HOW SOCIAL MEDIA CONTRIBUTES TO MULTINATIONAL MARKETING STRATEGIES AND ITS IMPACT ON CUSTOMER RELATIONSHIP MANAGEMENT IN THE 21ST CENTURY

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Abstract

Globalization and advanced technology developments have a very big impact on the marketing landscape and multinational marketing strategies. The Internet and the World Wide Web have become two key components in today's technology based organizations and businesses. The popularity of Internet starts to make a big impact on people's day-to-day life. As a result of this revolutionary transformation towards the modern technology, social networking on the World Wide Web has become an integral part of a large number of people's lives. Social networks are websites which allow users to communicate, share knowledge about similar interests, discuss favorite topics, review and rate products or services. These websites have become a powerful source in shaping public opinion on virtually every aspect of commerce. The advancement and popularity of social networks have had a tremendous impact on the way companies manage their marketing. Companies must be creative in order to target specific audiences and make a profit. Social network is a marketing channel that needs to be integrated with other traditional marketing channels, and considered as part of the marketing mix. Social network is not a replacement of traditional marketing tools but another tool that is able to reach the community which prefers electronic media. Globally, customers that are buying the items that they wanted via virtual media had increased drastically. Traditional customer relationship management is not sufficient for a company to interact with customers. Social media has definitely changed the way big companies communicate with their customers. This study explains how social media contributes to multinational marketing strategies. Besides that, this study will also describe about the impacts social media have on customer relationship management.

Keywords: social media, multinational marketing strategies, customer relationship management.

1. Introduction

The Internet enable us to connect to people, regardless of time and space. This leads to social networking through social network sites. Highly accessible and scalable technologies is used to create social networks which is an online content. Social networks are online communities of people who share a common interest or activity. Users can interact with each other in a variety of ways such as blogs, email, instant messaging and newsfeeds which contain information about, or valuable to those in their network. Social networks are powerful in the ability to facilitate communication. Facebook, and the professional networks, LinkedIn® and LabRoots are some example of social networking sites. People discover, read and share information and content through social networks. There is a rapid growth in the membership of social networks like Facebook and Myspace. Social network is now evolving in online business marketing. With the increasing number of social network, marketers begun to question the role of social network in providing marketing insights. Marketers begin to use social network as a component in their marketing strategy and campaigns to reach out to customers. Traditional companies could use social network as a new marketing opportunity. Social network enable companies to reach new and relatively large target group faster than traditional marketing channel. The growth of social network has changed the nature of interaction between consumers and firms from unidirectional to bidirectional.

2. Social Media’s Contribution to Multinational Marketing Strategies

Electronic word of mouth is the first strategies that social media had an influence on. Today, products regularly use IT enabled features like automated broadcast notifications and personalized invitations to spread products awareness (Aral & Walker, 2011). The most powerful and influential form of advertising is passing the information from one person to another. Information about goods often propagates by word of mouth (Hartline, Mirrokh & Sundararajan, 2008). eWOM uses informal communication among consumers in social networks to promote and grow products, services and brands (Abediya & Mahmoudi, 2010). eWOM creates the potential for exponential growth in the marketing message’s exposure and influence. eWOM can help achieving substantial audience, reaching as marketers get access to diverse audiences through social contacts. eWOM involves consumers sharing attitudes, opinions, or reactions about businesses, products, or services with other people (Jansen, Zhang, Sobel & Chowdury, 2009). eWOM occur when individuals with an interest in a product category interact for information such as purchase advice, to affiliate with other likeminded individuals, or to participate in complaint or compliment interactions (Brown, Broderick & Lee, 2007). eWOM is important for consumer to express their satisfaction towards a brand. eWOM is a set of promotional tools whereby companies seed products with select groups of consumers in the hope that they will spread eWOM about these products, and in turn increase awareness and sales. eWOM can have positive effects on aggregate marketing outcomes viral campaigns that are aimed at generating eWOM and spreading it between consumers should at least have the potential to be effective promotional tools (Toubia, Stephen & Freud, 2009). eWOM
about products can help drive product adoption and sales. eWOM is plays a major role in driving consumer actions and buying decisions as consumers increasingly used this communication technologies for trusted sources of information, insights, and opinions. eWOM strategy is interesting because it overcomes the consumer resistance with lower cost and fast delivery. eWOM is a great marketing strategy because it fosters – familiarity, personal connection, care and trust between consumer and the translator of the information (Abdeniya & Mahmoudi, 2010).

