

CUSTOMER SERVICE MANAGEMENT PRACTICES AND BUSINESS EXPANSION OF SMALL AND MEDIUM-SIZED ENTERPRISES IN UGHELLI, DELTA STATE, NIGERIA

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ABSTRACT

This study examined whether customer service management (CSM) practices significantly influence the expansion of small and medium-sized enterprises (SMEs) in Ughelli, Delta State, Nigeria. Applying a descriptive survey research design with a sample of 200 SME owners and managers selected via simple random sampling, data were obtained through a structured, validated questionnaire and subjected to Pearson Product-Moment Correlation analysis. The study tested the null hypothesis that customer service management practices do not significantly influence SME expansion. Descriptive analysis revealed strong agreement among respondents that CSM practices drive multiple dimensions of business expansion, including customer satisfaction (Mean = 3.47), brand reputation (Mean = 3.44), customer loyalty (Mean = 3.44), repeat purchases (Mean = 3.42), and revenue growth (Mean = 3.40), with a high cluster mean of 3.35. The inferential analysis yielded $r = 0.768$ ($p = 0.000$), establishing a strong positive and statistically significant relationship between CSM practices and SME expansion, thereby rejecting the null hypothesis. The study concludes that systematic customer service management is a strategic imperative for SME expansion in Ughelli and recommends institutional support mechanisms to bridge the implementation gap.

Keywords: Customer Service Management, Business Expansion, SME Performance, Brand Reputation, Customer Loyalty, Nigeria

1. INTRODUCTION

Organizational sustainability and long-term success are increasingly predicated on the consistent delivery of quality, customer-focused services (Zeithaml & Bitner, 2018). In hypercompetitive business environments, enterprises that strategically invest in customer service excellence typically enjoy enhanced customer relationships, improved brand loyalty, and sustained business growth. Customer Relationship Management (CRM) has evolved into an indispensable strategic tool for achieving competitive advantage, enabling businesses to strengthen customer loyalty, optimize service delivery, and secure sustainable competitive positioning (Kotler & Keller, 2016).

Despite the demonstrated benefits of systematic customer service management, a significant proportion of SMEs in Nigeria have not fully integrated these practices into their operational frameworks (Olusegun, 2019; Chukwuemeka, 2021). Most enterprises continue to struggle with implementing structured customer service systems due to political interference, weak institutional frameworks, shortage of skilled human resources, inadequate financing, and insufficient technical capacity. In Ughelli, Delta State, many SMEs operate without clearly articulated customer service strategies, defined employee roles in customer management, or systematic approaches to customer engagement.

The specific question this study addresses is whether CSM practices—beyond individual strategies—exert a significant influence on the expansion trajectories of SMEs. Expansion is defined here as growth along multiple dimensions: market penetration, geographical reach

extension, product and service line diversification, and operational capacity growth. The study tests the following hypothesis:

H₀₂: Customer service management practices do not significantly influence the expansion of SMEs in Ughelli, Delta State.

2. LITERATURE REVIEW

2.1 Conceptual Framework: CSM and Enterprise Expansion

Customer service management practices encompass the systematic organizational routines, policies, and capabilities through which enterprises manage customer relationships and service delivery (Gummesson, 2017). Unlike individual strategies which represent discrete channel choices, CSM practices constitute integrated organizational capabilities that permeate all customer-facing functions. Day and Van den Bulte (2020) establish that superior CRM capabilities yield sustained competitive advantages that materialize as business expansion through customer base growth, market share gains, and enhanced operational capacity.

Zook and Allen (2013) identify customer loyalty as the most reliable predictor of sustained business expansion, arguing that enterprises with loyal customer bases enjoy stable revenue streams, positive word-of-mouth referrals, and reduced acquisition costs conditions that collectively enable expansion investment. Zineldin (2016) corroborates this position, demonstrating that the interplay between CRM quality, customer loyalty, and retention generates a virtuous cycle of business expansion.

2.2 CSM Practices and SME Growth Dimensions

The empirical literature consistently identifies multiple pathways through which CSM practices drive SME expansion. Customer satisfaction improvement constitutes the foundational mechanism: satisfied customers exhibit higher purchase frequency, greater willingness to pay premium prices, and stronger advocacy behavior, all of which fuel revenue growth and market expansion (Kim & Lee, 2016; Parasuraman, 2015).

