Can SMEs Capture the Social Media Phenomenon?:
CRM Strategies to Improve Relationship Performance

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ABSTRACT
This paper examines the implementation of Customer Relationship Management (CRM) and the role of social media in small and medium enterprises (SMEs). Understanding these phenomena is very critical since SMEs have used social media to interact with their customers, however little researches has been conducted so far that linked social media and CRM capabilities. This study applied a sequential mixed method, including interview with informants, and surveys to a total of 206 respondents in the SMEs Gapura Digital forum. The collected data was checked using the structural equation modeling. This study clarifies that social media is a mandatory tool to connect with customer needs. In which the environmental context has a positive impact of 24% therefore, this study suggested an application of CRM in SMEs which is strongly motivated by the environmental context, such as a forum or group of SMEs that enable them to coordinate and exchange information easier among themselves. The study of this phenomenon is expected to contribute to the development of science, especially CRM and SMEs.

Keywords: Social Media, Customer Relationship Management, Social-CRM, SME’s.

1. INTRODUCTION
A sustainable business is a result of creating a good relationship between the company and the customer. This relationship must be an important concern and the focus of a business strategy called Customer Relationship Management (CRM). CRM is a business strategy that focuses on creating bonds between customers and companies [1]. The emergence of social media as an effective means of communication creates a strong bond between humans and social media in their daily lives. Social media has a very large number of users, which can be used as a potential customer base for company activities [2]. Businesses are starting to incorporate and integrate the social media phenomenon into the CRM approach [3], as many as 88% of companies in the world have used social media for business [4]. Data in Indonesia shows 93% of netizens use social media to get information about various products and services [5]. Social media has become a way for businesses to better manage relationships and interact with prospective customers.

The skyrocketing popularity of social media indicates that companies must manage new CRM capabilities, in addition to the traditional and tactical format for implementation, by integrating social media with existing CRM [6]. Researchers have identified several benefits of social media marketing activities. Social media is a powerful tool for e-business, its ability not only to direct buyers to new products or attractive deals but to engage them and create a sense of community [7], through social media companies gain the ability to actively engage with customers and build deeper relationships, some even successfully involve customers in the product and service innovation process [8]. This merger of CRM with social media has expanded the CRM concept to incorporate a more collaborative, interactive, and network-focused approach to managing customer relationships [9].

This research is focused on the use of social media applications in small and medium scale businesses because basically there are many SMEs using social media to interact with their customers and potential consumers. SMEs in Indonesia dominate business activities in general with no less than 64,194,057 business actors [10], therefore research and studies on SMEs remain an important topic in this country. Social media for businesses is an affordable tool for
companies with limited resources, through the use of social media SMEs can reach global markets with minimal costs and efforts. Social media research in the context of CRM in SMEs is carried out because the effectiveness of social media is still unknown and it has not been explored how social media interacts with CRM systems and marketing strategies to increase company value [6]. In general, SMEs only use social media as marketing tools and do not focus on formal customer relationships, thus allowing missed opportunities from the intensity of customer relationship management [8]. In addition, social CRM research only focuses on implementation in large organizations, while developing country economies are usually dominated by SMEs [11] of course, this is a gap that needs to be anticipated, therefore this research is conducted to address these gaps. The research has the following objectives: 1). Measuring the CRM capabilities of SMEs. 2). Measuring the effect of CRM capabilities on customer relationship performance. 3). Measuring the use of social media on customer relationship performance.

2. LITERATURE REVIEW

2.1. CRM Capability

Customer relationship management (CRM) originates from the concept of relationship marketing which focuses on initiating, maintaining, and enhancing relationships with customers [12]. Market conditions are very competitive, all business actors will optimize all opportunities, especially from customer maintenance, because the prospect of retaining customers is much better. Based on these reasons, CRM implementation is the right strategy for businesses to survive and achieve a sustainable condition. CRM is a core business strategy that integrates internal function processes and external networks, in creating and providing value to customers with a corporate profit orientation from a good customer relationship process, this process involves customer data and is supported by information technology [13]. CRM integrates all aspects of the external and internal scope in order to create and provide value to customers. The factors that affect CRM capabilities depend on the domain in which CRM is carried out and depend on the type of technological innovation adopted [8], although various factors can influence CRM trends that result in different implementations (for example mobile CRM, Social CRM), all of these antecedents can be classified in the context of the organization, technology, and environment [8].

