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Master's Thesis of Business Administration

# Improving Customer Relationship Capabilities and Firm Performance Through Social Media Marketing on YouTube

유튜브를 통한 소셜 네트워크 서비스 마케팅이  
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August 2021

Graduate School of Business Administration  
Seoul National University  
Marketing Major

Lubin Ik Hyun Lee

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Sungho Park

August 2021

Graduate School of Business Administration  
Seoul National University  
Marketing Major

Lubin Ik Hyun Lee

Confirming the master's thesis written by  
Lubin Ik Hyun Lee  
August 2021

Chair	<u>Sang-Hoon Kim</u>
Vice Chair	<u>Kyoungmi Lee</u>
Examiner	<u>Sungho Park</u>

# Abstract

The growth of social media usage is allowing customers to interact with companies through social media more comfortably and thus, drawing companies' attention to improve their marketing capabilities and customer satisfaction by extending customer relationship management (CRM) to social media. We observe and analyze firms' social media activity and customer engagement through YouTube and its impact on firm performance, which is collected through COMPUSTAT North America and Global Fundamentals annual database, of 462 observations of 42 companies. This study examines how customer and company interaction on visual oriented social media platforms, such as YouTube, can influence social CRM capabilities of companies and firm performance and aid in social media marketing strategies. This study extends previous studies on impact of social CRM capabilities on firm performance by examining different social media platform, which extends customers' activity from text orientation to visual orientation, and thus suggesting new possible form of social media strategies.

**Keyword :** Social media marketing, dynamic capabilities, marketing capabilities, social customer relationship management, YouTube, customer engagement

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# Chapter 1. Introduction

## 1.1. Study Background

Interest in social media marketing has been growing over the past years by both scholars and managers as social media platforms and customers' activity rapidly expanded. For companies and managers, being able to reach out to large number of customers and engage with them with brand generated content led to increase in social media marketing (Schivinski and Dabrowki, 2016). As social media marketing became more popular among companies and managers, measuring the return on investment of social media marketing also became important (Hoffman and Fodor 2010).

Number of benefits of social media marketing activities are identified by researchers. Social media is defined as “a series of both hardware and software technological innovations (Web 2.0) that facilitate creative online users' inexpensive content creation, interaction, and interoperability” (Berthon et al. 2012). One of the major benefits is that the response rate and customer engagement is much greater when customers interact with one another on a social media platform than traditional marketing methodologies (Trusov, Bucklin, and Pauwels 2009).

Visual based social media platforms has been thriving and YouTube is one of the most popular one. YouTube allows users to share videos on their platform and interact with other users by liking, commenting and re-sharing and uploading videos (Feroz Khan and Vong, 2014; Teixeira and Kornfeld, 2015). YouTube is the second most visited website with having approximately 2 billion monthly visitors and is the second largest search engine behind Google. Over 1 billion hours of content are consumed daily. Regarding brand exposure and consuming behavior, 70% of the viewers say that YouTube makes them more aware of new brands, twice as likely to buy something they saw on YouTube and four times more likely to use YouTube to find information about a brand,

product, or service than other platforms (Chi, 2021). For these reasons, it is meaningful to examine YouTube for social media effects.

Online users are becoming more active consumers and users by creating and sharing self-created content and information on social media applications than before as passive online consumers. There are 3.8 billion social media users around the world in 2020, which is 9% higher than 2019 (Kemp, 2020). About 30% of online users are active and part of content creation and sharing (e.g., videos, texts, photos), and larger number of users post comments on websites (Lenhart et al. 2010). Social media applications not only facilitates interactions among community members, but also provides the environment to actively interact with companies and co-create experiences (Pralhad and Ramaswamy 2004). Managers' main interest is to integrate and apply social media applications into companies' customer relationship management (CRM) systems in order to develop and improve marketing and CRM capabilities that eventually results in better customer experience and satisfaction (Trainor et al. 2014). This new expansion of CRM into social media allows CRM to be more collaborative, interactive, and network-focused than before (Trainor et al. 2014) and it is described as "social customer relationship management" (Greenberg 2010). Social CRM is defined as "the integration of customer-facing activities, including processes, systems, and technologies, with emergent social media applications to engage customers in collaborative conversations and enhance customer relationships" by marketing scholars (Trainor 2012, p. 319). Companies are starting to notice the importance of social CRM and starting to make and increase investments (Trainor et al. 2014). As social CRM systems are starting to grab attention of managers and researchers, social CRM' s effectiveness is still in need of further studies (Trainor et al. 2014). CRM technologies' minor value contribution to firms and its increased effectiveness when combined with other firm resources are studied by researchers (Chang et al., 2010, Jayachandran et al., 2005,

