

Customer Relationship Management Models for Small and Medium Enterprises in Nigeria

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Abstract: *The need to maintain existing customers as linked to expanding business is paramount in the economy and organizations of today, a base for this would be the cost of acquiring a new customer which is higher than maintaining an existing one. The easiest way to achieve this is by customer relationship management (CRM). According to [2], CRM system is an information system that is meant to tract customer's interactions with the company or enterprise and to enable the organization's employees to have access to the customer's past and present records as well as response to the customer's complaints and perceived wants. CRM as a system has many benefits to the firm or organization that implement it. Small and Medium Enterprises (SMEs) on the other hand are basically companies that hire less than 250 employees or there about, although the specification varies from countries to countries but the general ideal lies on the population of workers in the organization's establishment. This work attempts to propose a framework for adoption by Nigeria SMES for design of CRM model.*

Key Words: *Customer Relationship Management, Small and Medium Enterprises, Model, Nigeria*

1. INTRODUCTION

The marketing mainstream has change as a result of market economies and basically for the purpose of customer retention which is evident as a result of globalization of businesses. There is a shift from the long-term relationship benefits from enterprises to the benefits accruing from the customer relationships [22]. As a result of this, companies or businesses are no longer focusing on the long-term benefits usually from enterprises but have adopted ways or means that will enable them manage the relationships that exist between them and their customers.

Retaining the company's existing customers is more profitable other than attracting the new ones. As a result of this, different relationships marketing has been classified according to the customer preferences, needs, price sensitivity and buying behavior which are customer's characteristics in the marketing relationships [11].

Over the past few years, there has been a shift or change in the marketing thoughts and practices from mass marketing to market segmentation, and from market segmentation to niche marketing, from niche marketing to micro marketing, from micro marketing to mass customization and personalization. The marketing thoughts and efforts in the twenty-first century are driving companies to focus on smaller groups of customers as their target market. The forces arising from the competitive international economy are giving rise to building a valuable customer relationship by enterprises or businesses [29].

Nigeria as a developing country have some problems or obstacles confronting SMEs, some of which include; inadequate access to credit particularly on moderate terms which has affected the growth of SMEs negatively in the country. Nevertheless, the decision-making skills, sound management and accounting practices seem to be little with SMEs operators in Nigeria. The changes in the information technology specifically the rapid growth in the internet usage has pave way for the production capabilities improvement, provide opportunities and above all fuel competition in the marketing environment [30].

One of the main principles of relationship marketing is orientation to a customer, i.e. detection of customers' needs, appropriate reaction to them and their preservation because to attract new customers is more expensive. Relationship principles should be applied where expenditure of

customers' draft and preservation can be precisely identified. It can present valuable information about the expenditure of service use (buying) experienced by customers, changes of customers' number, and changes of each customer's service application [36].

The model for a strategic implementation of CRM is basically to create, develop and enhance relationships with customers in order to maximize value, profit and shareholder value as stated by [17]. The reason behind this is to maximize customer interaction with the enterprise or company which will in turn leads to customer satisfaction, loyalty and at all increase the firm's profitability [12]. The rest of the section discussed the concept of CRM model and the series of steps involve in the design of CRM model.

2. LITERATURE REVIEW

According to [3], the role of small and medium enterprises is very important to the development and growth of any given economy. Small and medium enterprises will ensure efficient use of resources, employment creation, mobilization of domestic saving and investment.

Analysis has shown that most SMEs particularly in Nigeria collapse within their first five years of existence. It was also evidence that smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent of young companies survive, thrive and grow to maturity. Many factors have been identified as likely contributing factors to the premature death of such SMEs. Key among this include insufficient capital, non-implementation of Customer Relationship Management (CRM), no or lack of CRM models for her SMEs, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of (good roads, water etc), lack of business strategy, inability to separate business and family or personal finances, lack of proper records, lack of proper book keeping, irregular power supply, inability to distinguish between revenue and profit, inability to engage or employ the right caliber staff, cut-throat competition [7].

