Impact of Social Networks on Customer Relation Management (CRM) in Prospectus of Business Environment

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Abstract: Social Networks are very common now days and have thoroughly changed the life style of people, their choice and decisions. These networks provide a forum to the people round the globe to connect, share, comment and influence. Communications are instant, information and emotions are spread globally within seconds. However, these networks have also created new challenges, opportunities and threats for enterprises and brands. The integration of these social networks with customer relationship management (CRM) strategies – is the next frontier for organizations that want to optimize the power of social interactions to get closer to customers. With the worldwide explosion of social network usage, businesses are feeling extreme pressure to be aware, where their customers are and what are their liking/disliking. Accordingly this paper presents a thorough study to investigate impact of social networks on customer relation management in enterprises. In the light of this study, it is observed that, social networks are strong tools to effect significantly on customer relation management in scenario of business environment.

1. Introduction

The growing integration of global markets have resulted into significant struggles by both multinational companies and small entrepreneurs to find market niche that will enable the firms to survive in highly competitive markets, as well as to find the best ways to meet the needs and desires of their target consumers. History is littered with examples of how the deployment of inappropriate strategies and approaches has led to the downfall of decision-makers or firms that refuse to plan appropriately (Raab et al, 2008, Saba and Rehman, 2012). The desire of business firms to remain significant within the hyper-competitive global market accounts for the rise and appeal of Customer Relationship Management (CRM), within the global marketplace.

The heightening of the degree of relevance of the CRM within the global business, combined with the phenomenal growth in technological revolution, particularly internet technology, has brought about a paradigm shift in the structure and procedure of relationship that exist between organisations and consumers of products and services. The new dispensation tagged 'social CRM' has been described as the "strategy and applications approach to combine the power of online customer communities, broader social networks, and traditional CRM systems to deliver this next generation of customers and customer relationships" (Jaffe, 2010:23).

2. The Concept of Social CRM

There is equally no agreement on the definition of what social CRM means within the reviewed literature, however, Davies et al (2008) provides an acceptable meaning to what sCRM is, describing it as "a process to monitor, engage and manage conversations and relationships with existing and prospective customers and influencers across the internet, social networks and digital channels". This definition presents a clear view of what sCRM is and what it sets out to achieve. It brings to the fore the operationalisation of the sCRM channel which act as a forum where existing and potential customers can meet and share experience about the product and services of the organisation. Another definition by Oakes (2005) present social CRM as, "the process of converting content into conversations and extending these conversations into collaborative experiences, then transforming these experiences into meaningful relationships". This definition also aligns with the former one by stating the mode of operations of sCRM and its use within the business process of organisations. However, a more recent definition of CRM as provided by Greenberg (2010) presents the concept from a strategic viewpoint postulating that "CRM is a philosophy and a business strategy, supported by a technology platform, business rules, workflow, processes & social characteristics, designed to engage the customer in a collaborative conversation

in order to provide mutually beneficial value in a trusted & transparent business environment. It's the company's response to the customer's ownership of the conversation." Even though these definitions hold different orientations, and views CRM from different perspectives however, they all give some measure of acknowledgement to the key terms that makes the three pillars of sCRM, positing the importance of the organisations, customers and the technology that will be used for collaboration. These three definitions are therefore sufficient to provide the background meaning and understanding of the concept of CRM for the purpose of this study.

2.1 Social Media

The social media are the media for social interaction which makes use of highly accessible and scalable publishing techniques (Qualman, 2009). It makes use of web-based technologies to transform and broadcast media monologues into social media dialogues. This technology is mostly of great interest to those that are interested in search engine optimisation and internet marketing. The social media technology also supports the democratization of knowledge and information transforming people from mere content customers to content producers.

Evans (2008) defines social media as a "group of internet-based applications that build on the ideological and technological foundations of Web 2.0, which also allows the creation and exchange of user-generated content". According to Kaplan and Haenlein (2010), businesses also refer to social networks as user-generated content (UGC) or consumer-generated media (CGM). It is believed that the utilisation of social networks is a driving force in the definition of the present period as the 'attention age' (Qualman, 2009). From all the definitions and explanations of the meaning of social networks, a common thread that runs through them remains the blending of technology and social interaction for the co-creation of value.

Essentially, the social networks mainly incorporate online technology and channels that can make people share contents, personal opinions, swap different perspectives and insights into world issues and generally discuss the transition of the networks. The content of the social networks website can appear in a number of shapes and forms which includes (Kaplan and Haenlein, 2010):

2.2 Social Networking: The social networking websites allows for the creation of personal profiles by users, then engaging in chatting, discussions and sharing of information with other people such as friends and families. Prime examples of social networking sites are Facebook, MySpace and Bebo (Brown, 2008).

