Does Customer Relationship Management (CRM) Implementation Influence the Performance of Telecommunication Services: Evidence from Nigeria

Bashir Danlami Sarkindaji1, Noor Azmi bin Hashim2, Aliyu Olayemi Abdullateef3

College of Business, Universiti Utara Malaysia

Abstract

This study examines CRM implementation and proposed a conceptual model linking customer loyalty in the telecommunication industry. The model was developed based on observed practical issues, industry reports and explicit review of empirical literatures on CRM in multidimensional disciplines using qualitative technique. Findings from this research revealed a significant relationship between CRM measurements, customer satisfaction, switching costs and customer loyalty. Although few literatures have established the influence of CRM measurements on customer loyalty effectiveness, this study has further availed scholars/practitioners knowledge of the theoretical relationships as well as the importance of CRM maintenance in predicting successful CRM implementation. It finally recommends that CRM implementing organizations should integrate CRM maintenance as a precondition for CRM sustainability in their organizations.

Keywords: CRM Dimensions, Customer Satisfaction, Switching Cost, Customer Loyalty

Introduction

In the relationship parlance, CRM is one most popular retention strategy used by organizations. Over the years telecommunication companies are faced with the problems of extreme customer churn and switching behaviors due to increase in competition and customers’ expectation of service (Kuusik & Varblane, 2009). As a result, operators are very much keen at developing proactive strategies aimed to accomplish lasting profitable relationships (Azila & Noor, 2011; Bull, 2003). Even though scholars and practitioners have recognized that CRM implementation seeks to achieve long-term loyalty. It has become extremely vital for organizations to sustain that strategy in the face of competing business environment. Most telecommunications operators are implementing retention strategies; harmonized in their CRM programs and processes, until now their implementation seems not to be yielding desired results in terms of increased retention rates. In a study by Zhang, Chen and Fu (2006), approximately 70% of CRM projects result in either losses or no bottom-line improvement in company performance, It was found that the failure rates of CRM related projects were estimated to be from 70% to 90% (Richards & Jones, 2008). Besides, experiences indicated that unsuccessful CRM implementations result to decline in customer satisfaction (CS) and customer loyalty (CL) (Öztaysi, Sezgin, & Özok, 2011). Similarly, Hughes (2007) revealed that the global average annual churn rates of telecommunications sector is between 10% and 67%. Thus, leading to a continuous and competitive struggle among the operators around the globe to manage relationships with their customers (Khan, Jamwal, & Sepehri, 2010; Mendzela, 1998; Patrick, 2012). Regrettably, while studies have established the importance of CRM implementation on customer loyalty/retention, a few that critically investigated CRM within the context of Nigeria’s telecommunications sector narrowly focus on loyalty (Awoloye, Okogun, Ojuloge, Atoyebi, & Ojo, 2012; Ogechukwu, 2012; Patrick, 2012; Tella, Amaghionyeodie, & Adesoye, 2007). And that so many CRM implementing organizations stressed more on customer service and acquisition with little or no consideration to relationship maintenance (Reinartz, Krafft, & Hoyer, 2004). Paradoxically, organizations claim to have CRM strategy designed to suit their plans but the effectiveness of such strategy is another issue
altogether. Based on the prevailing situation this research proposed a conceptual model to examine whether CRM implementation influence the performances of telecommunication services in Nigeria. It also investigates the relationships connecting these measurements with customer satisfaction, switching costs and customer loyalty. Hence, the study is divided into three sections consisting of the introduction, theoretical background and conceptual model and concluding remarks.

