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ROLE OF CUSTOMER INFORMATION AND INTERACTION IN BUILDING BANKS' MARKET SHARES

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Abstract

The importance of managing customer relationship is central to the survival of any firm. Use of customer information and managing customer interaction in establishing the relationship to boost organizations` market share is critical especially in banking services. This study intended to establish the effect of customer information and interaction management on market share of commercial banks in Meru County, Kenya. A study of 137 middle and low level managers in commercial banks in Meru County, Kenya showed that customer tracking; customer records; customer data mining positively influenced the operational performance of the banks to a great extent. The use of customer friendly technology further synergized these benefits. The customer information and interaction reduced unproductive contact with customers and hence improved the bank`s market share.

Keywords: Customer, Information, Attraction, Share, Performance

INTRODUCTION

Recent works on marketing theory and practice recognize the increasing emphasis on designing customer–centric strategies and processes by organizations in order to realize lifetime value of customers (Ramani & Kumar, 2008). With the emergence of new technologies and processes, marketers understand each customer better in terms of customers' behaviours and attitudes resulting into the increased Customer Relationship Management (CRM) solutions.

Despite the significant progress in the application of CRM systems in the last 15 years, critics point to the high failure rate of CRM implementations as evidenced by commercial market research studies (Petty, 2008) and (Gneiser, 2010). However, the importance of managing relationship between the banks and the clients cannot be over emphasized. Such relationships have resulted in growing market share (Commercial Bank of Africa, CBA, 2013).

In Kenya, bank customers are encouraged to create a direct and long term relationship with their financial service providers. Research has shown that banks with CRM practices are more likely to have a better chance to grow its market share than those that do not maintain the practice of CRM (KBA, 2012). Application of competent customer information system coupled with regular customer interaction were found to be useful in perfecting CRM.

Statement of the Problem

Bearing in mind the competition in the banking industry, the question that is to be answered is how to develop mutual customer relations in order to generate intimacy and a level of confidence that will promote viable market share. Ordinarily, firms emphasizes that an organization can expand its market share by lowering prices, increasing promotion, introducing new products, improving product quality, improving service quality and changing a product or market in a way that negates the market leaders' advantage. However, the problem is how to develop a differential strategy to promote a consistent positive return on investment. It is against this background that most of the competitors in the banking industry are trying to adopt CRM. Thus, the role of customer information system as enablers of CRM and regular interaction with the customer needed to be ascertained empirically in building firms` market share.

Objective of the Study

To establish the effect of customer information and interaction management on market share of commercial banks in Meru County, Kenya

Research Question

How do customer information and interaction management affect market share of commercial banks in Meru County?

THEORETICAL FRAMEWORK

Actor-network theory (ANT)

It suggests a diverse network of humans and things as equal connected actors. It strives for impartiality in the description of human and nonhuman actors and the reintegration of the natural and social worlds. For example, Latour (1992) claims that instead of worrying about humanizing technology, we should accept it as essentially being made by humans, alternatives for the actions of humans, and influences human actions. The sequence and tendencies of the actors' actions, capabilities and the extent to which we decide to have symbolic demonstrations are important. The theory argues that technology does not determine human action, but that human action shapes technology. Thus, informational flexibility and relationship of the information users is important. Successively, in this theory technology is not set as an artifact, but instead studies how that people interact with a technology in their practices, legislate structures which shape their emergent and situated use of that technology (Orlikowski et al, 2003).

Actor-network theory, views markets as complex and made up of actors seeking benefits of which not all of which are necessarily financial. The theory states that all of these actors have specific goals and interests, and it is in the interest of the firm to recognize these and seek to satisfy them. The relationship between the firm and its customers is usually long term and has a symbiotic functionality. That means, as long as the customers' needs are exceeded by the firm, they remain loyal to the firm and consequently the firm continues to enjoy profits from its loyal customers. This theory is important to this study because of the role of information using technology and levels of customer interaction in building a lasting relationship with the firm in order to exceed customer needs and expectations.

