Customer Relationship Management and Customer Loyalty: An Empirical Study of Selected Deposit Money Banks in Lagos State, Nigeria

**Abstract:** Globally customer loyalty has been of great concern to banks, entrepreneurs and business organisations. The banking industry plays an important role in the economic development of a nation. In recent years, the banking industry has faced competitive pressure worldwide as the world financial structure has changed rapidly due to the deregulation of financial services and increasing use of information technology resources. However, there seems to be a few studies on customer relationship and customer loyalty. Customer relationship management adoption in Nigeria appears to be very low because of implementation cost. This study examined the effect of on customer relationship management on customer loyalty focusing on selected deposit money banks in Lagos State, Nigeria. The study employed cross sectional survey research design and a population of 6,975,037 deposit money bank customers in Lagos State, Nigeria. The sample size of 1,019 was determined using Krejcie and Morgan table. Simple random sampling technique was adopted to select the respondents. Structured questionnaire was adapted and validated for the data collection. The Cronbach’s alpha reliability coefficients of the constructs ranged from 0.809 to 0.868 and the study achieved 97.84% response rate. The hypothesis formulated was analysed using regression analysis. Findings revealed that customer relationship management had significant effect on customer loyalty (Adj. R² = 0.550; F (5,990) = 244.128, p<0.05). The study concluded that customer relationship management affect customer loyalty of deposit money banks.

**Keywords:** Customer Relationship Management, Customer loyalty, Deposit money banks, Resource-Based View.

**INTRODUCTION**

Retaining customer loyalty has been of great concern to banks globally. This is as a result of increase in rivalry and competition amongst the banks. In recent years, the banking industry has faced competitive pressure worldwide as the world financial structure has changed rapidly due to the deregulation of financial services and increasing use of information technology resources. Satisfying and maintaining customers with the use of customer relationship management has become a non-negotiable in deposit money banks in Nigeria because pleasurable customer experience increases satisfaction and influence loyalty.

Customer relationship management has been a subject of much debate in customer loyalty literature for the last decade (Chiguvu & Guruwo, 2015; Iriqat & Abu Daqar (2018); Ozaralli & Rivenburgh (2016); Sulieman, & Ahlam, 2017); Sandeep & Jaïswal (2016); Yousef, Dariyoush & Farid, 2016). Past studies have shown a correlation between customer relationship management and customer loyalty (Adj. R² = 0.550; F (5,990) = 244.128, p<0.05). The study concluded that customer relationship management affect customer loyalty of deposit money banks.

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Retaining customer loyalty has been of great concern to banks globally. This is as a result of increase in rivalry and competition amongst the banks. In recent years, the banking industry has faced competitive pressure worldwide as the world financial structure has changed rapidly due to the deregulation of financial services and increasing use of information technology resources. Satisfying and maintaining customers with the use of customer relationship management has become a non-negotiable in deposit money banks in Nigeria because pleasurable customer experience increases satisfaction and influence loyalty. |

Customer relationship management has been a subject of much debate in customer loyalty literature for the last decade (Chiguvu & Guruwo, 2015; Iriqat & Abu Daqar (2018); Ozaralli & Rivenburgh (2016); Sulieman, & Ahlam, 2017); Sandeep & Jaïswal (2016); Yousef, Dariyoush & Farid, 2016). Past studies have shown a correlation between customer relationship management and customer service satisfaction, but a few studies have investigated how customer relationship management affect customers’ loyalty. According to Ogbadu and Usman (2012), the Nigeria deposit money banks have fallen short of the expectations of their customers in recent time. Customers have experienced challenges of decline in relationship management ranging from delay, stock out, non-availability of staff at service points, unprofessional conduct or rudeness by the staff of the bank, poor standard of records or improper information, failed promises, among others. |

