Customer Relationship Management and Customer Retention of Bus Rapid Transit (BRT) In Lagos State, Nigeria

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ABSTRACT

The study identifies customer retention factors, determines effects of reward systems on customer services, examines effects of fare structure on customer patronage, and assesses effects of ambient conditions on retention of customers of Bus Rapid Transit (BRT) in Lagos State, Nigeria. Total number of 160 respondents used for the study were selected through purposive and convenient sampling techniques respectively. Data were analysed with the aid of T-test and regression analyses. The result shows that there is significant relationship between ambient conditions and customer retention. In addition, finding shows that there is significant relationship between fare structure and customer retention.

The study concludes that increased ambient condition and fare structure led to increase retention. The study recommends that managers of transport sector should adopt Customer Relationship Management so as to boost the retention of their customer base.

(Keywords: customers, customer relationship management, customer retention, ambient condition, transit system, public transportation)

INTRODUCTION

Baker (2003) confirms that the growth in the service sector has seen it become more competitive, dramatically transforming the management and marketing activities within the sector. The major objective of Customer Relationship Management is to turn current and new customer into regularly purchasing clients and then to progressively move them through, being strong supporter of the company and its products and finally being active and vocal advocates for the company in the market. (Chary and Ramesh 2012). According to Baker 2003, the development in the service sector has persevered to the extent that service industries now have a major impact on national economies.

Steenkamp (1989), stated customer loyalty is one of the factors that increase market share. In a research of customer relationship management implementation in Taiwan's machine industry, it was found that customer value analysis, customer service management and information technology that reduce wasted time and effort. Likewise, research was conducted by Parvatiyar and Sheth (2001), and they found that customer relationship management integration of marketing, sales, and customer service of the organization were factors that helped to achieve greater efficiencies and effectiveness in delivering customer value.

In research conducted by Gbadamosi (2010) on the impact of Bus Rapid Transit in Urban Intra-City Passenger Movement in Lagos State, Nigeria, it was found that some of the problems confronting BRT were; poor road network, inadequate buses, lack of motivation, ineffective bus maintenance, inability to meet service demands, bad driving habits, hot and suffocating circumstances in the buses in the afternoon due to tropical weather, and lack of professional conduct among staff. These challenges and many others had made many realized and potential customers of the Bus Rapid Transit switch to competitors.

Literature abounds on Customer Relationship Management and retention but very few have linked Customer Relationship Management to retention in the mass transit sector of the transport industry in Nigeria; hence this study. This study was designed to answer the questions: (i) is there significant relationship

between the ambient condition and customer retention in bus rapid transit system and (ii) is there significant relationship between fare structure and customer retention of bus rapid transit system.

CUSTOMER RELATIONSHIP MANAGEMENT

Customer Relationship Management (CRM) is the strategy for strengthening long-term relationship and enhancing customer value and shareholder value with individual key customer to increase customer satisfaction, customer retention, customer loyalty, and finally profitability (Payne and Frow, 2005).

Berndt et al. (2005) noted that the implementation of CRM is beneficial to a company because it is a strategy for acquisition, retention and overall customer profitability which in turn ensure long term survival of the company. From a company's point of view, CRM is a strategic view of how to handle customer relationships while from a profitability perspective, the strategy deals with how to establish developed and increase customer relation, based upon the individual customer needs and potentials.

Hobby (1999) described that CRM is a management approach that enables organization to identify, attract, and increase retention of profitable customer by managing relationship with them. Likewise, Bennett (1996) opined that CRM seeks to establish long term, committed, cooperative relationship with customers, characterized by genuine concern for the delivery of high quality services, responsiveness to customer suggestions and willingness to sacrifice short term advantage for long term gains. CRM represents a strategy for creating value for both the firm and its customers through the appropriate use of technology, data and customer knowledge (Payne and Frow, 2005).

