



**INFLUENCE OF CUSTOMER RELATIONSHIP ON PERFORMANCE OF GRAINS PROCESSING INDUSTRIES IN
ELDORET TOWN**

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ELDORET TOWN**

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ABSTRACT

The main aim of the current study was to establish the influence of customer relationship management on the performance of Grains processing industries in Eldoret Town Kenya. Consumer behavior theory was used in the study. The study adopted descriptive research design. Target population of the study was 105 employees from the grains industries within the Eldoret town. Stratified random sampling technique was used to select 83 respondents to participate in the study. The main data collection instrument used in the study was structured questionnaires. Statistical package for social sciences (SPSS) was used to analyze data collected. The researcher found out that Customer relationship management had a positive and statistically significant influence on performance of grain processing industries. The study concluded that proper customer relationship management enhances performances of grains processing industries. The study recommended implementation of customer relationship management by grains industries in order to improve their performances. The study also provided room for future studies to be undertaken in other sectors.

Key Words: *performance, customer relationship management, grains processing industries*

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INTRODUCTION

Customer relationship management plays a pivotal role in many processing firms. Due to continuous complex and dynamic supply chains, the managers heading the supply chains faces problems due to trends and developments are unpredictable. The supply chain trends include; globalizations of operations, security issues, environmental protection, scarcity of resources, and the growing need for customer differentiated products. There is need for various managers in the supply chain network to critically understand manage various operations very well to create strategic and very sustainable supply chain networks which continuously focus on the needs of the customers.

It comprises of approaches and mechanisms that strategically integrate manufacturers, the suppliers of the organization, potential distributors, and the consumers of organizational products for influence positively and continuously improving the firms, and the entire supply chains (Chopra & Meindl, 2011). Furthermore, the SCM, entails prudent planning, controlling and influence positively managing various activities that are involved in procurement, sourcing, and all the logistical activities through proper coordination and collaboration with the suppliers. The supply chain encompasses activities that aided in the flow of goods and services from the raw materials to the end product through establishment of proper relationships with the suppliers within the supply chain network (Zuckerman, 2014).

There are many problems in which the grains a processing industry are facing stiff competition from well established firms who affects the entire supply chain performances of the industries. In modern society, sourcing the goods from the third parties is becoming a strategic advantage to the grains industries who aims at meeting the customer needs. There should be direct information sharing between all the parties within the entire supply network of the grains industries. The public sector organizations are

now directing their focus on the main aspect of strategizing and bringing on board the suppliers. The supply chain management information systems play a critical role in ensuring real time relay of information between the procuring entity and the suppliers. To achieve competitiveness, firms need to manage their supply chain in order to increase its productivity and efficiency of the operations (Tsironis & Matthopoulos, 2015).

Customer relationship management through suppliers and customer engagements are practices adopted by processing firms in USA to improve their performances (Arawati, 2011). This is due to increase in competition which forces firms globally to act and think strategically with the aim of retaining their customers. There is need for processing companies to integrate internal operations with the external suppliers and the supply chain network of the company due to dynamic challenging business environment. They should incorporate the supply chain network into their business operations that could effectively enhance the SCM practices and majorly its performances. The conception is that during the said period, sub-Saharan African has forged new trade partnerships with the likes of Brazil, China and India. China is noted to have emerged as the most important single trade partner of Sub Saharan Africa (REO, 2015). In Ghana, supply chain management practices influences strategic performance of the organization (Mensah *et al.*, 2014). Therefore, organizations should embrace the strategic relationships with aim of building each other's business capabilities. Buying firms had properly developed the approaches on areas of improvement in products, ways of cutting the cost, and possible means of increasing the competitive advantage of the products suppliers are offering. The organizations are driving towards collaboration in order to enhance the efficiency of the activities within the entire supply chain.

The industries that deal with production of food products in Kenya contributes to approximately 10% of the Gross Domestic Product (GDP), the 13% of formal employment and 12.5% of exports. As of 2015, registered firms that deal with the production of goods were about 2300. The processing sector has continued to incorporate supply chain elements through their operations. It aims at improving the performance of the suppliers and their customers. The industrial firms in Kenya are majorly family owned. The Kenya's basic products are majorly on the food stuffs which include the beverages, buildings and production of chemicals. The industrial firms in Kenya are majorly owned by wealthy families. The industries involve themselves in the production of food stuffs, chemicals and other products. The basic end products from the industries include food stuffs, beverages products, building and construction products materials, plastic house ware and basic chemicals. The production of such products needs inclusion of suppliers to help in designing of the products. The managers of the processing firms need to conduct supplier development appraisals (KAM, 2013).

