

Impact of Customer Relationship Management on Customer Retention in the Telecom Industry of Pakistan

Saima Tauni

Research Scholar, Department of Management Sciences, Islamia University of Bahawalpur, Pakistan
E-mail: Saimatauni@hotmail.com

Rabia Inam Khan

Research Scholar, Department of Management Sciences, Islamia University of Bahawalpur, Pakistan
E-mail: Rabia.khan138@live.com

Maira Khan Durrani

Research Scholar, Department of Management Sciences, Islamia University of Bahawalpur, Pakistan
E-mail: Maira_durrani@yahoo.com

Sumaira Aslam

Adjunct Faculty, The Islamia University of Bahawalpur, Pakistan
E-mail: Sumairaaslam26@hotmail.com

Abstract

Contemporary marketing paradigm relies on developing long term relationships with the customers and providing them value and satisfaction to retain them. This study has been conducted with an aim of examining the relationship between customer relationship management and customer retention. This study uses survey method and regression analysis for the purpose of hypothesis testing. The study has been conducted in the telecom industry of Pakistan. A sample size of almost 60 customers was taken. According to the results, maintaining sustainable relationships with the customer can promote to retain customers and can be propitious for the companies. CRM and customer retention are significantly related. This study can be used in the future researches conducted in this area.

Keywords: Customer relationship management, customer retention, telecom industry, customers

1. Introduction

In today's competitive and turbulent environment the number of competitors and intensity of competition is amplifying. As a result, the power is shifting towards the customer. Customer are becoming the focal point and organizations are trying to satisfy the needs of their customers through customized production with the aim of retaining the customers and sustaining the long term and flourishing relationships with their customers. Customer relationships management (CRM) is a strategy for retaining customers and earning high profits. To survive in this competitive environment, companies need to analyze customers' needs and wants and fulfill them so that customer loyalty and satisfaction can be created (Wu et al., 2009).

The ultimate objective of customer relationship management is to better cater the customers by knowing them and creating customer loyalty. Ryals and Knox (2001) emphasized that "CRM is a relationship orientation, customer retention and superior customer value created through process management". Customer relationship management is also known as a managerial approach which works on a customer driven strategy in which different information systems provide all the necessary information which ultimately leads to superior customer satisfaction and loyalty. Customer relationship management helps companies to create customer-oriented strategies which results in customer retention. CRM is a customer retention strategy of using a variety of marketing tactics that leads to customer bonding or staying in touch with the customer after a sale is made. Creating one to one relationships with the customers help companies to retain their valuable asset that is customers. The utmost aim of all relationship marketing perspectives and customer relationship management is to create and sustain cooperative and mutual relationship among the organization and customers. These relationships are two way relationships and are long-term oriented. Companies are now focusing on the adaption and integration of new technologies, new processes, people and relationship marketing to benefit them and to deliver value and satisfaction to their customers in order to retain them for life time.

This paper aims to discuss customer relationship management and its significance and impact on customer retention. Some other variables that help to retain the customers are also being discussed in this paper. The paper seeks to elaborate the improved focus on managing relationships and retaining customers in today's competitive market.

2. Literature Review

2.1 Customer Retention

In previous times no proper attention was given to customers and customers were neglected. Customers were unable to find any replacement of their current seller/producer or may be the suppliers others were also deprived of quality and service aspects and the rapid growing market did not bother their customers and the utmost satisfaction of needs and wants of customers. Increasing competitions and increase in competitive trends in today's market environment increases the likelihood to retain customers as to safeguard the company against the raising competitions. To achieve this goal customer retention is required. Ramakrishnan, (2006:1) defines customer retention as the marketing goal of preventing customers from going to the competitor. Organizations make existing customers their focal point in order to put efforts to retain them and to carry on their business relationship with them through customer retention. (Mostert et al., 2009:120). However, the number of customers who continue their relationship with the service provider in the specific time duration such as a year is also referred to as customer retention. (Dawes, 2009: 232). The success of businesses in today's competitive environment is mainly based on customer retention. Fluss (2010) observes that competitors are always looking for ways to capture customers by offering them better deals.

Retention is the process of having close & long relationship of customers with service provider. Many studies report that it is more expensive for the organization to attract new customers as compared to adopting strategy to retain existing customers. (Kelley Gilbert, & Mannicom, 2003). F. F. Reichheld & Scheffer, 2000, found that it is more economical to maintain relationship with existing customers because they are fewer prices responsive than new customers existing customers are not only less price responsive. Customer retention directly influences extended lifetime values and benefits which is more beneficial opportunity for organizations that look for enhancement and prolong business activities and those that are looking for ways to protect them from market decline which is the consequence of reducing economy. (Gee et al., 2008).

