

The Relationship Between Relationship Marketing And Customer Satisfaction: The Case Of Banking Industry In Hawassa City, Ethiopia

Ermias Tegegn^{1*}, Dr.Jayprakash Lamoria²

^{1*}Ph.D. Scholar- Parul University, Waghodia, Vadodara, Gujarat, India

²Parul University, Waghodia, Vadodara, Gujarat, India

*Corresponding Email: ermia5tegegn2024@gmail.com

Abstract

This study examines the relationship between key components of relationship marketing and customer satisfaction in the banking industry. Adopting a correlational research design with a quantitative approach, the study collected data from 384 respondents using convenience sampling to ensure a diverse yet accessible participant pool. The data were analyzed using Pearson correlation using SPSS version 26, revealing that all five relationship marketing components had a positive and significant correlation with customer satisfaction. Among these, communication showed the strongest association, highlighting its critical role in shaping customer perceptions, followed closely by empathy and conflict handling, which underscore the importance of emotional engagement and effective problem resolution. Trust and commitment, while still influential, had relatively weaker but still meaningful impacts. These findings contribute to the theoretical understanding of relationship marketing by demonstrating the varying degrees of influence each component has on customer satisfaction. From a practical standpoint, the study suggests that service providers should prioritize clear and responsive communication, train employees in empathy and conflict resolution, and reinforce trust and commitment through consistent service quality. Future research could expand on these insights by conducting longitudinal studies to assess long-term effects, comparing different service industries, or incorporating qualitative methods to explore customer experiences in greater depth. Ultimately, this research provides valuable guidance for businesses aiming to enhance customer satisfaction and foster long-term loyalty through strategic relationship marketing efforts.

Keywords: Relationship marketing, Customer satisfaction, Trust, Communication, Empathy

1. INTRODUCTION

In the evolving marketing landscape, relationship marketing stands as a cornerstone strategy that has shifted away from traditional transactional marketing toward a more holistic and sustained interaction with customers. Historically, marketing was predominantly focused on individual transactions, short-term exchanges, and emphasizing sales volume over customer retention. However, the advent of relationship marketing has transformed this view by shifting emphasis toward building long-term, value-based relationships with customers. This evolution reflects the understanding that maintaining ongoing customer connections is vital for sustainable profitability in contemporary markets (Aka, 2016).

Customer satisfaction plays an indispensable role in this dynamic. In increasingly competitive environments, particularly within service-driven industries, organizations recognize that satisfying customers goes beyond mere product features or pricing; it encompasses an ongoing process of meeting or exceeding customer expectations, fostering loyalty, and ultimately enhancing retention rates (Chatterjee, 2019). This shift signifies that customer satisfaction is both a prerequisite and a consequence of effective relationship marketing.

Central to relationship marketing are key components such as trust, commitment, communication, conflict handling, and empathy. These elements collectively form the foundation through which businesses nurture and sustain mutually beneficial relationships with their customers, thereby directly enhancing customer satisfaction levels. Research indicates that deploying these components in marketing strategies contributes to improved perceptions of value and loyalty, underscoring their importance in contemporary marketing theory and practice (Sayil, 2018).

Despite the recognized importance of relationship marketing, organizations routinely face substantial challenges in maintaining long-term customer satisfaction and loyalty, especially in rapidly changing and dynamic business environments. Fluctuations in customer expectations, technological advancements, and competitive pressures complicate the task of sustaining meaningful customer relationships over time (Aka, 2016). These complexities are particularly evident in service sectors such as banking. The primary objective of this study is to rigorously investigate the relationship between relationship marketing and customer satisfaction among consumers of service industries.

LITERATURE REVIEW

2.1. Customer Satisfaction

Customer satisfaction is a multifaceted concept extensively studied within marketing research. It refers to the extent to which a customer's expectations of a product or service are met or exceeded, encapsulating their overall evaluation of the transaction experience and long-term relationship with the provider (Pandey, 2024). It is important to note that customer satisfaction is not only an outcome but also functions as a mediator affecting loyalty and retention. Its role as a key driver for repeated purchase behavior and positive word-of-mouth underscores its critical position within customer relationship frameworks (Hennig-Thurau & Klee, 1997).

