CUSTOMER RELATIONSHIP MANAGEMENT AND PROFITABILITY OF MONEY DEPOSIT BANKS IN NIGERIA (2006 – 2015)

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ABSTRACT: *The study investigated the customer relationship management and profitability of money deposit banks in Nigeria from 2006 to 2015. Ten banks out of twenty one functioning banks were selected for the study. The specific objective was to ascertain the extent to which bank CRP affect the TR and PAT. Secondary data employed were from the annual reports from banks published in the NSE website. Multiple regression analysis and student t-test were the statistical tools employed, with the use of SPSS for both data analysis and to test the hypotheses formulated for the study at 5% level of significance. The result indicated that CRP has a significant relationship with the total revenue of banks with little or no impact. Since the impact on TR is not much, its relationship with PAT is not significant while the impact is negative. The study therefore concludes that if banks can give more attention to customer relationship management, the revenue base (income from customers) will have a boost and operating overhead will not absorb all the income. As a result, there will be enough retained profit to pool back (reinvest) into the business.*

KEYWORDS: Customer relationship management, total revenue, Profit after tax, banks, Nigeria.

INTRODUCTION

Customer relationship management is a vital issue in the banking sector due to its capacity to enhance revenue if given the proper attention it deserves. The competitiveness of banks in Nigeria call for individual banks to strategize on how to retain and maintain both the existing and potential customers. **Mahesh and Bhavani (2015)** view Customer Relationship Management as a fundamental tool for building a customer-centric organization. According to them it is a Key element that allows a Bank to establish its customer base and boost revenue. Also, the goal of CRM is to manage all aspects of customer interactions in a manner that enables the organization to maximize Profitability from every customer. The Nigerian banking sector has gone through a lot of pressure due to government regulations that most times have adverse effect on their financial performance. The recent introduction of TSA (treasury single account) has shaken the existence of most banks that the only survival option is to cordially relate with the existing customers, put smiles on their faces and then courageous marketing to reach potential customers. In that case the banks have to find out what these customers need so that such services will be

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made available to them. A customer's choice of banking service can change at any time, if nothing is done to mitigate it. When a customer is allowed to be on the que for many hours he/she will be discouraged and will like to look out for where customer service is faster. That means in customer relationship management banks stand to lose important customers if the service being provided does not meet the needs of the customers and within the time frame it is required. **Frazer and Peter (1984)** put it that customers demand for banking services is normally a major factor for banks profitability. The top management of the banks therefore has the responsibility to ensure that customers have satisfactory service that will retain them.

OBJECTIVES OF THE STUDY

The major objective of this study is to examine the customer relationship management and the profitability of money deposit banks in Nigeria. The study also aims at pursuing the following specific objectives:

- To assess the extent to which customer relationship and promotion affect the total revenue of banks; and
- To ascertain CRP impact on the profit after tax.

RESEARCH QUESTION

In pursuing the above objectives, the following research questions have been raised:

- To what extent has CRP affected the TR; and
- How has PAT been influenced by the CRP?

RESEARCH HYPOTHESES

Ho1: CRP does not significantly affect the total revenue of banks;

Ho2: there is no significant relationship between PAT and CRP.

LITERATURE REVIEW

Conceptual Review

Kotler and Armstrong (2004) definition of CRM as cited by **Mahesh et al (2015)** says it is "the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction". Customer Relationship Management is the strategy used by organizations to develop mutually profitable long-term relationships with the customer. It enables a firm to gather and preserve a customer's personal data through continuous survey of information about products and services offered to the customer **(Bergeron, 2004).** Customer

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relationship management (CRM) is a way of managing a company's interaction with current and potential future customers. The CRM approach is such that data about customers' history with a company are analyzed to build business relationships with customers with specific focus to retain a customer and among others to boost revenue **(Bain & Company 2015). Shaw 1991** identified one important aspect of the CRM approach which has to do with the compilation of information from a range of different communication channels, including a company's website, telephone, email, live chat, marketing materials, social media, and more. Through the CRM approach and the systems used to facilitate CRM, businesses learn more about their target audiences and the best way to cater for their needs. However, adopting the CRM approach may also occasionally lead to favoritism within an audience of consumers, resulting in dissatisfaction among customers and defeating the purpose of CRM **(David 2007).**

