

CHAPTER I

INTRODUCTION

1.1 Research Background

Social media usage has exploded over the world, but notably in Indonesia, where current data show that approximately 170 million individuals utilize social media. With a population of roughly 270 million people, this equates to around 61.87 percent of Indonesians utilizing social media in some manner. This year, the overall number of people utilizing social media within the United States increased by 6.3 percent, or nearly 10 million people. 2021) (Datareportal).

Because so many individuals use social media these days, more companies are using it to sell their products and services. Companies may use social media sites like Facebook and Instagram to develop their own profiles, build their brands online, and communicate with their consumers. This helps businesses to raise brand recognition and reach out to their target demographic even more effectively.

Thanks to social media and ways that were just recently available, communication between businesses and customers is now better equipped. In contrast to conventional IT, social media today enables enterprises to have improved information permanence, visibility, editability, and association (Treem and Leonardi 2012).

First Media is both a high-speed broadband internet connection and a cable television provider in Indonesia. First Media was established in 1994 as PT Broadband Multimedia Tbk. The company's earliest products were Kabelvision, Digital1, and MyNet. This firm was bought by PT Anditirta Indonesia in 1999. After a year, the firm was able to list its shares for the first time on the Surabaya Stock Exchange via an initial public offering. This occurs at the same time as the opening of new sites in Bali and Surabaya. In addition, the company expanded its network and began offering broadband internet access (Annual Report PT. First Media TBK 2020).

The company's future grows brighter when it obtains EBITDA, which stands for "Earnings Before Interest, Taxes, Depreciation, and Amortization." EBITDA was one of the most important indications of a company's profitability in 2001. In 2002, the business offered the JATS Remote Trading network to the Indonesia Stock Exchange. This corporation's operations are growing. This is evidenced by the fact that in 2003, the total number of clients surpassed 100,000. As a result, the firm strives to stay current with new technologies to satisfy its customers. It was discovered that the corporation launched MyNet in 2004 in connection with receiving ISO 9001:2000 certification (Annual Report PT. First Media TBK 2020).

The company's recent accomplishments don't stop there. The company's most recent digital expansion was completed in 2006. Following that, the company

changed its name to PT First Media Tbk on June 16, 2007. First Media developed a new concept known as "Triple Play," which comprises HomeCable, FastNet, and Datacomm, along with its new moniker. The public reacted well to this unique notion, with 41,000 individuals signing up throughout the campaign period. First Media also raised the number of residences served to 100,000. (Annual Report PT. First Media TBK 2020).

In 2008, the company purchased PT Link Net, an internet service provider, and launched PT First Media Production and PT First Media News, both in the film and video sector. In 2009, total revenues grew by 36% to Rp. 722 billion. In the same year, the business launched its new FastNet 10 Mbps and FastNet SOHO, HomeCable Family, and HomeCable Ultimate services, along with the license for WiMax, a high-speed wireless Internet connection service for Jabodetabek, Banten, and northern Sumatra. First Media has also received several awards, including the SWA Word of Mouth Awards and the ICCA's Best Contact Center Indonesia in 2010. (Annual Report PT. First Media TBK 2020).

As interest as well as popularity in social media marketing has grown among marketing managers and firms throughout the world over the last decade, so has interest in social media networking. As they grow more familiar with and employ more usage in using social networks towards their integrated marketing communications, managers have naturally turned their focus to issues concerning the return on investment of social media marketing operations. Is it possible for social

media marketing to boost a company's performance? Hoffman and Fodor (Hoffman and Fodor, 2010).

A variety of advantages of using social media for marketing have been uncovered by researchers. They describe "social media" as a collection of software and hardware innovations (Web 2.0) that enables users online much more creative freedom in which users can produce, engage, and interaction with low-cost content (Berthon et al. 2012). Traditional marketing methodologies that focus solely on the firm–customer relationship have a more instantaneous impact towards brand communities than social media's fundamental nature as a platform and foundation in which consumers are then able to communicate and build relationships with and impact one another, resulting in an increase towards customer engagement through higher response rates (Trusov, Bucklin, and Pauwels 2009).

As a result of social media apps, online users' roles are shifting from passive consumers of information to active makers and sharers of knowledge. Nearly 30% of online users post self-created material (such as videos, tales, and photographs) and even more write website comments (Lenhart et al. 2010). In addition to increasing interpersonal relationships, social media apps have enabled customers to engage with companies and empowered them to take an active role in co-creating their experiences (Prahalad and Ramaswamy 2004). Managers are responsible with integrating social media apps into existing customer relationship management (CRM) systems in order to produce new capabilities that increase client

satisfaction and experiences (Trainor et al. 2014). As a result of combining current CRM systems with social media, CRM has evolved to encompass a more collaborative, interactive, and network-focused approach to managing customer interactions (Trainor et al. 2014). The word "social customer relationship management," which was recently created, defines and describes this unique method of creating and managing client connections (Greenberg 2010). According to marketing researchers, "the integration of client-facing operations, including as procedures, systems, and technology, with emerging social media apps to engage consumers in collaborative dialogues and enhance customer relationships" (Trainor 2012, p. 319). Companies have recognized the importance of social CRM and have made major investments in it during the previous two years (Trainor et al. 2014). Even though the majority of research focuses on social media apps, the effectiveness of social CRM systems is mostly unknown and understudied (Trainor et al. 2014). According to studies, CRM systems seldom provide value to firms on their own and are most successful when combined with other company resources (Chang, Park, and Chaik 2010; Jayachandran et al. 2005; Srinivasan and Moorman 2005; Trainor et al. 2014). However, there has been little research done on how social media technologies interact with CRM systems and marketing tactics to create corporate value to far.