EMPIRICAL REVIEW:

Customer Information Management

Young (2003) suggest that customer information can be managed through CRM systems which offer customer relationship management platforms. The purpose of the system is to track, record, store in databases and then data mine the data in a way that assist in customer relations. The CRM codifies the interactions between the business and the customers so that a business can maximize sales and profit using analytics to give the users more information on marketing and customer service to maximize revenue and reduce idle and unproductive contact with the customers. The contact channels that use such operational methods are contact centers. The software is installed in the contact centers to help direct customers to the right agent and can likewise be used to identify and reward loyal customers over a period of time depending on the information recorded and stored (Amin,2015).

Ryals and Payne (2007) argue that the successful adoption of CRM strategy requires a relationship marketing focus in which the organization recognizes that it is long-term relationships with customers that are the primary drivers of customer value and not products or services offered. Effective implementation also involves cross-functional working and even organizational change. The company should effectively manage and utilize the gathered and stored customer information within the data banks to build effective CRM strategies.

Baldwin (2006) suggests that CRM is the successful implementation of strategies centered to the customer through the cautious incorporation of people, processes and technology. The result is a customer centered business model in which company functions emphasis on the known customer necessities through unified procedures and sharing critical customer information through common tools and information means. Becoming an accurately customer- centric business can help create a viable competitiveness.

Customer Interaction

The customer interaction involves contacting customers, answering adequately to their complaints, enhancing personal and friendly relations with them and customizing services. Many organizations perceive that the best initial approach towards relationship marketing is investing in complaint dealing process to show commitment to customers. Satisfaction with handling complaint has direct impact on trust and commitment and can cancel out the original negative experience if handled to the customer's satisfaction or delight (Gale and Chapman, 2004). The customer interaction process is built on the significance of researchers and managers understanding the interaction between active buyers and sellers in ongoing business relationships.

Market Share

Market share is a proportion of sales a company has in a specific market within a specific period of time. High market share converts into higher profits. Achievement or building market share is an aggressive or attack strategy to improve the company’s position in the market (Sarkissian, 2010). It can also be described as the degree of the consumers' inclination to a product/service over other similar products/services. A higher market share means greater sales, less effort to sell more and a strong barrier to entry for competitors. A higher market share also translates into enlarging the firms` profitability and growth.

Firms usually use a combination of strategies to grow market share including increasing advertisements, adjusting prices, improving the product or service, classifying products into groups and directing them to a specific clientele and making complementary products among others. This can attract customers from competitors if the customers feel the products are better that those of the competition (Ong’ong’a, 2014).

Market share is a key gauge of market competitiveness and how much better a firm is doing as compared to its competitors. This metric, enhanced by variations in sales income, helps managers assess both primary and selective demand in their market. It assists them to judge both total market growth or decline and the trends in customers’ choices among competitors. Normally, sales growth caused by primary demand (total market growth) is less costly and of higher profitability than that achieved by capturing share from competitors. Equally, reduction in market share can be a sign of serious long term problems that need strategic adjustments. Companies with a market share beneath a certain level may not be feasible. Similarly, within a firm’s product line, market share trends for individual products are considered early indicators of future opportunities or problems (Blundell, Griffith & Van Reenen, 1999).

The company's market share is important for investors, since it gives them a better idea of its competitiveness. Though this doesn't always go hand in hand with profitability, it's often a good indicator of whether a business is performing well or not, and drastic changes often indicate problems or changes for the better. Those with larger shares are often more likely to give investors a better Return on Investment (ROI) than those with a very small share, though there are a lot of other factors at play (Ong’ong’a, 2014).

The market share is more significant in a relative sense; that is, when a company compares the market share it holds to the percentage held by its largest competitor. The vital factor in computing relative market share is not the precise number connected with the sales volume rather the company’s position in relation to the competition is more important.

Market share responds to elements of marketing strategy and one of the important items that affects market share is marketing strategy and marketing mix. The ability to use the successful marketing strategies in market competition is critical for a company’s performance (Baldauf, Cravens, & Wagner, 2000).

RESEARCH METHODOLOGY

The study employed descriptive research design as advised by Kothari (2004). Using simple random sampling techniques (Cooper and Schindler, 2003), a sample of 137 middle and low level managers of commercial bank were selected using sample size formula n= n'/ [1+(n'/N)] as expounded by Mugenda and Mugenda (2003) and (Schindler & Cooper, 2003).

