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Examining social customer relationship management among Irish hotels

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Abstract

Purpose – The purpose of this paper is to develop and test a model examining the key factors that emerge from the social customer relationship management (CRM) process. Specifically, this study aims to address the chain-of-effects that occurs as a result of the social CRM process, leading to superior levels of hotel performance.

Design/methodology/approach – Data were collected using a quantitative approach. Using a mail and online questionnaire, data were gathered from 120 key informants in hotels in Ireland. The proposed model was tested using partial least squares structural equation modelling.

Findings – Results demonstrate that the social CRM activities of hotels enhance hotel service innovation activities. This positively impacts the ability to develop a customer-linking capability, resulting in higher levels of customer performance. In turn, higher levels of customer performance leads to higher levels of financial performance.

Practical implications – Service innovation and customer-linking capability are identified as critical outcomes of the social CRM process that lead to enhanced hotel performance.

Originality/value – This study explains the chain-of-effects through which the social CRM process results in higher levels of performance.

Keywords Customer relationship management, Innovation, Marketing strategy, Hotel industry, Social CRM

Paper type Research paper

1. Introduction

Despite representing a strategic imperative in the hotel industry (Padilla-Meléndez and Garrido-Moreno, 2014; Rahimi, 2017), several hotels have experienced customer relationship management (CRM) failures (Rahimi and Gunlu, 2016). Whereas previous research has documented several reasons for the failure of traditional CRM technologies (Jayachandran *et al.*, 2005; Trainor, 2012), nascent CRM research is investigating the role of social technologies in achieving success.

The proliferation of social media has important implications for the hospitality industry. Social media has led to information-rich and empowered customers within a value creation ecosystem (Hennig-Thurau *et al.*, 2010). “Social media have become a valuable resource for tourists’ experiences, where they can explicitly show their qualitative



experience as well as their satisfaction/dissatisfaction with tangible attributes concerning a destination” (González-Rodríguez *et al.*, 2016, pp. 19-20). This user-generated content can significantly influence the travel decisions of other customers (Viglia *et al.*, 2016). In short, social networking sites (SNSs) are having a transformative effect in the hospitality industry. They are altering and inverting the manner in which customers collect information in the purchase decision-making process (Li and Chang, 2016).

Social media technologies proffer hotels a means of monitoring not only customer reviews but also a platform to proactively respond to them to demonstrate their commitment to customer satisfaction (Kim *et al.*, 2016; Xie *et al.*, 2016). The key benefit of social technologies lies in the ability to capitalise on high-level, real-time interactions taking place among groups of customers in social networks. Firms can now become a part of these interactions and enhance customer engagement through the co-creation of value (Trainor, 2012). Value co-creation, the joint creation of value between a company and its customers (Vargo *et al.*, 2008), “finds particular significance in the tourism and hospitality context given its inherent nature as a potentially proactive service provider” (Chathoth *et al.*, 2016, p. 231). Hence, social CRM, “the integration of traditional customer-facing activities including processes, systems, and technologies with emergent social media applications to engage customers in collaborative conversations and enhance customer relationships” (Trainor, 2012, p. 319), is of particular value to the hospitality and tourism industry, given the centrality of the customer experience to success (Chathoth *et al.*, 2012; Hwang and Seo, 2016; Shaw *et al.*, 2011).

Research in hospitality has assessed issues such as the capabilities necessary to integrate social media into CRM (Sigala, 2016), SNSs and relationship termination (Gretzel and Dinhopf, 2014), hotel guest acceptance of social CRM (tom Dieck *et al.*, 2017) and the effects of crowdvoting on hotels (Garrigos-Simon *et al.*, 2017). Wider research has focused largely on determining the antecedents of social CRM, conceptualising social CRM and assessing the direct effects of social CRM on performance (Choudhury and Harrigan, 2014; Diffley and McCole, 2015; Trainor *et al.*, 2014). However, there is a dearth of research that has examined those factors that emerge from the social CRM process that results in performance improvements. As noted by Trainor (2012, p. 317):

[. . .] despite the increased usage of social media applications, sales and marketing research has yet to advance a framework that builds on the rich body of CRM literature to explain how social CRM technologies influence firm performance.

Hence, the question of how social CRM leads to enhanced performance is yet to be answered. That is, what is the chain-of-effects from social CRM to hotel performance? Understanding this chain-of-effects is essential, given that social media is often used by companies without a clear understanding of how these technologies enhance performance (Trainor *et al.*, 2014). Further, a lack of planning of social CRM activities has been attributed to social media failures (Rapp and Ogilvie, 2016).

In this study, we draw on the resource-based view (RBV), dynamic capabilities theory and service-dominant (S-D) logic to address this gap. Drawing on these perspectives, we propose and test a framework that provides a holistic view of the manner in which the social CRM process enhances hotel performance. Hence, this research aims to answer the following research questions:

RQ1. What are the key outputs of the social CRM process?

RQ2. What is the chain-of-effects that occurs as a result of the social CRM process leading to superior levels of hotel performance?