With social media rapidly evolving, its important companies adapt and grow along with social media to not be left behind. First Media has already

propelled itself as one of the major companies in its respective fields, but if they choose to ignore social media, they could easily see themselves being caught up by their competitors or even surpassed. Thus, it is important that First Media must adapt to this rapidly growing age of digital media by implementing social media usage to its core social CRM capabilities to not get left behind.

Therefore, the purpose of this study is to investigate how social media may help First Media establish new CRM capabilities, which will lead to improved marketing adoption techniques and company success. This research will use a conceptual framework that combines the resource-based view (RBV) and dynamic capacities theory to propose that investments in social media may be seen as resource inputs to building new marketing-related skills. According to the results, social CRM capability is critical when First Media incorporates social media into their marketing strategy to increase customer involvement and business performance. Furthermore, this research discovered that social media use has an important moderating influence on social CRM capabilities and firm performance. These results contribute to the CRM literature and provide managers insight into how successful social media technologies may be. By addressing the need to widen the generalizability of the link between social CRM capabilities and performance using cross-industry panel data sets, this study contributes to the current social CRM literature (Luo, Zhang, and Duan 2013). This study shall begin by outlining the theoretical foundations of our research.

1.2 Research Problem

As a result of the many things stated in the research background, the author formulates several statements about the research problem, which are as follows:

1. Does Social CRM Capabilities affect Customer Engagement?
2. Does Customer Engagement affect Firm Performance?
3. Does Social CRM Capabilities affect Firm Performance?
4. Does Social CRM Capabilities used in conjunction with Social Media Usage affect Firm Performance?

1.3 Research Objectives

As a result of the research problems that have arose, the author is able to formulate four research objectives, which are:

1. To determine and analyze the relationship between Social CRM capabilities and Customer Engagement.
2. To determine and analyze the relationship between Customer Engagement and First Media Performance.
3. To determine and Analyze the relationship between Social CRM Capabilities and First Media Performance.

4. To determine and analyze the relationship between social CRM capability towards Firm Performance with social media usage as moderating variable regarding First Media.

1.4 Research Benefits

This study shall provide several benefits on offer through the form of theoretical benefits as well as practical benefits.

1.4.1. Theoretical Benefits

This study is expected to generate a body of literature as well as data that can be used by other researchers to enhance general knowledge or other knowledge primarily within management departments, marketing, and digital departments as well as consumer behavior departments.

1.4.2. Practical Benefits

This study shall provide several practical benefits towards the researcher as well as towards the company such as the following:

For the Researcher:

- Through the conduction of this research, the researcher will be able to identify and obtain knowledge in regard to materials that have not been taught through lecture periods. The researcher is then able to utilize the

theories as well as other knowledge obtained through this study towards real life implications regarding the world of marketing and how the powers of social media and its implications towards customer relations ability in this present age.

For the Company:

- The researcher is hopeful that the outcome of this study could aid towards First Media or any similar company in relation to Social Media Usage and how it can improve Customer Relations Ability which can affect the Company's performance. This could therefore allow First Media adjust how they approach Social Media as they look to improve their social CRM capabilities.

1.5 Research Limitations

There will be several limitations for this study which are of the following:

1. This study will only include testing in regards to Social CRM capabilities and First Media's performance with Social Media Usage as the mediating variable.
2. This study only has a limited number of variables that affect Firm's Performance through Social CRM capabilities.
3. This study is only limited for the period of time between September – December 2021.

4. This study is only limited for individuals that are aware of First Media and engage them through Social Media platforms such as Instagram, Twitter, Facebook or TikTok.

1.6 Systematics Writings

In order to provide a clear and detailed picture, this research is arranged based on a systematic basis which is presented and emphasized in five chapters. The outline of this study is as follow:

Chapter 1 – Introduction

This chapter discusses the introduction of the study, where it consists of research background, research problem, research objectives, research benefits, research limitations and systematics writings.

Chapter 2 – Literature Review

This chapter consists of literature review that this research is based upon, and it will also consist of theoretical basis, previous research, theoretical framework, the relationship between variables, and hypotheses.

Chapter 3 – Research Methodology

This chapter discusses the methodology used in the research, where it consists of research paradigm (research objective), research object, unit of analysis, types of research, research design, operationalization of research variables, population and sample, data analysis method, the testing of research instruments, and pre-test results.

Chapter 4 – Research Result

This chapter discusses about the data analysis along with the answers to the research problems that have been carried out from the data that has been collected through the questionnaire where the data is analysed for the variables and its indicators.

Chapter 5 – Conclusion

This chapter provides the overall conclusions and implications of this research, and also the suggestions and recommendation for future research