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Social media use for CRM and business performance satisfaction: The moderating roles of social skills and social media sales intensity

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ABSTRACT

The present study explored the association between the intensity of social media use for customer relationship management (CRM) and the business performance satisfaction of Thai microenterprises. The survey data were collected from 217 owners of the small shops at major marketplaces in Thailand. The results from partial least square regression analysis showed that the entrepreneurs who used social media intensively for CRM tended to report higher satisfaction with their business performance. Furthermore, the results from the moderating effect analyses found that the positive relationship between social media use intensity for CRM and business performance satisfaction tended to be significantly higher for the entrepreneurs who exhibited lower levels of social competency in business, as well as for the companies that generated more sales from social media. The main findings of this research provide practical implications for microenterprise entrepreneurs. Given that communication in social media tends to involve less interpersonal interactions than face-to-face communication, using social media for CRM activities might be essential in enabling entrepreneurs with low social competency to interact with customers to improve customer satisfaction. Also, this finding implies that using social media for CRM tends to be more crucial for companies that primarily target customers who are social media users.

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1. Introduction

In business nowadays, companies inevitably face tremendous challenges, such as the high competitive rivalry among existing firms, the unpredictable changes in consumption trends, and more sophisticated customer demands (Porter, 2008). Unarguably, the ability of firms to generate and sustain customer satisfaction is the key indicator that can strongly determine the success of the business. In order to create and maintain competitiveness to outperform other competitors, it is necessary for the companies to strive to provide superior service to customers, to increase customer satisfaction. To achieve this task effectively, it is crucial for the companies to accurately understand and discover the needs and wants of the customers, and be able to tailor the products/services

to meet or exceed customers' expectations. In particular, the marketing practice known as customer relationship management (CRM) is often suggested to enable companies to achieve this objective. While the traditional CRM, implemented through computerized software and database systems, is commonly adopted by large corporations, there is evidence that social media such as Facebook and Instagram have also become an emerging trend in facilitating the implementation of CRM activities by small firms (Malthouse, Haenlein, Skiera, Wege, & Zhang, 2013; Trainor, Andzulis, Rapp, & Agnihotri, 2014; Woodcock, Green, & Starkey, 2011). Although the topic of social media use for CRM has already appeared in the literature, as yet the application of social media for CRM in microenterprises has not been adequately explored. Given that the characteristics of microenterprises are different from medium and large enterprises, their adoption of social media for CRM might follow patterns which differ from the models and theories put forward for large enterprises (Harrigan, Ramsey, & Ibbotson, 2009). Also, the issue of whether the adoption of social media for CRM can be linked to better company performance has not been previously explored. These are the main research questions that

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this research aims to address.

This research not only discusses how social media can be used as the CRM tool for microenterprises, but the authors also empirically investigate the association between the intensity of social media use for CRM and business performance satisfaction, using a sample from the microenterprises in Thailand. In particular, Thailand serves as a suitable research context for studying social media application in business, given that social media have been extensively used by many small firms as a key channel to advertise and sell their products (Quevedo, 2012). However, although the issue about the benefits of social media use in business has been previously investigated (Trainor, 2013; Trainor et al., 2014), existing studies have only focused on the contributions of social media use to the outcome variables, without considering the role of the entrepreneur and the firm's characteristics, which can moderate the benefits that companies can obtain from social media application. Considering this research gap, one additional question that the authors aim to address is as follows: while social media application in business has been proposed to benefit business performance, can it be possible that some firms will benefit from it more than others? Therefore, instead of focusing only on the direct effect of social media use for CRM on business performance satisfaction, the authors also explore whether its positive effect can be moderated by the degree of social competency of the entrepreneurs and the degree of social media sales intensity. While social media use for CRM may generally benefit firms' performance satisfaction, it is possible that the benefits could be more prominent for entrepreneurs who lack the social competency to interact face-to-face with customers in the bricks-and-mortar business environment, as well as for firms that rely more intensively on social media sales. The existing support for the moderating roles of entrepreneurs and firms' characteristics will be discussed in the following section.

