

EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON FIRM PERFORMANCE (EVIDENCE FROM ZIMBABWE'S TELECOMMUNICATION SECTOR)

Viriri, Piason

Faculty of Marketing, Zimbabwe
School of Entrepreneurship & Business Management
Chinhoyi University of Science and Technology, ZIMBABWE

Chufama Maxwell & Mupeti Andrew

Faculty of Management Sciences
Department of Marketing & Logistics
Namibia University of Science and Technology

ABSTRACT

Although the current market for CRM software and its support are robust, there remains considerable skepticism on the part of the business fraternity and academics about its ultimate value to businesses and customers (Coltman, 2010). The purpose of the study was to investigate the impact of CRM on firm performance in the Zimbabwean Telecommunication Sector. Currently, there are limited studies which have been carried out to study the impact of CRM strategies on firm performance in the context of underdeveloped countries like Zimbabwe. The purpose of the study was to fill this gap in literature. The study adopted a case study research design and data was gathered from six telecommunication operators using structured-questionnaires and semi-structured interviews targeting telecommunication subscribers, employees, and management. Data was analyzed using SPSS version.17. The study revealed the there is a positive relationship between CRM implementation and firm performance in Zimbabwe mobile telecom industry. However, it can be concluded that CRM implementation in the Zimbabwean telecommunication is quite a new and growing phenomenon, deserving continuous learning. Furthermore, it is still fraught with implementation challenges like shortage of critical resources, demotivated manpower among others. Based on research findings, it was recommended that operators should improve quality of service especially offering reduced tariffs and improved network coverage. In order to boost their operational capabilities, operators should engage in strategic partnerships and even adopt infrastructural sharing in order to streamline operational costs and enhance efficiency and effectiveness.

Keywords: CRM, Firm Performance, Privatization

1.0 INTRODUCTION

Globally the telecommunication industry were previously operating as monopolies until the winds of privatization and liberalization swept through the industries to permit competition and better services to customers. Since 1980 when Zimbabwe attained independence from Britain, telecommunication industry used to operate as monopoly. In order to facilitate the privatization agenda, the government established the Postal and Telecommunications Regulatory Authority of Zimbabwe. These days, the authority has several governance responsibilities including tariff regulation, registration, and service standards among others. In order to improve quality of services, the government liberalized and deregulated the sector to promote competition, efficiency and effectiveness. Deregulation facilitated the entry of mobile service providers like Econet Wireless Pvt Ltd, Net One and Telecel. Tel One is the sole provider of fixed telephone services. Comparatively, Zimbabwe telecommunication is regarded as the fastest growing

industry in the country despite economic challenges characterized by recession, inflation, sanctions and unemployment. Telecom sector growth in terms of infrastructure and subscriber base have been expedited by technological dynamism, competition, and globalization. Despite such development, the industry's competitiveness is still compromised by lack of resources and rampant customer switching behavior which threaten industry margins, profitability, and profits. It has since been acknowledged by extant literature that customer switching behavior in the telecommunication is a major threat. The purpose of the study is to examine whether telecom resources and capabilities influence Customer Relationship Management success. If CRM succeed in the telecom sector, hopefully the industry can retain customers and attain competitive advantage and sustainability.

2.0 LITERATURE REVIEW

Even though the market for CRM software remains strong, there remains skepticism among scholars and business commentators about its ultimate value to businesses and customers. Customer Relationship Management (CRM) is an essential strategic tool for firm competitive advantage (Alhassan & Kelly., 2014). Available empirical evidence suggests that CRM can have positive impact in terms of customer satisfaction, retention and firm profitability (Reinartz et al., 2004). Telecommunication industry throughout the entire world spends millions of dollars on CRM implementation. Despite that, CRM implementation is inherently difficult as evidenced by high failure rates. Consequently, it remains unknown whether CRM adoption has any meaningful impact on firm performance in Zimbabwe telecommunication sector. Literature is quite inconclusive on its real impact on firm performance.

