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ANALYZING THE IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER RETENTION IN THE SERVICE INDUSTRY OF UZBEKISTAN

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DOI: https://doi.org/10.55439/EIT/vol13_iss3/676

Abstract

This study examines the impact of Customer Relationship Management (CRM) strategies on customer retention in Uzbekistan's service sector. As this industry is expected to represent 47.4% of the nation's GDP in 2024, effective CRM practices are vital for competitiveness. Through qualitative interviews with managers and CRM practitioners from five service providers, the research identifies key practices—personalization, customer engagement, and feedback integration—that significantly enhance customer satisfaction and loyalty. Despite challenges such as limited resources and inadequate data analysis tools, the findings indicate that robust CRM strategies can foster long-term customer relationships. This research addresses a gap in the literature by exploring CRM in an emerging market context and provides actionable recommendations for service providers in Uzbekistan to improve customer retention.

Key words: CRM, Customer Retention, Customer Engagement, Feedback Mechanism, Personalization, Service Industry.

МИЖОЗЛАР БИЛАН МУНОСАБАТЛАРНИ БОШҚАРИШНИНГ ЎЗБЕКИСТОН ХИЗМАТ КЎРСАТИШ СОҲАСИДА МИЖОЗЛАРНИ САҚЛАБ ҚОЛИШГА ТАЪСИРИНИ ТАҲЛИЛ ҚИЛИШ

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Annotasiya

Ushbu tadqiqot mijozlar bilan munosabatlarni boshqarish (CRM) strategiyalarining O'zbekistonning xizmat ko'rsatish sohasida mijozlarni ushlab turishga ta'sirini o'rganadi. Ushbu sanoat 2024-yilda mamlakat yalpi ichki mahsulotining 47,4 foizini tashkil qilishi kutilayotganligi sababli, samarali CRM amaliyotlari raqobatbardoshlik uchun juda muhimdir. Beshta xizmat ko'rsatuvchi provaydarning menejerlari va CRM amaliyotchilari bilan sifatli suhbatlar orqali tadqiqot mijozlar ehtiyojini qondirish va sodiqlikni sezilarli darajada oshiradigan asosiy amaliyotlarni - shaxsiylashtirish, mijozlarni jalb qilish va fikr-mulohazalarni integratsiyalashni aniqlaydi. Cheklangan resurslar va ma'lumotlarni tahlil qilish vositalarining etarli emasligi kabi qiyinchiliklarga qaramay, topilmalar mustahkam CRM strategiyalari mijozlar bilan uzoq muddatli munosabatlarni rivojlantirishi mumkinligini ko'rsatadi. Ushbu tadqiqot rivojlanayotgan bozor kontekstida CRMni o'rganish orqali adabiyotdagi bo'shliqni ko'rib chiqadi va

O'zbekistondagi xizmat ko'rsatuvchi provayderlar uchun mijozlarni ushlab turishni yaxshilash bo'yicha amaliy tavsiyalar beradi.

Kalit so'zlar: CRM, mijozlarni saqlash, mijozlarni jalb qilish, fikr-mulohazalar mexanizmi, shaxsiylashtirish, xizmat ko'rsatish sanoati.

АНАЛИЗ ВЛИЯНИЯ УПРАВЛЕНИЯ ВЗАИМООТНОШЕНИЯМИ С КЛИЕНТАМИ НА УДЕРЖАНИЕ КЛИЕНТОВ В СФЕРЕ УСЛУГ УЗБЕКИСТАНА

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Аннотация

В этом исследовании изучается влияние стратегий управления взаимоотношениями с клиентами (CRM) на удержание клиентов в секторе услуг Узбекистана. Поскольку ожидается, что эта отрасль будет представлять 47,4% ВВП страны в 2024 году, эффективные практики CRM имеют жизненно важное значение для конкурентоспособности. С помощью качественных интервью с менеджерами и специалистами CRM из пяти поставщиков услуг исследование выявляет ключевые практики — персонализацию, вовлечение клиентов и интеграцию отзывов, — которые значительно повышают удовлетворенность и лояльность клиентов. Несмотря на такие проблемы, как ограниченные ресурсы и неадекватные инструменты анализа данных, результаты показывают, что надежные стратегии CRM могут способствовать долгосрочным отношениям с клиентами. Это исследование заполняет пробел в литературе, исследуя CRM в контексте развивающегося рынка и предоставляет действенные рекомендации для поставщиков услуг в Узбекистане по улучшению удержания клиентов.

Ключевые слова: CRM, удержание клиентов, вовлечение клиентов, механизм обратной связи, персонализация, сфера услуг.