**Concept of CRM**

Scholars and practitioners of marketing have made several attempts to come up with a generally acceptable definition of CRM. However, popular consensus of scholars has defined CRM in terms micro and macro perspectives. Micro perspective considers CRM only in terms of a philosophy (Ryals & Knox, 2001), IT application (Gefen & Ridings, 2002; Hsieh, 2009; Payne & Frow, 2005; Shoemaker, 2001), a process (Srivastava, Shervani, & Fahey, 1999), customer life-cycle administration (Parvatiyar & Sheth, 2001), strategy (Croteau & Li, 2003; Gummesson, 2002), and customer knowledge management (Adhikari, 2009; Boulding, Staelin, Ehret, & Johnston, 2005). These perspectives seems to be very narrow in context resulting in poor organizational outcomes in terms of higher retention rates (Thomas, Blattberg, & Fox, 2004).

Macro perspective considers CRM as a broader approach involving the integration of philosophy, strategy, people, process, technology, customer, and stakeholders. A more recent definition of CRM that captures the broader perspective proposes that “CRM is a philosophy involving the building of a customer-oriented culture by which a strategy is created for acquiring, enhancing the profitability of, and retaining customers, that is enabled by an IT application; for achieving mutual benefits for both the organization and the customers” (Rababah, Mohd, & Ibrahim, 2010). O'Brien and Marakas (2007) posited that effective CRM implementation must be supported with a well structured functioning organizational system.

**Proposed Framework of CRM Implementation in the telecommunication industry**

**CRM Implementation Dimensions**

The competitive nature of business environment has shifted organizations from product or brand centered to customer oriented (Kuusik & Varblane, 2009; Ogbadu & Usman, 2012). Mohammed and Rashid (2012) emphasized that customer orientation is focused towards long term relationships and loyalty. Studies have aptly pointed out that implementing customer oriented philosophy significantly influence organizational performance (Reimann, Schilke, & Thomas, 2010). Vandermerwe (2004), states that the ultimate aim of customer orientation is achieving successful relationships through which the business retains its most profitable customers. Customer orientation is a product of organizational commitment to satisfying customers’ needs and feedback (Dean, 2007). Yim et al.,
(2005) emphasized that successful CRM implementation lies in an organization’s ability to develop and maintain a customer focused structure, culture, policy, and reward system that would retain long-lasting customer relationship. Solid relationship with customers and business associates results in company performance (Srivastava, et al., 1999).

CRM organization is a necessary medium of meaningful transformation of how companies coordinate and conduct their operations within and around customers (Wang, Huang, Chen, & Lin, 2010). Studies have argued that organizations’ despite their advancement in technology and adoption of customer-oriented strategy hardly implement successful CRM without proper organization within their system (Yim, et al., 2005). However, CRM implementation success depends on a combination of technology, systems and operations procedures, employee’s participation, managerial commitment, and favorable environment (Payne & Frow, 2005; Tamilarasan, 2011). Hence, a well organized structure is a necessary medium of meaningful CRM implementation successes in organizations.

Knowledge management is a business strategy that creates, accumulate, organize and utilize knowledge to enhance organizational performance (Finnegan & Currie, 2010; Rašula, Bosilj Vukšić, & Indihar Štemberger, 2012). Researchers have confirmed that Knowledge management results in organizational invention, product advancement and workers improvement (Yueh, Lee, & Barnes, 2010). Thus, effective knowledge management results in increase organizational markets and competitive advantage of a firm (Abdullateef, Mokhtar, & Yusoff, 2010). Organizations as they understand their individual customer interest and adopt customization strategy can be much more customer oriented and no doubt manage request for service from customers. Yueh, Lee and Barnes (2010) lamented that the presence of today’s worldwide marketing problems results from poor information handling, and that organizations can only survive competition when they have perfect knowledge about market situations (Schierholz, Kolbe, & Brenner, 2007).