Customer Relationship Management (CRM) is defined as the integration of strategic management, relationship marketing concepts and new advancement in information technology (Payne & Frow, 2005). CRM is assuming greater prominence to both academics and practitioners as firms seek to enhance profits and competitiveness through developing good customer relationships (Coltman, Divinney & Midgley, 2010). Even though several firms throughout the world invested extensively in CRM programs, there remains considerable skepticism about its ultimate value to organizations and customers. Extant literature does not thoroughly investigate the relationship. This doubt raises the vexing question as to why firms continuously invest substantially in CRM systems if there is no reasonable return to investment. Therefore, the agenda relating to the impact of CRM to firm performance deserves further interrogation and interrogation.

Indeed, the telecommunication sector has been recognized the world-over as an essential industry for socio-economic development of any nation (Kumar, 2017). It is one of the important support services required for the rapid growth and modernization of several sectors of the economy (Kumar, 2017). However, the telecommunication sector remains a silver lining in the dark clouds of recession hovering above the global economy (KPMG, 2017). The Zimbabwean telecommunication sector is growing exponentially due to deregulation, regulation, competition and technological innovations. An essential factor for the development and enhanced performance of the telecommunication sector in the prevailing competitive business terrain is the establishment and enhancement of customer loyalty (Viriri & Phiri, 2016). Customer Relationship Management (CRM) is becoming an important strategy in marketing in order to develop customer loyalty, improve customer retention and enhance profits (Shang & Lu, 2012). CRM is becoming popular due to the challenging business environment organizations face throughout the world today and the need to attain competitive advantage in the marketplace. It has the potential for facilitating business growth amidst an

environment characterized by intense competition and technological changes (Rababah et al., 2011). Due to the impact of privatization, deregulation and globalization, customer loyalty is essential in highly competitive industries like the telecommunication sector (Viriri & Phiri, 2016). Shanthi (2005) suggests that privatization, liberalization and demonopolisation exacerbated competition in the telecommunication sector. The telecommunication sector operates in dynamic environment characterized by rapid changes in technology, social, economic spheres and dynamic changes in consumer tastes (Jiddah et al., 2017). Lakhani and Smith (2007) outlined that the telecommunication sector face the dilemma of providing high quality service while improving profits and market share. Such developments entice the telecommunication sector to develop unique competitive advantage through adoption of CRM. Throughout the world, the telecommunication industry is reaching tipping point. The hyper-competitive nature of the Zimbabwean telecommunication sector in conjunction with the introduction of disruptive tariff plans have put operators' margins under extreme pressure and resulted in industry consolidation as evident by mergers and consolidation. The telecommunications sectors are in unenviable position as their markets are getting gradually saturated and as average revenue per user (ARPU) are further declining due to the presence of Over-the-top (OTTs) which offer apps and streaming content over the Internet. As a result, several telecommunication carriers are experiencing a decline in basic communication revenue margins due to competition and lack of differentiation in their products and services (Darwiche et al., 2017). Consequently, firms are forced to invest vigorously in infrastructure and technological upgrades in order to maintain competitiveness (KPMG, 2017). While urban markets are getting saturated for most telecommunication firms in Zimbabwe, the rural market still holds a huge potential for their future growth. A serious issue facing Zimbabwe Telecommunication sector is how they can differentiate their offering in order to develop competitive edge.

The adoption of CRM in the telecommunication sector has become trendy since it is believed not only to provide competitive advantage through establishing long-term customer relationships but also firm sustainability (Buttle, 2004). Consequently most Zimbabwean telecom operators invested heavily in ICT in order to improve their relationships with their customers. The impact of CRM on organizational performance is an agenda warranting considerable debate. Understanding the impact of CRM on firm performance is still incomplete and growing (Rababah et al., 2011). Therefore understanding how businesses benefit from their CRM initiatives is of fundamental importance to both academics and marketing practitioners (Payne & Frow, 2005). Generally, it is alleged that implementing CRM is a complex and challenging task since most managers lack basic knowledge about its definition, processes, scope and technology. This contribute to its high failure rates in several industries. For instance, the Gartner Group (2003) discovered that approximately 70 per cent of CRM projects result in either losses or no bottom-line improvements in firm performance.

