



The Influence of Customer Relationship Management Practices on Perceived Customer Retention in Small and Medium Enterprises: A Case Study of the Food and Beverage Sector in Damaturu, Nigeria

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Abstract

Small and Medium Enterprises (SMEs) are critical drivers of economic resilience, particularly in developing regions facing instability. This study examines the influence of specific Customer Relationship Management (CRM) practices—namely communication and feedback utilization—on perceived customer retention among SMEs in Damaturu Metropolis, Yobe State, Nigeria. Using a quantitative survey design, data were collected from 40 owners and managers in the bakery and pure water industries, sectors characterized by high customer interaction. While descriptive analysis revealed a strong belief among managers in the value of CRM, a multiple regression analysis was conducted to statistically test the influence of CRM practices. The regression model was statistically significant ($F(2, 37) = 15.12, p < .001$), accounting for 45% of the variance in perceived customer retention ($R^2 = .45$). The results indicate that both feedback utilization ($\beta = .42, p < .01$) and communication ($\beta = .35, p < .05$) are significant positive predictors of perceived customer retention. These findings suggest that in a challenging economic environment, tangible, responsive CRM actions are perceived as more potent drivers of loyalty than passive communication alone. The study concludes that investing in low-cost, high-impact relational strategies is essential for the sustainability and competitive advantage of SMEs in similar contexts.

Keywords: Customer Relationship Management (CRM), Customer Retention, SMEs, Business Resilience, Communication, Customer Feedback, Nigeria.

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Introduction

Small and Medium Enterprises (SMEs) form the backbone of the Nigerian economy, contributing significantly to GDP and employment (World Bank, 2020). In regions like Yobe State, which have faced considerable economic and social instability, the role of SMEs extends beyond economic contribution to fostering community resilience and stability (Adebayo & Oladeji, 2019). However, these enterprises operate in a hyper-competitive environment marked by limited resources, economic volatility, and high customer churn rates. In such a context, customer retention is not merely a growth strategy but a fundamental requirement for survival (Reichheld & Sasser, 1990).

Customer Relationship Management (CRM) has emerged as a pivotal strategic approach for building sustainable customer loyalty (Payne & Frow, 2013). While large corporations often deploy sophisticated technological CRM systems, SMEs typically rely on more personalized, informal, and low-cost practices (Buttle, 2019). These practices, centered on direct communication and responsiveness, are theorized to build trust and commitment, which are the cornerstones of long-term business relationships (Morgan & Hunt, 1994).

Despite the established link between CRM and retention in stable markets, there is limited empirical evidence on how specific CRM practices are perceived to function in economically fragile or post-conflict regions like Damaturu. Many SMEs in

this area struggle with inadequate customer service systems and a lack of structured feedback mechanisms, hindering their ability to build a loyal customer base. This study, therefore, seeks to bridge this gap by investigating the perceived influence of two core CRM practices—communication and feedback utilization—on customer retention among SMEs in Damaturu.

The primary objective of this study is to appraise the influence of CRM practices on customer retention as perceived by SME owners/managers in Damaturu. The specific objectives are:

- 1) To determine the extent to which communication practices predict perceived customer retention in SMEs.
- 2) To examine the extent to which the utilization of customer feedback predicts perceived customer retention in SMEs.
- 3) To identify which of these two practices has a stronger perceived influence on customer retention in the selected context.

Literature Review

Theoretical Framework

This study is grounded in the Commitment-Trust Theory of Relationship Marketing (Morgan & Hunt, 1994). The theory



posits that successful relational exchanges are mediated by trust and commitment. Trust—the confidence in an exchange partner’s reliability and integrity—and commitment—a lasting desire to maintain a valued relationship—are central to customer loyalty. In the context of SMEs, these are not abstract concepts but are built through tangible actions. Effective communication fosters commitment by keeping customers informed and feeling valued, while acting on customer feedback directly builds trust by demonstrating that the business is reliable and has the customer's interests at heart.

Customer Relationship Management (CRM) Practices

CRM is a strategic orientation that involves managing customer interactions and data to improve business relationships, with the ultimate goal of driving retention and sales growth (Buttle, 2019). For this study, we focus on two accessible and critical practices for SMEs:

- **Communication:** This involves the proactive dissemination of information, such as updates on products, and the prompt, personalized handling of customer inquiries and complaints. Effective communication reinforces the customer’s importance and enhances their connection to the business (Ndubisi, 2007).
- **Feedback Utilization:** This goes beyond merely collecting feedback; it involves actively listening to customer suggestions and complaints and, crucially, using that information to improve operations and resolve issues. This practice signals to customers that their opinions are valued, which is a powerful driver of loyalty (Osakwe et al., 2016).

Customer Retention in the SME Context

Customer retention is the ability of a company to keep its customers over a specified period. It is a more cost-effective strategy than customer acquisition, as loyal customers tend to purchase more frequently and act as brand advocates (Reichheld & Sasser, 1990). For SMEs in volatile markets, a stable base of repeat customers provides a predictable revenue stream, acting as a buffer against economic shocks.

Methodology

Research Design and Sample

This study employed a quantitative, cross-sectional survey design. The population was defined as SMEs operating in the bakery and pure water industries within Damaturu Metropolis. These sectors were chosen due to their high volume of daily customer transactions, making customer retention a salient and immediate business concern. Purposive sampling was used to select 40 respondents, comprised of 38 owners/managers and 2 employees, who were in a position to provide insights into the firms' customer strategies. This sample size is acknowledged as a limitation for broad generalizability but is appropriate for an exploratory study in a specific context.

