CUSTOMER RELATIONSHIP MANAGEMENT DIMENSIONS AND NIGERIAN BANKS' PERFOMANCE: EVIDENCE FROM ZENITH BANK PLC

Abstract

Today, customers are looking for benefits from the bank, better service, lower transaction fees, higher interest rates, a sign of prestige, new products access from different channels. This study evaluates the influence of CRM dimensions on bank performance. Zenith Bank Plc was selected through purposive method, while judgmental sampling technique was also used to select Head of Operation, Accountant, Auditor, and Branch Manager from its 35 branches in Lagos, Nigeria, totaling 140 respondents as a sample size for the study. Multiple regression analysis, Ordinary Least Square (OLS) method of estimation was employed to analyze the data. Results revealed that CRM dimensions (customer involvement, long-term relationship with customers, joint problem-solving and information sharing) jointly and independently influence bank performance measured by customer satisfaction, deposit mobilization and profit level. Subsequently, the study recommended that management of Nigerian banks should be actively involved in changes in organization in order to spread positive vision of CRM concept and to support organizational change.

Keywords: CRM, Bank Performance, Customer Satisfaction, Information Sharing, Deposit Mobilization, Profitability.

Introduction

The role of the financial sector in any economy is that of intermediation by mobilizing savings from the areas of surpluses to those of deficits. This means no profitable investment would be frustrated on account of lack of finance. With the global financial crisis, most countries appear to have recognized the role of financial sector development in sustaining economic growth especially in Nigeria. Having recognized the vital contributions of the banking sector to economic growth and development in Nigeria, the federal government established regulatory authorities to monitor the activities of the sector, so that its contributions to Nigerian economy can be felt positively. Some years ago regulatory authorities compelled the banking industry in Nigeria to undergo serious reforms arising from the Central Bank of Nigeria's requirement for banks to increase their capital base (share) to a minimum level of ten billion naira (N10b) for regional banking, twenty five billion naira (N25b) for national banking and fifty billion naira

33 (N50b) for international banking, respectively. This policy has made the Central Bank of Nigeria

34 (CBN) to license ten (10) banks with international authorization, nine (9) banks with national

35 authorization and one (1) bank with regional authorization totaling twenty (20) Money Deposit

36 Banks. Also, the introduction of tenure system for banks' chief executives and auditors represents

37 a major shift in the Nigerian corporate governance system, in which managing directors of banks

38 can now only serve for a 10-year period while auditors are compulsorily replaceable after a

39 certain period.

40   In spite of these promising policies and laudable programmes, Nigerian banks still facing

41 distressed syndrome. Central Bank of Nigeria revealed that the total deposits of bank customers

42 with the Deposit Money Banks dropped by 5.6 per cent or N1.03tn from N18.54tn to N17.51tn.

43 This may the reason why Central bank of Nigeria (CBN) revoked the operating licence of the

44 Skye bank, saying the decision was premised on the inability of the owners of the bank to shore

45 up its capital after it received a N350 billion intervention in July 2016. This menace has eroded

46 the confidence of investors in the sector.

47   Customer Relationship Management" (CRM) has been brought to attention in late nineties,

48 especially among the academics and practitioners. The construct has directed the attention towards the

49 inevitability of building long-term relationships with customers instead of the customer-oriented

50 transaction method in order to augment the profitability of the organizations especially in today's

51 increasingly global competitive environment. Customer Relationship Management concept is

52 tendency of banking sector to establish and maintain long-term relationships with customers in

53 order to provide value for customers and banks. According to Marko, Dusica, Luka and

54 Zvonimir [1], CRM concept allows bank to identify, segment, communicate and build long-term

55 relationships with customers on individual basis. In today's business environment, banks have

56 aim to identify customers and to adjust offer to meet customer`s needs, in order to maximize

57 profits. In the same vein, Catalan-Matamoros [2] argues that CRM concept opens new

58 opportunities to attract customers through cross-selling of products and services, as sale of

59 additional products and services within existing customer base. Catalan-Matamoros further

60 confirms that if a bank focuses its activities on meeting needs of customers, the proportion of

61 customers, who are leaving bank, is reduced up to 25% and in the long period, costs of acquiring

62 new customers are reduced. This implies that for Nigerian banks to wax stronger and be among

63 the 100 largest banks in the world there is much to learn about how to develop close contact with

64 customer using the appropriate relationship strategies.

