CUSTOMER RELATIONSHIP MANAGEMENT AND PERFORMANCE IN THE PAINT INDUSTRY: A STUDY OF SELECTED PAINT MANUFACTURING FIRMS IN LAGOS STATE, NIGERIA

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Abstract
A paradigm shift from sellers' market to buyers' market has necessitated the need for the organizations to entrench customer relationship management in meeting the demands of the changing business environment. The need for effective retention of hard-core customers driven by product quality and relationship assets gave vent to this study. This study is designed to explore the effects of customer relationship management and performance of selected paint manufacturing firms in Lagos State, Nigeria. This study is a survey type of research that employed a correlational design in an attempt to explore the nature of relationship between customer relationship and performance of these firms. Structured questionnaire was administered to the sample of two hundred and seventy three (273), out of which two hundred and sixty five (265) copies were returned and therefore used for the analysis. The data collected were analyzed with Pearson Correlation Coefficient (r). The result showed that there is a significant relationship between relationship assets and business sustainability (r =0.76), and a significant relationship between product quality and business growth (r = 0.64). The implication of the finding is that maintaining an effective customer relationship management will forestall the problems of attrition and defection to engender high level of customer loyalty on organizational products in meeting the demands of changing business environment.

Key words: Customer relationship management, Performance, Relationship assets.

Introduction

The emerging trend in today's changing business environment is orchestrated by the interplay of the various elements of the environment. The resulting flux in the business environmentcontinues to pressurize organizations towards foraging ways for superior performance in meeting the demands of the environment (Amold and Frick, 2012). Organizations are better off when they consciously appreciate the environment as they proactively respond to changes emanating from the business environment (Hillary, 2015). The aforementioned assertion is consistent with the presupposition of Sengupta, Bhattachary and Sengupta (2012) who said that organizations should recognize the volatility of business environment to engender operational excellence as the key for survival, since change is inevitable. Therefore, organizational change, according to Burns (2000), is the crystallization of new possibilities (new policies, new behaviours, new patterns, new methodologies, new products or new market ideas) based on the conceptualized patterns in the organization. Organizational change is basically structured in character and absolutely designed to bring about the alterations in organizational structure, methods and processes.However, firms that have operational dexterity to institute and entrench a suitable change programmes, can sustain and survive in a changing environment (Sengupta, Bhattachary and Sengupta, 2012).

Sequel to Industrial Revolution in the 19th century, the emphasis was on seller's market due to mass production of goods. Customers within this period were scrambling for goods that were produced by firms (Shulk, 2011). Subsequently, there has been a shift away from seller's market to buyers' market where customers'choices and preferences are carefully considered as indispensable factors in surviving and sustaining businesses. The move from seller's market to buyer's market was necessitated following an unprecedented upsurge in technological advancement which heretofore madefirms to modify their production processes and consequently allow for more product differentiation in a short time. This, however, gave rise to increase in complementary and supplementary products,which perhaps allow customers to choose from the alternatives, thereby decreasing the hegemony of monopolistic market conditions (Sengupta, Bhattachary and Sengupta, 2012).

Consequently, the resulting flux predisposed organizations to exert considerable effortsin adjusting their production capacity and business processes in an attempt to meet the increasing customer demands on products. The aforementioned engendered customer-focused approach that seeks to build a long-term customer relationship which drives in meeting customers' expectations in terms of products quality, specifications etc (Jurah, 2010). The move from seller's market to buyer's market constituted the positioning of customers as valued stakeholders and directed organizational efforts towards developing hard-core loyal customers, through high degree of customer contact, commitment and after-sales service. This concept, however, gave rise to customer-relationship management (CRM).Therefore, Customer Relationship Management (CRM) is a business strategy that focuseson optimizing customer experience and maximizing service or product value (Nykamp,2001). CRM represents the idea that as customer satisfaction is increased, customerbehaviour changes, customer value is added, and ultimately profit increases (Curry &Curry, 2000). Curry and Curry (2000) also explain that by increasing customersatisfaction, customer behaviour changes in the forms of added sales and increasedcustomer loyalty and retention.

Most paints manufacturing firms have been responding to the changing business environment by making decisions on the need to change their operations in the light of the complexities emanating from the environment (Adeyemi, 2000). These decisions are rooted within the operational confinement of sustaining their customer relationship management in addressing issues arisen due to paradigm shift from sellers' market to buyers' market(Edmondson and Moingeon,1999).