Wikis: The wikis websites are the types that enables the creation, editing and sharing of information about particular subjects or topics. The Wikipedia for instance is one of the major and infact the most popular of such websites in the world (Evans, 2008).

Video Sharing: These sites allow general video sharing, uploading and sharing of personal videos with the rest of the web community. The most popular example of this is the Youtube website (Qualman, 2009).

Photo sharing: The websites for photo websites allows the users to upload the pictures and images to their personal accounts which then could be viewed and shared by the web users all over the world. An example of a very successful photo sharing website is the Flickr acts.

News aggregation: The website of News aggregations provides a list of the latest news stories that are published by users from a range of different websites. One of the web's largest news aggregators is the Digg.com which has one of the most dedicated communities (Weinberg, 2009).

Social bookmarking: The websites for social bookmarking allows the users to publicly bookmark the web pages that they find quite valuable so that they could share the pages bookmarked with other internet users.

Online gaming: This is usually based around communities. An example of the online gaming is the World of Warcraft.

Presence apps: The available apps are websites that allows users to post the micro blog-like posts that announce what customers are currently doing. A good example of the presence app is the Twitter (Brown, 2008).

2.3 The Social Customer is a Consumer of Information

One of the main characteristics of the social customer as postulated by Attensity and Chess Media Group (2010) is curating information. The curation and meritocracy of contents allows the customers to focus on what is relevant, through a 'like me' filter that is already in place. Due to the connection that exist between the customer and like-minded individuals within the social networks, the customer put her trust in this filter as being able to navigate through the excesses of information. The importance of the filter is informed by the overweighing amount of information that are available which includes the website links, tweets, posts (blogs and forums), podcasts, videos and reviews (Rehman et al., 2010). In a survey conducted to measure the level of customers' trust of the social network websites, Qualman (2009) reported that 78% of the consumers trust recommendations from their "social graph" only. Also

the Nelsen report that 70% of people trusted consumer opinions that are posted online, while 90% of the consumers surveyed noted that they trust recommendations from people they know (see figure 1 below): The ability of these consumers to tap into their network for recommendations not only adds a

layer of trust, but it also allows the customers to leverage on the combined wisdom for assistance. The Chess Media group (2010) also noted that the social customer comprises of the business-to-business buyer as well.
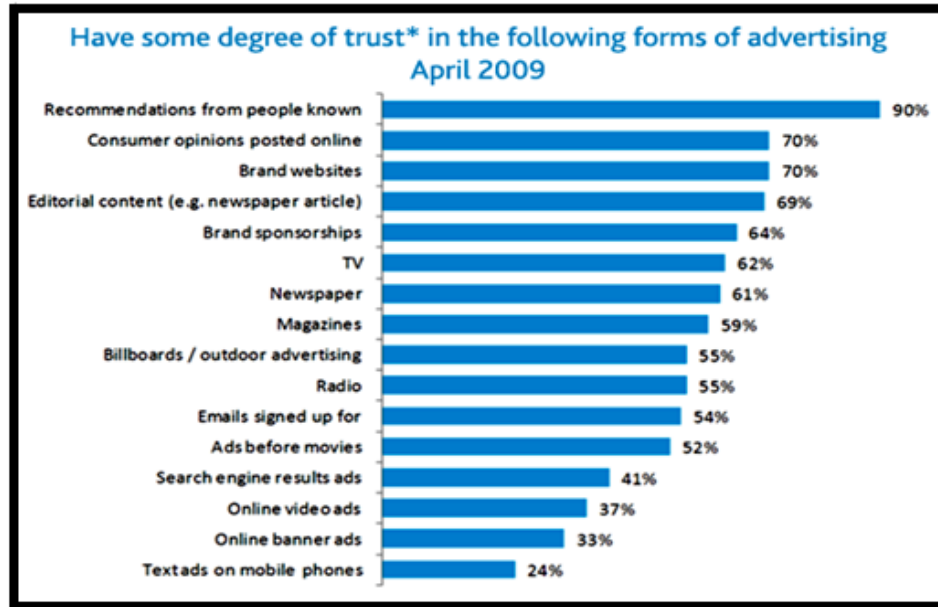

Figure 1: Chart showing the degree of trust that consumers have over forms of advertising
Source: The Nielsen Company, 2009.