Srinivasan and Moorman, 2005, Trainor et al., 2014). For these reasons, further research is needed to examine social media interaction with CRM systems and marketing strategies to increase firm value.

## **1.2. Purpose of Research**

The purpose of this study is to expand from previous studies on the relationship between social CRM capability and firm performance to a different platform of social media, specifically YouTube. Based on resource-based view (RBV) and dynamic capabilities theory, firms' investment in social media is considered as resource inputs to social CRM capabilities (Wang and Kim, 2017).

The paper is structured as follow. First begin with review conceptual model and hypotheses of this study. It then outlines the research method with data and measures. Analysis methods and results are presented afterwards. Finally, it concludes with interpretations, limitations, and managerial implications.

# **Chapter 2. Literature Review and Research Framework**

## **2.1. Literature Review**

### **Theory: The RBV and Dynamic Capabilities Extensions**

The theoretical foundation for this research is the RBV and dynamic capability theories. The RBV states that developing and deploying unique, valuable, inimitable, and non-substitutable resources may encourage competitive advantages (Barney, 1991, Lahiri et al., 2012). Dynamic capabilities theory states that firms have different capabilities in terms of gaining and utilizing resources in dynamic marketplaces instead of difference in resource endowment (Wang and Kim, 2017).

The insights from these studies suggest that incorporating CRM technological resources with others that are supportive and create marketing capabilities improves business performance (Trainor et al. 2014). Developing from this logic, we propose that in order to form firm level capability, which influences firm performance, combining social media technologies with CRM system is suggested (Trainor et al. 2014). This will lead to improvement in customer relationships and customer satisfaction.

### **Traditional CRM**

Organizations utilize its own customer information to manage customer relationships (Payne and Frow, 2005, Verhoef et al., 2010). CRM is defined as a procedure that “entails the systematic and proactive management of relationships as they move from beginning (initiation) to end (termination), with execution across the various customer-facing contact channels” by (Reinartz, Krafft, and Hoyer 2004, p. 295). Boulding et al. (2005) identify several key elements: CRM is about cleverly utilizing data and technology, gaining information on customers and properly deploying it to stakeholders, developing beneficial and proper relationships, especially long term, with targeted customers, incorporation of different processes from different and any functions from the company that creates customer value and ultimately developing appropriate strategy.

In terms of strategy and implementing information technology that supports marketing activities that create customer value are important part of CRM (Trainor 2012). The results of CRM technology are highly influenced by both processed critical information and strategies (Jayachandran et al. 2005). CRM technology capability is also viewed as harmony of technology, human and business resources (Rapp, Trainor, and Agnihotri 2010). This can be also show that technology resources alone can not efficient enough to gain greater firm performance and that incorporation of strategic and tactical resources produce significant

results (Bharadwaj, 2000, Chang et al., 2010, Coltman, 2007).

## **CRM and Social Media**

Today the world is changing and developing rapidly, and technology is growing with it as much as it is fueling the development. Social media networking is growing exponentially and starting to suggest the reconsideration of the traditional definition of CRM (Trainor 2012). The wide use of social media is developing an environment where customers can interact with companies through user-generated contents on social media platforms. As consumers started to interact with companies on social media, actively co-creating experiences with the firms have become a norm (Berthon et al., 2012, Hanna et al., 2011, Reimann et al., 2010, Trainor et al., 2014). This new interaction creates opportunities for companies to deploy new technologies and develop new technologies (Trainor, 2012, Trainor et al., 2014). Studies are starting to look into the relationship between CRM and social media (Malthouse et al. 2013).