eWOM is different from other marketing strategies because it is based on trust among individuals’ close social circle. People tend to trust the information obtained from their close social circle than the information obtained from general advertisement channel (Chen, Wang, & Wang, 2010). Therefore, many marketers believe that word-of-mouth marketing is the most effective marketing strategy Environment of trust is created when people sharing their opinions about the product or the service do not have connection with products’ producer or provider of service (Kalpaklioglu & Toros, 2011). The users will not be loyal to the network if there is too much pressure to buy or if the network is too commercialized (Bolotava & Catu, n.d.). For example, seller could offer some popular buyers the good for free in order to influence many buyers to buy the good (Hartline et al., 2008). It is an effective way to create a buzz about the product. Social network is a platform that is cost effective and easy to use to communicate and share information about brands, businesses, new products and services, events and anything else (Khan & Khan, 2012). Social networks could create a multiplier effect which increases audience when information gets passed on by a company’s followers to their followers.

Social networks have the potential to substantially impact eWOM branding, which can impact key elements of the company customer relationship including brand image and brand awareness (Jansen et al., 2009). Firms could take advantage of eWOM through social network because it allows consumer to share their views, preferences, or experience with others. The social network settings offers an appealing context to study word-of-mouth (Borges, 2009). One of the dramatic attributes of social network is that anyone could share content and creates the so called viral effect (Borges, 2009). Consumers reduce on their reliance on advertising, and instead are using their social network connections, turning to one another for buying advice. Through social networks, entertaining and informative messages is designed to passed on by each message receiver, analogous to the spread of an epidemic, often electronically. Activities such as referral programs that create tools that enable satisfied customers to refer their family and friends also can be done through social networks.

Companies also can provides tools content and information to niche communities that share interest about a product or brand. It is necessary for marketers to create a strong emotional connection between a brand and its users because individuals use social network to let others know about things which they connect emotionally (Heckadon, 2010). The impact of online consumers reviews can reach far beyond the local community since any consumer all over the world can access a consumer review through social network (Chen & Xie, 2008).Consumers have become much more active in influencing and altering the nature of conversation around brands and products (Moe & Schweidel, 2011). The people who are more likely to engage in eWOM are those who described themselves as loyal customers. Besides that, individual with extreme opinion, both positive and negative, will be more likely to post an online opinion than those with more moderate opinions (Moe & Schweidel, 2011). Firms can take the opportunity to learn about its environment by directly observing the flow of interpersonal communication through online conversation (Godes & Mayzlin, 2004).

As the social networking applications become more widespread, eWOM show signs of becoming more important in the future. Viral messages can reach and potentially influence many receivers, and are usually perceived by consumers to be more reliable and credible than firm- initiated one, since the senders of viral are mostly independent of the market (Abdeniya & Mahmoudi, 2010). Besides that, eWOM encourage customers to feel they just happened to hear about the product or service rather than to feel directly marketed to. Marketers target members of social sites who share information with other members and friends to get eWOM. Their involvement in these social sites allows marketer to spread more the viral content because they naturally want to share information to other members and send interesting content to friends (Abdeniya & Mahmoudi, 2010). Marketers reach groups of consumers who share common interests and preferences through online social networks. Many consumer turn to their friends for opinion through social network in purchasing a products or services because they are better resources than companies advertising for products and services.

