

INFLUENCE OF CUSTOMER RELATIONAL MANAGEMENT PRACTICES ON CUSTOMER RETENTION

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Abstract

Relationship marketing is concerned about building customer satisfaction by providing value to all the parties involved in the relational exchanges (Peng & Wang, 2006). Despite tremendous growth, telecommunication industry has continued to record an increase in the number of unsatisfied subscribers. The purpose of this study was to investigate the effects of customer relationship management practices on customer retention on mobile phone users in public universities of western Kenya region. This study was guided by the social exchange theory. In taking such a view of human social interactions, social exchange theory includes a number of key assumptions for example; social exchange theory operates on the assumption that individuals are generally rational and engage in calculations of costs and benefits in social exchanges. Explanatory research was utilized in this study. The target population of this study was geographically located in Public Universities in Western Kenya Region. A sample size of 250 respondents was drawn from the population. Primary data was collected using a questionnaire. Data collected was analyzed by use of descriptive and inferential statistics. There was need to use a multiple regression analysis so as to determine the effects of each of the variables on customer satisfaction and customer retention. Statistical package for social sciences (SPSS) version 21 was used to ease the analysis. Analyzed data were presented in tables. The results revealed that customer relationship practices had significant effect on customer retention while network quality had negative relationship. The study recommends that service providers should identify critical Customer Relationship Management practices which can help in creating sustainable relationship. The service providers should involve users in designing the appropriate customer relationship management practices. The study provides new theoretical insight into factors influencing customer retention. Future researchers may use other models such structural equations among others to test the hypotheses.

Keywords: Customer, management, practices, retention, relationship

Introduction

In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. Customer satisfaction is about how product and services meets consumer's needs. It is the impression of customers about services provided. As the competitive environment becomes more turbulent, the most important issue the sellers face is no longer to provide excellent, good quality products or services, but also to keep loyal customers who will contribute long-term profit to organizations (Tseng, 2007). To compete in such overcrowded and interactive marketplace, marketers are forced to look beyond the traditional 4Ps of marketing

strategy, which are no longer enough to be implemented for achieving competitive advantage. This study will strive to identify the number of customers, or percentage of total customers whose experience with their telecommunication service provider's products or services meets or exceeds their expectations.

Organizations both private and public in today's dynamic market place are increasingly leaving anticipated marketing philosophies and strategies to the adoption of more customer-driven initiatives that seeks to understand, attract, retain and build long term relationship with profitable customers (Kotler & Keller, 2006; Gronroos, 1994). This paradigm shift has undauntedly led to the growing interest in CRM initiatives that aim at ensuring customer identification and interactions customization and personalization that unreservedly



led to customer satisfaction, retention and profitability (Thompson, 2004; Gronroos et al., 1996; Xu et al., 2002; Stone, 2000; as cited in Abdul-Azis, Saeed, & Alexander, 2014).

Organizations are therefore increasingly being more customer-centric and are much interested not just in acquiring new customers, but more importantly, retaining existing customers. This is perhaps because it costs more to attract new customers than retaining the existing ones. The importance of understanding the nature, level and scope of this aspect which obviously determine nowadays business in a competitive society is not overrated. Therefore, relationship marketing has become an alternative means for organizations to build strong, ongoing associations with their customers. As a part of marketing strategy, relationship marketing seek to acquire and retain customers by providing good quality customer services, and therefore has become one of the keys to success in acquiring strong competitiveness in the present markets, because of its implications for access to markets, generation of repeat purchase, creation of exit barriers, and the view that it benefits all parties (Andaleeb, 1996).

Relationship marketing has received much attention in both academy and practice areas in the last few decades. It was during the last decade of the 20th century that relationship marketing began to dominate the marketing field (Egan, 2001). During this period relationship marketing became a major trend in marketing and management business (Ibid).