## **Social CRM**

Social media in CRM systems is a crucial part of this study and adopts the following definition of 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. 321). Greenberg (2010) states that social CRM builds on top of traditional CRM, instead of replacing it, and combines social functions, processes, and capabilities that address firm-customer interaction as well as customer-customer interaction. Not many studies have been done on the influence of social media CRM capabilities on business performance, but number of RBV studies show that new capabilities have significant influence on firm performance with investments in marketing and information

technology (Malthouse et al., 2013, Mithas et al., 2011, Nath et al., 2010, Rapp et al., 2010).

### **Social CRM Capabilities**

Social CRM Capabilities take an important part of this study and we adopt the proposed view of social CRM capabilities from Trainor et al. (2014) as a unique combination of emerging technological resources and customer–centric management systems that can lead to customer satisfaction, loyalty, and retention. Also, Trainor et al. (2014) refers social CRM capability to a “firm's competency in generating, integrating, and responding to information obtained from customer interactions that are facilitated by social media technologies.”

## **2.2. Conceptual Model and Hypotheses**

Based on prior research and drawing theoretical support from Wang and Kim (2017), this study’s conceptual model is developed to demonstrate how social media technology influences customer relationships and firm performance by integrating market adaptation strategies and market capability development. The relationship between social CRM capabilities and customer engagement is established first and then observe how social CRM capabilities influence firm performance directly. Then the model moves on to describing the relationship between customer engagement and firm performance. Lastly, it discovers the moderating effects of social media usage on the relationship between social CRM capabilities and firm performance. Fig. 1 shows the conceptual model.

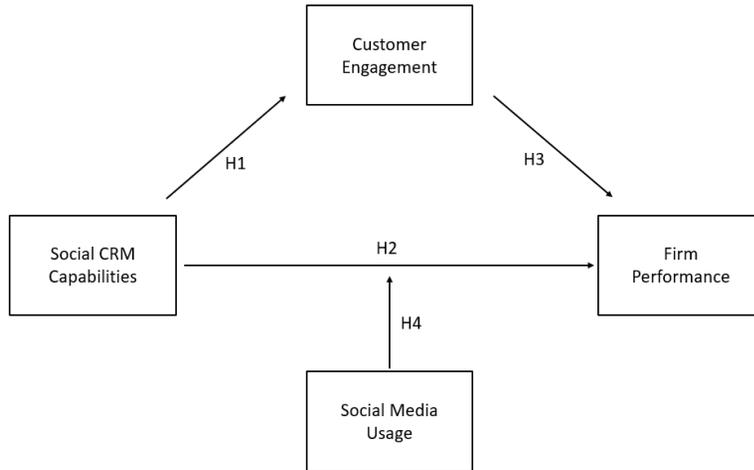


Fig. 1. Conceptual Model

### Effects of Social CRM Capabilities

We take in concept of social CRM capabilities, which displays a firm’s ability to engage customers in collaborative conversations and enhance customers relationships (Trainor et al. 2014). Interactive marketing technologies allows companies to potentially increase sales volume by providing access to stakeholders and customers, otherwise it would have been constrained due to systematic capabilities and foster stronger interactions that create stronger relationships (Wu, Mahajan, and Balasubramanian 2003). This expansion in marketing capabilities, including social CRM capabilities, may lead stronger customer relationships, which also influence customer satisfaction and loyalty (Hooley et al., 2005, Rapp et al., 2010, Trainor et al., 2014). If companies create an environment on social media platform for customers to interact and co-create values with the companies, customers will increase their engagement level because more information is given through interactions and by doing so make them feel valued. This naturally leads to an argument that firms’ such capabilities will be more effective in engaging customers and leveraging this information to

better serve their customers.

## **H1**

A firm's social CRM capabilities are positively related to its level of customer engagement.

