

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

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ABSTRACT

The study was to determine the effect of customer retention and firm 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 Yemini 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 relationship management has a significant and positive effect on performance of the selected plastic manufacturing firms in the South South, Nigeria. 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 firm performance would be sustained in the long-run.

Keywords: Customer Retention, Customer Relationship Management, Firm Performance

INTRODUCTION

Sustaining improved performance succinctly lies on how effective manufacturing firms strategically relate with their customers in delivering quality products through customer relationship management. Research findings according to Silker, Hills and David (2015) have shown that effective implementation of customer relationship management has the potentiality of addressing problems relating to customer complaints, decline of potential customers, decrease in volume of business and customer defection to products of competing firms in the industry. From observation, there is apparent decline on the performance of these firms resulting from ineffective implementation of customer relationship management. These firms make little or no efforts in relating to their customers to have identified their complaints on products to forestall the growing incidence of attrition signals in the market. These plastic firms (Ace Toy Company Limited, Quality Plastic Company, Cyncarl Plastic Company Limited, Austin Laz Plastic Firm, Basabin Plastic Limited and Micheal's Plastic Firm) in South South, Nigeria have relegated the operations of customer relationship management at the mercy of factory workers who have neither acquired the prerequisite skills nor business intelligence analytical capabilities for effective implementation of customer relationship management to have identified attrition signals

among their potential customers, as a result, customer acquisition is hampered due to increasing number of complaints on products. But the extent it has affected their performance is yet to be investigated, hence this study.

More so, these manufacturing firms' objective of improved performance is hampered because issues relating to customer complaints are not carefully handled and addressed effectively. The attrition signals are not recognized, as a result, customers are becoming more dissatisfied with firm's products. This situation, however, result to customers' disloyalty to their products, hence affects their performance. Therefore, how customers disloyalty on their products affect performance of these plastic manufacturing firms in the South South, Nigeria call for empirical investigation so as to ascertain its direction and magnitude.

Aside from the aforementioned factors, there is low level of customer retention which is driven by the extent of close-knit relationship these firms maintained with their customers. The apparent lax on nurturing their relationship heretofore could engender behaviour pathways on switching their loyalty to other products in the same industry. Customers are believed to be valued stakeholders to any purpose driven organizations and are seen as king, therefore when they are not retained, the performance of these firms would be questioned. The supposed effect of customer retention of these manufacturing firms in South South on business performance deserves to be empirically investigated to know the extent it has affected their performance, hence this study. It is against this backdrop that this study is designated to explore the effect of customer relationship management on performance of selected plastic manufacturing firms in South South, Nigeria.

Hypothesis

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

Customer Retention

Customer retention refers to the activities and actions organizations take to reduce the number of *customer* defections. The goal of *customer retention* programs is to help companies retain as many *customers* as possible, often through *customer* loyalty initiatives (Haggard, 2017). Customer retention is a process of keeping customers in the customer inventory for an unending period by producing customer-based products that meet their expectations (Jack and Smithen 2015). Customer retention rate is how well a company keeps its paying or potential customers over a period of time. Managing your *customer retention* rate is essentially vital in so far as improved organizational performance in concerned.

Customer retention usually is described in the context of behavioural intention to return to an organization and willingness to recommend the organization to others (Haggard, 2017). It refers to "customer's intention to repurchase a product from the firm (Morgan and Jeff, 2018). Customer retention is "customer's intention to stay loyal with the firm especially in the context of switching costs" (Edward and Sahadev, 2011). Customer retention is the inclination of the customers to stay with the firm in future. Customer retention refers to a long-term commitment on the part of the customer and the firm to maintain the relationship (Kell, 2017). This relationship must be such that both the firm and the customer must have a better understanding on the dynamisms of the business

environment in launching products that is customer-based in meeting the demands of the environment. To Chalse (2016) Customer retention refers to a customer engaging in a contract, either formal or informal, over a period of time, which includes repeated transactions. Therefore, retaining old customers costs less than acquiring new ones. However, Chalse (2016) identified unprofitable customers as those customers whose needs cannot be fulfilled by the company and therefore should not be retained.

