Customer relationship management and customer loyalty in Nigerian telecommunication industry

Agbaje Yinusa Toyese
Obafemi Awolowo University, Ile-Ife, Nigeria

Key words
Loyalty, Service delivery, Promotional activities

Abstract

This study evaluated customer relationship management in the telecommunication sector in Nigeria and its consequential effect on customer loyalty. Primary data were generated with the aid of structured questionnaire. A random sample size of 50 respondents was selected from each of 4 telecommunication firms to represent the entire population of study. Thus a sample size of 140 respondents was used. Data collected were analysed using descriptive statistics and variance estimation technique. Findings show that customer retention, and competitive advantages are major benefits that are accruable to the industry. These were achieved through better understanding and addressing the customer needs and issues. Among the strategies employed by the players in this industry to facilitate these were promotional activities and quick service delivery.

Introduction

Various strategies have been used by organisations in the past such as supply-push strategy to produce products and services with specifications to match customer specifications. This strategy later became inefficient and thus another strategy evolved. This new evolvement was called demand-pull strategy that was aimed at producing products and services based on customer preferences. This product strategy also became replaced by customer centric strategy called Customer Relationship Management (CRM). CRM started as a feedback reversible reaction approach by treating different customers in different ways to achieve mutual benefits for the organization and the customer. CRM is expected to help the organization to provide products and services according to customers' preferences and to increase loyalty. In overall, it is expected to lower operational costs and increased revenue (Zong, 2008). CRM has been defined as a business philosophy, a business strategy, and a business technology and as a coordinating strategy mediated by a set of information technologies, which focuses on creating two way communications with customers so that firms have an intimate knowledge of their needs, wants and buying patterns (Pedron and Saccol, 2009). From another perspective, CRM was referred to as a managerial strategy that helps organizations collect, analyze, and manage customer related information through the use of information technology tools and techniques in order to satisfy customer needs and establish a long term mutually beneficial relationship. As far as the telecommunication industry is concerned, CRM can be perceived as the methods used to mediate information both written and oral from the sender to the recipient and the return of the feedback from the receiver to the sender on a timely basis. It is also seen as a track of record to make programme and adjustment as necessary. It plays a vital role in helping businesses acquire and retain customers while maximizing their lifetime value.

Prior to the year 2001, Nigeria Telecommunication (NITEL) consumers battled with the inefficiency of the only telecommunication service provider in the country that was operated by government. Due to the successful deregulation and globalization of the Nigerian telecommunication industry in the year 2001, consumers can now choose among eight operating service providers as at the year 2013. The deregulation and expansion of telecommunication products and service offerings have prompted many changes in mobile telecommunication service delivery and impacted the competition which necessitated the application of CRM principles. The increased menu of products and services offered by emerging telecommunication firms, as well as the stiff competition have forced the market participants to employ several strategies in order to differentiate their products and services from those of their competitors among these strategies is CRM.

As one of the criteria to meet organizational goals, a firm must determine the needs and wants of its consumers and then deliver products and services that satisfy those needs and wants more efficiently than its competitors. An important task, therefore, is to determine, with some reasonable degree of precision, the extent to which CRM can maximise customer loyalty.
Understanding exactly what modern telecommunication mobile users require or desire from their service providers is a challenge for many operators (Oyatoye *et al*., 2013). Existing literature on CRM has done little to shed light on this challenge in the telecommunication industry. Available studies on CRM in relation to customer loyalty focused mainly on the banking sector (e.g. Ogbadu and Usman 2012; Melodi *et al*., 2012; Babatunde and Ajayi, 2010). These studies have also failed to highlight CRM systems that maximise customer loyalty. As noted by Kotler and Keller (2005), a vital objective of CRM which is a process of managing complete information about individual customer and their touch points is to maximise customer loyalty. Hence, the objective of this study is to examine the role of CRM in managing telecommunication consumers in Nigeria and investigate the effect of CRM practices of telecommunication firms on consumer loyalty.

