The impact of customer relationship management on consumer behavior: A case study of small businesses in Mogadishu, Somalia

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ABSTRACT

This study examines the impact of customer relationship management (CRM) on consumer behavior in small businesses in Mogadishu, focusing on the cosmetics and apparel sectors. Using a quantitative approach, data were collected through an online questionnaire from 90 participants and analyzed with SmartPLS 4 software. The findings reveal significant positive correlations between customer orientation (0.905) and technology-based CRM (0.937) with consumer behavior. These results highlight that CRM practices positively influence consumer behavior, marketing strategies, customer satisfaction, and firms' competitive capacity. The study suggests that small businesses can utilize CRM technologies to personalize customer interactions, enhance service quality, increase engagement, and integrate systems for continuous strategy improvement. Future research could explore a larger dataset and additional variables to expand these findings.

1. Introduction

In the mid-1990s, the phrase customer relationship management (CRM) initially appeared in the information technology industry. Consumer demand and information processing innovation are becoming more important, resulting in a more competitive environment that will support and encourage advancement (Al-Suraihi et al., 2020). However, as the twenty-first century matured, it has evolved into the management notion that firms and organizations focus their efforts on consumers and their satisfaction with their products or services (Al-Suraihi et al., 2020). According to previous research, firms tried a variety of techniques to reach their objectives, but none of them were very successful due to a lack of knowledge of how CRM influences consumer behavior in this industry (Louvieris et al., 2003). Managing client relationships is both a commercial activity and a chance for people to develop meaningful connections with one another. However, after a thorough study, experts determined that certain firms are unable to make appropriate use of CRM (Al-Suraihi et al., 2020). This article has two purposes: first, to offer readers a better

knowledge of CRM and consumer behavior, and second, to encourage and enable the implementation of these principles in commercial contexts.

Somalia recently saw a lot of investment and strengthened the economy; therefore, they established small enterprises and projects, notably hotels like Peach View Restaurant. They enhanced the amount of business completion as well as client churn while simultaneously raising customer acquisition expenses and generating consumer anticipation (Smuts et al., 2024). Most Somali businesses rely on the morale of their employees, and if they do not, productivity suffers. As a result, the corporation must create rules to boost employee morale and motivation, as well as training to enhance their ability and abilities, which benefits both the organization and the personnel (Smuts et al., 2024).

Small businesses are essential to Mogadishu's economic development, contributing to job creation, income distribution, and entrepreneurial growth. Their success relies on access to financing, improved infrastructure, and enhanced security, yet challenges such as rising competition and limited financial management skills have hindered their growth, affecting the city's economy. Implementing CRM systems is also problematic due to inadequate technology, poor internet access, and a lack of skilled professionals. Despite its importance in fostering strong customer relationships and business growth, many firms struggle to utilize CRM effectively (Al-Suraihi et al., 2020). As a result, the study focused on

small businesses, specifically in Mogadishu, because the examination was carried out there. They must also understand how critical it is to keep their consumers loyal and pleased to realize what they can achieve through proper execution. Furthermore, successful businesses seek to gain more clients, yet there are still many obstacles and difficulties (Smuts et al., 2024). Learning about CRM may help you better your scenario and try fresh advertising and marketing tactics. As a result, it is suggested in today's business climate that every small firm have a thorough understanding of CRM to meet all business objectives and impact customer behavior. This research is being carried out to assist small businesses in meeting their expectations (Guerola-Navarro et al., 2024).

The purpose of this research is to examine the impact of customer relationship management on consumer behavior in Mogadishu. The original purpose of the research was to explore the impact of customer orientation on consumer behavior in Mogadishu's small businesses. The second purpose is to examine the impact of technology-based CRM on consumer behavior in small businesses in Mogadishu. As a result, the goal of this study is to fill gaps by investigating the characteristics, customer orientation, technology-based CRM, and their impact on consumer behavior in Mogadishu's small-business sectors. Small businesses are essential to the local economy in Mogadishu.

2. Literature review

2.1. Theoretical foundation

There are several marketing option theories that may be used to aid in the study of choice research. There are five theories: online marketing, social networking, enrollment management/marketing, structured enrollment management/marketing, and CRM-supported online marketing. However, the study only covers one of them.