Development of such capabilities may lead to exceptional organizational performance (Day, 1994, Menguc and Auh, 2006). Firms that are skilled at producing new values and capabilities from resources and capabilities are more likely to increase sales and profit. A stream of studies have shown marketing capabilities and firm performance are significantly associated for both large and small firms in industrialized countries (Fahy et al., 2000, Morgan et al., 2009, Shin, 2013). Social CRM capabilities increase customer communications and internal administration related efficiencies. Firms with better social CRM capabilities should be able to produce higher firm performance.

## **H2**

A firm's social CRM capabilities are positively related to business performance.

## **Effects of Customer Engagement**

According to companies, one of the most expected benefits from their presence on social media is customer engagement (Sashi 2012). The development and expansion of digital technologies and internet network fosters the growth of many applications. For example, social media networks, such as Twitter, YouTube, Facebook, Instagram, and LinkedIn, naturally encourages customers to engage with the companies (Sashi, 2012, Wirtz et al., 2010). Social media's interactivity, in addition to the ability of developing interaction with individual customers and firms in a marketplace and incorporating customers in content generation and value creation, is viewed as providing the environment to better serve customers and

satisfy their needs by managers and researchers. For that reason, social media has been an area where managers continuously attempt to develop lasting relational exchanges with strong emotional bonds for business performance improve by utilizing social media marketing (Mitic and Kapoulas, 2012, Sashi, 2012, Tsimonis and Dimitriadis, 2014).

We adopt the following definition of customer engagement from the online brand perspective as “behaviors [that] go beyond transactions, and may be specifically defined as a customer's behavioral manifestations that have a brand or firm focus, beyond purchase, resulting from motivational drivers” (Van Doorn et al. 2010, p. 254). On social media, customer engagement occurs when satisfied or loyal customers share their positive feelings on social media platform to interact with others and become voice for a product, brand, or company (Gummerus et al., 2012, Sashi, 2012). The development of connections through engaging customers leads customers to spread the interaction with any users of social media. Consumers who become regulars of the brands through brand pages tend to be more loyal and committed to the company and receptive to brand related information (Bagozzi and Dholakia 2006). The increase of number of people spending time on social media provides valid reasons to investigate customers’ engagement on social media (de Chernatony et al., 2008, Kaplan and Haenlein, 2010). Previous studies show that customer engagement is significantly associated with customer relationship outcomes (Brodie et al. 2011). The dissemination and exchange of information among customers are often encouraged and accelerated through social media platforms (Chan and Ngai, 2011, Dellarocas, 2003, Godes and Mayzlin, 2004, Jalilvand and Samiei, 2012).

Companies achieve three strategic goals through social media brand pages, which are building brand awareness, increasing loyalty and sales (Castronovo and Huang 2012). As consumers become more active, companies encourage and reward active consumers who seek maximal relationship benefits (Gummerus et al. 2012). Prior studies on customer engagement show that brand reputations

are possibly results of creation and spread of brand information by engaged and satisfied customers (Fombrun and Shanley 1990), and positive brand image (Coulter et al. 2012). Companies who are actively engaging with customer through social media may benefit from interactive features of social media and company image, customer experiences and future purchase behaviors. Customer engagement is one of the key factors that influences customer loyalty and firm performance.

### **H3**

A firm's customer engagement level on social media is positively related to business performance.

### **Moderating Effects of Social Media Technology**

A firm's social CRM capability is influenced by social media technologies as it provide companies the environment for customers to engage and improve customer relationships. Firms may become active on social media by posting more relevant contents and opportunities for customers to engage and increase awareness and influence the social CRM capabilities. These activities will appeal to consumers as willingness to interact with customers and build relationships and ultimately increase firm performance.

Firms that adapted to rapidly changing market environment through introduction of innovative technologies resulted in greater firm performance (Han, Kim, and Srivastava 1998). This allows to view social CRM capability as a form of innovation (Trainor et al. 2014). Firms that are highly active on social media have better chance of taking competitive advantage by obtaining information and developing relationships. As we adopt market-related capabilities as ability to utilize the resources from the market and produce values, we expect the relationship between social CRM capability and firm performance to be stronger with firms what are active on social media.

