

Customer Relationship Management: A Platform for Customer Loyalty in Banking Sector in Ogun State.

Adigun A.O. Onifade, T.A. Opele M.A.
Department of Business Administration, College of Management Science
Bells University of Technology, Ota, Ogun State

Abstract

This paper examines the relationship between Customer Relationship Management and Customer Loyalty in the banking sector in Ogun State. A sample of 80 respondents was drawn from the customers of Zenith bank, Guaranty Trust Bank, Sterling bank and United Bank of Africa through the use of purposive sampling technique. Data were gathered by using structured questionnaire. The results showed that there is a significant relationship between customer relationship management and customer loyalty. The study concluded that the higher the implementation of customer relationship management the higher the customer loyalty.

Keywords: Banking Sector, Customer Relationship Management, Customer Satisfaction, and Customer Loyalty.

Introduction

In the current business environment, customer relationship management (CRM) has become relevant to firms as they seek to improve their profits through long-term relationship with customers by giving more attention to customers with increased completion. CRM has become increasingly important worldwide due to changes in expectations from customers as well as changes in the level of competition and in the nature of market (Birsan and Susu, 2006). In a way, CRM system can be seen as information system aimed at enabling organizations to realize a customer focus. According to Achumba (2006), CRM involved the purchase of hardware and software that will enable a company to capture detailed information about individual customer that can be used for better target marketing. In order to maximize value for the customer and the company, information about individual customer available to companies should be analyzed and managed (Kotler and Keller, 2006). Baker (2003) confirms that the growth in the service sector has seen it become more competitive, dramatically transforming the management and marketing activities within the sector.

In essence, a firm has to listen to its current and potential clients and build relationship with them (Duhan, Johnson, Wilcox & Harrell, 1997). In recent years, many have invested heavily in information technology (IT) assets to better manage their interactions with customers before, during and after purchase (Bohling et al. 2006). Despite all the huge investment on technology in banking sector to improve on their information base for them to seize the opportunity of serving their customer better than their competitors in order to win the total loyalty of bank users, switching from bank to bank still occur. However, researchers have emphasized more on service quality and corporate image factors with little attention paid to customer relationship management to investigate the reasons for the switching, little empirical evidence had shown that customer satisfaction actually translates into loyalty (Jones & Sasser 1995). Therefore, to ensure that bank customers are satisfied and that banking service operators are equipped to provide good services, there is need to research into customer relationship management and customer loyalty. Hence this study will look into the relationship between communication and customer loyalty, and relationship between efficiency and customer loyalty.

Conceptual Clarification

A relationship with a client may be conceived as comprising two stages: firstly, attracting the client and, secondly, building and managing the relationship over time so that the economic and social objectives of both parties are achieved. The first phase of "attracting", "establishing" or "creating", entails customer relationship marketing that centers on developing or establishing a continuous or long term relationship between a service provider and a client, for their mutual benefit (Swartz & Lacobucci, 2000). Relationship marketing is viewed as building relationships and networks and ensuring interaction (Baker, 2003). The second phase, during which the service provider attempts to maintain and enhance relationships and retain the clients, is customer relationship management (Swartz & Lacobucci, 2000).

CUSTOMER RELATIONSHIP MANAGEMENT

According to Newell (2000) CRM is a useful tool in terms of identifying the right customer groups and for helping to decide which customer to jettison. Birsan and Susu (2009) stated that the justification for CRM is that it enables a company to gain competitive advantage. Every organization implementing CRM will have greater opportunity for moving or gaining higher ground than the competitors. Berndt, Herbst & Roux (2005) noted that the implementation of CRM is beneficial to a company because it is a strategy for acquisition, retention and overall customer profitability which in turn ensure long term survival of the company. Service firms can benefit from

superior CRM customer loyalty, as clients focus on the service aspect and interaction with the service provider when evaluating a service firm, as no physical product is involved. Reichheld, (2001) considered CRM is a win-win situation where profits are earned through customer satisfaction and not at their expense.

CRM can be regarded as a core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted clients, at a profit (Buttle, 2004). According to Gordon (1998), it is an ongoing process of identifying and creating new value with clients and then sharing the benefits from this over a lifetime of association. CRM represents a strategy for creating value for both the firm and its customers through the appropriate use of technology, data and customer knowledge (Payne and Frow 2005). This strategy requires focus, training, and investment in new technology and software to aid in the development of Value adding CRM systems (Day and Van den Bulte 2002). To this fact, CRM acts as the factor that brings people, technology and organization together to ensure connectivity between the firm and its customer.

