CRM, SOCIAL NETWORKS AND SMALL AND MEDIUM ENTERPRISES. DOES IT ALL FIT TOGETHER?

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Abstract
The original concept of customer relationship management as based on communication in the physical environment is gradually transforming into a new kind of marketing approach where contact through social networks and relationships within online communities predominate. This paper aims to increase knowledge of the use of customer relationship management and social customer relationship management practices in small and medium enterprises conducting their business in the Czech Republic.

A sample of 308 respondents, primarily small and medium enterprises managers, employees and marketing specialists was collected using a questionnaire. The findings showed that organizations perceive digital marketing as more important than traditional marketing. About two-thirds of respondents consider customer relationship orientation to be very important; however, Social customer relationship management consider as “very important” about 15% of respondents. The comparison of findings to international studies and to larger corporations has brought some interesting knowledge.

Key words:
Customer Relationship Management, Social CRM, Small and medium enterprise, Social Networks, Czech Republic

1 Introduction

In the 1980s, customer orientation and customer relationship management (CRM) began to dominate various areas of business. The original concept of a customer relationship based on loyalty, quality and a personal approach was typically conducted face-to-face and mainly in the physical environment of a retail store. The traditional CRM concept was to communicate with customers through static web sites, call centres and brick and mortar locations. However, with the entry of information and communication technologies and their spread throughout society, communication with the customer has also changed. Today's relationship with the customer is much more influenced by a customer community living on social networks alone – via an environment in which control of the relationship has shifted to the customer, who has the power to influence others in his or her social network. The new term Social CRM (s-CRM) began to be used for distinguishing this new approach. Although s-CRM can be considered a very effective marketing approach, primarily for customer acquisition, we know very little about its application in the business sector. Research studies investigating businesses in Central European post-communist countries tend to focus more on the traditional CRM approach than on s-CRM. This type of research gap is the reason why this paper is attempting to identify s-CRM practices in the Czech business environment.

2 BERKA, A.: Rizení vztahu se zákazníky, Scientific papers of the University of Pardubice, 2006, Series D, Faculty of Economics and Administration, 1211-555X
2 Literature Review
2.1 Digital marketing, CRM, Social CRM and its tools

Marketing principles are applied more intensely in the market economy in proportion to the
growth of competition and the increase in supply over demand. However, the principles
remain stable; marketing principles are applied in the market environment in proportion to the
growth of competition and the increase in supply over demand. Nevertheless, these principles
remain the same even though marketing tools change. We are already living in a digital, or
even post-digital, age. The way a relationship with the customer is built has changed over the
course of history. Payne underscores novel approaches of electronic CRM (e-CRM) and s-CRM. However, the question remains as to what extent companies can acquire and utilize
such emerging approaches. Social media are becoming a new phenomenon in an attempt to
understand customers' actual needs. The propensity of companies when collecting data has
been shifted to the use of tools such as LinkedIn, Facebook and blogs. They try to integrate
these tools into their sales process. In her article, J. L. Schiff emphasizes that integrating
social media into CRM will have fundamental importance for acquiring customers. As Šperková also states, if society wants to keep up with the current market, it must be
increasingly more customer-oriented and must conduct effective social marketing campaigns.
These are often conducted with the support of CRM. Therefore, first two research questions
were formulated: RQ1: What significance do SMEs assign to digital marketing, CRM and
Social CRM? RQ2: What digital marketing tools do SMEs use for conducting their business?

2.2 How do small and medium companies manage customer relationships and
communication?
Voloch states that the basic building block for building a relationship with a customer is
creating values for the customer and communicating these to the customer in an appropriate
way. However, recognizing the customer's needs comes before creating values. Erragcha and Rabia describe individual possibilities for using digital technologies to communicate with customers. The basis is collective intelligence, which rests on the ability of the new
technologies' users to react to innovation, flexibility and creativity. The consumer who has
already purchased something plays an active role here in that they participate in virtual
communities and digital social networks. Above all, it depends on the individual enterprise's


\[10 \text{VOLOCH, J.: Trendy rozvoje vztahů firmy a zákazníka na průmyslových trzích v prostředí nového marketingu. [Dissertation] Zlin: Univerzita Tomáše Bati ve Zlíně, 2009, 166 s.} \]

management as to what importance they see in managing relationships and communicating with customers and how they are able to use new technologies. However, it also depends on how they engage their employees in managing relationships with customers. Everything rests on constant communication and building relationships with customers. Part of the research described in this paper was to determine how important relationships with the customer are in Czech businesses and what kind of support businesses devote to these relationships. Therefore, was formulated RQ3: How do SMEs manage customer relationships and communication?