#### H4

A firm's social media usage positively moderates the relationship between its social CRM capability and firm performance.

## Chapter 3. Methodology

### 3.1. Data and Sample

#### Social Media Data

The purpose of collecting social media data is to measure social media usage of different companies. Since this study aims to measure social media usage on video-oriented platform, we decided to collect data from YouTube. Number of companies manage multiple YouTube accounts for global operations. For companies that operates multiple YouTube accounts, we chose one official account that represents the company around the world, instead of a specific continent or country. We collected YouTube data with Python by utilizing YouTube APIs provided by YouTube. APIs allow individuals to have access and utilize data that are officially publicized by YouTube. We collected number of videos for each account and number of likes, dislikes and comments for each videos from 2009 to 2019.

#### COMPUSTAT

Financial statement data are necessary to measure firm performance and control variables. COMPUSTAT North America and Global Fundamentals annual databases had been chosen to collect necessary financial statement data. We collected annual financial statement data from 2009 to 2019 for each company. Gross Profit was used to measure firm performance. Control variables, such as number of employees, were collected as well.

The customer satisfaction data was collected by the American Customer Satisfaction Index. The American Customer Satisfaction

Index (ACSI) consist of 379 companies and 42 companies that are also provided by S&P Global Market Intelligence and are active on YouTube had been chosen as our sample.

## **3.2. Measures**

### **Social Media Usage**

Social media is gaining its' popularity over the years, especially with the increase of mobile phone usage, and become a space for users to communicate with others and form a community. This is creating opportunities for brands and companies to interact and communicate with users and create brand communities, which affects firm level outcomes and have better customer engagement than traditional marketing strategies (Trusov, Bucklin, and Pauwels 2009). We measured social media usage of a company by measuring the number of videos posted by the company each year, as posting a video is one way of pro-actively creating a space and opportunity to communicate with uses.

### **Customer Engagement**

The environment created by companies on social media is not only for companies to deliver messages to consumers one way, but also create opportunities for consumers to communicate and interact with companies and thus co-create their experiences (Prahalad and Ramaswamy 2004). Companies become active on social media with goals and expectations to engage with consumers by attracting them to visit page, consume the contents, share on their social media, and become part of the community. In order to measure this engagement, measuring only the "likes" of a content may not be enough to represent future engagement behavior because it does not take much time and effort to do so for a user to perform such activity (John et al. 2016). Measuring the number of shares is one way to measure engagement level because when

users share contents, it is done with intention to share it on their social media page (Wang and Kim, 2017). Other ways to engage is by commenting on the contents posted by the companies because commenting actually is done after consuming the content and take time to reflect and express one' s thoughts regarding the content. For this reason, this study measures the customer engagement level by combining the number of likes, dislikes and comments of each video posted by the companies.

### **Social CRM Capabilities**

There are two main goals of social CRM capabilities at the firm level, one is to improve perceived value of the companies' products and the other is to build up customer relationship with the companies' current and future customers. This allows companies to have better understanding of their customers and build strategies to target their customers' needs, which eventually leads to improvement in sales. This study adapts social CRM capability measurement model developed by Wang and Kim (2017) using the financial information provided by the companies in public or database with an input–output stochastic frontier model (Battese and Coelli, 1992, Dutta et al., 1999, Xiong and Bharadwaj, 2013).

A firm' s capability is its ability to utilize the resource to reach the objectives as defined by the RBV. SFE provides suitable econometric technique to experimentally estimate firms' level of efficiency, which allows the input–output conceptualization of the firm' s capabilities makes the stochastic frontier estimation appropriate (Dutta et al., 2005, Dutta et al., 1999). The input–output SFE approach is used to model a firm' s process of taking resources to produce and meet desired objectives as an efficient frontier, assuming that firms are efficient with resources (Dutta et al., 2005, Dutta et al., 1999). There are two random parts to the SFE, where one is related to the presence of inefficiency and the other one is a traditional random error (Battese and Coelli 1992).