Constant changes in the market, development of service market sphere as well as limitation of traditional marketing conception (it does not analyze how to sustain long-term relationship with customers and other participants of the market) were the premises for the formation of a new marketing paradigm. As the market relationship changed from the normal traditional forms to the use of technology to ascertain into long-term relationship with suppliers, customers, competitors and other participants of the market were searched for. The support of long-term relationship becomes a central axis of marketing, and the literature analyzing relationship marketing points out that customers make the greatest influence upon marketing solutions. Marketing is not any longer perceived as business activity system including only the projection and creation of goods and services meeting customers' wishes, price-fixing and support as well as distribution in the markets. It is a more complicated process, which emphasizes not only marketing mix elements, but also maintenance, support and strengthening of relationship with other market participants [5].

[27], acknowledge that, businesses success depends on the response and the purchasing power of the customers. This can be achieved if there is a relationship with the customers. The distance between the customer and companies in terms of interactions and information retrieval seem to be long, the only system that shortens this distance is the CRM. The mobile business, electronic business in the CRM systems has done a lot in this regard, existing customers are been controlled by just a call in a business traction and the online purchase today's business environment is at an alarming rate where existing customers need not go shopping, as available transaction are done on computer system. The gathering of necessary information, responses of customer's need and wants in a short time and the maximization of abilities to showcase with customer interaction.

What appears to our minds immediately when CRM is called is the technology that enables the company in the areas of marketing sales and that which has improve customer relationship in the transaction of business and how customers are retained through application of technology in such businesses. [15], pointed out that, CRM is not what is explained above, but is that strategic process that enables the company to study and understands customer's perceived preference which is categorized by satisfaction, loyalty, right time supply, and so on. According to [11], CRM is not a concept that is really new but rather due to current development and advances in information and enterprises software technology which has assumed practical importance.

[28], stated that, it would have been of no need in the implementation of CRM if customer's behavioral abilities and habits in terms of purchasing power, preference, loyalty and the way they want to be retained are the same. The call for CRM implementation in today's business environment is as a result of customers been naturally, traditionally or otherwise in their marketing or relational

capabilities. Nevertheless, the competitive edge in the business environment today has call for the strategic CRM model in our SMEs.

According to [26], CRM is a system that is used for communication with the customers and is integrated with so many departments. Marketing departments in organizations that make one to one communication with the aid of call centers are regarded as departments that are CRM enables.

[24], viewed CRM in terms of information Technology (IT). He stated that, the incorporation of data warehouse, phone support system, the website, accounting, sales, intranet and extranet, marketing and many others as departments that are technologically enabled and exhibits certain functions that enable the employees to track customer records and create an interaction that is more personal is termed CRM system. The argument that CRM system does not concern with only technology involvement is from [20]. They stated that CRM comprises of so many departments and when it is strategically implemented, it drives customer towards achieving a stronger relationship with the company.

