Understanding the Social CRM Strategy of Small Businesses in Captivating Younger Age Market in Indonesia

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Abstract: The survey conducted by the Indonesia Internet Service Provider Association (APJII) in 2016 presented that more than half of Indonesia's population (132.7 millions of people) have been connected to the internet and almost half of them are between 10-34 years of age. Most of have seen internet as one of the most effective places for shopping. However, a fierce competition has made businesses to think more of the strategy to capture the market. With huge number proportion of internet users, younger age makes up 75% of internet users and has become main captive market for online shopping. Traditional customer relationship management (CRM) has previously successfully help businesses in increasing their revenue and create trust relationship with customer. However, traditional CRM works more in a one-way direction. The rise of social media, has created totally different landscape on businesses environment. The rise of electronic CRM and its evolution to social CRM has made companies do not want to be left behind. They embrace social media as never before. However, business entities in Indonesia need to understand more how does this social media thing work for them. This study investigates and proposes social CRM constructs that work best for young age internet users in Indonesia market. The study indicates that social CRM plays a significant role in captivating younger age market in Indonesia.

1 INTRODUCTION

Indonesia has seen a tremendous increase of the internet users in the past few years. In 2016, more than half population of Indonesia (132.7 million users) has been connected to the internet (APJII, 2016). What more interesting is that almost half of the internet users are those between 10-34 years of age and those users make up 75% of their population age. 98.6% of internet users in Indonesia, has seen internet as a place to look for, to buy, and to sell stuffs. Based on the survey conducted by APJII (2016), 63.5% of internet users are actively use internet to do online shopping. A situation like this has sparked boom of online shops, springing up like mushroom after rain, from giant online shops like Lazada and Tokopedia to small businesses that run from home.

With a fierce competition happening in the online shops market, business need to have special strategy to gain and retain customer loyalty. A huge proportion number of internet users in Indonesia use internet to do research before buying stuffs. Internet has provided users with comparison of different offers & products in the form of electronic word-of-mouth (Hennig-Thurau et al., 2004; Chu & Kim, 2011). Business has started to adopt Customer Relationship Management (CRM) in electronic commerce market (eCRM) to fulfil this need.

Many studies suggested that CRM has successfully maximizing customers' loyalty from its usage (Becker et al, 2009). Hence it is able to increase business' revenues and reduce costs. Many technologies have been implemented in implementing eCRM. However, it is also well studied that if the focus of the eCRM is only to the technological part, it will lead to some problems (Cooper et al., 2008). It turned out that effective eCRM implementation does not always necessarily require powerful technologies (Chen & Chen, 2004).

Fortunately, with the rise of social media (Perrin, 2015), eCRM has transformed itself to Social CRM (Malthouse et al., 2013; Heller Baird & Parasnis, 2011). Technologies are no longer problems for many companies. Companies just simply use social media as part of their eCRM strategies. This is due to the fact that many social media users use social media to interact with business to find information about discounts, make purchases, find reviews and

rankings, and to find some general information about the particular company. Heller Baird & Parasnis (2011) also mentioned that the relationship between companies and customers in social media are both in need each other. The relationship should be maintained well to create the best outcome.

With huge proportion number of internet users in Indonesia, younger age users have attracted many businesses. As Indonesia has been dubbed as social media nation (Lim, 2013), the social media roles has definitely affect the way Indonesian interact with the e-commerce platform. This study investigates the Social CRM strategy in small business in Indonesia especially when dealing with young age internet users. The study investigates a multitude factors that influence the implementation of social CRM by small businesses and how these small businesses understand how to maintain a long-term relationship with customers with the help of social media. Through this study, we hope to further develop an understanding of the constructs used in social CRM in Indonesia. To this end, we provide details of an empirical study to 51 small businesses that are actively engaged with social media and what are the key success factors in using social CRM.