Introduction

The service sector is the largest and fastest-growing segment of the global economy, representing a significant portion of total output and employment in many developing nations. In Uzbekistan, the service industry plays a crucial role in the economy, greatly contributing to employment and overall growth. In 2024, this sector accounted for 47.4% of Uzbekistan's GDP, up from 46.2% in the previous year. It is projected to continue growing, with expected increases of 7.8% in 2025 and 7.9% in 2026 (Gazeta uz, 2025).

The primary goal of customer relationship management (CRM) is to better serve customers through understanding their needs and fostering loyalty. Ryals and Knox (2001) stated that "CRM is a relationship orientation, customer retention, and superior customer value created through process management." CRM is a managerial approach centered on customer-driven strategies, utilizing various information systems to provide essential data that leads to enhanced customer satisfaction and loyalty. By developing customer-oriented strategies, CRM facilitates customer retention. It employs a range of marketing tactics aimed at building lasting relationships with customers and maintaining communication post-purchase. Establishing one-on-one relationships with customers allows businesses to retain their most valuable asset: their

customers. The ultimate goal of relationship marketing and CRM is to cultivate and maintain collaborative, mutual relationships between organizations and customers. These relationships are characterized as two-way and long-term. Companies are increasingly focused on adopting and integrating new technologies, processes, and relationship marketing strategies to deliver value and satisfaction, thereby ensuring lifelong customer retention. However, Karimov (2022) notes that local businesses often face challenges in implementing globally recognized CRM practices due to limited resources and diverse consumer expectations in Uzbekistan.

CRM not only improves customer service but also nurtures long-term relationships, which are essential for customer retention. This research aims to examine the link between CRM practices and customer retention in Uzbekistan's service industry, emphasizing its importance in a landscape where customer loyalty is vital for sustainability and profitability. Specifically, the study intends to:

- *Evaluate the current CRM strategies utilized by service providers in Uzbekistan and identify common challenges and successes.*
- *Analyze how different CRM practices affect customer satisfaction levels in the service sector.*
- *Develop practical recommendations for service providers in Uzbekistan to enhance their CRM practices and improve customer retention.*

2. Literature Review

2.1. Customer Retention

Historically, customers received inadequate attention and were often overlooked. However, increasing competition in today's market necessitates a focus on customer retention to protect businesses from rivals. Ramakrishnan (2006:1) defines customer retention as a marketing objective aimed at preventing customers from switching to competitors. Organizations prioritize existing customers to enhance their business relationships through retention efforts (Mostert et al., 2009:120). Additionally, customer retention can be measured by the number of customers who maintain their relationship with a service provider over a specific period, such as one year (Dawes, 2009:232). Ultimately, the success of businesses in today's competitive landscape largely depends on effective customer retention strategies.

2.2. Customer Relationship Management

The term Customer Relationship Management (CRM) has become widely prevalent. CRM is an interactive, two-way process that leverages customer information to foster relationships. It is viewed as a cyclical framework comprising key activities such as knowledge acquisition, market planning, enhancing customer interactions, and refining analyses (Buckinx et al., 2007; Swift, 2001). According to Ryals and Knox (2001), core elements of CRM include cultivating strong relationships, ensuring customer retention, and delivering high-quality services through effective process management. Companies aiming to implement CRM strategies should establish integration among various organizational departments.

Research indicates that CRM positively influences customer retention and satisfaction across diverse service sectors. Studies in Balkan transition economies (Jashari-Mani, 2024), the Pakistani banking sector (Bashir, 2017), and the hospitality industry in Islamabad (Nazir et al., 2014) support this relationship. Key CRM dimensions such as customer focus, technology-

driven CRM, and knowledge management significantly enhance customer satisfaction, which in turn boosts retention (Jashari-Mani, 2024). Effective CRM practices enable businesses to manage customer information, improve service quality, and foster long-term relationships with both existing and prospective customers (Bashir, 2017). Furthermore, elements such as service quality, accessibility, and features are vital for enhancing customer satisfaction in the hospitality sector (Nazir et al., 2014). These findings highlight CRM's role as a strategic tool for maintaining competitiveness and ensuring customer loyalty across various industries and economic environments.

2.3. CRM Practices

Personalization-tailoring services and communication to individual customer preferences. Personalization strategies in CRM have gained significant attention as a means to enhance customer satisfaction and loyalty. Intelligent data mining techniques enable businesses to formulate targeted strategies for different customer bases (Wong et al., 2001; Wong et al., 2004).