The growing presence of online communication and the creation of a myriad of online communities is a contemporary trend. Transferred into the business world, such methods of communication mean that customers feel: (1) free of the barriers of the physical and offline world and (2) more anonymous. On the other hand, their sense of duty is reduced. A virtual community is created on the basis of various factors. One of the reasons or incentives is for the firm itself to create a community for its customers. Frequently, this approach is taken by an organization to strengthen customer relationships or to increase the perceived value of a product, which comes from feeling a connection to a community of users. Virtual communities are part of an emerging way of using technology for a strategic, social and informative interface between companies and customers. Building consumer confidence through such communities helps companies gain competitive advantage based on information gathered from these groups and by communicating with them. Obviously, companies can access virtual communities in different ways. They can make their own online communities, manage them proactively or just use data from these online social communities for their own CRM system. Therefore, was formulated RQ4: How do the enterprises approach online communities?

Social media has become a new phenomenon for trying to understand current customer needs. Companies have started to focus on data collected from tools such as Facebook, LinkedIn, blogs and other relevant media. Today's integration of social media into CRM will be essential for customer acquisition in the future. In addition, s-CRM has a positive impact not only on acquiring new customers, but it also influences the amount of sales. Therefore, was formulated RQ5: How much are social networks used in enterprise CRM systems?

3 Methodology

The questionnaire was constructed on the basis of previous studies by Harrigan and Miles and Jayachandran et al. with subsequent modification made by the authors. This article also

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follows up a previous research conducted in the Czech Republic aiming at the use of social CRM in larger corporations. The survey questionnaire consisted of five sections and included 54 questions. The first section contained questions on the importance assigned by the respondents to marketing approaches and various marketing tools. The second section contained questions on customer relations. The third section included questions on online communities. The fourth section contained questions on the use of social networks. The fifth section included questions on acquiring and managing information. The sixth and last section contained questions concerning the characteristics of the respondents (type of position) and the organization (market, size, legal form). The majority of the questions were scalable. The mean and standard deviation (used in the table 3, 4 and 5) was calculated from the typical five-level Likert scale (1 – strongly disagree, 2 – disagree, 3 – neither agree or disagree, 4 – agree, 5 – strongly agree).

A sample of 308 respondents from the same number of SMEs participated in the study. Only small and medium enterprises having between 1 and 250 employees were included in the sample. The data were collected using an online questionnaire form during January 2015. A pretest on a random sample of respondents was conducted before the final distribution of the questionnaire. Table 1 shows the characteristics of the employees and the organizations surveyed.

### Table 1: Characteristics of the respondents and organizations in the sample (N=308)

<table>
<thead>
<tr>
<th>Categorical variable</th>
<th>Abs. frequency</th>
<th>Rel. frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position of the respondent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager</td>
<td>151</td>
<td>49.1 %</td>
</tr>
<tr>
<td>Ordinary employee</td>
<td>65</td>
<td>21.1 %</td>
</tr>
<tr>
<td>Marketing specialist</td>
<td>55</td>
<td>17.8 %</td>
</tr>
<tr>
<td>Social sites specialist (part-time work incl.)</td>
<td>37</td>
<td>12.0 %</td>
</tr>
<tr>
<td>Market focus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B2C market</td>
<td>134</td>
<td>43.5 %</td>
</tr>
<tr>
<td>B2B market</td>
<td>23</td>
<td>7.5 %</td>
</tr>
<tr>
<td>B2B and B2C market together</td>
<td>151</td>
<td>49.0 %</td>
</tr>
</tbody>
</table>

Source: Authors

4 Results

**RQ1: What importance do SMEs assign to digital marketing, CRM and Social CRM?**

The results show that SME representatives consider orientation on creating a relationship with customers to be the most important (63.6%). At the same time, it was determined that digital marketing plays a greater role than the concept of traditional marketing for SMEs. More than half the firms contacted described the role of digital marketing as very important (51.6%), whereas roughly only one fifth of the respondents (22.7%) did so for the role of traditional marketing. Social CRM was considered very important by 14.6% of the respondents.

Detailed results are available in Table 2.

