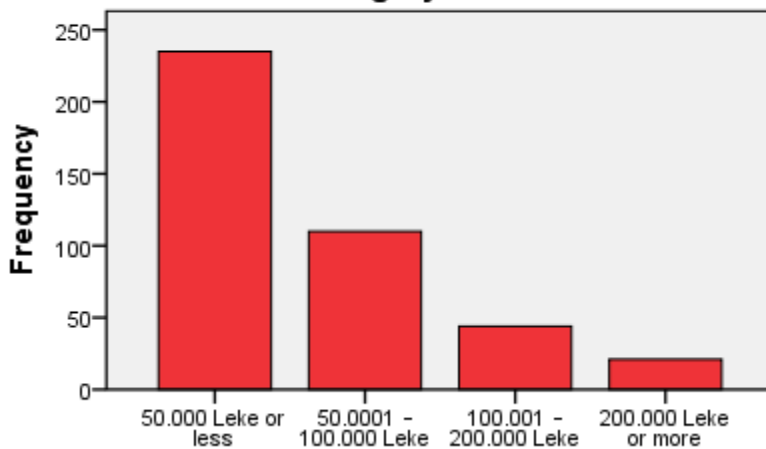
Based on the income level the group that dominates the whole is the first one which has an income level of 50.000 Lek or less (57%)

Graph 4. Income level frequency

5.2.5 Education

47. What is the highest level of formal education that you have completed?

Table 5. Education frequency

		Frequency	Percent	Valid Percent	Cumulative Percent
	Less than high school	**27**	.0	6.6	6.6
	High school	**158**	.1	38.5	45.1
Valid	Bachelor	**167**	.1	40.7	85.9
	Post Graduated	**58**	.0	14.1	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		
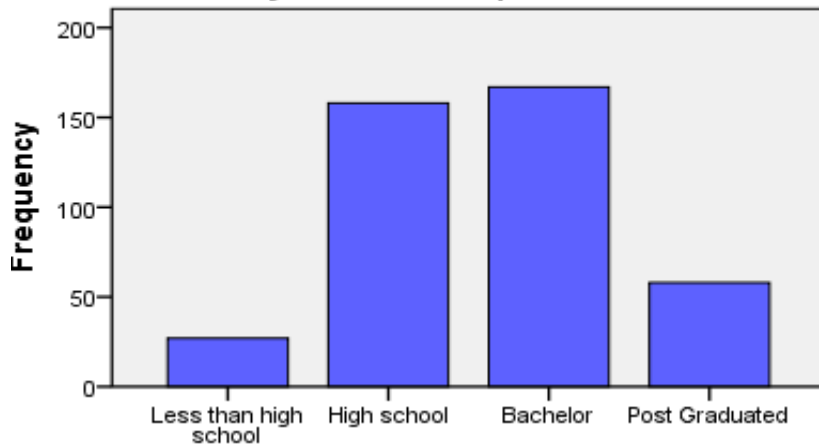
According to the questionnaire the respondents are high school and bachelor, where high school nr is 158 (38%) and bachelor nr is (40 %).

Graph 5. Education frequency

5.2.6 Job Position

Table 6. Job position frequency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	other	**53**	.0	12.9	12.9
	pensioner	**15**	.0	3.7	16.6
	private sector	**173**	.1	42.2	58.8
	public sector	**100**	.1	24.4	83.2
	other	**51**	.0	12.4	95.6
	student	**14**	.0	3.4	99.0
	unemployed	**4**	.0	1.0	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