3. Social Influence

A sale to one buyer can influence other potential buyers to purchase the product (Hartline et al., 2008). Social influence occurs when a person adapts his or her behavior, attitudes, or beliefs to the behavior, attitudes, or beliefs of others in the social system (Trusov, Bodapati & Bucklin, 2009). Influence does not necessarily require face-to-face interaction but rather is based on information about other people. Social networking sites allow users to share opinions and make recommendations. Consumers seek others opinions when considering the purchase of products and services (Red Bridge Marketing, 2008). Consumers trust and believe other people’s recommendations for products and services more than any other medium. Others’ opinions are also seen as more objective compare to companies’ own marketing messages. Consumers use social networks to find those opinions. Users of social both supply and consume content. The creators of content are typically highly engaged consumers and, as a result, influential (Red Bridge Marketing, 2008). If the proper influencers are reached with a message that they perceive as valuable, it can become viral. This is tremendously powerful to marketers, as users don’t feel that the information is being pushed at them, but referred to them by a trusted friend in a trusted network (Red Bridge Marketing, 2008).

People who are often nominated by their peers as someone they turn to for expertise or discussion are likely to be true sources of influence (Iyengar, Bulte & Valente, 2008). Consumers’ taste, which include their purchasing behavior, attitude and preferences they hold, can signal their social identity and can be used by others to make desired inferences about them (Iyengar, Han & Gupta, 2009). Social influence from existing customers play a important role in driving both the acquisition of new customers as well as in promoting retention and growth. Often, users can be convinced to purchase a product if many of their friends are already using it, even if these same users would be hard to convince through direct
Viral characteristics and features is incorporate into a product’s design to generate peer-to-peer influence that encourages adoption. This specific characteristics and features is called viral product design. The product design that best fits the customers can increase the market share significantly (Raghavan, n.d.). A product’s viral characteristics are fundamentally about its content and the psychological effects content can have on a user’s desire to share the product with peers (Aral & Walker, 2011). A product’s viral features on the other hand concern how the product is shared – how features enable and constrain a product’s use in relation to other consumers (Aral & Walker, 2011). Viral features may enable communication, generate automated notifications of users’ activities, facilitate personalized invitations or enable hypertext embedding of the product on publicly available websites and weblogs (Aral & Walker, 2011).

Personalized referrals and automated broadcast notifications are two of the most widely used viral product features. Personalized referral allows users to select their friends or contacts from a list and invite them to adopt the product or service, with the option of attaching a personalized message to the invitation (Aral & Walker, 2011). Automated broadcast notifications are passively triggered by normal user activity. Notifications are broadcast to the user’s list of contacts when a user engages the product in a certain way. Notifications can build awareness among friends of new activities or products a user is adopting or engaging with, and can encourage those friends to eventually adopt the product themselves (Aral & Walker, 2011). Referrals are more personalized and targeted compared to broadcast notifications. Users actively select the subset of their social network to receive them and can include personal messages in the referral. eWOM is generally considered more effective at promoting product contagion when it is personalized and active (Aral & Walker, 2011). Sometimes goods have features that explicitly aid social networking. For example, Microsoft music player, the Zune, has a music sharing feature that allows it to wirelessly exchange music with other Zunes. The value of such a feature is a function of the number of acquaintances who also own the good (Hartline et al., 2008).

Individuals will activate a strong-tie relationships with their friends when they choose to share information about products and services with their friends. Strong ties exhibit greater homophily greater pressure for conformity and deeper knowledge about one another (Aral & Walker, 2011). We tend to trust information from close “trusted” sources more and to respond more often to them due to reciprocity. The personalization of messages makes them more effective in online environments in which we are bombarded with irrelevant information. Viral features can be broadly described using two dimensions: activity and personalization (Aral & Walker, 2011). Features that require active user engagement have higher activity and passive features that generate automated actions on behalf of users have lower activity. Personalization ranges from broadcast features that are unselective in their audience to personalized features targeted and tailored toward specific peers (Aral & Walker, 2011). Active-personalized viral features are more persuasive, but the additional effort they require may curtail their use.