The characteristics and background of an organization will have an impact on CRM implementation because organizational backgrounds such as organizational goals and organizational culture will affect the level of CRM implementation [1]. Organizational culture is one of the most important factors that enable the achievement of the desired CRM results [14]. In some organizations, CRM is a technology solution that utilizes databases and sales automation as a sales and marketing function, but in others, CRM is a tool for communication with customers [15]. Organizational size, organizational structure, technology expertise, managerial support can facilitate or hinder the adoption of innovations that are important in CRM implementation [8]. The organizational context in CRM includes the organizational readiness and collaboration of existing personnel. The internal challenges faced by the company are the availability of resources and capabilities of the company itself in aligning the new CRM strategy and process [15] so that the implementation of CRM is determined by the company's contextual conditions such as strategy, goals, and benefits desired by the company [16], [17]. Based on these studies, the organizational context affects CRM capabilities, so the hypothesis is formulated as follows:

H1: Organization context has a significant effect on CRM Capability.

The capabilities of CRM in a relevant organization are explained by the technological context, the size of the technology adopted will certainly greatly affect the processes and results achieved [8]. Information technology has long been recognized as a business process driver in achieving increased organizational performance [15]. Technology provides convenience in this aspect of the process, by providing automation, database recording, and making the right decisions. CRM is a business strategy that involves technological aspects in it, technology is used to collect and analyze data about customers, interpret customer behavior, develop predictive models to create customer value. Technology is used to optimize interactions with customers, companies can create 360-degree views of customers to learn from previous interactions to optimize future interactions [14], [15]. Technology is part of a successful CRM implementation. Technological resources are one of the combined elements that expand traditional CRM capabilities through the integration of social functions and processes that arise from company-customer interactions, as well as customer-customer interactions [18]. A literature review indicates that technology readiness can affect CRM capabilities, so the hypothesis is proposed as follows:

H2: Technology Readiness has a significant effect on CRM Capability.

The environment is an aspect that needs to be considered by the business sector because greatly affects businesses needs to run and respond to them. Buttle & Maklan (2015) divides two environmental categories within the scope of CRM, namely macro environment and micro environment; Macro environment is a very broad condition that can affect industries such as politics, economy, social, technological, and other environmental conditions.
Meanwhile, the microenvironment is a business stakeholder consisting of customers, suppliers, business partners, and investors. Because of its position which is very close and almost directly adjacent to the company, the microenvironment is the environment that can most influence the condition of the company. Competitive conditions between competitors, changes in customer aspects, industry influence, and other aspects that are micro are environmental aspects that have a major impact on business [19]. CRM is a business strategy that integrates external factors (environment) and internal capabilities (resources), therefore the environment will greatly influence the implementation of CRM. In a study conducted by Marolt et al., (2020) it was found that external (environmental) pressures were recognized as having an impact on the implementation of CRM.

**H3: Environment context has a significant effect on CRM Capability**

### 2.2 Social Media and SMEs Performance

Social Media has recently become the main media for information seeking, its digital form and networking make it easy for anyone to access anywhere [20]. In business relationships, social media networks are a space to establish communication and provide alternatives to information search and decision-making [21]. Currently, social media is not a new thing for the business world, through social media the communication process becomes more intensive. Social media is a very appropriate marketing tool for e-business, because through social media it can create attractive deals, and involve consumers in a deeper relationship [7]. Many researchers specialize in social media as very appropriate for B2C compared to B2B [22]. This is also in line with the Nordic School of service marketing, which notes that social media in relationship marketing is more widely used in B2C than in B2B relationships [23]. For SMEs, social media is a tool for communicating products globally without high costs [8]. CRM capability refers to the company’s competence in generating, integrating, and responding to information obtained from customer interactions facilitated by social media technology. Thus, a customer-centered management system can influence the development of social CRM capabilities which are built from customer-related information obtained through social media applications. This technology has the potential to provide greater access to customer information either directly through company-customer interactions or indirectly through customer-customer interactions [24]. Based on the literature review, a hypothesis is proposed in the form of:

