



Impact of customer relationship management on customer retention: Evidence from the Nigerian insurance industry

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Abstract

The study investigates the impact of customer relationship management on customers' retention in the Nigerian insurance industry. The convenience sampling technique was used to gather data from a sample of 200 customers of insurance firms in Lagos, using structured interview guide and data analysis carried out using SPSS version 20. The findings of the study showed a direct effect of customer relationship management on customer satisfaction. Also, the study revealed a significant positive relationship between customer relationship management and customer retention. Conclusion, implications for insurance managers as well as suggestions for future studies are discussed.

Keywords: CRM, customer satisfaction, customer retention, insurance industry, Lagos

Introduction

Several organizations around the globe spend a significant part of their time, energy and resources chasing new business. Even though it is important to replace lost business, grow the business and expand into new markets, one of the primary goals is to keep existing customers and enhance customer relationships (Guerola-Navarro *et al.*, 2021) ^[10]. Thus, the cost of acquiring new customers can be up to 10 times the cost of retaining existing ones, and even a small increase in retention rates can add thousands of dollars to premium revenue (Ferrer-Estevéz & Chalmeta, 2023) ^[7]. Although finding new customer is very important, the emphasis is shifting towards retaining profitable customers and building lasting relationship with them (Ferrer-Estevéz & Chalmeta, 2023) ^[7]. Companies have also discovered that losing a customer means losing not just a single sale but also a life time's worth of purchase and referrals. In effect, the double goal of marketing is to attract new customers by promising superior value and retain current customers by delivering satisfaction (Guerola-Navarro *et al.*, 2024) ^[9]. Most insurance product developments are easy to increase and when insurance companies provide nearly similar services, they can only distinguish themselves based on effective customer relationship management (CRM) and customer satisfaction practice (Fernando *et al.*, 2024) ^[6]. Customer retention is the central concern for CRM. Customer satisfaction, which refers to the comparison of customers' expectations with his or her perception of being satisfied, is the essential condition for retaining customers (Ofosu-Boateng & Agyei, 2020) ^[21]. Therefore, customer retention is an effective and important tool which enables companies to gain strategic advantage and survive in today's ever-increasing competitive business environment. Most of the insurance firms in Nigeria today have adopted the use of customer relationship management (CRM) activities to develop full-knowledge about customer behavior and preferences in order to initiate programs and strategies that encourage customers to continually enhance their business relationships with the company. The strategies of customer relationship management are anticipated to curtail occurrence of service failures that motivate customers to switch in the insurance industry

(Diem *et al.*, 2021) ^[5]. Studies have shown that CRM has a direct effect on customer retention (Tifliyah *et al.*, 2021) ^[28]. Customer relationship management has typically been viewed as an important determinant affecting customer retention. The connection between customer relationship management and customer retention is thus worth studying in the competitive Nigerian insurance market

A study carried out by Soliman & Kamel (2021) ^[27] demonstrated that CRM applications help organizations analyze customer loyalty and profitability on measures such as repeat purchases, amount spent, and retention of customers. In spite of these numerous benefits of CRM, insurance firms in Lagos seem to be at a loss regarding how to satisfy customers, and retain them. Most Nigerian insurers argue that, the insurance business is plummeting; however, the high participation of foreign insurance companies in Nigeria indicates the untapped opportunities in the country (Bankole *et al.*, 2020) ^[2]. The core argument is that, CRM practices can support organizations to achieve marketing productivity through the establishment of strong relationships with customers in competitive markets (Bankole *et al.*, 2020) ^[2]. Thus, when organizations concentrate on customers by practicing CRM strategies, they can understand customer needs, and provide greater customer care which will improve the position of the company in the competitive market and retention of customers. The question then is: how have CRM initiatives influenced customer retention in the Nigerian insurance industry?

Results of the study should enable managers of insurance in Lagos to appreciate the significance of CRM and its influence on customer satisfaction and retention. Equally, the study would contribute to the existing body of knowledge in the area of customer relationship management, customer satisfaction and retention.

Statement of Hypotheses

The study's hypotheses are as follows:

H1: A significant positive relationship exists between CRM and customer satisfaction

H2: A significant positive relationship exists between CRM and customer retention

Literature Review

Customer Relationship Management (CRM)

There is no generally accepted definition of CRM even though CRM is considered to be an essential business approach. Nur (2021) [19] views CRM as an “enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability”. Khan *et al.* (2022) [14] defined CRM as “a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value”. Sulaiman (2020) [26] conceptualized CRM from the customer perspective as: “a systematic process to manage the customer relationship initiation, maintenance, and termination across all customer contacts points in order to maximize the value of the relationship portfolio”. Fraihat *et al.* (2023) [8] also defined CRM as “a set of customer-oriented activities supported by organizational strategy and technology, and is designed to improve customer interaction in order to build customer loyalty and increase profits over time”. The definitions above accentuate CRM as a complete set of approaches for administrating customer relations in terms of marketing, customer and support services. The organizations can use information technology and information systems to combine CRM procedures to please customers. For the purpose of this study, CRM will be defined as organization of comprehensive information regarding customers through the use of complicated software and analytical tools to cautiously manage client contact points to maximize profit and retain customers.

