

Chapter 4

Conceptualizing the Benefit of Customer Relationship in Organisation

¹Godwin Olai Ph.D. MNIM, MCAI and ²Bluejack, Asawoba Adam Ipalibo (PhD)

¹Department of Management, Faculty of Management Sciences
IAUE, PHC

²School of Foundation Study, River State Science and Management

Email: olai.godwin@iaue.edu.ng, olaimbas@gmail.com

Introduction

Prior to industrial revolution which originated in Britain between 18th and 19th centuries, manufacturing of goods were conscientiously done in people's homes using hand tools to produce goods. Within this period, goods were produced in small quantities; as a result, people were scrambling for those manufactured products due to dearth of product differentiation, (Nerlin, 2016). The emergence of industrial revolution brought about mass production where many technologies were invented to aid production management in most factories. For instance, in the early 18th century, Abraham Darby discovered a cheaper, easier method to produce cast iron, using a coke-fueled (as opposed to charcoal-fired) furnace. In the 1850s, British engineer Henry Bessemer developed the first inexpensive process for mass-producing steel. Both iron and steel became essential materials, used to make everything from appliances, tools and machines, to ships, buildings and infrastructure. From Britain, industrialization spread through Belgium, France, Germany and United State of America (Shroulder, 2015).

By the mid-19th century, industrialization was well-established throughout the western part of Europe and later to other parts of the world (Shroulder, 2015). Many manufacturing firms sprang up and were faced with intense competition coupled with upsurge in technological growth which necessitated a paradigm shift from sellers (manufacturing firms) market to buyers market where customers' choice and preference were carefully considered as quintessential in modulating their productive capacity in meeting the demands of the environment. Therefore, firms had to engender their close-knit relationship with their customers in an attempt to secure and sustain their loyalty to the organization. Drill (2017) averred that customers are valued stakeholders and as such, any purpose driven organization is expected to build a long-term relationship with their customers through consistent product quality improvement, personalized care and manufacturing of customer-based products. The focus of such relationship centers on developing hard-core loyal customers through high degree of customer acquisition, satisfaction, loyalty and retention for the desired performance. This concept, however, evolved into customer relationship management which focuses more widely on customers and the entire functions concerned with value creation and delivery chain of the organization (Nilanjan, Mousumi and Sengupta, 2012).

Customer relationship management is the management approach that seeks to create, develop, and enhance relationships with carefully targeted customers in order to maximize customer value that result to improved performance (Okeke, 2016). Issue relating to customer relationship management is essentially becoming an important concern in the management of organization especially considering the dynamic nature of business environment where firms are scrambling for market leadership in the industry. The truism of the aforementioned applies virtually to every business. The imperativeness of institutionalizing customer relationship management as an integral part of operations management underscores the indispensability of acquiring customers by understanding their requirements, retaining them by manufacturing products that meet their expectations and attracting new customers through customer-specific strategic penetration approaches. Today, most plastic manufacturing firms such as Ace Toy Company Limited, Quality Plastic Company, Cyncarl

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Plastic Company Limited, Austin Laz Plastic Firm, Basabin Plastic Limited and Micheal's Plastic Firm have attempted to initiate various customer relationship management strategies designed to engender long-term relationship with their customers which is sacrosanct in securing customer acquisition, satisfaction, loyalty, and customer retention as construct measurement of customer relationship management for the desired performance. Organizational Performance is concerned with how successful a firm appropriates their resources in achieving their goals/objectives (Deruth, 2013). Thus, efficiency in resource allocation, utilization and mobilization that result to improved performance is referred to as organizational performance. Performance according Deruth (2013) is measured with business expansion, product diversification, increased sales revenues, market share etc., but the present study however is using business expansion and product diversification as proxies of performance.