Figure 2: The Consumer-focused corporate ecosystem.
Source: British Telecommunications 2008

The figure 2 illustrates global paradigm shift and the integration of the customers into the business processes of corporate organizations (BT, 2008). In this new corporate ecosystem as show in the figure, the consumer is a central guiding force for the enterprise goals and activities. In the presented

model, the customers are recognized as active participants and critical value generators. The customers' needs and behaviour are contained in the various strategic levers that drive value: production of products or services, distribution, channels and organizational structures. The flow of information which is technology-driven is responsible for the new corporate ecosystem (Brown, 2008; Evans, 2008). It allows the two-way engagement between consumers and companies, the integration of the consumers into the production of value, as well as the critical collaborative relationships among multiple stakeholders which includes partners, suppliers, employees and distributors.

As exhibited in figure 3, the social CRM therefore is not a replacement of the traditional CRM, however it is an extension of the capabilities of the current CRM 1.0 in engaging in conversations with customers and the market. Also, the sCRM has been able to provide a 'human' outlook to the company so that the customers can view the company as a trusted partner, just as they trust people like themselves. It has also put the customers in the core of the strategy of the company. This thoroughly affects operations,

its value chain and organisational structure and culture. The social CRM has also introduced new value drivers into the strategy of the company, as a result of the engagement of the customers to the brand. Additionally, the sCRM requires a new

organizational mindset that is supported by web 2.0 empowered employees. Through the connection of employees to themselves and also to the customers, the sCRM should enable closed-loop employee recognition based on individual results.
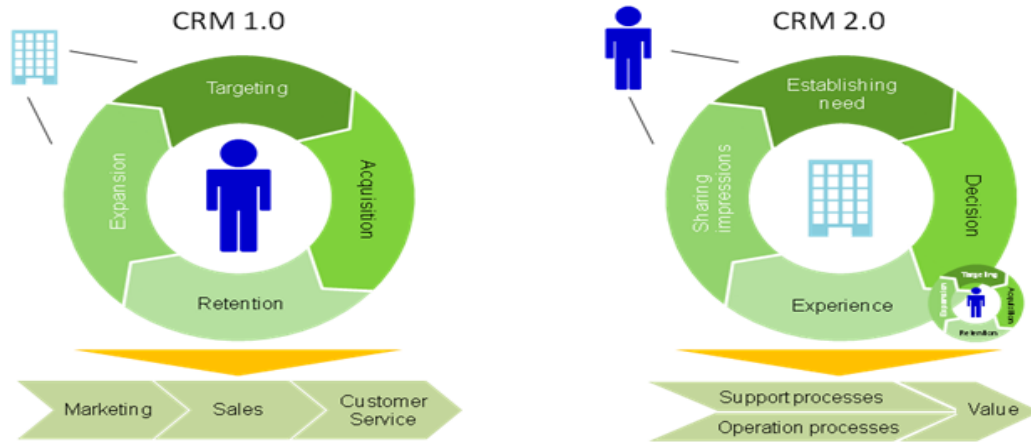

Figure 3: Evolution of business processes from CRM 1.0 to CRM 2.0, Source: Greenberg, 2010

3. Social CRM: Architectures and Characteristics

Greenberg (2010) remarked that there appears to be common agreement within the social CRM community that there should be a seizure in the debate over the definitions of social CRM; rather, the transformation of the definitions into actions should be the next challenge. Consequently, the response of clients has been tilted towards the business framework for CRM and Social CRM as tools that assist them to visualize the different component of sCRM and CRM, and how they combine together and focus their attentions, which should precede the evaluation of tools (Buchanan, 2012).