3. COMPONENTS OF CRM MODEL

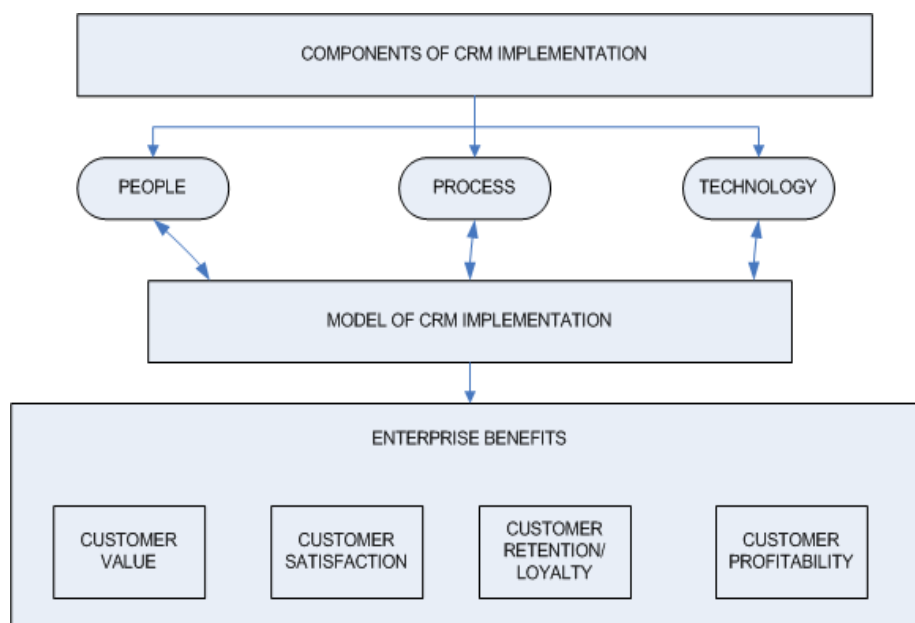


Fig1. A Simple Model for CRM Implementation in SMEs in Nigeria

3.1 People

People here are the individual employees who are the major building blocks of Customer Relationship Management (CRM). Peoples in the company comprises of the Human beings generally. Particularly, people are the individual employees who are the bottleneck in an organizational set up. People are needed to be recruited, motivated by the organization or company for a successful implementation of CRM system in such companies or organizations [21]. According to [11], people at the top management level are mostly considered as the ones to contribute to the success of CRM in any organization. He further stated that the team work which comprises of people from departments such as information technology, marketing sales, manufacturing, customer service are the major key areas to consider when implementing CRM and if managed strategically will add value to the company. They said that, people employees should undergo a training program that will enhance their skills and knowledge in order to modify and facilitate their rewards.

3.2 Business process

[23], regard business process as a collection of a well defined activities of the company that brings together a desired business outcome or a group of activities that manipulate human resources of the organization in a well desired and preferred output. [18], affirmed that, process as a component of CRM implementation is consider to be a vital key in the implementation of CRM as most of the company's activities are integrated by processes. The organization or company can only experience a speed-up in the development and progress in terms of managing customers if the processes involved are updated frequently or there is a frequent replacement of out-of-line processes. In Small and Medium Enterprises (SMEs) where sales and marketing involves people, processes are often difficult

to implement and manage formally. Nonetheless, the consistent management of such processes base on marketing, customer profitability, lifetime value, retention and satisfaction created through SMEs business management processes, they are essential to all areas of CRM [25].

3.3 Technology

CRM to some people or organizations is synonymous to information technology (IT). According to [14], information technology is viewed as an enabler to make companies re-engineer their business processes and can enhance the company performances.

[1], pointed out that, with a good CRM application in business organization, products and service delivery to customers and the communication involved in CRM enable the organization response to the customer on time, be able to interpret the customer behavior and so on.

[10] affirmed that, viewing technology in the small and medium enterprises (SMEs) business perspective, technology is the major tool used in the identification of most valuable customers. According to him, technology also helps in the equipment of available, timely, accurate, and or relevant information about the customer which enable the company to identify the right customers and employees that will be selected to deal with them.

4. BENEFITS OF CUSTOMER RELATIONSHIP MANAGEMENT

CRM as a system has many benefits to the firm or organization that implement it. [4] observed that, CRM system assist the company to evaluate customer behavior thereby making it to have a complete knowledge about the customer profitability based on how frequent the purchases done by the customers. He further stated that CRM in an organization help in the storing, maintaining and distribution of customer knowledge.

[16], said that CRM is beneficial to the company when it comes to the identification of tapped and untapped potential customer, the customers that are worthwhile and can be used as a strategic resource against their competitors, and the more profitable customers are mostly identified by the help of a CRM system. According to [19], CRM is important in the area of purchases, it helps the organization to entice customer for more purchase of company's products, easy and free communication with their customers, enable the company to make customer stay loyalty for a longer period of time and most importantly assist in satisfying customers through the location and distribution of right people according to their skills at the due time.

