

# Chapter 50

## Impact of Social CRM Capabilities on Firm Performance:

### Examining the Mediating Role of Co-Created Customer Experience

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#### **ABSTRACT**

*The emergence of social media technologies have drastically changed the face of customer relationship management (CRM), hence firms are incorporating social media technologies in their existing CRM systems which has led to the evolution of social CRM. This article extends capability-based perspective of traditional CRM by integrating it with social media technologies and to assess empirically their significant impact on firm performance. It also examines the mediating role of co-created customer experience. The developed hypothesis and proposed model were tested through structural equation modeling (SEM). The results show that co-created customer experiences play a role of mediator between social CRM capabilities and performance outcomes. Sales/marketing centric technology resources significantly influence four dimensions and customer centric technology resources influence two dimensions of relational information processing capability. The findings also depict that there is an influence of Sales/marketing and customer centric technology resources on customer linking, market sensing and social CRM capabilities.*

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## **INTRODUCTION**

Social media has transformed the role of consumers online. The consumers presently are not just passive receivers of information available online instead they have become active participant and co-creators of information online. Most of the comments posted by using social media, is in the form of “self-created content sharing” and placed by eighteen or older age online users (Lenhart, Purcell, Smith, & Zickuhr, 2010). To the interpersonal communication, the social applications enabled users to act together with firms and allow them for actively participating in the co-creation of experiences (Prahalad & Ramaswamy, 2004). Approximately 41 percent of the people online were found to be engaged with the brand they preferred with the help of various social media platforms (Mintel Group, 2011).

Now days, companies are focusing their marketing efforts towards social customers and highly expends on social media advertising. Businesses have approached to these social changes and technologies by following advertising network for online users instead of traditional advertising means (Trainor, 2012).

Most of the firms are starting to make use of social media for creating and retaining customer relations in the word-of-mouth marketing to customer-to-customer communications (Kozinets, De Valck, Wojnicki, & Wilner, 2010) for innovation co-creation (Sawhney, Verona, & Prandelli, 2005) and for community-based customer support (Greenberg, 2010). Most of the companies integrate their existing customer database with social data (VanBoskirk, Shar, Overby, & McGann, 2009) in order to enhance it and thus focusing on social customer relationship management (Social CRM).

The word “Social CRM” has been newly added into marketing, which represent a wide set of activities comes under social media (Greenberg, 2010). Social CRM capability: “the integration of traditional customer-facing activities, including processes, systems, and technologies with emerging social media applications to engage customers in collaborative conversations and enhance customer relationships” (Trainor, 2012, p. 319).

Although the usage of social media application is increasing, still the research in the field of marketing needs to build a conceptual model which relates Social CRM to the firm performance by considering extensive literature on CRM. This study makes an attempt in this direction and develop a conceptual model based on traditional CRM literature and integrating it with social media technologies and empirically to assess their significant impact on firm performance. In addition, it also examines the mediating role of co-created customer experience between social CRM capabilities and performance outcomes. This is the first study to empirically examine the impact of social CRM capability on customer based relational performance, customer based profit performance and new product performance.

This paper proceeds as follows: First, we review the literature related to the key constructs of research model and their relationships in order to propose hypotheses. Then, discuss the method utilized in this paper. Thereafter, present the findings and at the last, we conclude the article with research implications, restrictions and forthcoming research opportunity

## **THEORETICAL CONTEXT AND HYPOTHESIS DEVELOPMENT**

Social CRM is based on both resources and capabilities based view which advocate that “performance is largely a function of a firm’s resource endowment and its effectiveness at converting these resources to advantage-generating competencies” (Barney, 1991; Day, 1994).

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