

CONSEQUENCES OF SOCIAL MEDIA TECHNOLOGIES ADOPTION ON CRM CAPABILITIES AND FIRM PERFORMANCE

Daniela TULEU

West University of Timișoara, Romania

Email: daniela.tuleu@gmail.com

Abstract:

Social Media technologies represent an important marketing platform for companies. Nowadays, the social networks allows the distribution of information in real time, conversations between the networks members, creation of groups based on a specific subject, products or brand. We can say that that new platforms revolutionize the interactions between customers and firms. Companies shall evaluate the potential of this interaction platforms between companies and customers by the integration of social media technologies in the processes of customer relationship management. The article aims to develop a conceptual research model of the consequences of social media technologies adoption on CRM capabilities and firm performance. The work is structured as it follows: the first part includes the review of the specialty literature on customer relationship management, social media technologies, and business performance. Further on, there are developed the hypothesis sitting at the base of the conceptual research model. Finally, there are presented the conclusions, the managerial implications and the future research directions.

Keywords: customer relationship management, customer relationship management capabilities, social media, performance

1. Introduction

The customer relationship management (CRM), as a systematic process to manage customer initiation, maintenance and termination of the relationship with customers for the maximization of clients' portfolio value (Reinartz, Krafft et al., 2004), is an evolving process. Development of interactive technologies (e.g. social media) revolutionized the interaction between companies and customers (Tsimonis and Dimitradis, 2014), facilitating the access of those companies to the information on them (requests and needs) and transforming the communication model between the two parties. Social media technologies determines new possibilities for companies regarding the relation with the actual and potential clients. Consumers' orientation to the social networks in order to search for information on products or services transforms this environment of communication and socialization in a potential marketing instrument for companies, that start to use the social media as a communication platform in real time with clients. Moreover, social networks allow the dissipation of information both between companies and clients and between clients, on the products and services offered by the companies. CRM is focused on the

establishment, maintenance and extension of long-term relationship with important customers. In this context, the relationship with customers shall be adapted to their needs and requests and regarding the use by the companies of the communication means. Social networks become, this way, a relational environment between the company and its clients, that shouldn't be neglected, but, on the contrary, to be valued. This paper develop a conceptual research model of the consequences of social media technologies adoption on CRM capabilities and firm performance. The work is structured as it follows: the first part includes the review of the specialty literature on the management capabilities regarding the customer relationship management and on the adoption of social media technologies. Further on, there are developed the hypothesis sitting at the base of the conceptual model of research. Finally, there are presented the conclusions, the managerial implications and the future research directions.

2. Literature review

2.1 Customer relationship management capabilities

Customer relationship management is a systematic process of initiation, maintenance and termination activities regarding the relationship with customers in all contact points with those, in order to maximize the value of customers portfolio (Reinartz, Krafft et al., 2004). In order to obtain superior performances, managers shall focus on the company resources and capabilities to the CRM process, with major effect on the performance. Customer relationship management capabilities represent the company abilities to implement efficiently the relational resources (Vorhies, Orr et al., 2011), to build and develop advantageous relationship with target customers (Jayachandran, Sharma and Kaufman, 2005).

CRM capabilities are integrated in the customer relationship management activities and in the organizational processes (Wu, Mahajan et al., 2003; Wang and Feng, 2012) and reflects the extent in which companies are differentiated of their competitors in the CRM activity for the obtainment of some superior performances. There are few studies on the CRM capabilities and on their measurement modalities, respectively improvement, in order to lead to the increase of performance in business field (Wang et al., 2012; Payne and Frow, 2005). Continuous monitoring of CRM processes and the CRM technology implementation are necessary conditions, but not sufficient for CRM capabilities construction and improvement (Wang et al., 2012). CRM capabilities reflect in the CRM specific activities: identification, attraction and maintenance of customers, development and reestablishment of the relationship with them (Reinartz et al., 2004). CRM capabilities are significantly and positively associated to the performance in business (Wang et al., 2012). Consequently, customer relationship management capabilities can improve the company performance, by combining valuable resources with the new technology. Researches demonstrated that, although companies apply the same technology in the management of relations with clients, obtained performances are different, being influenced by the efficiency and effectiveness of social media interactive technologies implementation (SM) in the CRM processes (Choudhury and Harrigan, 2013).