According to Martirano (2016), the concept of social networking emerged in a corporate environment and was strongly associated with internet marketing. This study looks at how consumer behavior is influenced by links to social networking sites like Facebook and Twitter. Like the word-of-mouth effect, simple access to information from sources via such networks has the potential to propagate positive or negative impressions of products and services on a global scale.

2.2. Customer relationship management

According to Usman et al. (2012), CRM is a basic business strategy that integrates internal procedures and activities with external networks to develop and monetize targeted consumers. As a result, the firm is better positioned to acquire and retain customers in highly competitive markets. CRM systems are classified into two types. One type of CRM, known as

analytical CRM, collects and evaluates customer data. Behavioral CRM, on the other hand, uses trials or surveys to design effective CRM systems by concentrating on the psychological basis of service engagement and administrative systems (Banda, 2017). Despite the importance of CRMs in emphasis on the outside world, it plays an essential role in business and interacts with both workers and consumers (Yang et al., 2011). CRM software facilitates the establishment of enduring bonds, which in turn guarantee the prosperity of the enterprise (Guerola-Navarro et al., 2024).

Shell's CRM services in Pakistan help businesses compare their CRM, retention, and cross-channel servicing initiatives against industry leaders, rivals, and other oil-producing companies. Shell's senior management recognizes the vital role that CRM plays in their sector to maximize earnings across all sales channels and increase the efficacy of marketing initiatives (Hassan et al., 2015). According to their findings, excellent customer relationship management has a considerable impact on customer satisfaction, retention, and organizational profit (Hassan et al., 2015).

Businesses in today's cutthroat business climate rely increasingly on customer interactions to generate revenue, and to stay ahead of the curve, they need to provide excellent service across all channels of contact while making their customers feel like they're working with a single entity (Butkouskaya et al., 2023). Also, with more and more people working remotely via digital means, CRM is becoming crucial to bridge the gap between in-person interactions and the complex social structure in which organizations operate (Emtiyaz and Keyvanpour, 2011).

2.2.1. Customer orientation

Research over the past 20 years has consistently demonstrated that businesses focused on customers achieve better outcomes than their competitors in areas such as customer quality, retention, and meeting organizational goals (Dost et al., 2017). This approach prioritizes customer satisfaction in decision-making, aiming to address customer needs and preferences over time. It involves understanding customer feedback and acting on their suggestions. However, there is limited research on practical methods for developing customer orientation, particularly in the contact center industry.

Consumer satisfaction and purchase behavior are positively impacted by CRM customer-oriented behavior (Dost et al., 2017). Building strong relationships with customers should be a top priority for organizations looking to boost performance and loyalty. Improving long-term connections and client pleasure is the main objective of customer-oriented behavior. Improved performance and public perception are two outcomes that may arise from establishing a customer relationship management system with an

emphasis on customers (Emtiyaz and Keyvanpour, 2011).

The importance of customer-oriented behavior in CRM implementation is shown by the fact that consumer-oriented CRM implementation may influence consumer behavior (Ferrer-Estévez and Chalmeta, 2023). According to Banda (2017), banks in Blantyre City have high client orientation and retention; thus, there is a considerable positive association between them.

H1: There is a relationship between customer orientation and consumer behavior in small businesses in Mogadishu.

2.2.2. Technology-based CRM

Small businesses can adopt technology-based CRM systems to enhance their efficiency, reduce internal costs, improve interactions with their environment, and increase long-term profitability, supported by advances in information and communication technology (ICT) (Usman et al., 2012). CRM involves collecting and utilizing extensive client data to provide information and customer support, meeting customer needs more effectively. These benefits result in increased profitability, satisfied customers, and better allocation of staff resources. CRM encompasses all computer-based technologies that businesses use to build lasting relationships with their customers (Al-Suraihi et al., 2020). Front-office CRM programs focus on sales, marketing, and customer support, while back-office systems integrate and analyze data, both of which are essential for effective CRM (Louvieris et al., 2003). For instance, front-desk CRM systems streamline data to relevant departments like sales, marketing, and services, enabling businesses to transfer knowledge effectively to meet customer needs. To implement successful CRM, organizations must leverage computer technology to create and sustain long-term customer relationships (Yang et al., 2011).

Businesses are integrating CRM across the whole customer experience chain, utilizing technology for real-time management, and changing their value proposition on a regular basis.

