British Journal of Management and Marketing Studies
ISSN: 2689-5072
Volume 7, Issue 1, 2024 (pp. 151-157)
www.abjournals.org

CUSTOMER RELATIONSHIP MANAGEMENT (CRM) AND ORGANIZATIONAL PERFORMANCE IN NIGERIA

Jakpa Grace Ufuoma

Department of Office and Information Management, Faculty of Administration and Management, Delta State University of Science and Technology

Email: jakpagrace@gmail.com

Cite this article:

Jakpa Grace Ufuoma (2024), Customer Relationship Management (CRM) and Organizational Performance in Nigeria . British Journal of Management and Marketing Studies 7(1), 151-157. DOI: 10.52589/BJMMS-BAX83NDN

Manuscript History

Received: 4 Nov 2023

Accepted: 17 Jan 2024

Published: 12 Feb 2024

ABSTRACT: *This study investigated the effect of customer relationship management (CRM) on banks' performance in Nigeria. To do this, 220 questionnaires were administered to employees of 5 selected commercial banks out of which 212 were fully retrieved. Data obtained via the questionnaire was analyzed using descriptive and parametric tests (regression). Based on the analysis, we found a significant relationship between CRM and profitability. Also, a significant relationship was found between CRM, asset base and turnover of the selected commercial banks. Based on the results, it was recommended that efforts should be made by commercial banks towards enhancing their CRM practices so as to heighten their profitability, asset base and turnover. This can be achieved by ensuring sustainability of CRM initiatives by commercial banks. Additionally, commercial banks should redesign their CRM frameworks for effective and efficient implementation of customer relationships in order to further curtail any current and future challenges they may face due to poor CRM implementation. This study contributes to knowledge by filling the lacuna in management literature on what is known about CRM and organizational performance in the Nigerian context.*

KEYWORDS: Customer relationship management; Commercial banks; Performance; Asset base; Turnover; Nigeria.

Article DOI: 10.52589/BJMMS-BAX83NDN
DOI URL: https://doi.org/10.52589/BJMMS-BAX83NDN

INTRODUCTION

The study of the relationship between customer relationship management (CRM) and the outcomes of organization (such as performance, turnover, assets base and improvement in the number of customers, among others) has been extensively researched. However, empirical findings (e.g., Day, 2003; Ahmad & Hashim, 2010; Lugano, 2012) revealed contradictory results. For instance, while some studies found a significant positive effect of CRM on the performance of an organization, there are other studies that established an insignificant positive link between CRM and organizational performance. These findings exemplify the debate that good organizational performance does not largely depend on CRM.

Francalanci and Morabito (2008) noted that the influence of CRM on performance of banks may be connected with customer re-acquisition and any subsequent relationship may be accounted due to decision of lapsed customers to target and design organizations' marketing strategy. In furtherance to the above debate on CRM and banks' performance, empirical studies showed that enormously satisfying or dissatisfying activities can trigger purchase behavior resulting in either increased or decreased performance of banks (Lin, Su & Chien, 2006; Sharma, Naiker & Sharma, 2012).

In line with the above contentions, Kim, Suh and Hwang (2003) showed that CRM can be improved due to social entities initiated by marketing strategies, implying that brands are sources of value for CRM and thus influence consumer buying behavior which is aimed at improving organizational performance. To the researcher's knowledge, the relationship between CRM and organizational performance has been extensively observed, although studies in this area were carried out in developed nations (e.g., the United Kingdom, United States of America, etc.) as well as in Nordic nations having similar attributes with developed nations.

The study on the effects of CRM and commercial banks' performance has attracted a lack of empirical studies in Nigeria. It is therefore vital to investigate the relationship between CRM and commercial banks' performance in Nigeria by x-raying three vital performance indicators (profitability, assets base and turnover), as Nigeria has a state of economy and culture which are at variance with developed nations where similar empirical studies had been conducted. This formed the thrust of this study.

THEORETICAL LITERATURE

CRM is a core organizational strategy that integrates internal and external processes and functions aimed at creating and delivering value to targeted customers. CRM is grounded on high-quality customer data and enabled by advanced information technology (Payne & Frow, 2005). Hence, CRM can help banks in identifying, cultivating, maintaining and sustaining long-term customers' relationships. According to Reinartz and Kumar (2004), CRM requires developing a system to select the most profitable customer relationship and working to offer customers with a high service quality exceeding their expectations.

