

CUSTOMER LOYALTY AND FIRMS PERFORMANCE OF SELECTED PLASTIC MANUFACTURING FIRMS IN SOUTH SOUTH, NIGERIA

Godwin Olai Ph.D. Mnim, Mcai
Department of Management, Faculty of Management Sciences Iaeue, Phc

Email; olai.godwin@iaeue.edu.ng, olaimbas@gmail.com

ABSTRACT

The study was to determine the effect of customers loyalty and firms performance of selected plastic manufacturing firms in South South Nigeria. The study used quantitative research design. the population of the study is one thousand two hundred and forty six (1246) (Extracted from the personnel units of the selected firms, 2018). The sample size was determined using Taro Yemeni as shown in Equation. The instrument for data collection was structured questionnaire. The questionnaire was designed in structured response format, such that, the respondents would be precise with their answers and also free to express their opinion. The questionnaire items were designed based on 5-point likert scale. Strongly agree (SA) = 5, Agree (A) = 4, Undecided (U) = 3, Disagree (D) = 2, Strongly Disagree (SD) = 1. The study shall employ multiple regression models. From the findings, the study logically concludes that customer satisfaction, customer loyalty as construct dimensions of customer relationship management will result in significant increase on performance and vice versa. The result also revealed that customer loyalty has positive and significant effect on performance therefore recommended that organizations especially, manufacturing firms should continue to explore the opportunities of institutionalizing customer relationship management strategies in retaining their profitable customers.

Keywords: Customer Loyalty, Customer Relationship Management, Firm Performance

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-knitting 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 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.

Research findings according to Maxwell (2016) have shown various studies on customer relationship management in many sectors in advanced economies. Yet, adequate attention has not been given to customer relationship management to have identified issues relating to attrition signal in the market, hence affects their performance.

Hypothesis

H₀₁: Customer loyalty has no significant effect on performance of selected plastic manufacturing firms in South South, Nigeria

Customer Loyalty

The term "loyalty" has its direct philological origin in old French word, however, its older linguistic roots comes from the Latin word "Fidelis" (Zott, Amit and Massa, 2010). In service domain, loyalty has been conceptualized in an extensive form such as "observed behaviors"; these behavioural expressions according to Roberts, (2015) relate to the perceived predisposition of individuals that determine their preference over a particular product. Largely, it is difficult to advance a universal definition of customer loyalty as it has been defined and measured in a myriad of ways. Customer loyalty is the response consumer's exhibit to products, services, etc., ((Grahame and Kathy, 2017). According to Jones and Sasser (2016), measurement of customer loyalty falls into three phases: willingness to repurchase, primary behaviour (transaction information) and secondary behaviour (tendency to recommend products and services).

Yang, Jun and Paterson (2014) also indicate that loyal customers have the propensity to shun searching, locating, and evaluating competing products; which predispose them to be loyal to a particular organization. Therefore, a loyal customer is one who holds a favourable attitude toward the organization, recommends the firm to other consumers and displays consistent repurchase behaviour (Dimitriades, 2016). Customer loyalty is a dedication on the part of the buyer to uphold a relationship and a commitment to buy the product or service repeatedly. Therefore, loyalty

encompasses a behavioral element which suggests a repurchase plan but also comprises an attitudinal constituent which is based on preferences and impression of the customers (Sheth and Mittal, 2014). However, some scholars support the view of customer loyalty from three perspectives: behavioural loyalty, attitudinal loyalty, and a composite approach of behavioural and attitudinal loyalty (Jones and Sasser, 2016). Loyalty status at any point is influenced by diverse factors collectively referred to as loyalty supporting and repressing factors. Loyalty-supporting factors are those components (customer satisfaction, commitment etc.) that work to sustain or enhance customer loyalty (Sheth and Mittal, 2014). Loyalty repressing factors, on the other hand, decrease customer loyalty status by causing disloyal behaviour. These factors include, poor product quality, failure to keep to service promises, poor company reputation, and poor response to service failure among others (Sheth and Mittal, 2014).

In the same vein, Roberts, (2015) argues that customer loyalty is a willful, voluntary, repeated choice on a specific product by a customer. It is the result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product or services (Micheal, 2016). Customer loyalty is both an attitudinal and behavioral tendency to favor one product over all others, whether due to satisfaction with the product or service, its convenience or performance, or simply familiarity and comfort with the product. This is measured with potential customers that have switched their loyalty to a particular product over a period of time.