One of the most significant tactics in the industry is how to utilize technology in marketing because this helps businesses make the correct choice based on the appropriate information gathered from the right clients (Alem Mohammad et al., 2013). Alem Mohammad et al. (2013) discovered that technology-based CRM had no meaningful effect on the performance metrics of Hong Kong service organizations.

Small businesses may use offline CRM solutions to track customer preferences and purchase history, prioritizing customer care, staff training, and constant feedback collection through suggestion boxes or email surveys to satisfy consumer needs (Yang et al., 2011).

H2: There is a relationship between technology-based CRM and consumer behavior in small businesses in Mogadishu.

2.3. Consumer behavior

In human interactions, consumer behavior is the dynamic interplay of impact, cognition, and environment. It influences consumer behavior and intentions, which influence product acceptance or rejection.

Consumer behavior refers to the psychological processes that consumers use to assess their requirements (Di Crosta et al., 2021). To try to satisfy these needs, consumers must do things like compare a lot of things, make buying choices (such as whether to buy a product and which brand to buy), analyze information, make plans to buy, and then actually buy the goods (Wagdi et al., 2023). An important part of the acceptance or rejection of new product information by consumers is how those consumers act.

Research suggests that traditional entrepreneurs start businesses for reasons such as independence, financial benefits, or dissatisfaction with existing opportunities. While entrepreneurs often deliver superior products or services, they face challenges in coordination within a dynamic and innovative environment (Dost et al., 2017). Studies exploring consumer behavior after reading customer reviews indicate that social media significantly shapes customer expectations and influences their decisions (Voramontri and Klieb, 2019). Changes in lifestyle, economic factors, and the availability of substitute products have led to evolving customer decision-making processes over time. In the context of an interactive e-business environment, effectively managing customer behavior has become crucial (Di Crosta et al., 2021). Competitive market pressures have significantly altered customer interactions, making relationships more complex (Butkouskaya et al., 2023). Additionally, shorter transaction times, higher transaction costs, and increased printing, shipping, and service fees have created a more challenging operating environment for businesses (Hennart and Verbeke, 2022).

Fig. 1 is the conceptual framework that shows the link between customer relationship management and consumer behavior represented by the purpose model. Customer relationship management (customer orientation, CRM technology) is the independent variable, while consumer behavior is the dependent variable. The conceptual framework demonstrates how customer orientation and technology impact consumer behavior.
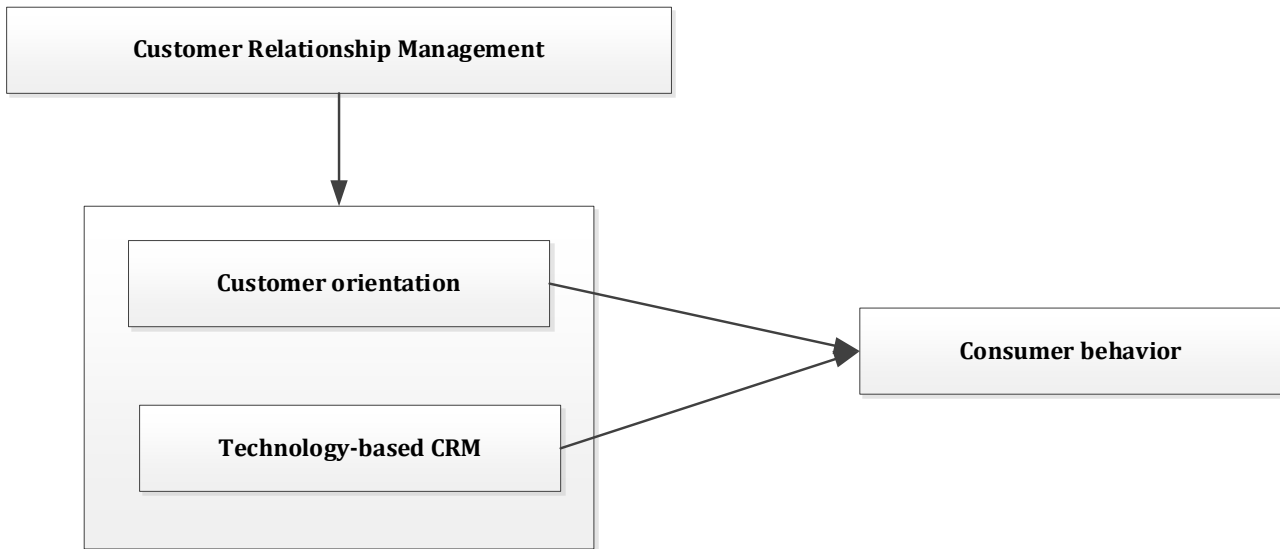
Fig. 1: Conceptual framework