CRM, as observed by Zangoueinezhad Bayat and Ebrahimi (2009), appears to be a plain and straightforward concept but there are numerous varied definitions of it. Currently, a number of varied conceptual understandings are linked with CRM. The definitions ranged from IT

Article DOI: 10.52589/BJMMS-BAX83NDN
DOI URL: https://doi.org/10.52589/BJMMS-BAX83NDN

driven programs aimed at optimizing customers' base to a more comprehensive approach for establishing and designing long-term customers' relationships (Kim, Suh & Hwang, 2003).

According to Berry (1995), CRM is a holistic method to acquire, retain and grow the base of customers; the method includes all in-line and off-line relationship management. Given that management is a broad concept which embraces human resource, marketing, service, knowledge, sales and research/development management, CRM needs an organizational level tactic which is more customer-centric to doing business than a simple marketing tactic. Prior research works have shown that the cost of attracting new customers is estimated as five times the cost of keeping current customers happy (Berry, 1995; Brynjolfsson & Hitt, 1996; Feinberg, 2002).

Drawing inferences from these researches, it can be observed that CRM has a firm root in commercial banks' operations especially in the area of customers' satisfaction and retention. This means that to increase organizational performance, commercial banks can turn to the use of CRM practices. Thus, management of commercial banks can increase profitability, turnover and asset base if they adopt suitable CRM strategies and allocate resources in the most efficient way. The overall goal of CRM as noted by Semih, Ibrahim and Bora (2010) is to enhance marketing productivity, mutual value involved in the relationship and aggregate performance.

METHODOLOGY

The study used the descriptive survey design in obtaining and analyzing the relationship between CRM and organizational performance. The study population comprised 520 commercial banks employees and customers obtained among 5 leading commercial banks in Nigeria. However, a sample of 220 was obtained using purposive sampling technique. Primary data (questionnaire) was the main data collection instrument administered to the respondents on a face-to-face basis. The questionnaire was designed on a 4-point scale of strongly agree, agree, disagree and strongly disagree. Cronbach alpha reliability was used in determining the internal consistency of the research instrument. A reliability coefficient of 0.74 (CRM), 0.83 (profitability), 0.77 (assets base) and 0.69 (turnover) were obtained.

The study used tables, mean, standard deviation, minimum and maximum values, and Pearson correlation in describing the nature of the data obtained while regression was employed in making inferences from the obtained data. The dependent variable is organizational performance measured via profitability, turnover and assets base while the independent variable is CRM. In view of this, the following regression models were estimated:

$$PROF = f(CRM) \quad - \quad eq.\ 1$$
$$TURN = f(CRM) \quad - \quad eq.\ 2$$
$$ASTB = f(CRM) \quad - \quad eq.\ 3$$

Equations 1-3 were re-estimated to how the explicit regression models as follows:

$$PROF_{it} = ß_0 + \delta_1 CRM_{it} + \varepsilon_{it} \quad - \quad eq.\ 4$$
$$TURN_{it} = ß_0 + \delta_1 CRM_{it} + \varepsilon_{it} \quad - \quad eq.\ 5$$
$$ASTB_{it} = ß_0 + \delta_1 CRM_{it} + \varepsilon_{it} \quad - \quad eq.\ 6$$

Article DOI: 10.52589/BJMMS-BAX83NDN
DOI URL: https://doi.org/10.52589/BJMMS-BAX83NDN

British Journal of Management and Marketing Studies

ISSN: 2689-5072

Volume 7, Issue 1, 2024 (pp. 151-157)

www.abjournals.org

where PROF is profitability; TURN is turnover; ASTB is assets base; CRM is customer relationship management; δ_1 regression coefficient; ε is error term; t time dimension and i individual respondents. The statistical analysis was done with the aid of STATA 16.

EMPIRICAL RESULTS

Table 1: Descriptive Results

Variables	Mean	Standard Deviation	Min. Value	Max. Value
CRM	2.5232	0.0402	1	4
PROF	2.5381	0.0571	1	4
TURN	2.5720.	0.0362	1	4
ASTB	2.5122	0.0389	1	4

Source: Researcher's Computation (2023)

The descriptive results (Table 1) revealed that CRM and the banks' performance measures scored 2.5 above the cut-off points of mean, an indication that the items on CRM, PROF, TURN and ASTB are suitable metrics for assessing the relationship between CRM and banks' performance in Nigeria. This result is supported by low standard deviation values; thus, to an extent, CRM is predominantly practiced among the selected commercial banks in Nigeria.