CUSTOMER RELATIONSHIP MANAGEMENT STRATEGIES

According to Gray and Byun (2001) most chief executives in an organization believe that the major strategy of CRM customer retention. One of the strategies of CRM is that companies provide consistent and up-to-date customer catalog, order, and inventory data across all their sales channels: web, call centers, and all physical points of presence.

Pepper et al. (1999) summarizes the following as the basic strategies of Customer Relationship Management.

Customer Identification : The organization must be able to identify the customer via marketing channels, interactions and transactions for a period of time in order to provide value to the customer by serving the customers need at the right time with a right product or service.

Customer Interaction: One of the most important objectives of Customer Relationship management by an organization is to keep track of customer behavior and needs over time, this is because, from a Customer Relationship Management point of view, the customer's long – term profitability and relationship to the company is very important.

Personalization: this can be defined as treating each customer differently or uniquely and that is the objective of customer relationship management.

BENEFITS OF CUSTOMER RELATIONSHIP MANAGEMENT

According to Swift (2001), companies gain many benefits from CRM. He states that the benefits are commonly found in one of these areas:

Lower Cost of Recruiting Customers: The cost for recruiting customers will decrease since there are savings to be made on marketing, mailing, contact, follow-up, fulfillment and service.

No Need to Recruit So Many Customers to Preserve a Steady Volume of Business: The number of long-term customers will increase and consequently the need for recruiting many customers decreases.

Reduced Costs of Sales: The costs regarding selling are reduced owing to that existing customers are usually more responsive. In addition with better knowledge of channels and distributors the relationships become more effective, as well as that costs for marketing campaigns is reduced.

Higher Customer Profitability: The customer profitability will get higher since the customer-wallet share increases, there are increases in up-selling, cross-selling and follow-up sales, and more referrals comes with higher customer satisfaction among customers.

Increased Customer Retention and Loyalty: the customer retention increases since customers stay longer, buy more frequently. The customer also takes more initiatives, which increases the bonding relationship, as a result the customer loyalty increases as well.

Benefits to Customers

Ansoff (1990) as quoted by Onu (2008) includes: avoiding switching cost because maintaining a relationship with a supplier avoids the cost associated with switching to a new provider. Specific benefits to clients accrue through relationship with service providers, as a result of CRM and these include: confidence benefits, social benefits, and special treatment benefits.

Confidence benefits represent psychological benefits to clients: they trust the service provider, experience less anxiety when purchasing a service, and are confident that the service will be delivered correctly and as desired.

Social benefits include; the advantage of being recognized by service provider employees and developing friendships with these employees.

Special treatment benefits include advantages for clients such as being placed on priority lists or receiving special prices.

As a result of the above–mentioned benefits, clients specifically may experience beneficial customized and valuable services, increased customer satisfaction and decreased prices.

According to Gray and Byun (2001) for organizations to benefits from CRM sales, marketing, and service functions must work together to improve the company's ability to retain and acquire customers, and to improve service without increasing cost of service.

Crosby (2002) argues also that by using customer information wisely to deliver what the customer needs, companies will create long-term relationships with the customers. He further states

that, this will bring many benefits since long-term customers are less costly to serve.

CUSTOMER RELATIONSHIP MANAGEMENT THEORY

The study relies on the traditional and modern theories as summarized by Ellen Gifford (2002) and the art of profit of customer relationship management.

Art of Profit: in (1959), Frederick Hertzberg, a psychologist, found that job satisfaction and job dissatisfaction acted independently of each other. The theory states that there are certain factors in the workplace that cause job satisfaction are called motivating factors while the factors that cause dissatisfaction are called hygienic factors. This theory was related to CRM, safely stated that the hygienic factors are those things that the customer expects whenever they purchase your goods and services.

Motivational Factor: in relation to CRM are those factors that increase sales, lowering price, customer loyalty rewards, expectations (hygienic factors) and are enticed to purchase our goods and services through sales, and other factors(motivational and economic factors).