Growth in the Kenyan processing industries is driven by major infrastructure projects. Grains consumption in particular is highly correlated to a country's construction sector (Dyer & Blair Report, 2012). Rising activity has led to demand for grains products in Kenya increasing at a rate of 21.8% in 2014 to a total 5.2m tonnes, according to government figures, just under half the total volume for East Africa as a whole. The key drivers of this growth in consumption included rising demand for housing (which triggered an upsurge in private sector funded housing developments), the commercial construction boom fuelled by increased foreign investment, and extensive government and donor-funded spending on the country's mega infrastructure projects such as Standard Gauge Railway which reached 13.1% year-

on-year in 2014, more than double the 2013 figures (KNBS Economic Survey, 2015).

Statement of the Problem

The grains processing industries in Kenya were performing poorly due to challenges they were facing during their operations. They are being faced by problems of cutting cost of production, working towards enhancing customer satisfaction. Due to these challenges Kenya's grain processing firms are currently not able to meet the current demand which has increased at a rate of 21.8% in 2014 to a total 52% in 2018 (KNBS Economic Survey, 2018). The increased demands of the grain products due to challenges faced by grain processing firms has also led to increased imports of the products. For example in 2015 the total imports volumes of grains from all foreign countries to Kenya increased by 51% in 2015. Studies have focused on influence of supply chain management practices and performance of industries. Ideal and Wanyoike (2012) focused on examining the contribution of buyer-supplier relationship on supply chain performance at Kenya Power and geothermal development companies. Soosay and Hyland (2015) examined the relation among five SCM practices (strategic partnership with suppliers, customer relationship, level of information sharing, information quality and outsourcing), competitive advantage and organizational performance. Ageron, Gunasekaran and Spalanzani (2013) focused on competitive advantage of a firm through supply chain responsiveness and SCM Practices. According to Makena and Iravo (2014) there is link between the performance of the supply chain in the organization and the performance of industries. However, none of the above studies focused on the influence of supply chain management practices on performance of grains processing industries specifically in Eldoret town. Therefore, this study sought to determine the influence of supply chain management practices on

competitive advantage of grain processing industry in Eldoret town, Kenya.

Objective of the Study

To determine the influence of customer relationship management on performance of grains processing industries in Eldoret town.

LITERATURE REVIEW

Theoretical Review

Consumer Behavior Theory

Consumer behavior theory was developed by Mishan in 1961. Consumer behavior theory is the study of individuals, groups, or organizations and all the activities associated with the purchase, use and disposal of goods and services, including the consumer's emotional, mental and behavioral responses that precede or follow these activities. The theory of consumer behavior is applied in various tenets such as economics, marketing, psychology etc. Its descriptive principle assumption is that a customer attempts to allocate his or her money towards available goods and services in order to maximize utility thereby leading to satisfaction. Customer satisfaction ultimately can lead to customer loyalty towards a certain product or service or even an organization.

The buying decision can be affected by influence such as from family and friends, the financial capability of the consumer, the attitude and perception of the buyer towards the product, external influence such as advertising or market perception etc. Consumer behavior is an important guiding principle in understanding how customer loyalty is linked to CSR. The most prevalent model of this theory is the utility theory. This theory assumes that a consumer is a rational economic being, who makes purchases based on the outcomes of the purchases therefore acting in self-interest (Schiffman & Kanuk, 2007).

Consumer behavior can be defined “the study of the process involved when individuals or groups select,

purchase use or dispose of products, services, ideas or experiences to satisfy needs and desires.” Solomon, Bamossy et.al (2006) organizations can use CSR to appeal to customer behavior. The CSR activities can be used as platforms for creating awareness of products or services through advertising and brand promotion. Despite CSR being carried out for societal good, organizations are using them to attract and retain customers, who like or want to be identified with a company that carries out CSR activities. The criticism of Consumer behavior theory is that since mainstream consumer behavior theory is based on a rational maximizing model how consumers should choose given the model and its assumptions; however, not necessarily describing how they do choose. Mainstream consumer behavior theory is normatively based and it only claims that it is also a descriptive theory (Thaler, 2015).

Empirical Review

Customer Relationship Management and Performance of Grains Industries

Wisner, Leong and Tan (2010) conducted a study to establish the role of customers in improving firm performance in USA. The main objectives of the study were to identify the practices that are employed for the purpose of managing customer complaints, building long-term relationships with customers, and improving customer satisfaction. Findings of the study identified Customer relationship as a component of ways used in controlling and managing customer complaints, creating long-term partnership with consumers and improving consumer satisfaction. Customer relationship management plays a critical role in SCM procedure towards achievement of the desired goals. Recent customer development expectations have resulted in customer relationship management is vital to the survival of the company.

