

CRM STRATEGY, SOCIAL CRM, AND CUSTOMER LOYALTY: A PROPOSED CONCEPTUAL MODEL

Adele B. L. Mailangkay dan Edhi Juwono

IKPIA Perbanas, Jakarta, Indonesia
E-mail: adele@perbanas.id, edhi.juwono@perbanas.id

Abstrak: Untuk mengatasi persaingan di sebagian besar lingkungan usaha yang semakin ketat, terutama dalam menghadapi berlakunya Komunitas Ekonomi ASEAN pada akhir 2015, perusahaan - perusahaan harus menjaga hubungan dengan pelanggan sehingga mereka tidak akan meninggalkan produk dan jasa perusahaan. Salah satu cara untuk menjaga loyalitas pelanggan adalah dengan menerapkan *customer relationship management* (CRM). Belakangan ini, CRM telah berkembang menjadi sistem atau perangkat lunak aplikasi, dan juga memanfaatkan media sosial yang disebut dengan CRM Sosial (*social CRM*). Tujuan dari penelitian ini adalah untuk membangun sebuah model konseptual yang diterjemahkan ke dalam model penelitian yang dapat digunakan sebagai dasar untuk melakukan penelitian lapangan. Penelitian ini menggunakan kajian kepustakaan dengan melakukan eksplorasi pada penelitian sebelumnya tentang pengaruh strategi CRM terhadap loyalitas pelanggan dan penelusuran atas dampak dari CRM sosial terhadap loyalitas pelanggan. Dapat disimpulkan bahwa CRM sosial dan Strategi CRM merupakan pilihan solusi yang efektif untuk membangun loyalitas pelanggan.

Kata kunci: strategi crm, crm sosial, dan loyalitas pelanggan.

Abstract: To cope with competition in the bulk of the business environment which is getting tighter, especially in the face of the introduction of the ASEAN economic community by the end of 2015, companies must maintain relationships with customers. So they will not leave the company's products and services. One way to maintain customer loyalty is by implementing customer relationship management (CRM). Lately, CRM has evolved into a system or software application, and also leverage social media called Social CRM (social CRM). The purpose of this research is to build a conceptual model which translated into research models that can be used as a basis for conducting field research. This research uses the study of library by doing exploration on previous research on the influence of CRM strategy toward customer loyalty and searches over the impact of the social CRM customer loyalty. It can be concluded that social CRM and CRM Strategies is an effective solution for building customer loyalty.

Key words: crm strategy, social crm, and customer loyalty.

INTRODUCTION

The background of the research is regarding the situation in the business environment. In the very near future the Association of South East Asia Nation (ASEAN) will inaugurate the ASEAN Economic Community (AEC). It will start effectively at the end of 2015 (Asean Development Bank,2013:1). So, it's going to be a new challenge for Indonesian companies since Indonesian market is supported by 40% of the total population of ASEAN the biggest one among the ASEAN countries. (<http://ilmupengetahuanumum.com/profil-10-negara-anggota-asean/>; 27 November 2014).

The new challenge drives some business problems. One of them is customer loyalty since it is considered as one of the main supports for the business continuity. (Limsarun,2011:3).

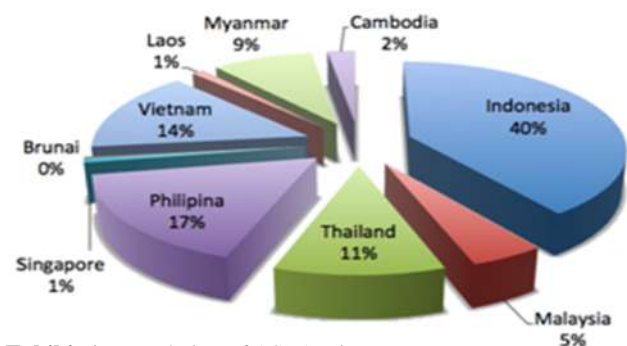


Exhibit 1. Population of ASEAN in Percentage

Table 1. Population of ASEAN in Number

Country	Number of Population	%
Indonesia	251,160,124	39.91%
Malaysia	29,628,392	4.71%
Thailand	67,448,120	10.72%
Philippine	105,720,644	16.80%
Singapore	5,460,302	0.87%
Brunei	415,717	0.07%
Vietnam	92,477,857	14.69%
Laos	6,695,166	1.06%
Myanmar	55,167,330	8.77%
Cambodia	15,205,539	2.42%

The solution for keeping the customer loyalty is managing the customer relationship, or what we call it customer relationship management (CRM). It is a business approach addressed for creating, developing, and enhancing the relationship between organization (corporate) and its customer to increase the customer value and profitability which in turn generate value added for the shareholders. (Payne,2005:4). Mandina (2014:70) also mentioned that CRM is interested topic for both academics and practioners.