Some of the benefits of customer relationship management according to [33] are stated below:

1. *Customer recruitment cost:* Since customer relationship management deals with only the existing customers as considered in this research work, the cost of recruiting new customers is reduced. Hence the money that would have spent in mailing customers, advertisement in marketing sector, fulfillment service and contact are saved for other purposes.
2. The need to acquire many customers to maintain a steady volume of business does not arise as there are customers that have stayed loyal to the company and are satisfied with the products and services of the company and can actually increase by inviting friends and associate to the company.
3. *Low cost of sales:* The cost that would have been spent for advertisement, campaigns in marketing goods and services is reduced as the customer concerns are been track by the CRM system.
4. *Increase in retention and stay loyalty of customers:* One of the major objectives of implementing CRM is to enhance customer retention and loyalty. Retention and loyalty of customer is observed by how long the customer has stay with a particular company, his/her frequent purchase of the company products.
5. *Profit:* One of the reasons of CRM implementation is to be able to identify the more profitable customers. CRM helps in the evaluation of customer profitability. Basically, most companies would like to be identified with customers that add profit to the company and would like to maintain a cordial relationship with them in order not to let them go.

[12], observed that, company's drive to the implementation of CRM is as a result of the technological advances and the change in technology in our business environment today. Or it may be that, their competitors are into implementation of CRM, and would like to also go into the CRM implementation in order not to lose their customers to their competitors. He observed CRM as being the easiest and quick system of transacting business to customers. He said that, in an industrial setting, more than 10 physical calls are made for business traction with a new customer, whereas one or at most two calls are made for business transaction with the existing customers. He lamented that, it is quite expensive

to acquire a new web customer in the business, whereas less or no expenses in maintaining already existing customers. He cited an example that, it cost about \$7.20 to market to old web customers, whereas about \$38 is spent to do same to a new web customer. Some of the benefits as perceived by other authors include:

A) Customer Value:

[6], defined customer value as what customer prefer in terms of products and services offered, the customer requirements that instigate the company to move in the production of quality products that will enable them to compete with other companies. The reliability, security involved in transaction of business through CRM, efficiency, communication as well as quality control service monitoring, improves the customer service of a company.

b) Customer satisfaction:

According to [23], satisfaction is when the person's expectations or requirements are met. He further lamented that, when customer's purchase are more frequent, there is an indication that customer satisfaction has achieved. [34], said that when existing customers are satisfied with the company's products and services, it can generate profit for the company through the sale of company's products in a large quantity. Satisfaction can make the customer by way of communication with their friends and associates bring more customers to the company. When customers are satisfied with the company's service their purchasing power increases which can enable them to gain advantage over their competitors. [31], acknowledge that, it is important to measure customer satisfaction regularly through survey to affirm the level of satisfaction of the customers. This is because, most of the business organization may think they are getting a sense of customer satisfaction through customer complaints not knowing that, 95 percent or there about of the customers who are dissatisfied do not make any complain before leaving such firms or businesses. Therefore, it is quite important for firms to assure the customer dissatisfaction complaints.

5. COMPONENTS OF THE PROPOSED CRM MODEL

Traditional marketing strategies are usually focused on the four Ps (price, product, promotion, and place) to increase market share. The main concern usually was to increase the volume of transactions between seller and buyer [35]. Volume of transactions is considered a good measure of the performance of marketing strategies and tactics.

CRM is a business strategy that goes beyond increasing transaction volume. Its objectives are to increase profitability, revenue, and customer satisfaction. To achieve CRM, a companywide set of tools, technologies, and procedures promote the relationship with the customer to increase sales. [32] Thus, CRM is primarily a strategic business and process issue rather than a technical issue. The proposed CRM for Nigeria SMEs consists of three components:

1. customer,
2. relationship, and
3. management

This CRM model tries to achieve a 'single integrated view of customers' and a customer centric approach.