Answering these questions is essential, given research guiding hotels in the effective implementation and management of social CRM initiatives is lacking (Trainor, 2012; Trainor *et al.*, 2014).

2. Theoretical framework and research hypotheses

2.1 *Social customer relationship management*

The RBV highlights that is the acquisition and control of valuable, rare, inimitable and non-substitutable resources that represents the true basis of competitive advantage for businesses (Barney, 1991; Penrose, 1959). It emphasises the value of intangible resources over tangible ones (Grant, 1991; Rapp *et al.*, 2010). Applying the RBV, CRM resources may be broadly classified as technological, business and human resources; the purposeful combination of which allows CRM capabilities to be developed. These capabilities lead to enhanced firm performance (Coltman, 2007; Rapp *et al.*, 2010). The RBV demonstrates that enhanced CRM performance is achieved through the combination of technological resources with additional complementary ones (Trainor *et al.*, 2014). This logic extends to the social CRM process as well (Choudhury and Harrigan, 2014; Diffley and McCole, 2015; Trainor *et al.*, 2014).

While the focus of the RBV lies in the acquisition and control of resources that facilitate the development of a competitive advantage, the dynamic capabilities approach focuses on how to sustain it in vibrant marketplaces (Wang and Ahmed, 2007; Teece, 2007). The dynamic capabilities approach suggests that investment in CRM resources such as websites, databases and call centres does not necessarily equate to success. Dynamic capabilities must exist to manage them (Maklan and Knox, 2009). The dynamic capabilities approach has also been applied in social CRM studies (Choudhury and Harrigan, 2014; Diffley and McCole, 2015).

The focus of exchange in the S-D logic is service – the “application of competencies (such as knowledge and skills) by one party for the benefit of another” (Payne and Frow, 2006, p. 145). Value is developed through a co-creative process within service systems. Service systems represent individuals or groups that adapt and evolve through the exchange and use of resources. Thus, service emphasises that exchange occurs through relationships rather than transactions and relationships are inherently networked in nature (Vargo *et al.*, 2008). While the S-D logic is less prevalent in empirical CRM research, the customer as a co-creator of value has important implications for CRM (Payne and Frow, 2006). As CRM extends into a social context, adopting the S-D logic perspective is key. Social CRM still uses CRM’s fundamental practice of using technology as a means of managing customer relationships. However, social CRM, enabled by social media technologies, facilitates open dialogue and the opportunity to co-create customer value, resulting in a truly customer-centric approach to customer relationships (Chen and Vargo, 2014).

2.2 *The influence of social customer relationship management on service innovation*

In this study, social CRM is conceptualised in line with Diffley and McCole (2015), following Jayachandran *et al.* (2005). Diffley and McCole (2015) proposed that the social CRM process represents key organisational routines, inclusive of social networking activities, that a business uses to establish long-term relationships through engaging customers in value co-creation efforts. This draws attention to the role played by resources and capabilities in the development of firm innovation activities (Barney, 1991; Grant, 1991) and is the starting point in our conceptualisation of the chain-of-effects through which social CRM impacts on hotel performance. The resources and capabilities inherent in the social CRM process act as a key input to hotel innovation activities. Drawing on the RBV, the information resources

accessible through the collaborative interactions facilitated by SNSs, when integrated with information across customer touchpoints, can be of value in firm innovation activities (Trainor, 2012). As a dynamic capability, social CRM processes can lead to sustained innovation activity in light of the competitive environment faced by hotels. As communicated by Lusch *et al.* (2007, p. 9):

[. . .] it is unrealistic for a firm to remain static in their value propositions or offered services; hence, service innovations are instrumental. These innovations are dependent upon the collection of competences, which the firm can continually renew, create, integrate, and transform.

Applying the S-D logic, this innovative activity is achieved through collaborative customer interactions. Moreover, the role of customers as co-innovators has resulted in the evolution of innovation in a service context (Michel *et al.*, 2008) wherein innovation extends beyond tangible offerings alone to encapsulate intangible outcomes of customer collaborations (Vargo, 2008). This encompasses the creation of new market offerings, from design through to delivery (Payne *et al.*, 2008); new mechanisms for serving clients (Mele, 2009); and the development of marketing programmes (Lusch and Vargo, 2006).

The identification of this link in the overall chain-of-effects from the social CRM to hotel performance is essential, given that CRM literature has emphasised the role of innovation in achieving a sustainable competitive advantage (Ernst *et al.*, 2011). As CRM moves into a social context, this innovation potential is heightened, given the collaborative interactions afforded by SNSs and the subsequent ability to employ customers as co-innovators (Fisher and Smith, 2011) and as a result deliver “real customer centric innovation” (Woodcock *et al.*, 2011, p. 50). This is of particular relevance in tourism and hospitality where the potential exists to provide “an experience environment where innovations in tourism can be based on the co-creation experience” (Binkhorst and Den Dekker, 2009, p. 323). Although hospitality literature has emphasised the innovation potential of collaborative customer interactions (Shaw *et al.*, 2011), empirical research to support this is lacking (Santos-Vijande *et al.*, 2015; Snyder *et al.*, 2016). Therefore:

H1. Social CRM has a positive effect on service innovation.