Based on the questionnaire's result, the job position which has the biggest percentage is the privet sector by 173 (42%). After the private sector the next coming is the public sector by 100 (24%)
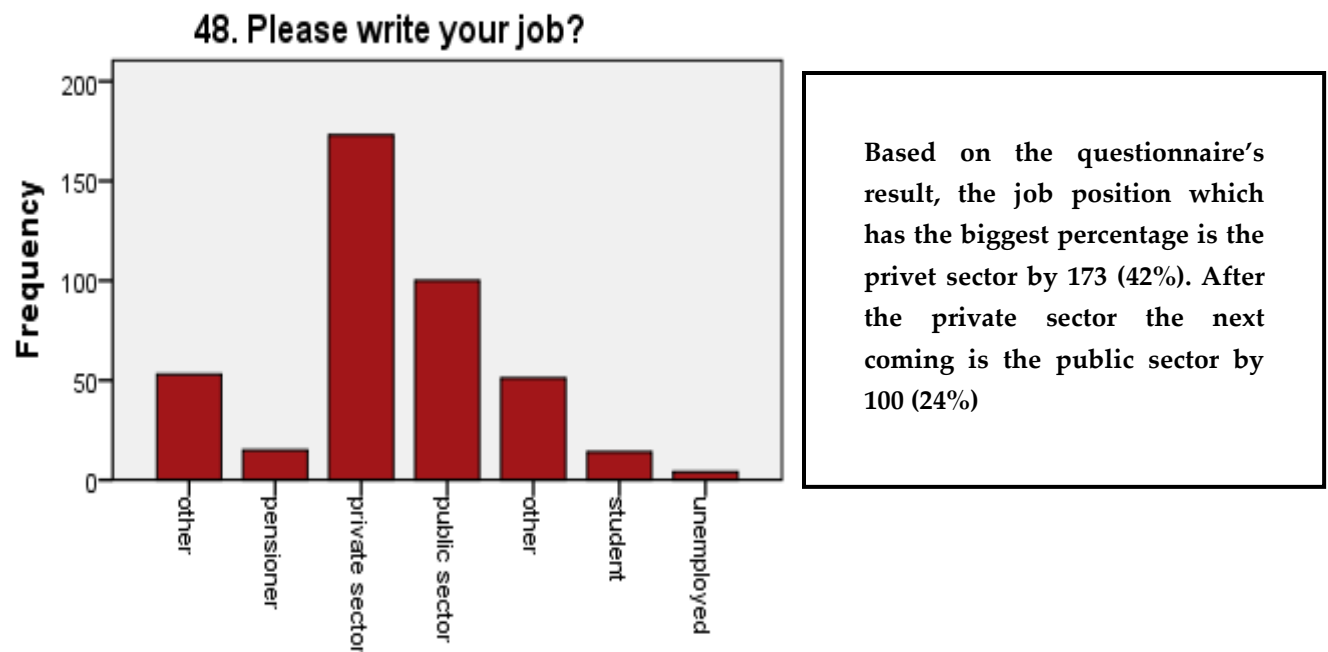
Graph 6. Job position frequency

5.3 Variables Frequency(2 statement for each factor group)

(Meaning of numbers: 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree)

5.3.1 Service factor

1. Information provided by BKT is up to customers' expectations.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3	25	.0	6.1	6.1
	4	203	.1	49.5	55.6
	5	182	.1	44.4	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

Table 7.1 Service factor
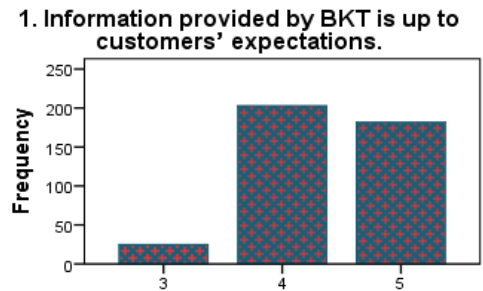
Graph 7.1 Service factor

The questionnaire's result confirms that the information provided by BKT is up to customers' expectations. 203 (49.5) of client agree with the statement and 182(44.4) strongly agree.

3. Customers get full and clear explanation on bank charges and interest rates regarding their accounts.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3	27	.0	6.6	6.6
	4	220	.1	53.7	60.2
	5	163	.1	39.8	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

Table 7.2 Service factor
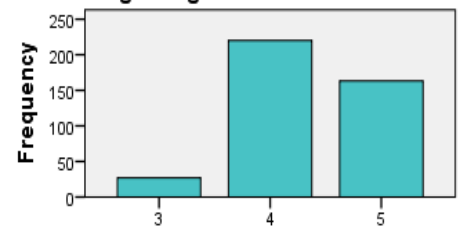
Graph 7.2 Service factor

The questionnaire's result confirms that customers get full and clear explanation on bank charges and interest rates regarding their accounts. 220 (53.7) of client agree with the statement and 163(39.8) strongly agree. Just an insignificant nr of clients is undecided about the statement, 27(6.6).

5.3.2 Security Factor

9. In BKT, there is no danger about money losses, fraud, and PIN and password theft.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	5	.0	1.2	1.2
	3	22	.0	5.4	6.6
	4	192	.1	46.8	53.4
	5	191	.1	46.6	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

9. In BKT, there is no danger about money losses, fraud, and PIN and password theft.
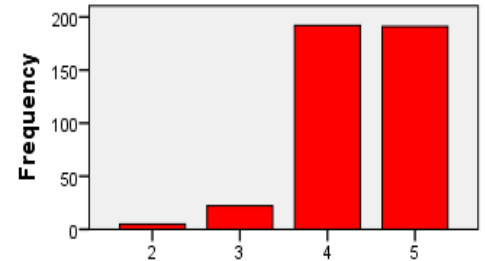
Table 7.3 Security factor   **Graph 7.3** Security factor

According to the questionnaire just a small number are undecided and do not feel secure about danger about money losses, fraud, and PIN and password theft. In total from 410 clients, 383 (92%) agree that there is no danger in BKT.

