

INFLUENCE OF CUSTOMER RELATIONSHIP MANAGEMENT ON THE BUSINESS PERFORMANCE OF SMEs: IN CASE OF MANUFACTURING INDUSTRY, SRIKAKULAM

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ABSTRACT

CSR as a focal point for the development of the business performance of small and medium scale manufacturing industries is found meager for the way firms treats its customers and other related communities have generated a gap by missing professional approach. The main objective of the study is to find the influence of customer relationship management on the business performance of SMEs. The descriptive cross-sectional design with a survey method was used to serve the purpose of this study. The research was carried out with a sample consisting of small and medium firms by drawing a sample of 131 respondents through purposive sampling. CSR influences on the performance of SMEs and presents the advantages to the industry with significant development and betterment in Growth of Sales, Growth in Return on investment and Profit margin in Sales has been found significant. Suggestions are made out of the maximum possible chances to be obtained by the firms taking their abilities into consideration.

KEYWORDS: CRM, SME, Growth of Sales, Growth in Return on Investment and Profit Margin in Sales

INTRODUCTION

Manufacturing sector plays a major role in economic growth in the developed as well as in developing countries. It is now well established in the growth and development literature that there is a strong causal relationship between the growth of manufacturing output and the growth of GDP (Pacheco-López and Thirlwall, 2013). After all, manufacturing has the highest multiplier effect of any other sector of our economy. The development of emerging country mainly depends on the performances and structure of the manufacturing sector in those countries.

The path to development for economies in the last 200 years that have made the transition to high incomes has often involved the development of significant manufacturing sectors (Gregory, 2006). The increase in the share of the manufacturing sector in the economy witnesses economic growth. It is a well documented empirical fact that economic growth is associated with significant shifts in the sectoral output, employment and consumption structure (Boppart, 2013).

According to Kaldor (1966), manufacturing has characteristics which make it the engine of growth for two main reasons. Firstly, manufacturing itself is subject to increasing returns, both static and dynamic, while land-based activities and petty services are subject to diminishing returns. Secondly, as the manufacturing sector expands, and draws labor from other sectors where there are diminishing returns, productivity in these activities rises automatically because the average product of labor is above the marginal product. Thus, the faster the manufacturing output grows, the faster the growth of

productivity in the economy as a whole, which is the major source of GDP growth and living standards. (Pacheco- López and Thirlwall, 2013).

Manufacturing industries' concept of following CRM practices have been found imperative for the business performance to be highly captivated through the growth of sales, growth in return on investment and profit margin in sales (Venugopal K et al. 2015).

Many businesses in the 21th century such as hotel, insurance companies, banks, and other service provider realize the importance of customer relationship management (CRM) and its potential to help them acquire a new customer and retain existing ones which maximize their lifetime value. A close relationship with customer would require strong coordination between IT and marketing department to provide long term retention of the selected customer (Koppala Venugopal et al. 2017)

Relationship marketing involves estimating customer lifetime value and engaging in a relationship based on the value of those relationships over the number of years. Gambeson (1999) highlights long term collaboration and win - win as key features of relationship marketing. This means viewing supplier, customer and other as partners rather than opposite parties which promote collaboration and creation of mutual value, and relationship marketing should bring about a win—win rather than a win–lose situation created by the adversarial nature of transactional marketing

Today, companies have realized that the cost of acquiring a new customer is far greater than the cost of retaining existed profitable customer. Therefore, by adopting the strategies of CRM they are trying to build a better and customized relationship with an existing customer in order to increase customer satisfaction and build customer loyalty (Ang & buttle, 2006).

Strategic CRM focuses on the development of customer-centric business culture. This culture is dedicated to win and keep customers by creating and delivering value better than competitors. Operational CRM automates and improves customer facing and customer supporting the business process. Analytical CRM is concerned with capturing, stating, extracting, integrating, processing, interpreting, distributing, using, and reporting customer-related data to enhance both customer and company value. Collaborating CRM is the term used to describe the strategic and tactical alignment of normally separate enterprises in the supply chain for the more profitable identification, attraction, retention, and development of customers. (Francis Buttle, 2009, P, 4 – 11 Ed 2nd).

Though there have been many researches made on CRM practices as stated above, the researchers have found that there is still the meager development of CRM in the small and medium scale industry especially in the manufacturing industry which is well established in the district of Srikakulam have to be studied and be acquainted with its influences on the business development. An interesting gap is found in line with different categories of manufacturing is made common to know the influence of CRM on the manufacturing industry.

OBJECTIVES

- To discuss the factors of Customer Relationship Management that influences the business performance of Small and Medium manufacturing industries in Srikakulam district.
- To evaluate the influence of Sharing a sense of fair play with customers, Measurement and evaluation of customer

satisfaction, Facilitating customers’ ability to seek assistance, and Interaction with customers to set responsiveness on Sales growth, ROI, and Profit margin.