2.3 The influence of service innovation on customer-linking capability

Customers are essential in tourism innovation (Gomezelj, 2016); they are “co-innovators of the experience since it is in their interactions and performance, and in their outspoken ideas and comments that innovation takes form” (Jernsand *et al.*, 2015, p. 115). Co-innovation communities play a key role in accessing this knowledge (Parmentier and Mangematin, 2011). The market offerings (Payne *et al.*, 2008), new mechanisms for serving clients (Mele, 2009) and marketing programs (Lusch and Vargo, 2006) that emerge from the process of co-innovation are the enactment of customer needs and wants. These needs and wants represent value propositions that act as a means of continually engaging customers in the co-creation of value (Kozinets *et al.*, 2008; Lusch *et al.*, 2007). Hence, co-innovation represents commitment to the creation of superior customer value (Mustak *et al.*, 2013). This commitment is the essence of a customer-linking capability (Day, 1994; Rapp *et al.*, 2010), an outside-in capability that represents a greater understanding of and ability to respond to evolving customer needs and expectations (Day, 1994). Embedded in the RBV and dynamic capabilities perspectives, “customer-linking capabilities exhibit many of the characteristics of sustainable competitive advantage creation” (Hooley *et al.*, 2005, p. 19).

Reflective of how successful a firm is at creating and managing lasting customer relationships, a customer-linking capability is reliant upon a business’ ability to master close

customer communication, coordinate activities with customers and work with them to distribute better offerings (Rapp *et al.*, 2010), with social technologies playing a central role (Chen and Vargo, 2014). In the era of social CRM, and drawing on S-D logic, these superior offerings are not simply just delivered to customers, but rather created with them through co-innovation activity (Trainor, 2012). As outlined by Mustak *et al.* (2013, p. 353), “customer participation leads to the creation of offerings that are more closely aligned with customers’ value creation spheres and ultimately help them to create superior value”. Despite representing an essential capability, few studies have investigated the antecedents (and outcomes) of a customer-linking capability (Rapp *et al.*, 2010). Thus, we posit:

H2. Service innovation has a positive influence on customer-linking capability.

2.4 The influence of customer-linking capability on customer performance

Drawing on the RBV, a customer-linking capability may be viewed as a purposeful and knowledge-based combination of rare and inimitable resources that represents a key source of competitive advantage for the firm (Barney, 1991; Day, 1994; Hooley *et al.*, 2005; Rapp *et al.*, 2010). As evidenced in Sections 2.2 and 2.3, dynamic capabilities and the S-D logic also provide a key lens through which a customer-linking capability can be developed and maintained in the era of social CRM.

Research illustrates that the development of a customer-linking capability results in higher levels of customer performance through greater loyalty, satisfaction (Hooley *et al.*, 2005; Rapp *et al.*, 2010) and acquisition (Rapp *et al.*, 2010). These findings have important implications for the current study, given that a key objective of CRM is to acquire and retain customers through the establishment and maintenance of mutually beneficial relationships (Kim *et al.*, 2010). In the era of social CRM and the empowered customer, this objective remains crucial (Trainor, 2012). While previous social CRM studies have illustrated the direct effects of social CRM on customer performance (Choudhury and Harrigan, 2014; Diffley and McCole, 2015; Trainor *et al.*, 2014), this study proposes the manner in which these higher levels of customer performance can be achieved. The collaborative interactions afforded by social CRM, and the innovation opportunities afforded as a result should lead to enhanced customer performance through the development of a customer-linking capability. This demonstrates the third link in the chain-of-effects through which the social CRM process impacts performance:

H3. Customer-linking capability has a positive effect on customer performance.

2.5 The influence of customer-linking capability on financial performance

Research illustrates that the development of a customer-linking capability contributes to greater sales volumes, market share (Hooley *et al.*, 2005), return on investment and overall profitability (Rapp *et al.*, 2010). These findings have important implications for the current study. CRM is concerned with establishing and maintaining mutually beneficial and profitable customer relationships (Herhausen and Schögel, 2013). As CRM extends into a social context, a review of literature illustrates a lack of research assessing the impact of social CRM activities on financial performance. However, literature indicates that the extension of CRM in a social context has positive implications for financial performance in light of the greater customer insight and engagement afforded by social technologies (Trainor, 2012; Woodcock *et al.*, 2011). As outlined by Woodcock *et al.* (2011, p. 50):

[...] harnessed with customer relationship management, social media can deliver financial benefits to companies no matter what sector. The benefits are centred around increasing 'customer insight and engagement' and are not peripheral but fundamental to driving business performance.

