

# Social Customer Relationship Management



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## INTRODUCTION

Providing excellent services to customers is becoming vital in today's competitive environment. To survive in today's competitive market, organizations must incorporate the customer's viewpoint (Low, 2002). Several researches explained that improving the quality of service has a positive effect on customer's satisfaction (Sheng & Tang, 2010). Customer satisfaction can be considered as an integrated response to evaluation. In other words, improving customer satisfaction should be central in deriving a business strategy (Czepiel, et al., 1974) and service quality has become the most powerful competitive weapon (Parasuraman, et al., 2008). In managing customers, the organization needs to know how to deal with customers' expectation. This involves the ability to detect their expectation and to identify the reasons for dissatisfaction. Customer service is not an "extra" thing; it is an essential requirement for providing high quality and surviving in a highly competitive business (Stanton, 2009). Customers are making clear choices about where they receive care based on service experiences; therefore, it is crucial for organizations to create an institutional ability to sense and respond empathetically to their customers.

Nowadays customers have more choices to seek services and interact with their service providers. A great customer service can lead to major improvements in the whole organizations' system like efficiency in business process. In addition, a deep understanding of the interaction among factors involved such as quality of services, their outcomes, and customer satisfaction, has become an invaluable input for designing and managing customers (Donabedian, 1980). For this purpose, it is necessary to investigate the dimensions of service quality, which customers perceive as important (Parasuraman, et al., 2008).

Furthermore, every organization depends on ICT in managing their customers. The use of web technology, database management systems, and Internetwork infrastructure are part of ICT initiative that will affect organizational practice and administration. We discuss an idea of second generation of Customer Relationship Management (CRM 2.0) or Social CRM, as an extension of CRM with the Web 2.0 capabilities, to provide better services by encouraging customers' participations through several modes of interaction. It offers a starting point for identifying possible theoretical mechanisms that might account for ways in which Social CRM provides an alternative for building active relationship between service provider, customers, and the community at large. This article will briefly summarize the current CRM systems and identify few emerging trends and research in managing customers.

The article offers a new outlook on CRM structures inter-relation between an organization with its customers. The model is a generic model, which can be adapted by any organization to include Social CRM in creating business strategy to win customers' hearts and minds.

## BACKGROUND

The roles of CRM in managing customers and improving customer services have been well recorded in business literatures. Many corporations presently use CRM as a tool to serve customers better. Corporations take advantage of the recent development in Information and Communication Technology (ICT), especially the Internet related technology, embracing e-business. CRM is an integral part of e-business architecture, meaning that e-business without CRM is incomplete.

Unfortunately, many see CRM as merely a technology for improving customer service, which does not

necessarily lead to customer satisfaction when implemented. CRM initiatives must be seen as a strategy for significant improvement in services by solidifying satisfaction, loyalty, and advocacy through ICT. CRM must address the dynamic nature of customers' needs because behaviors and expectations of customers continuously change overtime. Hence, adjustments strategies embedded in CRM are required.

Greenberg (2009) defined CRM as a philosophy and a business strategy supported by a system and a technology designed to improve human interactions in a business environment. It is an operational, transactional approach to customer management focusing around the customer facing departments, sales, marketing, and customer service. Early CRM initiatives was the process of modification, culture change, technology and automation through use of data to support the management of customers so that it can meet with corporate objectives such as increases in revenue, higher margins, increase market share, campaign effectiveness, and reduction in call queuing time. Nowadays CRM is also designed to engage customers in a collaborative conversation in order to provide mutually beneficial values in a trusted and transparent business environment.

The fact that the expectation from customers to experience a good service is high creates serious challenges for business organizations to fulfill the expectation, let alone to make an exceptional impression on every customer. In a competitive commercial market, poor service drives customers to switch suppliers or providers because it leads to inefficiency, higher cost and lower quality of care (Anshari & Almunawar, 2011). Customers nowadays have more choices in seeking better service and interact with their preferred providers. Providing integrated services that can fulfill customers' expectations is an opportunity as well as a challenge for organizations as this can lead to an expansion of their businesses through serving customers better.

### **SOCIAL CRM**

CRM can be viewed as a strategy to retain the existing customers and to attract new ones. Customer retention is important for growth and sustainability of any business. CRM can also be used to extend other services or products to the customers. In the service provider, organizations are challenged not only to retain existing customers but also to acquire potential customers for

services, retaining them to use the services, and extending various services in the future. With the growing competition, managing the customer relationship and providing better services through CRM is a strategy that needs to be carefully planned.

Currently, a new paradigm has appeared in CRM systems as a result of the development of IT and Web service. This new paradigm has been named Social CRM or CRM 2.0 because it is based on Web 2.0 (Greenberg, 2009). CRM has evolved people, processes, and contents, which transform from customer management to customer engagement. That means it is more focused on the conversation between a business with its customers and among customers. Web 2.0, which plays a significant part in the CRM transformation, drives social change that affects all institutions including businesses such as healthcare organizations. It is a revolution on how people communicate. It facilitates peer-to-peer collaborations and easy access to real time communications. As many of the communication transitions are organized around web-based technologies, it is called Web 2.0. For instance, customers participate in a social network of healthcare can share information about their diagnoses, medications, experiences, and other information. It is often in the form of unstructured communication, which can provide new insights for people involved in the management of healthcare conditions.

The term Social CRM and CRM 2.0 is used interchangeably. Both share new special capabilities of social media and social networks that provide powerful new approaches to surpass the traditional CRM. Greenberg (2009) defined Social CRM as a philosophy and a business strategy, supported by a technology platform, business rules, 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 response to the customer's ownership of the conversation. Cipriani (2008) described the fundamental changes Social CRM is introducing to the current, traditional CRM in term of landscape. Figure 1 reflects the evolved CRM 2.0, which is different from CRM 1.0. It is a revolution in how people communicate whereby customers establish conversation not only with the service provider, but also with others.

The most significant feature of Social CRM is the network among customers and service providers. This

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