



Chapter 6

Transforming CRM: Effect on Service Sector Optimization by Mediation of AI Innovations in the Horn of Africa


Shashi Kant

 <https://orcid.org/0000-0003-4722-5736>
Bule Hora University, Ethiopia

Aynetu Terefe

 <https://orcid.org/0009-0003-3814-9548>
Bule Hora University, Ethiopia

Metasebia Adula

 <https://orcid.org/0000-0001-5732-2850>
Bule Hora University, Ethiopia

ABSTRACT

This investigation investigates the transformative influence of Customer Relationship Management (CRM) and Artificial Intelligence (AI) innovation on service industry sustainability. Utilizing a quantitative investigation approach, we analyze data from various service-oriented organizations to explore the relationships among CRM transformation, AI integration, and service optimization. The outcomes reveal that influence CRM transformation significantly enhances service delivery, while AI innovation serves as a crucial mediator that amplifies these influences. This investigation underscores the importance of aligning CRM strategies with AI technologies to augment customer engagement and operational efficiencies. The outcomes not only contribute to the theoretical understanding of these constructs but also depict real life insights for managers aiming to optimize service sustainability. Recommendations for future investigation include exploring contextual determinants influencing these

DOI: 10.4018/979-8-3373-0918-7.ch006

relationships and investigating specific AI applications within CRM systems.

1. INTRODUCTION

1.1. Background of investigation

In the Horn of Africa, place of market is marked by diverse cultures, fiscal disparities, along with rapid technological advancements, the potential for CRM and AI to enhance service industry efficiency is substantial (Aarabe et al, 2024). Also, the journey toward successful implementation is fraught with foundations that warrant detailed examination (Kothapalli, 2022). One notable case is Ethiopia, where the government has prioritized digital transformation as part of its Growth and Transformation Plan (Nouhaila et al, 2024). Despite these efforts, many market face significant hurdles in adopting CRM systems enhanced by AI. For instance, an investigation on Ethiopian telecommunications companies revealed that while AI has the potential to augment customer service through predictive analytics, companies struggle with data quality and consistency (Adula et al., 2023). Correspondingly, in Kenya, the funding trade has seen an outpouring in AI-driven explanations intended at monogramming purchaser practices. Also, a case investigation involving local banks manifested real life foundations, like expensive as well as unwillingness to adopt AI founded technology (Khizzou et al., 2024). Many banks have reported that their employees require extensive training to influence use AI tools alongside traditional CRM systems. Also, customer resistance to technology adoption, particularly among older demographics, poses an additional barrier, as customers may prefer in-person interactions over automated solutions (Bihame et al., 2024).

Optimization of the services sector in the African horn by the transformation of CRM and the innovation of artificial intelligence can be illustrated in real thematic studies (Asefa et al., 2023). In a case, in the banking, institutions such as Kenya have managed to integrate CRM systems managed by AI to increase customer participation and optimization. After conducting AI analysis, Equity Bank announced a 30% increase in customer retention rate, demonstrating specific benefits in implementing the technology (Gama & Magistretti, 2023). On the contrary, the retail sector faces a variety of issues. Companies like Jumia, an e-commerce platform in Africa, employ AI for personalized marketing, but are fighting against data collection and infrastructure (Jabo et al., 2024). Despite a reported 25% increase in sales from target marketing, Jumia exists with a decline in AI adoption rate compared to banks, reaching around 60% in metropolitan areas. As well as, the McKinsey survey has shown that 70% of companies in the banking sector have declared significant improvements in operational efficiency after integration after AI, against only 50%

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