



## ELECTRONIC CUSTOMER RELATIONSHIP MANAGEMENT AND COMPETITIVE PERFORMANCE OF MONEY DEPOSIT BANKS IN NIGERIA: THEORETICAL REVIEW

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### Abstract

In recent time, integration of Information communication Technology has changed the ways in which businesses are being carried out. This has moved the focus of traditional customer relationship management to electronic customer relationship manage. The problem envisaged that led to this study hinges on the fact that there is abundant of literature from developed countries around the global on how firms use E-CRM to improve its performance. But in Nigeria, there is paucity in theoretical literature on the effect of E-CRM on competitive performance of money deposit banks in Nigeria. The objective of this study is to explore theoretically the effect of electronic customer relationship management on competitive performance of money deposit banks in Abia State. A conceptual framework was critical dealt with, theory of competitive advantage and commitment-trust theory was review and theory of competitive advantage was adopted as the theoretical underpin for the study. Various empirical studies were reviewed. The study found out that The core technologies of E-CRM is network and ICT facilities, e-CRM is a system that runs 24/7 hours, E-CRM is impersonal in operation, developing a strong customer relationship using E-CRM is considered a competitive strategy, e-CRM enables banks to provide personalized services to different group of customers and so on. The study concluded that effective and efficient E-CRM is very vital for any bank to attain competitive advantage it the competitive marketing environment. It was recommended that Since the core technologies of E-CRM is network and ICT facilities, banks should provide an efficient network and ICT facilities sufficient for the operation of E-CRM and so on. Limitations of the study/suggestion for further studies were given.

**Keywords:** e-CRM, Competitive advantage, Customer, Performance

### Introduction

In the last decade, customer relationship management has become a popular marketing strategy, effectively managing customer relationships and boosting bank's profitability, identifying, satisfying and retaining bank's best customers and maximizing the value from them is the underlying objectives of Customer Relationship Management (CRM) (Porter, 2001). Banks now know the fact that the only mantra for survival these days is to reach the right customers at the right time with the right offer through the right channel.

To attain a competitive edge in the banking industry, it is evident to implement Electronic Customer Relationship Management (E-CRM) strategy that enables better customer service, better management of customer expectations, increase profitability and improves customer loyalty (Winer, 2011).

Similarly, retaining existing customers is cheaper than acquiring new customers. It costs five times as much as to acquire a new customer than to retain an existing one (Gitman and Carl, 2015). In this era of globalization and fast changing economic environment, many banks have redesigned their E-CRM to satisfy their customers' needs and create mutual and beneficial relationships. Electronic business and internet based services has create a new platform to deliver online service functions on the Web which is popularly known as Electronic customer relationship management (E-CRM) (Agarwal & Venkatesh, 2012).

Electronic customer relationship management is an online marketing approach used by banks to attract and retain customers who are potentially profitable. E-CRM is one of the best approaches that banks use to retain their customers and prevent them from switching to other banks. In order to prevent customer churn (Chaston and Mangles, 2003). (Onuoha, Ezekwe & Egbuta, 2010) opine that E-CRM helps banks in different situations including; favourable word of mouth, customer retention, customer loyalty and customer satisfaction. Furthermore, this also acknowledged the formidable challenges which E-CRM adopted and implementation pose for banks in the areas of prompt response to customer complain, managing on-line channels, building trust and security among online customers (Kurtz, 2008). Upon this, the problem statement of this work is stated thus:

There is abundant of literature from developed countries around the global on how firms use E-CRM to improve its performance. But in Nigeria, there is paucity in theoretical literature on the effect of E-CRM on competitive performance of money deposit banks in Abia State. Therefore, the objective of this study is to explore theoretically the effect of electronic customer relationship management on competitive performance of money deposit banks in Nigeria.

## Literature review

### Conceptual framework

The diagram below is a conceptual framework for electronic customer relationship and competitive Performance.