2.2 Social media technologies

Interactive technologies offer to the companies opportunities to react fastly (Varadarajan, Srinivasan et al., 2010) to the customers' references and comments in the online environment. In this context, social media applications became an

interesting field for business, being recognized as maintenance methods of lasting relations with customers (Trainor, 2012). Consumers use social networks in order to search for information on products and services, but also in order to express feelings and opinions regarding the companies that buy products (Hanna, Rohm et al., 2011; Tsimonis and Dimitradis, 2014). Companies try to use interactions in order to generate the clients' commitments in order to satisfy their desires and by the maintenance of some valuable relations, based on trust (Jayachandran et al., 2005). Researches included in the marketing literature on the concept of important assets on the market (Srivastava, Shervani et. al, 1998) reveal the fact that the relationship with customers become stronger when companies use knowledges on the customers' needs and preferences in order to build and develop long-term relationship with them. In the context of development of interactive technologies (social media technologiess), companies look for solutions for their integration in the systems and processes that develop in order to create new capabilities (Trainor, Andzulis et al., 2014) and for the improvement of the existent capabilities, in order to contribute to the maintenance of a strong relationship with customers. Social media (SM) represents a group of applications built on the ideologic and technological base of Web 2.0, allowing the creation and exchange of user-generated content (Kaplan and Haenlin, 2010). There are few researches on the efficiency of social media technologies for the customers' maintenance and for the increase of their loyalty (Trainor, 2012). Some companies began to use social media applications without knowing precisely which is their use modality in order to develop new capabilities. Researches demonstrated that interactive technologies don't create directly a value, but are efficient when there are used in combination with existent processes and resources (Chang, Park et al., 2010; Jayachandran et al., 2005). From the perspective of resource-based view (RBV), companies performances is determined by the existent resources and by the efficiency of their transformation in capabilities (Barney, 1991). Consequently, it can be mentioned the hypothesis based on which integrated interactive technologies in the customer relationship management can increase the CRM capabilities, contributing to the enhancement of the company performance (Trainor et al., 2014). Social media technologies represent an important instrument for companies that want to have more clients. Social media is, basically, a combination between technology and social interaction, in order to co-create a value together with the clients. Social networks are new tools of communication for consumers, in the virtual environment being developed communities and interest groups that interact on the most diverse themes. Virtual communities are groups whose members communicate and interact in the online environment. Social media applications allow the online interaction between millions of people, directly or by some thematic social groups, on ideas or interests. Social media uses mobile technologies and the internet in order to create interactive platforms by which individuals and communities distribute, co-create, discuss and modify the content generated by the user (Kietzmann, Hermkens et al., 2011). Considering the information indicated above, we can formulate the hypothesis that the adoption level of interactive technologies influence directly, significantly and positively the level of customer relationship management capabilities.

2.3 Benefits of the adoption of social media technologies in customer relationship management

Applications of social media allow users to express and distribute opinions, beliefs, claims on companies and brands which are not controlled by organizations, insisting this way to a so-called "democratization of corporative communication" (Kietzmann et al., 2011, p. 242). This would be one of the reasons for which companies decide to implement the social media applications in their activity, in a mistaken modality in the relation process with the actual and potential customers.

Although the use of social networks is in continuous increase, most of the companies ignore the potential of this environment of communication with customers or manages incorrectly the opportunities offered by the interactions with clients in this space. Kaplan and Haenlin (2010) explain this behavior by the fact that it is not understood the meaning of social media and which are the modalities that this communication type can take. Kietzmann et al. (2011) allowed a conceptual environment for the research of use modalities afferent to SM applications. Consequently, those are grouped in seven categories: creation of identity (the modality in which users are presented in the social media), conversations (the modality in which users communicated between them), distribution (the modality in which users change, distribute and receive informational content), presence (modality in which users know that the other users are available online/active), relationing (modality in which users interact between them), reputation (modality in which users know the social position of the others), and organization in groups (modality in which users are grouped in communities). This information are useful for the analysis of social media applications functionality. Each of the seven types of applications can be accessed by organizations for the marketing strategies implementation in the social media. Heinonen (2011) suggests that the consumer, participation and production activities, developed in the social media space transform consumer in a value active producer. Media revolution generates collaborative and interactive nature of the online behavior. Lately, it is noticed the customers' trend, which are at the same time online users, to confer high importance to recommendations received from family, friends, colleagues and experts (word-of-mouth) in taking decisions. Understanding the social environment where individuals operate becomes an important element for understanding the dissipation modality of the marketing messages in social networks. Companies must become more active in the social networks in order to understand their impact on the company/brand image and for facilitating the interaction with potential customers (Heinonen, 2011).

