

# **THE EFFECT OF SOCIAL MEDIA FOR CUSTOMER RELATIONSHIP MANAGEMENT ON SME'S PERFORMANCE WITH SOCIAL COMPETENCE AND SALES INTENSITY AS MODERATING VARIABLES**

**Bernardus Aldy Satyagraha<sup>1</sup>, Lydiawati Soelaiman<sup>1\*</sup>**

<sup>1</sup>Faculty of Economics and Business, Universitas Tarumanagara, Jakarta - Indonesia

\*Email: lydiawatis@fe.untar.ac.id

Submitted: 01-04-2022, Revised: 05-10-2022, Accepted: 10-03-2023

---

## **ABSTRACT**

*Advances in information technology help companies better understand their customers. Social media is one of many ways MSMEs improve their business performance by approaching consumers through Customer Relationship Management (CRM). Truly, an entrepreneur needs social competence to be able to interact well and possess sales intensity to increase the frequency of interaction. Based on this, this research aims to examine the impact of using social media for CRM on MSMEs' performance with social competence and sales intensity as moderating variables. The sampling technique used for this research is non-probability sampling and the data were collected through questionnaire in the form of a google form distributed to 97 MSME in Jakarta. The results from structural equation modeling (SEM) method and processed using the SmartPLS version 3.3.3 application showed that social media for CRM, social competence and sales intensity positively influence MSMEs' business performance in Jakarta. This research also showed that social competence doesn't moderate the influence of using social media for CRM on MSMEs' business performance in Jakarta, and the sales intensity weakens the effect of using social media for CRM on business performance of MSMEs in Jakarta.*

**Keywords:** *Social Media, Social Competence, Sales Intensity, Business Performance, Customer Relationship Management*

## **1. INTRODUCTION**

One of many efforts to achieve competitive advantage is to transform towards a better direction. This is necessary for the company in order to meet customer satisfaction because it is the key in determining the success of a business. Therefore, companies need to understand and find out what consumers need by implementing Customer Relationship Management (CRM). The term CRM is usually used for relationship marketing [1]. CRM is different from relationship marketing because it involves using information technology in facilitating the relationship marketing process.

Currently, many companies in Indonesia have implemented information technology-based CRM practices using the internet. This is further supported by the fact that Indonesia is listed as the country with the fourth highest number of internet users in the world [2]. The development of the internet in Indonesia also has an impact on the development of the use of social media which has been an inseparable part of society and dramatically affects the daily life of its users [3] [4]. Social media was designed upon the foundations of Web 2.0 that allows the introduction and trade of user-generated content [5]. At present, many MSMEs are adopting social media in order to improve business performance because the low cost of using social media, low participation barriers, and the low level of required technological skills [6].

Business performance is a benchmark to see the work achieved by the organization using certain indicators. Work result is often measured using both objective and subjective

measurements [7]. Objective measures include business performance indicators, while financial or non-financial indicators as indicators for subjective measures [8]. Several previous studies have stated that using social media applications may relate to the company's financial or non-financial performance [9].

To strengthen CRM using social media on company performance, social competence is also required for fluent interaction with consumers. Social competence is the capacity to construct interpersonal relationships with customers with the intention of presenting their products in an effective and attractive way to attract consumers' interest [10]. Entrepreneurs who have social and communication skills can interact and build good relationships with consumers face-to-face better [11], [12]. Social media may be the right infrastructure for business owners who lack facing interpersonal skills with customers.

In addition to social competence, the intensity of sales on social media can also moderate the impact of social media usage for CRM towards business performance. In general, entrepreneurs who sell their products intensely on social media will be more focused on the needs of their consumers. The use of social media can be a fruitful channel to differentiate oneself from competitors in the face of competition [13].

## **2. RESEARCH METHOD**

Social media has been defined as a social networking webpage that allows its customers to publish information as textual content or images. Social media users can also respond to posts uploaded by others [14]. Utilization of social media for CRM is essentially using customer-related information to offer applicable services or products to consumers, which increase customer retention through effective CRM [15].