The Traditional and Modern Theory of CRM: The modern CRM theory refers to the idea of integrating the customer: this new way of looking at the business involves integrating them into all aspects of the supplier's business. The modern approach into CRM is based on satisfying all of the needs of people, system, processes across the customer's organization. The modern approaches rely on customer satisfaction which core issue in Customer Relationship Management today. Comparatively, the traditional approach to customer relationship was based on simple transaction or trade, and little more, one person on each side.

CUSTOMER RETENTION

Customer retention is a part of CRM, according to Payne (2006). Customer Relationship Management is a business approach that seeks to create and develop relationships with carefully target customers in order to improve customer value and corporate profitability and thereby maximize shareholder value.

Coyles and Gorkey's (2002) research also notes the significance of focusing on the retention of profitable customers, rather than all customers. They suggest that it may be more important for companies to focus managing the overall downward migration of customer spending than customer retention in its own right. They note that many more customers change their behavior than defect, so the former typical account for larger changes in value (Coyle and Gorkey, 2002). Gerpott, Rams, and Schindler (2001) show an effort to continue doing business with them in the future.

CUSTOMER RETENTION THEORIES

Belch and Belch (2007) defined consumer behavior as the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires. It presupposes that the theory of consumer behavior involves more than just how a person buys a good but includes the purchase of services, time and ideas.

According to the rational consumer theory, the formation of customer retention is based on the fact that, as a rational being, the consumer wants to obtain higher income with lower cost. He searches for relevant information relating to service quality based on the experiences of others and in line with his own expectation. The theory holds that customer retention is influenced by customer satisfaction, corporate image and brand trust. Customer satisfaction in turn is influenced by product perceived quality, perceived value and customer expectation.

DETERMINANTS OF CUSTOMER RETENTION

According to Miranda, Konya and Havrila (2005), they include;

Loyalty: It is necessarily required for an organization to interact and communicate with customers on a regular basis to increase customer loyalty. In these interactions and communications it is required to learn and determine all individual customer needs and respond accordingly. Even if the products are identical in competing markets, loyalty provides high retention rates.

Customer Satisfaction: This measures how much the guest is satisfied with the product or service offered by the venture. Also, this shows the probability of the client coming back. Customer satisfaction can be easily seen with the way the client converses with the business staff and the frequency the guest avails of the products and services of the venture. For a more concrete and specific idea on how satisfied a customer is, a comment or rating sheet can be given for them to fill out and return to the manger or the owner. This will let them know that the management is interested in their feedback, giving the client a better impression of sincerity in business.

Customer Commitment: The Conversion Model establishes a consumer's level of commitment to a brand to make predictions about future retention. The Conversion Model uses four dimensions to measure commitment. The first dimension is satisfaction with the brand, the second dimension is a customer's perception of the alternatives, and the third dimension is the importance of brand choice to a customer. If brand choice doesn't matter, it is difficult to achieve commitment.

INDICATORS/MEASUREMENT OF CUSTOMER RELATIONSHIP MANAGEMENT

The measurement of customer relationship is important because it helps the organization to understand not only what are doing but also how well they are doing the things with regard to CRM; however, those that are described here are relevant to the study.

Communication: This is for the benefit of the client, where they are given the opportunity to let management know certain pieces of information regarding their products or services that the client deems to be improper, illegal, or otherwise against the interest of the clients. This will include matters regarding warranties, product satisfaction, service satisfaction, and other matters that the customer deems important to be brought to the attention of the management.

Rewards: Rewarding a customer is the most used way by the management to create a greater relationship with its customers. These rewards are always in form of points in relation to the amount of goods purchased, samples and other incentives like calendars, pens and many others.

Level of complaints: This is when a customer complains so much because they are not satisfied. Which means a management should make sure that it reduces the number of complaints and this can be done through meeting customer's expectations

Customers Register: Management should endeavor to keep customers' basic information because it is one of the major ways to maintain the relationship with them.