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20 BACHMANN, P., KANTOROVA, K.: From customer orientation to social CRM. New insights from central Europe. Scientific papers of the University of Pardubice 2015 (in submission)
Tab 2: Importance of traditional and digital marketing, CRM, s-CRM

<table>
<thead>
<tr>
<th></th>
<th>N=308</th>
<th>0 I don’t know</th>
<th>1 Unimportant</th>
<th>2 Rather unimportant</th>
<th>3 Rather important</th>
<th>4 Strongly important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional marketing</td>
<td></td>
<td>4</td>
<td>23</td>
<td>89</td>
<td>122</td>
<td>70</td>
</tr>
<tr>
<td>Abs.</td>
<td></td>
<td>1.3 %</td>
<td>7.5 %</td>
<td>28.9 %</td>
<td>39.6 %</td>
<td>22.7 %</td>
</tr>
<tr>
<td>Rel.</td>
<td></td>
<td>1.3 %</td>
<td>7.5 %</td>
<td>28.9 %</td>
<td>39.6 %</td>
<td>22.7 %</td>
</tr>
<tr>
<td>Digital marketing</td>
<td></td>
<td>2</td>
<td>6</td>
<td>37</td>
<td>104</td>
<td>159</td>
</tr>
<tr>
<td>Abs.</td>
<td></td>
<td>0.7 %</td>
<td>2.0 %</td>
<td>12.0 %</td>
<td>33.8 %</td>
<td>51.6 %</td>
</tr>
<tr>
<td>Rel.</td>
<td></td>
<td>0.7 %</td>
<td>2.0 %</td>
<td>12.0 %</td>
<td>33.8 %</td>
<td>51.6 %</td>
</tr>
<tr>
<td>Customer relationship orientation</td>
<td></td>
<td>4</td>
<td>2</td>
<td>22</td>
<td>84</td>
<td>196</td>
</tr>
<tr>
<td>Abs.</td>
<td></td>
<td>1.3 %</td>
<td>0.7 %</td>
<td>7.1 %</td>
<td>27.3 %</td>
<td>63.6 %</td>
</tr>
<tr>
<td>Rel.</td>
<td></td>
<td>1.3 %</td>
<td>0.7 %</td>
<td>7.1 %</td>
<td>27.3 %</td>
<td>63.6 %</td>
</tr>
<tr>
<td>Social CRM</td>
<td></td>
<td>32</td>
<td>36</td>
<td>60</td>
<td>135</td>
<td>45</td>
</tr>
<tr>
<td>Abs.</td>
<td></td>
<td>10.4 %</td>
<td>11.7 %</td>
<td>19.5 %</td>
<td>43.8 %</td>
<td>14.6 %</td>
</tr>
<tr>
<td>Rel.</td>
<td></td>
<td>10.4 %</td>
<td>11.7 %</td>
<td>19.5 %</td>
<td>43.8 %</td>
<td>14.6 %</td>
</tr>
</tbody>
</table>

Source: Authors

RQ2: What digital marketing tools do SMEs use for conducting their business?
For the firms investigated, the most frequently used digital marketing tool was websites (94.8%). Following this were social networks (89.3%), direct email marketing (56.5%), pay-per-click campaigns and context advertising (41.2%), blogging (20.1%) and electronic newsletters (20.1%). The predominant social networks include Facebook (91.6%), YouTube (30.5%), Google+ (25.0%), Twitter (17.5%) and LinkedIn (12.7%). In addition to these, the social platforms Pinterest, (4.5%), Instagram (3.6%), Xing and Tumblr were also listed.

RQ3: How do SMEs manage customer relationships and communication?
The next part of the research was focused on the way the businesses investigated maintained relationships and communicated with customers. From Table 3, it can be seen that relationships with customers are perceived to be a valuable asset and that retaining customers also is given the same high ranking. This also corresponds to the high value given by top management for the perception of the customer 4.35. Motivating employees to build relationships with customers achieved a 4.23 level of agreement. Companies do not focus on only one form of communication with the customer but provide more options 4.37. At the same time, businesses provide customers with the possibility of interactive communication 4.17. Maintaining regular contact ranked in last place with an agreement level of 3.9.

Tab 3: Customer relationship orientation and customer communication

<table>
<thead>
<tr>
<th>In our organization, customer relationships are a valuable asset</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>In our organization, retaining customers is considered to be a top priority</td>
<td>4.58</td>
<td>0.80</td>
</tr>
<tr>
<td>We provide our customers with multiple ways to contact the organization</td>
<td>4.37</td>
<td>0.90</td>
</tr>
<tr>
<td>Our senior management emphasizes the importance of customer</td>
<td>4.35</td>
<td>0.93</td>
</tr>
<tr>
<td>Our employees are encouraged to focus on customer relationships</td>
<td>4.23</td>
<td>0.99</td>
</tr>
<tr>
<td>We enable our customers to have interactive communications with us</td>
<td>4.17</td>
<td>0.98</td>
</tr>
<tr>
<td>We maintain regular contact with our customers</td>
<td>3.9</td>
<td>1.02</td>
</tr>
</tbody>
</table>

