

CUSTOMER RELATIONSHIP MANAGEMENT DIMENSIONS AND NIGERIAN BANKS' PERFORMANCE: 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

(N50b) for international banking, respectively. This policy has made the Central Bank of Nigeria (CBN) to license ten (10) banks with international authorization, nine (9) banks with national authorization and one (1) bank with regional authorization totaling twenty (20) Money Deposit Banks. Also, the introduction of tenure system for banks' chief executives and auditors represents a major shift in the Nigerian corporate governance system, in which managing directors of banks can now only serve for a 10-year period while auditors are compulsorily replaceable after a certain period.

In spite of these promising policies and laudable programmes, Nigerian banks still facing distressed syndrome. Recently, Central Bank of Nigeria revealed that the total deposits of bank customers with the Money Deposit Banks dropped by 5.6 per cent or N1.03tn from N18.54tn to N17.51tn. This may be one of the reasons why Central bank of Nigeria (CBN) revoked the operating licence of the Skye bank, saying the decision was premised on the inability of the owners of the bank to shore up its capital after it received a N350 billion intervention in July 2016. Thus, this menace aforementioned scenario has eroded the confidence of investors in the sector.

Customer Relationship Management (CRM) has been brought to attention in late nineties, especially among the academics and practitioners. The construct has directed the attention towards the inevitability of building long-term relationships with customers instead of the customer-oriented transaction method in order to augment the profitability of the organizations especially in today's increasingly global competitive environment. Customer Relationship Management concept is tendency of banking sector to establish and maintain long-term relationships with customers in order to provide value for customers and banks. According to Marko, Dusica, Luka and Zvonimir [1], CRM concept allows bank to identify, segment,

communicate and build long-term relationships with customers on individual basis. In today's business environment, banks have aim to identify customers and to adjust offer to meet customer's needs, in order to maximize profits. In the same vein, Catalan-Matamoros [2] argues that CRM concept opens new opportunities to attract customers through cross-selling of products and services, as sale of additional products and services within existing customer base. Catalan-Matamoros further confirms that if a bank focuses its activities on meeting needs of customers, the proportion of customers, who are leaving bank, is reduced up to 25% and in the long period, costs of acquiring new customers are reduced. This implies that for Nigerian banks to wax stronger and be among the 100 largest banks in the world, there is much to learn about how to develop close contact with customer using the appropriate relationship strategies.

Studies carried out on the CRM strategy have indicated that employing the CRM strategy is beneficial to any organization in this era of high competition and a volatile business environment. This is supported by researchers like Marko et al., [1], West [3] and Kincaid [4]. However, the construct is till at infancy stage in Nigeria, the few available studies in Nigeria [5, 6, 7, 8] failed to measure CRM dimensions in their studies. This study seeks to fill the gap created by lack of sufficient studies on CRM dimensions in the banking industry and especially on its role in ensuring organizations retains their customers.

Research Questions

These following questions shall be the focus of this study

- i. To what extent do CRM dimensions jointly and independently influence customer satisfaction?
- ii. To what extent do CRM dimensions jointly and independently influence deposit mobilization?

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

80
81 **Research Objectives**

82 The general objective was to evaluate the influence of CRM dimensions on bank
83 performance with specific reference to Zenith bank Plc. The specific objectives were to;

- 84 i. Examine the influence of CRM dimensions on customer satisfaction.
85 ii. Determine the influence of CRM dimensions on deposit mobilization.
86 iii. Assess the influence of CRM dimensions on bank profitability.

87
88 **Literature Review**

89 **Concept of Customer Relationship Management**

90 Customer Relationship Management (CRM) is a broad topic, for that reason the definitions
91 among authors differ. CRM is based on a good knowledge of habits and needs of customers. It
92 assumes constant collection of information of customer's behavior, as bank's goal is to give offer
93 to customers based on his needs. CRM plays a role that integrates corporate strategy, business
94 methodology, and technology to achieve an immense number of goals for companies, which
95 want their operation to be customer driven [9]. CRM has also provide a position to customers
96 and to the company itself, which combines sales, marketing and customer service to create and
97 add value to the company and its customers [10]. Both of these definitions suggest that CRM is
98 integrated within companies and brings value to it as well as for their customers. CRM is
99 claimed to be a technology management tool to gain customer knowledge and maintain and
100 increase lucrative relationships, which gives companies a better understanding of their customers
101 and how to create more value for them [11]. Based on the understanding of what CRM is, it

reflects that CRM put the focus on customers and their satisfaction therefore all company's activities are customer-driven [12, 9].