Availability: If some of the products are not available in the market, it can cause an adverse effect on retention rates, hence, easily available products could be enhancing its selling power and from that to customer retention. Availability of Bus Rapid Transit will increase sales and retain passengers.

METHODOLOGY

Data were collected through structured questionnaire using five- point Likert scale. Forty (40) respondents used for the study were selected through purposive and convenient sampling techniques respectively. Data were analyzed with the aid of T-test and regression analyses. Four Local Government Areas were selected because the four local government areas have the higher concentration of commuters and more Bus Rapid Transit bus stops, 40 passengers (customers) were selected from each of the local governments. This brings the total sample to 160 respondents to complete the research objectives.

Hypothesis Testing

Hypothesis One:

Hi: There is significant relationship between the ambient condition and customer retention in Bus Rapid Transit system.

Ho: There is no significant relationship between the ambient condition and customer retention in Bus Rapid Transit system.

The hypothesis was tested using regression analysis.

The result of the regression analysis in table 1 shows that there is significant relationship between ambient condition and customer retention in the transport sector in Lagos state, (r=0.259). The r^2 =0.068 $p<0.05$ shows the proportion of customer retention explained by ambient condition. This indicates that variance of ambient condition (comfortable seats, conducive shelters, cleanliness of the transit interior, space, smooth ride)contribute only 6.8% to retention at 5% level of significance. In view of the above, the alternative hypothesis which states that " there is significant relationship between ambient condition and customer retention of bus rapid transit system'' was accepted, while the null hypothesis was rejected.

Table 1: Summary of Regression Analysis Showing the Relationship between Ambient Conditions and Customer Retention.

Variables	t-value	R	r^2	Adjusted r^2	F-ration	Sig (2-failed)
Ambient condition and customer retention	3.057	.259	.068	.057	9.343	p<0.05

Source: Data Analysis 2017.

Table 2: Summary of Regression Analysis Showing the Relationship between Fare Structure and Customer Retention.

Variables	t-value	R	r^2	Adjusted r^2	F-ration	Sig (2-failed)
Fare structure and Customer service	13.156	.204	.052	.021	1.963	p<0.05

Source: Data Analysis 2017

Hypothesis Two:

Hi: There is significant relationship between fare structure and customer retention of Bus Rapid Transit system.

Ho: There is no significant relationship between fare structure and customer retention of Bus Rapid Transit system.

The hypothesis was tested using regression analysis.

The result of the regression analysis in Table 2 shows that there is no significant relationship between fare structure and customer retention in the transport sector in Lagos state. (r=0.204). The r^2 = 0.052 p<0.05 shows the proportion of customer retention explained by fare structure. This indicates that fare structure contributes only 5.2% to retention at 5% level of significance. In view of the above, the null hypothesis which states that "there is no significant relationship between fare structure and customer retention of bus raid transit system" was accepted.

Findings

From the findings, it was discovered that fare structure of Bus Rapid Transit is low. The way Bus Rapid Transit Fare is been structured has a negative impact on customer retention, however, some passengers' stay because of its consistency. From the findings it was discovered that the ambient condition of the Bus Rapid Transit plays a great role in customer retention. Some of the factors include: comfortable seats, cleanliness of the transits interior, smooth ride and conductive shelters.

CONCLUSIONS

From the basic statistics of the response, it was found out that effective CRM has an impact on customer retention. Passengers had a good satisfaction in the services provided by Bus Rapid Transit. The study therefore concludes that customer relationship is positively related to retention. Thus, increase in CRM leads to increase in retention.

RECOMMENDATIONS

Based on the result of the study, it is recommended that management should ensure that their fares are affordable to the members of the general public. It is recommended that management should always seek passengers' opinion before taking decisions that is binding on the passengers and it is recommended that further research efforts need to be carried out in other areas, to ascertain the general application of present findings, further studies on CRM and other factors, customer retention, and other factors can be carried out.

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