**H4: Social Media has a significant effect on CRM Capability**

**H5: Social Media has a significant effect on SMEs Performance**

Business performance can be measured in many ways, measuring performance using financial variables such as profit and ROI has been increasingly abandoned. Leading business actors often use comprehensive indicators for business aspects such as the Balanced Score Card which consists of finance, customers, processes as well as learning and growth. For the customer aspect, CRM is the right KPI in evaluating business performance because it includes customer satisfaction levels, customer retention rates, customer acquisition costs, number of new customers acquired, average customer service life, customer loyalty (behavior or attitude), sales per customers, revenue growth, market share and customer share (wallet) [13]. CRM is used by companies to improve customer service and increase customer retention, so that company performance can increase [8]. Company performance can differ from one another even though they use the same CRM system because performance results depend on how well the CRM system is implemented [24]. Social media-based CRM facilitates two CRM processes: the customer engagement process and the customer data management process. First, by engaging customers through social CRM companies can better react to market needs and increase customer satisfaction and loyalty. Second, social CRM allows access to large amounts of rich data about customers, allowing companies to identify loyal customers and emerging trends. Thus, more intensive CRM adoption can improve business performance [8]. Through the theory study quoted, the hypothesis is compiled in the form of:

**H6: CRM Capability has a significant effect on SME Customer Relations Performance**

### 3. METHODOLOGY

This research was completed through a sequential exploration mix method design [25], in which the qualitative phase was carried out through literature review and interviews with several business actors to obtain initial information about the implementation of CRM, social media, and the performance of their relationships with customers, so that a conceptual research model was obtained [26]. Then the research was continued with a quantitative phase through an online survey sent to members of the Gapura Digital Online Group for SMEs. 206 data were obtained from respondents as business actors for further analysis. The research design is illustrated in Figure 1.
Semi-structured interviews using open-ended questions were used as the initial data collection technique. Interviews were conducted with several parties including social media marketing experts, SME practitioners, and CRM experts. The results of the interviews provide insight into the situation of SMEs from a social media point of view, and CRM implementation so that they provide an overview of formulating research models and hypotheses. Quantitative analysis was carried out through data collection using online surveys of SMEs who are members of the Gapura Digital Online group. The Likert scale is used to measure variables through a questionnaire. Structural Equation Modeling Partial Least Square (SEM-PLS) is applied to minimize the risk of error in variable measurement because measurement using a questionnaire is only based on the perception of respondents who have an error risk [27]. SEM-PLS is further analyzed using WarpPLS 7.0.

4. RESULT

The results of data collection obtained as many as 206 respondents who can be processed further, based on demographics, these respondents consist of:

Table 1. Respondent Demographic

<table>
<thead>
<tr>
<th>Description</th>
<th>Freq</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 1 Years</td>
<td>36</td>
<td>17.48%</td>
</tr>
<tr>
<td>1-2 Years</td>
<td>54</td>
<td>26.21%</td>
</tr>
<tr>
<td>3-4 Years</td>
<td>69</td>
<td>33.50%</td>
</tr>
<tr>
<td>5-6 Years</td>
<td>9</td>
<td>4.36%</td>
</tr>
<tr>
<td>&gt; 7 Years</td>
<td>38</td>
<td>18.44%</td>
</tr>
<tr>
<td>1 Platform</td>
<td>17</td>
<td>8.25%</td>
</tr>
</tbody>
</table>