As an example, we can take a look at the best practices of some company in the retail sector. Take a look at IKEA’s “Social Catalogue”, their objective is actually to raise awareness of a new IKEA store with almost no media budget at all. According to Shercan (2010) IKEA is the world’s largest furniture retailer that is held privately and sells accessories and ready to assemble furniture. In the late 2009, IKEA had a Facebook campaign where the idea is contributed by Forsman and Bodenfors to promote a new IKEA store to be launched in Malmo and it was claimed to be a social media campaign that have the most innovation in Facebook (Shercan, 2010). The approach of this campaign is to upload photos of the rooms in the ikea showroom to Facebook, then they allow people to “tag” themselves against an item of furniture for the chance to win it in real life (Lindsay, Matthew, Jamie, Eveline & Chris, 2011). When a person is tagged in a photo on Facebook, their friends will automatically receive an update that shows the photo. This simple competition will make people have the desire to get free stuff which also meant that this campaign had received a huge amount of public relations. With this, IKEA can increase their company’s revenue. Dunay and Krueger (2010) also said that Facebook offers unique ways to communicate with customers such as the Facebook Ads as it can be bought on a cost per click basis and it is very popular as it let company to reach the audience that they desire whether it is narrow or wide.

Besides that, there is also Starbucks Mayor Offer where mayor of Foursquare in Starbucks at any local store gets to buy a frappuchino at only one dollar (Keath, 2010). This is special as it is the first national special for mayor using Foursquare. In this situation, customers get value from the discounts and they will have a sudden ego boost to become the mayor of their favorite Starbucks or the one nearest to them. Starbucks will of course get popularity in a form of word of mouth and they are able to identify its top customers.
On top of that, there are small businesses that use social media as a real business opportunity. As an example is Wrigleyville, a small company that sell sports related clothing in Chicago and Pittsburgh. Wrigleyville has build a Facebook page for three years and now has twenty two thousand likes and the company tracks sales and marketing efforts from Facebook. They also had contest on Facebook on Mother’s Day for visitors to upload some picture of Mom demonstrating why she's the biggest fan of Chicago Cubs (Doug, 2012).

5. Social Media’s Impact on Customer Relationship Management (CRM)

Customer relationship management is a combination of technology, business processes and people that want and seek to understand a firm’s customers and it focus on the incorporation approach on relationship development and customer loyalty (Chen & Popovich, 2003). The premise of CRM is that is is a process of relationship building and dual creation of value between firm and its customers, to create win-win situations, enhance customer life time value and increase profitability (Nguyen & Mutum, 2012). According to Jayashree, Pahlavanazdeh and Shojaee (2010) customer relationship management is the collection of processes, people and technology that seeks to find custumers of organizations and CRM develops customers’ retention and relationship. Progress in Information Technology and organizational changes in customer-centric procedures have positive effect in the development of CRM. Organizations which implement CRM successfully, will gain customer loyalty and profitability (Jayashree, Pahlavanazdeh & Shojaee, 2010). All employees in a firm are managers of customer relationship, whether you are the receptionist who answers the phone or customer service operator, and everyone in the company handles customers in the departments (Ronald, 2001). CRM focuses on the integration of customer information, knowledge for finding and keeping customer to grow customer lifetime value and it also has an important role to help organizations to keep their customers and to make them loyal.

Besides that, organizations should know the reasons of leaving customers and finding the ways of keeping them (Ramakrishnan, 2005). With billions of people having access to a variety of social media, the ability of the word to share and connect is infinite and from a business point of view, companies are now allowed to create a customer experience never before done in the past. Traditional CRM was born in the early 1990’s and customer behavior is in a very different phase today (Rich, 2010). According to Vissing (2011) CRM is one of the most fundamental elements in any organization because of the emergence of social media in the industry. “According to IBM research, there is a large perception gap between what the customers seek via social media and what companies offer” (Baird & Parasnis, 2011). It is important to master online communication in order to know the people that can influence a particular market. Retailers today are working in a challenging era but they are now able to get closer to their customers and engage with them with a timely and relevant manner (Green & Starkey, 2011). Together with CRM, social media can achieve a higher financial benefits to companies and it does not matter which sector they are in (Green & Starkey, 2011).