RESEARCH METHODOLOGY

The research design was mixed research that combines the quantitative and qualitative data to address the research objectives. The data both from primary and secondary was collected from firms, government officials and the community. The design of this study was cross-sectional in which data was shot at a single moment and analyzed to get findings. A questionnaire, interview and observation, and focus group discussion were used as data gathering methods on small and medium enterprises found in Srikakulam district.

Amongst the five industrial areas of Srikakulam district, the registered units are 5576 but total industrial units are 7230 where the Medium and large units are only 35 and micro & small enterprises are 5562. As the researchers focus along with the purpose of research aims on small and medium and manufacturing units as well, the segregation and existing operating units being played vital role in selecting the precise sampling technique the purposive sampling so that the available, interested, aimed and experienced respondents have been contacted and interacted for the collection of required data.

Based on the Confidence level of 95%, Degree of variability (sample proportion) 75 % (p) and Maximum tolerable error (sampling error) was 5% (w), the sample size (SS) for very large population and landed at 131 where the sampling technique used was the non-probability and purposive in specific. The methods of data collection used in this study are questionnaire (open-ended and close ended), observation and focus group discussion. Descriptive statistics were used for the analysis of data to provide detail information about each independent variable’s impact on the three dependant variables used.

ANALYSIS AND INTERPRETATION

CRM: The influence of the Customer Relationship Management with respect to the elements of sharing a sense of fair play with customers, measurement and evaluation of customer satisfaction, facilitating customers’ ability to seek assistance from you, and interaction with customers to set responsiveness on the business performance elements i.e. Sales growth, ROI, and Profit margin is analyzed with Model Summary, ANOVA and Coefficients as follows.

The Growth of Sales

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.225 ^a	.051	.017	1.172
a. Predictors: (Constant), C1, C2, C3, C4.				

R Square value is 0.051 as shown in Table 1 which means that all the levels of items in the variable Customer Relationship Management (CRM) contributing 5.1 per cent in Growth of sales. The remaining 94.9 is being contributed by other unknown variables.

Table 2: ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1. Regression	8.168	4	2.042	1.485	.211 ^b
Residual	152.591	111	1.375		
Total	160.759	115			
a. Dependent Variable: The growth of sales.					
b. Predictors: (Constant),					

In Table 2, the significant value between the growth of sales and the predictors is 0.211 which is more than the tested alpha value which shows that there is no significance between the dependant variable and its predictors. By this, we can conclude if there is one level in items' increase, there will be 152.591 increase in Customer Relationship Management.

Table 3: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.774	.853		3.253	.002
1. You frequently interact with customers to set responsiveness.	.341	.151	.284	2.260	.026
2. You frequently measure and evaluate customer satisfaction.	-.090	.111	-.088	-.811	.419
3. You facilitate customers' ability to seek assistance from you.	-.048	.109	-.050	-.443	.658
4. The organization shares a sense of fair play with customers	-.160	.187	-.083	-.853	.396
a. Dependent Variable: The growth of sales.					

According to Table 3, the first item in Customer Relationship Management: frequent interaction with customers to set responsiveness is significant relating with the Growth of sales as the p-value (0.026) is less than the significant value. The second item: frequent measures and evaluations of customer satisfaction are not showing the significant result to the Growth of sales where the p (0.419) > significant value. The Third item: facilitation of customers' ability to seek assistance from you is not showing the significant result to the Growth of sales where the p (0.658) > significant value. The fourth item: sharing a sense of fair play with customers is found insignificant relating to Growth of sales where the p (0.396) is more than significant value.

Hence it can be interpreted that all the other three items pertaining to the Customer Relationship Management variables except "frequent interaction with customers to set responsiveness" do not have a significant influence on the Growth of sales

Growth on the Return on Investment

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.398 ^a	.158	.128	1.033
a. Predictors: (Constant), C1, C2, C3, C4.				

R Square value is 0.158 as shown in Table 4 which means that all the levels of items in the variable Customer Relationship Management (CRM) contributing 15.8 per cent in Growth in return on investment. The remaining 84.2 is

being contributed by other unknown variables.

Table 5: ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	22.312	4	5.578	5.223	.001 ^b
Residual	118.550	111	1.068		
Total	140.862	115			

a. Dependent Variable: Growth in Return on Investment.
a. Predictors: (Constant),

In Table 5 the significant value between the Growth in return on investment and the predictors is 0.211 which is more than the tested alpha value which shows that there is no significance between the dependant variable and its predictors. By this, we can conclude if there is one level in items' increase, there will be 118.550 increase in the Customer Relationship Management.

Table 6: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.813	.751		2.413	.017
1. You frequently interact with customers to set responsiveness.	.086	.133	.077	.645	.520
2. You frequently measure and evaluate customer satisfaction.	-.101	.098	-.105	-1.028	.306
3. You facilitate customers' ability to seek assistance from you.	.347	.097	.385	3.593	.000
4. The organization shares a sense of fair play with customers	-.123	.165	-.068	-.744	.459

a. Dependent Variable: Growth in Return on Investment.