Customer Engagement-strategies to enhance interaction and build relationships with customers. The term was first mentioned in 2006, when the Advertising Research Foundation along with the American Association of Advertising Agencies and Association of National Advertisers, made an attempt to define this concept and prescribed it in a broader context as turning on a prospect to a brand idea enhanced by the surrounding context. Higgins (2006) considers Engagement to be a second source of experience for the consumer, beyond the sensual experience that stems from the driving force to proceed (or not) with an action.

Feedback Mechanisms-systems for gathering and responding to customer feedback. Identified as a form of customer engagement (Van Doorn et al., 2010), customer feedback is defined as customer communication concerning goods and (customer) service (Erickson and Ecklich, 2001). Though customer engagement is a somehow new concept (Brodie et al., 2011), customer feedback research has been conducted much longer and in greater depth. According to Witell et al. (2011), customer feedback can be either structured or unstructured. Structured feedback takes the form of quantitative surveys, while unstructured feedback comes through telephone calls, e-mails and social media, thus, giving the customers more flexibility to describe their experiences in more detail.

2.4 Conceptual Framework

A research framework has been designed and illustrated in Figure 1.

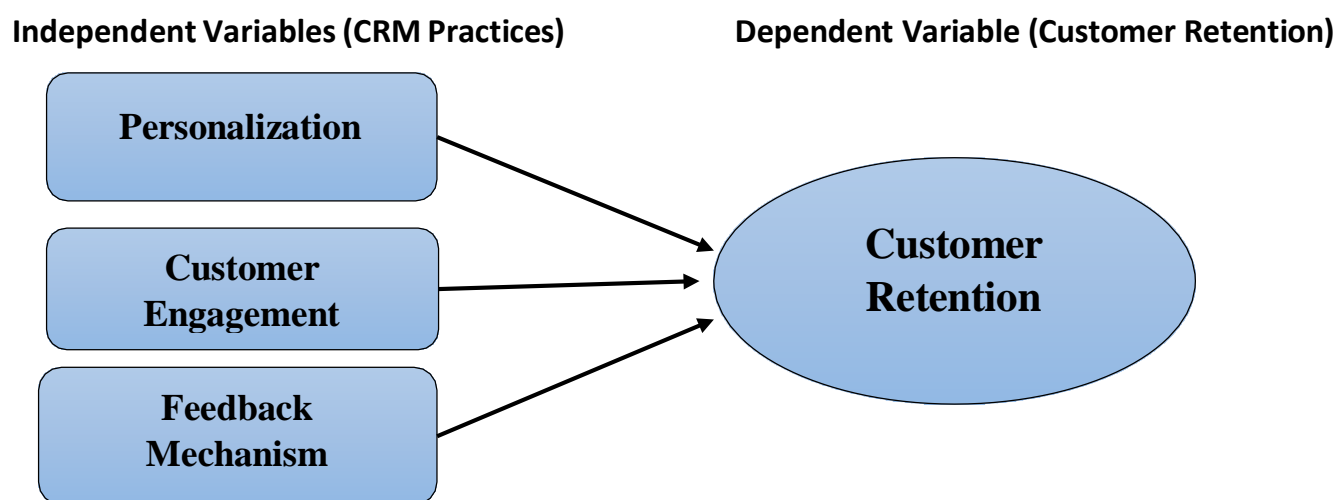


Figure 1. Research Framework

Source: Author's Development

3. Research Problem/Gap

Despite the acknowledged significance of CRM in enhancing customer retention, there is a notable gap in the literature concerning its implementation within Uzbekistan's service industry. Current research primarily emphasizes Western markets, where CRM systems are extensively adopted and studied. This focus results in a limited understanding of how CRM strategies function within Uzbekistan's distinct socio-economic and cultural context.

4. Methodology

This research employed a qualitative methodology to examine the impact of Customer Relationship Management (CRM) on customer retention within Uzbekistan's service industry.

Research Design. A qualitative approach was adopted, emphasizing in-depth interviews to gather detailed insights from participants. This design facilitates an exploration of the nuances surrounding CRM practices and customer perceptions.

Data Collection Technique. Semi-structured interviews were conducted with managers and CRM practitioners from selected service providers. This format allowed for flexibility in discussing topics related to CRM effectiveness and customer retention. A total of five interviews were conducted to capture diverse perspectives and ensure an in-depth understanding.

Data Analysis Strategy. The interview transcripts were analyzed using thematic analysis to identify key themes and patterns related to CRM practices, customer satisfaction, and retention, thus providing a comprehensive understanding of the qualitative data.

Ethical Considerations. Ethical approval was obtained, and informed consent was secured from all participants. Anonymity and confidentiality were maintained throughout the research process.

