Modelling CRM in a social media age

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ABSTRACT

Customer relationship management is a continually evolving domain that has been particularly affected by social media, which have revolutionised the way businesses and consumers interact. This paper on social CRM builds on a previous model of CRM prior to the growth of social media (Jayachandran et al., 2005). We present a new model for social CRM, including a new construct of customer engagement initiatives and adaptations of other constructs to cater for the impact of social media. An online survey was used to collect data from a population of marketing practitioners and partial least squares analysis was used to test the model. Findings show the importance of an underlying customer relationship orientation; how it impacts on social media technology use and customer engagement initiatives, and also directly on customer relationship performance. A relationship is also shown between engagement and relational information processes, which is viewed as a performance outcome of social CRM. Thus, from a managerial perspective, one recommendation we make is that organisations should utilise the rich customer information that is created with every customer engagement through social media to drive future marketing decisions.

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1. Introduction

Customer relationship management (CRM) is a strategic approach to marketing underpinned by relationship marketing theory (Morgan and Hunt, 1994), which has been defined as “a comprehensive strategy and process that enables an organization to identify, acquire, retain and nurture profitable customers by building and maintaining long-term relationships with them” (Sin et al., 2005, p. 1266). Technology is a key CRM enabler and has been extensively studied (e.g. Boulding et al., 2005; Coltman, 2007; Gummesson, 2002). Most such research suggests relevant technologies can improve performance, but most conclude that the full potential of CRM technologies is rarely realised (Reinartz et al., 2004). For example, Chang et al. (2010) found only 30 per cent of organisations that implemented CRM experienced improved performance.

In recent years social media have been very disruptive to the marketer–customer interface and, thus, to CRM (Stephen and Toubia, 2010). This suggests previous strategic CRM models may now lack theoretical and practical applicability. Social media and the participative, personal and real time approaches they facilitate are critical enablers of CRM and relationship marketing principles. They allow marketers to engage with customers through appropriate marketing communications. However, they go further, as they help co-create products, services and value and provide access to vast amounts of data and new insights about customers (Hoyer et al., 2010; Olbrich and Holsing, 2012; van Doorn et al., 2010). Organisations from all sectors are using social media in their marketing (e.g. Oreo, Pepsi, General...
Due to the now widespread use of social media in marketing and, specifically, in CRM, this study was undertaken to shed some light on the issues at play and to model strategic social CRM. Jayachandran et al.’s (2005) CRM model, which looked at relational information processes and technology, is comprehensive in its representation of strategic CRM and easily adapted to a social CRM context. Consequently, it provided the foundation for this study. We adapted and updated this model to develop a strategic social CRM model. No other model comprehensively models the practical use of social media within a CRM context. More than that, dynamic capabilities theory was used to suggest a combination of unique organisational capabilities (CRM) and raw technological resources (social media) that can be used to develop a competitive advantage strategy. The introduction of a customer engagement initiative construct is also noteworthy, especially as many have called for more empirical work in this area (e.g. Hennig-Thurau et al., 2010; Hollebeek, 2013).

The paper’s structure follows a standard format in which prior research into CRM and social media is reviewed, followed by a presentation of a conceptual framework underpinned by dynamic capabilities theory. The survey research method, data analysis approach and findings are then reported, followed by a discussion of how these findings contribute to theory and practice.

2. Literature review

2.1. Social media technologies and CRM

The advancement of information technologies in recent years has enabled marketing practitioners to develop new ways to interact with customers. These ‘CRM technologies’ range from dedicated software package solutions provided by firms such as Oracle, Microsoft or Sage to websites, databases and email packages (Boulding et al., 2005; Harrigan et al., 2011). Indeed, technology has long been a key CRM enabler, facilitating two main processes (communication with customers and management of customer data and information) (Harrigan et al., 2011; Jayachandran et al., 2005). These two processes impact on marketing performance, as they increase market awareness, reduce marketing costs, increase customer loyalty, increase competitiveness and increase customer profitability (Harrigan et al., 2011).

However, social media may be different from previous CRM technologies. Social media are a ‘group of Internet-based applications that build on the ideological and technological foundations of Web 2.0 and that allow the creation and exchange of User-Generated content’ (Kaplan and Haenlein, 2010, p. 61). Most marketers (58 per cent) use social media for six or more hours each week and a third (34 per cent) invest eleven or more hours weekly (Stelzner, 2011), suggesting its importance. The significant use of social media is a response to consumers’ pervasive use of social media in their daily lives. Facebook, Twitter, YouTube, Tumblr, Instagram, Pinterest, Snapchat are just some of the social media with millions of daily users. Beyond these social networks, other social media include sites, such as Amazon, TripAdvisor, UrbanSpoon, Yelp, the entire Google network and the many other sites, allowing peer-to-peer interaction (Chau and Xu, 2012; Chen et al., 2012).

The latest trend in CRM is to try to take advantage of social media, whose relational properties and characteristics are particularly suited to customer interactions (Olbrich and Holsing, 2012; Zhao et al., 2012). The use of these technologies in CRM are very different from previous, dedicated or ‘off-the-shelf’ CRM software packages that sought to collect, process, and manipulate customer data to assist marketing decision-making (Jayachandran et al., 2005). Social media are not designed for organisational CRM purposes, but they can facilitate customer relationships. This study is based on a premise that CRM technologies are not limited to dedicated software packages and that they have expanded to include social media technologies, such as Facebook, Twitter, LinkedIn, YouTube and Google. In short, social media is a platform through which opinions, perspectives, insights and media can be shared among consumers and is, therefore, an area marketing and CRM practitioners can ill-afford to ignore. This led Greenberg (2010, p. 34) to define social CRM as:

A philosophy and a business strategy, supported by a technology platform, business rules, workflow, processes and social characteristics, designed to engage the customer in a collaborative conversation in order to provide mutually beneficial value in a trusted and transparent business environment. It’s the company’s programmatic response to the customer’s control of the conversation.

This definition includes the central principle of customer engagement, which was missing in earlier CRM models.

2.2. Towards a social CRM model

As mentioned earlier, Jayachandran et al. (2005) developed a model to explain the roles customer relationship orientation, relational information processes and CRM technology use play in strategic CRM. Their model represented CRM in practice at a strategic level and fits well with the aim of this study, which was designed to model strategic social CRM. The model used here, which is shown in Fig. 1, required some adaptations to represent the role of social media in CRM. First, the CRM technology use construct was adapted to measure social media technology use. Second, a customer engagement initiative construct was developed to measure involvement and interaction levels between marketers and
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