In support of this argument, Lombard (2009) states that the companies are pushed by the market to retain customers where the possession of customers is low. When loyalty of customer is diminishing and sales are worsening the business environment, customer retention becomes the most essential part of that business environment. In such scenarios, if a key customer is shifted towards the competitor organization's profitability and growth would be considerably affected.

2.2 Customer Relationship Management

With the advent of time and technology, the marketing practices are also changing. The new and modern marketing is based on acquiring knowledge regarding customers and knowing their experiences (McKenna, 1991, Payne et. al, 2005, Payne et. al, 2006). The term CRM is being used widely these days. Customer relationship management is a two way process, also known as interactive process that utilizes the information of customers to maintain relationships with customers. CRM is considered as a cycle consisting of important activities like finding knowledge, market planning, enhancing the interaction with the customers and analysis refinement (Buckinx et. al, 2007, Swift, 2001). Ryals and Knox (2001) are of the view that the fundamental aspects of CRM are strong relationships, customer retention, and delivering superior and high quality services to the customers with the help of process management. Those companies who want to implement the CRM strategy should create integration between different departments of the organization. The walls between every unit should be broken down, especially marketing department should closely work with the IT department so that customer information can be retained and utilized for the purpose of customized production and relationship management. Since late 1980's the trend of database marketing is amplifying which shows the influence of IT on marketing. It facilitates the firms to maintain long term propitious relationships (McKenna, 1991).

Customer relationship management (CRM) is a latest idea in all forms of businesses that has showed its importance quickly over the preceding last years, and will expected to prolong in upcoming future with addition of latest technologies & value added services. CRM focus on the concept of marketing mix variables the including 'four Ps' of marketing (product, price, place and promotion (E. Xevelonaki, 2005). CRM provides organization with the chance to employ relationship marketing on a company ample basis successfully. CRM is basically technique of relationship marketing and process that enables a firm to identify, evaluate, analyze and serve customers to improve customer relationship, so organization may able to retain market share through existing customers, and may help to provide retaining capabilities of existing customers (Z.S. Dimitriades, 2006). With the initiation of internet and new technology advancement, the idea of CRM has been transformed to electronic CRM (e-CRM). E-CRM is a combine process of hardware, software technology process, its useful applications in enhancing technology for customer services and organization commitment to improve deficiency in customer service & to retain customer (D. Norton, 2007). Ab Hamid, 2005, focused on the Electronic

Customer Relationship Management is a procedure to maintain its customer relations by using the Internet and the advantages which are obtained by using the idea & successful implementation of eCRM in an organization. The Internet technology has changed CRM into electronic CRM (eCRM), because now organizations can use Internet technologies to attract new consumers, analyze their preferences and behaviors, and customize support and services by providing customized services (Chan & Lam, 2009). The focus of e-CRM systems is to increase customer service, retain consumers, increase customer value benefits and use the proper strategies to encourage customers to remain loyal (M. Zineldin, 2006).

E-CRM is intended for people at all levels in businesses that are willing to build up interaction with consumers by electronic & technology means. It is significant to realize the main role that e-CRM plays within contemporary & dynamic marketing organizations. By Implementing CRM successfully can provide a lot of benefits and profits to the companies and help to get mutual benefits for customers & service provider. (M. Almotairi, 2008). This indicates that CRM could bring many benefits for companies to enhance their ability in the competitive market, increase profits and profit rate, reduce costs, reduce times of implementation of new sales activities, increase awareness of small-sized target marketing and increase knowledge about customers. This research examines the affect of CRM performance on customer retention. The aim of this study is to estimate the influence of customer relationship management in creating loyalty and retention of customers. As there is the dynamic environment and often changing technology, mobile telecommunication service provider think about the importance of customer loyalty and customer retention as considerable management decision and attempt to broaden the concept of eCRM by keeping in focus CRM. With the help of ECRM, the information can significantly flow into the organization & would use to retain strong customers relationship through extraordinary services.

The crucial reason for the surfacing of CRM exhibits the changing nature of the markets and environment. Organizations are now shifting from product-oriented strategy to customer-oriented strategy and that is becoming the reason of their success. Customer profile and customer participation have a major influence on CRM. Companies develop customer profiles. They collect all the necessary information about the customer that assists them knowing their customers and also helps them to determine on which customers they should invest more. Companies also get benefit through the process of customer participation. Customers participate through number of different ways like interacting with the company, sharing their experiences and information (Wu et al., 2009).