Business performance is the overall well-being of a company based on the measured results of its assets working to achieve its set goals. [16]. Business performance is generally conceptualized in two different dimensions namely financial and operational [17]. Business performance is an achievement of a business organization with visible results [18].

Social competence is how entrepreneurs allocate and deploy resources such as social capital, human resources and reputation efficiently and effectively to ensure their businesses stay competitive [19]. Social competence is the ability to construct and hold cooperative relationships and have interaction with others in carrying out social obligation as an effort to achieve private or organizational goals [18]. Social competence is the ability to relate to other people and social situations [20].

Intensity is the frequency of a certain activity being conducted based on a sense of pleasure in the activities [21]. Meanwhile, sale is a measure of the increase or decrease in sales from year to year by the company [22]. It can be concluded that sales intensity is a measure of a person's level of frequency in certain activities related to sales growth in a company.

The advantages provided for CRM from the use of social media are similar to the benefits provided by traditional CRM [23]. CRM may benefit performance of various business actors due to interactions with customers. The interaction aims to adjust market needs and also maintain good relations with its customers so that it has an impact on increasing sales volume. Based on this relationship, it is concluded that the hypothesis is:

**H<sub>1</sub>: Social Media for CRM has an impact on Business Performance.**

Social competence is the ability to develop interpersonal relationships with customer, communicate well with customers and provide a clear product description and being honest in conveying information to customers so that customers can trust the product [24]. Entrepreneurs who do not have social competence tend to earn more benefit from the use of social media for CRM [25]. Social media helps entrepreneurs who have low levels of social competence to interact directly with customers without difficulty [26]. Based on this, the following hypothesis can be concluded:

**H<sub>2</sub>**: Social Competence has an impact on Business Performance.

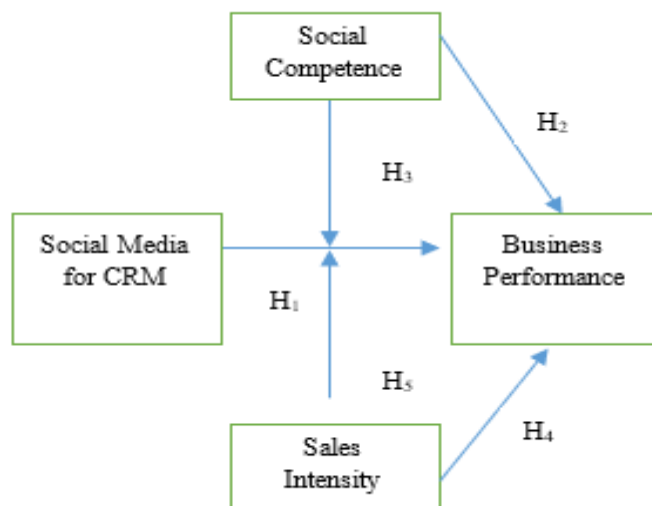
**H<sub>3</sub>**: Social Competence can moderate the impact of Social Media for CRM on Business Performance.

Companies that focus on sales intensity certainly affect business performance. Social media for CRM plays a very important role in helping companies sell products intensively because social media can affect perceptions of social media customer satisfaction [13]. The most important marketing practice is how to make customer satisfaction through social media to increase business performance satisfaction. Based on this, the hypothesis is as follows:

**H<sub>4</sub>**: Sales Intensity has an impact on Business Performance.

**H<sub>5</sub>**: Sales Intensity can moderate the impact of Social Media for CRM on Business Performance.

Based on some explanations above, this following framework in Figure 1 is formed as follow:



**Figure 1.** Research Framework

Research design is defined as a blue print which is a plan for data collection, measurement, and analysis. In this study, researchers used descriptive studies that's the approach used to examine the status of a set of people, an object, a system of thought, a fixed of conditions, or a category of current activities. This study makes quantitative research methods with descriptive research techniques to examine the influence of independent variables towards dependent variable in this research.

