

EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER RETENTION
OF SMALL AND MEDIUM SCALE ENTERPRISES IN GOMBE STATE

BY

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DECLARATION

I declare that the work in this dissertation entitled “Effect of Customer Relationship Management on Customer Retention of Small and Medium Scale Enterprises in GombeState”has been performed byme under the supervision of Dr. A. Y. Ahmad and Dr. M. Zubairu in the Department of Business Administration, Ahmadu Bello University, Zaria. The information derived from the literatures has been fully acknowledged in the text and a list of references provided. No part of this dissertation was previously presented for another degree or diploma at this or any other institution.

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My special appreciation and thanks to SMEs owners who took their time and attention to fill the questionnaire. My appreciations also go to my colleagues who have supported me through constant criticism and suggestions in the course of this research.

DEDICATION

This dissertation is dedicated to Almighty Allah.

ABSTRACT

The study examined the effect of customer relationship management on customer retention of small and medium scale enterprise in Gombe state. The study explored ways which in customer retention can be achieved through customer relationship management. A structured questionnaire was used to sample respondents using stratified random sampling technique. To measure customer relationship management, three dimensions namely customer knowledge, customer orientation and technology, were applied. Structural equation model was used to analyze data using Partial Least Square SmartPLS2. Findings shows that customer orientation and technology adoption have a positive and significant effect on customer retention therefore, null hypothesis is rejected while customer knowledge has a positive effect but not significant on customer retention of Small and Medium Scale enterprises in Gombe. The study recommends that SMEs owners should improve on customer analysis so as to ascertain individual customer preferences, SMEs owners should gather large amount of customer information to help identify high-value customers and establish a thorough understanding of customer's lifetime values and also endeavor to use modern technology in performing task, this will go a long way to reduce mental task.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Despite the current recession, there is rising interest in digital advertising to attract customers by various firms and previous studies(e.g., Odunlami, 2014; Olannye, Dedekuma, & Ndugbe, 2017; Sarwar, Abbasi, & Pervaiz, 2012) have revealed that it is costlier to attract than retain customers. It was reported on 28th February 2017 in Businessday newspaper that digital promotion budget in 2017 is likely to hit 40 percent mark from about 30 percent in 2016 Nigeria's total marketing budget of the advertising industry which stood at N97.9 billion in 2015. This is an indication that businesses are increasingly committing more resources to attract customers instead of retaining existing customers and using such resources to increase their working capital.

Small and Medium Scale Enterprises (SMEs) sector is pivotal to the economic growth and development of any nation, especially as government attempts to diversify her economy in the aftermath of declining revenue from oil due to plummeting prices. For a variety of reasons that have become well known, the pace of economic activities in the much of the northern east part of Nigeria has considerably slowed down over the past six years. This situation is attested to by a recent World Bank report (2016) and Gombe State is no exception as the economic potential of the state is obviously enormous as it shares borders with all the other five states in the zone: Bauchi, Borno, Yobe, Adamawa and Taraba. The state was rated second state in Nigeria in terms of ease of doing business according to a recent World Bank report. This had made the Bank of Industry and Gombe State government to disburse N3 billion to SMEs under the second phase of trade intervention (Vanguard 2018). This is aimed at providing more funds for entrepreneurs in the state to invest in value addition activities in the agro-allied since it constitute 80% of the

entire SMEs in Gombe state and other sectors to revive the economy of the state economy (Vanguard 2015).

SMEs is classified based on varied criteria, among the common criteria used are the number of employees, gross assets, turnover, and investment level(Oseifuah & Manda, 2017). The most common divisional basis used is employment, with varying levels of upper and lower size limits. Small and Medium Development Agency of Nigeria (SMEDAN) classification was adopted for the study because it was an authority primarily set up to foster the growth and development of SMEs in Nigeria. It adopts dual criteria, employment and assets to classify SMEs as those enterprises whose total assets (excluding land and building) are above Five Million Naira but not exceeding Five hundred million Naira with a total workforce of above 10 to 199(Osuolale, Tijani, & Bakare, 2018).

Over the years customer has been regarded by most organizations as their number one priority with such phrases like "Customer is king", "Customer is right" and "Customer Delight ". Therefore, it is very important to retain the customer for the future as it is known that it takes double the cost to acquire new customer than the old one (Chadha, 2015).To win customers and encourage them to stay loyal or repurchase the service, most companies have resorted to meeting and satisfying customer needs by not being only reactive but proactive (Chadha 2015).Retaining customer can provide intangible and economic benefits to organizations (Nataraj, 2010). The economic benefit is emphasised by Lee-Kelly, Gilbert and Mannicom (2003) which states that a strong relationship exists between retention and profitability. It express that a one percent increase in retention can have almost five times more impact on the firm's financial wellbeing than a one percent decrease in the cost of capital or discount rate(Nataraj, 2010).

Customer retention has been argued as one of the most important indicators that customer expectations have been met (Odunlami, 2014). The more satisfied customers are, the greater is their retention. Customer retention is becoming an important managerial issue, especially in the context of saturated market, where growth of the number of new customers is declining. It has also been acknowledged as a key objective of relationship management primarily because of its potential in delivering superior relationship economies (Shaon & Rahman, 2015). The satisfaction of needs of customers gives opportunity to retain customers for continuous patronage. The level of customer retention dictates to some extent the level of achievement of organizational objectives (Odunlami 2015). In other words, if customers fail to patronize or repeat purchase of the organization's products, sales and profitability of the organization may likely drop.

Customer relationship management (CRM) and retention is receiving more attention in recent times due to the need of businesses to retain customers in view of increased competition. Companies produce similar products and services which coupled with growing awareness of customer switching abilities has made it imperative for organisations to come up with CRM strategies that will enable them retain their customers for increased business benefits. From a purely economic point of view, firms learned that it is less costly to retain a customer than to find a new one (Barilliance, 2017). By Pareto's Principle, it is assumed that 20% of the company's customers generate 80% of its profits (Hassana, Nawazb, Lashari & Zafard 2015).

CRM consists of four broad behavioral dimensions (Sin, Tse, & Yim, 2005; Yim, Anderson & Swaminathan 2005). These behavioral dimensions are: key customer focus, CRM organizations, Knowledge management and technology based CRM. It is essential that all of these dimensions must work systematically in an organization to guarantee its improved performance through customer retention (Fox & Stead, 2001). In this regard, Abdullateef,

Mokhtar and Yusoff (2010) postulated that customer orientation, as one of the CRM dimensions which is said to be more comprehensive than key customer focus. This is because key customer focus unlike customer orientation deals with only sales but does not include aftersale services such as delivery, maintenance and warranty. Abdullateef *et. al.* argument receives much support from several studies that consider customer orientation as one of the most important dimensions of CRM (Hung, Hung, Tsai & Jiang). CRM organization was also not considered because this study used SMEs which by virtue of their small asset base cannot afford the complex computer hardware and softwares required. Therefore for the purpose of this study, customer knowledge management, technology and customer orientation will be considered to proxy customer relationship management.

CRM activities revolve around use of technology applications in updating database programs to better understand and respond to changing customer needs and establishing sustainable relationships (Mohammed & Rashid, 2012). CRM strategy implementation is likely to result in failure without adequate technological support (Dunu & Halmajan, 2011). Studies revealed that, adopting customer centric approach by organizations hardly achieves the desired objectives with absence of adequate information technology (Kuusik & Varblane, 2009; Mohammed & Rashid, 2012). Organizations that combine CRM with information technology application tend to have increased efficiency and customer satisfaction that impact on its overall profitability (Oghojafor, Mesike, Bakarea, Omoera, & Adeleke, 2012). Furthermore, one basic reason for incorporating technology based- CRM is its ability to enhance customer satisfaction, increased loyalty, and most importantly ensuring long term relationships (Becker, Greve, & Albers, 2009).

Knowledge has become a key resource for organizations to improve competitive advantage (Abdullateef, Mokhtar & Yusoff 2010). As a matter of fact, it is necessary for organizations to

remain competitive, and this aim cannot be achieved unless they enjoy wide knowledge about their market, explore and make use of their existing knowledge about their customers. Hence, Lo, Stalcup and Lee (2010) recommend investigating the impact of knowledge management dimension on SMEs in future research. Moreover, Fan and Ku (2010) indicate that customer knowledge management is firmly associated with marketing capabilities, and it greatly enables organizations to take strategic managerial decisions for improving their performance.

Customer orientation is a key focus for any firm's relationship to its market (Leeftang, 2011). As the central component of CRM, customer orientation is also an important driver of firm performance (Kirca, Jayachandran, & Bearden, 2005). The effectiveness of customer orientation also depends upon environmental conditions. In markets with low demand uncertainty in particular, studies report that customer orientation fails to enhance innovation performance (Gatignon&Xuereb, 1997). A number of studies, however, have raised questions regarding a universally positive effect of customer orientation (Danneels, 2003; Hult, Ketchen, & Slater, 2005). Previous studies suggest that enhancing customer orientation may cause firms to focus on their customers too much and, as a result, to overlook newly emerging customer needs, decreasing the novelty of their products and their ability to develop market-breakthrough innovations as well as reducing firm performance (Zhou, Yim, &Tse, 2005)

1.2 Statement of the Problem

The way that SMEs compete in today's economy is significantly due to the range of challenges they face in their ability to maintain a significant customer base (Harrigan, Ramsey & Ibbotson, 2011). Customer retention is becoming more difficult for SMEs that practice relationship marketing (Coviello, Brodie, Danaher,& Johnston, 2002).

The current and competitive market is characterized by changes in technology and consumer preferences that occur quickly (Amalnick and Zadeh, 2017). This makes it increasingly important for companies to provide their customers with a personalized service to ensure retention (Reicher&Szegegyi, 2015). Also businesses continue to devote huge resources to attract and win customers without necessarily reaping from such investments as such customers are lost to other businesses. At the heart of this problem is a business culture that has traditionally focused on winning rather than retaining customers. While most of organisations know what to do to attract new customers and the cost associated with it, very few understand the steps they needed to take to ensure that existing customers are retained and remain loyal.

Little studies have been conducted in relation to customer relationship management and customer retention (See,Ngambi&Ndifor 2015; Ibojo, 2015). Most of these related studies(e.g., Alipour&Mohammadi 2011; Nwankwo & Ajemunigbohun 2013; Ngambi&Ndifor 2015; Ibojo, 2015) were not conducted in the domain employed in this study, while some were conducted in a single industries (e.g., Hassan &Parves 2013; Nwankwo&Ajemunigbohun 2013; Toyese 2014) therefore findings may not be generalized. Other related studies conducted were not done in Nigeria which Li and Liu (2014) suggested that differences in economies is a significant gap in the literature. Also, according to Aminu (2015) conducting a similar study in turbulence environments as the case was in Nigeria is another significant contribution to the body of knowledge.To the best of my knowledge from the works reviewed, no study has been conducted on effect of customer relationship management on customer retention in Gombe State considering the time frame of the insurgency which has affected the economic activities in the much of the northern east part of Nigeria.

Moreover, some of the few studies (e.g., Das & Baruah, 2013; Odunlami, 2014; Sarwar, Abbasi, & Pervaiz, 2012) on customer relationship management and customer retention have failed to utilize the dimensions of customer relationship management used in this study. Given the backdrop, this study examines the effect of customer relationship management on customer retention in Gombe State.

1.3 Research Questions

The study was guided by the following research questions.

- i. Does customer knowledge management have effect on customer retention among SMEs in Gombe State?
- ii. Does customer orientation have effect on customer retention among SMEs in Gombe State?
- iii. Does technology have effect on customer retention among SMEs in Gombe State?

1.4 Research Objectives

The main objective of the study is to examine the effect of customer relationship management on customer retention in SMEs. Specific objectives include;

- i. To determine effect of customer knowledge management on customer retention among SMEs among Gombe State.
- ii. To evaluate effect of customer orientation on customer retention among SMEs in Gombe State.
- iii. To determine effect of technology on customer retention among SMEs in Gombe State.

1.5 Hypotheses of the Study

This study would be guided with the following research hypotheses formulated in null form;

Ho1: Customer knowledge management has no significant effect on customer retention among SMEs in Gombe State.

Ho2: Customer orientation has no significant effect on customer retention among SMEs in Gombe State.

Ho3: Technology has no significant effect on customer retention among SMEs in Gombe State.

1.6 Significance of the Study

The present study also provided a theoretical implication by giving additional empirical evidence considering cross section of SMEs businesses and the study extended the scope of this theory to Nigeria context. This study is believed to boost the database of existing literatures pertaining to CRM and retention within SMEs. Further, this study has also demonstrated that CRM is indeed a highly reliable measurement of customer retention for SMEs. In addition, the research model of this study could serve as a reference point for academics in order to further enhance understanding on the key variables i.e. customer knowledge, customer orientation, technology and customer retention.

The results of the study may help in identifying gaps within the CRM of SMEs in Gombe State. The study may help to craft appropriate legislation and policies to promote the growth and stability of SMEs. This can be by way of coming up with policies that will support use of technology for example making cost of information technology usage affordable. Authorities, like Small and Medium Development Agency of Nigeria (SMEDAN), Youth Enterprise with Innovation in Nigeria (YOUWIN) and National Enterprise Development Programme (NEDEP) may use findings in workshops and seminars to sensitize SMEs owners on how to retain customer through the use of effective CRM strategies. The findings of this study will help highlight ways in which CRM can be beneficial not only to the organizations but also to

customers. This is because CRM enables organisations to retain their customers for longer relationships which translate into more sales and profits. Customers also benefit because they will derive more satisfaction as products and services that are produced will meet their expectations.

However, this study further investigated the relationships and usefulness of these constructs with its assessment from the SMEs in Gombe State. Most previous related studies do not put into cognizance the effect size of each independent variable on the dependent variable. The study established the effect size of each of the independent variable on the dependent variable.

1.7 Scope of the Study

The study is concerned with only SMEs that are located and operating within Gombe State because the economic potential of the state is obviously enormous as it shares borders with all the other five states in the zone: Bauchi, Borno, Yobe, Adamawa and Taraba. Also the state was rated second state in Nigeria in terms of ease of doing business according to a recent World Bank report.

Considering the nature of the study, micro enterprises will not be considered in the study because they are said to be lacking in structures and are not formally registered with the appropriate authorities. The study will involve cross section of businesses across different industries such as manufacturing; wholesale and retail trade; accommodation and food service activities; mining and quarrying; construction; water supply; sewerage, waste management and remediation; agriculture; transport and storage; information and communication; administrative and support

services activities; education; art, entertainment and recreation other services activities. The study shall also use owner/managers as respondents on behalf of their enterprises; this is because they are in better position to provide the researcher with needed, available, and accurate information concerning the success or failure, as well as the current practice of their respective firms. These owner/managers are expected to represent the sampled SMEs (i.e., units of analysis) confidently and objectively by filling a structured questionnaire given to each of them.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

The chapter presents the variables used in the study. The empirical relationship between the predictors and the criterion variable were also reviewed. Specifically, in the first place, this chapter conceptualize the variables used in the study such as; customer knowledge, customer orientation, technology and customer retention. The second stage gives a brief background to SMEs, classification and problems associated with SMEs in Nigeria. In the last stage of this chapter, past empirical studies conducted on the relationships between customer knowledge, customer orientation, technology and customer retention were reviewed clearly stating their weaknesses and relevant theories that explained the relationship between the independent variables and the dependent variable.