Ho: There is a significant relationship between Customer relationship management and Customer retention

3. Theoretical Framework

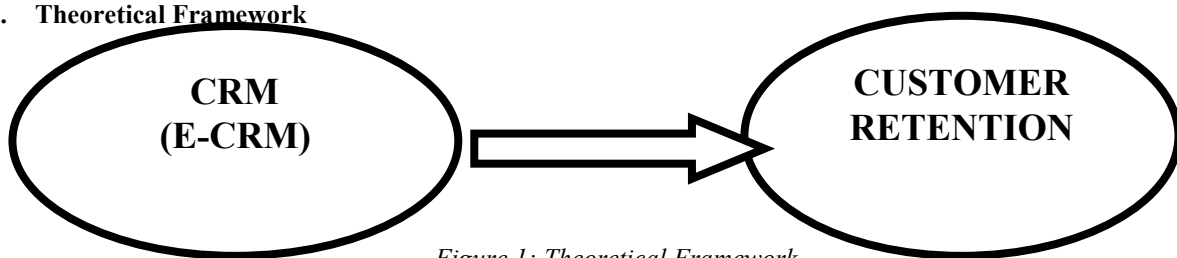


Figure 1: Theoretical Framework

4. Research Methodology

This study was carried out using descriptive research. We adapted survey method to understand the relationship between customer relationship management and customer retention. We measured the causal relationship of one independent variable i.e. CRM on dependent variable i.e. customer retention. For the purpose of testing the hypothesis and developing the relationship between both variables, we used regression analysis technique through SPSS.

4.1 Sample

The population of our study is confined to the customers of telecom industry of Pakistan. In Pakistan there are total five organizations that are catering telecommunication services to the customers. We distributed self designed questionnaires among the customers of ufone, warid, mobilink, zong and telenor in Punjab. For the purpose of data collection, we opted non-probability sampling method.

4.2 Instruments/Measures

In our study, we used questionnaire as an instrument of survey method. This questionnaire has two main parts.

The first part consists of demographic questions regarding the gender, age, income, education level and telecom network which they use. The second part of the questionnaire comprises of 16 items to assess the customers' attitude towards their mobile network. The items of the questionnaire are assessed by using 5-point Likert Scale. The items are graded from 1 – 5 ranging from 1 - Strongly Agree, 2 - Agree, 3- Neutral, 4 - Disagree and 5 - Strongly Disagree. The scales which we used in our questionnaire were taken from already existing research papers.

4.3 Procedure

We distributed 60 questionnaires among the customers of telecommunication sector in Bahawalpur and Rahim Yar Khan. Out of 60 questionnaires, 50 were returned. So the response rate is 83.3 % which is above the average response rate.

4.4 Reliability Analysis

Scales	Items	Cronbach Alpha
Customer Relationship Management	11	0.822
Customer Retention	5	0.808

Table 1: Reliability of the Measurement Instruments

5. Hypothesis Testing

5.1 Profile Of The Respondents

Variables	Category	Frequency	Percentage
Gender	Male	17	34.0
	Female	33	66.0
Age		43	86
		5	10
		0	0
		2	4
		0	0
Income	Below 15000	21	42.0
	15000-25000	10	20.0
	25000-35000	6	12.0
	35000-45000	3	6.0
	45000-50000	3	6.0
	Above 50000	7	14.0
Qualification		0	0
		7	14
		11	22
		16	32
		16	32
Mobile Service	Ufone	32	64
	Mobilink	8	16
	Telenor	7	14
	Warid	3	6
	Zong	0	0

5.2 Hypothesis Testing

5.2 .1 Customer Relationship Management and Customer Retention

The results of the regression analysis show that there is a significant relationship between customer relationship management and customer retention. Customer relationship management shows a significant relationship with ($\beta=0.686$) and ($p> 0.001$). These results prove that CRM has a great impact on customer retention. CRM contributes more than 68% on customer retention. On the basis of these results, we authenticate H_0 .

Table 2: Regression Results

Hypothesis	Model Variable	S.E	P	Results
H0	CRM \longrightarrow CR	0.151	0.000	Supported

6. Discussion and Conclusion

This study examines the influence of CRM (E-crm) on customer retention; CRM is very important concept in relationship marketing because it can be used for generating long term relationship with customers. Developing effective relationship with customers through provision of excellent services must be considered as a highly priority decision by the management of organization. The findings of the study show that CRM has significant impact on customer retention & it contributes more than 68% on retaining the customers. The organization should focus on CRM while developing organization strategy for the purpose of implementing successful CRM initiatives. CRM focus on the retaining customers & consumer loyalty with the aim of gaining large market share. CRM is basically the processes of building strong customer relationship through providing value added services which match with customer needs. We have taken data from the users of telecommunication in Pakistan.

Firms that focus on CRM and long term planning can enhance their organizational performance. Through collecting customer information, companies generate customer loyalty which in turn creates customer retention. CRM assists organizations to develop a customer responsive culture. Such organizations gain competitive advantage and can serve their customers in a better way. CRM helps firms to identify, locate and retain their profitable customers.