This research is organized as follows. In the next section, the authors will review literature on CRM, the characteristics of microenterprises, and discuss how social media can be used for CRM activities to enhance business performance. The hypotheses will also be formulated based on related literature supports. After that, the methodology used to test the hypotheses will be presented. After the results from the data analysis are reported, the authors will discuss the findings, provide some practical and research implications, and then conclude.

2. Literature review and hypotheses

2.1. Social media use for CRM by microenterprises

In a general sense, CRM can refer to the utilization of customer-related information or knowledge to deliver relevant products or services to consumers, in order to improve customer retention through the effective management of customer relationships (Bull, 2003; Levine, 2000). Ryals and Payne (2001) argued that although the term "CRM" has normally been used interchangeably with "relationship marketing", one particular point that distinguishes CRM from relationship marketing is that CRM involves the utilization of information technology (e.g., computer software, database systems) to facilitate the relationship marketing process. Because of this, Payne and Frow (2005, p. 167) suggested that "CRM is more commonly used in the context of technology solutions and has been described as information-enabled relationship marketing".

In the literature to date, the majority of research on CRM has explored the implementation of CRM by large and medium companies, but fewer studies have focused on microenterprises. In fact, some evidence shows that smaller and larger companies tend to emphasize social media applications in different areas. Verheyden

and Goeman (2013) found that both small companies and large corporations have increasingly begun to apply social media to add value to their businesses. However, when comparing the applications of social media between small and large companies in the four areas of value creation (internal communication, external communication, knowledge sharing, and recruitment), it seems that small companies tended to utilize social media more for external communication, while large corporations tended to use them more extensively for internal communication (Verheyden & Goeman, 2013). However, research conducted by the SMB Group (2012) showed that most smaller companies did not have a proper strategy when applying social media for business or marketing purposes unlike larger corporations normally did.

As organizational theories and practices implemented by large organizations may not reflect the true structure and management principles of small organizations (Harrigan et al., 2009), it is important to explore the CRM practices of microenterprises that may be constrained by their unique characteristics. Generally, microenterprises are tiny businesses that employ fewer than ten employees. Sometimes they only have one employee, who is actually the business owner. Due to the size disadvantage, one particular constraint that they normally encounter is a lack of financial capital to support the operations (Kamal, Andre, & Augustyn, 2011). Moreover, instead of having a management team to perform various business functions such as marketing and technology management, as do medium-sized and large corporations, the owners of microenterprises generally perform these activities themselves. For these reasons, the implementation of CRM requires significant investment in information technology infrastructure, human resources, and know-how; this is more suited to medium and large firms, and may be difficult for microenterprises to undertake (Garcia, Pacheco, & Martinez, 2012). As a result, the CRM implementations by microenterprises tend to differ those of large and medium-sized enterprises. For example, scholars have suggested that while large corporations normally utilize state-of-the-art computerized systems for their CRM activities, microenterprises tend to rely on basic technologies such as email and simple accounting packages to support their operations (Bharati & Chaudhury, 2006; Kamal et al., 2011).

Recent studies have proposed that social media technology can provide the opportunity for microenterprises to implement CRM activities (Malthouse et al., 2013; Trainor et al., 2014; Woodcock et al., 2011). However, how microenterprises can utilize social media for CRM has not been well-documented. In this study, the authors adopt the conceptualization of CRM activities proposed by Peppers and Rogers (2011) as the framework for social media application for CRM. In this framework, CRM activities are classified into four processes, namely identification, differentiation, interaction, and customization. The first process of CRM, *identification*, involves collecting customer information, such as demographic characteristics, purchasing history, and personal preferences. The second process, *differentiation*, aims to segment customers into groups based on similar needs and values. The third process, *interaction*, involves interacting and communicating with customers to ensure that their expectations are well-understood, in order to aid the development of products and services that create long-term customer satisfaction. The fourth process of CRM, *customization*, involves customizing and tailoring marketing offers to each customer according to their specific needs and preferences.

In particular, microenterprises in Thailand use social media for all four CRM processes (Quevedo, 2012). First, for the *identification* process, when a person clicks "Like" on a company's Facebook page or leaves comments about posts, the company can view the profiles of that person and gain access to the information that the person has shared on his/her Facebook page. This function is similar in

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