According to Marko, Dusica, Luka and Zvonimir [1], CRM concept implies continuous changes on customers and bank side. There are four primary reasons why banks adjust their business processes to customers' needs: (a) retention of existing customers, (b) attracting new customers, (c) encourage customers to deepen cooperation with bank, (d) Informing customers about portfolio of products, services and communication channels, with aim of increasing profits or prevent losses. In a similar study, Richards and Jones [13] argue that CRM concept improves ability to choose profitable customers; integrates offer to customers through channels; improves efficiency and effectiveness of sales; personalizes marketing messages; customizes products and services for customers and improves pricing policy. In another study, Payne and Pennie [14] affirm that well-implemented CRM concept allows identification of customers via channels of communication, interaction and transactions with aim to create value for each customer with slogan "the right product at the right time". CRM is a concept that involves synthesis of bank's strategy: understanding relationships with customers through complex and dynamic environment, with help of appropriate technology and CRM strategy.

Theoretical Review

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

This study focuses on the Identify – Differentiate – Interact – Customize theory, which was developed by Peppers and Rodgers [15]. The theory is very germane to this study because it emphasizes how relationships could be developed. According to this theory, banks should take the four actions: identify, differentiate, interact and customize, in order to build closer one-to-one relationships with customers. The organizations identify who their customers are and build a

deep understanding of them. Information such as name, address and purchase information must be collected across the company, at all points of contact [16]. It may seem simple and obvious for a firm to gather information; however, many times the information is spread out between departments and not organized in such a way that information can be linked quickly to each individual customer [15].

In each interaction with the banks through the “touch- points”, the banks should continue to gather knowledge of preferences; data that can help them further customize and continue to give quantified value to customer, an example could be not to have the most valued customers waiting in any queues for service [15]. This theory provides a basis for banks to use technology infrastructure to identify, differentiate, interact and customize their services to customers to enhance customer loyalty.

Empirical Review

The establishment of profitable and long lasting relationship with customers is very essential in service industry [1]. Service providers who practice CRM efficiently gain competitive advantage over their competitors and are able to retain their customers [17]. Further studies discovered that, retained customers are very crucial business property for companies and this asset cannot be duplicated by competitors. Therefore, there must be strong integration among customer related strategies (acquisition, retention and add-ons) through CRM strategies [18]. In Addition, Soliman [19] explores the theoretical foundations of customer relationship management and its relationship to the marketing performance from the several perspectives. The study findings concluded positive relationship between CRM and performance.

In similar study, Sulieman and Faraj [6] examine the impact of customer relationship management (CRM) on innovation capabilities of Kuwait Airways. The results also indicated

that there is a significant statistical impact of CRM dimensions (information sharing, customers' involvement, long-term relationships with customers, joint problem-solving and technology-based CRM) on innovation capabilities in Kuwait Airways. Ogbadu and Usman [8] also examine the imperatives of customer relationship management motivated by the poor handling of customers' complaints, lack of courtesy, poor service quality, inadequate information to the customers and long line being experienced in the banks. It ascertains the contribution of effective customer relationship management to customer loyalty and profitability or performance of the banks. The study involves a survey research around four selected banks with 600 respondents comprises of customers and personnel of the selected banks. Data collected were presented and analyzed in tables of simple percentage, and tested the two hypotheses formulated for the study using the analysis of variance (ANOVA) statistical tool to reject or accept the Null hypothesis. Findings revealed that there is a direct relationship between customer relationship management and customer loyalty as well as banks profitability.

Saka, Elegunde and Lawal [20] also examine the effects of customer relationship marketing on bank performance in Nigeria. The research addresses the major problem associated with the adoption of customer relationship marketing by Nigerian banks which eventually exposes banks and customers to intense competition. The study was carried out in Ojo Local Government Area of Lagos State, Nigeria and it was targeted a population of 150 employees and customers of selected banks. Survey research method was used and data from the study were drawn from both primary and secondary sources. A sample size comprising 50 employees and customers were selected using stratified sampling technique and random sampling techniques. Quantitative data from the study was analyzed through descriptive statistics. The result indicates that customer relationship marketing is an effective tool to measure banks performance. The

finding also shows that CRM helps in increasing banks profitability and enhances improvement in banks market share. The research is of the opinion that banks should put in seasoned customer service officers with sense of direction towards satisfying customers in order to improve overall bank Performance.

Kumar, Sunder and Ramaseshan [7] and Kincaid [4] findings also show that CRM provides a comprehensive set of strategies for managing those relationships with customers that relate to the overall process of marketing, sales, service, and support within the organization.

Methodology

Research Design: The survey research design and snowball technique were used because survey is relatively easy to administer and can be developed in less time, while snowball technique is appropriate especially when total population is not known. This study therefore was able to generalize the findings to all the Nigerian banks.

Sampling Technique and Sample Size: Zenith Bank was selected through purposive method. Judgmental sampling technique was also used to select Head of Operation, Accountant, Auditor, and Branch Manager from its 35 branches in Lagos metropolis, Nigeria, totaling 140 respondents as a sample size for the study. The choice of Zenith bank Plc is based on the fact that is officially Nigeria's largest bank by Customer Deposit. In its 2017 annual report and first quarter 2018 interim report released by the company, it reported that its total customer deposits are now a whopping N3.396 trillion as at end of March 2018.