The population are MSMEs in Jakarta. The samples used by the researcher are MSMEs in Jakarta that use the social media in running their business operation. The samples collected in

this study were 97 MSME. Sampling was conducted using the non-probability sampling method with the purposive sampling technique.

### 3. RESULTS AND DISCUSSIONS

Table 1 presented that that the variable indicators that have been tested meet the requirements of convergent validity. The value of Average Variance Extracted (AVE) is acceptable if it is equal to 0.5 or higher. There are 4 (four) indicators of the Social Media variable for CRM and 1 (one) indicator of the Social Competence variable that do not meet the requirements of convergent validity because the loading value is lower than other variables, which is below 0.5, and therefore said indicators are eliminated. Reliability testing with Cronbach's Alpha test and Composite Reliability has also met the criteria with a value above 0.6, so it can be declared as reliable research.

**Table 1.** Convergent Validity and Reliability

Variable	Item	Loading Factor	AVE	Composite Reliability
Business Performance	KB1	0.753	0.561	0.884
	KB2	0.782		
	KB3	0,772		
	KB4	0,678		
	KB5	0,732		
	KB6	0.769		
Social Competence	KS1	0.757	0.536	0.852
	KS2	0.770		
	KS3	0.696		
	KS4	0,718		
	KS6	0,719		
Social Media for CRM	SM1	0.818	0.573	0.801
	SM2	0,729		
	SM3	0.721		

Moreover, this study conducted path coefficient test to decide wheter or not the independent variables partially have significant effect on dependent variable. Table 2 presented the outcomes of hypothesis testing by using bootstrapping method as follow:

**Table 2.** Path Coefficient Analysis Result

Hypothesis	Path Coefficient	p-Values	Result
H <sub>1</sub> : Social Media for CRM → Business Performance	0.441	0.007	Supported
H <sub>2</sub> : Social Competence → Business Performance	0.414	0.005	Supported
H <sub>3</sub> : Social Competence*Social Media For CRM → Business Performance	0.118	0.115	Not Supported
H <sub>4</sub> : Sales Intensity → Business Performance	0.140	0.046	Supported
H <sub>5</sub> : Sales Intensity*Social Media For CRM→ Business Performance	-0.200	0.012	Supported

Table 2 indicated that social media for CRM positively and significantly affect MSMEs' business performance in Jakarta. This study is according with preceding research which shows that an intensive usage of social media for CRM tends to obtain high results in satisfaction with their business performance which helps to build relationships between customers and MSMEs in Jakarta. In today's digital era, companies no longer only use social media as a method of transaction. Many business owners use social media to find information, share information and interact with customers. This study found that many MSMEs in Jakarta have applied social media for CRM to benefit greater customers and have interaction with customers in order to find out what customers need to enhance the overall business performance.

Furthermore, this study concluded that social competence positively and significantly affects business performance in MSMEs in Jakarta. People who possess good social skills can attract customers better. With the utility of social skills in entrepreneurship, it may enhance the company's performance. Meanwhile, this research explains that social competence doesn't moderate the influence of social media for CRM towards MSMEs' business performance in Jakarta ( $p$ -values  $> 0,05$ ). These findings are consistent with previous research which states that social competence is not able to moderate the impact of using social media for CRM on business performance because social competence will have more impact if there is direct interaction with consumers rather than through social media.

Moreover, sales intensity was found to positively and significantly affect MSMEs' business performance in Jakarta. This finding is in accordance with previous researches which stated that sales made by MSMEs through social media will have a higher and more intensive sales volume than selling products in physical stores. In addition, it is found that sales intensity is able to moderate but weaken the influence of social media for CRM towards business performance. This might be due to the majority of respondents have only been running their business for one to two years, so that while they are more intense in selling, they become less focused on implementing Customer Relationship Management such as collecting customer data, grouping customer categories, and lacking relationships with customers. This is understandable because usually newly established MSMEs have limited manpower so that sales and customer relationship activities are managed by the same human resources.