3. Method

This study investigated the relationship between CRM and consumer behavior using a quantitative methodology, incorporating descriptive and correlational analyses. Descriptive research aimed to provide a detailed and accurate overview of the phenomenon or population, while correlation analysis measured the strength and direction of the relationship. Descriptive statistics, including mean, standard deviation, percentages, and tables, were used to summarize the data. The study focused on a target population of business owners, investors, and employees in various management roles in Mogadishu. A stratified random sampling method was applied to ensure representation across all business sectors.

The study included a sample size of 90 respondents. The dependent variable, consumer behavior, was measured using indicators such as affect, cognition, and behavior (Luna and Forquer Gupta, 2001). The independent variable, CRM, was assessed based on customer orientation and CRM technology. Data were collected through an organized online questionnaire, with questions adapted from prior research (Dost et al., 2017). The questionnaire comprised 13 items: 4 related to customer orientation, 4 to CRM technology, and 5 to consumer behavior. The data were analyzed using Smart Partial Least Squares 4 (SmartPLS 4), which confirmed strong internal consistency, reliability, and discriminant validity for the study's components.

4. Result

4.1. Demographic information

The demographic data of participants included gender, age, education level, job position, and type of small business. According to the findings summarized in Table 1, 54.4% of participants were male, and 45.6% were female. The majority of

respondents (65.6%) were aged between 21 and 30, followed by 14.4% aged 41–50, and 13.3% aged 31–40. Only 5.6% were between 51 and 60, and 1.1% were over 60. Regarding business type, 51.11% of participants were from cosmetics companies, while 48.89% were from apparel companies. In terms of education, 15.6% of participants were college students, 24.4% were undergraduates, 52.2% held graduate degrees, and 7.8% had a PhD. Regarding job positions, 32.2% were top managers, 21.1% were middle managers, and 46.7% were employees.

Table 1: Demographic characteristics of study participants

Variables	Frequency	Percentage
Gender		
Male	49	54.4
Female	41	45.6
Age		
21-30 years	59	65.6
31-40 years	12	13.3
41-50 years	13	14.4
51-60 years	5	5.6
Above 60	1	1.1
Education level		
College	14	15.6
Undergraduate	22	24.4
Graduate	47	52.2
Ph.D.	7	7.8
Positions		
Owners	29	32.2
Investors	19	21.1
Employees	42	46.7
Types of small businesses		
Cosmetics	46	51.11
Apparel	44	48.89

4.2. Measurement model results

The convergent validity of the assessment was verified by examining loadings, average variance extracted (AVE), and composite reliability (CR) (Dost et al., 2017). All loadings exceeded the threshold of 0.7, composite reliability values were greater than 0.7, and AVE values for all constructs surpassed 0.5, in line with established guidelines (Fig. 2 and Table 2). Table 2 shows the indicators for loadings, CR, and AVE, confirming that all constructs met the criteria for convergent validity and reliability. Discriminant validity was evaluated using the Fornell and Larcker