Retention is achieved by good service and good relationships. .Primary aim of customer retention is to achieve zero defections from profitable customers (Chalse (2016). Customer retention has been found to have a significant and positive effect on firm's profitability and market share to a great extent. That is why Chalse (2016) maintained that customer satisfaction precedes retention. This is premised on the fact that a satisfied customer would always pay his/her loyalty to that firm. Most firms do regard customer satisfaction and customer retention as their business goals. Customer satisfaction has been found to affect customer retention but satisfaction may or may not lead to retention. Customer satisfaction for a company might increase while customer retention levels can remain same (Lowenstein, 2018).

Empirical studies according to Reichheld (2016) have shown that organizations that institutionalized customer retention strategies are more successful than the ones applying customer satisfaction strategies (Knox, 2018). From the manufacturing perspective, to retain customers, it is essential to improve the level of product quality and satisfaction among the customers. Reichheld (2016) said that to bulid a loyal customer base it is essential to build a loyal inventory of employees as well as investors both of which have the vision of maintaining long term relationships. To keep Employee morale and loyalty high, it is essential to maintain job satisfaction among them and reward them adequately whenever they achieve customer retention targets. Knox, (2018) observes that customers who glide into your arms for a minimal price discount are the same customers who dance away with someone else at the slightest enticement. Therefore, customer retention strategies must be aimed at only those customers who re-buy. This involves sending discount coupons to only few selected customers and designing special programs to attract such valuable customers. It is the employee attitude which determines whether the customer is satisfied and that they would be retained or not .It is the effort of the employees to create customer satisfaction and hence it's essential for them to effectively respond to customer needs (Cray, 2017).

Customer retention as seen by Salanova (2016) is the probability of the customers to return to organization and recommend the organization to others. However little is known about as to how employee attitude and experience affect customer satisfaction and retention That is why organizations are more likely to retain a customer by discovering some complaints about the products and then address them, than by assuming that the customer is satisfied. Satisfied and properly served customers are more likely to establish their loyalty with the firm as opposed to customers who are not satisfied (Salanova, 2016). However, Ghaun (2017) identified product quality, service quality, quantity discount, etc., as important factors for promoting customer retention and maintained that any manufacturing firm that wishes to retain its profitable customers should co-opt and entrench the aforementioned factors in retaining their customers. Meanwhile, the environment changes over-time and firms should align their operations to reflect the day-to-day business trends by improving on the quality of their products, services and other service oriented-activities such as delivery services, quantity discount and alike in knitting their close knitted

relationship with their respective customers. Such relationship according to Ghaun (2017) is sacrosanct in retaining customers.

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).

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.

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 One

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

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

Based on the result in Table above, the computed p-value (0.031) is greater than the α level of 0.05 ($0.3031 < 0.05$), which provided strong logical reason to rejects the null hypothesis that customer retention has no significant effect on performance of selected plastic manufacturing firms in South South, Nigeria and accepted it's the alternate hypothesis that customer retention has a significant effect on performance of selected plastic manufacturing firms in South South, Nigeria.

Discussion on customer retention and performance

The results in Table 11 showed the coefficient of customer retention of 3.0654 with the standard error of 0.1010. The result of the coefficient suggested that the more these firms continue to retain their customers; it will contribute significantly by 3% on performance of the selected plastic manufacturing firms. The result of the standard error was 0.1010 which was smaller than half of the coefficient suggesting that customer loyalty has significant affect on performance. This positive effect of the regression result implies that any customer retained by these firms is an asset to that firm. The implication of the foregoing is hedged on the fact that retaining potential customers are quintessential in driving high performing organizations. Every customer retained by a given firm is an asset, therefore is referred to as a king.

Aside from the estimated coefficient, the result showed the p-value of 0.030 which was smaller than α level of significance (0.05), which resulted to the acceptance of the alternate hypothesis and rejection of null hypothesis. This finding also agrees with the findings of Deril and Uruagy (2014) who found that customer relationship management wields a significant influence on customer retention.

CONCLUSION

From the findings, the study logically concludes that customer retention management has a significant and positive effect on performance of the selected plastic manufacturing firms in the South South, Nigeria. 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.

RECOMMENDATIONS

The followings are the recommendations:

- i) 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.
- ii) 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.

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