#### **4. CONCLUSIONS AND SUGGESTIONS**

This research concludes several findings as follows:

- a. Social media for CRM positively influence business performance of MSMEs in Jakarta.
- b. Social competence positively influences MSMEs' business performance in Jakarta.
- c. Social competence doesn't moderate the effect use of social media for CRM towards business performance of MSMEs in Jakarta.
- d. Sales intensity has positive influence MSMEs' business performance in Jakarta.
- e. Sales intensity weakens the effect use of social media for CRM towards business performance of MSMEs in Jakarta.

This study suggests MSME owners not only to focus on the intensity of sales in running their business, but to take benefits of the function of social media as a medium in establishing customer relationship management to improve business performance. Managing relationship with customer using social media can provide opportunities to gain potential market and compete effectively in business.

## REFERENCES

- [1] L. Ryals & A. Payne, "Customer Relationship Management in financial services: Towards information-enabled relationship marketing," *Journal of Strategic Marketing*, vol. 99, no.1, pp. 3-27, 2001, DOI: 10.1080/713775725.
- [2] F. Mursidi, "Kominfo: Pengguna Internet Indonesia Terbesar Ke-4 di Dunia," June 23, 2001. [Online]. Available: <https://www.republika.co.id/>. [Accessed in October 4, 2021].
- [3] C. Gan, C. and W. Wang, "Uses and gratifications of social media: a comparison of microblog and WeChat," *Journal of Systems and Information Technology*, vol. 17, no.4, pp. 351-363, 2015, DOI: 10.1108/JSIT-06-2015-0052.
- [4] A. M. Kaplan, and M. Haenlein, "Users of the world, unite! The challenges and opportunities of social media," *Business Horizons*, vol. 53, no.1, pp. 59-68, Jan, 2010, DOI: 10.1016/j.bushor.2009.09.003.
- [5] V. Benson, G. Saridakis, and H. Tennakoon, "Information disclosure of social media users: does control over personal information, user awareness and security notices matter?" *Information Technology & People*, vol. 28, no.3, pp. 426-441, Aug, 2015, DOI: 10.1108/ITP-10-2014-0232.
- [6] L. Soelaiman and A. R. Utami, "Faktor-Faktor Yang Mempengaruhi Adopsi Media Sosial Instagram dan Dampaknya Terhadap Kinerja Bisnis," *Jurnal Muara Ilmu Ekonomi dan Bisnis*, vol. 5, no. 1, pp. 124-133, 2021, DOI: 10.24912/jmieb.v5i1.11104.
- [7] T. Wall *et al.*, "On the validity of subjective measures of company performance," *Personnel Psychology*, vol. 57, no.1, pp. 95-118, 2004, DOI: 10.1111/j.1744-6570.2004.tb02485.x.
- [8] A. Kirca, S. Jayachandran, and W. Bearden, "Market orientation: a metaanalytic review and assessment of its antecedents and impact on performance," *Journal of Marketing*, vol. 69, no.2, pp. 24-41, 2005.
- [9] K. J. Trainor *et al.*, "Social media technology usage and customer relationship performance: A capabilities-based examination of social CRM," *Journal of Business Research*, vol.67, no. 6, pp. 1201-1208, June, 2014, DOI: 10.1016/j.jbusres.2013.05.002.
- [10] M. Lea & R. Spears, "Paralanguage and social perception in computer- mediated communication," *Journal of Organizational Computing*, vol.2, no.3-4, pp.321-341, 1992, DOI: 10.1080/10919399209540190.
- [11] W. A. Hochwarter *et.al*, "The interaction of social skill and organizational support on job performance," *Journal of Applied Psychology*, vol. 91, no. 2, pp. 482-489, 2006, DOI: 10.1037/0021-9010.91.2.482.
- [12] V. Belt, R. Richardson, & J. Webster, "Women, social skill and interactive service work in telephone call centres," *New Technology, Work and Employment*, vol. 17, no.1, pp. 20-34, 2002, DOI: 10.1111/1468-005X.00091.