Impact of CRM on firm performance is quite inconclusive in literature. Boulding et al. (2005) state that CRM can have differential effect depending on the context in which it is implemented. However, studies undertaken by Ata & Toker (2012) have shown that CRM adoption had a significant impact on customer satisfaction and organizational performance in Business to Business (B2B) context. Related studies carried out by Reinartz, Krafft and Kieger (2011) confirmed that CRM reinforces new product development performance, which in turn influenced firm performance positively. Gatobu (2012) discovered that CRM impacted positively on firm competitiveness and market share. Moreover, Khodakarami and Chand (2014) suggests that CRM improves sales growth and firm performance. Further studies by Namjoyan et al., (2013) also verified that CRM adoption in the banking sector improves firm

performance. Ultimately, CRM is conceived to improve firm competitive advantage and organizational performance. Related studies undertaken by Sibanda and Ndhlela (2018) at O.K Supermarket Pvt Ltd in Zimbabwe confirmed that poor implementation of CRM contributed to loss of market share, growth, profitability and competitiveness. This was attributed to the fact that most employees lacked knowledge of the program. Yet knowledge management is a CRM critical success factor. Similar researches carried out by Kumbirai and Nyasha (2014) in Zimbabwean hospitality sector confirmed that CRM implementation was ineffective due to limited resources for technological advancement, coupled with reluctant management to implement CRM. Top management support and commitment are indispensable for the program to succeed during implementation. Viriri and Phiri (2017) undertook related study in Zimbabwe's Telecommunication sector. Study findings revealed that CRM implementation was slow and protracted process due to lack of knowledge, resources and capabilities. The study manifested that CRM system was still new and developing and much needed to be learnt within the Zimbabwean context.

2.1 RESEARCH OBJECTIVE

(a) To examine the impact of CRM implementation on firm performance in the Zimbabwean Telecommunication Sector.

2.2 RESEARCH QUESTION

(a) What is the impact of CRM implementation on firm performance in the Zimbabwean Telecommunication Sector?

3.0 METHODOLOGY

The study applied case study research design when studying CRM adoption at Zimbabwean telecommunication firms, namely, Econet Wireless, Net One, Tel One, Powertel and Africom. Case studies were used to generate an in-depth, multifaceted understanding of the complex issue of CRM in its real-life context. The approach was adopted since they accommodate multiple sources of evidence thereby permitting triangulation (Yin, 2009). Data was gathered from telecommunication customers, employees and top management using structured questionnaires and semi-structured interviews. Due to time and resources constraints, the study was cross-sectional in nature. Data was gathered from Harare, Gweru, Chinhoyi among other cities and towns in Zimbabwe.

3.1 Cross –Tabulation on impact of CRM on firm performance

Item / Description	Mean	Mean rating	Std. Deviation
Retention of profitable customers	4.4	Agree	0.778
Improved profitability	4.5	Strongly agree	0.668
Improved customer satisfaction	4.5	Strongly agree	0.618
Firm's ability to cross-sell related products	4.5	Strongly agree	0.592
An increases in revenue	4.3	Agree	0.82
Reduced costs	4.3	Agree	0.783

Improved customer service	4.5		0.564
The ability of a firm to target profitable customers	4.4	Agree	0.722
Ability of a firm to do personalized marketing	4.3	Agree	0.672
Improved customer loyalty	4.4	Agree	0.708
The accumulation of customer knowledge	4.4	Agree	0.703
Improved pricing decisions	4.2	Agree	0.82
The ability of firms to identify high-value customers	4.4	Agree	0.796
Overall Mean Rating	4.4		0.711
N	63		

Results above showed a positive relationship between CRM implementation on firm performance. The telecoms firms' employees rated "Improved profitability", "improved customer satisfaction", "firm's ability to cross-sell related products" and "Improved customer service" highly with mean 4.5 and standard deviations 0.668, 0.618, 0.592 and 0.564 respectively. An overall mean rating of 4.4 with a standard deviation of 0.711 was observed which indicated that respondents agreed that CRM had positive impact on firm performance.