Clemons (2000) estimates there may be a tenfold difference between the most profitable customer and the average. The idea that you cannot have a profitable relationship with all customers and the practice of targeting customers with a differentiated product or service is already widespread in many financial services (Christopher Bull). Distinguishing between transaction and relationship customers is one method that can be used for identifying customer groups in financial services like banking services, insurance services and so on. Transaction customers are highly unpredictable, unstable with little loyalty, with the only intention to obtaining the best price. Relationship customers have far more potential for loyalty as they are often prepared to pay a premium price for a range of reliable goods or services (Newell, 2000). Once customer satisfaction is in place, the relationship customer enlisted are less likely to defect, in as much as they continue to receive the satisfactory services. They are also more cost effective than trying to get new customer because they are already familiar with the company's products or services and they will require little persuasion to buy what the company offers. Peck, Payne, Martin, & Clark (1999) also argue that for many organizations it would be beneficial to distinguish between the two types of customer and focus on relationship customers.

According to Newell (2000) there are often three distinct types of relationship customer: the top, middle and lower groups. The top group (top 10 per cent) consists of customers with excellent loyalty and of high profitability for the organization. CRM is needed to retain and offer them the best possible services in order to avoid them defecting to hungry competitors. Middle group customers (next 40-50 percent) are ones delivering good profits and who show god potential for future growth and loyalty. These are the customers who are probably giving some of their business to competitors. The idea is to use CRM to target middle group customers effectively as the greatest source of potential growth. Lower group relational (bottom 40-50 per cent) customers are those who are only marginally profitable. Some may have potential for growth but the expense and effort involved in targeting such numbers, hinders the effectiveness of servicing existing relational customers in the top and middle groups. CRM should be used to identify this group and seriously consider the response. Delivery of CRM strategies successfully id another dimension that needs attention and these can only be effective if there is positive outcome, it is the implementation and the result that matters

Customer Relationship Management Factors

Attitude is the physical posture, either conscious or unconscious, especially while interacting with others (Encarta, 2009). Attitude determines a person's behaviour in any given situation and forms the basis for a person's interpersonal relations, as attitudes are linked to perception, personality and motivation (Gibson, Ivancevich and Donnelly, 1997). At this junction, attitude means the reaction of bank employees towards their clients.

Knowledge ability refers to the level of insight employees have regarding specific aspects, products and/or services of their employer firm. Tacit knowledge is more practical and action-oriented in nature; a person with extensive tacit knowledge knows "how to get things done" (Greenberg and Baron, 2000).

Efficiency this refers to the degree to which a task or activity is performed correctly (Marx, Van Rooyen, Bosch and Reynders, 1998). Therefore, the efficiency of banking services may be defined as the degree to which a task or activity for the clients of a bank is performed correctly or as desired.

Communication was defined by Joiner (1994) as the delivering of a message or information, through various means, from one individual or group to another. In every organization there must a good means of passing information to the employees (downward communication) and vice versa (upward communication).

CUSTOMER SATISFACTION

Customer satisfaction according to (Perreault, Cannon & McCarthy) is the extent to which a firm fulfills a customer's needs, desires and expectations better than competitors. For firms that practice CRM, customer satisfaction is both a goal and an essential factor in the firm's success (Odah, 2007). According to (Olowu, 2007), the key to building customer confidence in the long run lies in achieving sustained customer satisfaction through listening to customers, providing a mechanism to hear from them, respond to complaints and encourage customer loyalty. Therefore, customer satisfaction is very important to every organization that plan to have customer loyalty.

Mcdougall & Levesque (2000) found that there is a direct link between customer satisfaction and customer retention.

Causes of Customer Dissatisfaction

According to Oladele (2009). Customer can be dissatisfied by the following factors:

- ❖ Bad product /service
- ❖ Poor / lack of after –sales service
- ❖ Poor sales service
- ❖ Scarcity of product
- ❖ Poor Customer relations
- ❖ Arbitrary change of prices

CUSTOMER LOYALTY

Customer loyalty has been studied both in the academic field and real business world for some years. To keep a long-term relation with their customers is one of the most important goals of many companies in the modern business world. The cost to keep existing customers is much cheaper than obtaining new customers. According to Rosenberg & Czepiel (1984) the expense of keeping an existing customer is less than one sixth of winning a new customer. Customer loyalty now is one of the key factors that can help a company win long-term success. There are several types of loyalty. For instance, customer loyalty according to Oliver, (1999) can be classified into proactive loyalty and situational loyalty. This suggests that proactive loyalty occurs when a consumer frequently buys a brand and settles for no other substitute while situational loyalty exists when the buyer purchases a brand for a special occasion. Also, customer loyalty can be classified into behavioral loyalty and attitudinal loyalty. Behavioral loyalty focuses on the long-term choice probability for a brand, for example, repeat purchase probability, while, attitudinal loyalty focuses on brand recommendations, resistance to superior products, repurchase intention, and so on.