11. BKT builds solid customer confidence.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3	17	.0	4.1	4.1
	4	230	.1	56.1	60.2
	5	163	.1	39.8	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

11. BKT builds solid customer confidence.
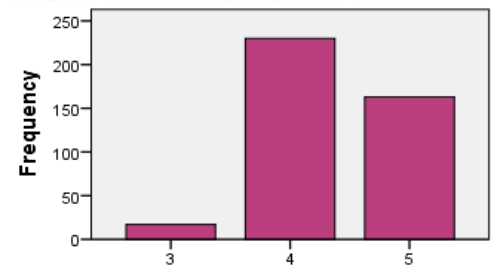
Table 7.4 Security factor   **Graph 7.4** Security factor

Most of customers have built strong relationship and confidence with BKT, 230 (56%) of clients agree and 163 (39%) strongly agree regarding the statement. 17 clients are undecided.

5.3.3 Relationship Factor

16. In BKT, I am always treated with consideration, appreciation and respect.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3	2	.0	.5	.5
	4	200	.1	48.8	49.3
	5	208	.1	50.7	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

16. In BKT, I am always treated with consideration, appreciation and respect.
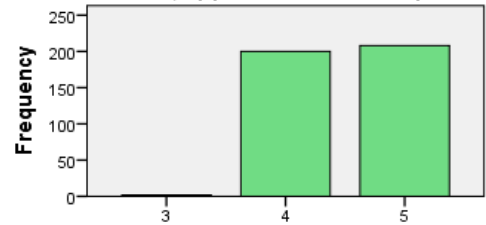
Table 7.5 Relationship factor   **Graph 7.5** Relationship factor

Definitely almost 100% of clients asked agreed that in BKT they are always treated with consideration, appreciation and respect, 200 clients agreed and 208 strongly agreed. Just 2 clients were undecided, an insignificant number.

18. I see BKT as a precious business advisor.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	3	.0	.7	.7
	3	43	.0	10.5	11.2
	4	232	.1	56.6	67.8
	5	132	.1	32.2	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

18. I see BKT as a precious business advisor.
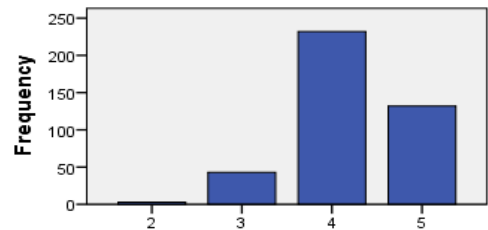
Table 7.6 Relationship factor   **Graph 7.6** Relationship factor

We can say that BKT for more than half of the clients asked is seen as a precious business advisor, 43 clients are undecided for this statement.

5.3.4 Reliability Factor

20. BKT is trusty and provides correct banking solutions in Albania.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3	30	.0	7.3	7.3
	4	219	.1	53.4	60.7
	5	161	.1	39.3	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

Table 7.7 Reliability factor
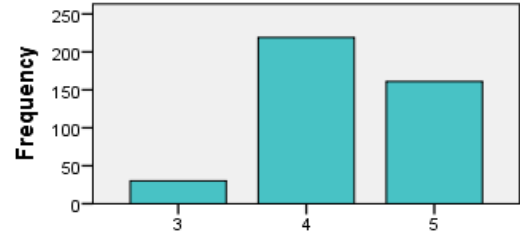
Graph 7.7 Reliability factor

In general we confirm that BKT is trusty for its clients and also provide correct banking solutions in Albania.

23. BKT keeps its promises.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3	8	.0	2.0	2.0
	4	170	.1	41.5	43.4
	5	232	.1	56.6	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

Table 7.8 Reliability factor
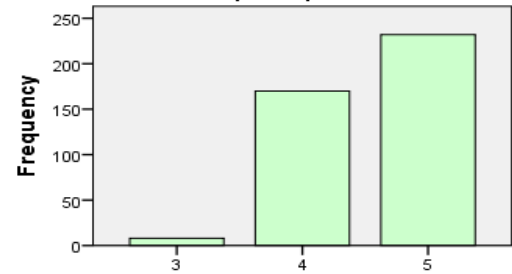
Graph 7.8 Reliability factor

232 clients strongly agree that BKT keeps its promises, 170 agree and just 8 clients are undecided, so in general we can say that BKT is a reliable bank.

5.3.5 Loyalty Factor

29. I would still continue to do business with my bank even if the bank does not handle my complaints as I expected.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	19	.0	4.6	4.6
	2	45	.0	11.0	15.6
	3	161	.1	39.3	54.9
	4	156	.1	38.0	92.9
	5	29	.0	7.1	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

Table 7.9 Loyalty factor
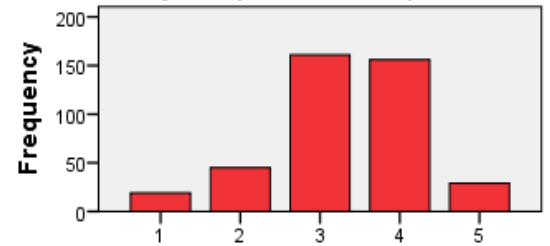
Graph 7.9 Loyalty factor

In this statement all the possible answers appear, 19 clients strongly disagree, 45 disagree, 161 are undecided, and in total 186 clients agree and would stay loyal to BKT even if the bank does not handle their complaints as they expected.

