# CHAPTER I

# INTRODUCTION

## 1.1    Background of the Study

Every organization is built upon relationships. According to the Cambridge Dictionary, a relationship is the way things are connected or work together. It is the way how two or more components behave towards each other. A relationship, according to Buttle & Maklan (2015, p. 25), is a condition where the parties move from a state of independent to dependent or interdependent. As an example, when a customer purchases a product for the first time, it is not considered as a relationship but rather a transaction. However, when customers return and repurchase, relationships are starting to happen. Regardless of which industry the company is operating in, relationship is what makes a company drives into success. Relationships which occur in companies might happen both internally and externally. Internal relationships include the relationships happening between company's departments whereas external relationships include the relationships happening between company and its external environment, such as customers, suppliers, etc. In businesses, customers are the most important element every company should pay attention to because they are the source of revenue. Moreover, customers can also act as the most inexpensive source of advertisement. Understanding this reason, lots of companies are focusing on their customers growth by constantly

maintaining a good relationship with them by implementing CRM (Customer Relationship Management) system. The expression of CRM itself has been used since early 1990s and it has been widely used for the past years (Buttle and Maklan, 2015, p.3). As cited by Simmons (2015, p.8), Vella and Caruana (2012) defined CRM as the relationship between people, systems as well as processes in order to obtain customer's satisfactions towards a product or a service's life cycle. It is basically a term which describes the usage of system in helping a company managing their relationships with their customers by achieving customer's satisfaction towards a product or a service, through an effective and efficient process.

CRM initially has been referred in a traditional way. However, as the era develops and changes, technology becomes more and more advanced. Hence, CRM is also continually evolving to keep up with the rapid changes. One of the most phenomenal invention was the Internet, especially the invention of social media, an Internet-based channel which allows its users to communicate with other users either synchronously (real-time) or asynchronously (Carr & Hayes, 2015, p.50). These channels can be accessed either through PC and/or phones.

Nowadays, almost everybody has a smartphone which at least contains one social media application installed, especially in Indonesia. The figure below shows the data of social media users in Indonesia:
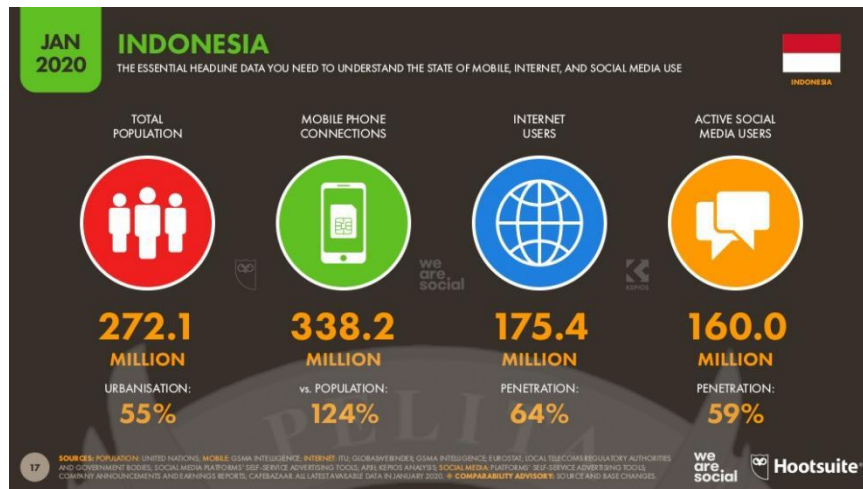
**Figure 1.1 Usage of Social Media in Indonesia as per January 2020**
Source: Kemp (2020)

Based on Figure 1.1, the researcher can draw an understanding that Indonesia has 272.1 million populations and 160 million of the populations are active social media users. This proves that almost 60% of Indonesia's populations use social medias in their daily lives, which is above average.

The invasion of social media not only has it successfully affect lives individually, it has also successfully challenged the existence of traditional CRM. Hence, businesses are developing their CRM systems, combining social media and CRM system. The combination of social media and CRM is normally known as Social Media Customer Relationship Management or Social Customer Relationship Management (sCRM), which is defined as a system that makes use of blogs, forums as well as other social media to extend its functions and its focus on traditional CRM (Simmons, 2015, p.9).