Customer Satisfaction

Customer satisfaction is a recognized concept in many areas such as marketing, economics, consumer research and welfare economics. The various definitions of authors on satisfaction denote that, satisfaction is a sentiment resulting from appraising what have been delivered against what was anticipated, as well as the decision to buy to satisfy a need (Judge, 2020) [13]. According to Cahaya *et al.* (2023) [3], satisfaction is mostly derived from feelings which one experiences after using a product or been rendered a service. Customer satisfaction is also defined as the level of total pleasure or delight experienced by the client, as a result of the capabilities of the service to meet the prospects request, wishes and dreams (Lepistö *et al.*, 2024) [15]. According to Sharma *et al.* (2020) [23], customer satisfaction is the emotional status representing the difference between the feeling before and after using a product or service. Customer satisfaction results from the marketing efforts of a business. It assesses customer attitudes from the purchase of a product or service that relates to after-sales services (Ofosu-Boateng & Agyei, 2020) [21]. According to the authors, customer satisfaction can be at different levels including either a satisfying feeling or an unpleasant feeling that is created by the gap between what the customers expected and what they really experienced. Therefore, is extremely crucial to have a high level of customer satisfaction for any kind of business as the same as in the insurance sector. Therefore, making customers more satisfied is beneficial for insurance firms.

Customer Retention

Alkitbi *et al.* (2020) [1] defined customer retention as the possibilities of a client to be retained by the organization. Negassa & Japee (2023) [18] view customer retention as maintaining customers for life. The life span worth of a customer to any business can be appreciated in their financial performance. Some studies considered customer retention from a behavioral perspective. Thus, the customer feeling belong and dedicated to the company. For instance, the customer recommends the company to others and willing to repurchase services or products from the organization (Soliman & Kamel, 2021) [27]. According to Musa (2021) [17], customer retention is defined as customers' stated continuation of a business relationship with the firm. For insurance firms, it is continuing to maintain an account relationship with the client. For the purpose of this study, customer retention will be defined as the company's ability to maintain their obtainable customer base.

Empirical Review of CRM and Customer Satisfaction

From literature, customer relationship management practice can impact on customer satisfaction in three main means. Firstly, CRM permits organizations to modify their services to suit every customer. Customer satisfaction is achieved when product or services are customized to the taste of the customer. Hence, CRM influence customers' satisfaction as a result of perceived service or product quality. Secondly, CRM practices allow organizations enhance the consistency of meeting customers' request on time as well as managing customers' information. Thirdly, CRM practices also enable organizations to control the three main stages (starting, continuing and exiting) of customer relations successfully (Suharto & Yuliansyah, 2023) [24]. According to Hassan *et al.* (2020) [11], product manufacturing industries are able to achieve higher customer satisfaction as compared to the service companies. As a result, effectively managing client relations is paramount to customer satisfaction. The research findings show that, the application of CRM in any business firm will produce success, increase income and ultimately meet the desires of customers. CRM offers customer satisfaction to the fullest. Effectively managing CRM results in achieving customer satisfaction will compel customers to witness positively about the company. Information technology and information systems help in combining CRM process to satisfy the needs of the customer (Nur, 2021; Sulaiman, 2020) [19, 26]. However, changes in the course of time in the relationship established through CRM may affect customer satisfaction. Hence, the study's hypothesis as follows:

H1: A significant positive relationship exists between CRM and customer satisfaction.

Empirical Review of CRM and Customer Retention

The establishment of profitable and long lasting relationship with customers is very essential in service industry (Demirbaş, 2023) [4]. Service providers who practice CRM efficiently gain competitive advantage over their competitors and are able to retain their customers (Senu, 2023) [22]. Further studies discovered that, retained customers are very crucial business property for companies and this asset cannot be duplicated by competitors (Ofosu-Boateng & Agyei, 2020) [21]. Therefore, there must be strong integration among customer related strategies (acquisition, retention and add-ons) through CRM strategies (Ibrahim &

Rasheed, 2024) [12]. Bankole *et al.* (2020) [2] Tifliyah *et al.* (2021) [28] findings show that CRM provides a comprehensive set of strategies for managing those relationships with customers that relate to the overall process of marketing, sales, service, and support within the organization. Similarly, the study of Sugiato *et al.* (2023) [25] found a significant relationship between CRM and customer retention. In a quantitative study carried out by Mabzor *et al.* (2023) [16] entitled: customer relationship management and customer retention in the Nigeria broadcast industry, questionnaire was used to collect data from 117 respondents. The data analysis was carried out using multiple linear regression with the aid of Microsoft excel add-on 2019. Findings showed a significant CRM and customer relation relationship. Inferring from the literature, the study hypothesis as follows:

H2: A significant positive relationship exists between CRM and customer retention.