Good relationships with members of the supply chain, including customers are required to run successful

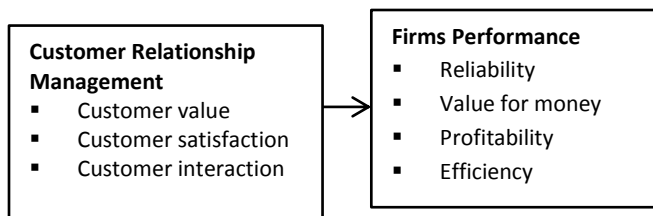
SCM applications. Baran, Galka and Strunk (2011) explained the role of CRM practices to organizational performance through a proposed conceptual model in Malaysian small and medium enterprises (SMEs) food processing industry. The study proposed a model for empirically testing survey data. The results indicated that CRM practices influences organizational performance. Additionally, the results revealed that enhanced key customer focus and relationship marketing leads to better organizational performance. Parvatiyar and Jagdish, (2011) conducted a study on the role of customer relationship management (CRM) of firms in Australia. The main objective was to determine the role of customer relationship management (CRM) performance using a hierarchical construct model. Hypotheses were tested on a cross-sectional sample of firms in Australia. Their results revealed that

effective CRM capability positively affects performance of firms. Information Technology also positively affects the adoption of CRM practices.

Initiatives towards CRM integration of customer needs and cost reduction is a better way of improving performance. The study recommended that whereas there is a temptation for managers to be normative about the pursuit of competitive advantage and direct attention and resources toward particular CRM capabilities, technical, human and business capabilities this approach would seem to be flawed, since in isolation these capabilities are insufficient to generate competitive superiority. Each capability is nested within an intricate organizational system of interrelated and interdependent resources. An over-emphasis on customer intimacy to the exclusion of operational efficiency and analytic orientations actually diminish performance.

design for the current study include, Unga firm Limited, Eldoret grains limited and the Elimu millers. The main research instrument that was used in this study was a questionnaire. Questionnaires were administered to the respondents. The sampling units for the study were Procurement department, Stores department, Productions department, Accounts department and ICT departments.

Conceptual Framework



Independent variables

Dependent variable

Figure 1: Conceptual Framework

Source: Author (2019)

METHODOLOGY

The current study adopted descriptive survey research design. The target population in this study was the grains industries within the Eldoret town Kenya. The major grains within Eldoret town Kenya

FINDINGS

Customer Relationship Management

The researcher sought the respondents' perception in regard to the customer relationship management. The means and standard deviations values were established. The finding from the analysis is as presented in Table 1.

Table 1: Customer Relationship Management

Statements		SA	A	U	D	SD	Total	Mean	SD
I) Regular evaluation to ensure customer value	F	26	45	1	1	2	75	4.22	.781
	%	34.7	60	1.3	1.3	2.6	100		
II) Regular measure and evaluation of customer	F	17	55	0	1	2	75	4.12	.715

satisfaction	%	22.7	73.3	0	1.3	2.6	100		
III) Customer interaction to enhance reliability and responsiveness	F	19	53	0	1	2	75	4.14	.729
	%	25.3	70.7	0	1.3	2.6	100		

The study results on customer relationship management showed that the respondents agreed with the statement that regular evaluation to ensure customer value (Mean=4.22, SD=.781). The respondents also agreed with the statement that regular measure and evaluation of customer (Mean=4.12, SD=.715). The respondents finally agree with the statement that customer interaction to enhance reliability and responsiveness (mean=4.14, SD=.729). The study findings showed that customer relationship management greatly influences the performance of grain processing industries in Eldoret town, Kenya. The study findings agreed with findings of Parvatiyar and Jagdish, (2011) who identified Customer relationship as a component of ways used

in controlling and managing customer complaints, creating long-term partnership with consumers and improving consumer satisfaction. This implied that for grain processing industries to perform well there should be regular evaluation to ensure customer value, regular measure and evaluation to ensure customer satisfaction and customer interaction to enhance reliability and responsiveness.

Grains industries Performances

The researcher further sought the respondents' perception in regard to the firm's performance. The means and standard deviations values were established to enable the researcher make inferences concerning the study variable. The finding from the analysis was as presented in Table 2.

Table 2: Grains industries Performances

Statements		SA	A	U	D	SD	Total	Mean	SD
I) The firm have reliable suppliers	F	23	41	5	5	1	75	4.06	.745
	%	30.7	54.7	6.7	6.7	1.3	100		
II) The organization realizes value for money in their supply chain	F	27	38	7	2	1	75	4.17	.812
	%	36	50.7	9.3	2.6	1.3	100		
III) There has been profitability in the organization	F	9	54	8	3	1	75	3.89	.708
	%	12	72	10.7	4	1.3	100		
IV) Offering dependable delivery and efficiency	F	14	52	7	1	1	75	4.02	.677
	%	18.7	69.3	9.3	1.3	1.3	100		

The study findings on performance of grain processing industries showed that the respondents agreed with the statements that; the firm had reliable suppliers (mean=4.06, SD=.745); the organization realized value for money (Mean=4.17, SD=.812); there had been profitability in the organization (Mean=3.89, SD=.708) and Offering dependable delivery and efficiency (Mean=4.02, SD=6.77). The study findings revealed that adoption of supply chain

management practices greatly influenced performance of grain processing industries in Eldoret, Kenya. These agreed with the findings of Wisner, Leong and Tan (2010) who observed that availability of reliable suppliers, realization of value for money in their supply chain. This implied that supply chain management practices improve the performances of grains processing industries.

