Diffusion of Adoption of Facebook for Customer Relationship Management in Australia: An Exploratory Study

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ABSTRACT

Despite increasing popularity of social networking sites (SNSs) among customers, it is still unclear for many small-medium enterprises (SMEs) why they may need to embark on a presence on SNSs such as Facebook, and what are the opportunities and/or challenges of customer relationship management (CRM) on these websites. Using diffusion of innovation theory and interviews with twenty Australian organizations, this study found that SNSs governance is the most influential factor for SMEs in effective implementation of Facebook for CRM. Results also show that market pressures, direct customer service, brand promotion, and experimental purposes are among key motivations for organizations to use Facebook for CRM. Ease of use, ease of receiving customers’ feedback, availability of rich tools, and the opportunity to reach a large number of potential and existing customers are amongst the key benefits; and dealing with negative comments, finding qualified human resources, reliability of Facebook policies, and scalability of Facebook page are key challenges in using Facebook for CRM.

KEYWORDS

Adoption, Customer Relationship Management, Facebook, Innovation Diffusion, Small-Medium Enterprises

INTRODUCTION

Social relationship management has been defined as a technology enabled business strategy, which is reinforced by business processes and social characteristics to engage customers in a collaborative discussion for providing mutually beneficial values (Greenberg, 2010). Social customer relationship management (CRM) (Ayanso, 2014) is supported by organizational strategies and culture as well as technology platforms and processes. It facilitates engagement with customers and establishes mutually beneficial relationships (Lehmkuhl and Jung, 2013). Increasing customers loyalty and building a long term relationship with customers are essential objectives of CRM systems (Chua and Banerjee, 2013).

SNSs present a new communication channel and structure for small-medium enterprises (SMEs) to create value through expanding and supporting long term relationships (Friedrichsen, 2013; Jafarazdeh et al., 2013). SNSs are attractive channels in particular for SMEs because of flexible, and often cheaper, promotion and CRM tools made available on these websites. Gu et al. (2011) emphasized that Facebook enable organizations to increase customer loyalty through impacting on customers’ perceived value, satisfaction, and their knowledge about products and services. Kaplan and Haenlein (2010) argued that organizations have not been able to successfully adopt social media and SNSs. A successful adoption is not just creating a Facebook presence, it is rather effective use of Facebook as a CRM tool. One reason behind the lack of success in adoption of SNSs is a lack of

DOI: 10.4018/JOEUC.2016010104

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understanding of their various configurations. Organizations have mainly focused on establishing, maintaining and updating their SNS presence than trying to drive people to it (Aimia and Sensis, 2012). While traditionally organizations were in charge of using CRM systems for managing relationship with customers, with Facebook customers are now in control (Baird and Parasnis, 2011; Erfani et al., 2013). Customers have the power to drive the conversation on Facebook, and as a result, organizations need to use new strategies to recognize and address social aspect of relationship management on these websites (Trainor et al., 2014).

The current research is a preliminary study guided by Diffusion of Innovation Theory in order to explore SMEs’ motivations for adoption of Facebook, and also to investigate how organizations use Facebook for managing relationship with customers. This study answers the overarching question of how organizations adopt Facebook for CRM purposes, which can be broken down into two secondary questions:

**RQ1:** What are the underlying motivations for organizations to adopt Facebook as a CRM tool?

**RQ2:** What is the pattern of diffusion of adoption of Facebook for CRM? What factor(s) influence this?

The paper proceeds as follows. In the next section, the capabilities of the SNSs in developing relationship with members are reviewed. The paper then presents the results of in-depth interviews with twenty Australian organizations regarding their experiences in using Facebook to communicate with their customers. Lastly, the findings of the study are discussed, and diffusion of innovation theory is used to identify the spectrum of social CRM adoption.

**REVIEW OF THE LITERATURE**

A social network site (SNS) allows individuals to create a public profile where they can connect to other members and view their list of connections within this bounded system (Boyd and Ellison, 2011; Jenkins and Dillon, 2014). SNSs have also been defined as computer-mediated communication environments, serving as new channels for communication and collaboration by individuals who are eager to share and explore resources (Sun and Wu, 2012; Abedin, 2011; Koh and Kim, 2004). Compared to traditional CRM systems, SNSs are slightly different in mechanism but most of them support their members with various tools and features to build a sense of informal and friendly community (Pallis et al., 2014, Sharma L., 2014). People use SNSs to interact with each other within a common information space and participate in diverse interactive and social activities such as posting, photo sharing, tagging, and organizing events (Pallis et al., 2014). While initially younger individuals used Facebook, older people recently have been actively involved in using these websites (Boyd and Ellison, 2011).

Culnan et al. (2010) have argued that organizations need to use platforms for additional values beyond just distribution of information for and among users. Table 1 provides some understanding about how organizations can use virtual environment platforms such as SNSs to enhance their relationship with customers, and to create a virtual environment through forming communities on these environments. Similar to other e-commerce platforms, Branding, Sales, Service and support, and Product development are the main sources of value creation on SNSs.

According to Culnan et al. (2010), many organizations fail to fully utilize the capabilities of platforms such as Facebook since they fail to fully engage their customers. An effective social CRM needs to assist organizations to build a community of customers and to engage customers in product and service development. For example, Dong and Wu (2015) discuss that organizations...
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