Brand reputation represents a second critical pathway. Kotler and Keller (2016) demonstrate that brand equity which is the differential value attributable to brand strength does functions as an expansion multiplier, reducing market entry costs in new geographic or product segments. For SMEs, where advertising budgets are constrained, customer-driven brand reputation through service excellence provides cost-effective market development.

Competitive advantage constitutes a third pathway. Day (2014) argues that market-driven organizations possessing superior customer service capabilities achieve sustainable competitive advantage that enables systematic market share expansion. In the Nigerian SME context, Olusegun (2019) found that SMEs with structured customer service systems demonstrate significantly higher rates of business expansion compared to counterparts without systematic CSM practices.

2.3 SME Expansion Constraints and CSM

The SME expansion literature identifies multiple constraints that CSM practices can either mitigate or exacerbate. Aremu and Adeyemi (2011) identify customer retention as a primary survival strategy for Nigerian SMEs, arguing that the cost of customer replacement substantially exceeds the cost of retention. This is a relationship that positions CSM practices as essential cost management tools enabling capital reallocation toward expansion. Onugu (2015) similarly identifies poor customer relationship management as a primary factor in Nigerian SME failure, implicitly framing CSM practice quality as an expansion enabler through survival facilitation.

3. METHODOLOGY

A descriptive survey design was employed. The study population comprised SME owners, managers, and senior staff members of registered and operational enterprises in Ughelli

metropolis, Delta State, spanning manufacturing, trading, service, and agricultural sectors. Simple random sampling was used to select 200 participants from the SMEDAN enterprise register (Kothari, 2004; Yamane, 1967).

Data were collected via a structured, four-point Likert-scale questionnaire (1 = Strongly Disagree to 4 = Strongly Agree). The instrument was validated for content validity through expert panel review and for reliability via split-half reliability analysis (Kimberlin & Winterstein, 2008; Oppenheim, 1992). The Pearson Product-Moment Correlation Coefficient was employed to test Hypothesis 2, with statistical significance set at $\alpha = 0.05$. Descriptive statistics including frequencies, percentages, means, and standard deviations were used to characterize CSM practice adoption and perceived growth dimensions.

4. RESULTS AND DISCUSSION

4.1 CSM Influence on SME Growth Dimensions

Table 1 presents descriptive statistics on the perceived influence of customer service management practices on SME growth dimensions, as reported by respondents.

Table 1: Influence of Customer Service Management on SME Growth

S/N	Growth Indicator	SA	A	D	SD	Mean (\bar{X})	SD	Decision
9	CSM improves customer loyalty	105	82	9	4	3.44	0.68	Agreed
10	CSM increases sales revenue	98	87	11	4	3.40	0.69	Agreed
11	CSM enhances profitability	92	91	12	5	3.35	0.71	Agreed
12	CSM strengthens brand reputation	108	76	11	5	3.44	0.70	Agreed
13	CSM attracts new customers	89	94	13	4	3.34	0.69	Agreed
14	CSM facilitates business expansion	76	97	19	8	3.21	0.77	Agreed
15	CSM improves customer satisfaction	111	75	10	4	3.47	0.69	Agreed
16	CSM encourages repeat purchases	102	83	11	4	3.42	0.69	Agreed
17	CSM enhances competitive advantage	85	96	14	5	3.31	0.72	Agreed
18	CSM reduces customer complaints	71	98	23	8	3.16	0.78	Agreed
	Cluster Mean					3.35	0.71	Agreed

Source: Field Survey, 2026. Criterion Mean = 2.50

All ten growth indicators exceeded the 2.50 criterion mean, with scores ranging from 3.16 to 3.47. Customer satisfaction improvement (Mean = 3.47, SD = 0.69) ranked highest, confirming the direct link between service quality and satisfaction outcomes. Customer loyalty and brand reputation (both Mean = 3.44) emerged as co-equal second-priority outcomes, reflecting SMEs'

recognition that service excellence builds both repeat patronage and positive market perception. Repeat purchases (Mean = 3.42, SD = 0.69) and sales revenue increase (Mean = 3.40, SD = 0.69) demonstrated strong agreement, establishing direct connections between CSM practice quality and financial performance. Business expansion facilitation (Mean = 3.21, SD = 0.77) and competitive advantage enhancement (Mean = 3.31, SD = 0.72) also showed substantial agreement. The high cluster mean of 3.35 indicates that SME owner-managers perceive CSM practices as critical drivers of business growth across financial, relational, reputational, and operational dimensions.