Literature Review

Theoretical postulate has it that the higher the rate to which an organisation or company practices good customer relationship, the higher the rate of customer loyalty to its brands or products. Parvatiyar and Sheth (2001) reported that several researchers, especially those in the area of information systems and decision technologies, are also exploring new methodologies and techniques that create efficient frontline information systems to effectively manage relationships with customers. According to Ragins and Greco (2003), CRM offer organisations several advantages and benefits. They went ahead to say that, more than repeated purchaser; the committed customer has an emotional attachment to the seller. These emotions can include trust, liking, and believing in the organisation's ability to respond effectively and promptly to customers' problem. Customers can be viewed as organisational assets who are likely to be a source of favourable word-of-mouth referrals and are resistant to competitor's offers. It also requires a great deal of efforts to induce an extremely satisfied customer to turn away from their business attachments. As noted by Achumba (2004), a new customer can only be made through a complex process of awareness of the existence of the firms' products and the channels of distribution. Therefore, the fallout of the situation is to generate revenue by increasing customer retention through CRM.

CRM is a broad spectrum of organizational and operational elements. It is a business strategy which provides overall integration of all areas of business that affect the customer (marketing, sales, services), through the integration of people, process and technology to optimize customer satisfaction. Dyche (2001) defined CRM as an infrastructure that allows an increase in customer value, and the correct means by which to motivate valuable customers to remain loyal. According to Oliver (2008), the value of CRM is to create and maintain good and long term relationships with customers. Customer loyalty is a critical criterion for CRM. Loyalty refers to the repeated use of company's products and services by customers and the consistent purchase pattern even in changes in business scenarios

Babatunde and Ajayi (2010) also viewed CRM, as an emerging customer innovation which focuses on growing customers profitably by delivering value to the customer in a bid to enhance customer intimacy. This is achieved through increase in quality levels and enhanced business penetration. In the view of Croteau and Li (2009), CRM is a tremendous step forward in creating a system that provides a means of retaining individual loyalty. However, Greenberg (2008) believe that, understanding CRM requires the understanding of the changing nature of customers. Businesses now adopt CRM systems due to its benefits which lie in helping to build up long-term customer relationships. In turn, consumers have grown accustomed to dealing with businesses that proactively understand and serve their needs (Vimani, 2007). CRM is an umbrella concept that places the customer at the core of an organization. Likewise, it is also concerned with coordinating customer relation across all business functions, points of interaction, and audiences.

While retaining customer loyalty has been a sale principle for a very long time, CRM is actually a tremendous step forward in creating a system that can provide a means for retaining individual loyalty in a world of many souls (Croteau and Li, 2001),. In order to understand CRM, one must also understand the dynamics of customers because customers are not consistently what they are theoretically hypothesized to be (Greenberg, 2001). According to Brown (2000), CRM is neither a concept nor a project. Instead, a business strategy, which aims to understand, anticipates and manages the needs of the organizational current and potential customers. It is a journey of stages; strategy, process, organizational and technical change whereby a company seeks to better manage its own enterprise around customers behaviours. The end goal is to acquire, retain and grow profitable customers. It requires a clear focus on the service attributes that represent value to customers and create loyalty. CRM consists of five elements: strategy, technology, segmentation, process and organization (Handen, 2000). He viewed it as a technology-enabled strategy to convert data driven into business actions in response to, and in anticipation of actual customer behaviour. From a technology perspective, CRM represents a process to measure and allocate organizational resources to activity that has the greatest returns and impact on profitable customer relationship.

Successfully implementing a CRM strategy rests on crafting a customer strategy. The good old-fashioned segmentation analysis designed to achieve specific goals as derived from the overall vision of the bank. The complex task of crafting a customer strategy aimed at figuring out which customer to build and those to cut off from can be placed on the right track where management provides answer to 4 fundamental questions:

How must our value proposition change to earn greater customer loyalty? What is the potential value of increasing the loyalty of the customers? How much does it vary by customer segments? How much resources can be allocated to CRM right now? The primary goal of CRM is thus differentiating business from competitors is achieved by customization which meets the needs of segmented customers building customer loyalty overtime (Babatunde and Ajayi, 2010).