Methodology

The study is quantitative in nature. Experimental, non-experimental, quasi-experimental research, correlation research and cross-sectional survey designs as some of the forms under quantitative approach. This study adopted a cross-sectional survey since data were sent and retrieved from respondents within a particular period of time.

The population for this study comprises of all customers of insurance firms in Lagos, Nigeria. Also, the convenience sampling technique was employed to solicit data from a sample of 200 customers of insurance firms in Lagos, Nigeria.

The main source of data for the study was the field survey. Structured questionnaire as instrument was used in carrying out the survey. The researcher explained the purpose of the study to participants and participants participated in their own volition without being coerced. Secondary data from journals and text books was assessed to augment the primary data.

In ascertaining the validity of the instrument, pre-tested was ensured using 20 customers from the financial sector for the simple reason that the characteristics of the respondents were similar to those in the study. The final questionnaire was slightly modified whilst the Cronbach’s alpha was used to ensure the study’s reliability.

All information received from the respondents via the data collection instrument was entered, coded and analyzed with the Statistical Package for the Social Sciences (SPSS) version 20. Data were presented by tables of frequencies and percentages which were computed for each item. Karl Pearson Product Moment Correlation Coefficient analysis was used to ascertain the relationship between the dependable and independent variables and Cronbach’s alpha coefficient analyzes was done on the responses that were received from the respondents.

Results

Respondents’ Demographic Characteristics

Gender of respondents was ascertained. Findings obtained from the dataset showed that 55.0% of respondents were females whereas 45.0% of the respondents were males. It can be concluded that there were more female respondents than males counterparts in the Nigerian insurance industry although this was predetermined at the beginning of the questionnaire distribution.

Regarding the age of respondents, the percentage of respondents who are between the ages of 20-29 years was 5.0% whilst those between the age of 30-39 years was found out to be 17.5%. It was revealed also that 35.0% of the respondents are between the ages of 40-49 years whilst the age 50-59 years was 42.5%.

The study showed that the majority of customers of insurance firms in Lagos are in the age bracket of 50-59 years. This probably might be due to the urge to ward off any unforeseen circumstance in old age.

The findings showed that customers with master’s degree accounted for the least group of respondents with only 9.0% of the total respondents. WASSCE holders followed with 20.0%. This was followed by HND holders who accounted for 26.0% of the population. Bachelor’s degree holders accounted for the most with 45.0%. From the statistics it is obvious that most customers of insurance firms in Lagos are undergraduates.

On years as a customer to insurance firm, the results showed that 7.5% of the respondents have being with insurance firms in Lagos for 21 years and above whereas 10.0% of the respondents have being with insurance firms in Lagos for 16-20 years. The findings also showed that 17.5% of the respondents have being with insurance firms in Lagos, for 11-15 years, 42.5% have being with insurance firms in Lagos for 6-10 years and 22.5% have being with insurance firms in Lagos for 1-5 years. It can be observed that most of the customers have being customers of insurance firms in Lagos for 6-10 years. Table 1 presents the results.

Table1: Demographic Characteristics of Respondents

Characteristics	Frequency	Percent (%)	N
Gender			
Male	90	45	200
Female	110	55	
Age (years)			
20-29	10	5.0	200
30-39	35	17.5	
40-49	70	35.0	
50 & above	85	42.5	
Education			
WASSCE	40	20.0	200
HND	52	26.0	
Bachelor	90	45.0	
Masters	18	9.0	
Years as a Customers			
1-5	45	22.5	200
6-10	85	42.5	
11-15	35	17.5	
16-20	20	10.0	
21 & above	15	7.5	

Source: Fieldwork, 2024

Testing of Hypothesis

The following hypothesis were tested

H1: A significant positive relationship exists between CRM and customer satisfaction.

H2: A significant positive relationship exists between CRM and customer retention.

H1: A significant positive relationship exists between CRM and customer satisfaction

The statistics of the study indicated a direct effect of customer relationship management and customers’ satisfaction. The study revealed a significant positive

relationship between customer relationship management and customer satisfaction ($\beta = .646, t=12.246, p =0.00$). This means that increases in customer satisfaction was attributed to effective customer relationship management strategies initiated by management of insurance firms in Lagos. The relationship can be said to be significant and positive. Thus, the predicted hypothesis H1: A significant positive relationship exists between CRM and customer satisfaction was supported. Table 2 presents the results.