In the words of Oggunaike and Ogbari (2008), customer relationship in the banking industry can be mistaken to mean customer relationship management and customer loyalty. Customer relationship management has become a non-negotiable in deposit money banks in Nigeria because pleasurable customer experience increases satisfaction and influence loyalty. According to the authors, almost every Nigeria bank encounters similar problem in meeting customers’ expectation of services. In the study of Iriqat and Abu Daqar (2018), the issue of money transfer in banks is one major problem that customers of certain banks have been made to experience. They further stated that in most cases, the customer hardly receives the payment of the money transferred in his account immediately. Also, the long queues and huge crowds in the banking halls can be highly devastating and discouraging most times, especially when the weekend is near. Most times, these long queues are as a result of non-availability of network services. Consequently, there is a problem of customer loyalty as a result of poor service management (Chiguvu & Guruwo, 2015; Sulieman, & Ahlam, 2017). In the literature reviewed, it was discovered that there exist few studies on customer relationship management and customer loyalty relationship. However, scholars such as Ozaralli & Rivenburgh (2016) and Sandeep & Jaïswal (2016) have suggested the need to investigate the role of customer relationship management in deposit money banks and customer loyalty.
Arising from the foregoing, the objective of the paper is to establish the effect of customer relationship management and customer loyalty: an empirical study of selected deposit money banks in Nigeria. To achieve this objective, the paper addressed the research question – “What is the effect of customer relationship management on customer loyalty: an empirical study of selected deposit money banks in Nigeria?” The paper is organized as follows: the introductory section of the paper dealt with the background issues that led to the topic, while section two focused on the review of related literature in line with the theory framework, empirics relating to the study variables and hypothesis development. Section three was devoted to methodology adopted for the study with specific emphasis on the population and sample size determination together with data collection. In the fourth section, the data collected were presented, summarized, analyzed and corresponding findings were reported, while the fifth section covered the discussions, conclusion and recommendations from the findings of the study.

LITERATURE REVIEW
Theoretical Framework

The resource-based view (RBV) is the underpinning theory for this study. RBV is one of the most widely accepted theories of strategic management. The founding idea of Resource-based Theory was pioneered by Penrose in 1959. Penrose argued that it is the heterogeneity, not the homogeneity, of the productive services bundle available from its resources that give each firm its unique character. The notion of firm’s resources heterogeneity is the basis of the RBV. Drawing on previous research in RBV, the theory illustrates the interrelationships between RBV and organizational innovation to deliver efficient service. Specifically, it focuses on those aspects of RBV that critically determine the firm’s capacity to innovate (Amit & Schoemaker, 1993; Barney, 1986; Peteraf, 1993; Maijoor & Witteloostuijn, 1996; Wernerfelt, 1989).

In 1991, Barney presented a more concrete and comprehensive framework to identify the needed characteristics of firm resources in order to generate sustainable competitive advantage. These characteristics include whether resources are: valuable (in the sense that they exploit opportunities and/or neutralize threats in a firm’s environment), rare among a firm’s current and potential competitors, inimitable, and non-substitutable (Barney, 1991). Over the last decade, much of the strategy literature has emphasised resources internal to the firm as the principal driver of firm profitability, efficiency and strategic advantage. The theory goes beyond the issues of strategy implementation and analysis of organisational processes.

The central assumptions of the resource-based research are that firms are heterogeneous in terms of the strategic resources they own and control. The heterogeneity is an outcome of resource-market imperfections (Barney, 1991), resource immobility (Barney, 1991), and firms’ inability to alter their accumulated stock of resources over time (Carroll, 1993). In this vein, each firm can be conceptualized as a unique bundle of tangible and intangible resources and capabilities (Wernerfelt, 1984). Resources, which are the basic unit of analysis for RBV, can be defined as those assets that are tied semi-permanently to the firm (Maijoor & Witteloostuijn, 1996; Wernerfelt, 1989). It includes financial, physical, human, commercial, technological, and organizational assets used by firms to develop, manufacture, and deliver products and services to its customers (Barney, 1991). Resources are classified as tangible (financial or physical) or intangible (employee’s knowledge, experiences and skills, firm’s reputation, brand name, organizational procedures).