65   Studies carried out on the CRM strategy have indicated that employing the CRM strategy

66 is beneficial to any organization in this era of high competition and a volatile business

67 environment. This is supported by researchers like Marko et al., [1], West [3] and Kincaid [4].

68 However, the construct is till at infancy stage in Nigeria, the few available studies in Nigeria [5,

69 6, 7, 8] failed to measure CRM dimensions in their studies. This study seeks to fill the gap

70 created by lack of sufficient studies on CRM dimensions in the banking industry and especially

71 on its role in ensuring organizations retains their customers.

72 **Research Questions**

73   These following questions shall be the focus of this study

74 i.   To what extent do CRM dimensions jointly and independently influence customer

75   satisfaction?

76 ii.   To what extent do CRM dimensions jointly and independently influence deposit

77   mobilization?

78 iii.   To what extent do CRM dimensions jointly and independently influence profitability?

79

80 **Research Objectives**

81   The general objective was to evaluate the influence of CRM dimensions on bank

82   performance with specific reference to Zenith bank Plc. The specific objectives were to;

83   i.   Examine the influence of CRM dimensions on customer satisfaction.

84   ii.   Determine the influence of CRM dimensions on deposit mobilization.

85   iii. Assess the influence of CRM dimensions on bank profitability.

86

87   **Literature Review**

88   **Concept of Customer Relationship Management**

89   Customer Relationship Management (CRM) is a broad topic, for that reason the definitions

90   among authors differ. CRM is based on a good knowledge of habits and needs of customers. It

91   assumes constant collection of information of customer's behavior, as bank's goal is to give offer

92   to customers based on his needs. CRM plays a role that integrates corporate strategy, business

93   methodology, and technology to achieve an immense number of goals for companies, which

94   want their operation to be customer driven [9]. CRM has also provide a position to customers

95   and to the company itself, which combines sales, marketing and customer service to create and

96   add value to the company and its customers [10]. Both of these definitions suggest that CRM is

97   integrated within companies and brings value to it as well as for their customers. CRM is

98   claimed to be a technology management tool to gain customer knowledge and maintain and

99   increase lucrative relationships, which gives companies a better understanding of their customers

100   and how to create more value for them [11]. Based on the understanding of what CRM is, it

101   reflects that CRM put the focus on customers and their satisfaction therefore all company's

102   activities are customer-driven [12, 9].

103   According to Marko, Dusica, Luka and Zvonimir [1] , CRM concept implies continuous

104   changes on customers and bank side. There are four primary reasons why banks adjust their

105   business processes to customers' needs: (a) retention of existing customers, (b) attracting new

106   customers, (c) encourage customers to deepen cooperation with bank, (d) Informing customers

107   about portfolio of products, services and communication channels, with aim of increasing profits

108   or prevent losses. In a similar study, Richards and Jones [13] argue that CRM concept improves

109   ability to choose profitable customers; integrates offer to customers through channels; improves

110   efficiency and effectiveness of sales; personalizes marketing messages; customizes products and

111   services for customers and improves pricing policy. In another study, Payne and Pennie [14]

112   affirm that well-implemented CRM concept allows identification of customers via channels of

113   communication, interaction and transactions with aim to create value for each customer with

114   slogan "the right product at the right time". CRM is a concept that involves synthesis of bank's

115   strategy: understanding relationships with customers through complex and dynamic

116   environment, with help of appropriate technology and CRM strategy.

117   **Theoretical Review**

118   **The Identify, Differentiate, Interact and Customise (IDIC) Theory**

119   This study focuses on the Identify – Differentiate – Interact – Customize theory, which was

120   developed by Peppers and Rodgers [15]. The theory is very germane to this study because it

121   emphasizes how relationships could be developed.   According to this theory, banks should take

122   the four actions: identify, differentiate, interact and customize, in order to build closer one-to-one

123   relationships with customers. The organizations identify who their customers are and build a

124   deep understanding of them. Information such as name, address and purchase information must

125   be collected across the company, at all points of contact [16]. It may seem simple and obvious

126 for a firm to gather information; however, many times the information is spread out between

127 departments and not organized in such a way that information can be linked quickly to each

128 individual customer [15].