Greenberg 2002 states that CRM is a business strategy which aims at increasing customer's loyalty and satisfaction by presenting him the personalized services and some know it as a managerial approach which includes identifying, attracting, developing and maintaining the successful relationship with customer in order to increase profitability. Research showed that 5% increase in preserving the customer will lead to 95% increase in the value for organization. **Wu et al., 2007** also sees CRM as a strategic necessity for all organizations because its effective implementation increases the satisfaction of customer, loyalty and attraction and revenue increase. General process of developing and maintain the profitable communication with customer is by delivery or presenting a higher value to customer and achieving his satisfaction **(Kotler, 2004). Gamson (2002) as cited by Mozahrb et al (2015),** considers CRM as a necessary rule for those organizations that need development and growth that in this regard, identifying the key dimensions of CRM is very important **(Payne and Frow, 2004).**

INDEPENDENT VARIABLES

- TOTAL REVENUE (TR)
- PROFIT AFTER TAX (PAT)

DEPENDENT VARIABLE

CUSTOMER RELATIONSHIP PROMOTION

(CRP)

Figure 1: Conceptual Framework

THEORETICAL FRAMEWORK

The following theories have been found useful for the purpose of this study:

The Stakeholders' Theory

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This theory states that organizations do not exist only to maximize shareholders value but to also protect the interest of variety of stakeholders whose negative reactions may adversely affect the going concern of the establishment. These stakeholders are: customers, suppliers, employees, host communities, creditors/lenders and even the government. Since the study is focused on the customer relationship management, stakeholder theory therefore maintains that customers are the life wire of every establishment because without them, revenue cannot flow which is the only reason organizations exist. To be able to maximize shareholders value, firms have to maintain a good relationship with customers who are actually the major source of income and the reason why there are companies. That means no customer, no firm. Banks have variety of ways to protect customers' interest especially from external intruders such as electronic fraudsters who specializes in diverting customers' money to themselves. This protection call for personal relationship with customers and putting in place stringent measures to ensure the safety of deposits under their care. When a customer's interest is protected, he keeps patronizing the bank and will also recommend it to others. The mismanagement of one customer can drive away so many who would have wish to give their patronage.

Motivation-Need Theory

Abraham Maslow identified five levels of needs of human beings. These are physiological, security, social, esteem and self-actualization needs. In customer relationship management, this theory is highly appreciated because banks must strive to understand the needs of variety of customers and how to meet them. This is why some banks are ahead of others because they have all the services and products to satisfy the existing customers and to attract potential ones. When customers' needs are satisfied, their friends and relatives will hear about it, that is bringing more customers. If it is otherwise, they will also hear, meaning reducing customers. Therefore, bank marketers must be guided by this theory. Interaction with customers will unveil their needs and give room for plans to satisfy them. The existence of a need motivates a customer to look for where to meet it. For instance, a customer who wants to transfer money outside the country needs a bank to do so at reduced cost and timely. This is a need and must be met. The bank that could do this with little or no stress on the side of the customer gets the credit and opportunity to have more with that same need. Abraham Maslow put forward his hierarchy of needs in 1943, since then, business schools and marketing classes adapted Maslow's theories to explain the need to tailor marketing messages to customers in a particular way. Successful marketing campaigns must not only bring awareness to a product, but also establish its place somewhere on the hierarchy of needs. Customers are motivated to prioritize purchases toward the base of the hierarchy, so it is vital that companies draft a message that instills a sense of need or urgency in customers. Marketers have been able to use motivation-need theory very effectively by creating an artificial need for customers **(Ohio University 2016).**