2.2 Empirical Review and Hypothesis Development

Customer Relationship Management and Customer Loyalty

The emergence of customer relationship management systems developed from the need for call centre agents to handle multiple customer contacts. Customer relationship management can be explained as the practices and methods that are used to maintain and enhance the customer’s interaction by the companies and organisations. It is basically used to analyse the relationship between the customers and the service providers and as well as the data throughout the customer’s life cycle, with the main objective of developing and improving the business relationships with the customers and improving customer loyalty. Several empirical studies have established a link between customer relationship management and customer loyalty. Ajemunigbohun (2014); Nayab (2017); Pandey and Singh, (2012) focused on customer relationship management dimensions and customer retention in public and private sector banks. The findings of their studies clearly show that suitable execution of customer relationship management dimensions will increase the number of customer satisfaction or make long term healthy relations with the current or potential customers through managing information or improving the performance of services that assist customer loyalty and retention. Chiguvi and Guruwo (2015) conducted a study on the impact of good customer service on customer loyalty in the banking sector in Botswana. The study revealed that there is a positive relationship between a good customer service and customer loyalty.

In a similar study, Zahir, Liiana, and Ratna (2015) conducted an empirical study of direct relationship of service quality and bank image on customer loyalty in Malaysian commercial banking industry. The findings
indicated that the relationship management and customer loyalty is similar in confirmation with the study conducted in the banking sector in Botswana. Unlike the previous studies, Yousef, Dariyoush, and Farid’s (2016) results found that customers’ expectation yielded a significant effect on the customer’s perceived service delivery and loyalty. Interestingly, the effect of customers’ expectation on satisfaction was not statistically supported. Furthermore, Iriqat and Abu Daqar (2018) used the role of customer relationship management on long-term customers’ loyalty in the banking sector in the Palestinian. The study showed that there is a direct impact of customer relationship management system integration and customers’ satisfaction on long-term customers’ loyalty.

However, in the studies of Amoako, Arthur, Bandoh & Katah (2012), on the impact of customer relationship management on repurchase: A case study of Golden Tulip hotel in Accra-Ghana, it was suggested that managing customer relationship effectively builds customer trust in the organisation. This is translated in the customers’ willingness to repurchase services and refer the services to friends and relatives. In the same vein, in a study on Nigeria banks, the result shows that customer relationship management by banks have a significant relationship with the total revenue but the impact is little. That means total revenue can only be increased when there is increase in customers resulting in the repurchases of bank services. Therefore, the appropriate way for banks to create effective repurchase of bank services and customer loyalty is to deliver high customer relationship management by way of provision of good service delivery (Onyinyechi & Azubike, 2016; Saka, Elegunde & Lawal, 2014). Based on these findings, this study hypothesizes that:

**H1:** There is a significant functional relationship between customer relationship management and customer loyalty of selected deposit money banks in Lagos State, Nigeria.

![Conceptual Model](https://iarconsortium.org/journal-info/IARJBM)

**Figure 1:** Conceptual Model

*Source: Researchers’ Conceptual Model 2020*

The researchers’ conceptual model in figure 1 depicted the link between customer relationship management and customer loyalty of selected deposit money banks in Lagos State, Nigeria. The framework can be reduced into the model as follows: 

\[ CL = \beta + \beta \text{CRM} + \epsilon \]  

(1).

From equation (1), CL is Customer Loyalty, CRM is Customer Relationship Management, and \( \epsilon \) is the exogenous variable, which captures all other variables that explain customer loyalty outside the model Equation 1.

**METHODOLOGY:** The Study Context, Sampling and Data collection

This study adopted cross-sectional survey research design to examine the effect of customer relationship management dimensions on customer loyalty of selected deposit money banks in Lagos State, Nigeria. The adoption of this design is influenced by the research problem and its corresponding mode of data collection which is at a point in time.