2.2 Customer Retention

Customer retention is defined by different studies in different ways. For example Gerpott, Rams and Schinder (2001) defined it 'as the continuity of the business relations between the customer and the company'. Both retention and attraction of new customer are used as drivers for increase in market share and revenues (Rust, Zohorik&Keiningham 1993). Blattberg, Robert, Getz & Thomas (2001) states that customer retention is taking place when a customer keeps on buying the same market offering over a long period of time. Payne (2000) defines customer retention rate as the percentage of customers at the beginning of the period who still remain customers at the end of the period. The best customer retention tactics enable you to form lasting relationships with consumers who will become loyal to your brand. They might even spread the

word within their own circles of influence, which can turn them into brand ambassadors (Neil, 2018).

Retention is the process of having close & long relationship of customers with service provider. Many studies report that it is more expensive for the organization to attract new customers as compared to adopting strategy to retain existing customers. (Kelley Gilbert, & Mannicom, 2003). Reichheld and Sasser (1990), found that it is more economical to maintain relationship with existing customers because they are fewer prices responsive than new customers. Customer retention directly influences extended lifetime values and benefits which is more beneficial opportunity for organizations that look for enhancement and prolong business activities and those that are looking for ways to protect them from market decline which is the consequence of reducing economy. (Gee, Coates & Nicholson, 2008).

The best customer for any business is the returning one. It shows that the customer is happy with both the service and the product but there are other benefits too. A returning customer is cheaper to the business, as they will need to spend less on advertising or inducements such as price cutting and giveaways. A happy customer will also tell other potential customers of a product and service; doing a job of marketing for the store

Kotelnikov (2006) regards customer retention as keeping customers active within the firm and also involves the optimal allocation of resources. Ramakrishnan (2006) view customer retention as the marketing goal of keeping customers from going to competitors. Ramakrishnan (2006) idea concurs with that of Kotelnikov (2006) that customer retention entails keeping customers from being taken away by competitors. Hooley et al (1995) defines customer retention as a measure of repeat purchase behaviour. They further contribute that there are many reasons why

customers may keep coming back even if the company fail to provide them with high level of satisfaction. It could be that customers may not have any choice or they may not know any better.

Stauss et al (2001) defines retention as the customers' liking, identification, commitment, trust, willingness to recommend and repurchase intentions, with the first four being emotional-cognitive retention constructs and the last being behavioural intentions. Stauss and Hooley agree on the fact that customer retention is a behavioural intention by customers to repeat purchases with a certain company, repeat purchasing being the behavioural intention in particular. Fraser (2007) supported the above idea put forward by Simmons (2002) that businesses should be warned from "conflicted customers" who buy products and appear satisfied, but in fact are ready to defect as soon as a viable alternative appears. Furthermore, Fraser (2007) distinguishes customer retention from customer loyalty saying it is dangerous to confuse the two. Retention may be achieved by a "bribe"- discounts for repeat purchases and so on. Achieving high customer loyalty is likely to be far more difficulty and requires great longterm investment, Fraser (2007).

Reichheld et al (1990) defined customer retention as a measure of the tendency of a customer to stick with the brand above and beyond his or her objective and subjective assessment of the brand. Gummesson (2002) highlights that customer retention is the ability to keep long term relationships with customers and this is especially important to service where relationships may be expensive to establish. Gummesson (2002) concurs with Kotler (2004) who regards customer retention as a focus on how to maintain and enhance existing long-term relationships rather than attracting new ones. However, all above authors have agreed on the aspect that customer retention involves the maintaining of long-term relationships with customers despite their failure

to address driving forces that result in the need for relationship management such as globalisation and technology

However, other more complex definitions might be more appropriate in instances where customers make use of more than one business simultaneously. Based on the foregoing customer retention involves the activities and actions organizations take to reduce the number of customer defections.

2.2.1 Customer retention strategies

A number of strategies have been proposed and adopted by scholars as well as organizations to attract and retain customers. Some of these strategies are discussed below

2.2.1.1 Customer service Retailing

Gurus Levy and Weitz (2002) define customer service as set of programs and activities undertaken by retailers to make the shopping experience more rewarding to customers. These programs increase firms competitive advantage and value customers receive from merchandise they purchase. In agreement, Surrige et al (2008) regard customer service as the range of actions taken by business when interacting with its customers to meet or surpass the expectations that customers have on the business. Where customer service is seen as a key to competing effectively, the conventional wisdom is that there are three critical ingredients to successful service provision and there have been called “three Ss’ of service”: strategy, system and staff, (Simmons 2002). From the above arguments it can be concluded that quality customer service is essential in building strong competitive advantage for an organisation and value to customers resulting in strong relationships hence customer retention.

2.2.1.2 Key account management

Key account management has become an integral part of firms and researches suggest that most business to business firms use the concept in some form, (Millman 1995). Key account management views the buyer to seller linkage in a long term relational context and stresses the creation, nature and maintenance of stronger ties with customers. While traditional marketing approaches did stress the importance of exchange and of the satisfaction of customer's needs, key account management approach stresses the identification of "specific" customer needs first, followed by the satisfaction of those needs, (Sharma 2003). According to Diller (1992), KAM is a management concept including both organizational and selling strategies to achieve long-lasting customer relationships. McDonald et al. (1997), R101540B 9 define KAM as an approach adopted by selling companies aimed at building a portfolio of loyal key accounts by offering them, on a continuing basis, a product or service package tailored to their individual needs. Diller (1992) agrees with McDonald's view that KAM is a selling strategy that is meant to establish long term customer relationships resulting in customer retention. In full support to above definitions, Ojasalo (2001 p. 201), refers KAM to the selling company's activities including identifying and analysing their key accounts, selecting suitable strategies developing operational level capabilities to build, grow and maintain profitable and long lasting relationships with them.

From above contributions, authors have agreed that key account management is a selling strategy in a business to business situation that is aimed at creating, nurturing and maintenance of strong relationship with customers resulting in high rate of retention.

2.2.1.3 Internal marketing

The internal marketing concept is based on the belief that a firm's internal market or employees can be motivated to strive for customer-consciousness, market orientation and sales-mindedness through the application of accepted external marketing approaches and principles, Berry and Parasuraman (1991). In agreement to the aspect of market orientation philosophy postulated by, (Berry and Parasuraman 1991), Gummesson (2002) contributes that every member in the organization should participate in marketing activities and for that reason, he states that every person in an organization is a marketer either as a part – time marketer (PTM) or full - time marketer (FTM).

In disagreement with the above authors, Ahmed et al (2004) criticise the notion of treating a “customer as an employee” as he stressed the point that it raises the question of whether the needs of external customers have higher primacy over those of employees. However from the above arguments it can be concluded that the concept of internal marketing extends internal employees' capability to satisfy external customers through quality and effective service delivery that finally result in strong relationship hence retention.

2.2.1.4 Complaint management

Complaint management is an important part of customer retention. In fact the customer is given a chance to co-create the value with the supplier. According to Stauss et al (2001), customers primarily evaluate complaint handling on four central quality dimensions: accessibility, quality of interaction, promptness of reaction and adequacy of fairness of the solution. Gummesson (2002) adds that, in their article “Zero Defects”, Stauss et al (2001) drew the conclusion that a supplier could double net profit if the defection rate is reduced by as little as 5%. A well-

executed complaint handling process is of strategic relevance as it has a positive effect on customer retention, (Brown et al 1996). Indeed, customers who complain and are well treated can be more satisfied and less likely to switch than customers who had no cause for complaint at all, Nyer (2000). In agreement to Stauss et al (2001), Futrell (2000) adds that promptness to complaint handling provides an opportunity to prove to customers that they are important and that the organisation care for them. Yooncheong (2002) regards complaint management as strategies used to resolve disputes, to improve ineffective products or services in order to establish the firms' reliability in the eyes of customers. Customers are not always happy with the quality and value of products or service they receive. Customers complain about late deliveries, incompetent personnel, inconvenience service hours, needlessly complicated procedures, long queues, and a host of other problems (Christopher 2004). Erickson argues that the only way to make quality improvements effective in such areas as customer service, marketing and research and development is by having a clear articulated strategy that ties all these efforts together and focus on the corporation-including top level management on quality improvement. However, Schoeler (2004), states that despite the strategic relevancy of complaint handling, it is a process which has appeared to be accorded little importance in many companies. From above arguments it can be concluded that complaint management is a strategic rather than functional aspect that senior management should be found leading the demonstration of its relevance and importance to ensure customer satisfaction.

2.2.1.5 Communication

Hatton and Warson (2000) define communication as sufficient interaction to ensure that customers feel properly informed and valued. Chris (2005) regards communication as the process by which individuals share meaning. In the broader sense, marketing communication

include activities such as advertising, personal selling, sales promotions, and publicity. Other communication elements which must be co-ordinated with the overall marketing communication strategy are the product itself, the price, and all other company actions which customers may perceive as communication about the product or service, (Marx et al 1993). Christopher et al (2004) argue that some people still define communication narrowly as the use of paid media, advertising, public relations and professional sales people, failing to recognise many other ways that modern organisations can communicate with its customers. The location, atmosphere of service delivery facility, corporate design features such as the constant use of colours and graphic elements, appearance and behaviour of employees and design of a website all contribute to an impression in the customers' mind that reinforces or contradict the specific content of the formal communication messages. Christopher (2004) and Marx (1993) agree on the aspect that marketing communication should not be narrowly defined in terms of advertising, personal selling, sales promotions, and publicity, but the definition should be extended to other factors such as the product itself, location, atmosphere of service delivery facility, corporate design features such as the constant use of colours and graphic elements, appearance and behaviour of employees and design of a website and all other actions which customers may perceive as communication about the product or service. Communication efforts serve not only to attract new customers but also to maintain contacts with organisation existing customers and build relationships with them, Christopher (2004). In support to the above contribution by Christopher et al (2004), Hatton and Warson (2000) also contributes that communication is the cornerstone to building strong relationships. However, it can be concluded that marketing communication is not primarily used to fetch new customers but also used to establish or build relationships with existing customers in enhancing retention.

2.2.1.6 Total quality management

Hatton and Warson (2000) regard total quality management as a concept which has evolved from quality control activities of production line to encompass all activities of the organisation. It is based on the concept of ensuring that “quality” systems are developed for every aspect of the organisations’ activities. If systems are appropriate and well-designed, they will deliver good quality output. Zikmund (1996) defines total quality management as a management principle that seeks to install the idea of customer driven quality throughout the organisation and to manage all employees so that they continuously improve quality. In agreement to Zikmund (1996) on the aspect of involving employees in total quality management, Kotler (2003) argued that total quality management is an approach in which all the company’s people are constantly involved in improving the quality of products, services and business processes. Lancaster (2001) views total quality management as combining the satisfaction of customer needs with the achievement of company’s objectives. Dean and Bowen (1994) view total quality management as a comprehensive management approach aiming at satisfying or delighting customers. Total quality management stresses the importance of culture of designing, producing, improving products and services that satisfy customers (Collins 1994). Dean and Collins agree on the point that total quality management is an approach that is aimed at satisfying customer needs. Studies have shown that there is little agreement among various scholars on what constitutes total quality management. According to Anderson et al (1994), total quality management constitutes supplier relationships whereas according to Ahire (1996), it constitutes benchmarking. However, the most cited components of total quality management by Deming (1996) are continuous improvement, customer satisfaction, empowerment, and top management responsibility.

2.2.1.7 Service recovery

Gronroos (2007) defines service recovery as the action taken in response to an observed failure. The objective of recovery is to solve problems in two potential situations during the service encounter (i.e. before a customer complains) and shortly after the service encounter if the customer is dissatisfied. According to Sulk et al (2009), service recovery is the capability to react to faults as the basis for improving the service recovery process and to support actions that focus on managerial performance, reaction also establishes reliability in strategic business to business alliances. Service recovery could be thought of as a triple system. One element of the system is customer recovery, and the main points to consider are as follows: how to satisfy the customer following a failure, the impact of recovery on loyalty, and the impact of recovery on profit. The second element is process recovery; in this element failure types and impact; profiling service failures; the links between operational factors and customer outcomes and financial outcomes; the impact of system reliability on service recovery; process improvement; and collecting, analysing and interpreting failure data should be considered Michel (2008). The third element is employee recovery; employees often find themselves sandwiched between customer pressure and intransigent management or unchangeable organisational policies and procedures, and despite these issues, must be proactive in solving a problem. Immediate recovery after the failure ensures that the company have the good image or reputation (Wirtz&Mattila 2004). Johnston and Clark (2008) considers service recovery as involving attempts to identify actual and potential failures in advance, correct them and make improvements to the process of service delivery.

2.2.2 Benefits of customer retention

One of the benefits of customer retention is customer satisfaction. Gerpott et al (2001) proposed that satisfaction is based on a customer's estimated experience of the extent to which a provider's

service fulfils his or her expectations. Satisfied customers are less price sensitive, buy additional products, are less influenced by competitors and stay loyal longer_ Zineldin (2000). Ovenden (1995) argues that organizations must be aware of how well or badly its customers are treated. Customers rarely complain, and when someone does, it might be too late to retain that customer. As customer tenure lengthens, the volume of purchases grow and customer referral increase. Simultaneously, relationship maintenance cost fall as both customer and supplier learn more about each other because fewer customers churn and customer replacement cost fall. Finally, retained customers may pay higher prices than newly acquired customers, and are less likely to receive discounted offers that are often made to acquire new customers (Aspinall et al 2001 and Reichheld 1990). Gerpott et al (2001) and Reichheld (1990) agree on the view that satisfied customers are willing to pay more than what new customers do and are less influenced by competitor's hence high retention rate. Although customer satisfaction is important, it is not equally important to the company.

Also, customer retention brings about cost reduction. Costs fall as both customers and suppliers learn each other. As fewer customers churn, replacement costs fall, Aspinall et al (2001). Customers could defect at a rate of 10-30 per cent per year but however, a decrease of only 5 per cent in customer defection can increase profits up to 95 per cent depending with the industry_ Reichheld (1996). Kenny (1990) argues that this reduction is as a result of customer retention which results in longevity effects. Lindgreen et al (2000) for example compute that "it can be up to ten times more expensive to win a customer than retaining a customer and the costs of bringing a new customer to the same level of profitability as the lost one is up to 16 times more." The research by Reichheld and Sasser (1990) which found out that it costs 5 to 10 times to acquire a new customer than it is in retaining existing customers. Lindgreen et al (2000)

and Holmunda (1996) concur on the idea that customer retention leads to cost reduction as it costs much less to acquire a new customer than to serve the existing one.

Another benefit is in the area of customer value. Customer value is a strategic weapon in attracting and retaining customers and has become one of the most significant factors in the success of both manufacturing business and service providers (Zeithaml 1998). Woodruff (1997) defines customer value as a customer's perceived preference for, and evaluation of, product attributes, attribute performances, and consequences in terms of the customer's goal and purposes. Butz and Goodstein (1996) view customer value as the emotional bond established between a customer and a product after the customer has used a salient product or service produced by that supplier. Although these approaches differ, it is clear that there is a point of consensus. Customer value linked to the use of certain products and services and customer value is perceived by customers rather than being objectively determined by the sellers and other stakeholders.

Flint et al (1997) define customer value as the customer's perception of what they want to be happened (i.e. consequences) in a specific kind of situation, by offering a product or service in order to accomplish a desired purpose or goal. In agreement to Flint et al (1997), Woodruff (1997) contributes that value is created by products and services when the benefits they deliver (i.e. positive consequences) help customers to achieve their goals in various situations.