129   In each interaction with the banks through the "touch- points", the banks should continue

130 to gather knowledge of preferences; data that can help them further customize and continue to

131 give quantified value to customer, an example could be not to have the most valued customers

132 waiting in any queues for service [15]. This theory provides a basis for banks to use technology

133 infrastructure to identify, differentiate, interact and customize their services to customers to

134 enhance customer loyalty.

135 **Empirical Review**

136

137 The establishment of profitable and long lasting relationship with customers is very essential in

138 service industry [1]. Service providers who practice CRM efficiently gain competitive advantage

139 over their competitors and are able to retain their customers [17]. Further studies discovered that,

140 retained customers are very crucial business property for companies and this asset cannot be

141 duplicated by competitors. Therefore, there must be strong integration among customer related

142 strategies (acquisition, retention and add-ons) through CRM strategies [18]. In Addition, Soliman

143 [19] explores the theoretical foundations of customer relationship management and its

144 relationship to the marketing performance from the several perspectives. The study findings

145 concluded positive relationship between CRM and performance.

146   In similar study, Sulieman and Faraj [6] examine the impact of customer relationship

147 management (CRM) on innovation capabilities of Kuwait Airways. The results also indicated

148 that there is a significant statistical impact of CRM dimensions (information sharing, customers'

149 involvement, long-term relationships with customers, joint problem-solving and technology-

150   based CRM) on innovation capabilities in Kuwait Airways. Ogbadu and Usman [8] also

151   examine the imperatives of customer relationship management motivated by the poor handling of

152   customers' complaints, lack of courtesy, poor service quality, inadequate information to the

153   customers and long line being experienced in the banks. It ascertains the contribution of effective

154   customer relationship management to customer loyalty and profitability or performance of the

155   banks. The study involves a survey research around four selected banks with 600 respondents

156   comprises of customers and personnel of the selected banks. Data collected were presented and

157   analyzed in tables of simple percentage, and tested the two hypotheses formulated for the study

158   using the analysis of variance (ANOVA) statistical tool to reject or accept the Null hypothesis.

159   Findings revealed that there is a direct relationship between customer relationship management

160   and customer loyalty as well as banks profitability.

161   Saka, Elegunde and Lawal [20] also examine the effects of customer relationship

162   marketing on bank performance in Nigeria. The research addresses the major problem associated

163   with the adoption of customer relationship marketing by Nigerian banks which eventually

164   exposes banks and customers to intense competition. The study was carried out in Ojo Local

165   Government Area of Lagos State, Nigeria and it was targeted a population of 150 employees and

166   customers of selected banks. Survey research method was used and data from the study were

167   drawn from both primary and secondary sources. A sample size comprising 50 employees and

168   customers were selected using stratified sampling technique and random sampling techniques.

169   Quantitative data from the study was analyzed through descriptive statistics. The result indicates

170   that customer relationship marketing is an effective tool to measure banks performance. The

171   finding also shows that CRM helps in increasing banks profitability and enhances improvement

172   in banks market share. The research is of the opinion that banks should put in seasoned customer

173   service officers with sense of direction towards satisfying customers in order to improve overall

174   bank Performance.

175   Kumar, Sunder and Ramaseshan [7] and Kincaid [4] findings also show that CRM

176   provides a comprehensive set of strategies for managing those relationships with customers that

177   relate to the overall process of marketing, sales, service, and support within the organization.

178
179   **Methodology**

180   **Research Design:** The survey research design and snowball technique were used because survey

181   is relatively easy to administer and can be developed in less time, while snowball technique is

182   appropriate especially when total population is not known. This study therefore was able to

183   generalize the findings to all the Nigerian banks.

184   **Sampling Technique and Sample Size**: Zenith Bank was selected through purposive method.

185   Judgmental sampling technique was also used to select Head of Operation, Accountant, Auditor,

186   and Branch Manager from its 35 branches in Lagos metropolis, Nigeria, totaling 140 respondents

187   as a sample size for the study. The choice of Zenith bank Plc is based on the fact that is officially

188   Nigeria's largest bank by Customer Deposit. In its 2017 annual report and first quarter 2018

189   interim report released by the company, it reported that its total customer deposits are now a

190   whopping N3.396 trillion as at end of March 2018.