According to (Gartner, 2010), the three phases in which CRM helps to support the relationship between a business and its customers are, to: Acquire; a CRM can help a business in acquiring new customers through excellent contact management, direct marketing, selling and fulfilment. Enhance; a web-enabled CRM combined with customer service tools offers customers excellent service from a team of trained and skilled sales and service specialists, which offers customers the convenience of one-stop shopping. Retain; CRM software and databases enable a business to identify and reward its loyal customers and further develop its targeted marketing and relationship marketing initiatives.

The development of customer relationships traces its historical roots back to the pre-industrial era much of which was due to direct interactions between producers of agricultural products and their consumers (Sheth & Parvatiyar, 1995). According to Chen and Popovich (2003), CRM is not a concept that is really new but rather due to current developments and advances in information and enterprise software technology, it has assumed practical relevance and importance. Customer Relationship Management has become one of the most dynamic technology topics of this present age of marketing evolution. Parvatiyar and Sheth (2001) have attributed the preponderance of CRM in recent times to the emergence of key drivers such as rapid technological advancements, the adoption of total quality management, the growth of the service sector, the existence of hyper-competition and empowerment of teams and individuals in organizational development process.

CRM derives its roots from relationship marketing which has the objective of improving long term profitability of customers by drifting away from product-centric marketing to customer-centric marketing. Bose (2002) noted that CRM was invented because customers differ in their preferences and purchasing habits. According to him, if all customers were alike, there will be no need for CRM. Consequently, by understanding customer drivers and customer profitability, firms can better tailor their marketing offerings to maximise the overall value of their customer portfolio (Chen & Popovich, 2003). The attention CRM is currently receiving across businesses is due to the fact that the marketing environment of today is highly saturated and more competitive (Chou, Ding, & Unithan, 2003).

According to Payne and Frow (2004), CRM builds on the philosophy of relationship marketing that aims to create, develop and enhance relationships with carefully targeted customers to maximise customer value, corporate profitability and thus shareholders value. The goal is to improve customers' experience of how they interact with the company, which hopefully will turn into more satisfaction, increased customer loyalty and a long-run increase in profitability. The technology dimension of CRM which has often been used as the main distinguishing feature between CRM and RM serves only as an enabler thus making the distinction between CRM and RM hazy, nebulous and imperceptible especially when 'customer' is used in the strict sense as the final beneficiary of the firm's output. Equally noteworthy is the fact that RM in the strict sense of its effective contemporary practice cannot dispense with technology or technology solutions. This study therefore views CRM in its broader perspective of managing customer interactions as opposed to the narrow perspective of technology solution/application or a software package which have proved suicidal to many CRM programmes. Chen and Popovich (2003) assert that viewing a CRM programme merely as a technology solution is the bane of many CRM implementation strategies culminating in high failure rate in CRM implementation.

Methodology

Survey research method, implemented with the aid of structured questionnaire and focus group discussion (FGD) was employed in this study. The population of study is made up of 4 telecom firms in Nigeria. These firms are MTN, Glo, Airtel and Etisalat telecom firms. A random sample size of 50 respondents was selected from each telecom firms to represent the entire population of study. Thus a sample size of 140 respondents was used. The copies of the questionnaire were distributed amongst the employees in the telecom firms (top level management, middle level management and low level management). The head offices of the telecom firms and some branches were selected in south west, Nigeria. Copies of the questionnaire were administered with the help of selected enumerators in the four telecommunication firms. A total of 160 were returned and 140 were valid and collated for analysis. Data collected were analysed using variance analysis and regression method.

Results and Discussion

Findings of this study are presented in Table 1-3. Results from FGD indicate that all the sampled telecommunication firms have adopted CRM principles. Results further show that CRM is a well adopted model for managing telecommunication firms' interactions with their current and future customers. With CRM, more customers are retained, and nearly all the firms are able to earn their customers loyalty. Further findings from the sampled firms showed that CRM is a business strategy employed by the firms to understand the customer, retain customers through better customers experience, attract new customers, and increase profitably through a decrease in customer management cost. The following sections highlight the detail of the results obtained from the analysis.