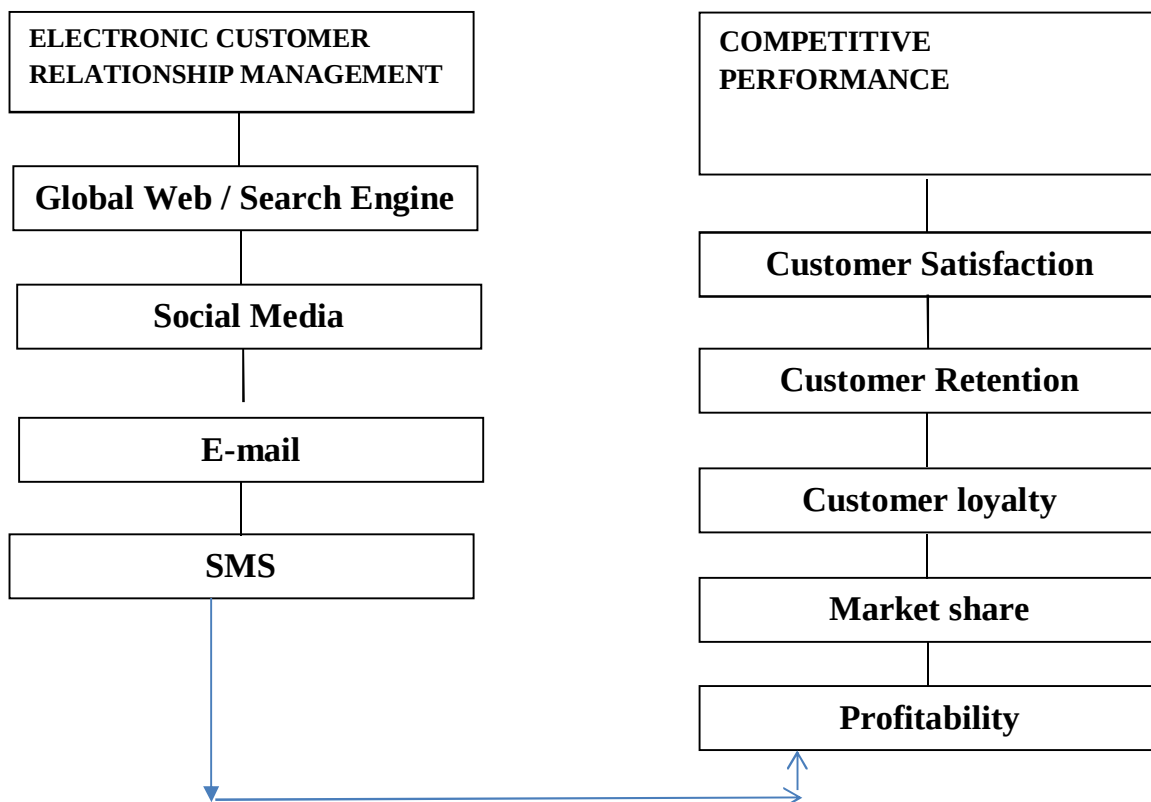


Fig 2.1: conceptual framework for electronic customer relationship and competitive Performance

Source: Researchers Concept, 2018

## **E-CRM Tools**

### ***Search Engine***

This is the Web site (www) banks uses to market their services online, drive traffic to their site and carry out internet banking services.

### ***Social media***

These include social banking channels, Face book, Twitter, What app, etc. Banks uses the social media to communicate and promote their services to their E-customers.

### ***E-mail***

Through E-mail marketing, banks uses yahoo, G-mail, Y-mail etc to build customer relationship by sending messages to e-mail address of their customers and also getting feedback from them.

### ***SMS***

Banks takes advantage of SMS banking as the fastest and most direct channel of sending credit and debit alert to their customers and also promote their services through SMS.

## **Competitive Performance Measures**

### ***Customer Satisfaction***

This refers to the measure of how services been rendered by the banks meet or surpass customer expectation. It is a post-purchase feelings or attitude of a customer towards a service after been rendered (Porter, 2001). Customer satisfaction is been seen as a key performance indicator within business and is often part of a balanced score card. In a competitive banking industry where banks compete for customers, customer satisfaction is seen as a key differentiation and element in accessing competitive performance (Gitman & Lee, 2005).