Therefore, the collaborative interactions afforded by integrating SNSs in the CRM process, and the innovation opportunities afforded, as a result, should also lead to enhanced financial performance through the development of a customer-linking capability. This highlights the fourth link in the chain-of-effects through which the social CRM process impacts performance. Consequently:

H4. Customer-linking capability has a positive effect on financial performance.

2.6 The influence of customer performance on financial performance

Research has evidenced the positive association between customer and financial performance (Hooley et al, 2005; Rapp et al., 2010). This link is to be expected, given that CRM is concerned with building and maintaining mutually beneficial customer relationships that are profitable for the firm (Herhausen and Schögel, 2013; Kim et al., 2010; Trainor, 2012). Hence, the customer performance outcomes achieved through developing the enhanced customer relationships central to CRM should positively affect financial performance (Rapp et al., 2010). Ahearne et al. (2012, p. 122) clarify that "optimal CRM usage will lead to enhanced customer value, satisfaction, and improved product solutions, which ultimately lead to increased financial outputs". The model presented in this study illustrates how this optimal CRM usage can be achieved. As CRM becomes increasingly social in nature, the resultant positive impact on customer performance should have further positive implications for the financial performance of firms. We present our final hypothesis:

H5. Customer performance has a positive effect on financial performance.

Figure 1 provides an overview of all the hypothesized relationships.

3. Methodology

3.1 Sample and procedure

A census of all hotels registered in the Republic of Ireland ($n = 854$) that had established an active SNS presence represented the sampling frame for this study. All major SNSs (e.g. Facebook, Twitter, Instagram, Pinterest, Google+, YouTube and TripAdvisor) were examined to determine whether each hotel had created an active SNS presence. Each hotel's website was also assessed to identify any links to these SNS profiles. If

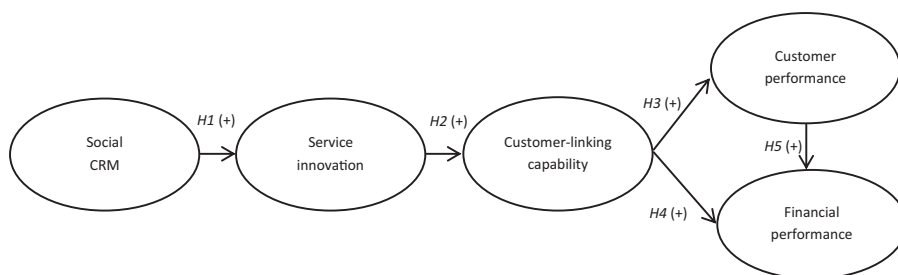


Figure 1.
Proposed model

hotels had developed a profile on a SNS and had been active or maintained this activity then they were included in this study.

Of the 854 hotels in operation, 757 (88.64 per cent) had established an active SNS presence. In line with several studies in tourism and hospitality (Mottiar, 2016; Ordanini and Parasuraman, 2011; Qu *et al.*, 2005), a key informant approach was adopted. This approach assumes that the answers to research questions reside with those who have specific or specialised knowledge (O'Leary, 2010). Thus, the survey was mailed to the general manager of each hotel. In a cover letter accompanying the survey, the general manager was asked to nominate the most relevant individual in the hotel to complete the questionnaire. This ensured that the best informed individual completed the questionnaire (Qu *et al.*, 2005). Prior to dissemination, the questionnaire was subjected to three different pilot tests, with adjustments made after each phase as appropriate. The first pilot was conducted with academics who were experienced in the area of questionnaire design; the second with individuals who worked in a company setting and were experienced in completing questionnaires; and the third with general managers in the hotel industry.

Research participants had the option of completing a Web or paper-based version of the questionnaire, with a link to the Web-based version included in the personalised cover letter. Our overall method and approach was designed to minimise sampling bias (Wong and Liu, 2010). As our sampling population was effectively a census of all hotels in the Republic of Ireland who had established an active SNS presence, all hotel general managers (or their most suitable nominee) had a known and equal chance of taking part in the study.

Data were collected between the months of October and December 2012. Approximately two weeks after the survey was mailed, telephone calls were made to the general manager of each hotel who had yet to complete the survey requesting their participation. This increased the number of responses received. A total of 120 usable surveys were obtained, yielding a response rate of 15.85 per cent. This sample size and response rate is comparable to those of previous marketing and management studies (Dada and Watson, 2013; Homburg *et al.*, 2012; Raithel *et al.*, 2012), inclusive of CRM studies (Coltman, 2007; Nguyen and Waring, 2013; Padilla-Meléndez and Garrido-Moreno, 2014). Response rates of other hotel-based studies report response rates between 7.4 and 22.5 per cent (Kim *et al.*, 2015). Further, as detailed in Section 4.1, non-response bias demonstrated no significant differences between respondents.