More and more companies are focusing their attention on integrating customer centric strategies, program, tools, and technology to achieve effective and efficient CRM (Parvatiyar and Shet,2001:1). Since Roodriguez, Ajjan, and Peterson (2014:85) mentioned, "A new phenomenon in understanding buyers' needs and reaching customers is social media," this research will limit the discussion of technology in the discussion of social CRM.

DISCUSSIONS

CRM Strategy and Customer Loyalty

Studies in CRM strategy in relationship with customer loyalty have been paid attention to some researchers. In this papers, we start with the study of Osarenkhoe and Bennani (2007). They were using a case study method to explore the implementation of CRM strategy in a Swedish company (state owned enterprise), SOS Alarm AB Sweden, with high expertise in advance technology, i.e. alarms, communications, and IT. Its expertise in advance technology is showed by the implementation of CRM using a well known application, "Clientele" as part of its CRM strategy. Further, we can say that the company's strategy on customer oriented was started when they focused on quality by implementing ISO 9000 certification since the mid of 1990s (Osarenkhoe and Bennani,2007:150).Using case study of SOS Alarm AB Sweden, they (Osarenkhoe and Bennani,2007:156) found CRM as strategy helps businesses use technology (CRM application) and human resources to understand more about their customer behavior and the value of their customers so they can create a customer loyalty.

Lam, Cheung, and Lau (2013) was doing their research of electronic CRM (e-CRM) in Hong Kong's banking industry. They were investigating the correlation between of the effort of e-CRM (it is divided into: electronic direct mail, interpersonal communication, preferential treatment, and perceived reward), and perceived customer relationship quality (PCRQ); correlation between PCRQ and customer loyalty. So, it can be said that they put PCRQ as a mediating variable of effort of e-CRM and customer loyalty. Using the sample of 119 returned questionnaires from questionnaires sent by email to 150 respondents (Lam, Cheung, and Lau,2013:427), they found that there is a relationship (positive correlation) between effort of e-CRM and PCRQ, also a relationship (positive correlation) between PCRQ and customer loyalty (Lam, Cheung, and Lau,2013:432).

A study of successful CRM implementation in Greek luxury hotels is done by Samaniotis, Assimakopoulos, and Papaioannou (2013). The purpose of the study is "to construct a measure of hoteliers' customer centric orientation in Greece and identify some broad determinants for a successful CRM system implementation". Methodologically, they proposed a research model for describing "the relationships among management attitude toward customer centric orientation (MATCCO), CRM determinant, and hotel profit" (Samaniotis, Assimakopoulos, and Papaioannou,2013:135). They were using 86 hotels for sample from 1,608 of luxury hotels population in Greece. They contacted all of the population, but only 5.3% responded the invitation to participate in the research. The analysis units are the hotel owners or hotel managers. (Samaniotis, Assimakopoulos, and Papaioannou,2013:139). Both quantitative and qualitative analyses were applied in this study. From the quantitative analysis it is found that MATCCO does not have relationship with one of CRM determinant, i.e. administrative support, but all of CRM determinants have relationships with hotel profit. Perhaps the respondent perceives the notion of administrative differently when it was related to MATCCO. (Samaniotis, Assimakopoulos,

and Papaioannou, 2013:144-5). From the qualitative analysis using case analysis on two hotels that have been “applied a CRM system successfully” it is found that implementing a successful CRM systems needs some steps: (1) adopting customer centric philosophy, (2) business process re engineering based on the application of suitable organizational strategy. In line with the two steps, the e-CRM software reinforced the IT infrastructure. The model of communication with customer also changes: from treating all customers equally to giving priority for the valuable customers (Samaniotis, Assimakopoulos, and Papaioannou, 2013:147).