Relationship marketing is concerned about building customer satisfaction by providing value to all the parties involved in the relational exchanges (Peng & Wang, 2006), as customer retention is the final goal of relationship marketing. Buyers and sellers in markets achieve mutual benefits through developing relationships, which are not simple that a customer is 100 per cent loyal to a vendor (Stone & Woodcock & Master Machtynger, cited in Bonuke, Otiso, & Chepkwony, 2014). There are often switching behaviors occurred in different stages of a partnership relationship. Relationship marketing practices are thus approaches to apply relationship marketing in practice (Tseng, 2007).

Effective customer-oriented relationship marketing tactics may help marketers to acquire customers, keep customers, and maximize customer profitability, and finally build up customer loyalty. The telecommunication industry is becoming one of the most important industries in the world. The telecommunication industry delivers voice communications, data, graphics, and

video at ever increasing speeds. Telecommunication influences the world economy and the telecommunication industry's revenue was estimated to be \$1.2 trillion in 2006. The competition is also becoming more and more sharp. In order to obtain sustainable competitive advantage, telecommunication firms are forced to make innovation and do the best for customer satisfaction. Due to this, customer relationship marketing plays an important role in telecommunication industry. It demands a relationship-oriented strategy in marketing (Grönroos, 2004). Moreover, the new electronic communication regulations suggested that the regulations would harmonize the legislation of the EU countries and increased competition would favor the consumers, and Sweden, as a precursor in this industry also faced a tense competition.

Considering the significant importance of relationship marketing in today's business, it will make sense to understand how the relationship marketing are executed in practice and how this type of marketing take effect, e.g. influencing long-term relationship building and customer loyalty. Therefore, this study is aimed to develop and examine analytical model regarding the field of relationship marketing in practice, based on reviewing literatures and theories about relationship marketing practices, relationship quality and customer retention. Customers have become more sophisticated and they are enjoying more alternative options of brands, for any organization, either it's a public sector; private sector or semi-public, there is a need to understand what kind of service or products it offers, and for whom.

Customer Relationship Management Practices and Customer Retention

Customer Relationship Management consists of the principles, practices, and guidelines that an organization follows when interacting with its customers. From the organization's point of view, this entire relationship not only encompasses the direct interaction aspect, such as sales and/or service related processes, but also in the forecasting and analysis of customer trends and behaviors, which ultimately serve to enhance the customer's overall experience. Customer retention is increasingly being seen as an important managerial issue, especially in the context of saturated market or lower growth of the number of new customers. It has been also acknowledged as a key objective of relationship marketing, primarily because of its

potential in delivering superior relationship economics, i.e. it cost less to retain than to acquire new customers. (Ghavami 2006). Bateson and Hoffman (cited in Obeng & Loria, 2006) define customer retention as focusing a firm marketing effort towards the existing customer's base. This explain the view that instead of trying to acquire a new customers, firms engulfed in customers retention efforts must make sure that the existing customer are satisfied as so to create and maintain long term relationship. (Payne & Frow, 2005).

Many companies recognize the importance of customer's retention but relatively few understand the economics of customer retention within their own firms. Since the start of 1990s research has identified the financial benefits of customer's acquisition versus customer retention. Reichard and Sasser published revealing research which demonstrated the financial impact of customer retention. They found even a small increase in customer retention produced a dramatic and positive effect on profitability: a five percentage points increase in customer retention yielded a very high improvement in profitability in present value terms. These results have had a significant impact in drawing attention to the critical role customer retention has to play within CRM strategy (Payne & Frow, 2005). Lovelock et al. (cited in Devaraja & Sruthi, 2012), state that in business context, loyalty is used to describe the willingness of a customer to continue patronizing a firms goods and services over a long period of time and on a repeated and preferably exclusive basis, and voluntarily recommending the firms products to friends and associates. In their view, customers will continue to be loyal to a particular firm if they feel and realize that better value is being offered. (Obeng & Loria, 2006).