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Empirical Review

Mozaheb et al (2015) investigated the effect of customer relationship management (CRM) on the performance of small and medium size enterprises (SMEs). Statistical population of this study is managers active in industrial park in Mashhad. Statistical sample of this research is 105 managers who were selected randomly from among the managers of industrial park located in this city. Library method was used for gathering data. Survey method and questionnaire were used to identify the effect among variables and data analysis was done by AMOS18 and SPSS19 software. Results showed that CRM has significant effect on the performance of enterprises. According to the researchers technology is a key factor which influences SMEs and leads to superiority on competitors. In addition to achieving more desired performance, firms should pay attention to market and customers.

Yao and Khong (2011) examined the effectiveness of customer relationship management on customer satisfaction in the commercial banks of Taiwan. A regression model was adopted to evaluate the criteria to measure the level of CRM implementation on customer satisfaction. The study indicated that CRM implementation is associated with customer satisfaction; and there are significant interactions amongst IT capability, contact rate management and recovery management with customer satisfaction.

Robert et al (2015) studied the impact of customer relationship management (CRM) on bank growth in Nigeria, with special focus on one first generation bank, First Bank Nigeria Plc. and one new generation bank, GTB Nigeria Plc. Pearson Product Moment correlation model through the SPSS Software was used to analyze the data gathered for the study. Findings revealed that there is a direct relationship between customer relationship management (CRM) and customer loyalty, sales volume and market share.

Kenneth et al (2013) researched the impact of customer relationship management (CRM) on the Business Performance of Nigeria money deposit banks. The nomothetic methodology was adopted and forty copies of structured questionnaire were the primary data collection instrument which was distributed to ten money deposit banks in south-south zone of Nigeria. The hypotheses were tested by employing the Spearman Rank Correlation Coefficient (SRCC) statistical tool statistical packages for social sciences (SPSS) software. The study revealed that a significant relationship exists between CRM & BP. It was also discovered that amongst the dimensions of CRM, customer identification and retention impacts more significantly on business performance. The study therefore concludes that Nigerian money deposit banks should increase their customer identification and retention strategies since there is a proportionate impact on the performance level.

Peter and William (2016) investigated the role of customer relationship management strategy on competitiveness of commercial banks in Kenya. The study made use of a descriptive correlational research design and data were collected from 34 out of the target population of 43 registered banks in Kenya. Data analysis and interpretation was based on descriptive statistics as well as inferential statistics mainly linear regressions. The study found statistically significant

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positive linear relationships between CRM strategy and organizational competitiveness. It was found that organizational competitiveness is achieved through appropriate CRM strategy practices. The study therefore provided managers invaluable insights on how to effectively build their CRM strategy to give them a competitive advantage.

RESEARCH METHOD

Research Design

The research design adopted in this study is quasi experimental design which involves the use of secondary data.

Sources of Data Collection and Technique of Analysis

The secondary data used for the study are from the Annual reports of the selected money deposit banks in Nigeria published on the NSE website from 2006-2015. Descriptive and inferential statistics were used to analyse the data for this study. Also multiple regression and t-test statistical tools were used to test the hypothesis formulated in this study.

Model Specification

This study used the econometric technique of Ordinary Least Square (OLS) in form of Multiple Linear Regressions to the relative regression coefficients. The regression model was estimated through the use of Statistical Package for Social Sciences (SPSS).

The mathematical model for the study is as follows:

CRP = f (TR, PAT).

Where;

CRP = Customer relationship and promotion

TR = Total revenue

PAT = Profit after tax

Mathematical Specification

$Y_i = b_0+b_1X_1 + b_2X_2+e$

Where;

Y_i = CRP

X_1 = TR

X_2 = PAT

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b_0 = the parameter which represents the intercept.

$b_{1,}$ b_2 = The regression parameters used in determining the significance of the impact of each of the independent or explanatory variables $x_{1\,,}$ x_2 on dependent variable, Y_i.

e = Random disturbance term.