The sCRM framework does not appear complex as it is meant to be simple. The past decade has witnessed the facilitation of discussions between different stakeholders which include the business organizations and IT personnel in order to ensure that there is harmony of ideas about how the framework of the sCRM should look like. This has enabled the addition of the missing layer encompassing customers' social interactions and experiences made possible by the SCRM. Figure 8 below presents a layer by layer illustration of the model.
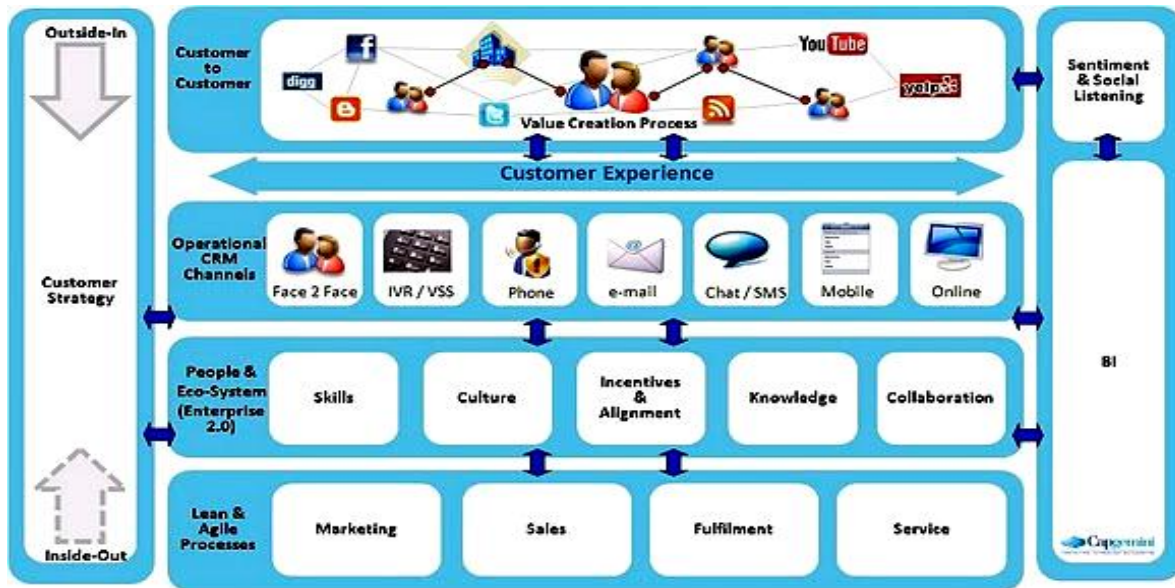
Figure 4: The business framework for social CRM, (Source: Buchanan, 2012)

Customer Strategy Layer: This signifies the beginning of the layers. The CRM and sCRM both are required to be strategy-led and people/process/process/technology-enabled. The beginning of the layer focuses on the shifting of the key mind-set from 'inside-out' to 'outside in'. The sCRM would be unable to work if this step-change has not being effected (Buchanan, 2012).

Customer to Customer Layer: This is the next layer which starts with the model that focuses on the desired outcomes of the customers and their value creation in order to achieve those outcomes. The first step that is usually taken by the customers in order to achieve their aim is to make enquiries from other customers. Therefore, the layer of customers-to-customers refer to the social aspects of customers' value creations, for example, customers' reading of product reviews, blogs writing, contributing to forum discussions, joining facebook groups etc. Greenberg (2010) referred to this as the new "customer control of the conversation".

Customer Experience Layer: This layer represents a summation of all the customer outcomes from the customers' perspectives of both formal and social interactions that are conducted on the company's 'owned' channels.

Operational CRM Channels layer: This is the tradition multi-channel CRM which supports the range of the channels of communications and customers' interaction that are owned by the company. The CRM maintains its position as a foundation and key building-block for sCRM.

People and Ecosystem Layer: This may be regarded as the key layer in the entire model. According to Buchanan (2012), companies should strive to focus on people while other competitors are concentrating on tools. Focusing on people usually has a larger impact than any tool that can be bought.

Lean and Agile Processes layers: In the model, this is the layer that relates to all the customers-facing business processes. In the model this has been broken down into sales, marketing, fulfillment and service which appear to capture the complete customers' lifecycle. There are no distinctions made between out-sourced processes and company-owned, as customers don't make sure distinctions.

Business Intelligence, Sentiment and Social Listening Layer- Business intelligence to some extent is the handle which turns the wheel, driving constant measurement and refining the strategy of the customers (Rehman and Saba, 2012).

4. Social CRM: Challenges and Opportunities

Challenges of Social CRM: Research have continued to reveal the growing popularity of the social CRM just as the influence it wields in the modern day business continues to be celebrated and acknowledged by business organisation across the world. It is at present building the blocks of CRM and dictating the pace in all facets of CRM while changing the mode of operations and structure of the traditional CRM (Muller-Stewens and Lecher, 2005). However, despite the great influence and popularity that it has garnered, it has its own challenges that companies are required to surmount in order to be able to effectively deploy the system. Consequent upon the large increase in its demand and the required infrastructures, business organisations need to work towards a social CRM vision that will entail the following business ideas like social strategy,

social operations and social organisation (Maoz, Jacobs, and Davies, 2009). For organisation to value and appreciate the existence of social CRM, there are some important issues they should put into consideration:

Strategy: Accurate understand the meaning of social CRM and benefit associated with it and other successful factors, tools and characteristics. Strategies also initiate a proper social strategy that will consist of tools like (social networks, wikis, twitters etc) and scope such as engaging conversations, getting customers to collaborate, monitoring, spread viral messages and so on.