The study used pre-tested, self-administered survey questionnaires with an internal consistency reliability of .7. The instrument also satisfied content and face validity requirements. Data from survey was analysed using multiple regression to determine the effects of each of the independent variables. The regression equation used was: $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \varepsilon$

Where: Y = Market share, β0 = Constant, X_1 = Customer information management,

X_2 = Customer interaction, ε = Error Term

The coefficient of determination (R2) was used to measure the extent to which the variation in market share is explained by the variations in its determinants. Due to sensitivity of some information collected, the researcher assumed moral obligation to treat the information with utmost propriety.

FINDINGS AND DISCUSSION

Demographically, the study had response rate of 68% having engaged (male 55.9%, female 44.1%) with 60% of respondents within age brackets of 30-45 years. 79% of the respondents had either diploma or first degree level of education with 65.5% having had work experience ranging from 4-12 years in commercial banks.

Customer Information Management

The research sought to establish the extent to which customer information management affected market share of commercial banks in Meru County as shown in table 1.

Table 1: Extent to which customer information management affected market share of commercial banks in Meru

	Frequency	Percent
Not at all	0	0.0
Low extent	2	2.2
Moderate extent	13	14.0
Great extent	41	44.1
Very great extent	37	39.8
Total	**93**	**100.0**

The finding revealed that most of the respondents hold the view that customer information management affected market share of commercial banks in Meru County (44.1% - great extent, 39.8% -very great extent).

The research further sought to establish the extent to which the following aspects of customer information management affected the operational performance of commercial banks in Meru as shown in table 2

Table 2: Extent to which the following aspects of customer information management affected the operational performance of commercial banks

	No extent at all		Low extent		Moderate extent		Great extent		Very great extent	
	F	%	F	%	F	%	F	%	F	%
Customer tracking	2	2.2	10	10.8	26	28	39	41.9	16	17.2
Customer records	1	1.1	7	7.5	25	26.9	35	35.7	25	26.9
Customer data mining	2	2.2	16	17.2	32	34.4	38	40.9	5	5.4
Customer information database	0	0.0	2	2.2	38	40.9	32	34.4	21	22.6

On the average there is consensus between the respondents that customer tracking (41.9), customer records (35.7%), customer mining (40.9%) affects commercial operational performance to great extent with customer information data base having moderate effect (40.9%).

In addition, the respondents were requested to indicate their level of agreement with the following statements on customer information management as indicated in table 3:

Table 3: Level of agreement with the following statements on customer information management

Statements	Mean	Std. Deviation
Customer information aids in focusing marketing strategies which maximize revenue for the banks	3.8387	0.95883
Customer information helps the bank to focus customer service to the most potential clients increasing revenue	4.1505	0.83336
Customer information helps reduce unproductive contact with customers	3.9032	0.89764
Customer information aids in rewarding of loyal customers	4.3548	0.91952

On whether customer information aids in focusing marketing strategies which maximize revenue for the banks, the respondents agreed (μ =3.8387, σ=0.95883) that customer information aided in focusing marketing strategies which maximized revenue for the banks in agreement with Young (2003) who reported that CRM codifies the interactions between the business and the customers so that a business can maximize sales and profit using analytics and Key Performance Indicators (KPIs) to give the users as much information on where to focus their marketing and customer service to maximize revenue .

The respondents also agreed (μ=4.1505, σ=0.83336) that customer information help the bank to focus customer service to the most potential clients increasing revenue as well as reduce unproductive contact with customers in as supported by Ryals and Payne (2007) who argued that successful implementation of a CRM policy requires a relationship marketing focus in which the organization identifies that its long-term good relationships with customers instead of products as the primary drivers of customer value.

Customer Interaction

Majority of the respondents (49.5%) indicated that customer interaction affected market share of commercial banks to a great extent with a moderate group of 25.8%. In addition, 17.2% opine that customer interaction affect market share of commercial banks by very great extent.

Certain aspects of customer interaction were found to be affecting the operational performance of commercial banks as shown in table 4.