3.2 One-Sample Test: Relationship between CRM and firm performance

	Test Value = 3					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Is there a positive relationship between CRM and firm performance?	14.103	62	.000	1.302	1.12	1.49

A t-value (14.103) and p-value (0.000) < 0.005 indicated that there was a significant agreement that there was a positive relationship between CRM and firm performance. Related studies carried out by Soch & Sandhu (2008) using a sample of 171 firms from different industries confirmed that CRM has positive impact on firm performance. However, the relationship was not significant.

4.0 DISCUSSION

Understanding how organizations benefit from their CRM initiatives is of fundamental importance to both academics and business fraternity (Reimann et al., 2010). Studies conducted by Coltman, et al. (2010) has shown that CRM has great potential if Information Technology-resources are combined with organizational resources. Research confirms that CRM can be crucial to superior to strategic positioning especially in highly commoditized industries (Matthyssens & Vandenbempt, 2008). Related studies carried out by Madhovi & Dhliwayo

(2017) also verified that CRM implementation in South African hospitality sector provided sustainable competitive advantage. However, studies undertaken by Jiddah et al.(2017) established CRM implementation leads to customer retention, satisfaction, loyalty, reduced marketing costs and increased firm profits and shareholder value.

5.0 RECOMMENDATIONS

For CRM program to have a positive impact on firm performance, Zimbabwe telecom firms are advised to deploy adequate financial resources and human capital to roll the program. This would enable them to retain customers and control customer switching behavior. It is further advised to Zimbabwe telecommunication firm to improve customer experience and engagement through adoption of CRM program as it enhances firm performance. It is recommended that operators should improve service quality especially offering reduced tariffs, improved network coverage, and network speed. In order to improve service quality, firms should implement mobile portability number concept, whereby customers retain their mobile numbers even if they switch operators. In order to boost their operational capabilities, operators should engage in strategic partnerships with both local and international investors. Alternatively, operators can enter into infrastructural-sharing schemes in order to streamline operational costs, enhance efficiency and effectiveness.

5.1 ACKNOWLEDGEMENTS

Gratitude is extended to the Multidisciplinary Journals for publishing our papers in time. We are also thankful to all Zimbabwean telecommunication sector key informants who participated voluntarily in this important study.

REFERENCES

- Alhassan G.Mumuni & Kelly O'Reilly (2014), Examining the Impact of Customer Relationship Management on Deconstructed Measures of Firm Performance. *Journal of Relationship Marketing*, 13:2,89-107, Doi:10.1080/15332667.2014.910073.
- Ata,U.Z & Toker,A.T (2012).The effect of customer relationship management adoption in business-to-business markets. *Journal of Business & Industrial Marketing*, Vol,27,Issue.6,pp497-507.
- Boulding.W., Staelin,R., Ehret,M.,Johnson,W.J.(2005). A customer relationship management roadmap: What is known, potential pitfalls and where to go, *Journal of Marketing*.69 (4) 155-166.
- Buttle.F (2004). *Customer Relationship Management.Cocepts and Tools*.Oxford: Butterworth-Heinmann.
- Cotman,T.,Divinney,T.M & Midley,D.F (2010). *Customer Relationship Management and Firm Performance*.University of Wollongong,Australia.
- Darwich,B.,Peladeau,P., Rupp,C & Groene,F (2017).2017 Telecommunication Trends.
- Gartner Group.(2003).CRM success is in strategy and implementation, not software. Retrieved <http://www.gartner.com>.
- Gatobu,A.M.(2012). The role of customer relationship management in building competitive advantage: the case of mobile phone operators in Kenya, Unpublished Project, University of Nairobi.