A myriad of factors influence customer satisfaction, notably service quality, communication effectiveness, and trustworthiness of the service provider. Service quality, marked by reliability, responsiveness, empathy, and assurance, directly impacts customers' perceptions and satisfaction levels (Puspitasari, 2023). Communication acts as a bridge between the provider and the customer, ensuring clarity, understanding, and the timely exchange of information, while trust fosters confidence in the provider's commitment to the customer's best interests. Each of these factors intertwines to strengthen satisfaction, highlighting the complexity of managing this construct.

2.2. Trust in Relationship Marketing

Trust is widely regarded as a fundamental pillar underpinning relationship marketing. Theoretically, trust embodies customers' belief in the reliability and integrity of the service provider, underpinning a secure and confident relationship that is critical for fostering satisfaction and loyalty (Bricci, 2015). Trust reduces perceived risks associated with exchanges and encourages customers to maintain relationships even in the face of occasional service lapses.

Empirical studies across various industries, including retail banking and telecommunications, confirm that trust exerts a significant positive effect on customer satisfaction. This relationship arises because trust mitigates uncertainty and promotes a sense of security, which customers highly value during their interactions with service providers (Sayil, 2018). Additionally, trust functions as a mediator in the relationship marketing process, influencing other outcomes such as commitment and retention through its foundational role in satisfaction development.

2.3. Commitment in Relationship Marketing

Commitment is conceptualized as the enduring desire to maintain a valued relationship, reflecting customers' psychological attachment and loyalty to the service provider (Dari & Saputra, 2022). It represents the willingness to invest in the relationship over time and to withstand competing offers. Empirical findings consistently demonstrate that commitment significantly influences customer satisfaction and loyalty. Customers who exhibit high commitment tend to perceive a greater value in the relationship and have lower propensities to switch providers. Moreover, the presence of strong commitment is often associated with enhanced satisfaction because it signals an active, ongoing relationship rather than a one-time interaction (Aka, 2016). Extending this relationship, customer satisfaction also mediates the effect commitment has on loyalty, highlighting the interwoven nature of these constructs in driving positive business outcomes (Hidayat & Idrus, 2023).

2.4. Communication in Relationship Marketing

Communication is arguably one of the most pivotal components of relationship marketing. It encompasses the two-way flow of information that facilitates understanding, resolves ambiguities, and builds conversational rapport between businesses and their customers (Walelign, 2019). Effective communication enhances customers' perception of care and involvement, significantly driving satisfaction.

Studies reveal that communication not only affects satisfaction directly but also indirectly influences customer loyalty through mechanisms such as positive word-of-mouth and emotional attachment (Ngoma & Ntale, 2019). However, communication challenges—such as inaccurate information or lack of responsiveness—can adversely affect satisfaction, underscoring the necessity for businesses to prioritize communication efficiency (Sayil, 2018).

2.5. Conflict Handling in Relationship Marketing

Conflict handling, defined as the processes and strategies employed to address and resolve disputes or dissatisfaction, is integral to sustaining long-term customer relationships. Effective conflict resolution is linked to higher customer satisfaction by restoring trust and demonstrating commitment to customer welfare (Sayil et al., 2016). The resolution of conflicts also signals to customers that their concerns are valued, which can improve loyalty.

Research substantiates that conflict handling influences loyalty indirectly by enhancing customer satisfaction. Companies that excel in this area often experience lower churn rates as customers are more forgiving and willing to maintain relationships post-conflict (Solangi, 2019). Empirical investigations clarify that conflict handling capabilities vary in impact across industry sectors but remain a crucial response mechanism within relationship marketing frameworks (Dari & Saputra, 2022).

2.6 Empathy in Relationship Marketing

Empathy, the ability of service providers to understand and share customers' feelings and perspectives, plays a vital role in shaping customer satisfaction and overall service quality perceptions. Customers often associate empathetic service with personalized attention and responsiveness, which elevates satisfaction levels (Karyose et al., 2017).

Empirical evidence suggests that empathy fosters trust and commitment, creating emotional bonds that deepen relationship quality. This emotional connection helps alleviate service failures and enhances satisfaction by making customers feel valued and understood (Yoo & Huh, 2015). Moreover, research within various sectors indicates that empathy promotes positive relational behaviors, including advocacy and repeat patronage, underscoring its importance in marketing strategies (Karatepe, 2011).