Table 4. Extent following aspects of customer interaction affects the operational performance of commercial banks

	No extent at all		Low extent		Moderate extent		Great extent		Very great extent	
	F	%	F	%	F	%	F	%	F	%
Contacting customers	2	2.2	12	12.9	24	25.8	35	37.6	20	21.5
Answering adequately to customers complaints	0	0	7	7.5	27	29	37	39.8	22	23.7
Customizing services	2	2.2	6	6.5	24	25.8	41	44.1	20	21.5
Complaint handling process	2	2.2	4	4.3	24	25.8	39	41.9	24	25.8

It was generally observed that contacting customers (37.6%), answering adequately to customers' complaints (39.8), customizing services (44.1) and complaint handling process (41.9) greatly affect the operational performance of commercial banks. Significant percentages of respondents also feel that these aspects affect operational performance of commercial banks to a moderate and very great extent.

Market Share

The practice of customer interaction and customer information management have compared with growth of the market share in the sample banks. Majority of the respondents (47.3%) reported that trend of market share in the institution in the past five years had improved while 25.8% consented that it had greatly improved. Further, majority of the respondents (65.6%) indicated that the number of new customers had improved significantly as well as sales turnover rising by 71%.

Hassan, Nawaz, Lashari, and Zafar (2015) also stated that CRM has an important effect on the customer satisfaction. It influences the customer's repeat purchase of the company's products and services, which results into increased sales, market share and eventually an increase in profits.

According to Taherpor & Tayebi Toolo (2010), CRM increase the performance of industries and companies through improvement of communications thus firms consider CRM as an undeniable requirement.

Regression Analysis

Model Summary

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	STDV. Error of the Estimate
1	.810	.656	.632	.84564

The model had an average adjusted coefficient of determination (R^2) of 0.632 and which implied that 63.2% of the variations in market share of commercial banks in Meru Care explained by the independent variables understudy (customer information management and customer attraction)

ANOVA Test

The study further tested the significance of the model by use of ANOVA technique as shown in table 6.

Table 6: ANOVA Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	19.528	4.000	4.882	8.219	.000[b]
1	Residual	88.506	149.000	0.594		
	Total	108.034	153.000			

Critical value =2.50

From the ANOVA statistics, the study established the regression model had a significance level of 0.00% (p value = 0.000) which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5% (p value = 0.05). The calculated value was greater than the critical value (8.219> 2.50) an indication that customer information management and customer attraction have a significant effect on the market share of commercial banks in Meru County.

Coefficients of Determination

In addition, the study used the coefficient table to determine the study model as presented in table 7.

Table 7: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	STDV. Error	Beta		
1	(Constant)	1.176	.317		0.555	.002
	Customer information management	.417	.096	.397	4.344	.000
	Customer interaction	.492	.122	.413	4.033	.003

Given equation, ($\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon}$) thus becomes:

$Y = 1.176 + 0.417X_1 + 0.596X_2$

Accordingly, holding the other factors constant, a unit change in customer information management would lead to an increment in market share of commercial banks in Meru County by a factor of 0.417 and unit change in customer interaction would lead to a 0.596 increase in market share of commercial banks in Meru tCounty. The findings further agree with Alsaggaf and Althonayan (2018) who established that customer attraction as a main influence on the success of the bank. Further, the results are in line with others by Baldwin (2006) which indicates that CRM is the successful implementation of strategies centered to the customer through the cautious incorporation of people, processes and technology for the purposes of enhancing organizational market share.

CONCLUSION AND RECOMMENDATIONS

The research established that customer information management affect market shares of commercial banks significantly. Customer tracking, customer records and customer data mining though differently by significantly affect operational performance of the commercial banks. Further, customer information aided in focusing marketing strategies which maximized revenue for the banks as well as helping the bank to focus customer service to the most potential clients in order to increase revenue. In addition, aspects of customer attractions such as answering adequately to customers', customizing services and handling complaint had direct impact on customer commitment and thus affect the operational performance of commercial banks to a great extent.

The research concludes that both customer information management and customer attraction practices directly affects performance of the commercial banks in terms of market share growth. However, commercial banks should be encouraged to invest in customer information management systems that aids in focusing marketing strategies since they maximize revenue for the banks through improved customer interactions.

The limitation of the current study is that the effects of other extraneous factors such as government policy on competition and state of the economy on the market share of banks were not considered.

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