Benefits of Customer Relationship Management

The benefits of customer relationship management are primarily concerned with the institutionalization of veritable strategies in acquiring, satisfying, and retaining of potential customers. The idea of engendering customer relationship management strategies is indispensable for any purpose driven organization because customers are referred to as king who are the end users of firm's products (Seeman and Hara, 2016). However, the emphasis of CRM is to focuses on keeping and maintaining long-term relationship with customers, leading to customer satisfaction and hence improving firm performance. Ideally, the benefits of entrenching customer relationship management system extend beyond running a business and its closely related relationships. However, a CRM system should help your business improve the relationship with existing customers, find new customers and win back former customers. This system is integrated into a software system that facilitates collection, organization and management of the customer's information. A CRM system can be beneficial to both small and large scale businesses as long as it is implemented appropriately. This guide outlines the major advantages of customer relationship management to expect upon installation of the software (Micheal, 2018). From the foregoing, the following are the benefits of customer relationship management as identified by Micheal (2018).

i) Enhances Better Customer Service

CRM systems provide organizations with numerous strategic advantages. One of such is the capability to add a personal touch to existing relationships between the firm and the customers. It is possible to treat each customer individually rather than as a group, by maintaining a repository on each customer's profiles. This system allows each employee to understand the specific needs of their customers as well as their transaction file (Micheal, 2018). This kind of relationship helps the organization to constantly re-design their products either by improving on already existing products or producing new products that meet customers' expectations (Nwekpa, et al. 2017). Improved responsiveness and understanding among the organization results in better customer service which in turns, enhances their relationship in the long run. This decreases customer agitation and builds on their loyalty to the organization. Moreover, the company would benefit more by getting feedback over their products from esteemed customers. The feedback mechanisms enable the organization to make profound decisions with respect to their products in meeting the demands of the changing environment.

The level of customer service offered is the key difference between the firm that leads the charts and those that are surprised with their faulty steps (Micheal, 2018). Customer service efficiency is measured by comparing turnaround time for service issues raised by customers as well as the number of service errors recorded due to misinformation. Therefore, every manufacturing concern tends to follow-up with their customers in ascertaining their predisposition on their products. This also helps the organization to rectify possible problems and respond to it before it degenerate to attrition problem (Micheal, 2018).

ii) Facilitates Discovery of New Customers

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Customer relationship management utilizes several strategies that have the potentiality of identifying potential customers (Sugandhi, 2017). These strategies among others include quantity discount, product delivery services, swift response to their demands, etc., which transient positive perception and predisposition of the firm to their customers. Such positive perception attracts potential customers, though most customers have their discretion to either accept or reject such offer based on their preconceived disposition of the firm. The aforementioned idea was also shared by Karakostas (2005) who observes that customers tend to pay their loyalty to firm's products when he/she is satisfied with the firms operations.

To Micheal (2018), Customer relationship management systems are useful in identifying potential customers. They keep track of the profiles of the existing clientele and can use them to determine the people to target for maximum clientage returns. New customers are an indication of improved performance. However, a growing business organization, utilizes CRM software in checkmating their customers. Improved firm performance is only essential if the existing customers and potential customers are maintained in securing their loyalty to the organization (Eracdit, and Steve, 2018).

iii) Increases Customer Confidence on firm's Products

Customer relationship management strategies enhance customer confidence on firm's products. This is predicative of the fact that customers globally are seen as king because they are end users of firm product (Eracdit, and Steve, 2018). Customers tend to develop confidence as firm responds swiftly to their demands especially on product delivery, price discount and alike. Although, research have shown that customers' loyalty to a particular firm is a direct product of already developed confidence on that firm (Veer, 2015).

More so, Eracdit, and Steve (2018) observe that customer relationship management data helps the firm to ensure an effective co-ordination and monitoring of the activities of their customers. It is possible to filter the data and ensure the promotions do not target those who have already purchased particular products. Business organizations can also use the data to introduce loyalty programs that facilitate a higher customer retention ratio. A CRM system helps in closing faster deals by facilitating quicker and more efficient responses to customer leads and information. Customers get more convinced to turn their inquiries into purchases once they are responded to promptly as a result, create confidence among the customer.

iv) Enhances customer loyalty

Customer relationship management software is useful in measuring customer loyalty in a less costly manner (Micheal, 2018). In other words, a satisfied customer would not only register his/her loyalty with the organization but recommend others to the firm. Consequently, the business can promote their services to new prospects based on testimonials from loyal customers. Testimonials are often convincing more than presenting theoretical frameworks to your future prospects. With CRM, it could be difficult pulling out your loyal customers and making them feel appreciated for their esteemed support.