Model Summary Results

The coefficient of determination (R^2) and correlation coefficient (R) shows the degree of association between customer relationship management and

performance of grains processing industries in Eldoret, Kenya. The results are presented in Table 3.

Table 3: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.759	.577	.553	.40098	1.734

From the findings in the Table 3, R was 0.759 meaning that there was a positive relationship between customer relationship management and performance of grains processing industries. R^2 was 0.577 implying that only 57.7% of the dependent variable variations could be explained by independent variable while only 42.3% of the variations were due to other factors. This implied that the regression model has very good explanatory and predictor. Adjusted R^2 is a modified version of R^2 that had been adjusted for the number of predictors in the model by less than chance. The adjusted R^2 of 0.553 which were slightly lower than the R^2 value was exact indicator of the relationship between the independent and the dependent variable because it is sensitive to the addition of irrelevant variables. The adjusted R^2 indicated that 55.3% of the changes in performance of grain processing industries are explained by the model while 44.7% is not explained by the model.

was that if the p –value was less than conventional 0.05 the null Hypothesis was rejected and when it was above 0.05 the study fails to reject the null Hypotheses. The Null Hypotheses H_{01} postulated that there is no statistically significant influence of Customer relationship management on performance of manufacturing industries in Eldoret, Kenya. However, the study finding indicated that there was statistical significant influence of Customer relationship management on performance of manufacturing industries in Eldoret, Kenya. ($p=0.048<0.05$). Therefore, the study findings rejected the null Hypotheses. This was in line with Wisner, Leong and Tan (2010) who conducted a study to establish the role of customers in improving firm performance. The main objective of the study was to identify the practices that were employed for the purpose of managing customer complaints, building long-term relationships with customers, and improving customer satisfaction.

Hypothesis Test Results

Null Hypothesis was tested at 5% alpha level of significance. The decision rule in hypothesis testing

Table 4: Hypothesis Test Results

Hypotheses	β and P values	Decision rule(accept/reject)
H_{01} : Customer relationship management has no statistically significant influence on performance of grain processing industries in Eldoret town, Kenya.	$\beta_1=0.172$, $p=0.048<0.05$	Rejected the null hypothesis

SUMMARY

The study sought to determine the influence of customer relationship management on performance in grain processing industries in Eldoret, Kenya.

The study found out that the respondents agreed on all of the three aspects of customer relationship. They agreed that regular evaluation ensures customer value, regular measure and evaluation of customer satisfaction and that customer interaction to enhance reliability and responsiveness. The study findings also showed that customer relationship was statistically significant have a positive influence on the performance of grain processing industries. The study rejected the null hypothesis that there is no statistically significant influence of customer relationship on performance of grain processing industries in Eldoret, Kenya. The study findings also revealed that that customer relationship greatly influences the performance of grain processing industries in Eldoret, Kenya. This implied that for grain processing industries to perform well there should be regular evaluation to ensure customer value, regular measure and evaluation to ensure customer satisfaction and customer interaction to enhance reliability and responsiveness.

CONCLUSIONS

The researcher concluded that customer relationship management influences the performance of grain processing industries in Eldoret. Grains processing industries should ensure customer satisfaction through continuous communication, customer value through proper product design and customer integration through continuous monitoring and evaluation of customers.

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RECOMMENDATIONS

Based on the findings and conclusions of the study, the study recommended the adoption of customer relationship management practices as a way of improving and sustaining performance of organizations. The study found a strong positive significant relationship between customer relationship management and performance. The study therefore recommended that there was need to invest in customer relationship management systems involving information technology as the study determined that information technology was a key complement of customer relationship management.

Suggestions for Further Research

The study was able to determine the relationship between customer relationship management and performance of grain processing industries in Eldoret, Kenya. However, there were areas that the study was limited to in terms of scope and methodology applied. The study only focused on four supply chain practices. It is therefore recommended that future research explore other supply chain practices such as quality management and risk management and determine their relationship with performance. In addition, the study only covered the grain processing industries in Eldoret, Kenya. It was therefore recommended that future research be carried out in other industries such as hospitality, banking, insurance, education, health and findings compared to the present study.

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