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IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT ON ORGANISATION PERFORMANCE: THE CASE STUDY OF TELECOMMUNICATION INDUSTRY

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ABSTRACT: The research proposal mainly focuses on the impact of customer relationship management on organization performance and profitability. The Telecommunication industry is regulated by the Malawi Communications Regulatory Authority (MACRA) in terms of pricing and other activities, therefore competition in the industry is not price based but value added services and relationship management strategies. The proposed hypothesis tested in this case will be Telecommunication Industry where long term relationship is needed for sustained profitability. The research will involve collecting both qualitative and quantitative data using non probability purposive sampling technique from a cross section of Sales and Marketing Managers, Customer Care Managers and Corporate Relationship Managers including their teams. The research will be conducted using self-administered questionnaires and in depth interviews. The researcher will also collect secondary data from internal records of the organization. However, the researcher might be challenged with getting access to confidential organizational information due to the issues of data security. In this case the researcher needs to seek approval from MTL Executive Management.

Keywords: Telecommunications, Relationship, Corporate, Quality.

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1. INTRODUCTION

1.1 BACKGROUND TO THE TELECOMMUNICATION INDUSTRY

Telecommunication plays an important role in the modern world economy with a growing impact on individuals and businesses. Telecommunication has enabled firms to decrease transaction costs and widen their markets. There are two basic ways in which economists determine the extent of the economic growth thus increased education and telecommunications infrastructure investment. (Leonard Waverman et…al, 2005)

The Telecommunication industry is experiencing increasing competition and regulatory interventions have been consistent themes across most global telecommunication markets over the recent years. In addition to the impact of new entrants in certain markets, regulatory measures to increase competition have included the introduction of Mobile Virtual Network Operators (MVNOs) and mobile number mobility (The Mobile Economy, 2015). These factors have impacted profitability in the telecommunications industry. According to The Mobile Economy, (2015) "Between 2008 and 2013, Earning Before Interests, Taxes, Depreciation and Amortisation (EBITDA) margins at the global level have fell from 36.8% to 33.5% and revenue dropped by 4% and is expected to reduce to 3.1% in 2020 reducing operator profitability."

The world is seeing a rapid technology migration to both higher speed mobile broadband networks and the increased adoption of smartphones and other connected devices. According to The Mobile Economy, (2015), "The mobile industry continues to scale rapidly, with a total of 3.6 billion unique mobile subscribers at the end of 2014. Half of the world's population now has a mobile subscription from just one in five 10 years ago. An additional one billion subscribers are predicted by 2020, taking the global penetration rate to approximately 60%."

1.2 WHY CUSTOMER RELATIONSHIP MANAGEMENT

Customer relationship management is an important strategy and is one of the important aspects of marketing. Recently, the process of managing relationships has become one of the charters to organisation long term profitability as opposed to the tradition marketing mix factors hence the paradigm shift in services from transaction oriented marketing mix to relationship marketing (Gronroos, 1993). This is the only way an organisation can obtain a sustainable competitive advantage to ensure survival and growth. It implies that relationship building is considered to be a key success factor (Jorgensen, 2001). Thus relationship marketing would lead to greater marketing productivity Customer relationship management is based on the concept of an organisation's effort to develop long-term, mutually beneficial links with customers. Organisations are currently struggling to survive among aggressive competition, hence the need for effective CRM as a management competitive tool. CRM has grown tremendously as an effective management tool since 2006 (Darrel, 2010) and is being implemented in various sectors including the telecommunication sector. The continuous growth in use has landed on telecommunication, where the high benefits of implementing CRM within their organisation (Darrel, 2010) have since been discovered.

Developments such as increase in the number of demanding customers, increased fragmentation of markets and high level of product quality has forced organisations to seek sustainable competitive advantage. One such a sustainable competitive advantage is the customer relationship management concept which enhances the effectiveness and profitability of organisations since it concentrates on customer satisfaction. However due to the complexity of business processes, many organisations suffer from lack of customer satisfaction and weak customer loyalty. As a result, organisations have the challenge not only to win customers but also to gain customers from competitors. To achieve a sustainable competitive advantage organisations employ customer relationship management to gain better commitment to the customers more efficiently. This value proposition will only be gained if organisations work closely with customers, intermediaries and suppliers in order to foster close working relationships with the members of the marketing system. On the other hand successful customer relationship management involves a customer concentrated business strategy which is designed to retain customers and offer good products and services in an efficient and effective manner. Moreover, it helps the organisation to stay ahead of the competition and also exerts its influence to improve customer satisfaction.