### ***Customer Retention***

This is a marketing goal of keeping your customers from going to the competitors (Onuoha, Ojo & Ibe, 2010). This is the actions banks take to reduce the number of customer defections. Customer Retention affects both revenue and cost in the equation of profitability. (Onuoha *et al.*, 2010) noted that customer retention begins with the first contact a customer has with the bank and it's guaranteed with customer satisfaction.

### ***Customer Loyalty***

Customer loyalty is the extent to which a customer is attached a particular bank over other banks. It is both an attitudinal and behavioural tendency to favour one particular bank over all other banks. Customer loyalty is the result of consistently positive experience, convenience and satisfaction with the services of the bank. It helps in attracting consumers to a particular bank in the face of a competitive environment (Lam and Lau, 2013).

### ***Market Share***

Market share represents the percentage of the market's total sales that is earned by a particular firm over a specified period of time (Carrier and Povel, 2003). It can be calculated by taking the firm's sales over the period and divided it by the total sales of the industry over the same period.

### ***Profitability***

Profitability is the ability of the banks to generate profits from their operations. To ensure this, (Carrier *et al.*, 2003) noted that banks should embark on market share analysis which will not only show the overall percentage a business holds in the market but also access its level of competitive performance.

From the above framework, we contribute to say; satisfied customers will become loyal and retained customers, that will repeatedly patronizes the bank, increases the bank's market share and profitability hence, leading to the bank increasing its competitive performance.

## Overview of relationship marketing

Relationship marketing refers to marketing activities used by organizations to establish, develop and maintain successful relationship with their customers (Morgan and Hunt, 1994). Obasi, Nwachukwu and Oteh, (2003) opine that relationship marketing involves the development of close and personal relationship between an organization and its customers.

Effective use of relationship marketing can help to enlarge the customer base, increase market share and profit. A positive relationship between customers and company will create customer satisfaction and loyalty (Kotler and Armstrong, 2013). Satisfied and loyal customers tend to spend more money and purchase repeatedly and are less price sensitive, have higher intention to refer others. Hence, loyal customers are vital to the survival and success of financial sectors (Duncan and Moriarty, 1998).

## Customer relationship management

CRM refers to the process of building and maintaining profitable relations with customers by providing services that are valuable to customers and create satisfied customers (Morris, Bames and Lynch, 1999; Kurtz, 2008). CRM is a strategy used by organizations to build and manage long term relationships with their customers (Porter, 2001).

It is evident that CRM implementation enables better customer services, better management of customer expectations and improves customer loyalty (Winer, 2001). Integration of CRM and internet technologies helps banks to build competitive advantage (Chaston and Mangles, 2003). (Obasi *et al.*, 2015) opined that building a strong customer relationship is considered a competitive strategy, especially with the increasing global competition hence, building strong online customer relationship is much more important than in off-line. The reason being that those who operate online business, do not interact face-to-face with their non-personal web visitors. Therefore, it is vital to install a feedback mechanism in your online platform.

## Electronic customer relationship management

E-CRM refers to marketing activities, tools and techniques delivered through the internet, using technologies such as E-mail, world wide web, social media, etc, with the aim of maintaining cordial relationship between the company and its numerous customers. (Lee, Gilbert and Mannicom, 2003). E-CRM is the application of CRM objectives over the internet, with the goal of locating, building and improving long term customer relationships. (Chaston *et al.*, 1998) defines E-CRM as the use of internet technologies to manage customer relationships. E-CRM is the consolidation of traditional CRM, which came as a result of a fundamental change in the business environment. Effective E-CRM strategy enables companies to access new international consumers and captures valuable stakeholder data, which is essential to company's growth and market competitiveness (Porter, 2001).