What does this change mean for CRM and how this social media phenomenon change the way firms interact with their customers? To engage with customer by using social media will definitely fail if conventional CRM approaches remains the same (Baird & Parasnis, 2011). CRM has slowly moved to become social customer relationship management (SCRM). A more strategic and holistic approach that combines social media with more aspects in businesses improves the rate of consistency in achieving success (Leary, 2012). Social CRM is often called CRM 2.0 and it grew because of the empowerment of customers that each customer has the experiences, tools and products with the company that satisfy their personal desire (Mosadegh & Behboudi, 2011). Social CRM has pulled the world of customer relationship management into sticking with social media and it results in a very unique and interesting way of working (“How do you think,” 2012). Social CRM is about joining ongoing conversations customers and prospects that are already engaged in while trying not to control them and it is also about understanding where and what kind of people you want to do business by hanging out on the Internet (Leary, 2008). Social CRM is now a new paradigm in combining social networking into traditional CRM systems (Askool & Nakata, 2011).

At the same time, the interactions between buyer and seller can now be effortlessly stored in a CRM database system for the benefit of the marketer and retailers (Nguyen & Mutum, 2012). This interactive era has not only increased collaboration between firm and customer but coupled with continuing technological advances, a marketer has now the ability to track and store customer information optimally, in order to customize offerings to suit individual customer needs and desires (Nguyen & Mutum, 2012). Kaftalovich (2010) claims that social media allows company to go into their customer’s social network and enable them to connect with the customers in an informal way. She also mention that social media is its own lead generation machine and at Luxor CRM, they found that Twitter is extremely effective because they can gather customer’s curiosity, opinions and interest in the products as well as gathering about the audience’s preferences and buying behavior. According to Green and Starkey (2011) SCRM can deliver insight, which will help drive real customer centric innovation. However, what is sometimes proposed is nothing more than the refreshing of old ideas such as one-to-one communication, relationship marketing or customer engagement applied to social media. Such thinking actually misses the crucial main point that social media is about people interacting with each other (Ang, 2011). To develop a good social media strategy, it is important to realize that technologies are now allowing people to quickly connect, converse, create and collaborate with each other (Ang, 2011).

Besides that, the impact of social media on CRM is the raise of customer centricity. In the world of CRM, the enhanced emphasis is being placing focus on the developing measures that are more customer-centric and that give manager a much well rounded idea about how their CRM is performing (Russell, 2001). This growth of social media had an indirectly result to the growth of much more and better customer centric companies. With social media, it does not matter how much revenue you invest but it is the time, knowledge and patience that you offer in order to satisfy customers (Kaftalovich, 2010). The comparison between traditional CRM and social CRM is that traditional is more data driven and process centric while social CRM is more content driven and conversation centric (Leary, 2008). With social media nowadays, people does not really care about companies that kept promoting themselves, instead individuals are seeking companies that can actually provide them with value.
According to Heckadon (2010) if brands want to succeed in social networks environment then marketers must keep content fresh and relevant and the information in social networks must be easy to understand and share. In order to become successful in today’s retailing world retailers need to understand about people opinion on their brand in the social sphere. Smart retailers will take a look at their social CRM from the public relations, customer support, product development to maximize connection with customers (Bush, 2011). Retailers can help a brand create top-of-mind awareness by responding effectively to user communications (Heckadon, 2010). Retailers should also frequently update their brand’s social networking profiles and status, and establish RSS feeds so followers can subscribe and obtain updated content on their computers and mobile devices (Heckadon, 2010).

Besides that, one of the biggest advantages social CRM has over offline CRM is that social CRM can have a much bigger volume of real-time data and it can be used to personalize user experience of the company (Bush, 2011). The growth of more customer-centric companies had resulted in social media being a new wave of customer service and it is all about maintaining long term relationship and partnership with their customers and this is not just a business deal. The development of customer-centric firms and lead generation definitely is the impacts of social media on CRM.