31. I always trust BKT when it comes to personal information.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3	14	.0	3.4	3.4
	4	286	.2	69.8	73.2
	5	110	.1	26.8	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

Table 7.10 Loyalty factor
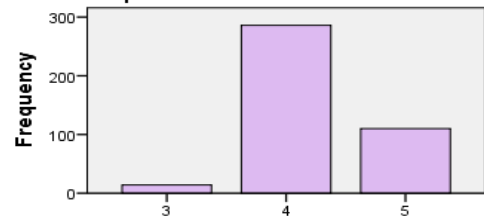
Graph 7.10 Loyalty factor

Clients feel free and secure to deal with BKT and to share their personal information, 286(69%) clients agree and 110(26%) strongly agree.

5.3.6 Staff Factor

33. The staff of BKT understands my requirements and concludes them immediately.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3	5	.0	1.2	1.2
	4	254	.1	62.0	63.2
	5	151	.1	36.8	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

Table 7.11 Staff factor
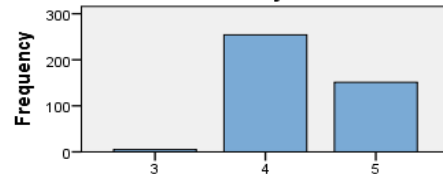
Graph 7.11 Staff factor

Seems that clients are very happy with the BKT's staff that provides the services for them, 254(62%) agree and 151(36%) strongly agree that the staff understands concludes their requirements immediately. 1.2% are undecided.

37. Staff of BKT is customer focused.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3	18	.0	4.4	4.4
	4	248	.1	60.5	64.9
	5	144	.1	35.1	100.0
	Total	410	.2	100.0	
Missing	System	189682	99.8		
Total		190092	100.0		

Table 7.12 Staff factor
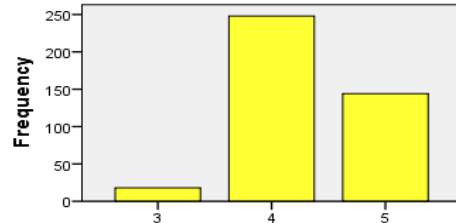
Graph 7.12 Staff factor

As it is shown in the graph 60% of clients confirm and agree that staff of BKT is customer focused, 35% strongly agree and just 4% are undecided. In general we can conclude that all these factors play an important role and are significantly related to customer loyalty.

5.4 Reliability

Reliability Statistics

Table 8. Reliablity

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.853	.857	39

At the table below are shown the reliability testing by using the reliability coefficient (Cronbach's Alpha if item deleted) and the mean. The Cronbach's Alpha equals .853 which means is relatively high, as according to the rule the Cronbach's Alpha should not be lower than .80 Mean also is relatively good as its higher than 3.0

Nr	QUESTIONS	*Reliability	** Mean
1	1. Information provided by BKT is up to customers' expectations.	0.854	4.38
2	2. My bank gives me good advice regarding the services I received.	0.853	4.44
3	3. Customers get full and clear explanation on bank charges and interest rates regarding their accounts.	0.853	4.33
4	4. BKT always keeps customers up to date with best ways of investing money.	0.851	4.22
5	5. BKT attempt to figure out my business and its needs.	0.853	4.21
6	6. Questions and needs are replied to fast and efficiently.	0.853	4.34
7	7. BKT is flexible and responsive to consumer needs and wants.	0.852	4.42
8	8. BKT is available when I need help and support.	0.853	4.46
9	9. In BKT, there is no danger about money losses, fraud, and PIN and password theft.	0.852	4.39
10	10. BKT assures strong security feelings during transaction activities.	0.853	4.30
11	11. BKT builds solid customer confidence.	0.854	4.36
12	12. My bank activity is kept private.	0.849	4.46
13	13. BKT always trusts their customers on transactions.	0.848	4.20
14	14. I feel myself respectful at BKT every time.	0.851	4.44