According to Reichheld (1990), customer retention brings benefits such as employee retention and satisfaction, better service, lower costs, lower price sensitivity, positive word of mouth, high market share, higher efficiency and higher productivity habit. There is a strong link between employee satisfaction and customer retention. Customer retention leads to higher employee

satisfaction as employees will be delighted and therefore stay longer with the company (Reichheld 1990). Improved customer retention can lead to an increased level of employee satisfaction which leads to increased employee retention and which feeds back into even greater customer longevity.

However, Parker et al (1994) argue that empowerment is also essential for internal customers' satisfaction. Indeed, studies on empowerment reveal that it is positively associated with employees' satisfaction (Parker et al 1994). In agreement to Parker et al (1994), Hoffman (2002) states that empowerment can improve employee motivation and job satisfaction thereby leading to the provision of quality services and improved relationships with customers.

2.2.3 Improving Customer Retention

Research indicates that returning customers tend to spend more. So along with the other benefits it is in a store's interest to spend time and money on customer retention (Business Encyclopedia, 2017). There are many ways for the store to achieve this:

- i. **Stock** – by selling quality product the customer will be happy and likely to return for more.
- ii. **Pricing** – in pricing a product at a reasonable one for the market the customer will consider returning to purchase more in the future.
- iii. **Customer Service** – good customer service from the minute the client enters a store will help sales and the memory will stay with the customer. Good after sales customer service in the case of an issue, helps offset further problems and assures the customer of the store's good intentions.

- iv. **Appealing Shop Layout** – making a store easy to navigate, warm in the cold months, cool in the summer ones and customer friendly decor can help hugely in retaining a customer. Nobody will want to return to a cold store where product is difficult to find and the paint is peeling off the walls.

By keeping an eye on customers habits and seeing how many are returning, a storeowner can see where improvements are necessary. If the store has high customer retention they need to see why and ensure that they keep doing what they are doing well to maintain standards. The opposite is also true. If customer retention is low, items such as product, pricing and customer service need examining so as to retain that all important returning customer.

2.2.4 How to Calculate Your Customer Retention Rate

Companies can calculate their customer retention rates in different ways. It all depends on what period of time you're examining, but many marketers use too many variables.

Let's say that you have 2,000 existing customers over a period of two months. During that same period, 900 of them return to buy something else from you. Those are the two numbers that will allow you to calculate your customer retention rate.

However, you have to discount any new customers you bring on during those two months. They're not part of the equation. You should only count the people who bought something from you prior to the two-month start date among your existing customers.

If you're measuring your customer retention rate from January 1 to February 28, you would take into consideration the customers who bought from you prior to January 1. If a new customer buys from you on January 15, he or she doesn't count.

2.2.3.1 Customer Retention Formula

The customer retention formula isn't difficult, but it's powerful. It's an illustration of how well you're building relationships and drawing existing customers back for subsequent purchases.

You'll need to do a little math, but if you have a calculator, it won't be a struggle.

The customer retention formula looks like this:

Start by subtracting the number of customers acquired during the calculation period from your total customer base at the end of the period. Divide that number by the number of customers you had at the start of the period and divide by 100. For example:

You have 50,000 customers at the start of a calculation period of two months. During those two months, you acquire 1,000 customers, and at the end of the period, you have 40,000 customers.

We'll subtract 1,000 from 50,000 to get rid of customers acquired during the testing period. That leaves us with 49,000. Now, we'll divide 40,000 by 49,000 to get .81. If we multiply that number by 100, we get a customer retention rate of 81 percent.

2.3 Customer Relationship Management (CRM)

CRM is the way companies build relationships with customers with the aim of maintaining customer loyalty and commitment to continue to use the company's products (Schiffman&Kanuk 2007). CRM is a philosophy and a business strategy, supported by a system and a technology, designed to improve human interactions in a business environment (Wongsansukcharoen, Trimetsoontorn, &Fongsuwan, 2013). Customer relationship management (CRM) explicitly recognizes the long-run value of potential and current customers, and seeks to increase revenues, profits, and shareholder value through targeted marketing activities directed toward developing, maintaining, and enhancing successful company-customer relationships (Berry 1983; Morgan and Hunt, 1994; Gronroos, 1990). These activities require an in-depth understanding of the underlying sources of value the firm derives from customers and delivers to them.

CRM is the process of learning as much as possible about customers and doing everything you can to satisfy them or even exceed their expectations with goods and services over time” (Nickels,2008). CRM is a strategy that uses information, including the wants and needs of the customers, to establish rapport with the customers and engender a dedicated, stronger relationship with individual customers and into long term business partnerships and vendor/business relationships (Dickie, 1998). Fathy (1999) refers to CRM as an understanding of customers’ needs and leveraging this knowledge to increase sales and improve service. CRM blurs the boundaries between sales and service, and unifies a company’s activities around the customer. The overarching goal is to increase customer share and customer retention through customer satisfaction. In other words CRM is the strategic concept that can provide the strategic to help the enterprises, and the objective of CRM can be analyzed in three aspects these are improvement of efficiency, development of market and customer retention (Shao and Yu 2004).

2.3.1 Evolution of CRM

Interest in Customer Relationship Management (CRM) began to take its importance in 1990s (Theron & Terblanche, 2010). Nevertheless of the size of the business, they are still encouraged to adopt CRM to create and manage the relationship with customers well effectively and efficiently. Enhancement of relationships with customers might be a pathway to lead greater customer loyalty, sustainability and also the profitability. Because of the growth of the Information Technology the usage of internet began to grow up and this in turn provided opportunities to marketing through transform the way of relationships between businesses and their customers (Bauer, Grether& Leach, 2002).

Although CRM has become widely recognized as an important business approach, there is no universally accepted definition of CRM. Swift (2000) defined CRM as an “enterprise approach to understanding and influencing customer behaviour through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty and customer profitability”. Kincaid (2003) viewed CRM as “the strategic use of information, processes, technology and people to manage the customer's relationship with the company (marketing, sales, services and support) across the whole customer life cycle”.

2.3.2 Roles of Customer Relationship Management

Customer relationship management (CRM) is a concept to manage the organization's interactions with its customers, users and all the issues related to sales and financial transactions. The technology in this regard used to manage and facilitate the organization's business processes and activities. Therefore, CRM considered as a strategic business and process rather than a technical issue (Dowling, 2002). Moreover, it's important to recognize that CRM has a long-term

aim which is to enhance the quality and to improve the interface with the customers which lead toward customer satisfaction (Haridasan&Venkatesh, 2011)

CRM emerged as a crucial strategy to identify the banks profitable customers and prospects, also it enables the banks to dedicate time and attention to enhance the relationships with their clients through the customized services, re-pricing, discretionary decision-making, and marketing (Awasthi&Sangle, 2013). Moreover, Agariya and Singh (2012) showed that CRM aiding banks to differentiate customer segments based on profitability and business besides to identifying the related risks with loan clients, customers mostly like to leave banks and responding to other available offers from competitors. CRM plays a significant role in the banking industry by aiding banks to capture the customer's data and to enhance the accessibility of customer information, so it enables bank branches to improve their corporate identity.

This philosophy, create the space in which all information is shared in the time required to be provided to individuals who need it, that is all the employees and all things are connected to each other and burst. Customer relationship management and decision making on information obtained for company's strategy, shares knowledge of customer in the company. CRM system can help organization to maximize their ability for interacting with their buyers. This not only helps to improve but also accelerate the response to the needs of the buyers

2.3.3 Dimension of Customer Relationship Management

CRM consists of four broad behavioral dimensions (Sin et al., 2005; Yim et al., 2005). These behavioral dimensions are: key customer focus, CRM organizations, Knowledge management and technology based CRM. It is essential that all of these dimensions must work systematically in an organization to guarantee its improved performance through customer retention (Fox and

stead, 2001; Sin et al., 2005; Yim et al., 2005). In this regard, Abdullateef et al. (2010) declares customer orientation, as one of the CRM dimensions which is said to be more comprehensive than key customer focus because it involves both sales and after sales services while customer focus deals with only sales. His argument receives much support from several studies that consider customer orientation as one of the most important dimensions of CRM (Hung, et al. 2010). CRM organization was also removed because it involves provision of complex and comprehensive hardware and software which SMEs by virtue of their small asset base cannot afford. Therefore, it is logical to go into details of about CRM dimensions as follows:

2.3.1.1 Customer Orientation

Customer orientation is intended to strengthen long-lasting customer satisfaction and to increase customer loyalty. Al – Azzam (2016) purports that the customer orientation strategy is one of the best resources to improve customer satisfaction and increase business profits making it a very important dimension of CRM. Organizations must therefore have a customer-centric culture to implement CRM successfully and consequently develop a competitive advantage. Bang and Kim (2013) view customer orientation as the customers' perception of the firm's atmosphere and culture to understand customers' needs. As such, if customers perceive that employees try to understand and help the customers, it is expected to lead to customer Satisfaction and Commitment. Also, it is also possible that customers would be more committed if customers perceive that the firm tries to learn about them to improve the service

Customer Orientation is a management and sales approach in which the customer is at the center and the business departments work around their needs and demands. All its actions and decisions at every business keeps in mind the needs of the consumer. Some of the business decisions include timely response to customer needs and problems, focus on quality and performance etc.

The objective is to retain the existing customers as much as possible as the cost of retention is much lower than cost of customer acquisition. Customer oriented marketing is one of the key focus areas of the “marketing concept”.

The main purpose behind customer oriented behaviors is to increase customer long lasting satisfaction and to create customer loyalty. Therefore, studies have demonstrated that good customer oriented behaviors, in an organization, definitely ensures a tremendously positive impact on its retention (Kim, 2008). Similarly, King and Burgess (2008) reach the conclusion that customer orientation is a crucial factor in the successful implementation of CRM. Moreover, current researches have revealed that service firms, like hotels, require a better understanding of customer orientation and its great importance to such firms and their performance (McNaughton, Osborne & Imrie, 2002; Sin et al., 2005). As in the service oriented organization, the delivery of service in a hotel occurs when there is interaction between service providers and the service encounter (Ki, Nam & Lee 2006).

Hence in order to enhance service experience, hoteliers need to focus on customer interaction. Customer orientation can be achieved through a positive relationship between customer and service provider. Research has supported that customer orientation leads to increase organizational performance (Asikhia, 2010). Furthermore customer orientation is also one of the market beneficial sources, it helps organization to understand customer, and hence it helps in delivering an appropriate plan to satisfy customer needs (Liu, Luo & Shi 2003). Furthermore, several studies revealed that there is a relationship between customer orientation and marketing planning capabilities (Morgan, Vorhies, & Mason, 2009; Pulendran & Speed, 1996).

Tajeddini (2010) says that for an organisation to gain competitive advantage and retain their customers, employees should be empowered with the following characteristics: ability to clearly identify and focus on customer needs and wants, be actively involved with the customers by listening and interacting with them, to develop appropriate and/or new solutions to complaints raised by customers and be, task orientation, responsible, feedback oriented, flexible and committed to the organization. Besides this, the beneficial influence of customer orientation strategy on marketing-planning capabilities, this strategy also influences the successful implementations of marketing actions or innovations (Slater & Narver, 1998).

Hence, we note that despite the numerous positive impacts of customer - orientation on organizations performance, the fact remains that there is still a shortage of literature about customer - orientation impact on hotel performance (Tajeddini, 2010).

2.3.1.2 Customer Knowledge

The way people are interacting with customers is changing. The advent of the internet has brought a huge change to the world of marketing. As a marketer, must have probably experienced it first-hand. You are not just talking to your customer over a television screen and on billboards anymore.

Some marketers view this as a problem, or as an obstacle to be dealt with. But this could not be further from the truth. Constant connection to your customer and his/her opinions, wants, and needs, is a blessing for anyone trying to construct a successful marketing campaign. Why? Because it exposes you to a wealth of customer knowledge (Jerome, 2017).

Customer knowledge is essentially the science of knowing your customers- who they are, what motivates them, what they want, need, love, or hate. Customer knowledge takes a marketer and

makes him into a psychologist (Jerome, 2017). It forces you to get to know your customer as more than just a number, understanding their buying patterns and consumer needs. In today's market, you cannot successfully sell to your customers without first acquiring customer knowledge.

Back before the internet, marketers would obtain customer knowledge in person, because nobody was buying products or services over the internet. It was easy to know who was buying your products, because they had to appear in the flesh in order to shop for them, or at least speak to somebody over the phone.

But now, many times companies sell their products almost exclusively online. This means that they don't know who exactly they are selling to unless they make direct efforts to acquire customer knowledge. Customer knowledge management refers to understanding your customer's needs, wants and aims to be able to serve them better. For customer knowledge to be effective in an organization, it has to be noticeable across the whole organization.

One of the most common and effective ways to acquire customer knowledge is to send out surveys. With this tool, the options are endless: you can structure your survey as a customer satisfaction survey, asking them questions about their experience with your company and what new things they'd like to see. Within a customer satisfaction survey, you can ask for your customer's age, profession, interests, etc. (Jerome, 2017). Using their demographic information combined with their customer satisfaction responses, you can usually piece together a pretty good picture of who they are and their customer journey.

You can put this kind of survey directly on your website, send it in an email after someone makes a purchase, or have it exist as a pop up on your products page. Not all customers or potential customers will fill surveys in, but many will, and the information they give you is always, always useful.

The most important thing about surveys is taking the feedback you get seriously. Not only should you use the customer knowledge you receive to help build buyer personas of who your customers are, but you should respond to any and all customer concerns immediately. Your customers will be far more likely to fill out surveys in the future if they know that by doing so, their voice will be heard.

Customer knowledge is a business strategy that creates, accumulates, organizes and utilizes knowledge to enhance organizational performance (Finnegan & Currie, 2010; Rašula, BosiljVukšić, & Indihar Štemberger, 2012). Researchers have confirmed that customer knowledge management results in organizational invention, product advancement and workers improvement (Yueh, Lee, & Barnes, 2010). Thus, effective customer knowledge management results in increased organizational markets and competitive advantage of a firm (Abdullateef, Mokhtar, & Yusoff, 2010).

Organizations as they understand their individual customer interest and adopt customization strategy can be much more customer oriented and no doubt manage request for service from customers. Yueh, Lee and Barnes (2010) lamented that the presence of today's worldwide marketing problems results from poor information handling, and that organizations can only survive competition when they have perfect knowledge about market situations (Schierholz, Kolbe, & Brenner, 2007).

Strongly related to knowledge management, successful CRM is predicated on effectively transforming customer information to customer knowledge (Freeland 2003; Peppard 2000; Plessis & Boon 2004). Specifically, to enhance customer profitability, information about customers should be gathered through interactions or touch points across all functions or areas of the firm (Brohman et al. 2003), so that a 360-degree customer view is established, maintained, and continually updated (Fox & Stead 2001). Customer knowledge thereby generated needs to be shared and disseminated throughout the organization (Peppard 2000; Ryals & Knox, 2001) to address customers' current and anticipated needs. Salespeople are then equipped with a wealth of valuable customer knowledge to meticulously adjust marketing offers to fit the idiosyncratic needs of each customer (Armstrong & Kotler, 2003)

2.3.1.3 Technology

Electronic customer relationship management helps organizations to gain customer retention in an easier manner by reducing management costs and by identifying valued customers. This process merges hardware and software processes and management's dedications in order to support an organization's e-CRM business strategies. Technology helps lead to higher competitive advantage for the organization (Winer, 2001). An efficient e-CRM programme tracks a customer's record from end to end while using various electronic channels in actual time with the aim of creating and maintaining analytical databases for effective customer retention (Technopedia, 2016).