Normally, customers are limited to their passive roles in his or her relationship with a company. However, it is no longer like that – the rise of sCRM has broaden customer's role. According to Huotari et al. (2013) as

cited in Odongo (2016, p. 55), customers now hold more power as they are more exposed to more information about a company and its competitors, enabling them to do their own research before making transactions from the views and experiences of other customers. The emergence of social media also helps companies in listening and engaging with their customers more, allowing them to take advantage of opportunities and avoiding risks.

The research is done to PT. Infiniti Global Oto, a company which is located at Jalan Kapten Muslim, No. 226A, Helvetia, Medan. This company is a part of Infinite Group Medan. When it first started, PT. Infiniti Global Oto was labelled as a spare parts company. However, as time passes, they began to shift from spare parts company into an automotive workshop, which inclines to bring the best products and services with the best price for their customers. As a company which provides both products and services, the company should provide customers with the highest quality of products and services in order to maintain and develop their business in this very competitive era. Although the company itself has quite high review in several forums, their social media pages aren't developing well. This phenomenon happened because they are more focused on their traditional CRM system instead of their sCRM. As a result, they do not give fast responses towards customer's enquiry on social media or questions posted online. This condition may give huge impact towards customer's satisfaction and their impression of the company. With that being said, company's growth and customer's growth will also be greatly affected.

The table below shows the data of customers contacting the company through social media:

| Month | Customers who contact through Social Media | Average time taken to reply customer's enquiries | Customers who actually come and visit after response is given |
|---|---|---|---|
| July 2020 | 364 | 4 hours | 107 |
| August 2020 | 307 | 3 hours | 133 |
| September 2020 | 391 | 5 hours | 236 |
| October 2020 | 359 | 4 hours | 197 |
| November 2020 | 316 | 3 hours | 159 |
| December 2020 | 377 | 3 hours | 178 |

**Table 1.1 Data of Customers of PT. Infiniti Global Oto**
Source: PT. Infiniti Global Oto

Based on the description above, the researcher is interested in conducting a research entitled **"The Influence of Social CRM Towards Performance of Customer's Growth at PT. Infiniti Global Oto Medan."**

## 1.2 Problem Limitation

Due to the limitation of time, budget, and resources, the scope of this research will only be limited to social CRM as the independent variable (X) and performance of customer's growth as the dependent variable (Y). This research will be done in PT. Infiniti Global Oto. Furthermore, the scope of this research will focus on the variables within a few indicators which the researcher considers relevant.

The indicators of social CRM as the independent variable (X) would be relationship management, social media and customer service. The indicators of performance of customer's growth as the dependent variable (Y) would be customer's loyalty, customer's satisfaction, repeat purchase and giving recommendations.

## 1.3 Problem Formulation

Based on the explanation on previous subchapters, the researcher is interested in doing a further research based on several of these research questions:

1. How is the implementation of social CRM at PT. Infiniti Global Oto?

2. Does the implementation of social CRM influence performance of customer's growth at PT. Infiniti Global Oto?

3. How does the implementation of social CRM influence performance of customer's growth at PT. Infiniti Global Oto?

## 1.4 Objective of the Research

The objectives of this research include:

1. To analyze the implementation of social media CRM at PT. Infiniti Global Oto.

2. To investigate whether the implementation of social media CRM influences performance of customer's growth at PT. Infiniti Global Oto.

3. To identify how the implementation of social media CRM influences performance of customer's growth at PT. Infiniti Global Oto.

## 1.5 Benefit of the Research

### 1.5.1. Theoretical Benefit

The result of this research would expand and broaden researcher's theoretical knowledge in academic area, especially in social CRM and its relationship towards the performance of customer's growth in a company. For readers, the outcome of this research is hoped to be able to increase reader's knowledge of the occurrence of social CRM as well as its influences towards performance of customer's growth.

### 1.5.2. Practical Benefit

1. For researcher, the outcome of this research can be used as an expansion of knowledge about the relationship between social CRM and performance of customer's growth in real-life settings as well as to be a comparison between theories learned during lectures and reality which occurs in companies.

2. For company, the research will give recommendations for the company to enhance their social CRM systems and the growth of its customers.

3. For future researchers, the research will be an additional reference and additional materials, for studies on similar topics.