15	15. I can always count on BKT to follow up on problems to make sure they have been resolved.	0.852	4.31
16	16. In BKT, I am always treated with consideration, appreciation and respect.	0.851	4.50
17	17. BKT ensures precious ideas that assist in increasing profitability.	0.850	4.19
18	18. I see BKT as a precious business advisor.	0.850	4.20
19	19. The bank treats my transactions confidentially.	0.853	4.52
20	20. BKT is trusty and provides correct banking solutions in Albania.	0.853	4.32
21	21. In crucial cases, BKT is able of facing the state in the best manner.	0.852	4.34
22	22. I feel confident in my dealings with BKT.	0.850	4.55
23	23. BKT keeps its promises.	0.852	4.55
24	24. I find BKT very credible.	0.852	4.50
25	25. I would suggest BKT to my friends and family.	0.850	4.45
26	26. I do not think of switching BKT easily.	0.849	4.11
27	27. I would enlarge the use of BKT's services and products.	0.850	3.89
28	28. I consider myself loyal customer to BKT.	0.851	3.97
29	29. I would still continue to do business with my bank even if the bank does not handle my complaints as I expected.	0.845	3.32
30	30. My loyalty to BKT has been constantly increasing and the economic recession has not had an impact on it.	0.848	3.79
31	31. I always trust BKT when it comes to personal information.	0.850	4.23
32	32. I know that BKT's staff is available to address my problems and concerns.	0.846	4.25
33	33. The staff of BKT understands my requirements and concludes them immediately.	0.846	4.36
34	34. The staff of BKT is understandable while giving service.	0.844	4.37
35	35. The staff of BKT has enough experience, qualifications, skills and information.	0.844	4.41
36	36. The staff of BKT are honest, helpful, smiley and polite.	0.844	4.38
37	37. Staff of BKT is customer focused.	0.843	4.31
38	38. BKT employees are sincere in solving my problems.	0.844	4.34
39	39. The staff of BKT is kind and helpful when dealing with them.	0.844	4.6

Table 8.1 Reliability and mean

5.5 Crosstabs and Chi - Square

5.5.1 Crosstab 1

46. What is your monthly individual income category? * 47. What is the highest level of formal education that you have completed? Crosstabulation

Table 9.1 Crosstab 1

		Less than high school	High school	Bachelor	Post Graduated	Total
		47. What is the highest level of formal education that you have completed?				Total
46. What is your monthly individual income category?						
50.000 Leke or less	Count	26	130	74	5	235
	% within 47. What is the highest level of formal education that you have completed?	96.3%	82.3%	44.3%	8.6%	57.3%
50.0001 – 100.000 Leke	Count	1	19	69	21	110
	% within 47. What is the highest level of formal education that you have completed?	3.7%	12.0%	41.3%	36.2%	26.8%
100.001 – 200.000 Leke	Count	0	4	16	24	44
	% within 47. What is the highest level of formal education that you have completed?	0.0%	2.5%	9.6%	41.4%	10.7%
200.000 Leke or more	Count	0	5	8	8	21
	% within 47. What is the highest level of formal education that you have completed?	0.0%	3.2%	4.8%	13.8%	5.1%
	Count	27	158	167	58	410
	% within 47. What is the highest level of formal education that you have completed?	100.0%	100.0%	100.0%	100.0%	100.0%

Chi-Square Tests

Table 9.1 Chi-square 1

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	161.394[a]	9	.000
Likelihood Ratio	161.220	9	.000
Linear-by-Linear Association	107.566	1	.000
N of Valid Cases	410		

a. 3 cells (18.8%) have expected count less than 5. The minimum expected count is 1.38.

InterpretationofCrosstab 1:

96.3% of the respondent who has completed less than high school takes as monthly income 50.000Lek or less.

82% of the respondent who has completed high school takes as monthly income 50.000Lek or less.

44.3%of the respondent who has completed bachelor takes as monthly income 50.000Lek or less.

8.6%of the respondent who has completed post graduatedtakes as monthly income 50.000Lek or less.

3.7% of the respondent who has completed less than high school takes as monthly income 50.0001 – 100.000Lek.

12% of the respondent who has completed high school takes as monthly income 50.0001 – 100.000Lek.

41% of the respondent who has completed bachelor takes as monthly income 50.0001 – 100.000Lek.

36% of the respondent who has completed post graduated takes as monthly income 50.0001 – 100.000Lek.

0% of the respondent who has completed less than high school takes as monthly income 100.001 – 200.000Lek.

3.2% of the respondent who has completed high school takes as monthly income 100.001 – 200.000Lek.

4.8% of the respondent who has completed bachelor takes as monthly income 100.001 – 200.000Lek.

13.8% of the respondent who has completed post graduatedtakes as monthly income 100.001 – 200.000Lek.

0% of the respondent who has completed less than high school takes as monthly income 200.000Lek or more.

2.5% of the respondent who has completed high school takes as monthly income 200.000Lek or more.

9.6% of the respondent who has completed bachelor takes as monthly income 200.000Lek or more.

41.4% of the respondent who has completed post graduated takes as monthly income 200.000Lek or more.

Conclusion: Less than high school respondents take 50.000Lek or less. High school and bachelor respondents take as monthly income 50.0001 – 100.000Lek. Post graduatedtakes as monthly income 100.001 – 200.000Lek and 200.000Lek or more.

There is a significant relationship btw them. High education level means high income level.

Interpretation of chi-square test 1:

The chi-square value for the fellowship between education and income was found to be 161.394, with degree of freedom of 9 and a significance probability less than 0.000 which actually is a very high significant result. According to this data there is no doubt that there is a significant relationship between education and income level.