191   **Data collection Instrument:** The data collection instruments for the study were structured

192   questionnaires that comprised of Customer Involvement Questionnaire (CUIQ), Long-term

193   Relationships with Customers Questionnaire (LRCQ), Joint Problem-Solving Questionnaire

194   (JPSQ), Information Sharing Questionnaire (INSQ), Customer satisfaction Questionnaire

195   (CUSQ), Deposit Mobilization Questionnaire (DEMQ) and Profit Level Questionnaire (PRLQ).

196   The scales were developed and validated by the researchers for the study.

197 **Data analysis:** Multiple regression analysis, Ordinary Least Square (OLS) method of estimation

198 was employed to analyze the data.

199 **Measurement**

200 Many scholars still debate over what should exactly constitute CRM dimensions. For example

201 Lin et al. [21] see that the CRM dimensions represent information sharing, customers'

202 involvement, long-term relationships with customers, and joint problem-solving. In another

203 study, Soliman [19] classifies CRM dimensions into focus on main customers, the

204 organizational efficiency, and customer knowledge management. In a similar study, Sadek,

205 Youssef, Ghoneim and Tantawy [22] argue that CRM dimensions represent key customer focus,

206 CRM organizations, Knowledge management and technology - based CRM. This study therefore

207 focuses on four dimensions of CRM cited by Lin et al. [21], namely, (information sharing,

208 customers' involvement, long-term relationships with customers, and joint problem-solving,

209 because these dimensions have been widely used to measure CRM in advanced countries which

210 enable the banks to analyze the customer profiles, to direct their needs to the potential

211 profitability areas and establish the necessary actions to achieve customer satisfaction, deposit

212 mobilization, competitive advantage and thus the profitability.

213 Mathematically, CRM is measured by Customers' Involvement (CUI), Long-term

214 Relationships with Customers (LRC), Joint Problem-Solving (JPS) and Information Sharing

215 (INS) while performance is measured by Customer Satisfaction (CUS), Deposit Mobilization

216 (DEM) and Profit level (PRL).

217 **Therefore;**

218 **Model I:**

219 Customer Satisfaction (CUS) = f (Customers' Involvement, Long-term Relationships with

220 Customers, Joint Problem-Solving, Information Sharing)

221 **CUS= β0 + β1$_{CUI}$ + β2 $_{LRC}$ + β3 $_{JPS}$ + β4 $_{INS}$ + μi**

222 **Model II:**

223 Deposit Mobilization (DEM) = f (Customers' Involvement, Long-term Relationships with

224 Customers, Joint Problem-Solving, Information Sharing).

225 **DEM= β0 + β1$_{CUI}$ + β2 $_{LRC}$ + β3 $_{JPS}$ + β4 $_{INS}$ + μii**

226 **Model III:**

227 Profit level (PRL) = f (Customers' Involvement, Long-term Relationships with Customers, Joint

228 Problem-Solving, Information Sharing).

229 **PRL= β0 + β1$_{CUI}$ + β2 $_{LRC}$ + β3 $_{JPS}$ + β4 $_{INS}$ + μiii**

230 β$_0$ = intercept

231 β$_1$- β$_4$ = Regression coefficient of the independent variables

232 μi = Stochastic error term

233 ## Data Analysis, Results and Discussion

234 **Table 1. Influence of CRM dimensions on customer satisfaction**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F = 52.12			
1	.553^a	.305	.285	.51048	Sig = 0.000			
Model			Unstandardized Coefficients		Standardized Coefficients		t	Sig.
			B	Std. Error	Beta			
1	(Constant)		1.340	.435			3.082	.002
	customer involvement		.269	.102	.275		2.639	.009
	Long-term Relationships with Customers		.405	.407	.899		3.986	.000
	Joint Problem-Solving		.228	.186	.289		2.878	.003

	Information Sharing	.292	.185	.188	2.087	.007
a. Dependent Variable: Customer Satisfaction						

Table 1 depicts that CRM dimensions jointly influence customer satisfaction with R^2 value of 0.305. This implies that CRM dimensions jointly contribute 30.50% to customer satisfaction. The F-statistic of 52.12 indicates that the overall regression plane is statistically significant. Furthermore, customer involvement (t = 2.639; P<.05), long-term relationship with customer (t = 3.986; P <.05), joint problem-solving (t = 2.878; P<.05) and information sharing (t = 2.087; P<.05) were independently and significantly influence customer satisfaction. This implies that Zenith bank's strategies and programmes are designed and implemented with the specific aim of maximising customer satisfaction. Deduction to be made from this finding is that Zenith bank is customer oriented bank.