3.2 Measures

The questionnaire included five main variables. Scale items were developed/adapted from previous research (see also Appendix). Following Diffley and McCole (2015) and Jayachandran *et al.* (2005), social CRM was conceptualised as a second-order construct with six first-order dimensions: information reciprocity, information capture, information integration, information access, information use and value co-creation (O'Cass and Ngo, 2011). Service innovation was also conceptualised as a second-order construct with three first-order dimensions:

- (1) market offering (Damanpour *et al.*, 2009; Chen *et al.*, 2011);
- (2) external relationship (Djellal and Gallouj, 2001; Mele, 2009; OECD, 2002); and
- (3) marketing innovation (Hogan *et al.*, 2011).

The other three variables were conceptualised as first-order constructs: customer-linking capability (Hooley *et al.*, 2005; Rapp *et al.*, 2010), customer performance (Hooley *et al.*, 2005; Jayachandran *et al.*, 2005; Rapp *et al.*, 2010) and financial performance (Hooley *et al.*, 2005; Matsuno *et al.*, 2005; Wu *et al.*, 2003). All constructs were measured using seven-point Likert-type scales.

4. Data analysis and results

4.1 Data analysis

Preliminary analysis was performed using SPSS. Using the extrapolation method proposed by [Armstrong and Overton \(1977\)](#), non-response bias was assessed. Comparison between early and late responses revealed no significant differences. This was also the case when comparing Web and mail responses. Common method variance was assessed using Harman's single-factor test. The factor solution demonstrated that a single factor did not emerge and that one factor was not responsible for most of the covariance among measures, indicating that common method variance was not a problem ([Podsakoff et al., 2003](#)). [Table I](#) provides a profile of the survey responses.

Partial least squares structural equation modelling (PLS-SEM) was used to test the proposed model. The nature of this study is one of theory development, with the objective being to propose and test a framework that provides a holistic view of the manner in which the social CRM process enhances hotel performance. PLS-SEM is suited to research objectives of prediction and theory development ([Hair et al., 2011](#)). PLS-SEM is also

Variable	Category	Frequency	(%)
Number of rooms	1-99	77	64.17
	100-199	39	32.50
	200-349	2	1.67
	350-499	0	0
	500+	2	1.67
	Total	120	100
Star rating	One star	0	0
	Two stars	5	4.17
	Three stars	49	40.83
	Four stars	56	46.67
	Five stars	10	8.33
	Total	120	100
Location	Urban	57	47.50
	Rural	63	52.50
	Total	120	100
Hotel ownership structure	Independent	104	86.67
	Not independent	16	13.33
	Total	120	100
Drivers in the Adoption of SNSs	Raise hotel/brand visibility	106	88.33
	Increase sales	86	71.67
	Acquisition of new customers	85	70.83
	Competitive pressure	83	69.17
	To improve the online experience we provide	83	69.17
	Our customers use it	83	69.17
	Improve customer insights	80	66.67
	Retention of existing customers	74	61.67
	Everyone is using it	72	60.00
	Development of new market offerings	72	60.00
	Market research purposes	60	50.00
	Maximise effectiveness of marketing campaigns	59	49.17
	A clear vision of how SNSs could fit in with our hotel's strategy	48	40.00
	Top management pressure	35	29.17
Employee pressure	26	21.67	

Table I.
Hotel characteristics

recommended for smaller samples, demonstrating a greater degree of statistical power than covariance-based methods (Hair *et al.*, 2014). Research has found that strong statistical power can be achieved with samples of 100 using PLS-SEM (Reinartz *et al.*, 2009). PLS analysis has been performed in several hotel-based studies with similar or smaller sample sizes (Castellanos-Verdugo *et al.*, 2009; Cohen and Olsen, 2013; Pavlatos, 2015). SmartPLS 2.0 M3 software was used to analyse the data (Ringle *et al.*, 2008).

Due to its popularity in research and ability to take the whole nomological network into account, the repeated indicator approach was used to estimate the model (Becker *et al.*, 2012; Hair *et al.*, 2014).

4.2 Measurement model

A two-stage methodology was used to analyse the data (Hair *et al.*, 2011). The first stage involved an examination of the measurement model to assess reliability and validity estimates. Prior to assessing the first-order constructs, the average variance extracted (AVE) and composite reliability of the second-order latent social CRM and service innovation constructs were examined. Table II shows that that AVE and composite reliability values exceeded 0.50 and 0.70, respectively, thereby establishing the validity and reliability of the model's latent variables (Hair *et al.*, 2014). For the first-order constructs, composite reliability and Cronbach's alpha values were used to assess indicator reliability (Cronbach, 1970). As illustrated in Table II, all values exceeded the minimum acceptable value of 0.70, thereby establishing the internal consistency of these constructs (Hair *et al.*, 2014).

The loading of items on their respective constructs were examined to assess convergent validity. As evidenced in Appendix, all item loadings exceeded the minimum acceptable value of 0.50 (Falk and Miller, 1992). A bootstrap procedure with 5,000 sub-samples demonstrated that all *t*-statistic values were significant at the recommended 3.29 value. In addition, the AVE of each construct exceeded 0.50. Thus, convergent validity was established.

As evidenced in Table III, the square root of the AVE for each construct (in italics) is greater than the pairs of correlations between any of the other constructs. This indicates that discriminant validity is also confirmed (Hair *et al.*, 2014).