2 THEORETICAL BACKGROUND

In general, CRM is defined as a strategic, customer-centered action that focus on important aspects of sales and marketing to increase revenue by improving customer satisfaction, loyalty, and retention. With the birth of the internet, CRM evolves into eCRM. With eCRM, the five phases of internet online shopping (Nour & Fadlalla, 2000) i.e. research/browse, ordering, post-purchase service, delivery, and online payment, are being taken care with the help of internet technology. Customers' experiences are captured in the eCRM system. As everything are logged in eCRM, company is able to analyze and then able to improve its services, recognize the transaction pattern, reducing operational risk, and predict customers' need in the future (Kalakota & Robinson, 2001). eCRM has helped many companies to have significant advantages as it is able to deliver value added services that responses to customers' ever-changing needs and successfully created recurring customers (Peltier et al., 2009). eCRM is founded on the top of commitment-trust theory (Morgan & Hunt, 1994) that explains a long-term relationship is built on the foundation of mutual trust-commitment to

make loyal and recurring customers (Kim et al., 2008). However, the eCRM strategy needs to find values which often intangible or available as tacit knowledge. The adopted strategy of eCRM usually focuses on the responses collected to manage the customer (Baird & Parasnis, 2011). Unfortunately, many companies were trapped and focuses only on the technology side of the eCRM. The successfulness of eCRM depends on the interaction of people and departments within company where each of them supports one another (Day & Van den Bulte, 2002).

In a world where more businesses rely on internet for many parts of their business, well-established theory such as theory of planned behavior (Ajzen, 1991) applicable only when customers do not have full control over their online transactions. Hence, it only measures perceived behavioral control and trust as critical factor. However, with social media, customers are often in control. It's easy for customers to reward or punish company with rating system and/or via social media shares.

The rise of social media in Indonesia is undoubtedly create a new horizon in social relations and social networking (Lim, 2013). Social media has become a hub, a place where customers are congregating and businesses want to be. Woodcock et al. (2011) explained that today customers are trusting more towards friends and colleagues than they are to TV advertisement or corporate communications. Consumers spent their online activities to interact to each other like never before.

Social media, just like other places such as café or public space, holds many types of conversation and interactions where some conversations might be serious or fun while some others are not. With social media, the story where customer is in passive role in his or her relationship with a company just like in the old days are gone (Malthouse, 2013). We see a new era where customer might even dictate what companies should do as customer's power through social media is increased (Baird & Parasnis, 2011). Customers value companies from their service quality, product quality, price fairness (Kim et al., 2008). These factors can increase perceived value and build trust which later can create a long-term commitment or loyalty to the company. This has been intensively discussed by Kim et al. (2008), when they proposed framework for e-CRM from the customer's perspective as explained in Figure 1.
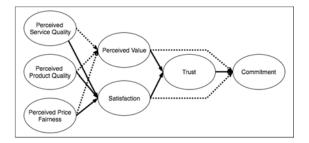
Figure 1: Framework for e-CRM from the customer's perspective (Kim et al., 2008).

Customers can make a brand of a company to improve, but at the same time, if customers are unhappy, they can spread negative messages of the company and can seriously damage company's brand (Gensler et al., 2013). As a consequence, companies, especially those with huge number of social media users like Indonesia, should have more focus on social media than ever before. With social media, company are no longer able to control in a one-way relationship model with the customer as customers are in power and drive the conversation. Company can experience both unprecedented growth and crash overnight with the power of social media. This condition has definitely challenged the traditional notion of CRM.

The situation marks the birth of a new strategy known as Social CRM (Mohan et al., 2008). Social CRM recognizes customer instead of controlling them. The focus of Social CRM is to facilitate the collaborative experiences of customers. It emphasizes more on how to understand customers value as exhibited in the social media platform.

3 DATA COLLECTION AND ANALYSIS

In this study, 51 questionnaires were distributed to small businesses entities (all are online sellers). The respondent group ranged in age from 18 to 54, consisting of 65% male and 35% female; 57% were university graduates; and 44% of them has only been using social media between 1 to 3 years. The complete demographic characteristics are given in Table 1.

Table 1: Demographic characteristics of the questionnaires.

Classification		Frequency (n = 51)	Percent
Gender	Male	33	65%
	Female	18	35%
Age	13 – 17	0	0%
	18 – 24	22	43%
	25 – 34	28	55%
	35 – 54	1	2%
Level of education	Less than or equal to High school	18	35%
	Vocational Diploma	2	4%
	University Graduates	29	57%
	Postgraduates	2	4%
How long been in business	< 1 year	15	29%
	1 – 3 years	23	45%
	> 3 years	13	26%
Experience in social media	< 1 year	16	30%
	1 – 3 years	22	44%
	> 3 years	13	26%

Measures

There are three constructs measured in this study: Social Media construct, CRM construct, and Customer construct as shown in Figure 2.
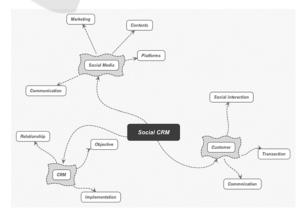

Figure 2: The proposed Social CRM Pattern Constructs.