Kesuma, Hadiwidjojo, Wiagustini, and Rohman (2013) conduct a study of CRM as a mediating variable between service quality and customer loyalty a study on some private hospitals in Denpasar, Bali. The analysis unit is customers or patients of the hospitals. It is found that the service quality positively related to customer loyalty. There was an indication that the implementation of CRM played positive role in the relationship between service quality and customer loyalty (Kesuma, Hadiwidjojo, Wiagustini, and Rohman, 2013:12).

Mandina (2014) investigated CRM strategies in enhancing customer loyalty in the automotive industry in Zimbabwe. He mentioned that two indicators of customer loyalty are trust and commitment (Mandina, 2014:75). He considered CRM as a technology based strategy. It means that CRM with the support of technology integrates front office and back office with customer contact point to bring benefits for company and customer reciprocally (Mandina, 2014:71). His study found that “trust has a positive role to play as an indicator of customer loyalty.” And, technology helped company to build the trust by doing a well communication with its customer and also reputation (Mandina 2014:79).

Randeni and Wanninayake (2011) investigated some companies within telecommunication industry in Sri Lanka, specifically in Colombo. The study was based on 160 respondents who currently use telecommunication services, and it found that CRM strategies significantly impacts on customer loyalty. The CRM strategies is

implementing in customizing service systems, paying attention individual attention to customers, providing necessary service information, providing proper after sales services and feedback services of suppliers.

The other research based study concerning CRM and customer loyalty was done by Robert Lombard and du Plessis (2011). Their study is conducted on insurance industry in South Africa, and based on 254 respondents they found that CRM positively influence customer loyalty. In conclusion it can be said that in several industries and countries CRM strategy is impacting customer loyalty.

Social CRM and Customer Loyalty

According to Greenberg (2010:475), Social CRM (SCRM) is a rationality and a business procedure that is underpinned by an innovation stage, business manages, techniques, and social qualities, intended to captivate clients to give commonly valuable esteem in a trusted and straightforward business environment. Research in social CRM is considered as a new study in the field of both information systems and marketing. It was appeared when Internet is used as media for approaching customer. Katsioloudes, Grant, and McKechnie (2007:56) stated that CRM strategy in the sense of creating value between company and its external (internal) customer was no longer enough to fulfill customer needs. It has to be completed with social cause related marketing is called social marketing to find the win win solution for both company and customer. They found that CRM (strategy) is maximizing customer satisfaction, while social is maximizing customer loyalty, and both of them is optimizing customer retention.

Five years after Katsioloudes, Grant, and McKechnie (2007) lifted the social marketing or social CRM (SCRM) up as the topic of discussion, Nadeem (2012) followed to put SCRM as one of solution for company to engage its customer. Nadeem (2012:94) mentioned, “Customers who engage with companies over social media are more loyal and they spend more with those companies than other customers. So, we can conclude that the use of SCRM is influencing the loyalty of customers.

Specifically, Gecti & Gumus (2014) investigating the use of a variety of applications through Facebook developed by the companies of the mobile telecommunications industry in Turkey. Their research showed significant relationship between the use of the Facebook application on customer loyalty.

Rodriguez, Ajjan, and Peterson (2014:86) put social media as one of customer oriented technology. Their research purpose is to discover on how customer oriented technology, CRM and social media will impact the customer orientation which in turn impacts sales performance. In brief, they (Roodriguez, Ajjan, and Peterson,2014:93-94) found, “the customer oriented technology i.e. CRM (application) and social media positively impacts customer oriented process.” In business to business, organizations need to implement and integrate e-CRM technology and social media to improve customer oriented process.

Differ from the previous researchers, Nitu, Tileaga, and Ionescu (2014:304) divided CRM into traditional CRM and Social CRM. Traditional CRM. Social CRM philosophy and business strategy, supported by technology (CRM application and web 2.0), business rules, processes, and social characteristics is more effective in creating interactivity between company and customer because the customer directly involved in the knowledge sharing provided by the company (Nitu, Tileaga, and Ionescu, 2014:306-307).