Table 2. Influence of CRM dimensions on Deposit Mobilization

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F = 82.45		
1	.843[a]	.711	.702	.33704	Sig = 0.000		
Model			Unstandardized Coefficients		Standardized Coefficients	t	Sig.
			B	Std. Error	Beta		
1	(Constant)		2.179	.287		4.624	.000
	customer involvement		.436	.067	.435	6.473	.000
	Long-term Relationships with Customers		.401	.071	.369	5.678	.000
	Joint Problem-Solving		.204	.157	.102	2.821	.001
	Information Sharing		.307	.056	.201	2.917	.005
a. Dependent Variable: Deposit Mobilization							

Table 2 depicts that CRM dimensions jointly influence deposit mobilization with R^2 value of 0.702. This implies that CRM dimensions jointly contribute 70.20% to deposit

250 mobilization. The F-statistic of 82.45 indicates that the overall regression plane is statistically

251 significant. Furthermore, customer involvement (t = 6.473; P<.05), long-term relationship with

252 customer (t = 5.678; P <.05), joint problem-solving (t = 2.821; P<.05) and information sharing (t

253 = 2.917; P<.05) were independently and significantly influence deposit mobilization. This

254 implies that CRM strategies employed by Zenith bank has tremendously helped its deposit

255 mobilization. This may the reason why Zenith bank was adjudged to be the Nigeria's largest

256 bank by Customer Deposit in 2018 by Central Bank of Nigeria.

257
258 **Table 3. Influence of CRM dimensions on Profit Level**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F = 3.301		
1	.299a	.089	.062	.47141	Sig. = 0.000		
Model			Unstandardized Coefficients		Standardized Coefficients	t	Sig.
			B	Std. Error	Beta		
1	(Constant)		3.281	.401		8.174	.000
	customer involvement		.427	.294	.261	2.351	.001
	Long-term Relationships with Customers		.348	.299	.256	1.488	.006
	Joint Problem-Solving		.190	.180	.212	2.128	.001
	Information Sharing		.234	.278	.240	2.433	.000
a. Dependent Variable: Profit Level							

259
260 Table 3 depicts that CRM dimensions jointly influence profit level with R^2 value of

261 0.089. This implies that CRM dimensions jointly contribute 8.90% to profit level. The F-statistic

262 of 3.301 indicates that the overall regression plane is statistically significant. Furthermore,

263 customer involvement (t = 2.351; P<.05), long-term relationship with customer (t = 1.448; P

264 <.05), joint problem-solving (t = 2.128; P<.05) and information sharing (t = 2.433; P<.05) were

265   independently and significantly influence profit level. This implies that CRM dimensions are

266   major determinants of bank profit level.

267

268 **Conclusion**

269   Today, customers are looking for benefits from the bank, better service, lower transaction

270   fees, higher interest rates, a sign of prestige, new products access from different channels. This

271   study therefore examined the influence of CRM dimensions on banks' performance with specific

272   reference to Zenith bank Plc. The study established that CRM dimensions (customer

273   involvement, long-term relationship with customers, joint problem-solving and information

274   sharing) jointly and independently influence bank performance measured by customer

275   satisfaction, deposit mobilization and profit level. It was concluded that CRM dimensions were

276   major predictors of bank performance.

277 **Recommendations**

278 Based on the findings and conclusion, the study made the following recommendations

279   1. Nigerian banks should encourages their customers to get involved in the process of
280   defining service targets and standards.

281   2. Nigerian banks should regularly analyze customer complaints and the information they
282   get should be used in the process of strategy development.

283   3. Management of Nigerian banks should be actively involved in changes in organization in
284   order to spread positive vision of CRM concept and to support organizational change.

285   4. Management of Nigerian banks should employ technological capability and innovative
286   processes to meet our customers' expectations.

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