7. Research Limitations and Future Research

The following limitations have been observed in this study. The first and foremost limitation is that this research focuses only one service sector i.e. telecommunication sector and the second limitation is a very limited sample size is taken to conduct the research. We have selected the telecommunication sector to check the switching behavior of the customers according to the services provided by the network provider. We can also focus on other service sectors, like banking, transport sector, hotel services etc., through which we can judge that the CRM has a significant impact on customer retention. Due to limited sample size, the behaviors of the customers are not observed up to an optimum level. Thus, the results are not generalized to the total population. Thus, there is a need to cover a reasonable population to conduct this study. Further research could include the dimensions of CRM like service quality, customer profile, and organizational policies to measure the impact of CRM on customer retention in service sector.

References

- Ab Hamid, N. R. (2005). E-CRM: are we there yet? *Journal of American Academy of Business*, 6(1), 51-57.
- Buckinx, W., Verstraeten, G. and Poel, D. Van den, 2007, "Predicting customer loyalty using the internal transactional database," *Expert Systems with Applications*, Vol. 32, No.1, pp. 125-134.
- Chan, S., & Lam, J. (2009). *Customer Relationship Management on Internet and Mobile Channels: An Analytical Framework and Research Directions*. Idea Group Inc.
- Dawes, J. (2009:232). The effects of service price increases on customer retention: The moderating role of customer Tenure and relationship breadth. *Journal of Services Research*: Vol, 11:232, February 2009.
- E. Xevelonaki, "Developing Retention Strategies Based on Customer Profitability in Telecommunications: An Empirical Study," *Journal of Database Marketing & Customer Strategy Management*, vol. 12(3), 2005, pp. 226-242.
- Fluss, D. (2010). Customer Retention is a priority for Mobile Phone Providers. Available: www.gem.org/eng/content_details.jsp?contentid=2317&subjected=107. Accessed: 21 October 2010
- Gee, R., Coates, G. and Nicholson, M. (2008). Understanding and profitably managing customer loyalty. *Journal of Marketing Intelligence and Planning*. Vol. 26, N0.4:359-374.
- Ji-Tsung Ben Wu, I-Ju Lin and Ming-Hsien Yang, "The impact of the customer participation and customer profiles on Customer relationship management performance" *International journal of Electronic Business Management*, Vol 7, No. 1, pp 57-69 (2009).
- Kelley, L. L., Gilbert, D., & Mannicom, R. (2003). How e-CRM Can Enhance Customer Loyalty. *Marketing Intelligence and Planning*, 21(4), 239-248.
- L. Ryals and S. Knox, "Cross-Functional Issues in the Implementation of Relationship Marketing Through Customer Relationship Management," *European Management Journal*, vol. 19, p. 534-542, 2001.
- Lombard, M.R. (2009). Customer retention strategies implemented by fast food outlets in the Gauteng, Western Cape, and Kwazulu-natal provinces of South Africa-A focus on something fishy, nando's and steers. *African Journal of Marketing Management*. Vol (1), N0. 2:70-80.

- Available:<http://www.academicjournals.org/ajmm>.
- M. Almotairi, "CRM Success Factors Taxonomy," Proc. European and Mediterranean Conference on Information Systems 2008 (EMCIS2008), May 2008, pp. 29-35.
- M. Zineldin, "The Royalty of Loyalty: CRM, Quality and Retention." *Journal of Consumer Marketing*, vol. 23(7), 2006, pp. 430-437.
- Mostert, P.G., Meyer, D & Rensburg, L.R.J. (2009). The influence of service failure and service recovery on airline passenger's relationships with domestic airline: an exploratory study. *South African Business Review*. Vol 13 (2). New dictionary of social work. 1995. Pretoria: State Printers.
- Payne, A. and Frow, P., 2005, "A strategic framework for customer relationship management," *Journal of Marketing*, Vol. 69, No. 4, pp. 167-176.
- Payne, A. and Frow, P., 2006, "Customer relationship management: From strategy to implementation," *Journal of Marketing Management*, Vol. 22, No. 1, pp. 135-168.
- Ramakrishnan, K. (2006). Customer retention: the key to business performance (online). Available:<http://www.estrategicmarketing.com/smNovDec2/art11.html>(Accessed:1 April 2010).
- Reichheld, F. F., & Sasser, W. E. J. (1990, September-October). Zero defects come to services. *Harvard Business Review*, 105-111.
- Z.S. Dimitriadis, "Customer Satisfaction, Loyalty and Commitment in Service Organizations: Some Evidence from Greece," *Management Research News*, vol. 29(12), 2006, pp.782-800.

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:
<http://www.iiste.org>

CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

Prospective authors of journals can find the submission instruction on the following page: <http://www.iiste.org/journals/> All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

MORE RESOURCES

Book publication information: <http://www.iiste.org/book/>

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