4.2 Hypothesis Test: CSM Practices and Business Expansion

Table 2 presents the Pearson Product-Moment Correlation results testing Hypothesis 2.

Table 2: Correlation Analysis – CSM Practices and Business Expansion

Variables	N	Mean	SD	r	P-value	Decision
CSM Practices	200	3.35	0.71	0.768	0.000	Reject H ₀₂
Business Expansion	200	3.21	0.77			

Source: Computed from Field Data, 2026. Significance level: $\alpha = 0.05$

The correlation analysis yielded $r = 0.768$, indicating a strong positive correlation between customer service management practices and business expansion. The relationship is statistically significant ($p = 0.000 < 0.05$), warranting rejection of the null hypothesis. The coefficient of determination ($r^2 = 0.59$) indicates that approximately 59% of variance in business expansion is associated with CSM practice quality which is a very substantial effect size. The correlation strength for this hypothesis ($r = 0.768$) exceeds that for Hypothesis 1 ($r = 0.742$), suggesting that comprehensive CSM practices as opposed to individual strategies that particularly drive expansion-specific outcomes. This differentiation has important practical implications: SMEs should invest not merely in individual service channels but in integrated CSM practice systems to maximize expansion potential.

4.3 DISCUSSION

The finding that $r = 0.768$ between CSM practices and business expansion substantially exceeds what might be anticipated in resource-constrained SME environments speaks to the amplifying role of customer-centricity in driving enterprise growth. The result confirms Zineldin's (2016) 'royalty of loyalty' thesis: the relationship between CRM quality, customer loyalty, and business outcomes is not merely additive but multiplicative, generating expansion momentum through the simultaneous reinforcement of customer satisfaction, brand reputation, and repeat patronage.

The highest-rated growth dimensions are customer satisfaction (3.47), loyalty and brand reputation (3.44) reflect intangible CSM outcomes that function as expansion infrastructure. Brand reputation, once established through service excellence, reduces market entry costs in new segments (Kotler & Keller, 2016). Customer loyalty generates stable revenue streams enabling expansion investment (Zook & Allen, 2013). The lower—though still substantial—rating for business expansion facilitation per se (Mean = 3.21) suggests that while SMEs recognize CSM's broader expansion function, the direct expansion pathway is less immediately visible than satisfaction and loyalty outcomes. This perceptual gap implies that SME operators may underinvest in CSM if expansion investment decisions are guided primarily by direct and visible causal linkages.

5. CONCLUSION AND RECOMMENDATIONS

This study established that customer service management practices significantly and positively influence the expansion of SMEs in Ughelli, Delta State ($r = 0.768$, $p < 0.001$), rejecting the null hypothesis. The effect is substantial, with CSM practice quality accounting for approximately 59% of variance in expansion outcomes. The comprehensive perception of CSM's multi-dimensional growth impact such as satisfaction, loyalty, brand reputation, revenue, and expansion does confirm that systematic CSM constitutes a strategic necessity rather than an operational luxury for Ughelli SMEs.

Key recommendations include: (1) SME owners should develop formalized CSM practice frameworks integrating multiple service dimensions rather than relying on ad hoc, channel-by-channel strategy adoption; (2) business associations should develop sector-specific CSM best practice guides and facilitate peer learning networks; (3) government development agencies and NGOs should provide technical assistance for CSM system implementation, recognizing that the empirically established link between CSM practices and business expansion makes such support a high-return economic development investment; (4) SMEDAN and relevant agencies should incorporate CSM practice assessment into SME registration and support eligibility criteria to incentivize adoption.

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