Information Technology (IT)'s role is to help redesign CRM processes to facilitate changes to work practices, and to establish innovative methods to link a company with customers, suppliers and internal stakeholders. CRM applications take full advantage of technology innovations with their ability to collect and analyze data on customer patterns, interpret customer behavior,

develop predictive models, respond with timely, effective customized communications and deliver product and service value to individual customers. (Chen & Popovich, 2003). By using IT, CRM can optimize interactions with customers based on historical data.

Many CRM-oriented activities, such as knowledge management, cannot be optimized without leveraging the latest technology. Indeed, most CRM applications take great advantage of technology innovations with their ability to collect and analyze data on customer patterns, develop prediction models, respond with timely and effective customized communications, and efficiently deliver personalized value offerings to individual customers (Peppard 2000; Vrechopoulos 2004). With the development of sophisticated information management tools, such as database marketing, data warehousing, data mining, and push technology, companies are striving to seamlessly incorporate the latest technology into their CRM systems. In particular, salespeople frequently depend on continually updated software programs to better respond to their customers and build enduring customer relationships (Kotler 2004).

CRM technology helps companies and their salespeople collect, analyze, and distribute information for enhanced prospecting, improved communication and sales presentations, and tailored product configurations. It also facilitates cross-referencing of customers within divisions of a company for greater sales opportunities (Widmier, Jackson & McCabe 2002). Among the major outcomes sought by incorporating CRM-based technology are enhanced customer satisfaction, higher customer retention, and more profitable long-term customer relationships (Butler 2000).

2.4 Empirical Review

This section reviews relevant studies on customer knowledge management, customer orientation and customer retention. The effect of these factors will be extensively capture captured.

2.4.1 Customer Orientation and Customer Retention

Raie (2014) evaluate the effect of customer orientation of employees, satisfaction and engagement of customer on customers' retention at workers Welfare bank in Parsabad city. The results of the hypotheses of this study showed that customer-orientation of staffs positively effect on retention of customer. The findings of the study supported that of Zargaran, Sarmadsaidi and Esmailpour (2013) who investigated the effect of Customer-orientation Relationship on Customer`s retention in the branches of Mellat Bank in Hamadan, as a service organization. Thorsten (2014) conceptualized customer orientation drawing on a deductively derived four-dimensional conceptualization of the customer orientation of service personnel, consisting of employees' technical skills, social skills, motivation, and decision-making power, a model of the impact employees' customer orientation has on key service marketing constructs is theoretically developed. The result of the study shows that customer orientation has a significant positive effect on customer retention. However, the studies were conducted using a case study of one organisation and were conducted in other countries which according to Li and Liu (2014) suggested that differences in economies is a significant gap in the literature. Therefore, undergoing a similar research is an important contribution to the body of knowledge.

2.4.2 Technology and Customer Retention

Studies on the effect of technology on customer retention was examined by Folarin and Hassan (2016) explore the effects of information technology on business, focusing on how information technology had enabled company in Malaysia to improve customers' satisfaction and customers' retention. The study adopted descriptive and explanatory research designs. The sample of 253

respondents (customers) from various TESCO retail outlets were recruited using self-selection sampling. The Bivariate multiple regression result shows that all the IT enabled elements has a significant and positive impact on customers' satisfaction except accessibility. The study however employ future research should involve several organizations from different sectors and make use of a larger sample that will improve the generalization of the effects of information technology on business which this study intend to carry out.

Also. Djajanto, Nimran and Kumadji and (2014) examine the relationship among self-service technology (SST), service quality, and relationship marketing on customer satisfaction and loyalty. Samples of the study were 201 respondents of a state bank in East Java-Indonesia who have experienced using self-service technology. The Partial Least Square (PLS) was used to analyze the data and the hypotheses. Results of this study indicate that technology has an effect on customer satisfaction which will therefore leads to retention. The study was also consistence with that of Nikhashemi, Paim, Haque, Khatibi and Tarofder (2013) they investigated the effect of internet technology on customer retention. A survey instrument was used to examine the relationships in the proposed model. The relationships among the four dimensions expressed in the proposed structural model. The results demonstrate that Internet technology does not only improve the customer service, but more importantly, it can deliver value to the customers through which retention rate and customer loyalty will be enhanced. However this studies were conducted in different domain other than the one employed in this study, therefore findings may not be generalized to other sectors. This gives rise for the need to reconsider looking at SMEs.

Charles (2014) investigated the impact of technological innovation on organizational performance in the manufacturing industry. The study employed survey research. Primary data was used with questionnaire as research instrument. The subjects were 137 employees of Nestle Foods Nigeria Plc. The findings from the study revealed that technology influence organizational performance. Based on the finding, it was recommended that there is the need for organizations to be innovative technologically to be competitive in the market. The findings was in support by Abbas, Muzaffar, Mahmood, RamzanSibt and Hassan (2014) where it examine the effects of information technology on performance of Allied Bank on 32 employees. It was figured out that technology greatly escalates the productivity. Quick access to information and ease of use enables the bank employees to deliver quality service which may lead to retention. However, the unit of analysis in the above studies is the employee, this study considered the owner/manager of SMEs as it unit of analysis. Also the sample size is too small, this study uses a larger sample size.

2.4.3 Customer Knowledge and Customer Retention

Saber and Eslami (2015) investigated the relationship between knowledge management and customer retention in the branches of Mellat bank in Yazd city. The study is applied research in term of purpose and descriptive and field to collect data collection. In the study, descriptive analysis was used to display demographic characteristics of statistics as well as deductive statistical tests including Pearson correlation analysis and structural equation modeling (SEM) was used to analyze data. The study found knowledge management to be significantly related to customer retention. Knowledge Management is as main factor for determining the successful implementation of customer retention in the view of Hasanzadeh (2013) who investigated the effect of Knowledge Management on success of customer retention in EghtesadNovin Bank with

using of SPSS software. Also collecting data is done through questionnaire and inferential statistics including Pearson's correlation test and One-sample t test is used for answering to the questions and research hypotheses. Knowledge management was found to have positive relationship with success of customer retention. However, the studies were conducted using a case study of one organisation and were conducted in other countries which according to Li and Liu (2014) suggested that differences in economies is a significant gap in the literature. Therefore, undergoing a similar research is an important contribution to the body of knowledge.

Also, in the banking sector Nodehia and Azam (2014) examined the impact of customer knowledge management on customer retention in Tehran private banks. Research population comprises of bank managers, bank tellers and customers in Tehran private banks. The collected data was analyzed applying SPSS 20 and Amos 20 softwares. Results indicate that customer knowledge management has effect on customer retention. This research results is in consonant with that of Huiming and Yi (n.d) research, the study postulated that knowledge management (KM) has become a key strategic tool for all companies, especially in the current competitive environment recently. Using data of 100 random consumers, conclusion was drawn that management plays a positive role in customer retention. However the sample size of the study was small, therefore this study uses a larger sample size.

2.5 Other Empirical Review

Ngambi and Ndifor, (2015) examined the link between CRM and the performance of Microfinance Institutions in the Republic of Cameroon. Multiple regression model was used to regress some measure of performance on variables representing CRM practices namely, customer satisfaction, and computerized management of customer relationship, customer retention, and financial bonding. The main finding of this study revealed that contrary to

previous studies computerized management of customer relationship so far does not have positive impact on performance. However, the study fail to capture the role of technology in integrating organisations cross functional activities in order to retain customer

Alipour and Mohammadi, (2011) investigated the impact of customer relationship management in order to gain the competitive advantage in industrialized manufacture of Truck. Descriptive research was used and questionnaire was used to collect data. Results obtained from data analysis showed that all the relations are meaningful at the %5 of deviation using spearman correlation test from the managers' perspectives and the variable of understanding and separation of customers has the most impact, and the variable of attracting and protecting of customers has the least impact on the dependent variable. The study was carried out in a single industry, this study will examine cross section of SME businesses.

Nwankwo and Ajemunigbohun, (2013) evaluated the relationship that exist between CRM and customer retention. The study employed cross-sectional survey design. The study employed stratified random sampling technique and thus, gathered data through the use of structured questionnaire. The sample population consisted of 58 respondents made up of marketing managers and underwriting managers drawn from 35 insurance companies which were randomly selected from the directory of member companies. The statistical instruments employed was Simple linear regression and Kolmogorov-smirnov test. The study found that CRM positively influences customer retention in the Nigeria's Insurance Industry, and thus helps create values for insuring populace in Nigeria. The study sample size is small compare to the sample size this study intend to use.

Ibojo, (2015) examined the impact of customer satisfaction on customer retention. Survey research design was adopted for the study. The primary data includes a structured questionnaire used to elicit information from the target respondents who were customers of the reputable bank in Oyo. Anova and t-statistics were used to test the hypothesis while regression analysis was used to analyze the data. The findings show that customer satisfaction is significant to customer retention. It was concluded that the effective satisfaction of customers will give room for customer retention. The study was carried out in a single industry, this study will examine the cross section of SME businesses.

Malik (2015) examined customer relationship management concept and its impact on customer loyalty. The research was conducted through survey method and data was collected from vehicles owners. The results revealed the significant factors that lead to the customer loyalty for automobile was trust associated with on time service delivery, promptness in handling repair work, friendliness helpfulness, arranging replacements and fulfilment of obligation to customers. The study was carried out in a single industry. However, this study will examine cross section of SME businesses.

Sarkindaji, Hashim and Abdullateef (n.d) examined CRM implementation and proposed a conceptual model linking customer loyalty in the telecommunication industry. Findings from this research revealed a significant relationship between CRM measurements, customer satisfaction, switching costs and customer loyalty. It finally recommends that CRM implementing organizations should integrate CRM maintenance as a precondition for CRM sustainability in their organizations. However, the study was carried out in a single

industry that telecommunication and therefore there is need to compare findings with that of SME's which consist of many sectors.

Krishnamoorthy and Srinivasan, (2013) determined the impact of customer relationship management on customer loyalty. Data was collected from the customers of private sector bank and public sector bank through questionnaires. Statistical tools such as multiple regression, factor analysis were used for data analysis. The study shows that there is an impact on customer relationship management and customer loyalty. The study also noticed that banks words and promises are reliable; bank fulfilment of its obligation to customer, offering advice on how to invest are the predominant variable which has impact on customer loyalty.

Zaree and Darabpour, (2014) investigated the effect of customer relationship management (CRM) in a chain hotel on customer loyalty. The study used correlation and survey research was applied. Study population comprised all customers Corp is a hotel chain. SPSS software were calculated for the 25 questions, 77/0, respectively. The results indicate that the implementation of customer relationship management, attract new customers and retain existing customers of Parsian Hotel is positive and significant impact. The study was carried out in a single industry, this study will examine a cross section of SME businesses.

Ogunnaike, Borishade and Jeje, (2014) determined the relationship between customer relationship management and student satisfaction. The study explored the ways in which student satisfaction can be achieved with the use of customer relationship management. Both descriptive and inferential statistics were employed in this research. A multiple regression analysis was employed in the hypothesis testing. The research findings showed that student's willingness to recommend to others increases when the student lifecycle in

the university is well managed. It was also discovered that strong parent relationship management at the University enhances the student's willingness to recommend their universities to others. It is therefore recommended that universities should adopt effective customer relationship management strategies to achieve student satisfaction. The study was carried out in one industry that is education using university, while this study intended to examine SME businesses which cut across many sectors.

Lam, Cheung and Lau, (2013) investigated the relationship between the marketing efforts of electronic customer relationship management (e-CRM) and loyalty in Hong Kong's banking industry. A quantitative approach was employed, and 119 valid questionnaires were collected from 150 respondents. Reliability testing and multiple regression analysis were used to determine the relationships between various independent and dependent variables. The results suggest that all four e-CRM marketing tactics (direct mail, interpersonal communication, preferential treatment, and tangible rewards) play important roles in building customer relationships. The sample size of the study is small.

Tauni, Khan, Durrani and Aslam, (2014) examined the relationship between customer relationship management and customer retention. Survey method and regression analysis was used for the purpose of hypothesis testing in telecom industry of Pakistan using a sample size of 60 customers. According to the results, maintaining sustainable relationships with the customer can promote to retain customers and can be profitable for the companies. CRM and customer retention are significantly related. The sample size of the study is small.

Magasi, (2016) investigated the extent to which customer relationship marketing influences customer retention with their commercial banks in Tanzania. The Chi-Square method and

multiple regression models were used in the data analysis. From the study, a satisfied customer will not always enter into a long-term relationship with the bank. However, the committed customer with degree of trust enters into a long-term relationship with the bank. The results suggest that, a long-term customer-organization relationship is crucial in creating longer-term customer retention. Banks have to plan and design strategies to capture the needs and expectations of customers as a way of creating a continuous long-term relationship with them over time. The study was conducted in a single industry.

Narwal and Singh, (2016) studied the effect of various customer relationship management variables on the customer retention. Here, five variables of CRM namely satisfaction, trust, commitment, communication and quality are considered that show their impact on repurchase intention of the customers. In the results these variables have depicted positive and significant impact on the retention except satisfaction, the only variable, which shows both positive and negative influence on retention. Focusing only a few variables is been the biggest limitation of this review and it is suggested that more variables are to be considered in future so that the behaviour of the customers can be understood properly and decisions are taken accordingly. However, the dimension of customer relationship management differs from the one employed in this study.

Anabila and Awunyo-vitor, (2013) assessed the relationship between customer relationship management and customer loyalty using a case bank. Cross sectional research design was used to sample 20 staff and 50 customers. Data was collected from sampled respondents using a questionnaire. The Statistical Package for Social Sciences (SPSS) version 16 was used to analyse the data. The result indicates that the bank assigned relationship managers who take care of the individual customer's needs. Thus, there is indication of the practice of CRM at the bank and this

was more evident in the area of feedback to customers. A correlation analysis revealed that there is a strong positive relationship between CRM practice and customer loyalty. The study recommends that management of the bank should continue with the CRM practices and effectively communicate their CRM policy to customers to improve customer loyalty. In addition introduction of some loyalty programmes would enhance customer loyalty. The sample size of the study was small.

Azhar and Awan, (2014) analysed the Customer Relationship Management in Flour mills of Bahawalpur and how these mills are managing their customer relations strategically. This is an exploratory research in which deductive approach has been applied. Structured questionnaire technique has been used for data collection. The study concludes that CRM is being well strategized for the long term as it is formulated, implemented and practiced in a systematic manner. This study can be useful in studying the customer relationship practices in other flour mills of Pakistan as this study provides basis for further research. The study was conducted in a single industry.

Verhoef, (2003), investigated the differential effects of customer relationship perceptions and relationship marketing instruments on customer retention and customer share development over time. Customer relationship perceptions are considered evaluations of relationship strength and a supplier's offerings, and customer share development is the change in customer share between two periods. The results show that affective commitment and loyalty programs that provide economic incentives positively affect both customer retention and customer share development, whereas direct mailings influence customer share development. However, the effect of these variables is rather small.

Nischal, (2015) investigated how a service company can improve their customer retention through customer relationship management. A qualitative and semi-structured research method was adopted in order to explore the relationships between the service providing company and their customers to promote their customer retention strategy. The results of the research indicate that to be able to attract and keep customers by increasing the customer retention rate, companies have adopted a proactive approach devoting time and resources to stay in touch with their customers. The conclusions are that companies have to realize that they have to do things right by listening to their customers and adopting a strategy based on mutual agreement with the customers. The study was conducted in a foreign country, thus differences in economy is a significant gap in the literature.