## Leveraging on E-CRM as a source of building competitive advantage

E-CRM is the complete process and techniques that banks use to attract and retain their customers thereby preventing them from switching to other banks (Chen & Rogers, 2006). E-CRM is flexible and more secure channel get high profitability, customer retention and maintenance of relationship with the customers in a convenient and effective manner (Carriel *et al.*, 2003). (Onuoha *et al.*, 2010) observed that most banks with a good E-CRM implementation are moving toward more positive impact.

With E-CRM, banks communicate with their customers and access customer information and history thereby guaranteeing customer loyalty (Gitman *et al.*, 2005). With the growing global competition, E-CRM has become an increasingly popular communication tool used in building relationship and competitive advantage (Lam, *et al.*, 2013). It enables banks to implement interactive, personalized and relevant communication with customers through electronic channels (Winer, 2001). In this highly competitive environment, (Morris *et al.*, 1999) noted that E-CRM is critical for the success of any bank in the global world hence, E-CRM remains the best strategic tool for survival, not just to enhance relationship but to enable customers to access the services of the bank from any place in the world. To remain competitive in the banking sector, (Obasi *et al.*, 2015) recommended that banks should install a feedback mechanism in their E-CRM program. This will enable the bank to track and respond promptly to customer enquiries and complaints.

## Benefits of E-CRM

(Gitman *et al.*, 2003) optioned the following benefits which E-CRM confer on financial organizations.

### **Fostering relationship with customers**

Trust is one of the scarcest commodities in dealing with customers and it is not easily obtained. E-CRM enables banks to create trust, get co-operation and then guarantee satisfaction with the customers.

### **Provision of personalized services**

Personalization results into huge positive gains for banks because, it is difficult for competitors to replicate a successful program due to its uniqueness.

### **Quality of service and Delivery**

Service delivery has become a major determinant in the selection of banks by customers. It is a major factor in determining their retention and loyalty. Quality service delivery possesses five proportions; Responsiveness, Assurance, Reliability, Empathy and Loyalty.

### **Transaction and Processing speed**

The backbone offered by the internet has enabled banks to establish. E-CRM platform via which they have been able to cut down on the time taken for customer queries and services. This gained time can be converted to other important issues thus, resulting in higher efficiency.

### **Convenience**

Bank customers seek bank services which will ensure that they go through as little stress as possible in accessing their accounts and carrying out their on-line transactions.

### **Challenges of E-CRM**

Similarly, (Gitman *et al.*, 2005) also listed out basic challenges inherent in the execution and implementation of E-CRM network:

- **Initial high cost:**
  - The cost involved in building internet technologies are always high.
- **Impersonal:**
  - E-CRM does not easily recognize user or patterns of users.
- **No engagement:**
  - No human follows up or clarifies operations. What –you – see – is what – you – get.
- **Mixed resolution rate:**
  - Some questions due to their nature may not be answered through E-CRM channels.
- **Insecurity:**
  - Many bank customers have been defrauded through E-CRM channels.

### **Overview of Banks Competitive Performance**

Competition has been defined as a process of rivalry between firms seeking to win customers over time. (Porter, 2001). This definition focuses on increasing market share and making profits. Banks compete on the prices of the quality of services been offered. The term bank performance refers to the effectiveness of banks in fulfilling its predetermined objectives (Porter, 2001). Competitive advantage on his own is the ability gained through attributes and resources to perform at a higher level than others in the same market or industry (Porter, 2001). Competitive advantage is a property that a business can have over its competitors. It describes the attributes of allowing an organization to out-performance its competitors (Kotler & Armstrong, 2010). These attributes may include: access to natural resources, distinctive competence, geographic location, high entry barriers and access to new technologies etc. (Morris *et al.*, 1999) noted that a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential players.