The social CRM constructs in this study are divided into three. The first one is the social media

construct. In the era of social media, customer becomes focal point of CRM. Everything else revolves around the customer. Businesses work closely with customer to solve business problems. Many customers are now sharing their online shop experiences with others, which both directly and indirectly impact the business entities. As there are many social media platforms, businesses need to understand, which platform that suitable for which customers. The gaps between generations also create different use of social media, and this need to be studied well. Social media is not just a set of technologies, but also part of the business strategy as it can help companies to have more engagement with customers.

The second construct is the CRM itself. In recent years, CRM has transformed itself into social CRM (Nitu et al., 2014), but this does not mean that it changes the basic concept of CRM. To understand the concept well, this study needs to observe how the CRM concept has been used to maintain the relationship between sellers and customers, and how it can achieve the objectives from the implementations.

Last but not least is the customer construct. In the traditional notion of CRM, customer is in the passive part of the CRM. In traditional CRM, the system relies on the data and information that been collected from the customers, which then are entered into the CRM system that allows company to better target customers. In the era of social media, the interaction between customers and business entities has changed. It no longer in a one-way communication as presented in the traditional CRM. Two-ways interactions are becoming a norm. Hence, it is also important to understand how the customer landscape is presented in the era of social CRM.

4 RESULTS

4.1 Social Media Construct

With the number of users accessing social media reaching 97.4% of total internet users in Indonesia, there is no doubt that social media influences a lot of Indonesian. There are 54% of internet users in Indonesia accessing Facebook. Yet the surprises come from Instagram, where in 2013, the number was not so significant, however in 2016, the number of active users are 15% of total internet population in Indonesia (APJII, 2016). This is due the fact that Instagram are more popular towards Indonesian younger generation between 10-34 who are now

representing 42.8% of total internet users in Indonesia. For small business targeting younger age customers, having a campaign in Instagram is definitely a must option.

The survey conducted by APJII (2016) also aligned with what we found from our survey, where small businesses tend to focus more on Instagram than other social media platforms. On the social media construct, Instagram has definitely dominated the landscape of social CRM. Small businesses actively engaged with customers or potential customers via direct message feature or by replying comments. Some businesses actively use *view insights* feature to check impressions, engagement, and reachability when they posted marketing material on Instagram.

On social media platforms, the focus of the CRM is to create powerful content by mentioning exactly how much the price is of the item they are selling. Few years back, it is common in Indonesia for online shops to hide the price in an expectation that interested buyers will contact the sellers directly via BlackBerry Messenger. However, from what we have found, it's no longer a choice for most sellers. Customers tend to choose online sellers that have their item's price published on social media. Sellers also often use current issues in the marketing content to increase their posts' visibility.

We also found that timing is essential to create higher interactions between sellers and buyers. With younger generation as the captive market, 1pm to 8pm and from Monday to Thursday are the best time to post content, this is due to the fact that the target market are mostly students, who have free time after school/class, but not on weekend where they usually have lots activities.

Other than the content itself, on the marketing strategy, online seller often provides a challenge with prize or with a giveaway. This strategy is often needed to increase number of followers on every social media platform. These small businesses believe that the higher the number of followers, the better exposure they have, which by the end of the day will improve their customer acquisition strategy.

4.2 CRM Construct

Even though most questionnaires returned with the information that most sellers do not know what is the definition of CRM, the practices performed by these sellers are in fact has already adopted CRM strategy. There are two important factors in implementing the social CRM as explained in Figure 2 i.e. clear objectives and good relationship.

The goal of applying social CRM approach is to make recurring transactions from customers, increase revenues, and improve engagement quality. From the distributed questionnaires, it is found that customers usually make repeat purchases when they received good services, fast responses, and positive testimonials from other customers. Recurring purchases means that customers are highly satisfied with the services given by the online sellers. As presented in Figure 3, 77% of the online sellers has experienced repeat purchases from customers after positive feedbacks.
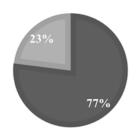
■ Repeat Purchase ■ No Repeat Purchase

Figure 3: *Recurring Purchases.*

Other than recurring purchases, one of the key factors found towards successful CRM implementation is a good communication. A good communication ensures a good relationship. To communicate well, most online sellers use special greetings so that customers feel respected and not being intimidated. In Bahasa Indonesia (the language of Indonesia), most sellers use word '*kak*' (short from *kakak* (*kakak* means older sister/brother), or *sis* (short word from sister) as a polite greeting and salutation before engaging in conversation.