CRM activities revolve around technology applications in updating database programs to better understand and respond to changing customer needs and establishing sustainable relationships (Adhikari, 2009; Kotler & Keller, 2009; Mohammed & Rashid, 2012). CRM strategy implementation would result in absolute failure without adequate technological support (Dušu & Hálmatájan, 2011). Studies revealed that, adopting customer centric approach by organizations hardly achieves the desired objectives with absence of adequate information technology (Kuusik & Varblane, 2009; Mohammed & Rashid, 2012). Organizations that combine CRM with information technology application tend to have increased efficiency and customer satisfaction that impact on its overall profitability (Oghojafor, Mesike, Bakarea, Omoera, & Adeleke, 2012). Furthermore, one basic reason for incorporating technology based- CRM is its ability to enhance customer satisfaction, increased loyalty, and most importantly ensuring long term relationships (Becker, Greve, & Albers, 2009). A good number of service companies for example telecommunications, insurance, pensions and banks are making effective use of IT in delivering efficient services to their respective customers (Kyootai & Joshi, 2007). Customer confidence in organizations is reinstated where technological competence is inbuilt in CRM implementation, and merged by means of training (Eid, 2007).

Rationale for CRM Maintenance
Although studies have established CRM measurements such as customer orientation, CRM organization, knowledge management, and technology based CRM as strong predictors of CRM successes in organizations. Yet, researches have argued strongly for the integration of CRM maintenance (Jambekar, 2000; Reinartz, et al., 2004). CRM maintenance has been defined as a continuous improvement and preservation of all organizational CRM components aimed at
establishing and maintaining long term customer loyalty and retention. However, Dagger et al., (2011) stressed that organizations must be acquainted with maintaining their customers’ relationships to gain their long-term retention. The primary concern of their opinion is the need for organizations to sink in large amount of their resources to ensure that relationships maintenance is effectively inculcated into their CRM strategy. Accordingly, Reinartz et al., (2004) posited that only when businesses are able to effectively recognize their customers’ value to the firm’s existence, that they will be keen at maintaining their customers’ relationships. Hence, they will be more sensitive at maintaining individual customer relationships and more effectively determine the benefits of relationship maintenance to overall firm’s profitability. Becker, Greve and Albers (2009) empirically confirmed that customer relationship maintenance results in greater customer satisfaction, relationships spread-out, reduction in switching behavior, employee satisfactions and intensify organizational incomes. The basis of the aforementioned arguments follows that if organizations are able to effectively inculcate CRM maintenance into their strategy. They would be customer focus, well organized, customer knowledge conscious and technologically competitive. Additionally, they would on a continuous basis enhance and preserve these components and invariably leads to higher customer value, satisfaction and loyalty (Dagger, et al., 2011; Jambekar, 2000; Reinartz, et al., 2004).

Furthermore, some scholars have attested that customer relationships maintenance is the brain behind the success of every CRM implementation plan, and that numerous organizations such as banking, insurance, automobiles, etcetera have succeeded in their CRM strategy due to relationships maintenance (Parvatiyar & Sheth, 2001).

Considering the fact that customer orientation, CRM organization, knowledge management, technology-based CRM and CRM maintenance are key components of organizational CRM measurements as established by numerous studies (Mohammed & Rashid, 2012; Reinartz, et al., 2004; Sin, Tse, & Yim, 2005), this study proposes the following hypotheses:

**H1a:** Customer orientation has significant influence on customer satisfaction of telecommunication services.

**H1b:** Customer orientation has significant influence on customer loyalty of telecommunication services.

**H2a:** CRM organization has strong positive influence on customer satisfaction of telecommunication services.

**H2b:** CRM organization has strong positive influence on customer loyalty of telecommunication services.

**H3a:** Knowledge management of telecommunication customers has significant influence on customer satisfaction.

**H3b:** Knowledge management of telecommunication customers has significant influence on customer loyalty.

**H4a:** Technology based CRM positively influence customer satisfaction of telecommunication services.

**H4b:** Technology based CRM positively influence customer loyalty of telecommunication services.

**H5a:** CRM maintenance has strong significant influence on customer satisfaction of telecommunication services.

**H5b:** CRM maintenance has strong significant influence on customer loyalty of telecommunication services.
Relationship between Customer Satisfaction, Switching Cost and Loyalty