Methodology

Data were collected through structured questionnaires following purposive sampling procedure to the consumers of banking service in various part of Abeokuta. The city was selected because it is the state capital and a significant number of banks are located in an area (Oke Ilewo) which gives the customers no stress in case they want to switch. This study used 80 respondents to complete the research objectives. The respondents were from the customers of different banks namely; Zenith bank, Guaranty Trust Bank, Sterling bank and United Bank of Africa. The respondent must have being the customer of the bank for up to two (2) years minimum. Statements were developed to reflect the variables using a five –point likert scale and Guttman scale model of yes or no, frequencies and simple percentage of responses. The data was analyzed using the SPSS software (Statistical Package for the Social Sciences). The Pearson Product-Moment Correlation was used.

The data presented and analyzed below reflect the information obtained from the questionnaire used.

Table 1: Communication and its relationship with customer loyalty.

Response	Frequency					Percentage
	Zenith	GTB	Sterling	UBA	Total	
SA	13	15	12	13	53	66.25
A	6	7	8	6	27	33.75
U	-	-	-	-	-	0
D	-	-	-	-	-	0
SD	-	-	-	-	-	0
Total	21	25	15	19	80	100

Source: Survey Data, 2015.

A look at table 1 above shows that 53 out of 80 or 66.25% of the respondents Strongly Agreed that communication will has significant relationship with consumer loyalty while 27 out of 80 or 33.75% of the respondents Agreed.

Table 11: Effectiveness and its relationship with customer loyalty.

Response	Frequency					Percentage
	Zenith	GTB	Sterling	UBA	Total	
SA	16	18	12	15	61	76.25
A	4	5	3	3	15	18.75
U	1	2	-	-	3	3.75
D	-	-	-	1	1	1.25
SD	-	-	-	-	0	0
Total	21	25	15	19	80	100

Source: Survey Data, 2015

A close look at table 2 shows that higher proportion of the studied population are of the opinion that effectiveness has positive relationship with customer loyalty, 61 out of 80 or 76.25 strongly agreed, 15 out of 80 or 18.75 agreed, 3 out of 80 or 3.75 were undecided, 1 out of 80 or 1.25 disagreed while none of the respondents strongly disagreed.

TESTING OF HYPOTHESIS

The first hypothesis tested the relationship between communication and customer loyalty.

Hypothesis 1

H₁: There is significant relationship between communication and customer loyalty.

H₀: There is no significant relationship between communication and customer loyalty.

Correlations

The Pearson Product Moment Correlation showing the relationship between communication and customer loyalty.

	structure and nature of communication affects my transaction with the bank.	The information delivery of the bank affects my banking with them.
Pearson correlation	1	.320
Sig. (2 tailed)		.004
N	1	81
Pearson correlation	.320	1
Sig. (2 tailed)	.004	
N	71	71

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

As shown from above in table 1, it was observed that there is significant positive relationship between communication and customer loyalty $r=0.32$; $n=71$; $p<0.01$. This indicates that the effect of communication on customer is positive but not highly positive and this confirms the hypothesis H₁ and rejects the null hypothesis.

HYPOTHESIS 2

The second hypothesis tested the relationship between communication and customer loyalty.

H₁: There is significant relationship between efficiency and customer loyalty.

H₀: There is no significant relationship between efficiency and customer loyalty.

Correlations

The Pearson Product Moment Correlation showing the relationship between efficiency and customer loyalty.

.	Methods of responds to complaints affect my banking with them.	Time delivery of service of the bank affects my transaction with the bank.
Pearson correlation	1	.126
Sig. (2 tailed)		.263
N	71	71
Pearson correlation	.126	1
Sig. (2 tailed)	.263	
N	71	71

As shown from above table 2, it was observed that there is significant positive relationship between efficiency and customer loyalty $r=0.12$; $n=71$; $p<0.01$. This indicates that the effective relationship improves customer loyalty, thus it confirms the alternative hypothesis H₁ and rejects the null hypothesis H₀.

Findings

It was found out that customer relationship management can lead to customer loyalty as it was found out by Gronroos, 2000; Berndt, 2005; Ang and Buttle, 2006 and Lovelock and Jochen, 2007. They believe that CRM can make the service providers understand and serve their customers better than their competitors, this shows that customer loyalty is a function of customer relationship management. Reichheld (2001), Birsan and Susu (2009) is of the view that CRM is a win-win situation. As the organization increases in customer relationship management there is more possibility of winning more market share.