1.3 OBJECTIVES OF STUDY

The main objective of this study is to assess the impact of customer relationship management on organization performance and profitability in the telecommunication sector measured by market growth, customer loyalty, customer retention, increase in sales volume and profitability

- To determine the degree of implementation of CRM programs in organisations in the Malawian telecommunication sector
- To determine the significant relationship between customer relationship management programs and organisation performance
- To explore the kind of relationship marketing strategies being pursued by organisations in the Malawian telecom industry and their effect on the service quality and satisfaction of customers.
- To study the comparison amongst the organisations in the Telecommunication sector in the degree of performance and profitability through CRM

2. BACKGROUND TO CUSTOMER RELATIONSHIP MANAGEMENT

The concept of relationship marketing was first launched by Berry (1983) and it only concerned customer relationship management. The need to expand it to other marketing relationships has been debated (Bendapudi and Berry, 1997). Even when other stakeholders are included, the emphasis in relationship marketing is still placed on the customer. According to Bendapudi and Berry, "the customer continues to be at the centre of all conceptualizations of relationship marketing (1997, 15). The concept has found its place in marketing theory and has become an integral part of the standard textbooks on marketing e.g. Kotler (1997, 36 – 61) and in recent years it has also become a key topic in leading books on consumer behaviour. "However the perspective did not have the importance it has gained today because the environmental factors were not as strong as today. The environmental forces have led to the emphasis on service, close contact with the customers, and a holistic view of the parties involved in marketing and the business." (Toivo 1996)

On the other hand inefficiencies of mass marketing in the 1980s and early 1990s witnessed some of the most radical business transformation that resulted in cost reduction in almost all functional departments except marketing. Production and related costs were reduced through business process reengineering, human resource costs were reduced through outsourcing, restructuring and layoffs, financial costs were reduced through financial reengineering but marketing costs kept on increasing due to increased competition and product homogeneity in every industry. Additionally, relationship oriented marketing practices date back to the pre-Industrial era.

Later, customer relationship management became part of an evolution in corporate thinking that began with Enterprise Resource Planning (ERP) initiative of the 1990's. ERP program forces all resources within an organization to work within one business system by centralizing, standardizing and organizing information and the resources. Enterprise Resource Planning solutions (ERP) were mainly about the bottom line, cutting costs by improving the flow of data and interaction between business and customer. However, the information system processing skills acquired in implementing the ERP program enabled many organizations to support Customer Relationship Management and E-commerce. Therefore Customer Relationship Management was developed in large part as a result of data mining, segmentation and targeting that was made possible by the centralization of customer records. Organizations began to realize that they could better service their customers through better knowledge and understanding of the customers.

Thereafter, the growing importance of the service sector which is characterised by direct interaction between the organisation and the customer, thus inseparability enhanced the need for customer relationship management strategies. In this case the service provider is usually involved in production as well as delivery directly. Similarly the customer is also directly involved in production during purchase and consumption of the service. These direct contacts create opportunities for better understanding, better appreciation of needs as well as constraints and emotional bonding all of which facilitate relationship building. This has led to many organisations pioneering customer relationship management programmes with the telecommunication industry as one of the early adopters. (Fig.1.Below illustrates the evolution of customer relationship management)