Upon establishing the reliability and validity of the measurement model, the structural model was evaluated.

Construct	Cronbach's alpha (α)	Composite reliability	AVE
<i>Social CRM</i>	0.948	0.954	0.577
Information reciprocity	0.905	0.933	0.777
Information capture	0.899	0.929	0.767
Information integration	0.934	0.953	0.836
Information access	0.934	0.953	0.835
Information use	0.922	0.945	0.810
Value co-creation	0.936	0.954	0.838
<i>Service innovation</i>	0.949	0.955	0.753
Market offering innovation	0.925	0.944	0.772
Relationship innovation	0.925	0.943	0.769
Market-focused innovation	0.932	0.949	0.787
<i>Customer-linking capability</i>	0.922	0.945	0.810
<i>Customer performance</i>	0.862	0.907	0.708
<i>Financial performance</i>	0.954	0.962	0.758

Table II.
Internal consistency
and convergent
validity

Table III.
Discriminant validity

Construct	Social CRM	Service innovation	Customer-linking capability	Customer performance	Financial performance
Social CRM	<i>0.760</i>				
Service innovation	0.528	<i>0.868</i>			
Customer-linking capability	0.251	0.552	<i>0.900</i>		
Customer performance	0.157	0.428	0.820	<i>0.841</i>	
Financial performance	0.268	0.195	0.435	0.596	<i>0.871</i>

Notes: Diagonal elements (in italics) in the “correlation of constructs” matrix represent the square root of the average variance extracted (AVE); For adequate discriminant validity, diagonal elements should be greater than corresponding off-diagonal elements

4.3 Structural model

The predictive value of the model was assessed using R^2 values and the Q^2 test. Table IV illustrates the variance explained (R^2) in the dependent constructs, in line with the cross-validated redundancy index (Q^2) for endogenous constructs (Hair *et al.*, 2011). R^2 values exceeded the 0.10 threshold (Falk and Miller, 1992) and Q^2 values exceeded 0 (Hair *et al.*, 2014), thereby establishing the predictive relevance of the model. A bootstrapping (5,000 re-samples) procedure was used to generate standard errors and t -statistic values (Hair *et al.*, 2011), allowing the statistical significance of path coefficients to be assessed.

Support was found for $H1$, the positive association between social CRM and service innovation ($\beta = 0.528$; t -values = 5.738) and $H2$, the positive association between service innovation and customer-linking capability ($\beta = 0.582$; t -values = 7.701). Support was also found for $H3$, the positive association between customer-linking capability and customer performance ($\beta = 0.827$; t -values = 22.258). Notably, $H4$, the positive association between customer-linking capability and financial performance was not supported ($\beta = -0.166$; t -values = 1.182). Finally, $H5$, the positive association between customer and financial performance was supported ($\beta = 0.733$; t -values = 5.493).

Figure 2 shows the path coefficients (β) and t -statistic values for the model.

5. Discussion and conclusions

5.1 Conclusions

The objective of this study was to propose and test a framework that provides a holistic view of the manner in which the social CRM process enhances hotel performance. Based on this objective, the research aimed to answer $RQ1$ and $RQ2$.

Construct	R^2 value	Q^2 value
<i>Service innovation</i>	0.2788	0.1608
Market offering innovation	0.6960	0.5180
External relationship innovation	0.8032	0.6235
Market-focused Innovation	0.7598	0.5931
<i>Customer-linking capability</i>	0.3069	0.2478
<i>Customer performance</i>	0.6726	0.4768
<i>Financial performance</i>	0.3652	0.2729

Table IV.
Variance explained
and cross-validated
redundancy index

While prior research findings have established a direct and positive link between social CRM and firm performance (Choudhury and Harrigan, 2014; Diffley and McCole, 2015; Trainor *et al.*, 2014), research investigating the chain-of-effects through which social CRM results enhances firm performance is lacking. Given the correlation between social media failures and a lack of social CRM planning (Rapp and Ogilvie, 2016), a greater understanding of social CRM from this strategic perspective provides valuable insight in an industry where SNSs are having a substantial effect (Li and Chang, 2016).

5.2 Theoretical implications

This study makes a major contribution to the emerging social CRM literature by identifying service innovation and customer-linking capability as key variables in the chain-of-effects from the social CRM process to performance improvement in a hospitality management context (Rapp and Ogilvie, 2016; Trainor *et al.*, 2014). Identifying this chain-of-effects contributes to knowledge regarding how social CRM strategy may be developed and implemented in the hotel industry. The RBV, dynamic capabilities and S-D logic play a key role in conceptualising social CRM and identifying this chain-of-effects through which social CRM results in enhanced performance.