The population of this study comprises 6,975,037 of bank customers in Lagos State, Nigeria. The population of this research comprises the total number of customers who registered for Bank Verification Number (BVN) in Lagos State as recorded by Nigeria Inter-Bank Settlement System (NIBSS 2019). The sample size of 1,019 was determined using Krejcie and Morgan (1970) sample size determination table. Simple random sampling technique was adopted to select the respondents. The study adopted the use of structured questionnaire as the instrument of data collection and the responses followed the 6-point Likert-type scale for all measured items. After collating the questionnaires, the researcher then screened the questionnaires in such a way that questionnaire that were not properly filled were dropped. In all 997 copies of questionnaire were considered usable representing 97.84% response rate. Data were analysed using regression analysis to establish the effect of customer relationship management on customer loyalty among bank customers in Nigeria.

**ANAlYSIS AND RESULT**

This section presents the validity, reliability of the research instrument as well as the data analyses results.

The construct validity of the measuring instrument was established through principal component factor analysis to determine the covariance between the main construct and the item. The Average Variance Extracted (AVE) > 0.5 was used to test the construct and convergent validity of the research instrument. The composite was further used to establish the divergent validity. The adequacy of the sample for the study was also determined using Kaiser-Meyer-Olkin measures (KMO) and Bartlett’s Test of Sphericity. A Kaiser-
Meyer-Olkin acceptable value for a factor to be significant range from 0 to 1 and an index of above 0.5 is very good. The Bartlett’s Test of Sphericity relates to the significance of the study as regards the validity and suitability of the factors for a particular study. The Bartlett’s Test of Sphericity acceptable index must be less than 0.05. The Cronbach’s alpha reliability coefficients of the constructs ranged from 0.809 to 0.8685. The results of the, Average Variance Extracted (AVE), Kaiser-Meyer-Olkin measures (KMO) and Bartlett’s Test of Sphericity on the validity and suitability of the variables and the Cronbach’s alpha reliability coefficients is shown in Table 1.

### Table 1: KMO, Bartlett’s Test of Sphericity and Reliability Result

<table>
<thead>
<tr>
<th>Variables</th>
<th>Number of Questions</th>
<th>KMO</th>
<th>Bartlett’s Test of Sphericity</th>
<th>Cronbach’s Alpha</th>
<th>Sig.</th>
<th>Average Variance Explained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Loyalty</td>
<td>6</td>
<td>0.779</td>
<td>230.995</td>
<td>0.809</td>
<td>0.000</td>
<td>0.572</td>
</tr>
<tr>
<td>Customer Relationship Management</td>
<td>6</td>
<td>0.811</td>
<td>300.501</td>
<td>0.885</td>
<td>0.000</td>
<td>0.640</td>
</tr>
</tbody>
</table>

Source: Researchers’ Computation (2019)

From Table 1, the results of Kaiser-Meyer-Olkin measures (KMO) for all the variables were found to be greater than 0.5 and not above 1, hence acceptable indices. On the other side, the Bartlett’s Test of Sphericity had p-values = 0.000 for all the variables which are less than 0.05. From the results of Bartlett’s Test of Sphericity, it can be concluded that the factors were valid and suitable as there would be high significant correlation between the variables in the study. Furthermore, the Average Variance Explained for all the variables were greater than 0.5, hence the construct validity of all variable involved in the study were therefore ascertained. The factor loadings of these items were used to establish the Average Variance Extracted (AVE). It was confirmed that customer relationship management and customer loyalty questionnaire developed for this study is valid for decision makings. The Cronbach’s alpha reliability coefficients of 0.809 and 0.8685 equally substantiate the internal consistency of the measured variables.