Operations: Effective traditional CRM must first be in place. Link together all social initiatives and develop a project portfolio management. Mapping out and documenting processes

Organizations: The CRM objectives and philosophy must first be spread and well-known around the employees to evaluate readiness of the organisation to adopt the principles of online collaboration, executive buy-in and support. The basic pillars of social CRM are business process, technology and people. Each affect the process of SCRM implementation and each of them has some basic challenges for the adoption of social CRM:

People: SCRM have great influence on all organisation, its strategy also affect all processes, therefore, training and performance measurement should be implemented, customer training should be adopted and maximum utilization of resources is very necessary.

Business: We knew quite well that social CRM have affected the business processes in global environment and made more competition for new entrant to penetrate. It need major characteristics such as transparency, new business model should be designed and modification of existing one is very necessary which should be integrated appropriately to achieve the objectives which required much work.

Technology: Huge amount of data is major challenges of SCRM; the organisation involved should take care of adopting the right solutions to perform the job which should be compatible with business processes. The selection of available solutions in the market is also a major challenge facing the implementation of SCRM problem solving solution which is difficult to choose one to purchase (Greenberg, 2010). An example is what social media to use which may be valuable to the organisation; where your customers & partners hand out whether face book, twitter or Yahoo!

The ability of a company to customize functionality and appearance of the page, they should be able to backup and maintain the content because they are not the owner of the page. The analysing technique of data is very necessary to put into consideration, how to measure it, rank, rate and put it into consideration (Maoz, Jacobs, and Davies, 2009).

The factors that affect the user's collaboration are very necessary to make the communication environment productive. Technology should provide a flexible, dynamic platform that provides accurate, periodic information in user's behavior.

Opportunities of Social CRM

The deployment of social CRM comes along with a number of opportunities for the improvement of the business process of business firms and better customer relationship as well as competitive edge within the industry (Maoz, Jacobs, and Davies, 2009). The following are some of the major opportunities that businesses could take advantage of upon the deployment of social CRM.

The embracing of social CRM requires the changing of corporate culture to accept the mindset of social relationships. This makes the company to witness a cultural turnaround to face the challenges of the market as well as gaining the competitive edge within the industry.

Customers are being placed at the core of business strategy which makes the company to be ahead and aware of the needs of the customers. Therefore, customer friendly products will be churned out by the company, leading to improved patronage and profitability for the company.

It humanizes the business organisation, giving it a human face which makes the people to be able to trust the company better, since it seems the 'people are buying from people'.

Customers' loyalty is heightened. This is based on the increased trust with which customers deal with the companies. The people see the company as partners and part and parcel of them as well as having their interest, needs and requirements at heart before going into production. Therefore, these sets of customers are likely going to stick with such products with great loyalty.

It also enhances, accelerates and lower the cost of innovation. This is because there are relatively cheap innovations that will be coming from the customers and employees under this circumstance. This makes the company able to make use of the opportunity of receiving inspiring innovations from the social network and other social connections without necessary having to pay for it.

Benefits of Social CRM: Several benefits are observed such as it raises marketing return on investment and development of product quality. Improve effectiveness of marketing through innovation and creativity. Encourage companies to

identify new business opportunities through new and existing customers through social networking. Reduction in sales commission costs through community building around a product or service. Increase Research and Development capabilities and innovative idea through social customer's initiatives. Create abilities to increase customer loyalty through promotion of transparent dialogue and also encourage employee/customer interaction. Ability to decrease customer's service costs through self helping communities.

5. Conclusion

Social networks have dominant role in consumer culture and are being employed productively by enterprises for feedback of their products/brands. These brands are using social media as a meaningful way to develop relationships with their customers and publicity of their products. Customers are connecting and having conversations about enterprises through social media, whether enterprises are actively engaged or not, and brands risk being raised if they fail to participate. This paper has highlighted all these impacts of social media on customer's relation management in enterprises. Additionally, several aspects are elaborated to emphasize role of social media on management. Hence, it is concluded that social networks holds unprecedented potential for companies to get closer to customers and, by doing so, facilitate increased in revenue, cost reduction and efficiencies. Businesses are rapidly embracing social media not only to build virtual communities, but also to create innovative social commerce programs, improve customer care and streamline customer research.

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