The inverse of a firm's functional inefficiency has been used in previous studies as the measure of its functional capability because lower functional inefficiency means higher functional capability of the firm. (Dutta et al., 2005, Dutta et al., 1999, Narasimhan et al., 2006, Xiong and Bharadwaj, 2013).

Following Xiong and Bharadwaj (2013) and Wang and Kim (2017), we used this equation:

$$Sales_{it} = f(X_{it}; Resrouce_{it}, \alpha) \times \exp(\varepsilon_{it}) \times \exp(-\eta_{it})$$

Sales<sub>it</sub> is the sales for the *i*th firm at the *t*th period of observation, and  $f(X_{it}; Resrouce_{it}, \alpha)$  is a function of a vector,  $X_{it}$ , of factor inputs (and firm-specific variables), associated with the sales of the *i*th firm in the *t*th period, and a vector,  $\alpha$ , of unknown parameters, and  $\varepsilon_{it}$  captures random errors beyond the firm's control, and  $\eta_{it}$  captures the firm's inefficiency of converting resources into sales. The following are part of the resources, sales, general, and administrative expenses; and receivables (Xiong and Bharadwaj, 2013). Social media resource inputs (SMR) are added into the resource inputs (i.e., number of videos, number of hashtags and number of comments) to strengthen the social CRM capabilities using social media. Including social media resource can reflect how customers are actively engaging with the firm because it is part of the social CRM assumption. Table 1 shows the summary of items included in Stochastic Frontier Estimation of social CRM capabilities. Stock variables are used as inputs in  $(X_{it}; Resrouce_{it})$ . For the term  $\eta_{it}$  the maximum likelihood estimate of the inefficiency is derived. This is rescaled to be between 0 and 100 and then expressed as  $100 - \eta_{it}$  as the marketing capability measure (Xiong and Bharadwaj 2013).

$$\ln(Sales_{it}) = \alpha_0 + \alpha_1 \ln(SGAS_{it}) + \alpha_2 \ln(RECT_{it}) + \alpha_3 \ln(SMR_{it}) + \alpha_4 MC_i + \varepsilon_{it} - \eta_{it}$$

---

Table 1. List of items used for SFE of social CRM capabilities.

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<b>Item</b>	<b>Description</b>
1. Social media resource inputs (SMR)	Videos – the number of videos of the post Hashtag – the number of hashtags of each post Comments – the number of comments of each post
2. Sales, general, and administrative stock (SGAS)	Sales, general and administrative expense
3. Receivable stock (RCS)	Account receivables
4. Sales output	Total sales

---

### **Firm Performance**

Gross profit is used in this study as the dependent variable. Gross profit is a popular measure for firm performance that is widely used. The data is gathered from COMPUSTAT.

### **Control Variables**

Number of control variables are used in this study, such as customer satisfaction, firm size, leverage, and total sales for each year, and year fixed effects. The customer satisfaction data is gathered from the ACSI, which is an economic indicator that measures the satisfaction of consumers across the U.S. economy. The data serve as inputs to an econometric model that benchmarks customer satisfaction with more than 400 companies in 47 industries and 10 economic sectors, as well as various services of federal and local government agencies (theacsi.org). For this study, indexes of sample companies from 2009 to 2019 is used as the customer satisfaction measurement.

## **Chapter 4. Analysis and Results**

R is used in this study to perform panel regression to test the

hypothesized relationships.

## 4.1. Hypothesis Test

The fixed-effect panel regression to test the hypotheses. Positive relationship between social CRM capability and customer engagement was predicted in H1. H1 is supported by the significantly positive coefficient estimate for the social CRM capability variable. Positive relationship between social CRM capability and firm performance was predicted in H2. The significantly positive relationship supports H2. Positive relationship between customer engagement level and business performance was predicted in H3. The significantly positive relationship supports H3. In H4, it was predicted for social media usage to positively moderate the relationship between social CRM capability and business performance. The significant and positive coefficient estimate supports H4.

