

# Customer Relationship Management and Social Media Use

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## INTRODUCTION

Customer Relationship Management (CRM) is increasingly becoming an essential strategy for companies, allowing them to improve their profits through long-term relationships with customers (Coltman et al., 2011). In the current competitive environment, characterized by financial challenges and increasing competitiveness between firms, companies need to implement CRM strategies in order to develop and build more efficient and effective customer-focused strategies (Chang et al., 2010). As a consequence, the management of customer relationships has become a top priority for companies (Verhoef et al., 2010). From the late nineties, there has been an explosion of interest in CRM (Becker et al., 2009), both in the literature and in the business world. The use of Social Media tools (such as Facebook, Twitter and Youtube) is becoming an emerging trend and companies are realizing its potential to engage customers in active conversations (Kaplan and Haenlin, 2010). Social CRM has emerged as a novel concept, integrating Social Media technologies with traditional CRM channels (call-centres and mail) in an attempt to gain new levels of customer insight, as well as to improve personalization and customer satisfaction. However, the implementation of Social CRM involves an enormous challenge for firms, as it requires a cultural shift, and managers need to know how to effectively integrate these tools to leverage all its potential (Noone et al., 2011). In fact, companies all over the world are using Social Media to some extent, but a lot of these initiatives are failing because they do not attract customer interest nor create business value (Bradley & McDonald, 2011).

Due to the novelty of the concept, there is a lack of research on Social CRM, particularly how companies are implementing it and what the main benefits are. The aim of the article is to shed light on the topic of Social CRM implementation and we seek to answer the following research questions: 1) What are the main Social Media tools that companies are using?; 2) Which are the most relevant advantages and challenges that arise when implementing these initiatives? Both questions are of practical importance because companies are investing considerable time, money and effort in the implementation of CRM, but little is known about their benefits or impact on performance. The topic will be analysed using both, quantitative and qualitative data from an international sample of hotel companies.

The article is organized as follows. After a literature review, the empirical study and main results are described. The conclusions, along with some future research lines close the study.

## BACKGROUND

### Customer Relationship Management

CRM can be considered a strategic approach that aims to create improved shareholder value through the development of appropriate relationships with customers, combining the potential of relationship marketing strategies and Information Technologies (IT) (Payne & Frow, 2005). The CRM concept has its roots in Relational Marketing, and implies *the implementation of Relational Marketing using IT* (Ryals & Payne, 2001; 6). Taking into account that the main purpose of Rela-

Relationship Marketing is to attract, maintain and enhance customer relationships (Berry, 1983), CRM focuses on realizing this philosophy by using technological tools. CRM technology plays a critical role in enabling the relationship marketing strategy, whilst incorporating the computer hardware and related software for managing relational interactions (Shang & Lin, 2010). A CRM technological system covers the following elements: information systems, software, sales force automation (SFA), data warehouse and data mining, help desk, Internet and call centers (Mendoza et al., 2007). All these systems are designed to acquire knowledge about customers, and will enable the company to respond quickly to customer needs and adapt to changing markets (Shi & Yip, 2007).

CRM is defined as the “purposive use of customer knowledge and technologies to help firms generate customized offerings on an individual basis based on fairness and trust in order to enhance and maintain quality relationships with all the involved parties” (Nguyen & Mutum, 2012, p. 413). Consequently, the major building blocks of the CRM concept are: i) the management of the dual creation of value, ii) the intelligent use of data and technology, iii) the acquisition of customer knowledge and the diffusion of this knowledge, iv) the development of appropriate (long-term) relationships with specific customers, v) and the integration of processes across the many areas of the firm (Boulding et al., 2005). So CRM could be considered as a cross-functional business strategy that integrates diverse functions in the company (marketing, sales, customer service, human resources and information technology) in order to maximize profitability of customer interactions (Chen and Popovich, 2003).

CRM, when effectively implemented, could allow companies to create a sustainable competitive advantage, resulting in greater profitability (Bohling et al., 2006). For this reason, CRM success has been a topic widely discussed in the literature (Nguyen and Mutum, 2012). It has been observed that CRM implementation could bring both tangible and intangible benefits to the companies (Chen and Chen, 2004). The tangible benefits include increased revenue and profitability and reduced costs, while the intangible include increased customer satisfaction, positive word-of-mouth and improved customer services. Consequently, CRM,

when properly implemented, has proven to be useful for any company in the way that it allows them to detect changes in customer needs, personalize their service, differentiate from competitors and then create a competitive advantage (Jain, 2005).

## Social Customer Relationship Management or CRM 2.0

In the last decade, Social Media has emerged as a real game changer, putting the customer at the center of the organization (Smith & Zook, 2011). It could be argued that Social Media represents a revolutionary new trend for companies (Kaplan & Haenlein, 2010), and some even assume it as the biggest change since the industrial revolution.

Social Media refers to a set of online tools that supports social interaction between users, facilitating the creation and sharing of knowledge, and transforming monologue (company to customer) into dialog (Hansen et al., 2011). One of the most accepted definitions of Social Media is the one proposed by Kaplan and Haenlein, (2010, p. 61), who consider it as “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.” Social media employs mobile and web-based technologies to create highly interactive platforms via which individuals and communities share, co-create and discuss, providing companies with a new communication landscape (Kietzmann et al., 2011). Its content comprises text, pictures, videos, and networks and includes tools such as discussion forums, blogs, micro-blogs, texting, chat, social networking sites, wikis, photo and video sharing sites, and review sites (Hansen et al. 2011; Berthon et al., 2012). All these Social Media tools support the democratization of knowledge and information, transforming individuals from mere content consumers into content producers (Berthon et al., 2012). They allow users to connect, inform, inspire, and track other people, allowing new ways of collaborating (Hansen et al., 2011). Social Media is about engaging customers in open and active conversations (Kaplan & Haenlein, 2010). So, one of the main advantages of its use for companies is to improve customer engagement by building emotional

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