5.5.2 Crosstab 2

48. Please write your job? * 43. Gender? Crosstabulation

Table 9.2 Crosstab 2

			43. Gender?		Total
			male	female	
48. Please write your job?	Other	Count	29	24	53
		% within 43. Gender?	12.2%	14.0%	12.9%
	pensioner	Count	7	8	15
		% within 43. Gender?	2.9%	4.7%	3.7%
	private sector	Count	107	66	173
		% within 43. Gender?	45.0%	38.4%	42.2%
	public sector	Count	54	46	100
		% within 43. Gender?	22.7%	26.7%	24.4%
	self – employed	Count	36	15	51
		% within 43. Gender?	15.1%	8.7%	12.4%
	Student	Count	3	11	14
		% within 43. Gender?	1.3%	6.4%	3.4%
	Unemployed	Count	2	2	4
		% within 43. Gender?	0.8%	1.2%	1.0%
Total		Count	238	172	410
		% within 43. Gender?	100.0%	100.0%	100.0%

Chi-Square Tests

Table 9.2 Chi-square 2

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.848[a]	6	.031
Likelihood Ratio	14.088	6	.029
Linear-by-Linear Association	.044	1	.834
N of Valid Cases	410		

a. 2 cells (14.3%) have expected count less than 5. The minimum expected count is 1.68.

Interpretation of Crosstab 2:

12.2% of male work at other job position and 14% of female work at other job position.

2.9% of male are pensioner and 4.7% of female are pensioner.

45% of male work at private sector and 38% of female work at private sector.

22.7% of male work at public sector and 26.7% of female work at public sector.

15% of male are self - employed and 8.7% of female are self employed.

1.3% of male are student and 6.4% of female are student.

0.8% of male are unemployed and 1.2% of female are unemployed.

Interpretation of Chi-square test 2:

The chi-square value for the fellowship between gender and job position was found to be 13.848, with degree of freedom of 6 and a significance probability .031 which is not such a high significant result. According to this data we can state that the relationship between gender and job position is related but not too much.

5.5.3 Crosstab 3

42.At how many banks do you have accounts? * 45. Please indicate your age? Crosstabulation

Table 9.3 Crosstab 3

			45. Please indicate your age?				Total
			18–30	31-40	41-50	50 or more	
42.At how many banks do you have accounts?	1	Count	42	45	43	66	196
		% within 45. Please indicate your age?	51.2%	34.9%	48.3%	60.0%	47.8%
	2	Count	34	65	37	36	172
		% within 45. Please indicate your age?	41.5%	50.4%	41.6%	32.7%	42.0%
	3	Count	6	19	9	8	42
		% within 45. Please indicate your age?	7.3%	14.7%	10.1%	7.3%	10.2%
Total		Count	82	129	89	110	410
		% within 45. Please indicate your age?	100.0%	100.0%	100.0%	100.0%	100.0%

Chi-Square Tests

Table 9.3 Chi square 3

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.727[a]	6	.010
Likelihood Ratio	16.866	6	.010
Linear-by-Linear Association	3.863	1	.049
N of Valid Cases	410		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 8.40.

Interpretation of Crosstab 3:

42 clients of group age 18-30 have their accounts at 1 bank (BKT). 45 clients of group age 31-40 have their accounts at 1 bank (BKT). 43 clients of group age 41-50 have their accounts at 1 bank (BKT). 66 clients of group 50 or more have their accounts at 1 bank (BKT).

34 clients of group age 18-30 have their accounts at 2 banks. 65 clients of group age 31-40 have their accounts at 2 banks. 37 clients of group age 41-50 have their accounts at 2 banks. 36 clients of group 50 or more have their accounts at 2 banks.

6 clients of group age 18-30 have their accounts at 3 banks. 19 clients of group age 31-40 have their accounts at 3 banks. 9 clients of group age 41-50 have their accounts at 3 banks. 8 clients of group 50 or more have their accounts at 3 banks.

Group age 50 or more tend to have accounts at 1 bank, group age 31-40 at 2-3 banks.

Interpretation of Chi-square test 3:

The chi-square value for the fellowship between gender and job position was found to be 16.727, with degree of freedom of 6 and a significance probability .010 which relatively is a good result as sig is smaller than 0.05. So according to this data we can say that the relationship between gender and job position is related with each other.

5.6   Chi - square

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
42.At how many banks do you have accounts? * 43. Gender?	410	0.2%	189682	99.8%	190092	100.0%

Chi-Square Tests

Table 10.1 Gender chi square

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.524[a]	2	.038
Likelihood Ratio	6.751	2	.034
Linear-by-Linear Association	6.112	1	.013
N of Valid Cases	410		

a.   0 cells (0.0%) have expected count less than 5. The minimum expected count is 17.62.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
42.At how many banks do you have accounts? * 44. Marital Status?	410	0.2%	189682	99.8%	190092	100.0%