## 4.2. Results

The results of fixed-effect(within) panel regression are shown in two tables. Table 2 shows the results of Hypothesis 1, 2 and 4 and Table 3 shows the results of Hypothesis 3, which was testing for mediation effect.

Table 2. Results of Hypothesis 1, 2 and 4

Dependent Variable	Moderating Effect			
	H1	H2	H2	H4 (Full Model)
Customer Engagement	1078.4677 (0.04380)*	Gross Profit 236.7141 (0.00024)***	Gross Profit 236.7141 (0.00024)***	Gross Profit 191.6818 (0.0044)**
Social CRM Capability				
Social Media Usage				-62.2033 (0.0365)*

Customer Engagement				
Social Media Usage x Social CRM Capability				0.6246 (0.03704)*
Sales	1.49044 (2e-16)***	0.27 (2.2e-16)***	0.27 (2.2e-16)***	0.2717 (2.2e-16)***
Employee	-1.3921 (8.1e-11)***	0.1269 (5.84e-07)***	0.1269 (5.84e-07)***	0.1327 (3.03e-07)***
Leverage	-672.038 (0.9084)	740.0025 (0.2908)	740.0025 (0.2908)	889.552 (0.246)
Customer Satisfaction	-1396.4687 (0.012)*	16.5214 (0.8034)	16.5214 (0.8034)	-5.27 (0.937)
Year Fixed	Included	Included	Included	Included
Observations	462	462	462	462
R2	0.21	0.83	0.83	0.83

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

Table 3. Results of Hypothesis 3,

Dependent Variable	Mediating Effect		Full Model	
	Gross Profit	Customer Engagement	Gross Profit	Gross Profit
Social CRM Capability	236.7141 (0.00024)***	1078.4677 (0.04380)*		2.54e+02 (7.7e-05)***
Social Media Usage				
Customer Engagement			1.313e-02 (0.0237)*	1.6e-02 (0.0051)**
Social Media Usage x Social CRM Capability				
Sales	0.27 (2.2e-16)***	1.49044 (2e-16)***	2.79e-01 (2.2e-16)***	2.46e-01 (2.2e-16)***
Employee	0.1269 (5.8e-07)***	-1.3921 (8.1e-11)***	1.15e-01 (3.6e-06)***	1.49e-01 (1.8e-08)***

Leverage	740.0025 (0.2908)	-672.038 (0.9084)	7.08e+02 (0.2429)	7.5e+02 (0.2797)
Customer Satisfaction	16.5214 (0.8034)	-1396.4687 (0.012)*	6.9e+01 (0.265)	3.9e+01 (0.5522)
Year Fixed	Included	Included	Included	Included
Observations	462	462	462	462
R2	0.83	0.21	0.82	0.83

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

### Mediation Effect Test

Our third hypothesis propose that the customer engagement has a mediation effect on the relationship between social CRM capability and firm performance. There are four conditions that needs to be satisfied to be able to state a mediation effect in this model.

1. Social CRM capability is significantly related to firm performance.
2. Social CRM capability is significantly related to customer engagement.
3. Customer Engagement is significantly related to firm performance.
4. Social CRM capability and firm performance should not be significantly related after controlling for customer engagement.

The first condition is met as the social CRM capability is positively and significantly related to firm performance. The second condition is satisfied as the social CRM capability is positively and significantly related to customer engagement. The third condition is satisfied as customer engagement is positively and significantly related to firm performance. However, the fourth condition is not satisfied since the relationship between social CRM capability and firm performance are still positively and significantly related. For this reason it is not appropriate to say that customer engagement has a mediation affect.

## Chapter 5. Discussion and Contributions

The effect of social CRM capabilities on business performance and customer engagement is investigated in this study. Furthermore, this study examines the mediating effect of customer engagement on business performance and the moderating effect of social media usage on the relationship between social CRM capabilities and business performance. The results suggest that the interaction of firms and consumers on visual oriented social media platforms improves social CRM capability and its effect on customer engagement and business performance. Also, the social media usage is shown to be an effective moderator of social CRM capabilities and business performance. Even though customer engagement level did not show to be an effective mediator, it is meaningful to find results of customer engagement being positively and significantly related to firm performance. These findings deliver number of contributions to the CRM literature and suggest managerial implications to utilize visual oriented social media platforms, especially YouTube.