Data collection Instrument: The data collection instruments for the study were structured questionnaires that comprised of Customer Involvement Questionnaire (CUIQ), Long-term Relationships with Customers Questionnaire (LRCQ), Joint Problem-Solving Questionnaire (JPSQ), Information Sharing Questionnaire (INSQ), Customer satisfaction Questionnaire

(CUSQ), Deposit Mobilization Questionnaire (DEMQ) and Profit Level Questionnaire (PRLQ).
The scales were developed and validated by the researchers for the study.

Data analysis: Multiple regression analysis, Ordinary Least Square (OLS) method of estimation
was employed to analyze the data.

Measurement

Many scholars still debate over what should exactly constitute CRM dimensions. For example,
Lin et al. [21] see that the CRM dimensions represent information sharing, customers'
involvement, long-term relationships with customers, and joint problem-solving. In another
study, Soliman [19] classifies CRM dimensions into focus on main customers, the organizational
efficiency, and customer knowledge management. In a similar study, Sadek, Youssef, Ghoneim
and Tantawy [22] argue that CRM dimensions represent key customer focus, CRM
organizations, Knowledge management and technology - based CRM. This study therefore
focuses on four dimensions of CRM cited by Lin et al. [21], namely, (information sharing,
customers' involvement, long-term relationships with customers, and joint problem-solving,
because these dimensions have been widely used to measure CRM in advanced countries which
enable the banks to analyze the customer profiles, to direct their needs to the potential
profitability areas and establish the necessary actions to achieve customer satisfaction, deposit
mobilization, competitive advantage and thus the profitability.

Mathematically, CRM is measured by Customers' Involvement (CUI), Long-term
Relationships with Customers (LRC), Joint Problem-Solving (JPS) and Information Sharing
(INS) while performance is measured by Customer Satisfaction (CUS), Deposit Mobilization
(DEM) and Profit level (PRL).

Therefore;

Model I:

Customer Satisfaction (CUS) = f (Customers' Involvement, Long-term Relationships with Customers, Joint Problem-Solving, Information Sharing)

$$\text{CUS} = \beta_0 + \beta_1 \text{CUI} + \beta_2 \text{LRC} + \beta_3 \text{JPS} + \beta_4 \text{INS} + \mu_i$$

Model II:

Deposit Mobilization (DEM) = f (Customers' Involvement, Long-term Relationships with Customers, Joint Problem-Solving, Information Sharing).

$$\text{DEM} = \beta_0 + \beta_1 \text{CUI} + \beta_2 \text{LRC} + \beta_3 \text{JPS} + \beta_4 \text{INS} + \mu_{ii}$$

Model III:

Profit level (PRL) = f (Customers' Involvement, Long-term Relationships with Customers, Joint Problem-Solving, Information Sharing).

$$\text{PRL} = \beta_0 + \beta_1 \text{CUI} + \beta_2 \text{LRC} + \beta_3 \text{JPS} + \beta_4 \text{INS} + \mu_{iii}$$

β_0 = intercept

$\beta_1 - \beta_4$ = Regression coefficient of the independent variables

μ_i = Stochastic error term

Data Analysis, Results and Discussion

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

Table 3 depicts that CRM dimensions jointly influence profit level with R^2 value of 0.089. This implies that CRM dimensions jointly contribute 8.90% to profit level. The F-statistic of 3.301 indicates that the overall regression plane is statistically significant. Furthermore, customer involvement ($t = 2.351$; $P < .05$), long-term relationship with customer ($t = 1.448$; $P < .05$), joint problem-solving ($t = 2.128$; $P < .05$) and information sharing ($t = 2.433$; $P < .05$) were independently and significantly influence profit level. This implies that CRM dimensions are major determinants of bank profit level. This study is in line with Saka, Elegunde and Lawal [20] who confirm that CRM helps in increasing banks profitability and enhances improvement in banks market share. In another study, Soliman [19] explores the theoretical foundations of customer relationship management and its relationship to the marketing performance from the several perspectives. The study findings concluded positive relationship between CRM and performance.

Conclusion

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 therefore examined the influence of CRM dimensions on banks' performance with specific reference to Zenith bank Plc. Specifically the study examined the influence of CRM dimensions on customer satisfaction, deposit mobilization and bank profitability. The study established 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. This implies that Zenith bank's CRM strategies are designed and implemented with the specific aim of maximising

customer satisfaction. The study also confirmed that CRM strategies employed by Zenith bank has tremendously helped its deposit mobilization and profit level.

The study is consistent with Ogbadu and Usman [8] and Saka, Elegunde and Lawal [20] that CRM strategies are major determinants of Bank performance. The study therefore concluded that CRM dimensions were major predictors of bank performance in Nigerian banks. The implication of this finding is that distressed syndrome facing Nigerian banks can be surmounted by effective implementation of CRM strategies.

Recommendations

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

1. Nigerian banks should encourages their customers to get involved in the process of defining service targets and standards.
2. Nigerian banks should regularly analyze customer complaints and the information they get should be used in the process of strategy development.
3. 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.
4. Management of Nigerian banks should employ technological capability and innovative processes to meet our customers' expectations.

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