method, which computes the square root of the AVE for each construct. The results indicated that these values were higher than the correlations between the constructs, demonstrating strong discriminant validity. Discriminant validity ensures that latent variables are distinct and measure unique concepts. According to this criterion, variables should exhibit stronger correlations with their own constructs than with others, as confirmed by the high discriminant validity shown in Table 3.
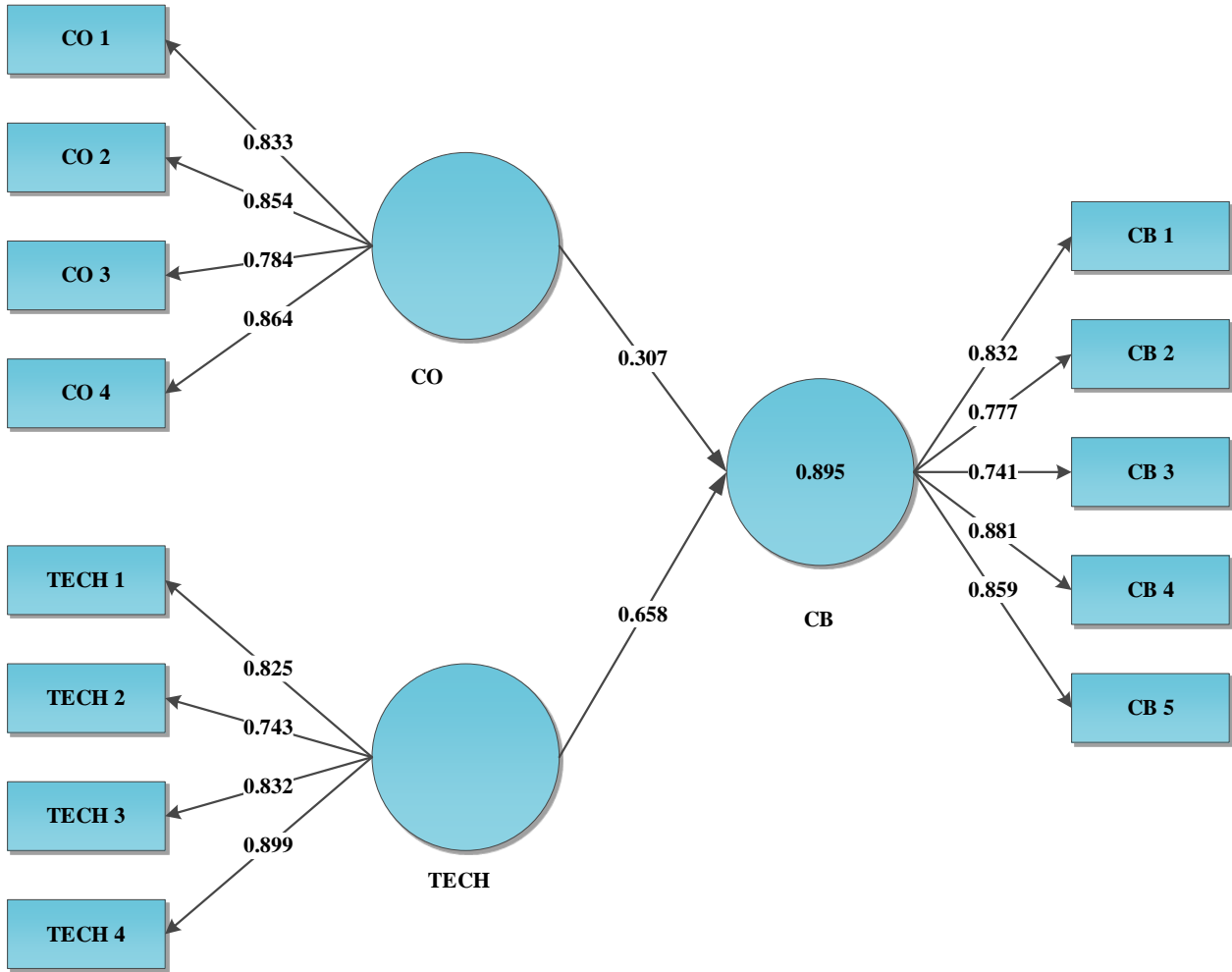

Fig. 2: PLS-SEM model

Table 2: Measurement model results for reliability and validity

Latent variable	Items	Factors loading	Cronbach's alpha	CR	AVE
Customer orientation	CO1	0.833	0.855	0.860	0.696
	CO2	0.854			
	CO3	0.784			
	CO4	0.864			
CRM technology	TECH1	0.825	0.843	0.847	0.683
	TECH2	0.743			
	TECH3	0.832			
	TECH4	0.899			
Consumer behavior	CB1	0.832	0.877	0.884	0.672
	CB2	0.777			
	CB3	0.741			
	CB4	0.881			
	CB5	0.859			

Table 3: Discriminant validity assessment of constructs

Latent variable	Customer orientation	Technology	Consumer behavior
Customer orientation	0.835		
Technology	0.908	0.827	
Consumer behavior	0.905	0.937	0.820

4.3. Correlations

Table 4 presents the correlations between the independent variables, customer orientation and CRM technology, and the dependent variable, consumer behavior. The results indicate strong positive correlations, with customer orientation showing a correlation of 0.905 and CRM technology a correlation of 0.937 with consumer behavior.

