WEB 2.0 TECHNOLOGIES’ INFLUENCE ON CUSTOMER RELATIONSHIP MARKETING

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Abstract

The use of new technology always brings with it questions as to its usefulness. In other words, does the new technology actually work and to what extent? This paper examines Web 2.0 technology and its impact on customer attraction and retention. It was found that the use of Web 2.0 can have a positive influence on customer attraction and retention that leads to stronger business-to-customer relationships. However, research also identified drawbacks such as: risk of abuse, misleading information, outdated information, information overload, privacy breaches and fear of being offended issues. Recommendations are given for the use of Web 2.0 in marketing. There is also a warning about the need for dedicated staff to minimize the amount of misleading and outdated information.

Keywords: B2C, customer attraction, customer retention, marketing, relationship marketing

1. Introduction

Attracting and retaining customers are the fundamental building blocks for successful and harmonious businesses. These building blocks create a relationship between the supplier and the customer. Trust, service recovery, satisfaction, referrals and loyalty are five major relationship antecedents and they have received a high level of academic investigation aimed at strengthening these relationships.

The World Wide Web has changed the way business is conducted, and forced companies to find new marketing strategies. The Web has also become a new marketing medium for reaching customers (Sinha, 2000). It has given companies the power to meet customers’ needs by customizing products and services; and in addition, it facilitates the delivery of products and services more efficiently and effectively (Thorbjornsen et al., 2002). On the other hand, the Web has provided customers with interactivity, a variety of products and services, more information, flexibility and simpler transactions. Thus, the success of many companies has depended on how well they can utilize the web as a marketing medium (Rust & Kannan, 2002). Due to its potential for interactive communication, the Web is also considered a promising tool for relationship marketing (Nath et al., 1998; Aladwani, 2001; Thorbjornsen et al., 2002).

2. Web 2.0 technology

Web 2.0 technologies are an expanding part of the Web and provide a framework that describes, not differences in internet infrastructure, but rather the changing ways in which people are using the Internet (Madden & Fox, 2006). In other words, Web 2.0 is the term that describes new ways of using existing technologies (Lawton, 2007). With Web 2.0, individuals not only surf
information but also add to it via blogs, social networks, and wikis, actively creating what some theorists think of as “a more diverse online world” (Fu, Liu & Wang, 2007, p. 676). In other words, Web 2.0 technologies are a social space where people can “congregate online and share their thoughts” (Aladwani, 2001, p. 50).

Three characteristics of Web 2.0 technologies in particular, have transformed communications across diverse societies and cultures, fields and professions. First, Web 2.0 technologies allow users, both experts and novices, to have a voice. Second, the open and collaborative nature of Web 2.0 technologies allows users to have an impact on decision making. Third, Web 2.0 technologies foster user autonomy.

3. Relationship Marketing

Relationship marketing is about establishing, maintaining, and enhancing relationships with customers in order to create benefits not only for organizations but also for their customers (Berry, 1983; Morgan & Hunt, 1994). Relationship marketing as a term and concept signifies customer relationships that have emerged within the marketing field (Christopher et al., 1991; Grönroos, 1997; Lovelock et al., 2002; Gummesson, 2002). Relationship marketing is defined as a group of activities designed to establish, maintain and enhance relationships between companies and customers at a profit and so that the objectives of both parties are met (Grönroos, 1990; Berry, 2000).

While practitioners are considering the adoption of relationship marketing as a business strategy for sustaining a competitive advantage, marketing scholars are actively engaged in studying the conceptual foundations of relationship marketing. Their studies concentrate on the nature and scope of cooperative and collaborative relationships between buyers and sellers as well as the relationships between different marketing actors such as distributors and competitors (Parvatiyar and Sheth, 1999; Foster and Cadogan, 2000). Currently, the operationalization of relationship marketing includes a range of exchange characteristics: relationships between companies (business-to-business/B2B) and relationships between a company with its individual customers (business-to-customer/B2C).