Role of CRM Implementation in Management of Telecommunication Consumers

Results of empirical analysis of the role played by CRM in management of telecom consumer are indicated in Table 1. Implementation of CRM principles significantly ($p < 0.05$) enhances customer loyalty through delivery of efficient services. This may be in terms of uninterrupted communication, reduced tariff at some peak periods, and ability to disallow interference in communication. CRM also affords the firms the opportunity to understand and address issues relating to customers. While the understanding of customer needs is ensured, relating such needs to products and services of telecommunication firms is one of the significant ($F=6.43$; $p<0.05$) roles played by CRM. Results further showed that, with effective implementation of CRM, more customers are significantly ($F=6.69$; $p<0.05$) retained. Implementation of CRM also significantly ($F=7.43$; $p<0.05$) ensure gathering integrated information on customers.

Table 1: Role of CRM implementation in Management of Telecommunication Consumers

	Mean	S.D	F-value
Increasing customers' loyalty as a result of more efficient services	2.3	0.68	7.65**
Better understanding and addressing customer needs and issues	2.4	0.34	8.43**
Relating customers' needs and issues to products and services	2.1	0.78	6.43**
Developing a closer relationship with customers	2.5	0.81	1.49
Increasing customers' satisfaction	2.2	0.83	2.55
Decreasing customers' acquisition costs of the services	2.3	0.68	2.49
Customer Retention	2.4	0.34	6.69**
Improving the customer's experience by providing self-service help, and by providing a fast and reliable support process	2.3	0.68	2.05
Gathering integrated information on customers	2.4	0.34	7.43**
Ensuring sustainable competitive advantage	2.1	0.78	5.38**

Source: Data analysis, 2014 **, significant at 5%

Firm by firm analysis of the effect of CRM on customer loyalty through descriptive lens is presented in Table 2. Retention of existing customer is the highest effect CRM has in the relationship between MTN and its customers. Similar result was obtained for GLo telecom firms. However, increase in firm's image is the highest effect obtained by Etisalat telecom firm. Overall, CRM has the highest effect of retention of existing customers and increase in customer loyalty.

Table 2: Effect of CRM on Customer Loyalty

	MTN	Glo	Airtel	Etisalat	Total	%
Increase in customers loyalty	16	11	9	10	46	32.9
Retention of existing customers	19	13	6	8	46	32.9
Increase in firms image	10	11	5	12	38	27.1
No effect	-	3	7	-	10	7.1
Total	45	38	27	30	140	100

Source: Field survey, 2014

Strategies Employed by Telecommunication Firms to Promote Customer Loyalty

Several strategies are being employed by telecom firms to promote customer loyalty by the sampled telecom firms (Table 3). Among these are excellent service delivery (31%), quick response to complaints (22%) and promotional activities (47%).

Table 3: Strategies employ by telecom firms to promote Customer loyalty

Response	MTN	GLO	Airtel	Etisalat	Total	%
Excellent service delivery	12	9	10	12	43	31
Quick response to complaints	5	8	9	9	31	22
Promotional activities/Gift	21	18	11	16	66	47
Total	38	35	30	37	140	100

Source: Field survey, 2014

Conclusions

The promise of CRM as an effective strategy for keeping customer is very captivating. Some of the benefits that accrue to telecommunication firms undertaking the CRM initiative include better communication with the customer, increased efficiency and effectiveness. In dealing with customers, firms need to integrate CRM operations into a single focused operation which will enables the telecom firms to simultaneously improve customer acquisition and retention rates.

References

Achumba, I. C. (2004): *Sales Management Concepts Strategies, and Cases,* Mukugamu & Bros Ent. Lagos.

Babatunde B.O and E.O. Ajayi, 2010. The Relevance of Customer Relationship Management in the Nigerian banking Sector (A case study of Intercontinental Bank Plc). *Information management 12*; 98-108

Bose, R. (2002). Customer Relationship Management: key Components for IT Success. *Industrial Management & Data Systems*, *102*(2), 89-97. http://dx.doi.org/10.1108/02635570210419636

Brown, S. A. (2000). Preface In S. A. Brown (Ed.) *Customer Relationship Management: A Strategic Imperative in the World of e-Business* Toronto: Wiley.

Chen, I. J., & Popovich, K. (2003). Understanding Customer Relationship Management: People, Process and Technology. *Business Management Journal, 7*(5), 374-386.