### Table 2: Summary Results of Regression of Customer Relationship Management on Customer Loyalty

<table>
<thead>
<tr>
<th>Variables</th>
<th>β</th>
<th>t</th>
<th>Sig.</th>
<th>R²</th>
<th>Adj. R²</th>
<th>F(df)</th>
<th>ANOVA (Sig)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>0.470</td>
<td>.660</td>
<td>.510</td>
<td>0.552</td>
<td>0.550</td>
<td>244.128(5.990)</td>
<td>0.001</td>
</tr>
<tr>
<td>Customer Relationship Management</td>
<td>0.272</td>
<td>8.988</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer Loyalty
b. Predictors: (Constant), Customer Relationship Management

Source: Researcher’s Field Results (2020)

The analysis in Table 2 present the result of the regression analysis on the effect of customer relationship management dimensions and customer loyalty of selected deposit money banks in Lagos State, Nigeria. The regression analysis on the effect of customer relationship management on customer loyalty of selected deposit money banks in Lagos State, Nigeria. The regression reveals that customer relationship management accounted for 55% of the variances in customer loyalty of selected deposit money banks in Lagos State (R²=0.552, p = 0.000). Hence, 44.8% of variation in customer loyalty was explained by other factors not in the model or not focused on in the current study. The overall significance model produce (F(5,990) = 244.128, p= 0.001). The overall model reveals a statistically significant effect of customer relationship management on customer loyalty, implying that customer relationship management significantly influence customer loyalty of selected deposit money banks in Lagos State.

Also, the results reveal that customer relationship management (β = 0.272, t = 8.988, p = 0.001), have positive and significant effect on customer loyalty of selected deposit money banks in Lagos State, Nigeria. The optimal regression model for the construct is expressed as follows:

\[
CL = 0.470 + 0.272 \cdot CRM
\]

Where:

- CR = Customer Loyalty
- CRM = Customer Relationship Management

The regression model shows that holding customer relationship management to a constant zero, customer...
loyalty would be 0.470. This means that without customer relationship management customer loyalty would be positive at 0.470 factor.

**DISCUSSION, CONCLUSION, AND RECOMMENDATION**

Conceptually, developing competence in customer relationship management is key for achieving positive customer patronage and feedback (Nayab, 2017; Onyinyechi & Azubike, 2016). Our study’s finding substantiated this narrative and showed that customer relationship management had positive and significant effect on customer loyalty among bank customers in Nigeria. This study’s finding found support in empirical studies in the field of customer relationship management.

For example, when Chiguvi and Guruwo (2015) examined the effect of customer service on customer loyalty in the banking sector in Botswana, they found a positive functional relationship between a good customer service and customer loyalty. In a similar study, but in Malaysia banking industry, Zahir et al., (2015) found that service management and customer loyalty are positively correlated. Further analysis revealed that Zahir et al., (2015) confirmed the submission of the study (Chiguvi & Guruwo, 2015) conducted in the banking sector in Botswana.

Furthermore, this study supports the findings of other scholars who established a positive effect of customer relationship management on repurchase of bank services and customer loyalty (Mensah & Mensah, 2018; Sigit et al., 2015). Similarly, Amoako et al., (2012) established that managing customer relationship effectively builds customer trust in the organization. This is translated in the customers’ willingness to repurchase services and refer the services to friends and relatives. In the same vein, in a study on Nigeria banks, the result shows that customer relationship management by banks have a significant relationship with the total revenue but the impact is little (Onyinyechi & Azubike, 2016). This implies that total revenue can only be increased when there is increases in customers resulting in the repurchases of bank services. Therefore, the appropriate way for banks to create effective repurchase of bank services and customer loyalty is to deliver high customer relationship management by way of provision of good service delivery (Onyinyechi & Azubike, 2016; Saka et al., 2014). The findings of this study provided support for both the RBV. The RBV which in an internal organisational perspective stress that for firms to achieve improved performance, such firms must own internal organisational competences that are extremely unique. In the light of the discussions, this study recommends that investment in customer relationship management resources would be vital in enhancing customers loyalty of bank services. Particularly due to the competitive nature of the Nigeria banking industry, banks should strategically focus on the use of customer relationship management to align their products/services with the needs of both existing and potential customers to achieve customer loyalty.

**REFERENCES**