Abtin and Pouramiri, (2016) investigated the impact of relationship marketing on customer loyalty enhancement in Kerman Iran insurance company. This study was carried out through a survey method using questionnaires as the main instrument. Pearson correlation coefficient was used to assess the relationship between loyalty as dependent variable and trust, satisfaction, management, communication, and competence as independent variables and revealed that there was a significant positive relationship between variables. The study was conducted in a foreign country, thus differences in economy is a significant gap in the literature.

Saini, (2015) identified the effect of e-CRM strategies on customer satisfaction in context of online shopping. This study is based on 150 respondents and analysis confirms the conceptual model that convenience, trust and security have significant effect on customer satisfaction. This study enables managers and marketers to implement the e-CRM in the best shape and match it

with current needs and requirements of consumers. The conclusions suggest that if organizations want to get the most from their e-CRM implementations they need to revisit the general principles of usability and resistance which should be applied thoroughly and consistently. The study used a small sample size.

Adiele and Gabriel, (2013) examined the impact of customer relationship management (CRM) on the Business Performance (BP) of Nigeria money deposit banks. The nomothetic methodology was adopted and forty copies of structured questionnaire were our primary data collection instrument which was distributed to ten functional and registered money deposit banks in south-south zone of Nigeria. The study however showed that a significant relationship exists between CRM & BP. Furthermore, it was found that amongst the dimensions of CRM, customer identification and retention impacts more significantly on business performance. The study therefore concludes that Nigerian money deposit banks should increase their customer identification and retention strategies since they commensurably impact on their level of performance. The study considered only the banking sector.

Hassan, Nawaz, Lashari, and Zafar, (2016) examined the effectiveness of customer relationship management (CRM) in retaining and satisfying customers with reference to Shell Pakistan. This study shows that customer relationship management has significant effect on the customer satisfaction and both variables have positive relation. Company makes its CRM as strong and reliable the customer will be more satisfied and retain with the company. The study concluded that CRM is playing a major role in increasing the market share, it enhances productivity, superior employee's morale in the mean while it improves the in depth customer knowledge and also higher customer satisfaction to improved customer loyalty company will also have the clear information about who are their customers, what are their needs, and what will make them more

satisfied. The study was conducted in a foreign country, thus differences in economy is a significant gap in the literature.

Adoyo, Ondoro, and Aila, (2012) established the effect of relationship quality on customer loyalty among registered pharmaceutical firms in Western Kenya. The study used descriptive research design in which multistage sampling technique was employed to select a sample size of 52 from the targeted population of 60. A self-administered structured and semi structured questionnaires were used to collect primary data. The findings revealed that there is a positive relationship between relationship quality dimensions and Customer loyalty. It further recommended that Pharmaceutical firms should focus on those activities that would ensure maximum service quality, customer satisfaction, trust and commitment to achieve competitive advantage. The study used a small sample size.

Amoako, Arthur, Bandoh, & Katah, (2012) determined the impact of Customer Relationship Management (CRM) on customer loyalty in the hotel industry. The study was conducted at the Golden Tulip hotel, Accra. Questionnaires were administered to both individual and corporate clients of the hotel and the result of this was analysed. The perception among respondents about the hotel was good since they gave a positive review of the services. It is recommended that the hotel improves the cooling system in the conference room and provide better business centre facilities to attract more customers. The study was conducted in a foreign country, thus differences in economy is a significant gap in the literature.

This study concerns solely with SMEs in Gombe state. Little study have been conducted in relation to customer relationship management and customer retention. Most related studies were not conducted in the domain employed in this study, while some were conducted in a single

industries, therefore findings may not be generalized. Other related studies conducted were not done in Nigeria which according to Li and Liu (2014) suggested that differences in economies is a significant gap in the literature. Also, according to Aminu (2015) conducting a similar study in turbulence environments as the case was in Nigeria is another significant contribution to the body of knowledge. To the best of my knowledge from the works reviewed no study has been conducted on effect of customer relationship management on customer retention in Gombe State considering the time frame of the insurgency which has affected the economic activities in the much of the northern east part of Nigeria.

2.6 Theoretical framework

Drucker (1954) claimed that the customer focus theory is a good strategic theory that should be paramount in every working organization. The key benefits of the customer focus theory include better effectiveness in the use of an organization's resources to improve and enhance customer satisfaction. Secondly, the customer focus theory also aids organizations by managing and improving customer loyalty, which results to an organization having a larger customer base (Lohan et al 2011).

The theory assumes that customer requirements, customer information, customer feedback, customer relationship, customer identity, customer location, customer personality, prior experience with customer are possible variables that influences customer retention. According to the authors, customer retention is characterised by well managed relationship between the organisation and customers. The theory further assumes that the process of collection and utilization of customer information highly contributes to the customer focus theory, because organizations use these collected data to directly understand their customers' needs.

Therefore, it is important to understand that collecting customer information is distinct from customer requirements, in that customer information may include data not clearly expressed by the customer during the requirements gathering phase. For example, having information on the customer's cultural norms may shed insight into the customer's concealed or unvoiced wants (Coltman 2007; Deshpande et al. 1993).

Customer knowledge needs to be fully understood. Customer knowledge refers to understanding your customer's needs, wants and aims which usually includes tacit knowledge and intimate knowledge. For customer knowledge to be effective in an organization, it has to be noticeable across the whole organization. Information viewpoints and perspectives on key customers and analytics and trend information should be included for better effectiveness.

2.7 Model for the Study

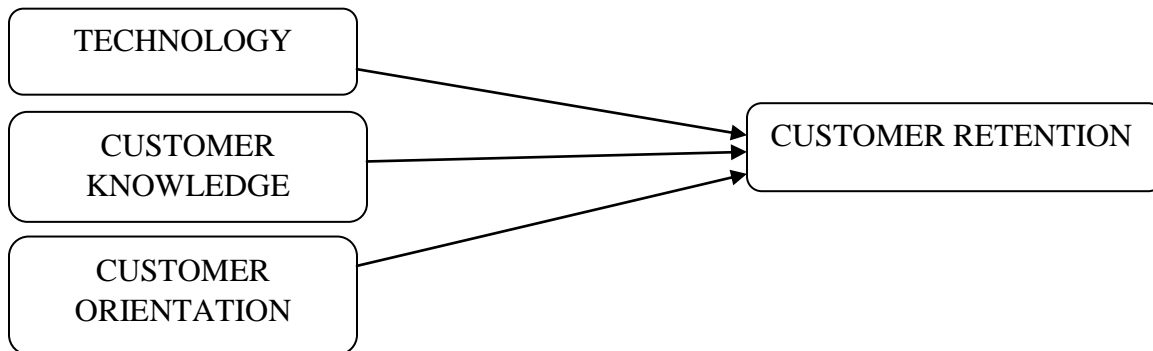


Figure 2.1 Model for the study

The model depicts a relationship amongst the key variables that affect customer retention of SMEs. The framework will be tested to show if customer relationship management is a function of the customer retention.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter presents the research methodology, which includes research design, population, sample size and sampling technique for the study. It discusses the method employed in the aggregation of data, instrument of data collection, variables measurement, validity and reliability of the instrument and technique of information to be used in analysing data.

3.2 Research Design

This study employed as a cross-sectional survey research which according Mugenda and Mugenda, (2003) is an attempt to collect data from members of a population in order to determine the current status of the population with respect to one or more variables. The survey research method investigates a contemporary phenomenon within its real-life context. Consequently, this study employed self-structured questionnaire. The cross-sectional research design is more appropriate for the study than longitudinal research design because the period of the study under consideration might not exceed six months.

3.3 Population of the Study

Since there is no recent survey done to determine the number of SMEs other than the one carried out in 2013, this study used the percentage increase between the 2010 and 2013 population of SMEs. This total population of SMEs in Gombe State as at 2010 was 255 and 1108 in 2013, indicating 434% increase. SMEDAN Therefore, the study also consider a corresponding increase from 2013 to 2016 taking into consideration government renewed emphasis on SMEs. Hence the population of the study consist of 4814 SMEs operating businesses within Gombe State. The study involved a cross section of businesses in different industries such as manufacturing;

wholesale and retail trade; accommodation and food service activities; mining and quarrying; construction; water supply; sewerage, waste management and remediation; agriculture; transport and storage; information and communication; administrative and support services activities; education; art, entertainment and recreation other services activities.

3.4 Sample Size and Sampling technique

The sample size is to be determined using formula suggested by Yamane (1967)

Sample size formula

$$n = \frac{N}{1 + N(e)^2}$$

Where: n= sample size

N= population size

e= sample error level of significance

1 = constant

Therefore;

$$= \frac{4814}{1 + 4814 (0.05)^2}$$

$$= \frac{4814}{1 + 4814 \times 0.0025}$$

$$= \frac{4814}{13.035} = 369$$

The sample size used for the study is 369 for the population of 4814 registered SMEs at 95% confidence level at 5% error of precision level. However, in order to take care of non-response bias and improper filling by some respondents to non-return of questionnaire, 20% of the minimum sample provided by the formula was added as suggested by Israel (2013). A total of

seventy four (74) was added to the calculated sample size of 369 which brings it to 443 copies of questionnaire which administered. The survey used stratified sampling technique.

Stratified sampling is suitable where the sample to be drawn does not constitute a homogeneous group and stratified sampling technique is generally applied in order to obtain a representative sample (Kothari & Garg, 2014). Considering the definition of SMEs adopted for the study which categorised SMEs into two, the respondents of this study shall be divided into two categories using employment and assets. Small Enterprises are those enterprises whose total assets (excluding land and building) are above Five Million Naira but not exceeding Fifty Million Naira with a total workforce of above ten, but not exceeding forty nine employees. Medium Enterprises are those enterprises with total assets excluding land and building) are above Fifty Million Naira, but not exceeding Five Hundred Million Naira with a total work force of between 50 and 199 employees.

3.5 Sources of Data Collection

The study employed the use of primary data. The survey unit of analysis consist of (369) managers/owners of registered SMEs in Gombe State. Primary data will be obtained through the use of self-administered questionnaire to registered SMEs. The questionnaire was divided into two sections A and B. Section A collects data on demographical distribution of respondent while section B provides statements on knowledge of the customer, customer orientation, technology and customer retention.

3.6 Research Instruments

The study was designed using a survey format; hence the use of a carefully designed and standardized questionnaire that allows respondents to answer certain collated questions. Questions to be asked on Customer retention and customer knowledge was adapted from the

study of Arnold, Fang and Palmatier (2011) with 16 items and 3 items respectively. Customer orientation was measured using 10 items adapted from Asikhia (2010). Technology was measured using 4 items adapted from Moore and Benbasat (1991). The questionnaire was on a five-point Likert Scale, ranging from strongly disagree (SD) to strongly agree (SA). The use of Likert Scale has been often necessary because it is an interval scale that enables a researcher to analyse questionnaire responses using parametric tools.

3.7. Validity and Reliability of Instruments

Validity test of instrument can generally be described as “the extent to which the research findings accurately reveal the phenomena under study” or “the extent to which what is set to be measured is accomplished” (Collis & Hussey 2009). Validity is also important in determining whether the statements in the questionnaire instrument are relevant to the study. To this effect, reliability of the instrument was obtained through employing the Cronbach’s Alpha coefficient to measure the internal consistency of the instrument on the questionnaire to be administered to twenty (20) respondents for pilot testing. The variables was tested independently to check if the questionnaire to be used for the study is reliable enough.

Table 3.1
Reliability Test

Construct	Cronbach’s Alpha
Customer Retention	0.823
Customer Knowledge	0.719
Technology	0.765
Customer Orientation	0.932

All variables have a figure above 0.7. Therefore, the questionnaire is reliable (Hair, Black, Babin& Anderson, 2014).

3.8 Method of Data Analysis

The data collected underwent further processing using Partial Least Square Structural Equation Modelling (PLS-SEM) on SmartPls3. Structural equation modelling was used by this study as it is a tool that works better with small samples and a better tool for complex models (Urbach&Ahlemann, 2010). SmartPls2 has two models, the measurement model and the structural model, also known as the outer and inner model respectively. The outer model is used to cycle between path coefficients and path loadings, while the inner model is used to cycle among path coefficients, total effect coefficients, and indirect effect coefficients (Garson, 2016).

The data collected underwent some analysis so as to make certain the data show reliability, convergent validity and discriminant validity before running structural equation modelling (SEM).SEM helped test the hypotheses of this study.

CHAPTER FOUR

DATA INTERPRETATION PRESENTATION AND ANALYSIS

4.4 Introduction

This chapter contains data analysed using PLS-SEM path modelling. The data analysis started with measurement model analysis in which reliability as well as validity analysis were conducted. Similarly, the analysis and results of structural model were also performed and presented in the form of path coefficient and its P-value, the R^2 , effect size as well as the predictive relevance are all presented in the chapter. Finally, the chapter presents the findings of the study, and also the managerial and theoretical contribution of the study.

4.5 Response Rate

The total of 443 copies of questionnaire were distributed and 391(88.3%) copies were retrieved, out of which 374 (84.4%) were found to be useful. Thus, the analysis was based on the 374 copies duly filled and returned which represent 84.4% of the total copies of questionnaire distributed. This response rate is considered sufficient for statistical reliability and generalization (Tabachnick&Fidell, 2014). This is depicted in table 4.1 below:

Table 4.1: *Summary of Responses and Percentages*

Items	No of Copies	Percentage
No of Copies of Questionnaire Distributed	443	100
No of Returned Copies of Questionnaire	391	88.3
No of Useful Copies of Questionnaire	374	84.4

The useful copies of questionnaire for the study is 89.5 percent out of 100 percent; this size is considered adequate for analysis in the current study. This is because it is not necessarily required that researchers must have 100 percent response rate of their sample size for the results

to be valid and generalizable (Aminu, 2015). 50 percent response rate is considered adequate for data analysis and reporting, whereas 60 percent is good, and 70 percent is very good (Babbie, 2007).

4.3 Preliminary Analysis

It is important to carry out some preliminary analysis before structural equation modelling (Hair *et al.*, 2014). The data collected were screened for missing values, outlier detection, data normality, multicollinearity, nonresponse bias and common method bias. Details are presented below.

4.3.1 Missing Values

Missing data is one of the most pervasive problems in data analysis (Tabachnick&Fidell, 2013). It is always important to check for missing values in the data set. It is advised by Hair *et al.* (2014) that 10% should be used by researchers as a tolerable threshold for missing values. Using descriptive statistics, out of 12,342 data elements only 71 were found to be missing in the data set, which constitutes 0.57% of the data set which is below the 10% benchmark, therefore were ignored. However, the missing values were replaced using mean substitution.

4.3.2 Assessment of Outliers

An outlier is a case with such an extreme value on one variable (a univariate outlier) or such a strange combination of scores on two or more variables (multivariate outlier) that it distorts statistics (Tabachnick&Fidell, 2013). Detecting outliers for multivariate analysis such as this study, is best detected by using Mahalanobis distance (D^2). The Mahalanobis distance (D^2) is a

method that measures each observation's distance in multidimensional space from the mean centre of all observations, providing a single value for each observation no matter how many variables are considered (Hair *et al.*, 2014). It is suggested by Hair *et al.* (2014), that conservative levels of significance (.001) be used as the threshold value for designation as an outlier. Thus, this study utilised Mahalanobis distance (D^2) to detect outliers. 26 cases were detected as outliers and were deleted from the data set.