Precious Paints Nigeria Limited is one of the fast growing companies in the paint manufacturing industry in Nigeria and was duly registered under Manufacturing Association of Nigeria(MAN). The company was incorporated on the 5th May, 2000. The company's operations site is located at 6/8, Alhaji R.O. SadiqClose, off OnilewuraLiasu Road, Ikotum Edge, OshodiIsolo, Lagos. The company's products are Precious Paints and Next-Coat Paint which are in Emulsion, Gloss, Satin, Texture (Precious Paints Bulletin, 2016).

In addition, Portland Paints Nigeria was incorporated in April, 2001. The firm's operations site is situated at 15, Aromire Avenue, Adeniyi Jones, Ikeja, Lagos State. The firm produces variety of paints. Their products come in Emulsion, Texture, Gloss, and Satin (Portland Paints Bulletin, 2016).

In the same vein, Dulux Paints Nigeria, was incorporated on the 3rd day of February, 1999. The company's office is situated at 2, Adeniyi Jones, Adeniyi Avenue, Ikeja Lagos. Their products over the years, have gained customer loyalty from various parts of this country. The company produces categories of paints, which come in the form of Emulsion, Gloss, Satin and Texture etc.

Berger Paints Nigeria PLC, was incorporated on the 22nd day of September, 1998. The company's operation site is situated at Plot 142, Oba Akran, Ikaja Industrial Estate, Ikeja, Lagos (Berger Paints Bulletin, 2016).

Statement of the Problem

Given the paradigm shift from the seller's market to buyers' market, efforts have been directed by most paint manufacturing firms toward sustaining hard-core loyal customer relationships, through high degree of customer contact, commitment and after-sales service.The need for this relationship is absolutely pertinent as long as business longevity is concerned (Jurah, 2015). Due to the ongoing economic meltdown, many economies are down and in the western world today, where many manufacturing firms are experiencing high cost of material procurements and spate of insecurity have heretofore bedeviled their efforts in the pursuit of maintaining customer relationship management driven by the quality of their products, product existing line, and after sales service that perhaps meet customer specifications. As a result of that, their relationship with the targeted customers are hampered because they could not meet their obligations given the unprecedented rise in the products and services in the country. It is against this backdrop, that this study is designed to explore the effect of customer relationship management on performance in the paint manufacturing industry.

Objectives of the Study

The general objective of the study is to explore the relationship between customer relationship management and performance of the selected paints manufacturing firms in Lagos State, Nigeria. Specifically, the objectives are:

i To ascertain the extent to which relational assets relate to business sustainability of the selected paint firms in Lagos State, Nigeria.

ii To determine the extent to which product quality relates to business growth of the selected paint firms in Lagos State, Nigeria.

Conceptual Framework

Concept of Customer Relationship Management (CRM)

Customer Relationship Management (CRM) is a combination of information systems and strategic management, aimed at providing better customer service. (Chan,2005). It evolved from business processes such as relationship marketing that lays emphasis on improved customer retention through effectivemanagement of customer relationships. Relationship marketing emphasizes that customer retention is of paramount to the survival of organizations. In the same vein,Sengupta, Bhattachary and Sengupta (2012) see customer relationship management as a management process of acquiring customers by understanding their requirements, retaining customers by fulfilling their requirements more than their expectations and attracting new customers through customer-specific strategic marketing approaches. Chan (2005) said that an organization that wishes to achieve efficacy in the implementation of customer relationship management must have a clear understandingabout the strategies for managing customer-focused change.

Benefits of Customer Relationship Management (CRM)

i) Reduction in customer retention cost.
ii) Generation of more and more loyal customers
iii) Increase in customer partnering
iv) It allows for introduction of new products
v) Increased customer base

CRM Strategy and Processes

Grabner, Kraeuter and Moedritscher (2002) affirmed that dearth of effective implementation of CRM strategic framework results to customer extinction, attrition, loss of customer base etc. A number of authors have proposed CRM strategy frameworks. Buttle (2001) provides a CRM value chain that identifies a series of 'primary stages': customer portfolio analysis; customer intimacy; network development; value proposition development; and manage the relationship. It also identifies a series of 'supporting conditions' including: culture and leadership; procurement processes; human resource management processes;IT/data management processes; and organization design. This is helpful as it considers implementation issues. Sue and Morin (2001) develop a framework for CRM based on initiatives, expected results and contributions. This framework is not process-based and, as the authors acknowledge, many initiatives are not explicitly identified in the framework. Winer (2001) outlines a model, which contains: a database of customer activity; analyses of the database; decisions about customers to target; tools for customer targeting; how to build relationships with the targeted customers; privacy issues; and metrics for measuring the success of the CRM programme.

Strategies for Managing Customer Focused Change

The following are strategies employed by most organizations to manage customer focused change, giving the dynamism of business environment. These strategies were identified by Sengupta, Bhattachary and Sengupta(2012).