Similarly, (Kotler *et al.*, 2013) noted that competitive performance is the effectiveness of organization in fulfilling its mission at a higher level than others in the same industry (Carrier *et al.*, 2003) in their analysis observed that the concept of competition in the banking industry has remained a subject of an empirical research. The motivation stems

from the realization that competitiveness of the banking sector represents a socially optimal target as it reduces the cost of financial intermediation and improves delivery of high quality services (Kolter *et al.*, 2013). Accessing marketing performance is vital for the survival of any business. The purpose of marketing performance measurement is ultimately an improvement in the financial outcome in a commercial organization (Porter, 2001).

### **E-CRM in the Banking Sector**

In banks, CRM is totally different in comparison of other sectors; it has a broader view toward creating improved services that aim to create trust between banks and their customers (Malik, 2012). The banking industry, as one of the service oriented industries, is looking for improving the quality of customer service by using new generation technology products and services that have emerged as a backbone of banking transactions all over the world (Chopra, Bhambri, & Krishan, 2012).

### **Theoretical Framework**

For the purpose of this study, the theory of competitive advantage and the Commitment-Trust Theory of Relationship Marketing were reviewed. Competitive Advantage theory was used as the theoretical underpin for the study.

#### **Competitive Advantage Theory propounded by Michael Porter (1980)**

Competitive advantage is a business concept that describes the attribute of allowing an organization to outperform its competitors. These attributes may include access to natural resources, such as high grade ores or a low cost power source, highly skilled labor, geographic location, and high entry barriers, etc. Access to new technology can also be considered another such attribute of competitive advantage. Competitive advantage is a property that a business can have over its competitors (Kotler & Keller, 2012). This can be gained by offering clients better and greater value. Advertising products or services with lower prices or higher quality interests' consumers. Target markets recognise these unique products or services. This is the reason behind brand loyalty, or why customers prefer one particular product or service over another.

Value proposition is important when understanding competitive advantage. If the value proposition is affective, it can produce a competitive advantage in either the product or service. The value proposition can increase customer expectations and choices (Kurz, 2008). Porter (1985) defined the two types of competitive advantage an organization can achieve relative to its rivals: lower cost or differentiation. This advantage derives from attribute(s) that allow an organization to outperform its competition, such as superior market position, skills, or resources. In Porter's view, strategic management should be concerned with building and sustaining competitive advantage (Porter, 1985).

Competitive advantage seeks to address some of the criticisms of comparative advantage. Porter proposed the theory in 1985. Porter emphasizes productivity growth as the focus of national strategies. Competitive advantage rests on the notion that cheap labor is ubiquitous and natural resources are not necessary for a good economy. The other theory, comparative advantage, can lead countries to specialize in exporting primary goods and raw materials that trap countries in low-wage economies due to terms of trade. Competitive advantage attempts to correct for this issue by stressing maximizing scale economies in goods and services that garner premium prices (Stutz and Warf 2009).

#### **The Commitment-Trust Theory of Relationship Marketing by Robert M. Morgan and Shelby D. Hunt (1994).**

The theory was propounded by Robert M. Morgan and Shelby D. Hunt In the year 1994, the commitment-trust theory of relationship marketing says that two fundamental factors; trust and commitment, must exist for a relationship to be successful. Relationship marketing involves forming bonds with customers by meeting their needs and honoring commitments. Rather than chasing short-term profits, businesses following the principles of relationship marketing forge long-lasting bonds with their customers. As a result, customers trust these businesses, and the mutual loyalty helps both parties fulfill their needs.

Morgan and Hunt (1994) propose that relationship commitment and trust are key variables for successful relationships because they promote cooperative behaviors between relationship partners and encourage them to maintain long-term relationships. They suggest that relationships characterized by trust and commitment allow partners to be more accepting of high-risk situations because each party believes that the other party will be inclined to engage in activities that are in the long-term best interests of both partners. Morgan and Hunt (1994) tested their theory on business relationships between automobile tire retailers and their suppliers and concluded that it was clearly supported by the data.