### 5.1. Theoretical Implications

The effects of social CRM capabilities on customer engagement and firm performance are shown by previous studies (Wang and Kim, 2017) and this study extends the examination of these effects to YouTube, which is a visual oriented social media platform. Today the mainstream of social media platforms is switching from text-oriented platforms, such as Twitter and Facebook, to visual-oriented platforms, such as YouTube and TikTok, and the study' s results show that social CRM capabilities is also critical on such platforms.

This study also contributes in showing effectiveness of visual-oriented social media platform' s effect on customer engagement

and its mediating effect on the relationship between social CRM capabilities and firm performance. The study shows that social CRM capabilities and customer engagement are strongly related, and customer engagement and firm performance are strongly related as well. One of the possible explanations is that videos may cause viewers to be engaging through visuals and sounds and text and companies who do so successfully may result in higher business performance.

## **5.2. Managerial Implications**

Managers in business fields may benefit from this study as it shows effects of visual oriented social media on firm performance. There many different social media platforms that consumers use today and the market share of the platforms are changing. There are number of surveys and data that shows a shift of popularity of social media platforms over the years, but not many studies have shown its effectiveness of investments. This study may serve as an evidence for practitioners to strategize marketing campaigns on visual-oriented social media platforms, such as YouTube.

Investing in visual oriented social media platforms may be costly, sometimes even more than other platforms. Managers need justification for cost of marketing campaigns and this study may provide support in validating such costs. The results show that the expenses should not just be viewed as costs, but instead as investment because it shows positive effect on business performance by engaging consumers through social media. The study shows that firms that are active on social media tend to have higher in value in the long run and better customer relationship management.

## **5.3. Limitation and Future Research**

There are number of limitations to this study and we suggest

few possible research opportunities for future studies. First, only one social media platform was used for this study, which is YouTube. Even though YouTube became one of the most popular social media platforms today, there are other platforms that may represent visual oriented platforms, such as Instagram and TikTok. The popularity of the platforms may vary for different group of people, such as age, gender, country, and the ability to segment these population may lead to better target marketing and better results. Second, this study have a limited sample companies since it was selected from the S&P and the ACSI database. Future research may expand sample companies with different standard. For example, the use of social media and its effects tremendously increased as people started to have access through smartphones; thus, comparing before and after popularity of consumption of social media on mobile phone is a possibility. Dividing the companies into B2B and B2C or specialty goods and convenience goods are also possibilities. B2B companies have different usage or weight of importance of social media usage from B2C companies. Consumers search for more information on specialty goods before purchase than convenience goods. These factors may play a different role and produce different results and shed new lights to other findings.

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# Abstract

소셜 미디어의 활용이 발전함에 따라 고객과 회사가 소셜 미디어를 통해 더욱더 편하게 소통을 할 수 있게 되어 이는 회사들이 마케팅 능력과 고객 만족을 향상시키는 방법으로 고객 관리를 소셜 미디어까지 확장하는 것에 주목합니다. 본 논문에서는 회사의 YouTube을 통한 소셜 미디어 활동과 고객 소통 그리고 이러한 것이 회사 매출에 주는 영향을 총 42개의 회사에서 얻은 462개의 데이터 포인트로 분석합니다. 본 논문은 고객과 회사의 비주얼 중점 소셜 미디어를 통한 소통이 회사의 소셜 고객 관리 능력과 회사 퍼포먼스에 주는 영향을 주는지 그리고 소셜 미디어 마케팅 전략에 어떤 도움을 주는지 중점으로 봅니다. 본 논문은 기존 논문에서 고객과 회사의 소셜 미디어 관계를 텍스트 중점으로 이루어진 부분에서 비주얼 중점으로 확장을 하고 이를 통한 새로운 마케팅 전략의 가능성을 이야기합니다.