Table 2: Pearson Correlation

Variables	PROF	TURN	ASTB	CRM
PROF	1.0000			
TURN	0.0484	1.0000		
ASTB	0.0477	0.0294	1.0000	
CRM	0.2284	0.1379	0.3714	1.0000

Source: *Researcher's Computation (2023)*

The Pearson correlation results (Table 2) reveal that the coefficients are 0.0484, 0.0477 and 0.2284; this indicates a positive relationship between CRM and organizational performance dimensions. Also, it was found that none of the Pearson correlation coefficients exceeded 0.8 (Gujarati, 2003 as cited in Okoro & Kigho, 2013; Okoro & Egberi, 2019), indicating the absence of multicollinearity in the model of the study. According to Gujarati (2003), as cited in Okoro and Egbunike (2017) and Okoro (2014), the absence or nonexistence of multicollinearity makes data exceptionally good/suitable in performing statistical inference.

Table 3: Regression Statistics for CRM and Profitability (PROF)

Estimator	Predictors	t-value
R-Squared	0.7881	PROF = 4.23
Adjusted R-Squared	0.6870	T-Prob. 0.0000
F-Ratio	12.69	
Probability. F	0.0000	

Source: *Researcher's Computation (2023)*

Article DOI: 10.52589/BJMMS-BAX83NDN

DOI URL: https://doi.org/10.52589/BJMMS-BAX83NDN

The regression results for CRM and PROF (Table 3) show that R^2 is 0.7881, indicating that CRM explained 78.8% of the systematic variations in PROF of the selected commercial banks in Nigeria. Thus, the model of CRM and PROF offered a good fit to the study data. The F-ratio is 12.69 and implies that CRM significantly affects PROF. In addition, the t-value suggests that CRM positively significantly influenced PROF among the commercial banks in Nigeria. This result agrees with those of Su and Chien (2006) and Sharma, Naiker and Sharma (2012) who found that CRM positively significantly influences organizational performance.

Table 4: Regression Statistics for CRM and Assets Base (ASTB)

Estimator	Predictors	t-value
R-Squared	0.8275	ASTB = 4.44
Adjusted R-Squared	0.7214	T-Prob. 0.0000
F-Ratio	13.32	
Probability. F	0.0000	

Source: *Researcher's Computation (2023)*

The regression results for CRM and ASTB (Table 4) show R^2 is 0.8275, indicating that CRM explained 82.8% of the systematic variations in ASTB of the selected commercial banks in Nigeria. Thus, the model of CRM and ASTB offered a good fit to the study data. The F-ratio is 13.32; this implies that CRM significantly affects ASTB. In addition, the t-value suggests that CRM positively and significantly influences ASTB among the commercial banks in Nigeria. This result agrees with those of Su and Chien (2006) and Sharma, Naiker and Sharma (2012) who found that CRM positively significantly influences organizational performance.

Table 5: Regression Statistics for CRM and Turnover (TURN)

Estimator	Predictors	t-value
R-Squared	0.8689	TURN = 4.66
Adjusted R-Squared	0.7575	T-Prob. 0.0000
F-Ratio	13.99	
Probability. F	0.0000	

Source: *Researcher's Computation (2023)*

The regression results for CRM and TURN (Table 5) show that R^2 is 0.8689, indicating that CRM explained 86.7% of the systematic variations in TURN of the selected commercial banks in Nigeria. Thus, the model of CRM and TURN offered a good fit to the study data. The F-ratio is 13.99; this implies that CRM significantly affects TURN. In addition, the t-value suggests that CRM positively and significantly influences TURN among the commercial banks in Nigeria. This result agrees with those of Su and Chien (2006) and Sharma, Naiker and Sharma (2012) who found that CRM positively significantly influences organizational performance.

Article DOI: 10.52589/BJMMS-BAX83NDN
DOI URL: https://doi.org/10.52589/BJMMS-BAX83NDN

CONCLUSION AND RECOMMENDATIONS

In the light of empirical results, it can be said that commercial banks have high degrees of awareness about the issues relating to CRM; this awareness reflects in the descriptive results and in comparison with extant literature. CRM have some advantages such as enhancing customers' satisfaction, retention, profitability, brands, turnover and asset base, all of which culminate into enhanced commercial banks' performance. On the other hand, CRM has some challenges such as high implementation costs, poor data quality, low technology and insufficient customers' database, among others. Thus, understanding CRM dynamics and performing a cost-benefit analysis of its adoption and implementation is vital for the Nigerian banking industry.

Furthermore, on the basis of the inferential results, it was established that a significant relationship between CRM and profitability was found. Also, a significant relationship was found between CRM, assets base and turnover of the selected commercial banks in Nigeria. Based on the above results, it was recommended that efforts should be made by commercial banks towards enhancing their CRM practices so as to heighten their profitability, asset base and turnover. This can be achieved by ensuring sustainability of CRM initiatives by commercial banks.