v) Builds up on effective internal communication

A CRM strategy is effective in building up effective communication within the company. Different departments can share customer data remotely, hence enhancing team work. Such a strategy is better than working individually with no links between the different business departments. It increases the business's profitability since staff no longer has to move physically while in search of critical customer data from other departments.

vi) Facilitates distribution chain

Customer relationship management enables the firm to understand the needs and behavior of their customers. This allows the firm to be proactive in identifying the market needs and supply same immediately to their customers. The institutionalization of customer relationship management provides constructive ideas about the most lucrative customer groups which is essential in targeting

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certain prospects that are likely to profit the organization (Veer, 2015). Inarguably, the advantages of customer relationship management will remain relevant as long as businesses desire to build a competitive advantage over their competitors.

Firm Performance

The objective of any firm is not only to gain competitive advantage but to improve on its operations toward the attainment of organizational goal. Enterprise performance could be sustained through effective deployment of resources in achieving the goal. Veer (2015) argues that most organizations strive to strengthen their supply-chain channels to improve on their performance. However, market share, business expansion, business sustainability and through supply-chain interconnectivity are construct measurements of performance which according to Veer (2015) must be entrenched for effective flow of products from the manufacturer down to the ultimate consumers. But, the present study uses business expansion and product diversification to measure the performance of the selected manufacturing firms in South South, Nigeria. Business expansion is concerned with the opening of another manufacturing outlay in addition to the existing ones while product diversification is the process of expanding business opportunities through additional market potentials of a product.

In addition, Jerill (2013) sees organizational performance as the nexus between effective cost and realized output and also relationship between output and results achieved over a period of time. More so, enterprise performance explains how organization successfully appropriates their resources in meeting the demands of the changing environment. For organization to achieve enhanced performance, every segment of the organization must work in synergy that has collective effect on the output, rather than individual output (Nuah, 2010). These organizational segments through which improved performance could be endangered are:

- i) Strategic objectives – this is the echelon that evolves corporate strategy. This is the level that provides direction as corporate goal while other segments of the organization draft their objectives in line with the overall strategic objective of the organization.
- ii) Organizational structure – the organizational structure is such that it will not only support the strategic objective but provides the desired capabilities for successful implementation of organizational strategy for improved performance.
- iii) Business performance measures – this represents various strategies earmarked by sub-departments as they worked inter-dependently in achieving its specific goal. Each department is expected to institute specific performance measures which would be determined in the light of the overall goal of the organization. This is the level where the operation managers would come up with their own strategies in an attempt to meet up their objectives. In other words, these departments do set their target to meet their objectives. The efficacy of achieving the targeted objectives evolve on the kind of information the department has. This, however, requires effective management information system.
- iv) Allocation of resources and processes – this involves effective utilization, and mobilization of resources in an attempt to meet the demands of the environment. Decision making on resource allocation must be carefully done with respect to the changing of business environment. Attention must be given to time, money and efforts in order to achieve the stated objectives.
- v) Values, culture and guiding principles – every policy statement must be environmentally-driven because societal values, norms are powerful force that influences the behaviour of the people within the community. Therefore, policy statements must be strategically implemented in the light of the socio-cultural antecedents of the host community where the manufacturing enterprises are situated for the desired performance. This is important because socio-cultural factors are external to these firms, as such, they should be proactive to their environment (Nuah, 2010).

Empirical Review Of Customer Relationship Management

Nwekpa, Ewans and Agha (2017), conducted a study on customer relationship management and performance of selected paint manufacturing firms in Lagos State. The study aimed at exploring

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the effects of customer relationship management on performance. The study employed a correlational research design in order to ascertain the direction and magnitude of relationship between the studied variables. Structured questionnaire drawn on 5-point scale rating was administered on the sample of two hundred and seventy three (273), out of which, two hundred and sixty five (265), copies were returned and used for the analysis. The data collected were analyzed with Pearson correlation coefficient. The study found a significant relationship between relationship assets and business sustainability ($r = 0.76$) and concluded that effective implementation of customer relationship management seeks to enhance mutual relationship that has the potentiality of pre-empting customer withdrawal in building hard core relationship in the market. However, the title and the design employed were good but selected paint manufacturing firms in Lagos State was not a good representation in terms of generalizing the effect of customer relationship management on performance in Nigeria.