4.3.4 Multicollinearity Test

The existence of multicollinearity between independent variables might lead to a disputable result, which makes it imperative to be tested. Multicollinearity occurs when two or more independent variables are highly correlated with each other (Hair *et al.* 2014). This leads to problems with understanding the contribution of the independent variables on the variance of the dependent variable. The study utilized Variance Inflation Factor (VIF) to test for multicollinearity (Kothari & Garg, 2014). A VIF figure above ≥ 5 shows serious multicollinearity (Kothari & Garg, 2014). There was no problem of multicollinearity as all VIF figure in Table 4.3 are below 5.

Table 4.2
Multicollinearity Statistics: VIF Values (n=374)

Construct	Customer Retention
Technology	1.079
Customer Knowledge	1.288
Customer Orientation	1.377

4.3.5 Nonresponse Bias

One of the four errors that can affect the quality of a survey research is nonresponse error (Dillman as cited in Lindner, Murphy & Briers, 2001). Nonresponse error exists where respondents fail to provide usable responses and are different than those who do on the characteristics of interest in the study (Lindner, Murphy & Briers, 2001). Unreturned questionnaires given to respondent constitutes nonresponse bias, and sometimes termed as bad sample (Roni, 2014). It is important that statistical test is carried out to assess nonresponse bias (Roni, 2014). Because, Armstrong and Overton (1997) argued that there should not be a significant difference between respondents that responded and those that did not respond. Where there is a significant difference between respondents and non-respondents in a survey, the findings of such a survey cannot be generalized to the entire population (Armstrong & Overton, 1977).

There are different statistical methods of testing for nonresponse bias. One of the methods to test for nonresponse bias is to compare respondents to non-respondents (Lindner, Murphy & Briers, 2001). Some researchers work diligently hard to get responses from non-respondents and make comparisons between respondents and non-respondents. However, the frequently used method is to compare early respondents to late respondents. As opined by Roni (2014), technically, it's very hard, if not impossible, to get a response from those who choose not to respond. However, Pace (1939) explained that respondents who respond late can be likened to non-respondents. The study utilised independent samples T-test to test for nonresponse bias (Roni, 2014).

This study divided the responses into two groups using time frame the researcher got the questionnaires back from respondents (i.e., early and late groups). The early group are

respondents that returned their questionnaires between June 4th 2018 to June 25th 2018. The late group are respondents that returned their questionnaires after February 24th 2017. Majority of the questionnaires returned belong to the early group, they are 328 in number. While the remaining 46 questionnaires fall to the late group. Table 4.4 show the result of the nonresponse bias test using independent samples T-test (Roni, 2014).

Table 4.4
Test of Nonresponse Bias Using Independent Samples T-Test (n=374)

Construct	Group	N	Mean	Levene's Test for Equality of Variances	
				F	Sig.
Technology	Early Response	328	7.84	0.18	0.66
	Late Response	46	7.76		
Customer Knowledge	Early Response	378	8.06	0.04	0.84
	Late Response	46	8.17		
Customer Orientation	Early Response	378	7.74	0.01	0.91
	Late Response	46	7.82		
Customer Loyalty	Early Response	378	8.55	0.01	0.92
	Late Response	46	8.54		

The study utilised independent samples t-test to check whether there is a significant difference between early respondents and late respondents using 5% level of significance (Roni, 2014). As it is presented on Table 4.4, there are no significant differences between the early and late respondents of this study for price, service quality, trust and customer loyalty. Therefore, it is assumed that the study is free from nonresponse bias. Hence, the respondents of this study represents other elements in the study population. Therefore, the findings of this study can be generalised to all of the study's population.

4.3.6 Common Method Bias

Common method bias (CMB) if ignored can threaten the validity of a study's findings (Podsakoff, MacKenzie & Podsakoff, 2012). Bias means that an observed relationship deviates in some way from a true relationship, while CMB refers to the type of deviation caused by the similarity in methods used to obtain data (Podsakoff, 2017). According to Podsakoff (2017), CMB may have in general two detrimental effects for researchers. First, it might affect the reliability and validity of a latent construct (Podsakoff *et al.*, 2012). Second, CMB may affect empirical relationships between two constructs (Podsakoff, 2017). CMB refers to the degree to which correlations are altered due to a methods effect (Meade, Watson & Kroustalis, 2007).

The major concern with measuring different constructs with the same method is the danger that at least some of the observed covariation between them may be due to the fact that they share the same method of measurement (Podsakoff *et al.*, 2012). CMB exists when some of the differential covariance among items or constructs is due to the measurement approach rather than the substantive latent factor. (Brown as cited in Podsakoff, 2017).

Method biases are a problem because they are one of the main sources of measurement error (Podsakoff, MacKenzie & Lee, 2003), and can threaten the validity of the conclusions about the relationships between variables (Spector, 1987). Measurement error threatens the validity of the conclusions about relationships between measures and is widely recognized to have both random and systematic components (Bagozzi & Yi, 1991). Both random and systematic errors are problematic, but particularly, systematic measurement error is a serious problem because it provides alternative explanations for relationships between measures of different constructs

(Podsakoff *et al.*, 2003). Bagozzi and Yi (1991) argued that systematic error can arise from a variety of sources (Meade *et al.*, 2007), and are majorly from four different sources as noted by Podsakoff *et al.*, 2003). They are rater characteristics, item characteristics, item context and measurement context (Meade *et al.*, 2007).

Where the same respondent provides ratings of exogenous and endogenous variables in a study is referred to as rater characteristics (Podsakoff, 2017). Studies that have a common rater may result into having bias between variables of the study (Meade, *et al.*, 2007). Items characteristics may result from ambiguous or vague items, or items that are similar in terms of phrasing and/or framing (Podsakoff, 2017; Meade *et al.*, 2007). Item context includes biases that occur because of the priming of items and the grouping of items (Meade *et al.*, 2007). That is, item context are biases that occur because of the placement of an item in relation to other items, and also the manner in which a rater's mood is affected by the context of an item (Podsakoff, 2017). Measurement context include obtaining predictor and criterion variable at the same point in time, in the same location using the same medium of exchange (Podsakoff, 2017; Meade *et al.*, 2007).

This study gathered data from a single source and therefore might be affected by common method bias (Roni, 2014). Thus, examined common method bias. There are two general approaches used by researchers (i.e., Podsakoff, 2017; Roni, 2014) to examine CMB. They are the procedural and statistical remedies (Williams, Hartman, & Cavazotte, 2010). Podsakoff *et al.*, (2012) came up with different methods in which procedural remedies can be used to control for method bias. Some of the procedural remedies used in this study are; first, the items on the questionnaire are words that are simple, specific and concise. That is, the items on the

questionnaire are not difficult to interpret, and do not require respondents to construct their own meanings for them. The questionnaire design also avoided complicated syntax and doubled-barrelled questions. Second, the researcher provided the respondents with clear instructions on how to complete the questionnaire. Finally, the respondents were guaranteed by the researcher of their confidentiality, which was clearly written on the questionnaire design.

As much as the procedural methods are important, the statistical approaches also play another objective role to control for the common method bias in any given survey (Roni, 2014). This study utilised the Harman’s single factor test, which is the most widely used in the literature (Podsakoff *et al.*, 2003), and is the simplest measure (Roni, 2014). Factor analysis is usually used to test for Harman’s single factor. The major concern of the researcher is the total variance explained of the first component. Where the first component accounts for less than 50 percent of all the variables in the model, it is assumed that the questionnaire instrument is free from significant common method bias (Roni, 2014). For the present study, the first factor only explained 30 percent of the total variance. That is, the first component account for less than 50 percent of all the variables in the model. Using the result of the Harman’s single factor test, it is assumed that the constructs of this study is free from common method bias (CMB). The result is presented in Table 4.5

Table 4.4
Common Method Bias Test; Harman’s Single Factor

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.315	18.042	18.042	6.315	18.042	18.042
2	3.784	10.813	28.854	3.784	10.813	28.854

3	2.597	7.420	36.275	2.597	7.420	36.275
4	2.152	6.149	42.424	2.152	6.149	42.424
5	1.796	5.131	47.554	1.796	5.131	47.554
6	1.669	4.769	52.324	1.669	4.769	52.324
7	1.598	4.565	56.889	1.598	4.565	56.889
8	1.435	4.101	60.989	1.435	4.101	60.989
9	1.364	3.899	64.888	1.364	3.899	64.888
10	1.254	3.583	68.471	1.254	3.583	68.471
11	1.057	3.019	71.490	1.057	3.019	71.490
12	.921	2.631	74.121			
13	.801	2.288	76.410			
14	.780	2.229	78.639			
15	.715	2.043	80.681			
16	.671	1.916	82.597			
17	.625	1.786	84.383			
18	.584	1.669	86.051			
19	.560	1.600	87.651			
20	.486	1.389	89.040			
21	.442	1.263	90.304			
22	.423	1.209	91.513			
23	.382	1.093	92.606			
24	.358	1.024	93.629			
25	.322	.920	94.550			
26	.315	.901	95.450			
27	.287	.821	96.271			
28	.249	.712	96.983			
29	.217	.621	97.604			
30	.187	.534	98.138			
31	.164	.468	98.606			
32	.158	.451	99.258			
33	.097	.276	100.000			

4.4 Demographic Profile of Respondents

In this section, the frequency distribution and percentage of participants are presented based on their demographic characteristics. Particularly, the demographic variables examined in this

study include gender of the respondents and their respective educational qualifications, types of business, the years of establishment and finally the numbers of their respective employees. However, these frequencies as well as percentages of the participants based on the aforementioned characteristics are presented in table 4.2 below.

Table 4.5
Respondents Distribution by Gender

Gender	Frequency	Percentage	Cumulative Percentage
Male	295	78.9	78.9
Female	79	21.1	100.0
Total	374	100.0	

Table 4.5 presents the gender distribution of the respondents. A significant portion of the respondents were males constituting 295 respondents, which is equivalent to 78.9% of the total responses usable for the analysis, while females are 71, representing 21.1%. This wide gap between male respondents and their female counterpart is not surprising considering the fact that previous studies on SMEs have reported that male respondents represented the majority of their respective respondents in both developing and developed economies.

Table 4.6
Response Distribution by Type of Business and Percentage

Types of Business	Frequency	Percent	Cumulative Percentage
Small Enterprises	301	80.5	80.5
Medium Enterprises	73	19.5	100.0
Total	374	100.0	

Table 4.6 comprises the business categories of SMEs by the respondents. SMEs could be small, or medium. The small enterprises has significant portion compared to the medium enterprises. The small enterprises have a sampled populace of 80.5% while the medium enterprises have 19.5%. This implies that there are more respondents from small businesses than the medium businesses in Gombe State. This is in line with SMEDAN (2013) classification which stated that there are more small enterprises than medium businesses.

Table 4.7

Frequency Distribution of Entrepreneurs by Academic Qualification and Percentage

Academic Qualification	Frequency	Percentage	Cumulative Percent
Ph.D.	25	6.7	6.7
Masters	30	8.0	14.7
B.sc	242	64.7	64.4
H.N.D	59	15.8	95.2
Others	18	4.8	100.0
Total	374	100.0	

Table 4.7 Indicates that majority of the respondents have B.Sc. as minimum qualification (64.7%) which followed by HND (15.8%), Master's degree (8.0%) and then Ph.D. (6.7%). Other qualifications such as OND, Secondary School Certificate and Primary School Leaving Certificate constituted 4.8% of the total respondents. Thus, most of the respondents (95.2%) have attained higher education.

Table 4.8
Distribution of Industries by Type and Percentage

Industry	Frequency	Percentage	Cumulative Percent
Manufacturing	54	14.4	14.4
Wholesale and retail	76	20.3	34.8
Accommodation and food	40	10.7	45.5
Construction	18	4.8	50.3
Water supply	9	2.4	52.7
Waste management	35	9.4	62.0
Transportation	59	15.8	77.8
Information and communication	36	9.6	87.4
Agriculture	18	4.8	92.2
Education	17	4.5	96.8
Entertainment	12	3.2	100.0
Total	374	100.0	

Table 4.8 shows the industry in which the SMEs in Gombe belong. Majority of the SMEs sampled are from the wholesale and retail industry, with 20.3%. Others are, manufacturing 14.4%, accommodation and food 10.7%, construction 4.8%, water supply 2.4%, waste management 9.4%, transportation 15.8%, information and communication 9.6%, agriculture 4.8%, education 4.5% and entertainment 3.2%. It was observed during the distribution of questionnaire that there are many wholesale and retail outlets in Gombe state.

Table 4.9
Frequency Distribution by Year of Establishment and Percentage

Year	Frequency	Percent	Cumulative Percent
2012 till date	152	40.6	40.6
2006 – 2011	170	45.5	86.1
2000 – 2005	44	11.8	97.9
1994 – 1999	08	2.1	100.0
Total	374	100.0	

Table 4.9 shows the year in which the SMEs sampled are established. 45.5% of the sampled SMEs were established between 2006 and 2011, 40.6% were established between 2012 till date, 11.8% were established between year 1994 and 1999. This therefore indicate that majority of the

sampled SMEs were established between 2006 and 2011, this was as a result of changes in government policies favourable to the development of SMEs. It should be noted that most SMEs established between 1994 – 2005 are no longer in existence as a result of lack of access to market, lack of infrastructural facilities, unfavourable government policies, lack of access to finance, lack of training facilities, poor financial management among others (SMEDAN 2013).

Table 4.7

Frequency Distribution of Number of Employees by Percentages

No of Employee	Frequency	Percentage	Cumulative Percent
10 - 29	187	50.0	50.0
30 - 49	114	30.5	80.5
50 - 199	73	19.5	100.0
Total	374	100.0	

Table 4.7 shows the no of employee employed by owners of SMEs in Gombe State. 50% of the SMEs has between 10 and 29 employees. 30.5% has employees of between 30 and 49 and 19.5% has employee above 50. A total of 80.5% belongs to the small enterprises (employment below 50 and above 10) while the medium enterprises has 19.5% with employee above 50. As such, the majority of the firms observed in this study are small enterprises with about 81% percent and the rest are medium enterprises.

4.5 Descriptive Statistics of Construct

The section presents the descriptive statistics of the endogenous and exogenous variables. Specifically, the mean (i.e., the sum of all observed outcomes from the sample divided by the total number of events) and standard deviation (i.e., the measure that is used to quantify the amount of variation or dispersion of a set of data values) were computed to determine the descriptive characteristics of the study’s variables.

Table 4.8

Descriptive Statistics of Endogenous and Exogenous Variable

Variables	Samples	Mean	Std. Deviation
Customer Retention	374	3.73	0.91
Customer Knowledge	374	3.65	0.88
Customer Orientation	374	3.52	0.97
Technology	374	3.93	0.74

Table 4.8 presents the descriptive statistics of the variables used in the study. All the constructs in the present study were measured using 5-point Likert scale. Consequently, both the mean and standard deviation of all the latent constructs were computed based on the same 5point Likert-scale, anchored as 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree. The mean and the standard deviation of Customer retention is 3.73 and 0.91 respectively. This is above average, which indicates that the respondents of the present study agreed with the statements or questions concerning this construct. Similarly, the mean and standard deviation of all other construct are 3.65 and 0.88 for customer knowledge; 3.52 and 0.97 for customer orientation; 3.93 and 0.74 for technology. All are above average.