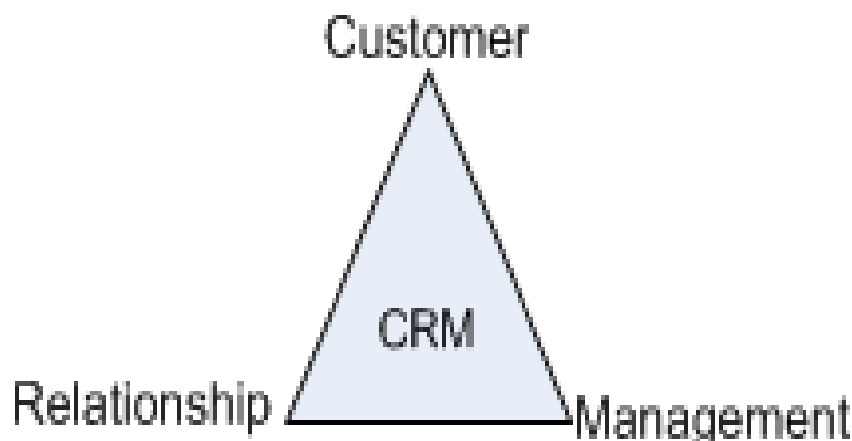


Fig2. Components of the proposed CRM

6. METHODOLOGICAL STEPS FOR THE DESIGN OF THE PROPOSED CRM MODEL



Fig3. *Methodological Steps*

- **Business Objective:** should be able to state (and quantify the benefits) of the business drivers for CRM.
- **Define Process:** Define the business processes that will be created, modified or deleted as a result of the business drivers. For instance, a company that wants to individualize communications with its customers knows that it will define new processes that trigger communications events.
- **Define Required Information:** Define the necessary information required in the customer data store
- **Define CRM requirement:** Define the CRM requirement to achieve the stated business drives.
- **Define Strategies for the requirements:** Define strategies for addressing the set of CRM requirements.
- **Document Strategy:** Document the CRM initiative as you step through these processes - from business drivers, to business process impact, to information requirements, to requirements for system or technology enablers. The documentation of the strategy will make it easier to refine if business drivers change along the way. Document the CRM initiative as you step through this process - from business drivers, to business process impact, to information requirements, to requirements for system or technology enablers. The documentation of the strategy will make it easier to refine if business drivers change along the way.

6.1 Defining the content of the customer information

Organizations may have different requirements for the content of the Enterprise Customer database, and some of these requirements may be industry-specific or driven by the nature of the competitive market in a given industry. However, there are certain components of the Enterprise Customer database that represent generic types of customer information across all industries as show in figure 4 below.

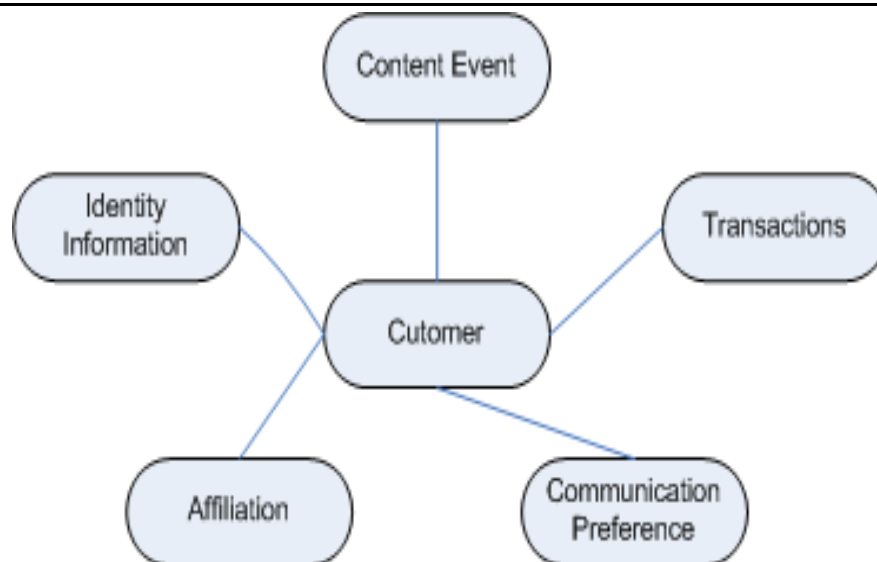


Fig4. Content of the customer database

From the diagram above, every customer is associated with Identity Information, Household or Company Affiliation, Communication Preferences, Transactions, and Contact Events.

• Identity Information

Every customer must have identity information associated with it. This information includes things such as name(s), addresses, telephone numbers, email addresses, and the like. Identity information is often used to establish that this is a unique and specific customer to the business.