3. METHODOLOGY

3.1. Research Design

This study employs a correlational research design to explore the relationships between relationship marketing components and customer satisfaction. The explanatory approach is well-suited for elucidating the strength and direction of these relationships by examining empirical data (Suharto, 2023). Employing a quantitative research method allows objective measurement of constructs and statistical validation of hypotheses, enhancing the rigor and replicability of the findings. The decision to focus on customer satisfaction as the dependent variable and relationship marketing variables as independent variables aligns with research objectives to clarify cause-effect dynamics in service industries (Rachman, 2024).

3.2. Sampling Technique and Sample Size

Sample size determination used the Yamane formula, a robust method for calculating statistically adequate sample sizes, ensuring representativeness and precision. Convenience sampling was employed to select participants based on accessibility and willingness to participate. While convenient for data collection, this technique poses limitations regarding the generalizability of results beyond the sampled population (Solangi, 2019). Efforts were made to ensure demographic diversity among respondents.

3.3. Data Collection and Instrumentation

Data were collected using questionnaires designed to measure key constructs, trust, commitment, communication, conflict handling, empathy, and customer satisfaction. Likert scale items ranging from strongly disagree to strongly agree captured respondents' degree of agreement with statements related to each construct. Surveys were developed based on previously validated instruments, ensuring content validity and reliability.

3.4. Data Analysis Technique

Pearson correlation analysis was used to examine the relationships between the independent variables and customer satisfaction, assessing both the strength and direction of these associations. Data analysis was conducted using SPSS version 26, enabling efficient computation of correlation coefficients and significance levels.

4. RESULTS

4.1. Background Characteristics of Respondents

The demographic profile of the 384 respondents is summarized in Table 4.1. The sample comprised predominantly male participants (72.9%) with females representing 27.1%, reflecting the target population composition. Age distribution highlighted a majority in the 31-40 years category (46.6%), followed closely by the 24-30 years group (41.9%), indicating a youthful to middle-aged customer base with a smaller proportion aged 41 and above. Regarding education levels, the largest segment held a degree (53.1%), followed by diploma holders (44.0%), with only a small fraction possessing master's degrees or higher (2.9%). These characteristics suggest a diverse and reasonably educated sample consistent with relevant service sectors.

Table 1: *Demographic Information of Respondents*

Variables	Categories	Frequency	Percentage
Gender	Male	280	72.9
	Female	104	27.1
	Total	384	100
Age of respondent	24-30	161	41.9
	31-40	179	46.6
	41-50	22	5.7
	51-60	22	5.7
	Total	384	100
Education level of respondents	Diploma and below	169	44.0
	Degree	204	53.1
	Masters and above	11	2.9
	Total	384	100

4.2. Descriptive Summary of Study Variables

Table 4.2 presents descriptive statistics for the study variables. Trust exhibited a relatively high mean score of 3.5917 with a standard deviation of 0.58057, indicating moderate to strong trust perceptions among

respondents. Commitment, communication, and conflict handling recorded mean values close to 3.08, 3.09, and 3.05, respectively, representing moderate levels, with standard deviations showing moderate variability. Empathy showed the lowest mean at 3.0156 but was still within a moderate range. Customer satisfaction was also moderate, with a mean of 3.0686 and a standard deviation of 0.56893, suggesting participants generally perceived satisfactory experiences but with room for improvement. The consistency indicated by relatively low standard deviations reflects reliable responses across constructs.

Table 2: Respondents Perception on Relationship Marketing and Customer Satisfaction

Variable	Mean	Std. Deviation
Trust	3.5917	0.58057
Commitment	3.0848	0.54259
Communication	3.0915	0.60541
Conflict Handling	3.0543	0.55977
Empathy	3.0156	0.49062
Customer Satisfaction	3.0686	0.56893

4.3. Correlation Analysis Results

Table 4.3 displays Pearson correlation coefficients describing the relationships between relationship marketing components and customer satisfaction. Communication emerged as the strongest positive correlate with customer satisfaction at $r = 0.777$ ($p < 0.01$), indicating a strong and statistically significant association. This emphasizes the critical importance of effective communication in enhancing customer satisfaction. Empathy also showed a strong positive correlation of 0.727 ($p < 0.01$), reaffirming its influential role. Conflict handling ($r = 0.605$, $p < 0.01$), commitment ($r = 0.543$, $p < 0.01$), and trust ($r = 0.519$, $p < 0.01$) had moderate to strong positive correlations with satisfaction, all statistically significant. These results collectively emphasize that while all components positively impact satisfaction, communication and empathy are particularly salient in this sample.