Moreover, each of the links in the chain-of-effects through which social CRM leads to enhanced hotel performance makes valuable contributions. The positive association between social CRM and service innovation contributes to the lack of research pertaining to the relationship between CRM and innovation (Ernst *et al.*, 2011); social media and co-innovation (Bugshan, 2015); conceptualisations of service innovation (Snyder *et al.*, 2016); and the co-innovative activity that emerges from collaborations with customers (Santos-Vijande *et al.*, 2015). Despite the dynamic nature of the hospitality sector (Shaw *et al.*, 2011) and centrality of innovation to success (Campo *et al.*, 2014), research is lacking (Snyder *et al.*, 2016). This first link demonstrates how innovation can occur through the application of social CRM initiatives and the central role of customers in hotel innovation activities. These findings also lend important support to the S-D logic as a suitable theoretical underpinning of the social CRM process and the co-innovative activity that emerges from this process.

The positive association between service innovation and customer-linking capability provides critical insight into the performance-enhancing capabilities provided by social CRM (Trainor *et al.*, 2014). Nasution and Mavondo (2008) highlight that hotels should invest in the development of customer-linking activities to maximise customer value. Given that few studies have investigated the antecedents of a customer-linking capability (Rapp *et al.*, 2010), this second link demonstrates how this can be achieved.

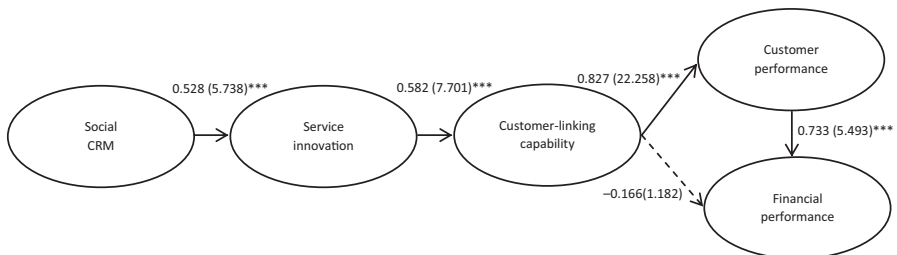


Figure 2.
Path coefficients and
t-statistics

Note: *** = $p < 0.001$

While studies have found that social CRM has a positive direct impact on customer performance (Choudhury and Harrigan, 2014; Diffley and McCole, 2015; Trainor *et al.*, 2014), the third link in this study aids in demonstrating the sequence through which this occurs. The collaborative activities central to social CRM positively effect customer performance through service innovation and customer-linking capability, thus providing a holistic understanding of the chain-of-effects through which enhanced customer performance is achieved. In addition, this study further illustrates that customer performance is an outcome of developing a customer-linking capability (Rapp *et al.*, 2010).

The fourth link, the indirect association between customer-linking capability and financial performance, demonstrates that enhanced customer performance achieved through a customer-linking capability positively impacts financial performance. The increased levels of customer loyalty, satisfaction and retention achieved through delivering superior value to customers results in enhanced financial performance. Hence, this contributes to the need for research demonstrating the return on investment of social CRM (Kandampully *et al.*, 2015) in the hospitality sector.

5.3 Practical implications

A number of managerial implications emerge from this study. This study demonstrates that a strategic view of the social CRM process is necessary to achieve enhanced performance. As CRM represents a strategic imperative in the hotel industry (Padilla-Meléndez and Garrido-Moreno, 2014; Rahimi and Gunlu, 2016), management must be committed to the development of efficient and effective social CRM practices and understand the manner in which these practices result in higher levels of performance. As highlighted by Trainor *et al.* (2014), several firms are using social technologies without an understanding of the performance-enhancing capabilities these technologies provide. Further, Rapp and Ogilvie (2016, p. 58), detail that “without proper strategic implementation, firms are prone to social media failures and risk harming the customer relationship more often than they enhance it”. This study provides this key understanding to hotels.

This study also illustrates that social CRM initiatives are much more than just technology initiatives and must be treated as such. The depth and networked interactions afforded by social media technologies and the information garnered from these interactions must be managed. It is this information that acts as a means of gaining a competitive advantage. However, to gain this advantage, management must use social media technologies in a collaborative manner. Hence, as advocated in the literature, hotels must approach social media in a proactive manner (Kim *et al.*, 2016; Xie *et al.*, 2016), engaging the empowered customer rather than pushing information onto them.

Vila *et al.* (2012, p. 75) maintain that “developing and applying new ideas that add value to a service is no easy task, particularly when hotel competitors seek to duplicate any innovation they detect”. The positive association between social CRM and service innovation demonstrates to management that the depth and networked interactions facilitated by SNSs, if managed correctly, can yield information that acts as a key input to innovations. This is of particular value to hotel managers, given the lack of literature on innovation in tourism and hospitality, and the subsequent disconnect between research and practice (Gomezelj, 2016). As innovations that are developed with customers, their involvement in the process facilitates a deeper connection. Thus, while competitors may duplicate innovations, the ability to co-innovate with customers adds value to the service provided by hotels in a truly customer-centric manner. The positive association between service innovation and customer-linking capability demonstrates that impact of this activity on the development of superior customer relationships. This is essential in tourism and

hospitality, given the importance of the customer experience (Chathoth *et al.*, 2012; Shaw *et al.*, 2011). These superior relationships result in higher levels of hotel performance.

