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# **SOCIAL CUSTOMER RELATIONSHIP MANAGEMENT AS PREDICTOR OF CUSTOMER RELATIONSHIP PERFORMANCE: AN EMPIRICAL STUDY OF B2B AND B2C COMPANIES**

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**Abstract.** Using an empirical survey conducted among B2B and B2C companies in India, the paper examines the linkage between social media use, customer relationship management (CRM), social customer relationship management (SCRM) and the customer relationship performance (CRP). A framework was constructed using literature review and validated by the regression analysis. The findings show that the social media use and CRM capabilities interact positively to build SCRM capabilities which then have positive impacts on CRP. The linkages differ slightly for business to business (B2B) and business to consumers (B2C) companies. The paper also shares the challenges faced by the businesses in implementing the SCRM.

**Keywords:** Customer relationship management, Social Media, Social Customer relationship management, Customer relationship performance, India.

## **1 Context**

Social media platforms are becoming an indispensable part of strategies in reaching out to the customers and to maintain the relationship with them. They act as touch points and serve as building blocks for personalized experiences in a socially networked ecosystem. There are social media uses without external customer interactions which are aimed at improving the internal collaboration of the businesses. The examples include internal social networking platforms, internal wikis, social media recruiting and image sharing boards. It is said that degree of social media use for internal collaboration might be an important influencing factor for successful external collaboration for the businesses [1]. The traditional customer relationship management (CRM) focuses on aggregating and analyzing customer data in order to automate workflows for business process optimization and address issues related to customers in order to deliver high quality service to the customers. The new practices focus on engaging customers on a real time basis through multiple social media platforms and social monitoring tools [2]. This integration of social media in CRM is called as social CRM (SCRM). The SCRM enables not only employee to customer interactions but also customer to customer interactions

and help in forming communities.

Efforts are being made by the practitioners to implement the social CRM in an optimum way resulting in higher profitability to the businesses. Many social media technologies and their applications are being labeled as SCRMM, but there is still a dearth of guidelines for SCRMM design and implementation [3]. As the social media technologies are also evolving, the extant literature on this emerging space seems to be inadequate. The paper attempts to fill this gap. The paper is broadly divided into two parts. First, we construct a framework for businesses that seek SCRMM implementation in Indian context. Second, we validate this framework based on survey research to examine inter-relationship of elements within the framework.

### **1.1 Customer Relationship Management**

Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value [4]. As the new technologies are emerging, the way customers are interacting with the businesses is changing. There are different touch-points and platforms to facilitate customer relationship management. There is a need for understanding the factors that facilitate the effectiveness in an organization [5]. It is no secret that businesses are exploring more and new strategies for better customer relationship management to tackle the increasing competition in market place where customer retention, satisfaction and delivering value are imminent [6]. In a dynamic market environment, building and fostering relationships with customers and further fortifying in order to track of the demands and understand their innate needs are essential to retain the customers [7]. The businesses have never been able to interact with customers and engage them in such large numbers before and at so many touch-points and in real time basis.

### **1.2 Customer Relationship Performance**

In organization, resources and capability determine the success of the business processes. The effectiveness in converting the resources into capabilities defines the business performance [8]. This performance can be determined with customer based measures like loyalty and satisfaction. The paper uses the customer relationship performance as 'the extent to which firms are successful at satisfying and retaining loyal customers' [8, p.5]. The customer based measures can also be included in parameters for examining performance measurement items like sales growth and profitability etc. [9]. The customer satisfaction has a significant effect on their repeat purchase behavior and buying more than their regular product purchases [10], [11]. Also, customer retention also lowers the level of customers' complaints. The customer satisfaction and retention enhance their relationship with the organization positively, subsequently resulting in improved performance in terms of low cost, more ROI, higher profitability, and high

market share [12]. It is also observed in the literature that organization can achieve a competitive advantage by integrating recourses like CRM technology to social technology for customer-linking capabilities. Finally customer relationship based on social media technology can also add value to organization by accelerating the communication flow between market and businesses.

### **1.3 Social Media**

Social media is seen as platform where customers can interact among themselves and is also defined as a set of applications enabling a way of communication among users and developing different communities [13]. It works on Web 2.0 technologies and is expected to have user generated content. The user generated content can be of all possible content formats – images, audio, video, and text etc. Further, seven functional blocks were delineated while differentiating the social media platforms: identity, conversations, groups, reputation, relationships, presence, and sharing [14]. Any social media platform shall perform one or more functions predominantly.