Additionally, commercial banks should redesign their CRM frameworks for effective and efficient implementation of customer relationships in order to further curtail any current and future challenges they may face due to poor CRM implementation. More so, employees of commercial banks should be trained on how to effectively and efficiently sustain good customers' relationships in order to improve commercial banks' assets base, turnover and profitability vis-à-vis the overall performance of commercial banks in Nigeria.

This study contributes to knowledge by filling the lacuna in the management literature on the relationship between CRM and organizational performance while, at the same time, it established that with efficient CRM practices, the performance of commercial banks can be improved. The researcher recommends future examination of CRM and organizational performance nexus by using other commercial banks as well as other companies in varied sectors of the Nigerian economy.

REFERENCES

Ahmad, Z. & Hashim, R. (2010). Customer's brand equity and customer loyalty: A study on hotel's conference market. *World Applied Science Journal*, *10*, 115-120.

Berry, L. (1995). Relationship marketing of services – Growing interest, emerging perspectives. *Journal of the Academy of Marketing Science*, *23*, 236-245.

Brynjolfsson, E. & Hitt, L.M. (1996). Paradox lost? Firm-level evidence on the returns to information systems spending, *Management Science, 42,* 541-559.

Day, G.S. (2003). Creating a superior customer-relating capability. *MIT Sloan Management Review*, *44*, 77-82

Feinberg, D. (2002). Do we care what others get? A behaviorist approach to targeted promotions. *Journal of Marketing Research, 3*(9), 277-292.

Article DOI: 10.52589/BJMMS-BAX83NDN
DOI URL: https://doi.org/10.52589/BJMMS-BAX83NDN

Francalanci, C. & Morabito, V. (2008), Information system integration and business performance: The mediation effect of organizational absorptive capacity in SMEs, *Journal of Information Technology, 23,* 297-314.

Kim J, Suh, E. & Hwang, H. (2003). A model for evaluating the effectiveness of CRM using the balance scorecard. Journal of Interactive Marketing, 17(2), 201-212.

Lin Y, Su H & Chien, S. (2006). A knowledge-enabled procedure for customer relationship management. *Industrial Marketing Management*, *35*, 446-456.

Lugano, A.K. (2012). *The impact of customer relationship management on performance of banks in Tanzania: A case of exim bank (T) limited.* A Dissertation Report Submitted to School of Business in Partial Fulfillment of the Award of Masters' Degree in Business Administration (Corporate Management) of Mzumbe University.

Okoro, G.E & Kigho, E. (2013). Why poverty? The effect on standard of living, health and education in Nigeria: A review of conceptual issues. *Journal of Research in Peace, Gender and Development, 3*(2), 18-23

Okoro, G.E. & Egberi, K.A. (2019). Peace accounting and its implication on economic growth: An Autoregressive Conditional Heteroskedasticity Approach. *Journal of Advanced Research in Management, 10*(2) Winter, 70-74

Okoro, G.E. & Egberi, K.A. (2020). COVID19 pandemic cases/deaths in selection regions: Need for policy recommendations. *Management and Economics Research Journal, 6*(3), 1-7

Okoro, G.E. &Egbunike, P.A. (2017). Impact assessment of foreign direct investment, oil revenue on economic prosperity in Nigeria. *Journal of Academic Research in Economics, 9*(2), 130-136

Okoro, G.E. (2014). Testing the relationship between interest rates volatility and market capitalization: The case of Mauritius. *Journal of Economics and Business Research, 20*(2), 137-148

Payne, A. & Frow, P. (2005). A strategic framework for customer relationship management. *Journal of Marketing*, *69*, 167-176.

Reinartz, T. & Kumar, R. (2004). Customer relationship management process: Its measurement and impact on performance. *Journal of Marketing Research, 4*(1), 293-305

Semih, O., Ibrahim, E. & Bora, H. (2010). Customer's brand equity and customer loyalty: A study of hotel's conference market. *World Applied Science Journal, 10*, 115-120

Sharma, P.A. Naiker, F. & Sharma, V.D. (2012). The role of relational information processes and technology use in customer relationship management. *Journal of Marketing, 69,* 177-192.

Zangoueinezhad A, Bayat A & Ebrahimi A (2009). A new approach for customer satisfaction measurement of electronic shops by FMADM method. *World Applied Science Journal*, *1*(1),.1-18

Article DOI: 10.52589/BJMMS-BAX83NDN
DOI URL: https://doi.org/10.52589/BJMMS-BAX83NDN