3. Development of hypothesis and of the research model

Social media technologies facilitate the companies access to the information on customers and, at the same time, allow them to react faster to the modifications appeared regarding the customers' needs and preferences. Consequently, social media applications can be used as maintenance methods of a lasting relationships with customers (Trainor, 2012). Based on the arguments indicated before, we formulate the following hypothesis:

H1: Adoption of social media technologies has a positive and significant effect on the CRM capabilities of the company.

Social media technologies allow customers to communicate with companies and to co-create value with them, this aspect leading to the increase of customers' satisfaction. On the other hand, by the social media technologies, companies can react faster (Varadarajan et al., 2010) to the customers' comments and references in the online environment. In this context, social media applications became an interesting field for business. Based on the arguments indicated before, we formulate the following hypothesis:

H2: Adoption of social media technologies has a positive and significant effect on the customers' satisfaction.

Researches indicate the fact that the social media technologies facilitate capabilities that allow to the company to satisfy better the customers' needs (Trainor et al., 2014), by increasing the company capacity to enter into collaborative conversations with clients and to develop close relations to them. The use of social media technologies by companies in customer relationship management allow bidirectional communication between companies and customer. Consequently, customers have the possibility to collaborate with organizations by exchanges of information, suggestions, claims and ideas on their products, services and practices (Ramani and Kumar, 2008). Social media technologies transfer more power to customers (Varadarajan et al., 2010). The last ones can react posting in social networks their appreciations, comments, opinions on companies, products and services (word-of-mouth). Customers that use the social media applications are conscious on their capacity in relating with suppliers of products and services and want to get implied actively in the company processes (Trainor, 2012). Customers empowered and rewarded based on their expertise and needs develop a bigger feeling of affiliation in the company and are susceptible to protect the company welfare (Ramani and Kumar, 2008). Since online communities increase both as number of members and the information resulted from the interactions between members, customers shall have access to huge quantities of information, that can help them solve the problems that appear in their lives.

It is expected that the huge implication and the commitment to the community shall be positively related to the customers' satisfaction, loyalty, retention, contributing this way positively to the relational performance of the company, based on the client. Previous studies have demonstrated a positive link between customer relationship management capabilities and company performance (Coltman, 2007; Wang and Feng, 2012). As Kirca, Jayachandran and Bearden (2005) claim, a company's success depends largely on identifying and meeting the needs of its customers. Consequently, we can formulate the following hypothesis:

H3: Customer relationship management capabilities have a positive effect on the customer satisfaction b) market effectiveness; c) profitability.

Conceptual model of research (see Figure 1) is based on the relationship existing between social media technologies adoption, CRM capabilities and firm performance.

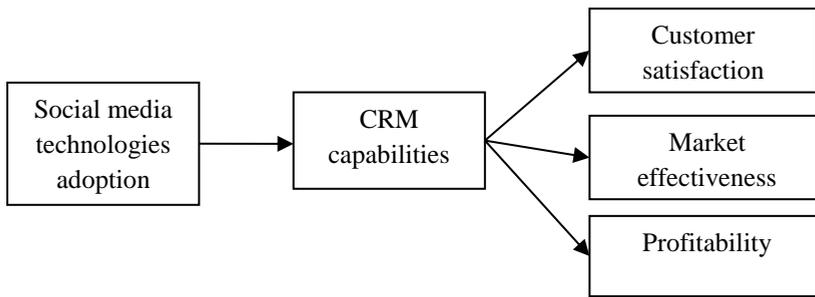


Figure 1. The conceptual research model of consequences of social media technologies adoption on CRM capabilities and firm`s performance