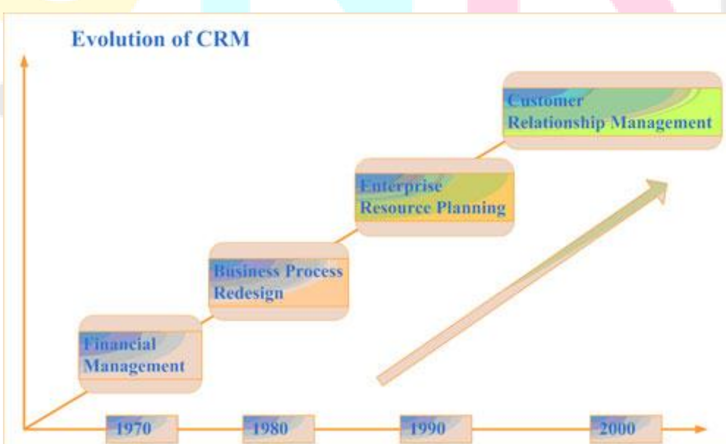

Figure.1: Evolution of CRM

2.1 CUSTOMER RELATIONSHIP MANAGEMENT DEFINED

Customer Relationship Management (CRM) is the strategic application of people, processes, and technology in an organization-wide focus on improving the profitability through customer relationships - DM Martin and AM Peel. According to The Pace Setter Group, 2001 Customer relationship management is the infrastructure that enables the delineation of and increase in customer value, and the correct means to motivate valuable customers to remain loyal and buy again. In this case relationship marketing may be described as a set of processes for creating, communicating, and delivering customer value in ways that benefit the organisation and its stakeholders. Customer relationship management is an important strategy and is one of the important aspects of marketing. According to the first researcher Morgan and Hunt (1994), relationship marketing may be defined as "all marketing activities directed towards establishing, developing and maintaining successful relationships". These relationships exist between customers and other organisations and stakeholders. The relationships have been described as the exchange between all mutually committed parties. The simplest form of relationship is when the customer has purchased from the same service provider at least twice, however this is characterised by positive commitment by both the service provider and the customer. Liljander and Strandvik (1995) proposed that a relationship should be defined from the customer's point of view as this corresponds to a market oriented perspective. The customer can be committed both negatively and positively towards a service provider or can be indifferent. A negatively committed customer will try end up the relationship as soon as possible but may not be able to do so due to different bonds which serve as exist barriers.

The term'relationship marketing', coined by Berry (1983), has come to represent a more balanced emphasis on continuing relationships rather than simply individual transactions (Peck et al 1999). The popularity of this term has presumably influenced the adoption of the term 'customer relationship management' (CRM) over more recent years. Although some use the term as a synonym for relationship marketing – Hobby (1999) for example defining it as "a management approach that enables organisations to identify, attract and increase retention of profitable customers by managing relationships with them" – others apply it to "using information technology (IT) in implementing relationship marketing strategies" (Ryals and Payne 2001).

3. METHODOLOGY

3.1 THE RESEARCH DESIGN

There are two research approaches – qualitative and quantitative. Quantitative, also termed empirical research answers questions about the relationship between dependent and independent variables, with the purpose of explaining, predicting and controlling the dependent variable, Watkins (2008). Quantitative or empirical research is used to collect and analyse numerical data and applying statistical tests (Bak, 2004). Qualitative approach is used to address the research question and design a study that involves collecting data and analysing data using interpretative methods (Coopers and Schindler, 2008).

In this research, the researcher has adopted a mixed research approach. Mixed research is research that combines both qualitative and quantitative research (Biggam, 2008). Qualitative research will be used to describe and explain the relationship between CRM and performance with reference to customer loyalty, profitability and return on investment. Quantitative research will be done to measure the extent to which CRM can lead to market growth, increase in profitability, return on investment, and increase in market share and customer loyalty. The mixed research will be used because it is essential for the various types of information sought, thus it allows full description of the relationship while at the same time allowing measurability on aspects such as market growth, market share, ROI and profitability.

3.2POPULATION AND SAMPLING ANALYSIS

A population is a collection of objects, events or individuals having some common characteristics that the researcher is interested in studying (Roscoe as cited by Mouton, 1998; Collis & Hussey, (2000). The population of this study is the 190 employees of the four main players in the Telecommunications Industry which includea cross section of Sales and Marketing Managers, Customer Care Managers and Corporate Relationship Managers and their teams.These have beenpreferred since they are the ones who interact with customers andalso handle customer informationon a continuous basis and able to determine the level of customer satisfaction in relation to CRM.(See table below). The unit of analysis is the variable or phenomena under study which the research will be conducted from and on which data is collected and analysed (Collis & Hussey 2003). In this study the unit of analysis are individualswithin the organisations in the telecommunications industry.