Source: Authors
RQ4: How do SMEs approach online communities?
The businesses questioned also communicated their method of building online communities. The use of online communities to promote themselves to customers ranked in first place with a 3.43 level of agreement. In second place, there was agreement with the fact that customers primarily use these communities to make positive comments and reviews. Businesses use them to track customers across more media/channels 3.21. Businesses use online communities to have conversations with their customers more than they use a strategic approach to managing online communities. The significance of an online customer community for overall marketing and using the community for engaging with customers ranked at the same level as having a strategic approach. However, the importance of other relevant customer communities follows directly after. Businesses participate in relevant customer-owned communities and build their own online communities with their customers to the same degree 2.95. In Table 4, lower levels of agreement occurred for monitoring and acting on interactions between customers, opportunities for involving customers in product/service development and proactive management of interactions in online communities.

<table>
<thead>
<tr>
<th>Tab 4: Approach to online communities in relation to organizational CRM</th>
</tr>
</thead>
<tbody>
<tr>
<td>N=308</td>
</tr>
<tr>
<td>We do track customers across more media/channels</td>
</tr>
<tr>
<td>We have a strategic approach to managing online communities</td>
</tr>
<tr>
<td>Other online customer communities are central to our marketing</td>
</tr>
<tr>
<td>We use communities to have conversations with our customers</td>
</tr>
<tr>
<td>We build our online communities with our customers</td>
</tr>
<tr>
<td>We use these communities to promote ourselves to customers</td>
</tr>
<tr>
<td>Customers use these communities mainly to make positive comments and reviews</td>
</tr>
<tr>
<td>Our online customer communities are central to our marketing</td>
</tr>
<tr>
<td>We participate in relevant customer-owned communities</td>
</tr>
<tr>
<td>We monitor and act on interactions between customers in these communities</td>
</tr>
<tr>
<td>Online communities are a way of engaging with our customers</td>
</tr>
<tr>
<td>These communities allow us to involve customers in product/service development</td>
</tr>
<tr>
<td>We proactively manage interactions in these communities</td>
</tr>
</tbody>
</table>

Source: Authors

RQ5: To what degree are social networks used in CRM systems?
One part of the questionnaire dealt with the use of social networks in the CRM system. Only the respondents that use the CRM approach in their business answered this part. This amounted to 100 respondents. Business representation was distributed equally according to number of employees into businesses with 10 or less employees, those with 50 or less and those with 250 or less. Most frequently, respondents listed that social networks make it possible for their CRM to customize communication with respect to customers. Enabling the CRM system to analyze responses to marketing campaigns and providing sales force cross-sell/upsell opportunities followed. The next two rankings were very close and included using social networks to calculate customer retention rates and to support marketing planning and budgeting in table 5.
Tab 5: Use of social sites in the organizational CRM system  

(N=100) | Mean | SD |
---|---|---|
Social media enables our CRM system *(continued in a row)* | | |
..to analyse responses to marketing campaigns | 3.39 | 1.053 |
..to customize our communication to customers | 3.46 | 1.123 |
..to provide sales force cross sell/up sell opportunities | 3.30 | 1.185 |
..to support sales force in the field with customer information | 3.35 | 1.149 |
..to calculate customer retention rates | 3.01 | 1.176 |
..to support marketing planning and budgeting | 2.99 | 1.159 |
..to calculate customer lifetime value | 2.76 | 1.232 |

Source: Authors

5 Discussion

The paper deals with the problematic of using digital technologies for managing customer relationships. Among other things, research was focused on the method of managing customer relationships and communication with customers as well as on the method of building online communities and using social networks in the CRM system.

From the research, it was determined that the companies investigated devote great attention to building relationships with customers and even motivate their employees to do this as well; to this end, they use more methods of communicating with customers so as to allow them to communicate interactively. When examining online communities, the respondents ranked utilizing them for their own promotion in first place. For example, online communities are not used as often to gather information about customers. Businesses participate in communities created by customers to the same degree as they build their own online communities. When using social networks for a CRM system, respondents listed that social networks help them customize communication with respect to their customers; monitoring marketing campaigns ranked in second place. They are used least often for calculating and measuring customer lifetime value.