Table 2: Summary of Regression Analysis between CRM and Customer Satisfaction

Variables	B	R ²	T	F	P-value
CRM-> Satisfaction	.646	.422	12.264	45.624	.000*

Source: Fieldwork, 2024

H2: A significant positive relationship exists between CRM and customer retention

Results of the study revealed a significant positive relationship between customer relationship management and customer retention in the insurance industry in Accra, Lagos ($\beta= .706, t=14.088, p=0.000$). This means that customer retention is dependent on customer relationship management initiatives implemented by the insurance industry in Accra, Ghana. Hence, the predicted hypothesis, “there will be a significant positive relationship between customer relationship management and customer retention” was accepted. Table 3 presents the results.

Table 3: Summary of Regression Analysis between CRM and Customer Retention

Variables	B	R ²	T	F	P-value
CRM-> Satisfaction	.706	.514	14.088	25.840	.000*

Source: Fieldwork, 2024

Discussions

CRM and customer satisfaction

Regarding the first hypothesis, a significant positive relationship exists between CRM and customer satisfaction ($\beta = .646, t=12.246, p =0.00$) was supported by the statistical results. Findings support the hypothesis laid down by the study. The implication is that, an increase of 64.6% in customer satisfaction is as a result of CRM whilst about 35.4% is attributed to other variables not delineated in the study. This finding is a confirmation of the study conducted by Suharto & Yuliansyah (2023) [24] in Lampung Province where the authors found a direct positive effect of CRM on customer satisfaction. The finding of the study is also in tandem with the work of Hassan *et al.* (2020) [11]. In their study, it was revealed that CRM has a significant effect on customer satisfaction. However, in the study of Nur *et al.* (2023) [20], the authors found a partial effect of CRM on customer satisfaction among bank customers in Makassar City. Effectively managing client relations is paramount to customer satisfaction. Research asserts that the application of CRM in any business firm will produce success, increase income and ultimately meet the desires of customers leading to customer satisfaction. Effectively managing CRM results in achieving customer satisfaction will compel customers to witness positively about the company. Hence, a well develop customer relationship management (CRM)

mechanism is key to good customer service which leads to customer satisfaction

Results of the second hypothesis of the study: a significant positive relationship exists between CRM and customer retention ($\beta= .706, t=14.088, p=0.000$) was also supported by the results of the statistics. The result implies that an increase of 70.6% increase in customer retention is as result of CRM practices whilst about 29.4% is as a result of other variables not delineated in the study. Hence, we can conclude that the study’s results support the hypothesis laid down by the study. Findings of the study corroborate with prior studies (Bankole *et al.*, 2020; Tifliyah *et al.*, 2021) [2, 28]. This is also shared by Sugiato *et al.* (2023) [25] who found a significant relationship between CRM and customer retention. Establishing value-laden relationship with customers is very essential to gaining competitive advantage as the service industry continues to experience heightened competition. CRM practices. Although finding a new customer is very imperative, losing a customer means losing not just a single sale but also a life time’s worth of purchase and referrals. Literature (Ferrer-Estevez & Chalmeta, 2023) [7] shows that the cost of acquiring new customers can be up to 10 times the cost of retaining existing ones, and even a small increase in retention rates can add thousands of dollars to premium revenue. More so, studies have shown that retained customers are very crucial business property for companies and this asset cannot be duplicated by competitors (Ofosu-Boateng & Agyei, 2020) [21]. This is also in support of the work of (Mabzor *et al.*, 2023) [16].

Conclusion and Managerial Implications

The study investigates the impact of customer relationship management on customers’ retention in the Nigerian insurance industry. The study further sought to ascertain the relation between CRM and customer satisfaction as well as the relation between CRM and customer retention. From the study’s findings, a significant positive relationship exists between CRM, customer satisfaction and customer retention in the Nigerian insurance industry. These findings have some implications for insurance managers in Nigeria. Managers in the Nigeria insurance industry should understand thoroughly the practices of CRM in order deliver quality service to meet the needs of the clients to enhance satisfaction. The focus of management should not always be on finding new clients since the cost of acquiring new client can be up to 10 times the cost of retaining existing ones, and even a small increase in retention rates can add thousands of dollars to premium revenue. Therefore, it behoves insurance managers to establish value-laden relationship with clients for retention. Client retention should be seen indispensable since a retained client will not respond to competitors’ overtures and are likely to refer others to the firm.

Suggestions for Future Studies

Customer retention entails a lot of variables of which CRM is just one of them. Other variables which also lead to customer retention could be explored in future studies.

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