## Empirical Review

Shugan (2005) asserts that more research is needed to isolate the generative mechanisms through which CRM affects a firm's performance. These reservations demonstrate that the link from CRM to firm performance is unclear and potentially not a direct association. A study of the outcomes of implementing e-CRM systems in the Thai banking industry (research conducted from customers' perspective) showed that bank customers have perceived differences in six main elements. These elements are: timely access to accurate information, complete information, personalized information and service, up-to-date information, contacting banks from anywhere, and a one-stop service is provided (Sivaraks, Krairit, & Tang, 2011).

Islam and Yang (2009) studied four Taiwanese banks that applied e-CRM system to their customer service operations. Their study results indicated that using e-CRM system will be useful in enhancing the service quality and information trust that will lead to better relationships with customers. Also, they suggested that banks should respond to customer's needs and enhance the trust level by providing online services with the correct and complete information, and internal and external system integration. On the other hand, Salami (2009) proposed a model of e-CRM for Iran's banking sector that will not only improve customer services but also increase banks revenue and decrease cost. The proposed model consists of six stages and ten main principles that focus on identifying the effective factors of e-CRM.

## Summary of Findings

The purpose of the this research as earlier stated was to know the effects of electronic customer relationship management on competitive performance of money deposit banks in Abia State, Nigeria.

The following represents the major findings of the study:

- i. The core technologies of E-CRM is network and ICT facilities.
- ii. E-CRM is a system that runs 24/7 hours.
- iii. E-CRM is impersonal in operation.
- iv. Developing a strong customer relationship using E-CRM is considered a competitive strategy.
- v. E-CRM enables banks to provide personalized services to different group of customers.
- vi. E-CRM increases the transaction and processing speed of bank services.
- vii. E-CRM supports the collections of customer information and data base.
- viii. E-CRM creates and manages long lasting customer relationships.
- ix. E-CRM is more convenience for online customers to carry out their transactions at anywhere at any time.
- x. E-CRM reduces cost and increases the profit of banks.

## Conclusion

This study has shown that E-CRM is the consolidation of CRM and E-CRM is a viable and effective customer relationship management tool in building a competitive advantage. There are many different ways of ICT usage to help banks to develop customer relationship. E-CRM is one of the best ICT practices to enhance customer relationship – Using E-CRM is not only to create good and long lasting relationships, but also to reduce cost of CRM and other benefits that will gain competitive advantage over competitors. However, in order to enhance customer relationship and remain competitive, banks should understand that building strong customer relationship should be seen as more important in online customers than in off-line customers. The reason being that online customers do not interact face-to-face with their non-personal web visitors, which makes it more tasking in building confident and trust in the mind of the customers hence, it is vital for banks to install a feedback mechanism in their E-CRM programs as this will enable banks to track and respond to customers enquiries and complains promptly.

## Recommendations

The study so far has proven that E-CRM is an effective and efficient customer relationship management tool in building a competitive advantage therefore, the following recommendation is made based on the findings:

1. Since the core technologies of E-CRM is network and ICT facilities, banks should provide an efficient network and ICT facilities sufficient for the operation of E-CRM.

2. Since the operation of E-CRM is impersonal, we recommend that it is vital for banks to install a feedback mechanism in their E-CRM programmes. This will enable the banks to track and respond promptly to customers enquiries and complains.
3. The top management of banks wishing to use E-CRM must fully involve itself and train them employees to have knowledge and ability to work on E-CRM continuously and efficiently.
4. E-CRM is profitable and favourable hence any bank wishing to gain competitive advantage should adopt and implement an effective and efficient E-CRM.
5. Money deposit banks in Abia state should continually improve on their E-CRM tools and platforms as this will go a long way to enhance their operations and competitive positioning in the fierce marketing environment.

### Limitations of the study/Suggestion for Further Studies

The limitation of this study hinges on the fact that this paper was basically a theoretical review and no data was collected from respondents and analyzed. Hence, it might be misleading to generalize or take any decision based on the findings of this work. Thus, future studies should collect and sample the opinion of customers in the study area. Researcher can carry out an empirical study on the relationship between Electronic Customer Relationship Management and Strategic Marketing performance of selected Banks in Abia State and beyond.

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