The challenges to utilize the social media at an optimum level are many as the platforms are dynamic and user based activities cannot be controlled. The platforms should not also be used on one-time exchange basis. A continuum should be followed in exchange which would then lead to co-creation of values. Businesses really need to focus on or try to adapt themselves to new and different approaches in order to get customer attention or engage them. They have to shift from goods dominant logic which is focused more on achieving sales target for withstanding the new empowered and well-informed customers and their activities in the platforms. Social media platforms can themselves be used to interact with the customers. They have expanded the realms of these interactions in such a vast space that there is an ever increasing amount of data available on the behavior of customers [8]. Social media based approaches have intensified the need for hyper agility of businesses. It is imperative that businesses need to know, track and understand the tone, content of remarks, talks, discussions, and actions of customers towards certain product, brand, or organization and then utilize this data to co-create value with customers in order to build and maintain customer relationship and achieve customer relationship performance and deliver high service quality [15].

### **1.4 Social Customer Relationship Management**

Social Customer Relationship Management is often referred as the integration of customer-facing activities, including processes, systems, and technologies, with emergent social media applications to engage customers in collaborative conversations and enhance customer relationships [3]. The emerging ecosystem of SCRM involving different stakeholders is wide, diverse, complex and challenging. Nevertheless, such an eco-system can be leveraged to facilitate new ideas generation for innovation, new product or service development, market research, trends analysis, sentiment analysis, word-of-mouth marketing, and customer reviews.

It has been proved that social media use has a positive association with CRM capabilities [8]. The businesses with customer centric management systems may further facilitate employees of an organization to assimilate information from interactions and networks in social media platforms. The customer-centric management systems and social media use interact and positively affect the social CRM capabilities organizations [8]. The capabilities of an organization are determined by ability of organization to assimilate and integrate resources in a useful way in order to differentiate itself and deliver high customer relationship performance. The literature also reiterates that resources are needed to be integrated and used to achieve the business performance [16]. It is evident that social media technologies along with other organizational resources will contribute highly and positively towards achieving the business performance [17].

The extant research provides inadequate insights on development and implementation frameworks for SCRM in general and more specially in the Indian context. In the light of the above, we suggest that social media use and CRM practices in any business shall predict the SCRM which in turn predict the customer relationship performance (CRP).

## **2 Methodology**

### **2.1 Sample**

The data were collected by surveying managers who are at either mid-management level, senior level or at C-level from organizations spread across a wide spectrum of industries located in India. The respondents are working in the departments of marketing, sales, and media and communication. They were from both business to business (B2B) and business to consumers (B2C) segments. A total of 48 responses were collected from 31 organizations. 23 responses were collected by conducting telephonic interviews and rest was collected using an online questionnaire. All the questions were closed ended. In few cases the respondents gave long responses which are used by the authors in this paper, just to illuminate the findings, rather than treating the study as a mixed design. The respondents were assured of protection of identity while canvassing for the survey.

The data were collected using a questionnaire. The questionnaire consisted of 35 close-ended questions. It contained Likert type items to examine social media use, CRM and SCRM. The data were fed into SPSS v.20 for analysis. The regression analysis was performed to find the linkage between the elements in the empirical evaluation of our conceptual framework.

## 2.2 Measures

The questionnaire used various indexes developed by the earlier researchers and modified wherever required. For social media technology use, we used an index developed by [2]. We asked respondents to mark in a list of social media technologies which were used in their organization. It determines the usage of various social media technologies by each organization. The aggregate score of this analysis was further used as an observed measure.

We adapted a scale [18] developed to operationalize the Social CRM capabilities. This scale represents an organization-wide system for acquiring, disseminating, and responding to customer information referring to customer information generated from social media applications. Further, customer relationship performance was evaluated adapting a scale developed by [12] to examine whether organizations are successful in retaining and have satisfying customers. Following were the items for which yes or no responses were sought: once we get new customers, they tend to stay with our company; our loyal customers also promote our firm; our customers are satisfied with our company; and customer retention is very important to our firm.

## 3 Results

The sample firms were divided into two major categories – B2B and B2C. The most widely used social technologies in organizations are Facebook, YouTube, twitter, direct mail, social analytics, social collaboration, online conferencing and LinkedIn.

72% of the respondents rated Facebook as an important platform. The Facebook is used for various purposes like interacting with customers, disseminating information about discounts, new products, deals, and increasing brand's visibility. For B2C companies, Facebook posts are used to address specific cosmetic product's users whose contact numbers were asked on Facebook and were called later in order to get the product review and help research department in the company. It also helped them understand customer sentiment for the product. While in B2B companies, Facebook is used majorly for branding purposes and recruitment. It is also seen as mainly a hygiene factor in many B2B companies. The reasons for the same can be attributed to clients' online behavior, customers reach, and business needs such as maintaining confidentiality of clients' information, high cost of each deal, as per the qualitative data.

Further, Twitter and LinkedIn are rated as important by 58% of the respondents. The Twitter is used for promoting campaigns and competitions held by companies, sharing updates, interacting with online customer base and responding to queries, conducting research such as identifying trends, sentimental analysis, being part of groups and analyzing their behavior, providing experts' insights by sharing white papers on Twitter.