Teece (2018) sees loyalty as "a deeply held commitment to rebuild and re-patronize a preferred product or service in the future despite situational influences and other psychological factors having the potential to cause switching behaviors. "Customer loyalty is viewed as the strength of the relationship between an individual's relative attitude and re-patronage. Although customer satisfaction is a crucial part of a business, satisfaction alone cannot take a business to a top level. Customer satisfaction produces a positive financial result, especially in regular purchases. Today's unforgiving market where creating and maintaining customer loyalty is more complex than it used to be in the past years. This is because of technological breakthrough and widespread of the internet uses. Loyalty building requires the company to focus the value of its product and services and to show that it is interested to fulfill the desire or build the relationship with customers (Griffin 2002.). Thomas and Tobe (2016) emphasize that "loyalty is more profitable." The expenses to gain a new customer is much more than retaining existing one. Loyal customers will encourage others to buy from you and think more than twice before changing their mind to buy other services.

Customer loyalty is not gained by an accident; they are constructed through the sourcing and design decisions. Designing for customer loyalty requires customer-centered approaches that recognize the want and interest of service receiver. Customer loyalty is built over time across multiple transactions. A relationship with a customer is equally important in customer loyalty and this requires that company work in a broader context that extends beyond itself, as no company can be world class at everything (Tobe, 2016). Glown (2015) divided customer loyalty into three different categories that include behavior loyalty, intentional loyalty, and emotional loyalty. Behavior loyalty is repeating purchasing behavior while intentional loyalty is the possible buying intention. Emotional loyalty, however, is achieved when a customer feels that a brand corresponds with their value, ideas, and passion.

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 off 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

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 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.

Research Design

The study used quantitative research design. The research design attempted to build mathematical models that captured the relationship between variables.

Area of the Study

The area of the study covered the operations management of the six (6) selected plastic manufacturing firms as it relates to their customer relationship management. The area geographically is located in the South South geo-political Zone in Nigeria.

Population of the Study

Population of the study consisted of managers such as supervisors, marketing managers, operations managers, machine operators, accountants, scheduling officers, quality control officers and Junior staff members are made up of plant operators, clerical assistants, store keepers, computer typist of the selected firms in South South, Nigeria. Therefore, the population of the study is one thousand two hundred and forty six (1246) (Extracted from the personnel units of the selected firms, 2018).

Sampling Technique

The study employed simple random sampling such that every staff of the selected plastic manufacturing firms in South South, Nigeria that formed the population of the study has equal chance of inclusion or representation in the sample.

Analytical Procedures

The study shall employ multiple regression models. The study shall also conduct preliminary diagnostic tests via descriptive statistics, correlation and Autocorrelation test (Durbin-Watson),. Conducting these tests is to ensure that the study satisfied the conditions of regression analysis.

Test of Hypothesis Three

H₀₁: Customer loyalty has no significant effect on performance of selected plastic manufacturing firms in South South, Nigeria.

H_{a1}: Customer loyalty has a significant effect on performance of selected plastic manufacturing firms in South South, Nigeria

Relying on the regression results in Table above, the computed p-value (0.023) is lesser than the α level of 0.05 ($0.0023 < 0.05$), the study rejects the null hypothesis that customer loyalty has no significant effect on performance of selected plastic manufacturing firms in South South, Nigeria and accepted its alternate that customer loyalty has a significant effect on performance of selected plastic manufacturing firms in South South, Nigeria.

Discussion on customer loyalty and performance

The result of hypothesis three as presented in Table 11 showed the coefficient of customer loyalty of 2.0541 and its standard error of 0.0506. The result of the coefficient of implies that any unit increase of customer loyalty on firm's products result to a significant increase by 2% on their performance. This, however, revealed that customer loyalty has a significant and positive effect on performance of selected plastic firms in South South, Nigeria as showed by the result of the t-probability (0.0023). The same result was confirmed given the result of the standard error of 0.0506 which was also smaller than half of the coefficient term suggesting that customer loyalty has a significant affects on performance. This is because customer loyalty account for those customers that pay their patronage to firms products. In other words, the more firm records high customer loyalty on their products, it has a direct multiplier-effect on their performance.

On the other hand, the result showed that the p-value 0.023 was lesser than α level of 0.05, which led to the acceptance of alternate hypothesis and the rejection of null hypothesis. This finding is consistent with the findings of Clave (2015) who found that customer loyalty is a critical in driving high performing organizations.

CONCLUSION

From the findings, the study logically concludes that customer relationship management has a significant and positive effect on performance of the selected plastic manufacturing firms in the South South, Nigeria. This positive effect of this relationship points to the fact that an increase in

customer acquisition, customer satisfaction, customer loyalty and customer retention as construct dimensions of customer relationship management will result in significant increase on performance and vice versa. The study, however, provided empirical evidence that organization especially manufacturing firms should pay adequate attention on issues relating to customer relationship management because any unit increase on any of the measuring variables will bring about a significant increase on performance. However, the result of the study points to the fact that customer relationship management is critical to the attainment of organizational goals because customer acquired is an assets to that firm in the light of the competitive nature of business environment.