4.6 Assessment of Measurement Model

The study evaluated the measurement model by assessing the reliability of individual items measuring each construct, the internal consistency reliability (i.e., construct reliability), discriminant validity, as well as convergent validity for each of constructs. There are four common criteria to assess the outer model as following:

- i. Unidimensionality: The study adopt confirmatory Factor Analysis for both the dependent and independent variables set of items as a group or are answer most by participant. In a good model, indicators load well on their intended factors and cross-loadings with other factors they are not meant to measure is deleted. Ideally, there is simple factor structure, by rule of thumb taken to mean that intended loadings should be greater than .5.
- ii. Reliability: Reliability was used to assess the internal consistency in the construct and there are two common indexes to fit including Composite Reliability and Cronbach's Alpha. Composite reliability is a preferred alternative to Cronbach's alpha as a test of convergent validity in a reflective model. Composite reliability varies from 0 to 1, with 1 being perfect estimated reliability. In a model adequate for exploratory purposes, composite reliabilities should be equal to or greater than .6 (Chin, 1998; Hock & Ringle, 2006); equal to or greater than .70 for an adequate model for confirmatory purposes (Henseler, Ringle, & Sarstedt, 2012); and equal to or greater than .80 is considered good for confirmatory research (Daskalakis & Mantas, 2008). Cronbach's alpha also addresses the question of whether the indicators for latent variables display convergent validity and hence display reliability. By convention, the same cutoffs apply: greater or equal to .80 for a good scale, .70 for an acceptable scale, and .60 for a scale for exploratory purposes.

- iii. Convergent validity: Convergent validity is acceptable if the following criteria are met Albers, (2010). (i) the statistical significance of each factor loading is confirmed by a P-value of 0.5, (ii) construct reliability exceeds 0.7, and (iii) average variance extracted (AVE) is greater than 0.5.
- iv. Discriminant Validity: The square root of AVE in each latent variable was used to establish discriminant validity, if this value is larger than other correlation values among the latent variables then a discriminant validity is well established (Fornell and Larcker, 1981). The square root of AVE was manually calculated and written in bold on the diagonal of the table.

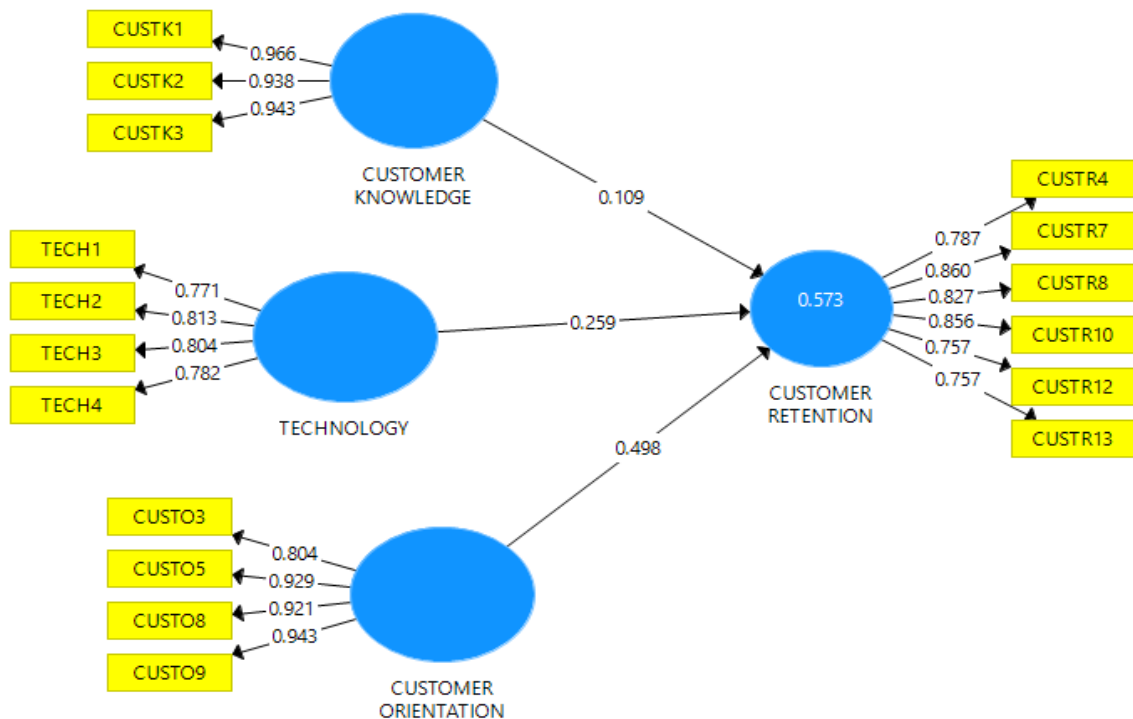


Figure 4.1: Measurement Model

Constructs reliability were tested using Cronbach's Alpha and composite reliability. While convergent validity was tested using Average Variance Extracted (AVE) as suggested by Garson (2016). Cronbach's Alpha coefficient should be ≥ 0.7 (Hair *et al.* 2014). Composite reliability coefficient should be ≥ 0.7 also (Lee & Chen, 2013), while AVE coefficient should be ≥ 0.5 (Garson, 2016). In the case where any of the construct fall short any of these minimum standard, adjustments were made. Items having the minimum effect on the construct falling short of any of the criteria were deleted. This process continued until all the constructs met the minimum requirements of each of the tests.

The measurement model in figure 4.1 shows the indicators loading on their intended factors. The study used composite reliability to check for reliability of data and average variance extracted and loadings to access convergent validity. The simple factor structure, by rule of thumb taken to mean that composite reliability should be greater than 0.7 and average variance expectation should be greater than 0.5 (Garson, 2016). Therefore Indicators that do not met this prerequisite were removed of other items, these indicator are CUSTO1, CUSTO2, CUSTO4, CUSTO6,CUSTO7, CUSTO10 for customer orientation and CUSTR1, CUSTR2,CUSTR3, CUSTR5,CUSTR6,CUSTR9,CUSTR14,CUSTR15 andCUSTR16for customer retention.

Table 4.9
Loadings, Composite Reliability and Average Variance Extracted

Construct	Items	Loadings	AVE	CR
Customer Knowledge	CUSTK1	0.966	0.901	0.945
	CUSTK2	0.938		
	CUSTK3	0.943		
Customer Orientation	CUSTO3	0.804	0.812	0.945
	CUSTO5	0.929		
	CUSTO8	0.921		
	CUSTO9	0.943		
Customer retention	CUSTR4	0.787	0.654	0.919
	CUSTR7	0.860		
	CUSTR8	0.827		
	CUSTR10	0.856		
	CUSTR12	0.757		
	CUSTR13	0.757		
Technology	TECH1	0.771	0.629	0.871
	TECH2	0.813		
	TECH3	0.804		
	TECH4	0.782		

Note: AVE represents Average Variance Extracted; CR represents Composite Reliability; CA represents Cronbach's

The factor loading in Table 4.9 indicates the range of item of each variable. Item on the factor loadings are greater than 0.5. Thus, simple factor structure is achieved due to loadings at 0.5 levels. Indicators load well on their intended factors and cross-loadings with other factors they are not meant to measure. From the above table, the composite reliability ranges from 0.87 to 0.964 and Cronbach's alpha of the variables range from 0.805 to 0.945. This implies that the overall measurement of the instrument is acceptable in terms of reliability thus depicting its internal consistency.

4.6.1 Discriminant Validity

Discriminant validity is the other type of construct validity of reflective construct, which concerns with the extent to which a particular construct is distinct from other constructs of the

same model based on empirical standards (Hair *et al.*, 2014).The square root of AVE in each latent variable was used to establish discriminant validity.

Table 4.10

Fornell-Lacker Discriminant Validity

Construct	Customer Knowledge	Customer Orientation	Customer Retention	Technology
Customer Knowledge	0.949			
Customer Orientation	0.816	0.901		
Customer Retention	0.644	0.717	0.808	
Technology	0.496	0.502	0.563	0.793

Table 4.10 shows the discriminant validity result. The square root of AVE in each latent variable was used to establish discriminant validity, if this value is larger than other correlation values among the latent variables then a discriminant validity is well established (Fornell&Larcker, 1981). The square root of AVE is manually calculated and written in bold on the diagonal of the table. This number is larger than the correlation values in the column and row, thus result indicates that discriminant validity is well established.

4.7 Structural Model

The second stage, was used to assess the Goodness-of-fit and research hypotheses in the proposed research framework. According to the suggestions of Urbach&Ahlemann (2010). The criteria to assess the outer model is as follows:

- i. Coefficient of determination (R-Square, R^2): It is an index to measure each endogenous latent variable's R-Square. Chin, (1998) suggested that the explanatory power is considered substantial, moderate, and weak if R-square is approximately around 0.67, 0.33 and 0.19 respectively.

- ii. Path coefficient: It was used to observe the direction and significance of path coefficient to understand whether the research hypotheses supported or not in the research proposed model. This test use a bootstrap procedure in SmartPLS. As the distribution of PLS is unknown, conventional significance testing is impossible. However, testing was accomplished by resampling methods such as the bootstrap. Davies, (2001). Resampling methods do not have specific sample size requirements but the smaller the sample, the more likely that fitted confidence limits was fitted to noise in the data rather than to a true underlying distribution. The structural model was run using the bootstrap procedure with 5000 times of resampling and 374 cases.
- iii. Effect size (f^2): It was used to evaluate the effect size of each path in the structural equation model by means of f^2 proposed by Cohen (1988). f^2 values of 0.35, 0.15, and 0.02 are considered large, medium, and small, respectively. R-square change is the change in R^2 when a causal (exogenous) factor is removed from the model (Cohen, 1988).
- iv. Predictive relevance: Q^2 examined predictive relevance of inner model that was evaluated by a nonparametric Stone-Geisser test (Antonakis, Bendahan, Jacquart, & Lalive, 2014). This index apply the blindfolding procedure in SmartPLS. Q^2 was applied to examine the extent to which this prediction was successful or not. Blindfolding utilizes a cross-validation strategy and reports cross validated communality and cross validated redundancy for constructs.

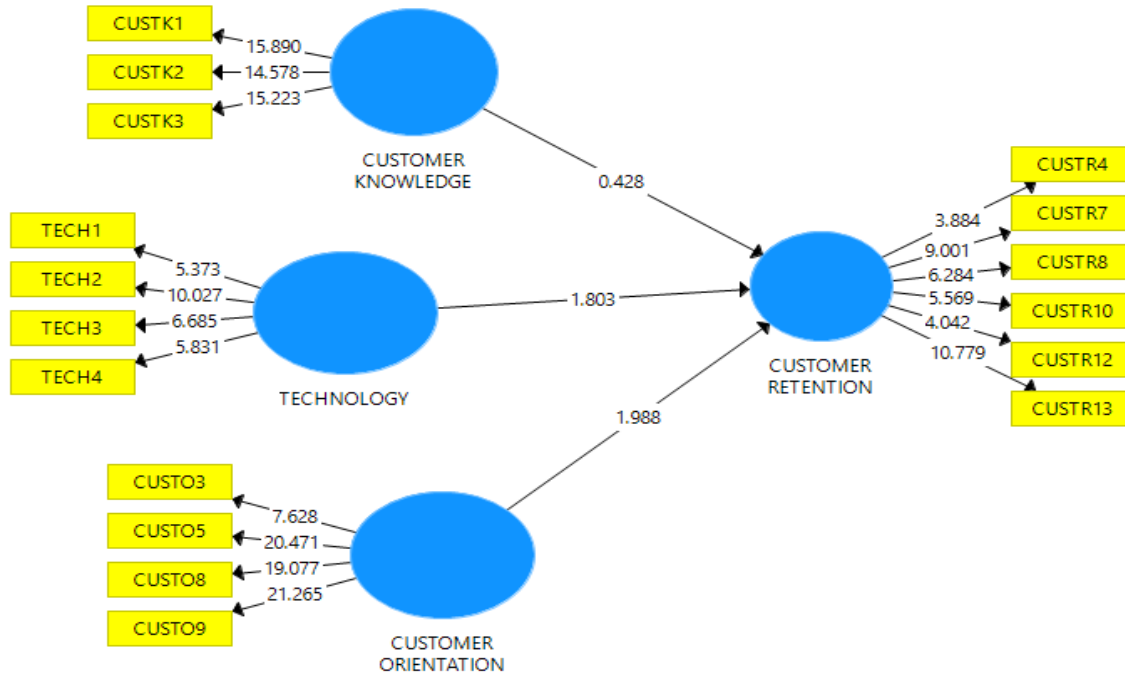


Figure 4.2
Structural Model

The result of the structural model estimate is shown in diagram 4.2. The structural model was run using the bootstrap procedure with 5000 times of resampling and 374 cases to determine the magnitude and significance of the structural paths are consistent.

4.7.1 Test of Hypotheses.

Structural Equation Model analysis was used to test the effect of customer knowledge, customer orientation and technology on customer retention of SMEs in Gombe State.

Table 4.11
Path Coefficient

Hypothesis	B Value	Std. Dev	T Statistic	P Value	Decision
Customer Knowledge -> Customer Retention	0.109	0.255	0.4613	0.428	Accepted
Customer Orientation-> Customer Retention	0.498	0.251	1.988	0.047	Rejected
Technology -> Customer Retention	0.259	0.143	1.803	0.071	Rejected

P value** < 0.1 and P value* < 0.05

The analysis in Table 4.11 shows that customer knowledge has a positive effect on customer retention of SMEs in Gombe State but it is insignificant with P value > 0.1 , thus the null hypothesis is accepted. Customer orientation has a positive and significant effect on customer retention of SMEs in Gombe State with P value of $0.047 < 0.5$ therefore the null hypothesis is rejected. Technology also has a positive and significant effect on customer orientation of SMEs with P value of $0.071 < 0.1$, the null hypothesis is thereby rejected.

Table 4.12
R Square

Construct	R Square Value
Customer Retention	0.573

Table 4.12 shows the R² of 0.57 which is close to 0.67 as determined to be substantial by literature (Hair, Black, Babin & Anderson, 2014). This indicates that the three independent variables i.e. customer knowledge, customer orientation and technology account for 57% change in customer retention while the remaining 36% are explain by others factors that are not incorporated into the model.

4.7.2 Effect Size

The effect size of each path in the structural equation model by means of f^2 proposed by Cohen (1988) was analysed in the table below.

Table 4.13
R-square Change and F-square Effect Size of Exogenous Factors

Relationship	F square	Effect size
Customer Knowledge -> Customer Retention	0.009	Small
Customer Orientation -> Customer Retention	0.187	Medium
Technology -> Customer Retention	0.114	Small

Table 4.14 show the effect size of each of the exogenous variables in the study. Threshold value of 0.02, 0.15 and 0.35 are often used to describe a small, medium, and high coefficient of determination. Specifically, dropping customer orientation will lead to a greater drop in the explained variance than dropping other variables. Customer orientation is thus the most important explanatory variable of the model.

4.7.3 Predictive Relevance (Q2)

Predictive relevance of inner model was evaluated by a nonparametric Stone-Geisser test. (Antonakis, 2014). This index apply the blindfolding procedure in SmartPLS 2. Q^2 is applied to examine the extent to which this prediction is successful or not.