According to the survey, these subsequent items are the best way for online sellers when communicating with customers:

a. *Greetings*. First impression last. Salutation is always important for Indonesian people. Customers tend to feel comfortable when they receive greeting.

b. *Conversation*. All conversations should be *to the point* with short sentences, good articulation, and easily understandable

c. *Responses*. A fast response is always expected in Indonesian market, where people won't hesitate to move on to other sellers if he or she thinks that the online sellers does not cooperate/respond well

d. *Regular service*. Small business should have special time to interact with customers i.e. office

hour to make sure that conversation will always happen

Even though Instagram dominate the social media platforms used by both online sellers and customers, other social media platforms or other communication channels are also being established. In Indonesia, it is very common for millennials to have Line messenger installed on their smartphones. And they have used it intensively to engage with each other (Situmorang, 2017). Hence, it's just make sense for businesses to also engage on this platform as well. In overall, responsiveness is important factor to gain customers' trust.

4.3 Customer Construct

The fact that the internet connection in Indonesia is getting better affects the way customer interacts in e-commerce platform. Many online sellers are experiencing online haggling scenario, as previously studied by Terwiesch (2005). People tend to do haggling as they did not experience intermittent or bad connectivity that will hamper their online communication. The online haggling experience is mostly happened with customers from Java where 65% of Indonesia's internet users reside and also where the internet connectivity is good. A good internet connection makes customers and sellers have more privilege to make the bargain. Customers have more time to do research on items before they decided to buy. And also, younger age customers tend to perform online haggling as part of their online shopping experience as they themselves have limited income. From the conducted survey, most online sellers targeted market are youth on age range between 18 to 24 as illustrated in Figure 4. Hence, online haggling activity is very understandable.
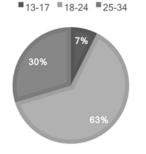
■ 13-17 ■ 18-24 ■ 25-34

Figure 4: *Customers' Age Range.*

The survey also obtained the fact that customers who are close in proximity (not far from the online sellers) tend to have their transaction finished longer than those who live far away from the sellers. Most

customers who are in close distance to the sellers tend to ask lots of questions and far more selective before making transaction.

Just like the CRM construct, a good communication is the key to build the trust relationship. Online sellers expect a good outcome from the electronic word-of-mouth on social media platform that is built up from this trust relationship.

However, even though trust relationship has been built, according to APJII (2016) report, only 70% of internet users in Indonesia feel that online transaction is safe. This also affects method of payment done by customers.
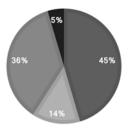

Figure 5: *Method of Payment.*

Unlike many other developed countries where most of users browse and buy from the online shop directly, in Indonesia, 26.7% online buyers pay via ATM and 14.2% of online buyers prefer to have them by cash on delivery (CoD) method (APJII, 2016). Hence, no wonder that the number of ATM payments (45%) and CoD (36%) methods are also being reflected in this survey as shown by Figure 5.

5 DISCUSSION AND CONCLUSION

The results indicate that social CRM plays a significant role in younger age market in Indonesia. This study proposes three main constructs affecting the successfulness of the social CRM implementation namely Social Media construct, CRM construct, and Customer construct. There are implications for the finding. First, social media is really something that cannot be left out by small businesses as their survival kit. Social media has become a game changer in Indonesia. It has proven that it is able to help gaining CRM objectives to maintain long-term relationship. To survive, small businesses should have good communication and equipped with marketing strategy to increase the number of followers on their social media accounts. This study has some

limitations that can be addressed in to complete the research. First, the number of study participants businesses are still small and limited in Java Island only. However, even though the number of internet users outside Java are not as many as those in Java, they are also potential market of online shop market as their number is increasing fast (APJII, 2016). Second, the constructs in the framework need to be measured with more instruments e.g. revenues and regulations. Finally, the research finding is collected from small businesses that are already have at least basic engagement with social media. A comparison to other business entities that have not used social media intensively can validate the results.

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