RESULTS AND DISCUSSIONS

The result from SPSS below has been summarised as follows:

Summary of the Results

R	=	0.941
R^2	=	0.886
Adj.R	=	0.854
Std Error of estimate	=	390500.779
Durbin – Watson	=	1.904
F Value	=	27.252
DF	=	9-2 = 7 i.e. F-tab = 4.74 (Under 5%)
PV (Significant)	=	0.000

Table 1 shows the R^2 of 94.1% which is the rate of variability on the dependent variable (CRP) by all the independent variables (TR, PAT) combined. That means CRP affects the behaviour of the explanatory variables which are accounted for by the model.

Table 2 is the F-Test to determine whether the model is a good fit for the data. From the p-value, the model is a good fit since the $P<0.05$. That is, the F-value of 27.252 with the P-value of 0.000 shows that the model is statistically significant.

Table 3 means that Y = 102461.857 + 1.146TR – 0.255PAT

Test of Hypothesis

The study earlier hypothesized that: significant relationship does not exist between Nigerian Banks CRP and their TR & PAT. Therefore the study has tested the selected variables using the t-test, to see if they are significant. The results revealed the following: TR = 3.077< 4.74 (no impact), significance level (p = 0.018 < 0.05 i.e., significant); PAT = -0.145 < 4.74 (negative

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impact), significance level (p = 0.889 > 0.05 i.e., not significant). Based on the result from SPSS, the study has accepted Ho2 (null hypotheses) and rejected Ho1.

CONCLUSION AND RECOMMENDATION

The result above shows that customer relationship and promotion by banks have a significant relationship with the total revenue but the impact is little. That means total revenue can only be increased when customers increase. Looking at the theory of needs, bank marketers can help to create needs for customers by introducing new products that customers do not know about but they are need satisfying. For instance child savings scheme and others. The result of CRP relationship with PAT is totally negative and not significant. The reason is that if revenue is not boosted to absorb overhead costs of an organization properly and to have a reasonable balance, then there will be no profit to retain. The simple logic is that banks should strive harder to increase their customer base so as to increase income. The more loyal customers they have, the more available income for operations. Therefore customer relationship management should be given a priority attention in the banks scale of preference. More targets should be given to the marketers who will do everything possible to retain a customer and win other potential ones.

VARIABLES FROM BANKS ANNUAL REPORTS 2006-2015

NAME OF ORGANIZATION	CRP	TR	PAT
	06-'15	06-'15	06-'15
	N,M	N'M	N'M
FIRST BANK NIG. PLC	3,536,286	2,788,071	413,033
ZENITH BANK PLC	2,519,134	2,574,687	590,229
STERLING BANK PLC	464,481	576,141	47,055
WEMA BANK PLC	56,050	275,731	(55,682)
ACCESS BANK PLC	2,052,194	1,473,114	235,450
STANDARD IBTC BANK PLC	852,334	615,545	126,398
ECO BANK PLC	1,482,074	1,486,534	145,280
DIAMOND BANK PLC	1,161,003	1,054,217	72,769
FIDELITY BANK PLC	1,163,718	415,605	90,840
FCMB GROUP PLC	1,162,204	855,713	85,933
TOTAL	14,449,478	12,115,358	1,751,305

Source: Annual Reports Published On NSE Website

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TABLE 1

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.941[a]	.886	.854	390500.779	1.904

a. Predictors: (Constant), PAT, TR

b. Dependent Variable: CRP

TABLE 2

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8311464018304.173	2	4155732009152.086	27.252	.000[b]
	Residual	1067436009877.422	7	152490858553.917		
	Total	9378900028181.596	9			

a. Dependent Variable: CRP

b. Predictors: (Constant), PAT, TR

TABLE 3

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	102461.857	238120.337		.430	.680
	TR	1.146	.372	.984	3.077	.018
	PAT	-.255	1.763	-.046	-.145	.889

a. Dependent Variable: CRP

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