Kotler and Armstrong (2010) assured that most important consideration to attain high customer loyalty is from firms to deliver high customer value. He continued to stress that it has been the practice by firms to devote much attention and effort to attracting new customers rather than retaining existing ones, adding to that, traditionally firms emphasize more on making sales rather building relationship, on pre-selling and selling rather than caring for the customer afterward. When addressing the term of customer retention for the telecommunication industry, the definition could be customized to "Customers continuously and with high level of commitment into consuming its products/services and being satisfied from the services/products". Therefore and in order to ensure the customer's continuity of consuming the telecommunication services, the telecommunication

industries needs to achieve customers' satisfaction first hence satisfaction leads to retention.

Methods

The target population of this study was geographically located in public universities in Western Kenya Region. Explanatory research was utilized in this study. A sample size of 250 respondents was sampled from the population. Primary data was collected using a questionnaire. Data collected was analyzed by use of descriptive and inferential statistics; specifically regressions were used to test the hypotheses. There was need to use a multiple regression analysis so as to determine the effects of each of the variables on customer retention. Statistical package for social sciences (SPSS) version 17 was used to ease the analysis. Analyzed data were presented in tables.

Results

Relationship between Customer Relational Management Practices and Customer Retention

In order to test for multicollinearity among the predictor variables, variance-inflation factor (VIF) and tolerance were applied. The multicollinearity statistics showed that the tolerance indicator for Network Quality, Perceived Value, Customer Relational Experience and Loyal Programs are all greater than 0.1, and their VIF values are less than 10. The result indicates that no multicollinearity problem has occurred (Neter et al., 1996; Ott & Longnecker, 2001, cited in Chepchirchir & Leting, 2015). The F-statistics produced was significant at 1 per cent level (Sig. F , 0.1), thus confirming the fitness for the model. Therefore, there is a statistically significant relationship between the Customer Relationship Management practices factors and the Customer retention. The coefficient of determination R² was 49.8 per cent. Thus, the Customer Relationship Management practices can significantly account for 49.8 per cent in the relationship. The results shows that CRE (p < 0.00), LP (p < 0.00) PV (p < 0.05) all significantly affect the Customer retention.

Based on Table 1, it indicated the most important customer relationship management practices that affect the consumer retention is as indicated above. Network quality however, was found not to be significantly associated with consumer retention.



Table 1

Multiple Regression Results on the Relationship between Customer Relational Management Practices and Customer Retention

Predictor Variables	β	t-value	Std error	Sig.	Tolerance	VIF
Constant	.626	3.09	.202	.0202		
NQ	.007	.085	.081	.932	.373	2.680
PV	-.637	-2.866	.222	.005	.042	3.933
CRE	-.531	-3.888	.137	.000	.146	6.836
LP	.488	4.224	.116	.000	.213	4.696

Notes: Overall Model F= 35.595, P<0.05, R=0.706, R²=0.498, adjusted R²= 0.484
NQ=Network Quality, PV=Perceived Value, CRE=Customer Relational Experience,
LP=Loyalty Programs

Conclusion

In conclusion, customer relationship management practices in today's business, it make sense to understand how the relationship are executed in practice and how this type of marketing take effect, e.g. influencing long-term relationship building and customer loyalty. Small businesses and entrepreneurs will find this study vital in understanding and appreciating the importance of the role played by CRM Practices in creating satisfied customers hence retention. Such understanding will enable Small businesses and entrepreneurs to decide which Network quality they can employ in their businesses so as to remain competitive in the face of ever increasing competition. This study will also benefit Small businesses and entrepreneurs in identifying opportunities of starting and successfully operating businesses using network quality. Based on the findings, it is necessary for effective customer care training to be done to enable effective services and provision of what the customers require. Again it is necessary for managers who interact with customers should endeavor to understand perceived value in the network quality. The managers should as well acknowledge that perceived value goes beyond satisfaction and is a powerful tool for customer retention. Future researchers should provide a broad and more inclusive definition of CRM and constructs which may measure the interaction patterns between both variables.

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