- [13] S. Ainin *et.al*, “Factors influencing the use of social media by SMEs and its performance outcomes,” *Industrial Management & Data Systems*, vol. 115, no.3, pp. 570-588, April, 2015, DOI: 10.1108/IMDS-07-2014-0205.
- [14] A. Venkatesh, “Social media, digital self, and privacy: a Socio-Analytical perspective of the consumer as the digital avitar,” *Journal of the Association for Consumer Research*, vol.1, no.3, pp. 378-391, 2016.
- [15] C. Bull, “Strategic issues in customer relationship management (CRM) implementation,” *Business Process Management Journal*, vol. 9, no.5, pp. 592-602, Oct, 2003, DOI: 10.1108/14637150310496703.
- [16] E. Agwu, “Analysis of the impact of strategic management on the business performance of SMEs in Nigeria,” *Academy of Strategic Management*, vol. 17, no. 1, pp. 1-20, 2018
- [17] N. Venkatraman & V. Ramanujam, “Measurement of business performance in strategy research: a comparison of approaches,” *Academy of Management Review*, vol. 11, no. 4, pp. 801-814, Oct, 1986, DOI: 10.5465/amr.1986.4283976.
- [18] M. E. Hariyanto & L. Soelaiman, “Penerapan Customer Relationship Management melalui media sosial terhadap kinerja bisnis: kompetensi sosial sebagai variabel moderasi,” *Jurnal Manajerial dan Kewirausahaan*, vol. 3, no.3, pp. 805-812, 2021, DOI: 10.24912/jmk.v3i3.13212.
- [19] N. Tocher *et al.*, “Entrepreneur political skill and new venture performance: extending the social competence perspective,” *Entrepreneurship and Regional Development*, vol 24, no. 5-6, pp. 283-305, 2012, DOI: 10.1080/08985626.2010.535856.
- [20] E. B. Hurlock, “Psikologi Perkembangan: Suatu Pendekatan Sepanjang Rentang Kehidupan,” Indonesia: Erlangga, 1980.
- [21] G. S. Yuniar & D. Nurwidawati, “Hubungan antara intensitas penggunaan situs jejaring sosial facebook dengan pengungkapan diri (Self Disclosure) pada siswa- siswi kelas VIII SMP Negeri 26 Surabaya,” *Character: Jurnal Penelitian Psikologi*, vol. 2, no.1, pp. 78-84, 2013.
- [22] E. Fransisca & I. Widjaja, “Pengaruh leverage, likuiditas, pertumbuhan penjualan dan ukuran perusahaan terhadap profitabilitas perusahaan manufaktur,” *Jurnal Manajerial dan Kewirausahaan*, vol. 1, no. 2, pp. 199-206, 2019, DOI: 10.24912/jmk.v1i2.5079.
- [23] M. M. Mazurencu, C. Mihaescu & G. I. Niculescu-Aron, “Why should SME adopt IT enabled CRM strategy?” *Informatica Economica*, vol. 11, no. 1, pp. 109-112, 2007.
- [24] R. A. Baron & G. D. Markman, “Beyond social capital: The role of entrepreneurs' social competence in their financial success,” *Journal of Business Venturing*, vol. 18, no. 1, pp. 41-60, Jan, 2003, DOI: 10.1016/S0883-9026(00)00069-0.
- [25] P. M. Valkenburg, A.P Schouten & J. Peter, “Adolescents' identity experiments on the internet,” *New Media & Society*, vol. 7, no. 3, pp. 383-402, 2005.

- [26] P. Charoensukmongkol & P. Sasatanun, "Social media use for CRM and business performance satisfaction: The moderating roles of social skills and social media sales intensity," *Asia Pasific Management Review*, vol. 22, no.1, pp. 25-34, March, 2017, DOI: 10.1016/j.apmr.2016.10.005.