Customer loyalty is described as the extent to which a consumer is committed at doing business with a firm through repeated purchase actions, exhibition of positive character towards a service provider and making use of only his services when need arises (Gremler, Gwinner, & Brown, 2001; McIlroy & Barnett, 2000). Loyalty often results in other subordinate benefits to the firm such as brand advocacy, direct referrals, purchase rate, word-of-mouth, and price insensitivity that ultimately leads to firm performance (Kheng, Mahamad, Ramayah, & Mosahab, 2010; Singh, 2006; Toporex, 2011). Hence, this study focused its own perception of loyalty from the composite stand point that has conceived true brand loyalty as combination of a consumer’s attitudinal and behavioral purchasing actions.

Studies have examined the association between customer satisfaction and loyalty (Adeleke & Aminu, 2012; Almossawi, 2012; Miranda, Konya, & Havrila, 2005). The more customers’ are satisfied with organizational products or services in meeting their expectations the greater their level of loyalty (Adeleke & Aminu, 2012). A greater satisfaction level is assumed to be highly related with increased loyalty (Lee, Lee, & Feick, 2001; Santouridis & Trivellas, 2010). Similarly, researches have established negative correlation between satisfaction and loyalty (Boohene & Agyapong, 2010). Their argument stressed on service quality, adequate consideration to personnel training and promising services in building relationships. Berndt, Herbst and Kloper (2007) emphasized that sometimes customer satisfaction does not necessarily result in loyalty and that 40% of satisfied customers’ switch to other suppliers. Yet, satisfied customers have higher tendency of retention and oppose to alternative options (Anderson & Sullivan, 1993).

Furthermore, researches have empirically tested the association between switching costs, customer satisfaction and loyalty (Aydin, Özer, & Arasil, 2005; Oyeniyi & Abiodun, 2009; Yang & Peterson, 2004). Oyeniyi and Abiodun (2009) established that switching costs positively influence the extent to which customers are loyal to products/services. Aydin et al., (2005) examined 1,662 mobile subscribers and found switching costs to have strong moderating effect on the relationship between customer satisfaction and trust. Existence of switching costs discourages loyal customers not satisfied to remain with their operators (Lee, et al., 2001). Hence, studies have suggested the direct influence of switching costs in strengthening the association between customer satisfaction and loyalty (Kaur, Sharma, & Mahajan, 2012). Within the internet-based market switching-cost is only considered to be positively correlated when satisfied customers feel products/services value is reasonable (Yang & Peterson, 2004). Besides, regulating the influence of satisfaction and loyalty, customer relationships and switching costs simultaneously improve customer loyalty (Boohene & Agyapong, 2010). On this note, this study proposes the following hypotheses:

**H6a:** Customer satisfaction has strong positive influence on customer loyalty of telecommunication services.

**H6b:** Switching cost is positively related to customer loyalty of telecommunication services.

**Conclusion**

CRM implementation is now a worldwide practice, and that the components of an organization’s CRM measurements positively influence its CRM implementation success. Unfortunately, despite the fundamental role of CRM maintenance in enhancing and preserving the effectiveness of CRM strategy implementation, studies have neglected to integrate this variable as a component of CRM measurements (Dagger, et al., 2011; Jambekar, 2000; Reinartz, et al., 2004). Numerous evidences by researchers have adduced this situation has led to the inability of the telecommunication operators
around the globe to manage relationships and retain long-term loyalty of customers. As confirmation to the above argument studies have pointed out that customer dissatisfactions give rise to high rate of subscribers churn and low revenue for the telecommunication companies (Datong, 2011). This is invariably caused by absence of an established CRM implementation tool such as customer orientation, CRM organization, knowledge management, and the technology based CRM. Consequently, the study has developed and proposed a conceptual model of CRM measurements that integrates CRM maintenance as a fundamental component of CRM. Hence, the investigations of this study confirmed that there is a strong need to incorporate CRM maintenance into the existing CRM measurements to achieve desired result.

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