4.4. Structural model estimates (95% level of confidence)

The t-values for all measures and related latent variables are shown in Table 5. Even if the T-statistics for the two-tailed hypothesis are bigger than 1.96, these data are significant. The results show convergent validity: the independent customer relationship management (customer orientation and technology) variables T-statistics are 2.352 and 5.405, respectively, with P-values of 0.019 and 0.000. demonstrating that the results for customer orientation and technology are favorable. Customer orientation has a coefficient value of 0.307, which implies that when this variable is increased by one unit, the dependent variable rises by 0.307 (30.7%), and when it is decreased by a comparable unit, the opposite effect occurs.

Table 4: Correlation matrix of study variables

Latent variable	Customer orientation	Technology	Consumer behavior
Customer orientation	1.000	0.908	0.905
Technology	0.908	1.000	0.937
Consumer behavior	0.905	0.937	1.000

Table 5: Structural model estimates and hypothesis testing results

Path	β	T-statistics	P-value	Result
Customer orientation -> consumer behavior	0.307	2.352	0.019	Yes
Technology -> consumer behavior	0.658	5.405	0.000	Yes

5. Discussion

The study's findings indicate that enhanced customer interactions significantly improve customer satisfaction. It establishes a strong and positive relationship between CRM and consumer behavior. For small businesses, CRM serves as a critical foundation for developing deeper, more profitable customer relationships. Consequently, small businesses should focus on implementing efficient CRM solutions to deliver value to clients effectively. CRM emphasizes acquiring, maintaining, and strengthening customer relationships, as customers are central to all business operations. Sustaining these relationships leads to improved outcomes. The research identified strong positive correlations between customer orientation (0.905) and technology-based CRM (0.937) with consumer behavior. The findings highlight that these factors positively influence marketing strategies, customer satisfaction, and business competitiveness. CRM fosters long-term customer loyalty and advocacy. Future research could expand on these findings using larger datasets and additional variables. The study examined the impact of CRM on consumer behavior in small businesses in Mogadishu, Somalia. Comparable studies, such as one conducted in Lahore, demonstrated a positive relationship between customer orientation, knowledge management, technology, and consumer buying behavior in entrepreneurial firms, with R^2 values of 0.669. Similarly, research in Malaysia found a significant direct impact of CRM on consumer behavior, with R^2 values of 0.279. The current study also shows, as presented in Table 5, that customer orientation is positively associated with consumer behavior (30.7%), while technology-based CRM has a stronger positive association (65.8%), with an overall R^2 value of 0.895.

6. Conclusions and recommendations

The findings indicate that customer orientation positively influences consumer behavior in small businesses. By focusing on understanding and addressing customer needs, customer orientation has been shown to enhance performance and satisfaction across various industries. To improve consumer behavior and drive economic success, small businesses in Mogadishu, Somalia, should prioritize customer orientation and adopt personalized marketing strategies. Developing customer-focused skills in employees, such as empathy, effective communication, active listening, problem-solving, and customer service, is essential.

Additionally, the study highlights the positive impact of CRM technology on consumer behavior. Small businesses can leverage CRM technology to personalize customer interactions, enhance service quality, increase engagement, analyze interactions, integrate systems, and refine strategies continuously. Future research should explore the long-term sustainability and effectiveness of CRM strategies, accounting for cultural and geographical differences, and examine their applicability to medium and large businesses.

Security and data privacy concerns are critical for businesses in Mogadishu, emphasizing the need for further research to mitigate risks. Potential solutions include implementing encryption technologies and adhering to data protection regulations. Given Somalia's collectivist culture, where interpersonal and communal relationships are highly valued, CRM strategies should emphasize trust and personalized relationships. Addressing socioeconomic disparities between urban and rural areas is also crucial; localized, user-friendly CRM systems could bridge the digital divide, ensuring inclusivity in CRM adoption.

Implementing these strategies can lead to improved consumer behavior, including higher satisfaction, loyalty, and engagement. However, further research specific to the context of small businesses in Mogadishu would provide deeper insights into the positive effects of CRM technology on consumer behavior within this unique environment.

Acknowledgment

Compliance with ethical standards

Ethical considerations

This study followed ethical standards with informed consent, anonymized data, and Ethics Committee approval. Participants could withdraw anytime, and data security was ensured.

Conflict of interest

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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