Source: Own processing

4. Discussions

The conceptual research model underlines the link between CRM capabilities and firm's performance in the context of social media development. One aspect addressed in the paper is the identification of social media technologies as a factor that can determine the growth of customer relationship management capabilities. On the other hand, in the conceptual model there are presented the consequences of customer relationship management capabilities on performance. The concept of performance is reflected in customer satisfaction, market effectiveness and profitability. Research topic addressed in this paper is of current interest and relevant both nationally and internationally. At national level, the impact of social media technologies on customer relationship management capabilities and performance has not been studied in empirical researches. Internationally, there are some studies on the impact of social media technologies on sales and business performance. The social media phenomenon also drew the attention of researchers who analyzed the characteristics of this new medium and its impact on customer relationships (Ketzmann, Hermkens, McCarthy and Silvestre, 2011; Hennig-Thurau et al., 2010; Kaplan and Haenlin, 2010; Greenberg 2010). By correlating the two streams of literature - technologies and customer relationships - we have noticed the interest shown by researchers in the integration of new social media technologies into CRM. Also, there is an interest regarding the impact of CRM on performance, in the context of new technologies (Trainor et al., 2014; Choudhury and Harrigan, 2013; Trainor, 2012; Zablah, Bellenger and Johnston, 2004). Ongoing communication with customers increase their confidence and leads to achieving performance at the relationship level. Social networks provide new ways of interacting between businesses and customers, and new technologies are developing new customer relationship management capabilities (Wang and Feng, 2012), that have become critical in gaining a positional advantage in the market and maintaining superior performance in a competitive environment. Researchers have focused on identifying the antecedents and consequences of customer relationship management capabilities and on their impact on business performance, at the same time with the growing interest of practitioners to deploy the new CRM technologies in customer relationship management.

Customer relationships are a source of competitive advantage for businesses because they are intangible resources, difficult to copy by the competition. As a result, companies wishing to achieve superior performance need to develop their customer relationship management capabilities. The new technologies contribute to the firm's performance (Trainor, 2012), so their implementation in marketing activities is a constant concern for marketing specialists and researchers.

5. Conclusions, managerial implications, research directions

In order to test the working model, we collected data from the companies, using as collection modality the questionnaire. This was sent online to marketing managers, IT managers and to company managers by personalized emails. The study sample was composed by companies from IT field, which are probably to be novational, adopting faster the new technologies in the processes of customer relationship management.

In the data analysis there shall be controlled the scales reliability (coefficient α -Cronbach), the analysis of the convergent validity of constructs by the factorial analysis of SPSS and for confirmation in Amos. In order to test hypothesis we shall use the structural equations modellation technique (SEM).

In the herein research, we developed a conceptual research model which show the relationship between social media technologies adoption, CRM capabilities and company performance. There are developed the working hypothesis, that show the relationship between the social media technologies adoption, the CRM capabilities and the obtained performances, consisting in relational nature performances (customer satisfaction) and financial performances (increase of the market percentage compared to the competitors, increase of income from sales, acquisition of new customers, increase sales to existing customers, profitability). Research results are important for managers making decisions on the adoption of social media in the processes of customer relationship management in order to obtain superior performances. By the introduction of interactive technologies in the customer relationship management, the company has in possession instruments that facilitate the interactions in the virtual environment (Kietzmann et al., 2011), contributing, this way, to the improvement of relational performances of the company.

REFERENCES

- Barney, Jay (1991), "Firms resources and sustained competitive advantage", *Journal of Management*, 17, 99-120.
- Chang, Woojung, Jeong E. Park, Seoil Chaik (2010), „How does CRM technology transform into organizational performance? A mediating role of marketing capability", *Journal of Business Research*, 63, 849-855.
- Choudhury, Musfiq Mannan and Paul Harrigan (2013), "CRM to social CRM: the integration of new technologies into customer relationship management", *Journal of Strategic Marketing*, 22, 2, 149-176.
- Coltman, Tim (2007), "Why build a customer relationship management capability?", *Journal of Strategic Information System*, 16, 301-320.