Table 3: Relationship between Relationship Marketing and Customer Satisfaction

Variables	Customer Satisfaction	Sig. (2-tailed)
Trust	0.519**	0.000
Commitment	0.543**	0.000
Communication	0.777**	0.000
Conflict Handling	0.605**	0.000
Empathy	0.727**	0.000

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

The results underscore communication as the most dominant factor influencing customer satisfaction. This aligns with prior research asserting that communication facilitates clarity, fosters understanding, and strengthens customer-provider interactions, which directly enhance satisfaction levels (Walelign, 2019).

Trust and empathy surfaced as essential emotional drivers underpinning satisfaction. Trust reduces perceived partner opportunism, thereby mitigating risk and fostering confidence, while empathy enables service providers to tune into customers' needs and respond sensitively (Sayil et al., 2018).

Conflict handling emerged as significantly impactful in maintaining customer satisfaction, especially during service failures or disputes. Efficient conflict resolution reassures customers, restores faith in the service provider, and mediates dissatisfaction, thus safeguarding relationship continuity (Sayil et al., 2016).

This study's findings resonate strongly with evidence from banking and telecommunications sectors, where communication and trust consistently rank as key determinants of satisfaction and loyalty. Notably, while commitment's correlation with satisfaction was positive and significant (Dari & Saputra, 2022).

Furthermore, literature illustrates that conflict handling exhibits variable efficacy depending on the organizational context and customer expectations. This variability is echoed in the observed correlations, suggesting that while universally important, its influence may not be as pronounced in all service contexts (Omeje, 2022).

5. CONCLUSION AND RECOMMENDATIONS

The study examined the relationship between relationship marketing dimensions and customer satisfaction in the banking industry of Hawassa City, Ethiopia. The findings reveal a significant positive correlation between all relationship marketing variables (trust, commitment, communication, conflict handling, and empathy) and customer satisfaction. Communication and empathy exhibited the strongest associations, indicating that effective interaction and understanding customer needs are crucial for satisfaction. Trust, commitment, and conflict handling also showed significant positive relationships, reinforcing the importance of reliability, long-term engagement, and efficient problem resolution in enhancing customer satisfaction. These results align with existing literature, confirming that relationship marketing strategies play a vital role in fostering customer satisfaction in the banking sector.

Based on the findings, banks in Hawassa City should prioritize strengthening communication and empathy in their customer interactions, as these factors have the highest impact on satisfaction. Training programs for employees should emphasize active listening, personalized service, and clear information dissemination. Additionally, banks should enhance trust-building measures, such as transparency in transactions, and improve conflict resolution mechanisms to address customer grievances promptly. Commitment to long-term customer relationships should be reinforced through loyalty programs and consistent service quality. Future research could explore additional factors influencing customer satisfaction and conduct comparative studies across different regions in Ethiopia.

REFERENCES

1. Aka, D., Kehinde, O., & Ogunnaike, O. (2016). Relationship marketing and customer satisfaction: A conceptual perspective. *Binus Business Review*, 7(2), 169–178. <https://doi.org/10.21512/bbr.v7i2.1502>
2. Bricci, L., Fragata, A., & Antunes, J. (2016). The effects of trust, commitment and satisfaction on customer loyalty in the distribution sector. *Journal of Economics, Business and Management*, 4(3), 173–177. <https://doi.org/10.7763/joebm.2016.v4.386>
3. Chatterjee, D., & Kamesh, A. (2019). Relationship marketing: Impact on bank customers' satisfaction. *International Journal of Recent Technology and Engineering*, 8(4), 1194–1199. <https://doi.org/10.35940/ijrte.D9158.118419>
4. Dari, A. W., & Saputra, S. (2022). Pengaruh pengelolaan hubungan pelanggan (customer relationship management), nilai yang dirasakan (perceived value), kualitas yang dirasakan (perceived quality), dan kepuasan (satisfaction) terhadap loyalitas nasabah perbankan di Kota Batam. *Jurnal Manajemen Bisnis Indonesia*, 9(3), 456–470. <https://doi.org/10.35794/jmbi.v9i3.44000>
5. Desalew, D., Lamoria, J., & Ermias, T. (2024). Practices and Challenges of Digital Transformation in the Enterprise Sector: Evidence from manufacturing industries of Hawassa City, Ethiopia. *SECOM Management & Technology Review (SMTR)*, 11(2). <http://www.semcom.ac.in/smtr/SMTR%20PDF/March2024.pdf>
6. Hennig-Thurau, T., & Klee, A. (1997). The impact of customer satisfaction and relationship quality on customer retention: A critical reassessment and model development. *Psychology & Marketing*, 14(8), 737–764. [https://doi.org/10.1002/\(SICI\)1520-6793\(199712\)14:8<737::AID-MAR2>3.0.CO;2-F](https://doi.org/10.1002/(SICI)1520-6793(199712)14:8<737::AID-MAR2>3.0.CO;2-F)
7. Hidayat, K., & Idrus, M. I. (2023). The effect of relationship marketing towards switching barrier, customer satisfaction, and customer trust on bank customers. *Journal of Innovation and Entrepreneurship*, 12(1), 1–18. <https://doi.org/10.1186/s13731-023-00270-7>
8. Karatepe, O. M. (2011). Service quality, customer satisfaction and loyalty: The moderating role of gender. *Journal of Business Economics and Management*, 12(2), 278–300. <https://doi.org/10.3846/16111699.2.011.573308>