According to Table 6, the first item in Customer Relationship Management: frequent interaction with customers to set responsiveness is not significant relating with the Growth in return on investment as the p-value (0.520) is more than the significant value. The second item: frequent measures and evaluations of customer satisfaction are not showing the significant result to the Growth in return on investment where the p (0.306) > significant value. The Third item: facilitation of customers' ability to seek assistance is showing the significant result to the Growth in return on investment where the p (0.000) is less than significant value. The fourth item: sharing a sense of fair play with customers is found insignificant relating to Growth in return on investment where the p (0.459) is more than significant value.

Hence it can be interpreted that all the other three items pertaining to the Customer Relationship Management variables except "facilitation of customers' ability to seek assistance" do not have a significant influence on the Growth in return on investment.

Profit Margin on Sales

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.180 ^a	.033	-.002	1.156
a. Predictors: (Constant), C1, C2, C3, C4.				

R Square value is 0.033 as shown in Table 7 which means that all the levels of items in the variable Customer Relationship Management (CRM) contributing 3.3 per cent in Profit margin on sales. The remaining 96.7 is being contributed by other unknown variables.

Table 8: ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	4.981	4	1.245	.933	.448 ^b
	Residual	148.217	111	1.335		
	Total	153.198	115			
a. Dependent Variable: Profit Margin on Sales.						
b. Predictors: (Constant),						

In Table 8, the significant value between the Profit margin on sales and the predictors is 0.448 which is more than the tested alpha value which shows that there is no significance between dependant variable and its predictors. By this, we can conclude if there is one level in items' increase, there will be a 148.217 increase in the Customer Relationship Management.

Table 9: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.653	.841		3.154	.002
You frequently interact with customers to set responsiveness.	.127	.150	.108	.848	.398
You frequently measure and evaluate customer satisfaction.	-.022	.110	-.022	-.201	.841
You facilitate customers' ability to seek assistance from you.	.103	.107	.110	.962	.338
The organization shares a sense of fair play with customers	-.139	.184	-.074	-.753	.453
a. Dependent Variable: Profit Margin on Sales.					

According to Table 5.9, the first item in Customer Relationship Management: frequent interaction with customers to set responsiveness is not significant relating with the Profit margin on sales as the p-value (0.398) is more than the significant value. The second item: frequent measures and evaluations of customer satisfaction are not showing the significant result to the Profit margin on sales where the p (0.841) > significant value. The Third item: facilitation of customers' ability to seek assistance is not showing the significant result to the Profit margin on sales where the p (0.338) is more than significant value. The fourth item: sharing a sense of fair play with customers is found insignificant relating to Profit margin on sales where the p (0.453) is more than significant value.

Hence it can be interpreted that all the items pertaining to the Customer Relationship Management variables do not have a significant influence on the Profit margin on sales.

FINDINGS AND CONCLUSIONS

- Frequent interaction with customers to set responsiveness has been found imperative since it has a significant influence on the Growth of sales.
- Facilitation of customers' ability to seek assistance to be arranged by the manufacturing units is proven to be an important element and shows significant influence on the Growth in return on investment.
- Importance of CRM is increasing day by day even in the manufacturing sector. As an indication of the same, the study portrays that Sales increase by the continuous and contagious interaction with customers to set responsiveness and facilitation of customers' ability to seek assistance by the arrangement of certain resources and comforts will pave a way to increase returns on investment.
- CRM applications are found to be not so important by most of the manufacturing industries especially small and medium enterprises because if the products produced by them are of industrial goods and the customers are limited. Personal communications and exclusive promotions dominate the other activities to serve the consumer

RECOMMENDATIONS

- From the overall results drawn from Customer Relationship Management items with its significance levels on the Business performance variables, it can be concluded that among the three dependable variables of business performance i.e. Growth of Sales, Growth in Return on investment and Profit margin in Sales; Growth on Sales influenced by the independent item "frequent interaction with customers to set responsiveness" and Growth in Return on investment is influenced by the item "facilitation of customers' ability to seek assistance" which are found significant.
- Establishment of customer care centers is not possible for all forms of firms but capturing the customer of relevant and concerned should be adopted by all manufacturers for the customer service is expected by almost all consumers as the competitive atmosphere of market recommends the same. Awareness of the product, interaction with a customer, predetermined responsiveness, attending grievances and retention is quite possible to be connected to the returns but at the same time additional budget, resources and time are to be invested for the ROI is expected to be fruitful.
- Manual operations of CRM practices without technology which have been obtained by small and medium scale may have all the chances of adopting the e-marketing strategies to develop personalized communication with the customer which is feasible and economical enough to maintain relationships with the customers.
- The view of small and medium may not be felt essential to be furnished with the application of CRM, but the changing scenario and the updated strategies of large scale industries to serve the customers better are to be considered as a competing occurrence either for the future course of action or for the expansion strategy.

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