• Household or Company Affiliation

Businesses whose customers are individual consumers often group such individuals into households where further analysis can be conducted to recognize, understand, and use household preferences as a means to develop both household segmentation and stronger individual relationships. Businesses whose customers are other businesses often require an understanding of how their customers are affiliated with other business entities (i.e., subsidiary, partner, investor, parent company, etc.) to develop more effective customer relationships [8].

• Communication Preferences

Customers often have opportunities to indicate their preferences regarding the means by which a company communicates with them, as well as the types of messages they choose to receive.

• Transactions

Transactions are specific events that link the customer to your business. Specific transactions include purchases that indicate the beginning of a customer's ownership history for a specific product. In some companies, it's also important to keep track of when a customer sells or otherwise disposes the product.

• Contact Events

Contact events generally include both in-bound and out-bound communications with customers.

Marketing campaign solicitations and responses to customer requests for literature would be examples of out-bound communications. An e-mail query from a customer, or a call launched to the customer service center for a product warranty question, are examples of inbound communications. For CRM initiatives, it is essential that we manage contact event information and make it available to any functional activity that interacts with the customer. There is nothing annoying as calling to follow-up on a complaint or query only to find out that there is nobody at the company that knows anything about that phone conversation you had with someone yesterday [9].

6.2 Integrating the customer Information (database)

Number one challenge of CRM strategies is the need to integrate customer information in the enterprise.

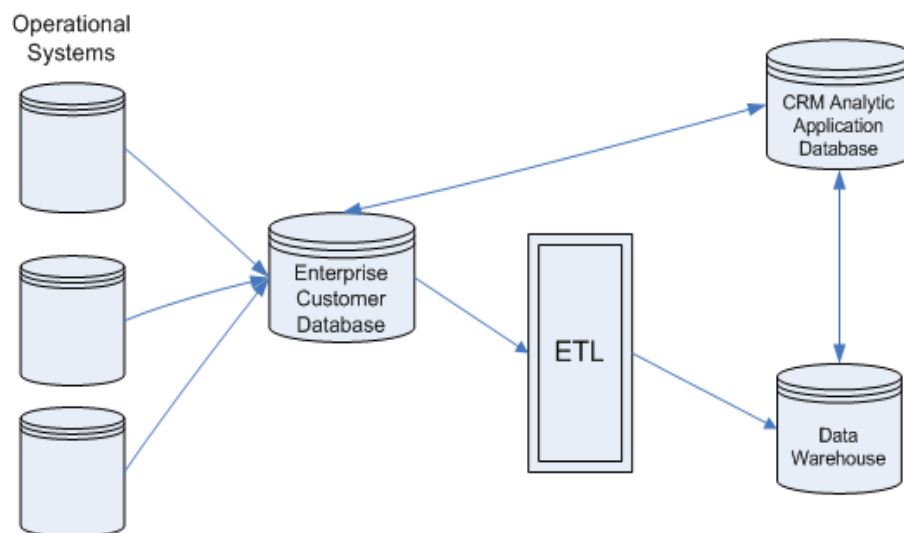


Fig5. *Integrated Customer Database*

7. CONCLUSIONS

The last several years saw the rise of Customer Relationship Management (abbreviated CRM) as an important business approach. Its objective is to return to the world of personal marketing. The concept itself is relatively simple. Rather than market to a mass of people or firms, market to each customer individually.

In this one-to-one approach, information about a customer (e.g., previous purchases, needs, and wants) is used to frame offers that are more likely to be accepted. This approach is made possible by advances in information technology.

There is great pressure these days for companies to create and extend efforts that improve the speed and optimize the costs for the adoption of new customer relationship management processes that provide competitive advantage. CRM models are increasingly viewed as a viable solution to help companies achieve customer satisfaction (and other) business objectives in a faster, less expensive fashion with minimized risk. The biggest challenge, however, lies in the ability to integrate multiple sources of customer information. The need to integrate customer information is addressed in the development of an Enterprise Customer database. The Enterprise Customer database is designed to provide CRM analytic applications with current-valued information about the customer to support operational activities that use and update customer data.

The objective of this work is to provide the Nigeria SMEs with enough information on how to define and develop effective CRM model using customer database. The paper also describes series of steps to be adopted by the Nigeria SMEs for designing the CRM model.

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