As it was found out by Berndt (2005) that the implementation of CRM is beneficial to a company because it is a strategy for acquisition, retention and overall customer profitability which in turn ensure long term survival of the company.

Conclusion and Recommendations

It was concluded that customer relationship management leads to customer loyalty which in turn leads to profitability. The application of CRM can be beneficial to understanding customers in order to serve them better, if the information supplied by the customers is well managed for accessibility.

Based on the findings, it is recommended that banking service operators (Banking sector) should put more efforts and be committed to application and implementation of CRM using majorly the information collected from customer during the process of account opening and thereafter. It is also recommended for research purpose that other variables can be tested with customer loyalty.

References

- Achumba, I.C. (2006). *The Dynamics of Consumer Behaviour*, Lagos: Mac-Williams Publishers Limited.
- Ang, L. & Buttle, F. (2006). "Customer Retention Management Processes: A Quantitative Survey", *European Journal of Marketing*, (40:83-99).
- Berndt, A., Herbst, F., & Roux, L. (2005). "Implementing a Customer Relationship Management Program in an Emerging Market", *Journal of Global Business and Technology*, 1(20).
- Birsan, Mihaela & Susu, Stefanita (2009). "CRM-Source of efficiency in Business" www.crmassist.com. (16 July, 2012)
- Bohling, T., Bowman, D., LaValle, S., Mittal, V., Narayandas, D., Ramani, G., & Varadarajan, R. (2006). CRM Implementation: Effectiveness Issues and Insights, *Journal of Services Research* (9:2): 184-194.
- Gibson, J.L., Ivancevich, J.M. & Donnelly, J.H. (1997). *Organizations: Behavior, Structure, Processes*. Chicago: Richard D. Irwin.
- Gordon, I.H. (1998). *Relationship Marketing*. Ontario: John Wiley & Sons.
- Greenberg, J. & Baron, R.A. (2000). *Behavior in Organizations*. 7th edition. Upper Saddle River, New Jersey: Prentice-Hall.
- Gronroos, C. (2000). *Services Management and Marketing: A Customer Relationship Management Approach*, Chichester: John Wiley.
- Joiner, B.L. (1994). *Fourth generation management: the new business consciousness*. New York: McGraw-Hill.
- Kotler, P. & Keller, K.L. (2006). *Marketing Management*, England: Pearson Education, Inc.
- Lovelock, C. & Jochen, V. (2007). *Services Marketing, People, Technology and Strategy*, New Jersey: Pearson Prentice Hall.
- Marx, S., van Rooyen, D.C., Bosch, J.K. & Reynders, H.J.J. (1998). *Business Management*. 2nd edition. Pretoria: J.L. van Schaik Publishers.
- Mcdougall, G.H.G. & Levesque, T. (2000). Customer satisfaction with services: putting perceived value into the equation, *Journal of Service Marketing*, (14) (5) (392-410).
- Newell, S. J., Goldsmith, R. E., & Laffery, B. A. (2000). The impact of corporate credibility and celebrity credibility on consumer reaction to advertisements and brands. *Journal of Advertising*, 29(3), 43-54
- Odah, G.E. (2007). "Building Customer Relationships and Confidence", *The Charted Marketer*, Vol 2, No 1, July-December, p 41-45
- Oladele, O. (2009). *Essentials of Marketing Management: 3rd ed*. Niyak Print & Publications, Lagos.
- Oliver, R. L. (1999). Whence Consumer Loyalty? *Journal of Marketing*, 63, 33-44.
- Oluwo, A.D. (2007). "The Professional Approach to Building Long-term Customer Relationship", *The Charted Marketer*, Vol2, No1, July-December, pp17
- Payne, A. & Frow, P. (2005). A Strategic Framework for Customer Relationship Management, *Journal of Marketing*, (69:4):167-191.
- Peck, H., Payne, A., Martin, C. & Clark, M. (1999). *Relationship Marketing Strategy and Implementation*, Butterworth-Heinemann, Oxford.
- Perreault, W.D., Cannon, J.P. & McCarthy, E.J. (2009). *Basic Marketing: A Marketing Strategy Planning Approach*, Irwin: McGraw Hill.

- Reichheld, F. (2001). *Loyalty Rules: How Today's Leaders Build Lasting Relationships*, Boston: Harvard Business School Press.
- Rosenberg, L. & Czepiel, J.A (1984). A marketing Approach to Customer Retention: *Journal of Consumer Marketing*, 1(47).
- Swartz, T. A. & Lacobucci, D. (2000). *Handbook of Services Marketing and Management*. Thousand Oaks: Sage Publications.