Rana, Aneeb, Lashari and Fareeha (2015) investigated the effect of customer relationship management on customer satisfaction. The purpose of the study was to check the effectiveness of customer relationship management (CRM) in retaining and satisfying customers with reference to Shell Pakistan. Quantitative research design was employed such that structured questionnaire were administered to the sample drawn from the population of the study in Pakistan. Multiple regression models were used to analyze the data. The purpose of the study was to check the effectiveness of customer relationship management (CRM) in retaining and satisfying customers with reference to Shell Pakistan. The result showed that customer relationship management plays a significant effect on customer satisfaction and therefore concluded that customer relationship management plays a major role in increasing the market share, enhances productivity and improves employees' moral. However, the study did not operationalize its specific objectives in the statement of the problem.

Alemu and Zewdu (2018) conducted a study on the effect of customer relationship management on bank performance: In context of commercial banks in Amhara Region, Ethiopia. It was aimed at determining the effect of customer relationship management on bank performance. The study used a cross-sectional research design of which probability lottery method was employed in the selection of the sampled commercial banks in the Region while structured questionnaire was also administered on the sample. The data collected were analyzed with logistic regression model. The result of the findings revealed that customer relationship management has a significant and positive effect on banks performance and concluded that CRM organization, Knowledge Management and Technology-based CRM predicted the bank performance. From the findings and conclusion drawn at, the study recommended that firms should always apply customer relationship management strategy in order to reduce customer defection and dissatisfaction in improving their performance. The title of the study was clearly written showing both the dependent and independent variables but failed to state the model used for the analyses.

Salihu and Yychroda (2016), conducted a study on customer relationship management and its implication on business sustainability of Textile firms in Morocco. The study was aimed at investigating the effect of customer relationship management on business sustainability of the selected firms in Morocco. Descriptive research design was employed and structured questionnaire was administered on the sample of three hundred and fifty (350) drawn from the population of the study. Simple Percentages and Analysis of Variance (ANOVA) were used to analyze the data. The results indicated that customer relationship management positively enhances business sustainability and concluded that the application of customer relationship management is sacrosanct given the dynamic nature of business environment where customer needs are changing. The study recommended that Textile firms in Morocco should employ customer relationship management strategy that has the capacity of penetrating into the targeted market in engendering customer loyalty to their products. However, the study did not operationalize the variables in the statement of the problem.

Marcel and Prisca (2015), studied customer relationship management and firm performance: Revisiting the case of the Camcul Microfinance institutions. The study was designated to ascertain the effect of customer relationship management on firm performance of microfinance institutions in

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Anambra State. Descriptive research design was employed such that structured questionnaire was administered on the sample of three hundred (300), out of which, two hundred (200) copies were returned. Analysis of Variance (ANOVA) was used to analyze its data. The result revealed that computerized management of customer relationship so far does not have positive relationship impact on performance and concluded that customer retention programs appear to be the main driver for firm performance. Given the findings and conclusion of the study, there was no recommendation arising from the study.

Effects of customer relationship management on performance of small-medium sized enterprises using structural equations model was conducted by Amir, Sayyed and Mohammed (2015). The study was aimed at investigating the effect of customer relationship management on the performance of small-medium size enterprises in Mashhad. The study used library method of data collection, while Pearson correlation coefficient via AMOS18 with SPSS was used to analyze the data. Results showed that customer relationship management has significant effect on the performance of enterprises and concluded that technology is a key factor which influences small and medium size enterprises which leads to improved competitive advantage. They recommended that firms should pay adequate attention on customer relationship management in retaining their profitable customer. However, the study used Pearson correlation coefficient to establish the effect of customer relationship management on firm performance. The design was wrong. Pearson correlation coefficient establishes the extent of relationship between studied variables.

Summary

Customer relationship management stems from the need to engender long-term customer relationship that perhaps results to customer acquisition, satisfaction, loyalty and retention for the desired performance. The management of these firms should also take effective measure to orientate and educate their workers to acquire work-related-attitude in with their customers. This is because the way and manner a customer is served especially on product procurement is essentially critical in determining his/her loyalty to that organization. A counter-productive attitude of not keeping appointments with their customers' and exhibition of unfriendliness or hostility with their potential customers may cause the customer to withdraw his/her loyalty to that firm.

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