Chou, C. D., Ding, M., & Unithan, C. (2003b). Adopting Customer Relationship Management Technology. *Journal of Industrial Management and Data Systems, 102*(8), 442-452.

Croteau, A.M and Li P, (2001), Critical Success Factors of CRM Technology Initiatives, *Canadian-Journal of administrative sciences* (1),

Dyche, J (2001), *The CRM handbook: A business guide to Customer Relationship Management. Addison Wesley, 2002*

Gartner (2010). *CRM success is in strategy and implementation, not software*.

http://www.gartner.com
Greenberg, P (2001) *CRM at the speed of light, capturing and keeping in internet Real* Time. Berkeley, Osborne/MC Graw-Hill.
Handen, L. (2000). *Putting CRM to work the rise of the relationship* Healthcare Information and Management Systems Society, 19th -20 Annual HIMSS (2008-2009), *Leadership Survey Sponsored by Cisco Final Report: Healthcare CIO,* Available at http://www.himss.org/2008-2009survey/DOCS/ 19thAnnualLeadershipSurveyFINAL.pdf (retrieved on 12.5. 2009).
Kotler, P. and Keller, K.(2005). *Customer Relationship Management, Marketing Management*. Prentice Hall-India, New Delhi, pp.152-158.
Melodi G.O., T. O. Olufayo and T.T. Gbadamasi 2012; Appraisal of Customer Relationship Management in the Banking Sector: A study of four selected Banks in Lagos State. *International Journal of Arts and Commerce Vol. 1 No. 5 pp. 1-11*
Ogbadu E. E and A. Usman 2012. Imperatives of Customer Relationship Management in Nigeria Banking Industry**.** *Kuwait Chapter of Arabian Journal of Business and Management Review* Vol. 2, No.1;
Oliver, R.L. (2008), "*A conceptual model of service quality and service satisfaction*", in Swartz, T.A., Bowen, D.E. and Brown, S.W. (Eds), Advances in Services Marketing and Management. *Research and Practice, Vol. 2*, JAI Press,
Onut S., I. Erdem and B. Osver, 2008. Customer Relationship Management in Banking Sector and a Model Design for Banking Performance Enhancement. *Unifying Themes in Complex Systems IV: 1-9*
Oyatoye E. O., Adebiyi, S. O. and B.B. Amole 2013 An Empirical Study on Consumers Preference for Mobile Telecommunication Attributes in Nigeria. *British Journal of Economics, Management & Trade 3(4)*: 419-428,
Parvatiyar, A., & Sheth, J. N. (2001). Customer Relationship Management: Emerging Practice, Process, and Discipline. *Journal of Economic and Social Research, 3*(2), 1-34.
Pedron, C. D. and Saccol, A. Z. (2009): What lies behind the Concept of Customer Relationship Management?, Discussing the Essence of CRM through Phenological Approach. *Brazilian Administration Review (BAR), vol 6, (1)*, pp 34-49
Payne, A., and Frow P. (2004). A Strategic Framework for Customer Relationship Management. *Journal of Marketing, 69*(4), 167-176.
Ragins and Greco (2003): Customer Relationship Management and e-Business: More than a Software Solution. *Review of Business. 1(1)*, 25-30.
Rust, Roland (Author) et al. (2000), *Driving Customer Equity: How Customer Lifetime Value is ReshapingCorporate Strategy*, Free Press
Sheth, J. N., & Parvatiyar, A. (1995). Relationship marketing in consumer market: Antecedents and consequences. *Journal of the Academy of Marketing Science*, *23*(4), 255-271. http://dx.doi.org/10.1177/009207039502300405
Vimani, S (2007), *PDF Opportunity with micros of Dynamics CRM* http://www.innovateon.com/ResourceHandler.ashx?resourceID=ISV_*Opportunity_with_Microsoft_Dynamics_CRM*
Walter, G. (2000). Customer Relationship Management in Banks- From Pure Transaction-Orientation to a Computational Approach. *Banking and Information technology, No 4*
Zong, S. H. (2008): "Information System and Management Strategy of Customer Management" in the 3rd International Conference on Innovative Computing Information and Control