In the current business environment, relationship marketing has become a very important issue in both academic and industrial fields as a strategy to manage, develop, and evaluate the relationship between an organization and its customers (Berry, 1995; Clark et al., 1995; Sheth & Parvatiyar, 1992, 1995). Morgan and Hunt (1994) defined relationship marketing as marketing activities directed towards establishing, developing, and maintaining successful relational exchanges.

Compared with manufacturers, service providers have an advantage in building enduring relationships with customers because they are in a better position to detect customers’ purchase patterns and choices, and can apply this knowledge in a cost-efficient way to attract new customers and retain existing ones (Sweeney, Soutar & Johnson, 1999). Maintaining a good relationship with customers is crucial for the success of business because, “it can be ten times more expensive to win a customer than to retain a customer – and the cost of bringing a new customer to the same level of profitability as the lost one is up to 16 times more” (Lindgreen et al., 2000, p. 295).
In relationship marketing, the outcome of any relationships (i.e. business-to-customer or business-to-business) is measured in terms of relationship strength(s) (Gummesson, 2002; Lovelock et al., 2002). ‘Relationship Strength’ is a concept that has long been used in relationship marketing to represent the depth or magnitude of a relationship. For research to evaluate the influence of Web 2.0 technologies on customer attraction and retention, it is imperative to measure different relationship strength antecedents. An extensive review of the relationship marketing literature has revealed that trust, service recovery, satisfaction, referrals and loyalty are the most important relationship strength antecedents for any business-to-business (B2B) or business-to-customer (B2C) relationships (Kotler et al., 1996; Grönroos, 1997; Johnson et al., 1998; Harker, 1999; Tadajewski, 2008; Berry, 2002; Uncles et al., 2003). This study investigates how these relationship strength antecedents, through Web 2.0 technologies, influence customer attraction and customer retention to strengthen B2C relationships in Bangladesh. Dant et al. (2006) suggest that attracting potential customers along with retaining existing ones can lead to substantial financial benefits. Reichheld and Sasser (1990) suggest that a 5 per cent improvement in customer retention can lead to an increase in profitability of between 25 and 85 per cent of net value, depending on the industry.

Understanding the constitution of customer attraction and retention as well as B2C relationships is therefore very important, not least because a certain interaction between customer and seller may be perceived by some people as a relationship but merely an interaction by others (Bendapudi & Berry, 1997). At the same time, despite the enthusiasm for focusing on customer relationships, many scholars (Moller & Halinen, 1998; O’Malley & Tynan, 1998) remain sceptical about the existence of relationships in all marketing situations, particularly in the B2C context of attracting and retaining customers. This study addresses a service industry that is characterized as low contact in the context of customer attraction and retention, and the B2C relationships.

4. Research

Research investigated how Web 2.0 technologies influence these five relationship strength antecedents to attract and retain customers in order to strengthen business-to-customer relationships. The research focused on the country of Bangladesh. Further, this research investigated the diverse effects of Web 2.0 technologies from both the management and customer points of view.

The specific Web 2.0 technologies explored include Social Networking Sites and Blogs. Social Networking Sites are primarily text- and image-based social software that allow users to upload content(s) to the internet. The idea behind the operation of Social Networking Sites is that the knowledge of the group is greater than that of an individual. Blogs are mainly text-based social software. An individual can subscribe to a blog, link to it, share links, post comments and indicate their social or business relationships to other bloggers or companies.

In the context of Bangladesh, the concept of service marketing is not new, but the majority of Bangladeshi companies consider service marketing only for customer service purposes. The research fills this gap by showing clear linkages among service marketing, relationship strength antecedents, B2C relationships and Web 2.0 technologies; showing that service marketing is more than just providing customer service.
**Data Collection:** Bangladesh, where the data was collected, has been an independent country since 1971 when the nation separated from Pakistan in a liberation war. It is in the South East Asia region. Bangladesh is almost entirely surrounded by India, with the Bay of Bengal as a coastline, and also a small border shared with Myanmar. The total land boundaries are 4,246 km and a coastline of 580 km. India shares the major land border of 4,053 km and Myanmar, only 193 km. With a total area of 144,000 square km, Bangladesh has a large number of rivers and their tributaries crisscrossing the country. The country is mostly flat and fertile. The hilly terrain in the north covers less than one tenth of the territory in the south-eastern part of the country (source: www.cia.gov).