- Jiddah,S.A., Sani,A.M., Umar,M.1.,Lawal,I.T & Alkantara,A.K (2017),Impact of Customer Relationship Management (CRM) on the Performance of Deposit Money Bank in Nigeria.International Journal of Scientific & Engineering Research,Vol 8,Issue 5.,
- Khodakarami,F. and Chand,Y.E. (2014).Exploring the role of customer relationship management systems in customer knowledge creation and performance in China, Information and Management,51 pp27-42.
- KPMG (2017). Accelerating growth and ease of doing business. Telecommunications
- Kumar,M. P 2017,Teleco, Serivices: emerging Trends,opportunities and risks.Research Paper
- Kumbirai,M & Nyasha,J (2014). Conditions for Customer Relationship Management (CRM) success in Zimbabwe's Hospitality Sector.Journal of Business and Management,Vol.16,Issue. 1,www.iosrjournals.org.
- Lakhani,S.,& Smith,M (2007). "Customer Relationship Management". Financial Management,March.Caspian Publishing.
- Madhovi,P.G & Dhliwayo,S 2017, The relationship between Customer Relationship Management (CRM) and performance in the hotel industry. African Journal of Hospitality,Tourism and Leisure 6(1).
- Makau,R.M. (2013). The effect of customer relationship Management in the banking sector in Kenya, Unpublished MBA Project, University of Nairobi.
- Matthyssens,P.,& Vandenbempt,K 2008, Moving from basic offering to value-added solutions: strategies,barriers and alignment. Industrial Marketing Management,37 (3),316-328.
- Namjoyan,M.,Esfahani,A.N. and Haery,F.A. (2013).Studying the effects of Customer Relationship Management on Marketing Performance (Isfahan Saderat Bank as a Case Study).International Journal of Academic Research in Business and Social Sciences,Vol.3, No.9.
- Payne,A& Frow,P.(2005). Strategic framework for customer relationship management. Journal of Marketing, 69 (4), 167-176.
- Piason Viriri & Maxwell Phiri (2017).Customer Retention Strategies Applicable to Zimbabwe Telecommunication Industry (A Customer Relationship Management Perspective),Journal of Economics,8:1,50-53 DOI:1080/09765239.2017.1317513.
- Rababah,K.,Mohd,H & Ibrahim,H (2011). Customer Relationship Management (CRM) Processes from Theory to Practice: The Pre-implementation Plan of CRM System. International Journal e-Education-Business, e-Management and e-Learning, Vol.1, No.1,April.
- Reimann,M., Schilke,O & Thomas,J.S 2010, Customer relationship management and firm performance: the mediating role of business strategy.Journal of the Academic Marketing Science,38p326-436.
- Reinartz,W.,Krafft,M.,Hofer,W.D. (2004), The customer relationship management process. Its measurement and impact on performance. Journal of Marketing Research,4,293-305.
- Shang,K.C & Lu,C.S (2012). Customer Relationship Management and Firm Performance: An Empirical of Freight Forwarders Services. Journal of Marine Science Technology, Vol.20,No.1 pp 64-72.
- Shanthi,N.M. (2005) . "Indian Telecom: Growth and Transition" Business Today, January 2
- Sibanda,V & Ndlela,M. (2018). Customer Relationship Management as a Customer Retention Tool: A Case Study of O.K Zimbabwe Limited.
- Soch,H & Sandhu,H.S 2008. Does Customer Relationship Management Activity Affect Firm Performance,Global Business Review,Vol 9,Issue2
- Viriri,P & Phiri,M (2016). Determinants of Customer Satisfaction in Zimbabwe Telecommunication Industry. Journal of Communication.Vol 8,Issue 1
- Yin,R.K.(2009 m). Doing Case Study research.4th ed.Thousand Oaks,CA: Sage.