5.4 Limitations and future research

There are two sides to the firm–customer dyad. As value is perceived and determined by the customer (Lusch and Vargo, 2006), and this study collected data from the firm side only, future research could adapt, apply and validate our conceptual model to the customer side of the dyad. Similarly, in line with Kim *et al.* (2015), the survey was sent to general management, using a self-reported approach to measuring the constructs. Management may overinflate their answers to each of the questions asked in the survey. Therefore, the perceptions of various organisational members would enhance the study.

The cross-sectional nature of the study could be considered a limitation. A longitudinal study could provide additional insight to the social CRM phenomenon in the hospitality industry. The impact of the changes in a firm's social CRM processes over time on innovation, customer-linking capability and performance would provide valuable insight into the evolving nature of buyer–seller relationships in this context. As value is developed over time by the customer (Grönroos and Voima, 2013), testing the validated research model in a longitudinal study represents a future research opportunity.

The primary goal of this research was to propose and test an extended theoretical model explaining the chain-of-effects from social CRM to performance in the hotel industry. Additional research is now required to replicate our findings and to suggest important boundary and moderating conditions to further our knowledge in this very important area of hospitality research and management practice.

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Further reading

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Construct	Measurement items	Loading	<i>t</i> -value	Mean	Standard deviation
<i>Social CRM</i>					
Information reciprocity		0.526	7.376		
	IR1	0.930	64.373	5.95	1.449
	IR2	0.895	43.226	6.01	1.287
	IR3	0.829	20.477	5.82	1.360
	IR4	0.870	28.523	5.98	1.360
Information capture		0.741	15.855		
	IC1	0.908	39.265	3.73	1.804
	IC2	0.885	43.335	4.00	1.806
	IC3	0.832	26.087	2.81	1.760
	IC4	0.878	33.705	3.39	1.871
Information integration		0.822	26.988		
	II1	0.883	26.910	3.75	1.937
	II2	0.920	61.720	3.73	1.892
	II3	0.936	55.094	4.08	2.009
	II4	0.918	49.671	3.92	1.969
Information access		0.691	12.149		
	IA1	0.925	54.707	4.87	1.665
	IA2	0.909	34.775	4.58	1.930
	IA3	0.914	30.439	4.64	1.891
	IA4	0.908	29.977	4.95	1.777
Information use		0.886	38.930		
	IU1	0.888	38.028	4.16	1.940
	IU2	0.911	54.544	4.07	1.837
	IU3	0.923	50.928	4.62	1.783
	IU4	0.877	31.187	4.96	1.794
Value co-creation		0.836	26.601		
	VCC1	0.894	26.249	4.87	1.838
	VCC2	0.932	56.892	4.65	1.841
	VCC3	0.918	27.781	4.53	1.901
	VCC4	0.918	56.096	4.63	1.815
<i>Service innovation</i>					
Market offering innovation		0.834	28.652		
	MO1	0.918	50.448	5.78	1.381
	MO2	0.931	52.610	5.88	1.294
	MO3	0.925	45.608	5.93	1.228
	MO4	0.829	21.396	5.58	1.570
	MO5	0.780	17.273	5.46	1.495
External relationship innovation		0.896	41.738		
	ERI1	0.853	30.563	5.57	1.543
	ERI2	0.874	27.414	5.70	1.326
	ERI3	0.909	46.318	5.65	1.436
	ERI4	0.882	35.077	5.58	1.326
	ERI5	0.865	25.237	5.43	1.482

Table A1.
Items, loadings,
t-values and
descriptives

(continued)

Construct	Measurement items	Loading	t-value	Mean	Standard deviation
Marketing-focused innovation		0.872	33.746		
	MI1	0.889	45.502	5.38	1.535
	MI2	0.910	51.228	5.36	1.511
	MI3	0.903	40.292	4.88	1.750
	MI4	0.847	32.874	4.06	1.924
Customer-linking capability	MI5	0.884	42.714	4.77	1.694
	CLC1	0.884	39.876	5.84	1.069
	CLC2	0.890	29.868	5.85	1.082
	CLC3	0.893	28.950	5.73	1.255
	CLC4	0.932	61.837	5.96	1.088
Customer performance	CP1	0.809	22.515	5.92	1.081
	CP2	0.887	45.298	5.72	1.124
	CP3	0.806	19.189	5.52	1.250
	CP4	0.862	34.693	5.53	1.069
Financial performance	FP1	0.888	31.607	5.24	1.277
	FP2	0.877	26.223	5.30	1.287
	FP3	0.909	43.343	5.25	1.190
	FP4	0.898	39.080	5.08	1.453
	FP5	0.886	35.604	4.79	1.582
	FP6	0.879	38.005	4.81	1.422
	FP7	0.809	15.072	4.95	1.289
	FP8	0.817	19.745	4.62	1.385

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