6. Discussion

Social networking sites have become a powerful force in shaping public opinion on virtually every aspect of commerce. Social network amplify word-of-mouth marketing and are becoming increasingly important in consumer’s purchasing decisions. Social network may become more important than advertising as a trusted source of information. Marketers have less control over messaging and positioning because consumers provide much of the content. The social network medium is a viable area for organizations for viral marketing campaigns, customer relationship management, and to influence their eWOM branding efforts. Social network accounts affect brand awareness and brand image. Managing brand perception in the social network world should be part of an overall proactive marketing strategy, and maintaining a presence on these channels should be part of a corporation’s branding campaign. Company social network accounts help monitor brand community discussions and to push information to consumers. People express their opinion via social networks. Some part of the positive review could be part of commercial viral marketing by corporations.

This implies that corporations could use reviews as customer feedback about products and features that are well received by the consumers. Product quality had a positive impact on generating positive eWOM. Therefore, businesses could generate brand awareness without large outlays on advertising and marketing. Online consumer review information can be useful for identifying consumer preferences, finding out product defects, and correcting inadvertent mistakes. Social networks can be used to provide information and draw potential customers to other online media. Companies can get near real-time feedback by setting up corporate accounts.

Besides that, there is IKEA who launches the “Social Catalogue” and is able to raise awareness with zero media budget. They focus on the desire of human being to get free stuff and consequently they get a huge amount of public relations. Then, we have Starbucks that have the Starbucks Mayor Offer on the Foursquare application. With this, Starbucks is able to gain popularity and also revenue. This shows that creativity does pay off in social media marketing campaign. Social media has definitely contributes to multinational marketing strategies in the 21st century with unique strategies in getting to know more about company’s own product and also improving their sales and revenues.

Furthermore, it can be observed by reading this paper that social media also have an impact on customer relationship management. We know that all employees are important in managing customer relationship in a certain company and that social media had changed traditional CRM in a more holistic way and soon it became social CRM. The two major impact social media has on CRM is the growth of customer centricity and social media has become its own lead generation machine. Social CRM also enable company to promote and grow their brand through social media tools like Facebook. There has been a shift in power that can be observed when reading this paper as customers are being given much more priority compared to older day where seller or company had the power. Companies that implement a successful CRM will get the rewards in obtaining customer loyalty and long run profitability.

7. Conclusion

Social network is a potential avenue for companies to explore as part of their overall branding strategy. Customer brand perceptions and purchasing decisions appear increasingly influenced by social networking services, as consumers increasingly use these communication technologies for trusted sources of information, insights, and opinions. Social networks offers new opportunities to build brand relationships with potential customers and eWOM communication platforms. The essence of eWOM communicating and customer relationship management is knowing what customers and potential customers are saying about the brand. Social network provides a venue into what customers really feel about the brand and its competitors in near real time. In addition, social network sites provide a platform to connect directly, again in near real time, with customers, which can build and enhance customer relationships. Creating an Internet-based community which lets users create content and share ideas can multiply a brand’s reach, increase its supporters and help bring innovative products to market. A community which is open and honest allows users to understand and trust a brand, and it allows the brand to obtain productive communications and its users’ loyalty. Keeping social network content fresh and entertaining sends users an indication that the brand is active and wants them to return. Making users feel special and rewarding participation helps the brand to maintain them engaged and loyal. Viral product design has econometrically identifiable impacts on peer influence and social contagion in new product diffusion. Optimally designed incentive strategies could encourage users to generate more personalized referrals and to target and personalize viral messages more effectively. The presence of viral features, network externalities drive a positive feedback loop in which product use drives peer adoption and peer adoption in turn drives product use. Managers should seek to enable this feedback loop by designing strong direct and indirect network externalities into their products. Viral product design strategies, could enable firms to optimally create and manage social contagion.
References


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