Based on the demographics, it can be seen that the characteristics of research respondents, based on Table 1, it is known that the majority of respondents have been running a business for 3-4 years (33.5%), using 3 business media platforms (45.63%), with the type of food business (32.03%), and The personnel involved in the business are 1-3 people (50%). Convergent and discriminant validity tests were used in this study. The convergent validity test shows the score contained in the loadings factor, while the discriminant validity test uses the Average Variance Extracted (AVE). Factor loading must have a score of 0.4 or more, while for AVE it must have a score of 0.5 or more. Inner model testing is a structural test that includes Goodness of Fit (GoF), Path Coefficient, R-Square, and Effect Size. This test was carried out to test the hypothesized relationship between exogenous and endogenous constructs [28].

Table 2. Reliability and Validity of the variables

<table>
<thead>
<tr>
<th>Construct / Item</th>
<th>Loading</th>
<th>α</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization Context (OC)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have set clear business goals</td>
<td>0.804</td>
<td>0.855</td>
<td>0.719</td>
<td></td>
</tr>
<tr>
<td>The personnel involved show a commitment</td>
<td>0.865</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>encourage personnel to follow social media goals</td>
<td>0.869</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology Readiness (TR)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>adequate IT infrastructure to serve customers</td>
<td>0.825</td>
<td></td>
<td></td>
<td>0.686</td>
</tr>
<tr>
<td>capable of introducing new IT into its customer service process</td>
<td>0.806</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>has knowledgeable personnel to provide technical support</td>
<td>0.852</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External Context (EC)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer characteristics indicate that my business needs to use SM</td>
<td>0.863</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Based on table 2 it is known that the probability value (p-value) of APC <0.001, the probability value (p-value) of ARS P <0.001, and the probability value (p-value) of AARS P <0.001 are significant because they are less than 0.001 and. The acquisition of AVIF and AFVIF is less than 5, this means that the proposed model is suitable [30]. Based on the adjusted R square value, relationship performance is influenced by traditional CRM Capabilities and social media usage by 9.7%.

Cronbach Alpha (α) shows the results of the reliability test with the condition that the score is more than 0.6 and the Composite Reliability (CR) must exceed 0.7 (Hair et al., 2016). Table 2 shows that Cronbach Alpha and CR meet the criteria. The results of this reliability test are acceptable and can be used in research. Goodness of Fit (GoF) is used to validate the overall structural model [29]. GoF scores represent different categories, namely 0.36 (high), 0.25 (moderate), and 0.10 (low) [26]. Table 3 shows the GoF score for the research model of 0.261 which is the score in the medium category. This means that the model proposed in this study is of good quality.

Each variable has a different effect on CRM Capabilities and Relationship Performance, based on Table 3, it is known that the size of the influence and the level of significance. Based on the results of the calculation of the model, there is one hypothesis that is rejected, namely the technological context (readiness) of CRM capabilities because it has a negative value and a significance level greater than required (β = -0.079 and p 0.125). The effect of the relationship between variables is shown in the figure above. Based on Figure 2, the organizational context has a 17.6% effect on CRM Capability, Technology readiness has a negative effect of 7.9% on CRM Capability, environment context has a positive effect on CRM Capability by

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>β</th>
<th>p-value</th>
<th>Result</th>
<th>Accepted*</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 OC → CRMCap</td>
<td>0.176</td>
<td>0.005</td>
<td>Accepted*</td>
<td></td>
</tr>
<tr>
<td>H2 TR → CRMCap</td>
<td>-0.079</td>
<td>0.125</td>
<td>Rejected</td>
<td></td>
</tr>
<tr>
<td>H3 EC → CRMCap</td>
<td>0.242</td>
<td>&lt;0.001</td>
<td>Accepted*</td>
<td></td>
</tr>
<tr>
<td>H4 CRMCap → RPer</td>
<td>0.113</td>
<td>0.050</td>
<td>Accepted**</td>
<td></td>
</tr>
<tr>
<td>H5 SM → CRMCap</td>
<td>0.113</td>
<td>0.049</td>
<td>Accepted**</td>
<td></td>
</tr>
<tr>
<td>H6 SM → RPer</td>
<td>0.152</td>
<td>0.013</td>
<td>Accepted**</td>
<td></td>
</tr>
</tbody>
</table>

Note: *Significant at p<0.01, p<0.05**
24.2%. CRM Capability has an impact of 11.3% on customer relationship performance. Meanwhile, social media variables have a positive impact on CRM Capability and Relationship Performance of 1.3% and 15.2%, respectively.