Section	Number of Employees
Customer Care	34
Sales and Distribution	51
Corporate Relationship Management	36
Marketing	30
Corporate Affairs	15
Research and Innovations	24

In including all organisations in the telecommunication Industry, it is providing 100% targeted respondents. According to Collis and Hussey (2009) and Vermeulen (1998), it is logical to involve the entire population in a research study if the target population is small. However, the entire population will not be included in the research.In order tocollect meaningful data for the research, non-probability sampling method, thus purposive sampling technique will be used. According to Burke, Johnson and Christensen, Larry (2012), "Purposive sampling may be defined as a technique in which each sample element is selected for a purpose usually because of the unique position of the sample element."A sample size of 20 respondents will be chosen from every organisation to be included in the study. Therefore the total number of units of analysis will be 80 respondents. This will help the researcher to focus on particular characteristics i.e. the group's interaction with customers, which will best enable the researcher to answer research questions. Additionally, this will provide the researcher with justification to make generalisations from the sample study regarding the entire population.

3.3 DATA COLLECTION TECHNIQUES

The researcher will use questionnaires as technique for data collection. Bak, (2004) define a questionnaire as a list of questions to be asked by the researcher, prepared in such a way that the questions are asked in the same way to every respondent. Thus the researcher will provide a list of questions which will consist of both structured and unstructured questions. This way the questionnaire will be structured according to the type of data being sought and targeted respondents among other factors. Structured questionnaire will be comprised of closed questions based on the characteristics of the specific respondent in question. Unstructured questionnaires in contrast, will have open ended questions in order to obtain more of the respondent's own views.

3.4 QUESTIONNAIRE DESIGN

For the purpose of this study, a structured questionnaire (see appendix 1) will be developed. The questionnaire will have three different sections that serve to collect different types of information. The sections are divided into demographics, levels of CRM and CRM performance levels.

3.6 MEASUREMENT SCALES

Responses will be measured on a 5-point Likert scale from 1 to 5, where 1 resembles high negativity and 5 the highest positivity. Favourable and unfavourable responses will be scored numerically to reflect the degree of CRM in a particular organisation. According to Coopers and Schindler (2006), the Likert scale is the most frequently used variation of summated rating scales because it shows the strength of the person's feelings to whatever is in the question. The researcher has also chosen it because it is easy and quick to construct, it is very reliable and responses are easy to analyse.

3.7 ETHICAL CONSIDERATIONS

Ethical issues were also considered in this study. The most important ethical issues the researcher fulfilled include:

- Informing the participants about their involvement in the research
- Avoiding risk and harm to participants and other parties
- Allowing free choice by emphasising that participation was voluntary
- Ensuring privacy by not sharing the participants' responses with other people
- Ensuring anonymity of participants
- Entering data on the computer as presented by the participants

Likewise, issues relating to privacy, confidentiality and anonymity of the respondents were provided for in the ethical application in observation of the Data Protection Act 1998. The Data Protection Act 1998 is the law that protects personal privacy and upholds individuals' rights (www.legislation.gov.uk). Participants will be informed not to disclose their names. All data collected will remain confidential. As mentioned earlier, the purpose and aims of the study, anticipated uses of the data, identity of the researcher and office, respondent's role in the research, degree of anonymity and confidentiality were mentioned to the participants.

4. CONCLUSION

The research will cover all the telecommunication operators in Malawi that are licensed by the Malawi Communications Regulatory Authority (MACRA). Such will include Malawi Telecommunications Limited (MTL), Telecom Networks Malawi (TNM), Airtel Malawi and Access Communications Limited (ACL). These organisations have been chosen because all of them are pursuing customer relationship management strategy as a way of achieving sustainable long term profitability since the market in this industry is experiencing little or no growth. Despite different types of Relationship management and business relationships in the telecommunication sector, this study will distinguish if there is a significant relationship between relationship marketing programs and organization performance and profitability in the Telecommunication Industry. Within the rapidly expanding literature of relationship marketing, business to business marketing and customer relationship management there is little attention paid to the value the organization can get from the customer relationship management strategies applied in regards to organization's performance. The choice for this study to cover the telecommunications sector stems from the fact that among the vast studies that have been conducted in the field of customer relationship management, although they have focused on different aspects of the relationship management, less research is found on the effectiveness of such strategies, also little empirical research has been conducted on the values of customer relationship management programs and their effect on the organization. Therefore this research prove the association which exists between relationship marketing strategies and organization performance in the Malawian Telecommunications Industry. The findings of this research will help different players in the industry to understand the effectiveness of the relational exchange from the organization's perspective and develop appropriate relationship marketing strategies in the Business to Business context.

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