LinkedIn is mainly used for recruitment purposes. It is also used for ad spots, publishing articles such as white papers and to be part of relevant groups like specific cause

related associations. It is also used for identifying specific groups and identifies the potential customers. Mails are sent to email id of CEOs on LinkedIn and campaigns were held to reach out to CEOs who were the present and potential customers. 56% of the respondents rated online conferencing/webinar as important for their businesses. Webinar is mainly used in B2B companies to interact with clients and teams spanning across different geographical locations. In B2C companies, it is used for employee to employee interaction. 72% of the respondents rated direct mails as important as well. The direct mails are mainly used to contact customers and provide assistance by responding to queries or requests. They are usually followed or preceded by phone calls at customer centre through the interactive voice response (IVR) systems. 66% of the respondents rated YouTube as an important platform. YouTube is mainly used for passive promotion, i.e., ads are there but they are not core to customer acquisition or retention.

To understand interactive effects of CRM in an organization and its social technologies use on SCRM of the organization, multiple regressions analysis were undertaken. The results are presented in Table 1 and Table 2. In analysis, SCRM and CRP (dependent variables in separate cases) were considered as a function of all independent variables. Based on their significance level, the models included only the significant factors with  $p \leq 0.05$  in the regression equation and omitted all of the other insignificant factors. In addition, the value of R square measures the percentage of variance explained by the independent variables. Literature suggests that the value more than 0.60 are considered as good result.

The predictor, social media use explained a significant proportion of variance in SCRM scores. Although CRM as an individual predictor in the model does not have significant effect on SCRM, while social media use as an individual predictor has significant effect on SCRM. On the CRP, SCRM did not explain a significant proportion of variance unlike CRM. But the collective effects of CRM and SCRM on its CRP in B2B industry, explained a significant proportion of variance in CRP. In other words, in B2B companies, mere use of social media does not translate into SCRM automatically, but it should have good CRM practices. Also, CRP is predicted by combination of CRM and SCRM, not just SCRM. The research underlies that extant CRM practices are important for establishing the linkage between social media use and customer relationship performance.

**Table 1.** Social customer relationship management in B2B Companies

Independent Variables	Dependent Variable	Adjusted R <sup>2</sup>	P
CRM	SCRM	0.0070	< 0.757
Social Media Use		0.3470	< 0.016
CRM and Social Media use (Both)		0.3900	< 0.039
CRM	CRP	0.4140	< 0.007
SCRM		0.0005	< 0.9327
CRM and SCRM (Both)		0.3250	< 0.030

For B2C companies, the results are slightly different. Social media use predicted the SCRM, not the CRM. The combined effect of CRM and social media use also predicted the SCRM with relatively higher amount of causality. CRP is predicted successfully by CRM and SCRM.

**Table 2.** Social customer relationship management in B2C Companies

Independent Variables	Dependent Variable	Adjusted R <sup>2</sup>	p
CRM	SCRM	0.141	<0.167
Social Media use		0.742	<3.65E-05
CRM and Social Media use (Both)		0.699	<0.0002
CRM	CRP	0.265	<0.049
SCRM		0.422	<0.008
CRM and SCRM (Both)		0.426	<0.014

## 4 Discussion

The study suggests that there is a strong causal linkage between social media use and SCRM. SCRM focuses on a firm's capability to engage with internal and external customers with the help of social media. The association between the two is higher in B2C companies as compared to B2B companies. As discussed earlier, in different ways and strategies social media technologies have been used to engage with customers, create value for them and with them. The results reflect on how pervasive SCRM should be in customer engagement across organizations.

The possible explanation for differences between B2B and B2C businesses can come from the nature of customers. In B2B companies, the target segment is relatively smaller than the B2C segment and is reached out on a more person to person basis. While in B2C companies, the target segment is large and can be reached out via social media beside other media and person to person basis. There is a possibility that social media platform like Facebook or Twitter could be seen as hygiene factor in B2B companies.

There is also significant interactive effect of social media use and CRM towards SCRM in both B2B and B2C companies. But no positive association could be seen between SCRM and CRM in both B2B and B2C companies. It is possible that SCRM and CRM are seen as two separate entities and under different lights in Indian context. Either a company does CRM through social media or it doesn't. The level of SCRM implementation in a company doesn't have an effect on how it manages customer relationship through other media like IVR, call centre, customer care team. It is also important to note that parameters used to measure CRM and those used to measure SCRM are different and need not have high relation between the two. It is possible that because the processes that come under CRM and SCRM do not overlap and because companies who implement high CRM need not implement the same level of SCRM, there is no significant association found between CRM and SCRM. This linkage needs to be explored further in future studies.