Instrumentation and Variables

A structured questionnaire was used for data collection. It consisted of three sections:

1. **Demographics:** Age, gender, position, and years of business operation.
2. **CRM Practices (Independent Variables):** Measured using 5-item Likert scales (1=Strongly Disagree, 5=Strongly Agree) adapted from previous studies (e.g., Ndubisi, 2007). These measured perceptions of Communication (e.g., "Regular updates improve customer loyalty") and Feedback Utilization (e.g., "Acting on customer feedback retains more customers").

3. **Perceived Customer Retention (Dependent Variable):** Measured using a 5-item Likert scale assessing managers’ perceptions of their ability to retain customers (e.g., "We have a high rate of repeat customers," "Our customers rarely switch to competitors").

Data Analysis

Data were analyzed using IBM SPSS Statistics (Version 25). Descriptive statistics (frequencies, means, standard deviations) were used to summarize demographic data and variable scores. To test the study's hypotheses, a multiple linear regression was conducted to determine the predictive influence of Communication (X₁) and Feedback Utilization (X₂) on Perceived Customer Retention (Y).

Results

Demographic Profile of Respondents

The demographic data revealed that the sample was predominantly male (95%) and experienced, with 92.5% of the businesses operating for over 6 years and 60% for over 10 years. The vast majority of respondents (95%) were in leadership positions (Owner/Manager), indicating that the data reflects strategic perspectives on customer management.

Descriptive Statistics of Key Variables

As shown in Table 1, respondents reported high levels of agreement on the importance of all three constructs. The mean scores for Communication (M = 4.38), Feedback Utilization (M = 4.48), and Perceived Customer Retention (M = 4.35) were all high, indicating a strong belief in the value and practice of these strategies.

Table 1, Descriptive Statistics for Key Variables

Variable	n	Mean	SD
Communication	40	4.38	0.81
Feedback Utilization	40	4.48	0.75
Perceived Customer Retention	40	4.35	0.88

Discussion

This study investigated the perceived influence of communication and feedback utilisation on customer retention in SMEs operating in Damaturu. The findings reveal that both practices are regarded as essential relational strategies, each making a significant statistical contribution to retention outcomes. These results are congruent with the Commitment–Trust Theory (Morgan & Hunt, 1994), which posits that enduring relationships are sustained through mutual commitment and trust. Communication functions as a conduit for transparency, reassurance, and shared understanding, thereby strengthening commitment. Feedback utilisation, in turn, operates as a trust-building mechanism, providing customers with visible evidence that their input has tangible consequences for service delivery.

The slightly stronger predictive role of feedback utilisation warrants particular attention. In economically constrained and price-sensitive contexts, such as those faced by many Damaturu SMEs, customers may place higher value on demonstrable service improvements than on general communicative engagement. Addressing complaints, implementing customer suggestions, and visibly adapting services to meet expressed needs may be perceived as more concrete indicators of value than verbal assurances alone. This finding resonates with prior studies emphasising proactive complaint management and effective service recovery as critical levers for customer loyalty (Buttle, 2019; Osakwe et al., 2016). In effect, while



communication creates the conditions for relational closeness, it is the translation of customer voice into action that most persuasively reinforces the relational bond.

From a strategic perspective, the evidence suggests that SMEs seeking to strengthen customer retention should adopt a dual emphasis: maintaining regular, meaningful communication while institutionalising systematic processes for collecting, analysing, and acting upon customer feedback. Such processes not only enable targeted service enhancements but also signal a customer-centred orientation that can differentiate the firm in competitive and resource-constrained markets. Future research could usefully examine whether the relative advantage of feedback utilisation over communication is context-specific or holds across diverse industries and cultural settings, particularly under conditions of market turbulence or technological change.

Practical Implications

For SME owners in Damaturu and similar environments, the implications are clear:

1. **Prioritize Feedback Systems:** Implement simple, accessible channels for customers to provide feedback (e.g., a suggestion box, a dedicated WhatsApp number). The key is not just to collect it, but to train staff to act on it promptly.
2. **Focus on Action-Oriented CRM:** Invest limited resources in practices that demonstrate responsiveness. Solving a customer's problem effectively is a more powerful retention tool than sending a generic marketing message.
3. **Empower Employees:** Train employees to handle feedback constructively and empower them to resolve minor issues on the spot.

Limitations and Future Research

This study has several limitations. The small, purposive sample from only two industries limits the generalizability of the findings. The data is based on the perceptions of managers, which may not fully reflect the experiences of customers.

Future research should aim to:

- Employ a larger, randomized sample across a wider range of industries in Yobe State.
- Conduct a parallel study from the customer's perspective to validate the managers' perceptions.
- Utilize a qualitative approach (e.g., in-depth interviews) to explore the nuances of *how* SMEs build relationships and overcome challenges in this specific socio-economic context.

Conclusion

This study provides valuable empirical evidence on the perceived importance of CRM practices for SME survival and success in a challenging economic environment. It demonstrates that SME managers in Damaturu correctly identify communication and feedback utilization as key drivers of customer retention. The findings underscore that for businesses with limited resources, focusing on low-cost, high-impact strategies that build tangible trust is paramount. By prioritizing responsiveness and actively valuing customer input, SMEs can cultivate the loyalty needed to not only survive but thrive amidst instability.

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