Comparison with research conducted in Great Britain

In 2014, similar research was conducted in London investigating the problematic of using digital technology for communication with the customer and Social CRM. In the area of creating relationships and communication with the customer, agreement among the British companies' representatives is slightly stronger than agreement among the Czech respondents. However, the representatives from Czech and British companies essentially see the relationship with the customer and its maintenance as a key priority. Top management's attitude and the motivation of employees also correspond to this. When examining opinions on acquiring and using information, it was determined that companies in Great Britain listed agreement more frequently than representatives of Czech firms for most of the items. Czech companies listed a greater level of agreement only for the statement, “We use customer information to measure the value of each customer's referrals to other customers.” However, Czech and British businesses overall have a similar approach. The highest importance is given to regularity when gathering information and integrating it from various areas. For British companies, there is apparent activity in integrating internal information about customers with information acquired from external sources and, at the same time, merging information about each customer acquired from the various sources. So far, these activities are practically not being utilized at all by Czech companies. Czech businesses with 250 employees or less use

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social networks primarily for promotion in contrast with the British, who foremost try to acquire customers by using these networks. The British companies' approach shows behavior that is more distinctly marketing-oriented, which points to the fact that transactional marketing still predominates over relationship marketing in Czech firms. It was found that Czech businesses more often have a strategic approach to managing online communities (3.12 vs. 2.83); online communities are more often important for their marketing. British respondents use communities rather for developing their product/service and more often use customers to write positive comments and reviews. At the same time, their online community is a more frequent way to contact customers. When examining the use of social networks for CRM, Czech businesses used them more predominantly than British companies for most of the investigated items. An exception was support for marketing planning and budgeting, which slightly predominates in Great Britain (3.06 vs. 2.99).

Comparison with research conducted for large companies

The results of the research described in this paper were also compared with the previous research of the authors among which companies with more than 250 employees participated. From comparing the results, it is apparent that the approach to using information is generally very similar both for SMEs and larger enterprises. For businesses with more than 250 employees, slightly higher activity is apparent for integrating internal information about customers with information acquired from external sources and, at the same time, merging information about each customer that was acquired from various sources. However, these activities still do not attain the level of implementation by smaller British companies. For using online networks, businesses with over 250 employees track customers across media and channels more often than SMEs (3.70 vs. 3.21); they have a strategic approach to managing online communities more often (3.53 vs. 3.12); and online communities are more frequently central to their marketing. SMEs use customers rather to write positive commentary and reviews; at the same time, the online community is more frequently a way to make contact than for businesses with over 250 employees. Larger companies ranked cross-sell and upsell sales in third position, whereas small businesses rank the use of this possibility in fourth position. Social networks are used the least for measuring customer lifetime value, which is the same for all companies regardless of size.

6 Conclusion

This paper describes a research study focused on s-CRM practice and the use of digital marketing and new communication technologies to communicate with customers in small and medium enterprises. The results were compared with answers from respondents from businesses with more than 250 employees as well as with a study by Harrigan and Miles using the same scale of measurement and a similar questionnaire structure.

From the comparison, it was found that the importance of customer relationships has a similar significance for businesses in Great Britain as for those in the Czech Republic. Generally, British enterprises take more advantage of utilizing information and do so in a more sophisticated way. For example, as opposed to British companies, companies in the Czech Republic do not work with individual customer data. Concerning utilizing social networks, this is primarily an opportunity for promotion for Czech companies; in contrast, companies in Great Britain use them to acquire customers and to establish and manage relationships with them. Czech companies use social networks more passively – for tracking customers. If,

22 BACHMANN, P., KANTOROVÁ, K.: From customer orientation to social CRM. New insights from central Europe. Scientific papers of the University of Pardubice 2015 (in submission)
23 ibid
however, Czech companies implement CRM, then social networks are utilized to a more significant degree by Czech businesses than is mentioned in the British research. Again, the emphasis here is on using social networks in order for CRM to customize communication with customers; thus, the emphasis is again on promotion. For large companies in the Czech Republic, the overall approach concerning individual items is very similar in certain aspects to that for SMEs, though with a more intense level of agreement. A more sophisticated approach to working with the customer is also seen for using online communities and using social networks in the CRM system.

It can be assumed that s-CRM, digital marketing and the means of communicating with customers using new technologies has also successfully begun its course in Central Europe and will develop in connection with the development of its residents' collective intelligence. Probably, the way of using these new approaches will often differ in different countries, which could be a research question for further investigation.

**Literature and sources:**

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3. BERKA, A.: Řízení vztahu se zákazníky, Scientific papers of the University of Pardubice, 2006, Series D, Faculty of Economics and Administration, 1211-555X


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