Further the study also indicates positive interactive effects of SCRM and CRM towards achieving CRP but with different individual effects. In B2B companies, while SCRM doesn't seem to have significant impact, although positively influencing the CRP, interactive effects of SCRM and CRM are significant in effecting CRP. In B2C companies, while CRM doesn't seem to have significant impact, although positively determining the CRP, interactive effects of SCRM and CRM are significant in effecting the CRP. This may be due to less focus on SCRM as compared to CRM in B2B companies and less focus on CRM as compared to SCRM in B2C companies. It should be noted that CRM alone has significant effect on CRP in both B2B and B2C companies, while SCRM alone has a positive significant effect on CRP only in B2C companies.

In B2C companies, there is more focus on managing customer relationship via social media technologies whereas in B2B companies, social media is mainly used for brand awareness, recruitment purposes, research and not for engaging or communicating with clients. The clients are reached out at a personal level and social media is not sought for maintain relationship with clients. It is done as clients are usually executive level employees who also believe in person to person meetings and each product solution transaction cost is very high.

## **5 Challenges In Implementation of SCRM**

The questionnaire had listed seven possible challenges faced by the businesses while implementing the SCRM. The data indicated three top challenges. 20% of the managers believed that the organization size was one of the challenges in implementing SCRM in organization. Both too small and too large sizes of organizations were seen as challenges. Shortage of sufficient and skilled manpower to gain social media technologies capabilities was a challenge identified in organizations of small size. While complexities in integrating social media activities and derived capabilities, large number of stakeholders, lack of expertise and large consumer base due to increased scope and scale of organization were seen as challenges in organizations of large size.

Further discussion with a respondent who is a senior executive explained that how a larger size became a problem, as the structure is more complicated in large organizations, especially the sales team. Lack of common data sharing platform in an organization is seen as a problem. A consultancy's communication manager explained that how due to large size of the company, a SCRM implementation had become too centralized when it should be decentralized in an ideal situation. Currently marketing and communication unit alone handle the SCRM and operations person has to tell the marketing person to take a necessary action and then only it is acted upon resulting in longer time.

28% of the managers reported that lack of clarity in measuring return on investment (RoI) for implementing SCRM was one of the challenges. Although sales target is achieved and online visibility is observed, measuring ROI of SCRM is still seen as a challenge in implementing SCRM. Possible reasons for the same may be lack of clear and well-defined key performance indicators when it comes to implementation of SCRM in an organization.

Further, 20% of the responses reported that lack of expertise to implement SCRM was one of the challenges in implementing SCRM in organization. This was a challenge prevalent irrespective of size of organizations. Although, a marketing manager of an e-commerce company shared that one of the challenges faced while measuring success and implementing SCRM was that there was no 100% overlap between people liking posts, pages etc. and real customers. This creates a problem in identifying true customers and understanding their behavior. Also everyone in the company believed in SCRM but not many really knew how to implement it as the required expertise was lacking in organization.

## **6 Implications**

This study provides a preliminary framework for companies to implement SCRM. It provides a road-map so as to head-start with or to identify the right elements to achieve high CRP. It also throws light on interactions abilities of different factors within the framework. This study also suggests that investment in social media technology can provide businesses with substantial CRM benefits. The comparative analysis of SCRM

implementation B2B and B2C industries highlights the differences in usage and approach. It shows why earlier models proposed for implementation of SCRM towards achieving CRP cannot be as it is applied to Indian industries. While there seems to be a high correlation between customer-centric processes and SCRM capabilities [8], this study doesn't support such high correlation between these components.

The study clearly indicates that SCRM alone will not result in performance, especially in the B2B domains. It needs to be aligned with the best of CRM processes. Although the sample is very broad and diverse which may help to capture insights from different industries like ones which are transactional in nature, technology oriented, e-commerce, retail etc. The research findings can be used as a stepping stone to understand SCRM related issues in Indian industries and in developing confidence in the preliminary framework designed for implementation of SCRM.

The paper reinforces the importance of customer centricity required in Indian businesses. The CRM measure is uniform across both B2B and B2C companies as it is an important factor for realizing the CRP in businesses. The CRM capabilities affect SCRM capabilities by interacting with social media use and also affect CRP by interacting with SCRM capabilities. The B2B companies came across as more inclined towards developing CRM capabilities, while B2C companies came across as more inclined towards developing SCRM capabilities. The linkages between CRM and SCRM capabilities in Indian organizations are weak unlike given in the extant research that are mostly done in the high income countries. The framework needs further validation in the context of low and middle income countries like India wherein the Internet penetration or information eco system is not in the advanced stages. The study also raises importance of unpacking the differences between B2B and B2C domains in the use of social media platforms for business use, especially in the customer interaction centric ones.

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