Based on the research, it is found that SMEs are not yet ready to adopt technology as a whole, they are only trying to adjust to the use of the internet at a basic level, not to the goal of improving their business performance. The ability of CRM is very much dominated by the environmental context, based on the results of the measurement of environmental variables, it gives an effect of 24.2%. This is understandable because SMEs usually have groups that provide mutual support and assistance, such as respondents in this study who are members of a forum, where they can do business sharing. Then the social media variable which has recently undergone a very massive development is considered not a technology, social media is a tool for SMEs to make mandatory communication with their customers, this is known because this social media variable only has an effect of 1.3% on CRM capabilities, meanwhile on the customer relationship performance had an impact of 15.2%.

5. DISCUSSION

SMEs already have the ability to do CRM, but the CRM they are doing is only in the traditional CRM stage that has not yet been able to provide optimal impact. The CRM they do is limited to providing response and providing information, as a consequence, the implementation of CRM like this does not provide much benefit for the running of the business. The application of CRM in new SMEs is limited to the application of techniques to complement marketing and sales functions, this is motivated by the low level of technological readiness of SMEs, they face major obstacles such as poor telecommunications infrastructure, limited ICT literacy, inability to integrate ICT into the process business, the high cost of ICT equipment, incomplete government regulations for e-commerce, and a poor understanding of the dynamics of the knowledge economy. Many researchers conclude that the technological constraints faced due to a lack of education and technical skills, as well as ignorance of the usefulness of technology, have been identified as the main factors causing the low level of technology adoption [19].

The increasing intensity of the use of social media in human life has been understood by SMEs, they instinctively begin to use social media to interact and communicate with their customers. By becoming a habit that is used at all times, social media is no longer considered technology, but social media as a mandatory tool for communication. Judging from the results of statistics, it shows that the influence given by social media is not as expected, this can be because the use of social media they use has low intensity without aiming towards customer relationship management, through practices like this they will lose opportunities from the use of customer relationship management [8]. Social media can actually be used by SMEs as a means of binding customers, SMEs need one more step in that direction so that they can enter the realm of social CRM. The implementation of social CRM is that they only need to integrate their CRM activities with social media applications through collaborative involvement in information communication so that customer and business relationships will lead to innovation and production [9].

6. IMPLICATION

SMEs need to get support so that they can develop and contribute to the economy. Through this research, it is known that the environment has a large impact on CRM capabilities compared to the organizational context and technology readiness. The environmental context relates to an ecosystem in which the organization operates, which includes competitors in the industry, supplier groups, and policymakers. Creating a forum for SMEs is a positive thing for the development of SMEs as a means of learning, adapting, and even competing. Therefore, SMEs need to be facilitated into forums that accommodate them to interact, share, and share experiences. As was done in the SMEs Gapura Digital forum, through this forum even though they compete in the market, they collaborate on tactics and
strategies to reach the market. This is important to be able to build SMEs to have better competitiveness.

Although technology is not an important key in CRM capabilities, technology readiness for SMEs is felt necessary. With the achievements of SMEs that are currently happening, it becomes a necessity that SMEs will naturally be able to keep up with the times. However, in order to increase competitiveness and create value for customers, technology adoption is very important. It is necessary to carry out coaching and training for the SME sector in implementing the smallest technology because it will provide the knowledge and confidence of SMEs in running their businesses better.

REFERENCES


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