1) **Managing product excellence**Managing product excellence spawns from a thorough market assessment and product monitoring in order to ascertain the market position of the products. To increase the market share, organizations must strive to innovate and launch new products into the markets. Shulk, (2011) opines that having a holistic view of the market requirements in terms of product quality, packaging, etc. will help the organization improve on the products in an attempt to meet customer specifications.

2) **Creating value through pricing**Curry and Curry (2000) contend that cutting down price of products as a strategy enhances easy products penetration into the market.Sengupta, Bhattachary and Sengupta (2012) said that pricing strategy may have a direct impact on company's profitability. They said that most organizations adopt a cost-plus approach to pricing. More so, organizations that adopt ad-hoc approach to pricing are generally allured to short-term gains. Ad-hoc pricing also faces inconsistent pricing problem at different sales location. From the foregoing, an effective pricing strategy calls for a thorough understanding of market forces of demand and supply equation and competitive dynamics.

3) **Building supply chain capabilities**Supply chain, according to Burns (2000), is an interconnectivity of activities that ranges from the supplier to the customers. This definition was also supported by Sengupta, Bhattachary and Sengupta (2012) who said that supply chain consists of several activities such as sourcing, operations, delivery and customer service as a continuous flow of activities and information. This, however, calls for re-thinking and redefining the above mentioned functions as a strategy of managing customer focused change. The first step in devising a supply chain strategy is to develop a fact base. In addition, efforts should be directed toward engaging the stakeholders and possibly disseminating the new business model to them. A well-assessed game plan is required to initiate the process after gaining enough support for the new approach. Therefore, the right supply chain strategy, however, depends upon the nature of the products, the market and customer niche. It is absolutely important to note that the demand chain and supply converge at two points, one at order penetration point, where the supplier allocates the goods to meet the customers' requirements and the other is the value offering point where the supplier fulfills the demand (Sengupta, Bhattachary and Sengupta, 2012).

4) **Creating and maintaining strong brands**Kaushesh (2002) cited in Sengupta, Bhattachary and Sengupta (2012), argues that product is something that is produced in a factory, while brand is something required by customers. Products may be copied by a competitor, but brand is unique. A product can be easily outdated giving the changes in customers' taste, specification, while a successful brand is timeless. Strong brands are difficult to duplicate as customers build unique psychological affinity with them. Therefore, organizations that wish to build a strong customer-focused change must entrench a positive and powerful brand.

5) **Customer relationship management (CRM)** Customer Relationship Management (CRM), as a management process, is concerned with acquiring and retaining customers through proper understanding what they require, and retaining them by meeting with their requirements through effective marketing strategies. Customer relationship management is divided under the following areas: customer acquisition, customer interaction management, customer retention, attrition and defection.