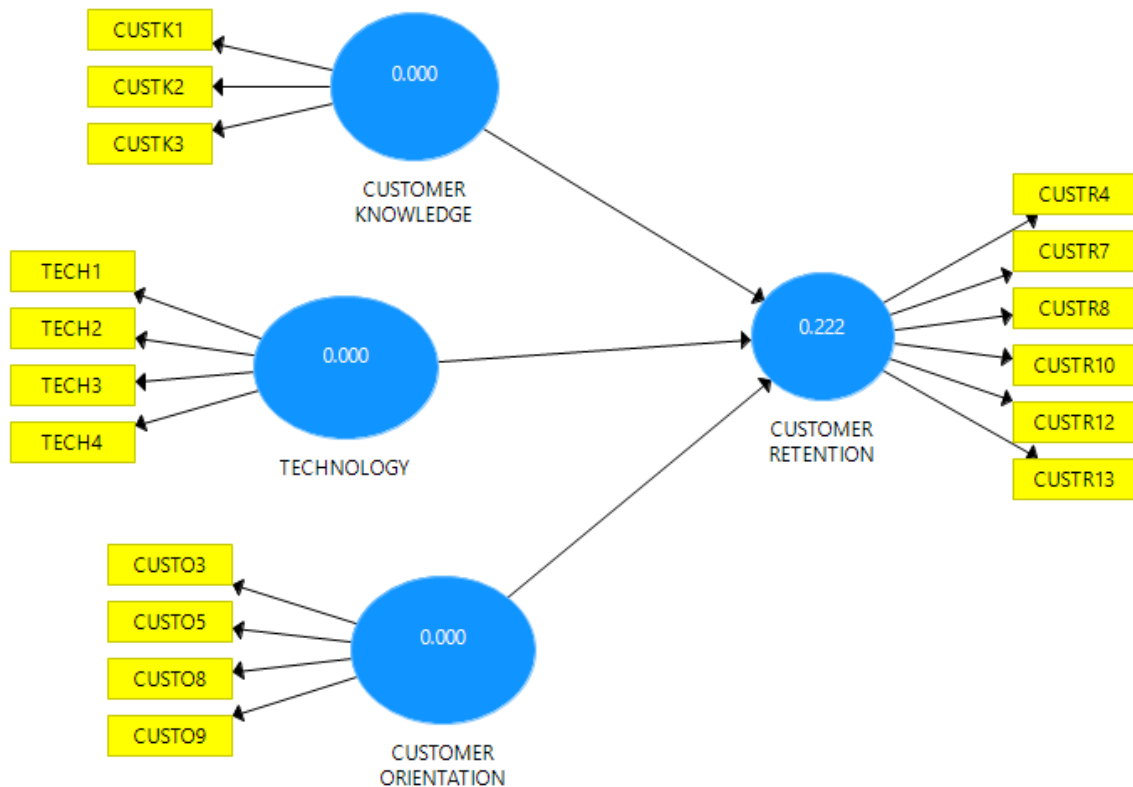


Figure 4.3: *Blindfolding*

Table 4.15: *Construct Cross validated Commuality*

Total	SSO	SSE	1-SSE/SSO (Q2)
Customer Knowledge	90.000	28.796	0.680
Customer Orientation	120.000	44.609	0.628
Customer Retention	180.000	106.016	0.411
Technology	120.000	76.032	0.366

From table 4.15 Q2 value above 0 indicates that the model is relevant to predicting the factor. (Hair et al., 2014). This therefore means that the model is relevant in predicting the factor.

Table 4.16: *Construct Cross Validated Redundancy*

Total	SSO	SSE	1-SSE/SSO (Q2)
Customer Knowledge	90.000	90.000	
Customer Orientation	120.000	120.000	
Customer Retention	180.000	140.077	0.222
Technology	120.000	120.000	

For table 4.16, Q2 is approximately 0.22. Following Cohen (1988), 0.02 represents a “small” effect size, 0.15 represents a “medium” effect size, and 0.35 represents a “high” effect size. On this basis, we can say that the model has a high degree of predictive relevance with regards to the endogenous factor customer retention.

4.8 Discussion of Findings

Customer knowledge has an insignificant and positive effect on customer retention of SMEs in Gombe State. Information about customers was gathered through interactions with them or from different touch points within the organization itself. In this connection, the success of relationship management is heavily dependent on collecting and analyzing customers’

information, as such information is used for developing highly personalized offerings. Therefore, having customer knowledge can greatly help an organization to have success in building better customer relationship, resulting in a positive impact on customer retention. The findings of the study is consistent with Abdulateef et al., 2010; Akroush et al., 2011; Sin et al., 2005; Yim et al.,2005

Customer orientation has a significant and positive relationship on customer retention of SMEs in Gombe State. Customer orientation is a crucial factor in the successful implementation of CRM

Therefore it is important in the first instance to confirm that the main purpose behind customer oriented behaviors is to increase customer retention. It was discovered that SMEs have a better understanding of customer orientation and its great importance to the retention of customers. Hence in order to enhance retention of customer SMEs need to focus on customer interaction. Customer oriented can be achieved through a positive relationship between customer and service provider. The findings of the study is consistence with the findings of Kim, 2008; Yilmaz et al., 2005) and similarly that of King and Burgess (2008)

Technology has a significant and positive relationship on customer retention of SMEs in Gombe State. CRM strategy will end in failure if technology is not used properly, thus the suitable use of technology in marketing is one of the greatest opportunities in SMEs. It was further discovered that many customer-centric strategies cannot achieve their goals, without the help of technology. Consequently, CRM based technology enables organizations to plan and implement successful marketing actions and making them more profitable, because of the customer database and other information-storing systems. Thus the use of technology by SMEs further increase customer

retention. The findings of the study is consistent with that of Abdullateef et al., 2010; Eid, 2007; Ozgener and Iraz, 2006; Sigala, 2005; Sin et al., 2005; Yeh et al., 2010.

4.8 Implication of the Study

The study examine effect of customer relationship management on customer retention of SMEs in Gombe State. The managerial and theoretical implication of the study were slated below.

4.8.1 Managerial Implication

The study particularly revealed the empirical evidence addressing the notion that the common problems of SMEs in Nigeria includes the inability of owners to retain existing customers. Thus, using the findings of this study both government and owner/managers would be able to identify strategies which are relevant to customer retention.

More importantly, the empirical evidences of effect of CRM on customer retention of SMEs in Gombe State revealed that customer orientation needs to be employed more by SMEs' owner/managers in order to retain customers. Customer orientation was found to be the most important variable that affect customer retention.

The study findings will serve as a road map for government to craft appropriate legislation and policies that would promote the growth and stability of SMEs. This will enable Nigeria to achieve her vision which is to be one of the 20 most industrialized nations in the world by the year 2020. Authorities like Small and Medium Development Agency of Nigeria (SMEDAN), Youth Enterprise with Innovation in Nigeria (YOUWIN) and National Enterprise Development Programme (NEDEP) may use findings to create awareness on the importance of CRM to SMEs.

4.8.2 Theoretical Implication

Many studies in the past have shown interrelationship among CRM and customer retention. However, this study further investigated the relationships and usefulness of these constructs with its assessment from the SMEs in Gombe State. Most previous related studies do not put into cognizance the effect size of each independent variable on the dependent variable. The study established the effect size of each of the independent variable on the dependent variable.

The current study revalidated and reaffirmed the findings of other researches by establishing the significant relationship between CRM and customer retention. Moreover, as most of the studies on CRM have been conducted on single industries and different country. The present study also provided a theoretical implication by giving additional empirical evidence considering cross section of SMEs businesses and the study extended the scope of this theory to Nigeria context

This study is believed to boost the database of existing literatures pertaining to CRM and retention within SMEs. Further, this study has also demonstrated that CRM is indeed a highly reliable measurement of customer retention for SMEs. In addition, the research model of this study could serve as a reference point for academics in order to further enhance understanding on the key variables i.e. customer knowledge, customer orientation, technology and customer retention. The findings of this study have also highlighted that CRM is a predictor of customer retention.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the research on the basis of the analyzed and presented results in the previous chapter. The researcher concludes the research based on such research findings and present some limitations of the study and recommends some directions of future research based on the research constraints.

5.2 Summary

SMEs in Nigeria have several limitations that account for their inefficiencies and failures. Many of these problems are unique to small enterprises, while others are general to all business enterprises irrespective of size. The problems that affect the small and medium scale enterprise majorly is the inability to retain customer over a long period of time. Three hypothesis were formulated to guide the research in line with the objectives of the study.

Relevant literatures were reviewed for the study both theoretical and the past empirical studies. In the first place, the study specifically give an overview of small and medium scale enterprises in Nigeria and the problem mitigating it. The conceptual development of customer relationship management and customer retention were discussed. Also, past studies on the relationship between the independent and the dependent variables were reviewed and studies in this area have help create awareness on how important customer relationship management are on customer retention of SMEs. The study discussed the underpinning theories, at the same point develop a model showing the relationships between the independent variables and dependent variables.

The study adopted descriptive and inferential statistics in data analysis. The population of the study consists of 4,814 SMEs operating businesses within Gombe State. The study also used owner/managers as respondents on behalf of their enterprises because they are in the better position to provide the researcher with the needed information. The study involved a cross section of businesses in different industries. The total of 443 copies of questionnaire were distributed. The instruments and measures of the constructs of the study were adapted from some previous studies, and then explained how the validity and reliability of these measures can be assessed. Similarly, pilot study was conducted using the same instruments in order to evaluate the viability of the adapted measures. Thus, the analysis was done using partial least square SmartPLS 2.

Afterwards, the demographic profiles of respondents, as well as the descriptive statistics of the latent variables, were all presented before presenting the main analysis. Preliminary analyses were carried out in this study. Specifically, the assessment of factor loading was performed, and the identified cases were deleted justifiably. In the main analysis, the researcher started with the assessment of the measurement model in which the reliability of individual item was assessed. The study examined the measurement model and the structural equation model respectively. The result shows that customer knowledge, customer orientation and technology have a positive and significant relationship on customer retention.

5.3 Conclusion

Customer Relationship Management (CRM) is a process that integrates management of customer groups, management heads of an organization and managing business in an effective way. CRM act as tool to facilitate the business and thereby improving customer relationship with the organizations. Finally after conducting this research and validating it through various data and

quantitative analysis it can be effectively stated that CRM is needed in any organization to retain customers. The utmost thing that CRM provides is customer satisfaction which will lead to retention. An effective CRM will lead to customer satisfaction and if the customer is satisfied it drives towards retention. This in fact helps in leveraging the business as well as generating more revenues and profits.

Customer retention practice is very vital for firms to move beyond satisfying both existing and new customers where the practice is proved to be an important tool to improve firm's performance particularly from their non-financial aspects. Hence, the practice should become a compulsory management tool for SMEs to sustain in competitive environment. The findings of this study alongside the implications given are expected to enlighten the practices of customer retention within SMEs in Gombe State.

Organizations today must focus on delivering the highest value to customers through better use of modern technology, proper customer orientation and having knowledge on their personalized products and services. Since a large percentage of customer interactions will occur on the Internet rather than with employees technology must adapt to the changing and unpredictable market. Organizations that implement CRM will have the greatest gains. The future of CRM is e-relationship management that will synchronize cross-channel relationships.

5.4 Recommendations

In line with the findings of the study, the following recommendations were made:

- i. SMEs owners should improve on customer analysis so as to ascertain individual customer preferences.
- ii. SMEs owners should gather large amount of customer information to help identify high-value customers and establish a thorough understanding of customer's lifetime values.

- iii. SMEs owners should endeavor to use modern technology in performing task, this will go a long way to reduce mental task.

5.5 Limitations of the Study and Area for Further Research

In the course of this research, the following limitation were encountered;

- i. The study focused on SMEs in Gombe, therefore these findings may not be used for generalizations on all SMEs in Nigeria. It is therefore important for a study to be conducted in different states of Nigeria to enable better generalization of findings.
- ii. There are other dimension of customer relationship management not incorporated in this study. Further studies can be carried out examining those dimensions.

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APPENDIX A

Questionnaire

Dear Respondent,

I am a student of Ahmadu Bello University, Zaria. I am carrying out a research on the subject “**Effect of Customer Relationship Management on Customer Retention in Small and Medium Scale Enterprises in Gombe State**”. Your organisation has been chosen as one of the selected SMEs to be sampled. The questionnaire is aimed to gather some vital information to assist me complete the research work. All information given will be treated with utmost confidence and will be used solely for the purpose of the research.

PART A: Demographic Characteristic.

Below are statements that describe you and your organization, kindly tick (√) as appropriate, please.

1. Gender:

Male []

Female []

2. Type of business

Small business []

Medium business []

3. Education:

HND []

Degree []

Masters []

Ph.D. []

Others (Please specify)..... []

4. Your Position:

Owner []

Manager []

Others (Please specify)..... []

5. How long has your firm been in existence?

< 1 years []

1- 5 years []

6- 10 years []

11- 15years []

15- Above []

6. Which industry did your firm belongs to?

Manufacturing []

ICT []

Trade and Commerce []

Hotel and Restaurant []

Building and Construction []

Agriculture and Tourism []

Transportation []

Firm and Multimedia []

Others (Please Specify)..... []

7. Number of employees

From 10 to 30 []

From 31 to 50 []

From 51 to 199 []

SECTION B

Instruction: Kindly tick as it apply to your organisation. 5-Strongly agree, 4-Agree, 3-Undecided, 2-Disagree and 1-Strongly Disagree.

	Customer Orientation	5	4	3	2	1
1	Changes in business environment (e.g.technology or regulation changes) affect customers.					
2	The firm analyses data on customer satisfaction					
3	The firm makes use of information that states customer preferences					
4	The firm has a structured program that obtains feedback necessary to fullyunderstandcustomersbehavior					
5	The firm studies underlying trends or patterns in its customers dispositions					
6	A major strength of this firm is effective and efficient customer analysis					
7	The firm responds to negative customer satisfaction information					
8	The firm responds to changing customer requirements.					
9	If customers complain, changes are made.					
10	A high priority is placed on implementing changes to increase future customer satisfaction					

Adapted from: Asikhia (2011)

	Technology	5	4	3	2	1
1	I believe that modern technology is cumbersome to use					
2	It is easy for me to remember how to perform tasks using a modern technology					
3	Using a technology requires a lot of mental effort.					
4	Using a modern technology in performing task is often frustrating.					

Adapted from: Moore and Benbasat (1991)

	Customer Knowledge	5	4	3	2	1
1	Our organisation gathered large amount of customer information to help identify high-value customers.					
2	Our organisation established a thorough understanding of customer's lifetime values.					
3	Our organisationhasdetailed knowledge about the appropriate channels to reach customers.					

Adapted from: Arnold, Fang and Palmatier (2011)

	Customer Retention	5	4	3	2	1
1	There is a formal system for determining which of our current customers are of the highest value.					
2	Our organization is structured to optimally respond to existing customers with different values.					
3	Formal system to segment existing customers based on their economic value is present in our organization					
4	Our senior management emphasizes the significance of managing relationships with valuable existing customers.					
5	Supervisors have a clearly defined mission driven by customer retention.					
6	Senior management communicates the importance to our unit of retaining valuable existing customers to the competitive advantage of the unit.					
7	The organization agrees that retaining valuable existing customers is the key to our competitive advantage.					
8	Maintaining relationships with valuable existing customers is viewed more like an investment, instead of an expense.					
9	Being able to retain valuable existing customers is seen by employees as essential for the unit's success.					
10	The organization strategy for competitive advantage is based on retaining valuable existing customers.					
11	The organization competitive advantage depends largely on cross selling and up-selling to our existing customers.					
12	Management has a clear strategic planning process to manage relationships with valuable existing customers.					
13	Employees' reward and promotion opportunities depend largely on how they successfully maintain relationships with high value existing customers for the unit.					
14	Employees are given specific guidance for retaining high value existing customers.					
15	Our organization regularly measures how successfully employees retain valuable existing customers.					
16	Customer satisfaction is an important component of front-line employees' performance evaluations					

Adapted from: Arnold, Fang and Palmatier (2011)

Thank you for taking your time to fill the questionnaire.