5. Result and Discussion (Analysis from interviews)

The findings from semi-structured interviews with managers and CRM practitioners in Uzbekistan's service industry provide important insights into the implementation and effects of Customer Relationship Management (CRM) practices on customer retention. Responses from five different companies reveal key themes, including personalization, customer engagement,

feedback mechanisms, overall impacts on retention, and the challenges and opportunities encountered by these organizations.

Table 1

Analysis from interviews

Companies	Case 1: Company A Interviewee: Marketing Manager	Case 2: Company B Interviewee: Customer Service Manager	Company C Interviewee: Operations Manager	Company D Interviewee: General Manager	Company E Interviewee: CRM Specialist
Personalization:	We use CRM tools to analyze customer data, allowing us to send tailored offers. For instance, based on purchase history, we create personalized email campaigns.	We tailor our communication based on customer profiles. Personalized messages have led to higher satisfaction levels.	We leverage customer data to create personalized service experiences. For example, we send tailored recommendations based on past purchases.	We focus on creating personalized experiences through targeted marketing. Customers appreciate when we acknowledge their individual preferences.	We strive for personalization, but currently lack the necessary tools to analyze data effectively. We want to tailor our offerings better.
Customer Engagement:	We engage customers through social media contests and loyalty programs. Our initiatives have led to a 30% increase in customer participation.	Our loyalty program rewards customers for referrals, which has increased our customer base. We also interact with customers on social media to foster a community.	Our strategy includes interactive webinars and Q&A sessions to engage customers. These initiatives have fostered a stronger connection with our audience.	Engagement is crucial. We use loyalty programs and customer events to keep our customers involved, significantly boosting retention rates.	Our engagement efforts are still evolving. We use social media to connect with customers, but we need to be more proactive in our outreach.
Customer Feedback:	We gather feedback through surveys and social media. Integrating this feedback into our CRM helps us adjust our strategies. For example, we changed our product offerings based on customer suggestions.	We conduct regular surveys and analyze social media comments. This feedback is crucial for refining our services; we recently adjusted our customer support hours based on feedback.	We collect feedback through structured surveys and informal channels like social media. Integrating customer insights into our CRM helps us make informed decisions.	We actively solicit feedback through various channels. This input is integrated into our CRM, allowing us to adapt quickly to customer needs.	We gather feedback through surveys and direct communication. However, we struggle to analyze this data systematically to inform our strategies.
Overall Impact of CRM on Customer Retention	Personalization and engagement significantly enhance our retention rates. Customers feel valued when we cater to their preferences.	Engaged customers are more likely to stay loyal. Our retention rates have improved thanks to our targeted engagement strategies.	Effective personalization and engagement enhance customer loyalty. Our retention rates have increased as customers recognize our efforts to meet their needs.	Our CRM practices are essential for building long-term relationships. Customers are more likely to stay loyal when they feel engaged and valued.	We believe that improving personalization and engagement will lead to better retention. Customers are more likely to stay loyal if they feel heard.
Challenges and Opportunities:	Our main challenge is data quality. We need to improve our data integration processes to better personalize customer experiences.	We face challenges in maintaining consistent engagement. More resources for ongoing training would help us enhance our engagement efforts.	The main challenge is analyzing qualitative feedback quickly. Investing in better analytics tools could improve our responsiveness to customer needs.	We face resource constraints that limit our ability to implement new technologies. More investment in CRM tools could significantly enhance our effectiveness.	Our biggest challenge is the lack of resources for implementing effective CRM practices. Investing in training and technology could open up new opportunities for us.

Source: Author’s Development

6. Conclusion

This research examined the impact of CRM strategies on customer retention in Uzbekistan's service industry. The findings demonstrate that effective CRM practices—such as personalization, engagement, and feedback integration—significantly boost customer satisfaction and loyalty. Despite challenges faced by local businesses, including resource limitations and inadequate data analysis tools, the potential for CRM to nurture long-term customer relationships remains considerable. As the service sector continues to expand, the implementation of robust CRM strategies will be crucial for maintaining competitive advantage and achieving business success. This study highlights the importance of CRM in the service industry and paves the way for further investigation into how these practices can adapt to evolving market dynamics.

8. Limitations and Future Research

While this study offers valuable insights, it has several limitations. Firstly, the qualitative nature of the research restricts the generalizability of the findings across all service sectors in

Uzbekistan. Future research could benefit from a quantitative approach that encompasses a wider range of service providers and customer experiences. Additionally, the sample size of five companies, although providing in-depth information, may not adequately represent the diversity within the service industry. Expanding the sample size and incorporating various sectors could yield more comprehensive insights.

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