Erdogmus, and Cicek, (2012) conducted a research of social media marketing and customer loyalty. Using 338 completed questionnaires distributed in Turkey they found, “campaigns on social media are the most significant drivers of brand loyalty” (Erdogmus, and Cicek,2012:1358).

Vazifedoust, Nashtaei, Delafrooz, Narges, and Nashtaei (2013) used cluster sampling method since they took two different kind of respondents: 63 sales representatives of the Saipan Company and the 370 customers in the of Guilan province and Mazandaran province, Iran. They found that the use of social media by the retailer is improving the relationship between

retailers and customers—it leads to customer loyalty and better retailers performance.

Referring to those studies it can be concluded that in some industries and countries, the use of social media is impacting the customer loyalty.

Problem Identification and Statements

Entering the ASEAN Economy Community in 2015, where Indonesia is sharing 40% of the total market, Indonesian companies will face more challenged to keep its market share. This situation raised a problem on how they could maintain its customers-customer loyalty.

Some research mentioned before lead us to figure out that using CRM strategy or social CRM can solve customer loyalty. It means, there is still a gap to conduct a research, which combines both of them to be the solution of the problem, and conceptually, the problem solution model can be presented in research questions below.

- a. Does th e-CRM Strategy impact on customer loyalty?
- b. Does the Social CRM impact on customer loyalty?
- c. Do CRM strategy together with Social CRM impact on customer loyalty?

Theoretical Framework

Based on the literature review, the frame of thought or theoretical framework can be described as shown in the following exhibit.

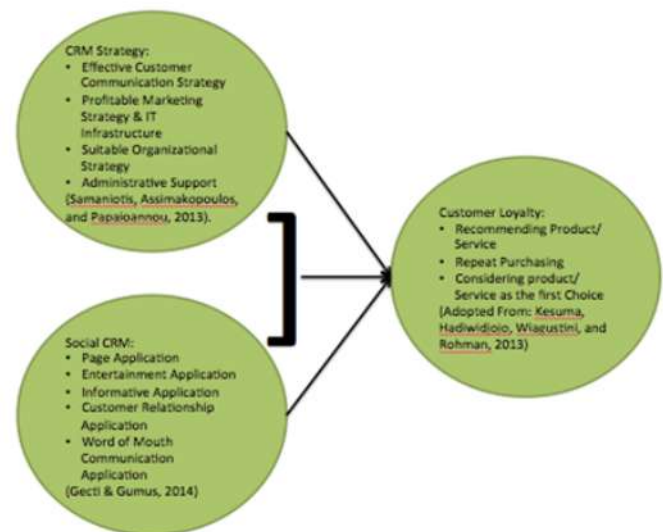


Exhibit 2. Theoretical Framework

Propositions and Proposed Research Model

Based on the theoretical framework, it can be proposed the propositions (P) as follows:

P1: CRM strategy has an impact on Social CRM

P2: Social CRM has an impact on customer loyalty

P3: CRM strategy together with Social CRM have an impact on customer loyalty

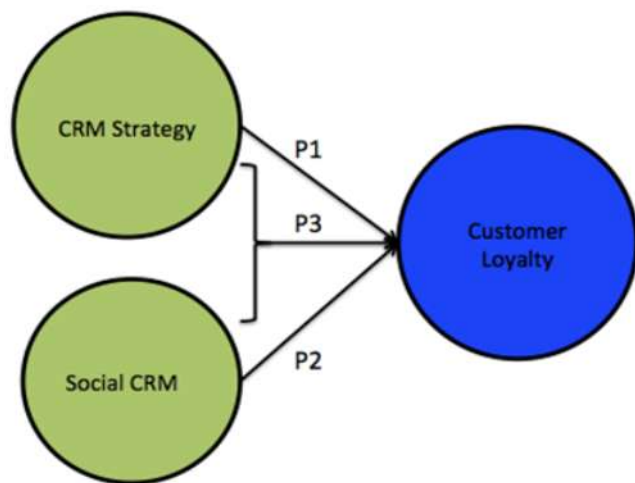


Exhibit 3. Proposed Research Model

CONCLUSIONS

1. The loyalty of customer is one of the crucial problems to be solved.
2. CRM can be defined as a strategy and as an application.
3. The use of social CRM in aligning with the CRM strategy is expected to be a solution for achieving the customer loyalty.

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