The overall life cycle of customer in CRM

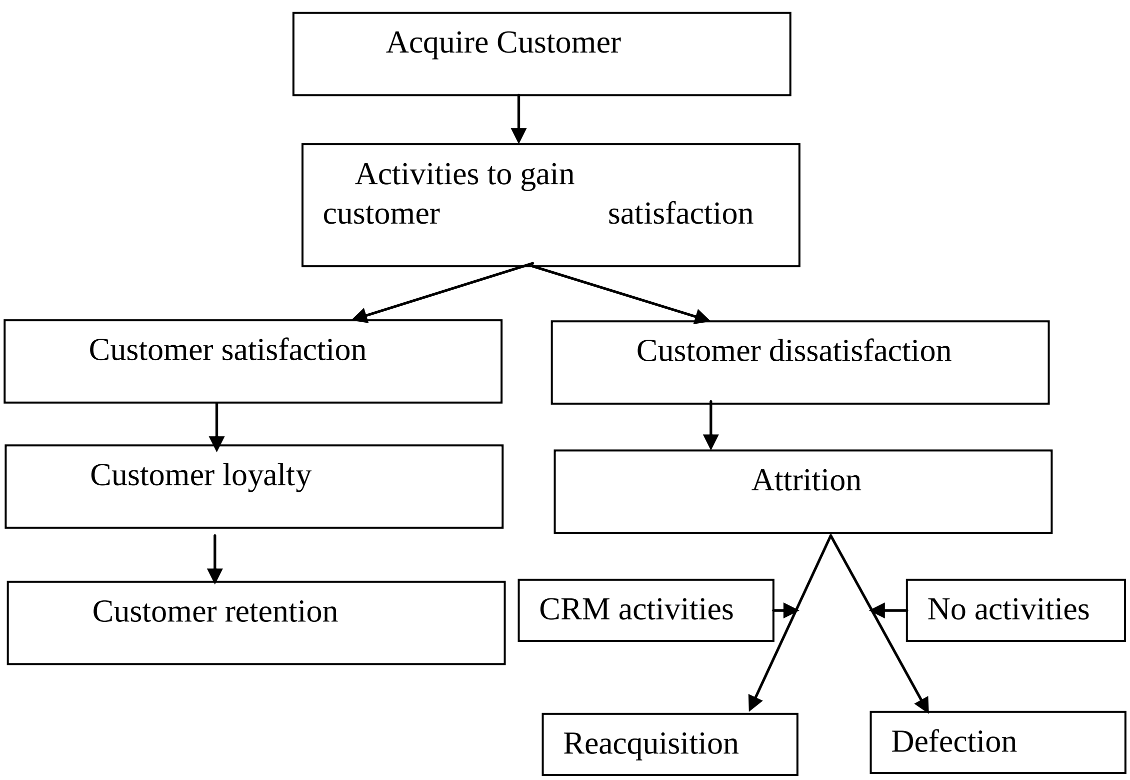

Figure 1: Life cycle of customer in CRM.
Source: Sengupta, et al. (2012).

Methodology

The study employed a correlational research design in an attempt to identify the degree of relationship between variables under study. Structured questionnaire drawn on 5 point scale rating was administered to a sample of two hundred and seventy three (273) respondents drawn from the population of eight hundred and sixty four (864). 273 copies of questionnaire were administered, out of which, 265 copies were returned, and subsequently used for the analysis.Test re-test approach was employed such that cronbach alpha coefficient was used to determine the reliability of the research instrument. The reliability results were 0.76 and 0.78 for relationship assets on business sustainability and product quality on business growth of the selected paints manufacturing firms in Lagos State, Nigeria. The data collected were analyzed with Pearson Correlation Coefficient via SPSS version 20.0.

Results

Table 1: Correlation Analysis of relationship assets on business sustainability of the selected paints manufacturing firms in Lagos State, Nigeria.

		Relationship assets	Business sustainability
Relationship assets	Pearson Correlation	1	.764**
	Sig. (2-tailed)		.000
	N	265	265
Business sustainability	Pearson Correlation	.764	1
	Sig. (2-tailed)	.000	
	N	265	265

**. Correlation is significant at the 0.01 level (2-tailed).

Table 2: Correlation Analysis of product quality on business growth of the selected paints manufacturing firms in Lagos State, Nigeria.

		Product Quality	Business growth
Product Quality	Pearson Correlation	1	.640**
	Sig. (2-tailed)		.000
	N	265	265
Business growth	Pearson Correlation	.640**	1
	Sig. (2-tailed)	.000	
	N	265	265

**. Correlation is significant at the 0.01 level (2-tailed).

Discussion of Findings

The correlation result in Table 1 shows that there is a significant relationship (p=0.000) between relationship assets and business sustainability of the selected paints manufacturing firms in Lagos State, Nigeria. This was shown by a strong correlation coefficient (r) of (0.76). This implies that a unit increase in relationship assets will result to significant increase by 76% on the business growth of selected paint manufacturing firms in Lagos State. Therefore,since the P-value is less than 0.01, the study rejectsthe null hypothesis and concluded that there is a significant positive relationship between relationship assets and business sustainability of the selected paints manufacturing firms in Lagos State, Nigeria.In the same vein, the inverse relationship will occur at a significant level since the computed p-value (0.000) is lesser than the flagged p-value (0.01).

More so, the correlation result in Table 2 also shows that there is a significant relationship (p=0.000) between product quality and business growth of the selected paints manufacturing firms in Lagos State, Nigeria. This was shown by a strong correlation (above average) coefficient (r) of (0.64). The implication of the coefficient (r) is that any unit increase on the product quality will result in significant increase by64% on the business growth of selected paints manufacturing firms in Lagos State. Therefore,since the P-value is less than 0.01, the study rejectsthe null hypothesis and concludes that there is a significant positive relationship between product quality and business growth of the selected paints manufacturing firms in Lagos State, Nigeria. More so, since the inverse relationship will occur at a significant level since the computed p-value (0.000) is lesser than the flagged p-value (0.01).

Conclusion

Implications of entrenching customer relationship management on performance cannot be overemphasized considering its pertinent role in engendering divergent strategies aimed at acquiring and retaining customers. Change is constant, and organizations that wish to thrive in the changing environment must be proactive to the changing business environment.The literature brought to limelight the nitty-gritty of effective customer relationship through relationship marketing that seeks to address the problems of attrition and defection of customers. This, however, is predicative of the fact that customers have been identified as most valued in supply-chain activities because when they are satisfied with company’s products, they will inform others, thereby building a formidable customer-base that thrive organizational performance.

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