- Greenberg, Paul (2010), "The impact of CRM 2.0 on customer insight", *Journal of Business & Industrial Marketing*, 25, 6, 410-419.
- Hanna, Richard, Andrew Rohm and Victoria L.Crittenden (2011), „We're all connected: The power of the social media ecosystem", *Business Horizons*, 54, 265-273.
- Heinonen, Kristina (2011), „Consumer activity in social media: Managerial approaches to consumers' social media behavior", *Journal of Consumer Behaviour*, 10, 356–364.
- Hennig-Thurau, Thorsten, Edward C. Malthouse, Christian Friege, Sonja Gensaler, Lara Lobschat, Arvind Rangaswamy and Bernd Skiera (2010), "The Impact of New Media on Customer Relationship", *Journal of Service Research*, 13, 3, 311-330.
- Jayachandran, Satish, Subhash Sharma, Peter Kaufman and Pushkala Raman (2005), „The role of relational information processes and technology use in customer relationship management", *Journal of Marketing*, 69, 177-192.
- Kaplan, Andreas M. and Michael Haenlin (2010), „Users of the world, unite! The challenges and opportunities of Social Media", *Business Horizons*, 53, pp. 59-68.
- Kietzmann, Jan H., Kristopher Hermkens, Ian P. McCarthy and Bruno S. Silvestre (2011), „Social media? Get serious! Understanding the functional building blocks of social media", *Business Horizons*, 54, 241-251.
- Kirca, Ahmet H., Satish Jayachandran and William O. Bearden (2005), „Market Orientation: A Meta-Analytic Review and Assessment of Its Antecedents and Impact on Performance", *Journal of Marketing*, 69, 24–41.
- Payne, Adrian and Peinne Frow (2005), „A strategic framework for customer relationship management", *Journal of Marketing*, 69, 167–176.
- Peters, Kay, Yubo Chen, Andreas M. Kaplan, Bjorn Ognibeni and Koen Pauwels (2013), „Social media Metrics-A framework and guidelines for managing Social media", *Journal of Interactive Marketing*, 27, 281-298.
- Ramani, Girish and V. Kumar (2008), "Interactiv Orientation and firm performance", *Journal of Marketing*, 72, 27- 45.
- Reinartz, Werner, Manfred Krafft and Wayne D. Hoyer (2004), „The customer relationship management process: its measurement and impact on performance", *Journal of Marketing Research*, XLI, 293-305.
- Srivastava, Rajendra K., Tasadduq A. Shervani and Liam Fahey (1998), „Market-Based Assets and Shareholder Value: A Framework for Analysis", *Journal of Marketing*, 62, 2-18.
- Trainor, Kevin. J. (2012), „Relating social media technologies to performance: a capabilities-based perspective", *Journal of Personal Selling & Sales Management*, XXXII, 3, 317-331.
- Trainor, Kevin, James Andzulis, Adam Rapp and Raj Agnihotri (2014), „Social media technology usage and customer relationship performance: A capabilities-based examination of social CRM", *Journal of Business Research*, 67, 1201-1208.

- Tsimonis, Georgios and Sergios Dimitradis (2014), „Brand Strategies in Social Media”, *Marketing Intelligence and Planning*, 32, 3, 328-344.
- Varadarajan, Rajan, Raji Srinivasan, Gautham Gopal Vadakkepatt, Manjit S. Yadav, Paul A. Pavlou, Sandeep Krishnamurthy and Tom Krause (2010), „Interactive technologies and retailing strategy: a review, conceptual framework and future research directions”, *Journal of Interactive Marketing*, 24, 96-110.
- Vorhies, Douglas W. and Neil A. Morgan (2005), „Benchmarking Marketing Capabilities for Sustainable Competitive Advantage”, *Journal of Marketing*, 69, 80–94.
- Vorhies, Douglas W., Linda Orr and Victoria D. Bush (2011), „Improving customer-focused marketing capabilities and firm financial performance via marketing exploration and exploitation”, *Journal of the Academic Marketing Science*, 39, 736–756.
- Wang, Yonggui and Hui Feng (2012), “Customer relationship management capabilities”, *Management Decision*, 50, 115-129.
- Wu, Fang, Fijay Mahajan and Sridhar Balasubramanian (2003), “An analysis of e-business adoption and its impact on business performance”, *Journal of the Academic Marketing Science*, 31, 4, 425–447.
- Zablah, Alex R., Danny N. Bellenger and Wesley J. Johnston (2004), “An evaluation of divergent perspectives on customer relationship management: Towards a common understanding of an emerging phenomenon”, *Industrial Marketing Management*, 33, 475-489.