9. Karyose, H., Astuti, W., & Ferdiansjah, A. (2017). Customer loyalty: The effect of service quality, corporate image, customer relationship marketing and customer satisfaction as intervening variable in Malang City. *Management and Business Review*, 1(1), 1-12. <https://doi.org/10.33844/mbr.2017.60334>
10. Ngoma, M., & Ntale, P. D. (2019). Word of mouth communication: A mediator of relationship marketing and customer loyalty. *Cogent Business & Management*, 6(1), 1-18. <https://doi.org/10.1080/23311975.2019.1580123>
11. Omeje, N. U. (2022). Mediating effect of customer satisfaction on relationship marketing and customer loyalty among commercial banks' customers in Awka, Anambra State. *British Journal of Marketing Studies*, 10(5), 28-40. <https://doi.org/10.37745/bjms.2013/vol10n52840>
12. Pandey, R. (2024). Review paper: Customer satisfaction in footwear industry with special reference to Mochi. *International Journal of Scientific Research in Engineering and Management*, 8(3), 1-10. <https://doi.org/10.55041/IJSREM34618>
13. Puspitasari, R., & Nisak, K. (2023). Factors influencing customer satisfaction: Empirical study at Bank Muamalat Madiun Branch. *Etihad: Journal of Islamic Banking and Finance*, 3(2), 1-15. <https://doi.org/10.21154/etihad.v3i2.7713>
14. Rachman, M. A., & Ariyanti, M. (2024). Impact of customer relationship management on customer loyalty with customer satisfaction as a mediating variable at Telkomsel partner outlets in Banjar City. *Journal of Management and Applied Public Policy*, 2(4), 1-12. <https://doi.org/10.35912/jomaps.v2i4.2633>
15. Sayil, E. M., Akyol, A., & Simsek, G. G. (2018). An integrative approach to relationship marketing, customer value, and customer outcomes in the retail banking industry: A customer-based perspective from Turkey. *Service Industries Journal*, 38(11-12), 766-791. <https://doi.org/10.1080/02642069.2018.1516755>
16. Sayil, E. M., Donmaz, A., Simsek, G. G., & Akyol, A. (2016). The impacts of relationship marketing orientation on relational response behaviours. *International Journal of Mobile Communications*, 14(6), 601-620. <https://doi.org/10.1504/IJMC.2016.078722>
17. Solangi, B., Talpur, U., Shaikh, S. S., Mushatque, T., & Channa, M. A. (2019). Relationship marketing as an orientation to customer retention: Evidence from banks of Pakistan. *International Business Research*, 12(7), 133-142. <https://doi.org/10.5539/ibr.v12n7p133>
18. Suharto, S., & Hoti, A. (2023). Relationship marketing, customer experience and customer satisfaction: Testing their theoretical and empirical underpinning. *Media Bisnis*, 14(1), 1-15. <https://doi.org/10.18196/mb.v14i1.17805>
19. Walelign, A. (2019). Communication and its impact on customer satisfaction in hospitality industry. *iRASD Journal of Management*, 1(2), 45-55. <https://doi.org/10.52131/jom.2019.0102.0009>
20. Yoo, J., & Huh, K. (2015). Role of relationship marketing in raising the loyalty of teachers of private English institutes in Korea. *Indian Journal of Science and Technology*, 8(S5), 1-6. <https://doi.org/10.17485/ijst/2015/v8iS5/61455>