RECOMMENDATIONS

The followings are the recommendations:

- i) The management of these plastic manufacturing firms should continue to tap into the opportunities of customer acquisition programmes in attracting potential customers for the desired firm performance. They could do this by improving on their delivery services to their customers, price reduction strategy, product quality improvement etc., this customer acquisition strategies are intended to help these organizations not only to acquire new customers but to retain them in the long-run.
- ii) The result of the findings showed that customer satisfaction has a positive and significant effect on performance and therefore recommended that these firms should continue to in-built quality specifications on their products that meet customers' expectations in terms of reliability, taste and durability to engender their satisfaction on their products. This is imperative because a satisfied customer is likely to attract more customers to the organization.
- iii) 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.
- iv) The result also revealed that customer retention has positive and significant effect on performance therefore recommended that organizations especially manufacturing firms should continue to explore the opportunities of institutionalizing customer relationship management strategies in retaining their profitable customers. This is because the more their customers are retained; the likelihood that firms performance would be sustained in the long-run.

REFERENCES

- Alemu, M.K. and Zewdu, L.T.(2018), The effect of customer relationship management on bank performance: In context of commercial banks in Amhara region, Ethiopia. *Kebede and Tegegne, cogent business and management, 5(1):1-9.*
- Deruth, K.E.(2013). Customer Relationship Management. 3rd Edition, New-Delhi: Bough Press
- Dimitriades, F.G.(2016). Managing Customers Profitably. USA: Prentice hall
- Drill, H.E. (2017). Evaluation of divergent perspectives on customer relationship management on firm's performance. *Academy of management executive 6(7),328-332.*

- Glown, K.L.(2015). Managing customer loyalty through CRM. New-York: McGraw-Hill
- Grahame, H. and Katty, F.P. (2017). The Elasticity of Customer Value to Retention: The Duration of a Customer Relationship," *Journal of Interactive Marketing, 18 (2):-20–31.*
- Griffin, H.T.(2002). Maintaining profitable customers through customer relationship management. Boston: Bough press.
- Jerill, G.H. (2013); The Role of Small Business in Economic Growth and Poverty Alleviation in West Virginai" An Empirical Analysis Research Paper 2004-10.
- Maxwell, G.H. (2016). Enhancing long-term customer relationship through CRM approaches. Lagos: Tolu publications.
- Micheal, T.E. (2018). Effective implementation of customer relationship management a key for customer retention. *Journal of Business Education and management, 6(2),272-283.*
- Nerlin, F.D. (2016). Customer Relationship Management. USA: McGraw-Hill Companies.
- Nilanjan, S.; Mousumi, S. B. and Sengupta, R.N. (2012). Managing change in organizations. New Delhi: PHL learning private Limited.
- Nuah, G.H. (2010), Performance Management. 3rd Edition, New York: Bruce Press
- Nwekpa, K.C.; Ewans, C. and Agha, N. (2017). Customer relationship management and performance in the paint Industry: A study of selected paint manufacturing firms in Lagos State, Nigeria. *International Journal of Development and management review, 12(1), 184-192.*
- Okeke, M. A. (2016). Effects of customer relationship management on performance of selected airlines operating in Akanu Ibiam International Airport in Enugu State, Nigeria. A paper present in the Department of Business Management, Faculty of Business Management, University of Nigeria, Enugu Campus.
- Rana, S.H.; Aneeb, N.; Lashari, M.N. and Farecha, Z.(2015). Effects of customer relationship management on customer satisfaction in Lahore, Pakistan. 2nd Global conference on business economics, management and tourism. *Procedia economics and finance 23(12):563-567.*
- Robert, T.R. (2015). Knowledge management capabilities in customer relationship management. Boston: John Wiley & Sons
- Salihu, N. and Yychroda, K.L.(2016). Customer relationship management and its implication on business sustainability of Textile firms in Morocco. *Journal of sustainability development, 3(2):301-315.*
- Shroulder, C. A. (2015). Impacts customer relationship management on performance of selected manufacturing firms in Malawi. *Construction Management and Economics, 35(3), 287– 315.*

- Shita, H.T.(2017). Achieving competitive advantage through customer relationship management practices. *Journal of technology and innovation, 6(4):301-325.*
- Teece, K.L.(2018). Customer relationship management. Boston: Harvard Business School Press
- Thomas, F. and Tobe, D.(2016). The effect of customer relationship management on customer retention. *Journal of business education and innovation, 5(4):451-265.*
- Veer, S.R. (2015), Performance Management. A key for improve performance measurements in organizations. New Delhi: Bough Press.
- Yang, R., Jun, S.T. and Paterson, K. (2014). Differentiate a satisfied customer from a loyal one, New York: prentice hall.