Chi-Square Tests

Table 10.2 Marital Status chi square

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.234[a]	8	.039
Likelihood Ratio	16.053	8	.042
Linear-by-Linear Association	.103	1	.749
N of Valid Cases	410		

a. 2 cells (13.3%) have expected count less than 5. The minimum expected count is 3.07.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
42.At how many banks do you have accounts? * 45. Please indicate your age?	410	0.2%	189682	99.8%	190092	100.0%

Chi-Square Tests

Table 10.3 Age chi square

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.727[a]	6	.010
Likelihood Ratio	16.866	6	.010
Linear-by-Linear Association	3.863	1	.049
N of Valid Cases	410		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 8.40.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
42.At how many banks do you have accounts? * 46. What is your monthly individual income category?	410	0.2%	189682	99.8%	190092	100.0%

Chi-Square Tests

Table 10.4 Income chi square

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	51.180[a]	6	.000
Likelihood Ratio	53.278	6	.000
Linear-by-Linear Association	38.142	1	.000
N of Valid Cases	410		

a. 2 cells (16.7%) have expected count less than 5. The minimum expected count is 2.15.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
42.At how many banks do you have accounts? * 48. Please write your job?	410	0.2%	189682	99.8%	190092	100.0%

Chi-Square Tests

Table 10.5 Job chi square

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	43.830[a]	12	.000
Likelihood Ratio	56.740	12	.000
Linear-by-Linear Association	5.721	1	.017
N of Valid Cases	410		

a. 5 cells (23.8%) have expected count less than 5. The minimum expected count is .41.

Interpretations:

H1: There is a significant and positive effect between nr of bank accounts and gender.

H1: There is no significant and positive effect between nr of bank accounts and gender.

H2: There is a significant and positive effect between nr of bank accounts and status.

H2: There is no significant and positive effect between nr of bank accounts and status.

H3: There is a significant and positive effect between nr of bank accounts and age.

H3: There is no significant and positive effect between nr of bank accounts and age.

H4: There is a significant and positive effect between nr of bank accounts and income.

H4: There is no significant and positive effect between nr of bank accounts and income.

H5: There is a significant and positive effect between nr of bank accounts and job.

H5: There is no significant and positive effect between nr of bank accounts and job.

Conclusion of Hypothesis:

1. The significant value of gender is **.038** smaller than .050; so the first H1 is accepted.

2. The significant value of marital is **.039** smaller than .050; so the first H2 is accepted.

3. The significant value of age is **.010** smaller than .050; so the first H3 is accepted.

4. The significant value of income is **.000** smaller than .050; so the first H4 is accepted.

5. The significant value of job is **.000** smaller than .050; so the first H5 is accepted.

Sig of gander	=	.038	**Accepted**
Sig of status	=	.039	**Accepted**
Sig of age	=	.010	**Accepted**
Sig of income	=	.000	**Accepted**
Sig of job	=	.000	**Accepted**

CHAPTER 6

Discussion and Conclusion

6.1   Discussion

At the first stage we discussed about customer relationship management literature review, how CRM is related to the banking sector and also the effects that customer loyalty implies at customer relationship management.

In particular, the main objective of our research was to learn the impact that customer loyalty have on customer relationship management. So having this focus we chose the main factor groups that really could have an impact on customer loyalty, which is strongly related to customer relationship management. The questiones designed for each factor group aimed to help us to explore how the bank would take benefits from its clients. At the same time would help the bank that at specific points make specific changes according to the client's responses. So this framework would show that if the bank wants to create loyalty between then and clients, which drive to customer relationship, should apply all the factors that were designed for the questionnaire.

As it is mentioned the aim of this study was to investigate the impact of customer loyalty on customer relationship management in the banking sector. Banks have start using CRM because they have realized that the magical formula for them to gain success in such a competitive environment is to be extremely focused to customer

relationship, maintaining a healthy relationship which helps them to lead at customer loyalty. In the research, through the questionnaire we tried to find which of the factors affected mostly the clients.

6.2   Conclusion

Taking in consideration the analysis done to the questionnaire we can conclude that most of the respondents responded very positively on all factors of the questionnaire. The factors are as below:

- Service

- Security

- Relationship

- Reliability

- Loyalty

- Staff

The majority of answers was agreeing and strongly agrees. Also trough different methods were showed that there exist a positive path between all factors and customer loyalty. There existed a significant relationship between them, which states that this factors help in reaching customer loyalty and leading to customer relationship management.So we can conclude that customer loyalty through its factors may help in creating a strong, positive and long-lasting customer relationship.

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QUESTIONNAIRE

The Impact of Customer Relationship Management (CRM) on Customer Loyalty: An Instance on Banking Sector

Dear Participant:

The aim of this questionnaire is to study the impact of Customer Relationship Management on customer loyalty in Albanian banks. The questionnaire will provide us of relevant information that we both need to complete our research. That is why we are asking you to fill in this questionnaire to help us gathering data. All individual data will be kept confidential, while aggregate data will be used for future published research.

Thanks for your time and participation.

Oneda Dema

SECTION 1
This section's questions are regarding ' The Impact of Customer Relationship Management (CRM) on Customer Loyalty ,**'Service', ' Security', ' Relationship', ' Reliability', ' Loyalty', ' Staff'**.. Please circle the appropriate number of each statement which corresponds most closely to your desired respond.

Factor Group Name	Question Number	QUESTIONS	(1) Strongly Disagree	(2) Disagree	(3) Undecide	(4) Agree	(5) Strongly Agree
Service	1	Information provided by BKT is up to customers' expectations.	1	2	3	4	5
	2	My bank gives me good advice regarding the services I received.	1	2	3	4	5
	3	Customers get full and clear explanation on bank charges and interest rates regarding their accounts.	1	2	3	4	5
	4	BKT always keeps customers up to date with best ways of investing money.	1	2	3	4	5
	5	BKT attempt to figure out my business and its needs.	1	2	3	4	5
	6	Questions and needs are replied to fast and efficiently.	1	2	3	4	5
	7	BKT is flexible and responsive to consumer needs and wants.	1	2	3	4	5
	8	BKT is available when I need help and support.	1	2	3	4	5
Security	9	In BKT, there is no danger about money losses, fraud, and PIN and password theft.	1	2	3	4	5
	10	BKT assure strong security feelings during transaction activities.	1	2	3	4	5
	11	BKT builds solid customer confidence.	1	2	3	4	5
	12	My bank activity is kept private.	1	2	3	4	5
	13	BKT always trusts their customers on transactions.	1	2	3	4	5
Relationship	14	I feel myself respectful at BKT every time.	1	2	3	4	5
	15	I can always count on BKT to follow up on problems to make sure they have been resolved.	1	2	3	4	5
	16	In BKT, I am always treated with consideration, appreciation and respect.	1	2	3	4	5
	17	BKT ensures precious ideas that assist in increasing profitability.	1	2	3	4	5
	18	I see BKT as a precious business advisor.	1	2	3	4	5
Reli abili	19	The bank treats my transactions confidentially.	1	2	3	4	5
	20	BKT is trusty and provide correct banking	1	2	3	4	5

		solutions in Albania.					
	21	In crucial cases, BKT is able of facing the state in the best manner.	1	2	3	4	5
	22	I feel confident in my dealings with BKT.	1	2	3	4	5
	23	BKT keeps its promises.	1	2	3	4	5
	24	I find BKT very credible.	1	2	3	4	5
Loyalty	25	I would suggest BKT to my friends and family.	1	2	3	4	5
	26	I do not think of switching BKT easily.	1	2	3	4	5
	27	I would enlarge the use of BKT's services and products.	1	2	3	4	5
	28	I consider myself loyal customer to BKT.	1	2	3	4	5
	29	I would still continue to do business with my bank even if the bank does not handle my complaints as I expected.	1	2	3	4	5
	30	My loyalty to BKT has been constantly increasing and the economic recession has not had an impact on it.	1	2	3	4	5
	31	I always trust BKT when it comes to personal information.	1	2	3	4	5
Staff	32	I know that BKT's staff is available to address my problems and concerns.	1	2	3	4	5
	33	The staff of BKT understands my requirements and concludes them immediately.	1	2	3	4	5
	34	The staff of BKT is understandable while giving service.	1	2	3	4	5
	35	The staff of BKT has enough experience, qualifications, skills and information.	1	2	3	4	5
	36	The staff of BKT are honest, helpful, smiley and polite.	1	2	3	4	5
	37	Staff of BKT is customer focused.	1	2	3	4	5
	38	BKT employees are sincere in solving my problems.	1	2	3	4	5
	39	The staff of BKT is kind and helpful when dealing with them.	1	2	3	4	5

40. For how long times are you customer of BKT…

41. What kind of bank account did you open?

     ○ (Current) transactional account
     ○ Saving account
     ○ Mortgage account
     ○ Loan or credit
     ○ Stock account
     ○ Otherwise, namely: ………………………………

42.At how many banks do you have accounts?

     ○ 1
     ○ 2
     ○ 3
     ○ 4
     ○ 5
     ○ More

In this part of the questionnaire there are some demographic questions to classify answers. All information will be used for analyzing of the data and keep confidential.

43. Gender?
( ) Male   ( ) Female

44. Marital Status?
( ) Single   ( ) Married   ( ) Married and have one chil   ( ) Married and have two children   ( ) Married and have three or more children

45. Please indicate your age?
( ) 18 or younger   ( ) 18–30   ( ) 31-40   ( ) 41-50   ( ) 50 or more

46. What is your monthly individual income category?
( ) 50.000 Leke or less   ( ) 50.0001 – 100.000 Leke   ( ) 100.001 – 200.000 Leke
( ) 200.000 Leke or more

47. What is the highest level of formal education that you have completed?
( ) Less than high school   ( ) High school   ( ) Bachelor
( ) Post Graduated

48. Please write your job?
…………………………………………………………………………….

Thanks for your participation…