Bangladesh has experienced rapid economic growth in recent years. Although the population growth has resulted in an average annual real GDP per capita growth of only 3.5 per cent (source: www.cia.gov), this is still higher than the 1.8 per cent that the average low-income country enjoyed over time. To achieve middle-income status within a generation, it is crucial for Bangladesh to design and implement policies to sustain the recently achieved growth rates. A sound and effective financial system is a policy area that is associated with faster economic growth. The mobile telecommunication sector has enormous potential in Bangladesh because of the lack of fixed infrastructure (Murtaza&Fulford, 2011).

The mobile phone industry of Bangladesh has experienced rapid growth in recent years. Mobile penetration was 0.2 per cent in 1995, but this rose to around 70 per cent in the middle of 2015 for a population of roughly 147 million. Bangladesh hosts Asia’s fastest growing mobile network. The impact of mobile services on the economy of Bangladesh is potentially far reaching. The benefits of mobile telecommunications in enhancing the welfare of families and society are well recognized.

The five relationship antecedents: trust, service recovery, satisfaction, referrals and loyalty can play significantly different roles in different countries to attract and retain customers through Web 2.0 technologies based on different cultural, social and economic values. Moreover, it is important to note that this research was needed especially in Bangladesh because no previous research has given a clear indication to Bangladeshi companies of how these five relationship strength antecedents work within the country’s cultural, social and economic values, to attract and retain customers, and thereby strengthen B2C relationships.

Generalization of the findings of this research beyond the above location could be made, but with caution. Some specific issues such as culture may limit the generalization, while being valid and applicable in developed countries.

**Methodology:** The methodology used in this research consisted of four major activities. First, the proposed theoretical framework was developed from the literature. The framework was then assessed and verified during the qualitative study, which was the second activity. In-depth interviews, as a means of study, were conducted. The third activity involved Miles and Huberman’s (1994) interactive model of data analysis as the one mainly used in this study. As the final activity, qualitative data analysis software NVivo8 was used to support the findings of the data analysis interactive model.
The proposed theoretical framework was examined in a mobile telecommunication company of Bangladesh. In many countries, the telecommunications sector has become a dynamic key area of the economy. Intense competition has developed in this sector as a result of the removal of monopoly rights from the state-owned telecommunication company. This heavy competition is especially prevalent in the case of mobile telecommunication services. Because of this, Gerpott et al. (2001) pointed out that in the mobile telecommunication sector, once customers have been acquired, their long-term links with the service provider are very important for business success. Reducing the churn rate, or customer turnover, is always one of the mobile operator’s main challenges. This same challenge is also faced by service providers in many other industries, such as internet service providers, cable TV providers, fitness clubs, utilities, and credit card companies.

Results: Data analysis demonstrated that in most situations, Web 2.0 technologies have a positive influence on customer attraction and retention that leads to stronger B2C relationships. Web 2.0 technologies, therefore, play a significant role in positively influencing the customer attraction and retention process; thereby strengthening business relationships with customers.

Qualitative data analysis of interviews with employees and customers demonstrated a clear indication of strong B2C relationships. Web 2.0 technologies increased customers’ level of trust by reducing anxiety and by increasing service efficiency. Employees were able to respond quickly and efficiently to service-related issues, accelerating the whole service recovery process. With regard to a higher level of customer satisfaction, data analysis then identified that Web 2.0 technologies satisfied customers by keeping them informed about new products and offers, and by providing them with the services promised. Finally, the data analysis revealed that Web 2.0 technologies help a company to increase its existing satisfied customers’ level of loyalty, a factor that also attracts potential customers.

In addition, qualitative data analysis identified several divergent opinions or drawbacks of Web 2.0 technologies that were mentioned by employees and customers. The possible divergent effects or drawbacks that emerged are: risk of abuse, misleading information, outdated information, information overload, privacy breaches and fear of being offended issues. The data analysis revealed that some existing and potential customers abuse the privilege of Web 2.0 technologies and can put a company’s reputation in jeopardy, and frustrate other existing customers. A company’s business-to-customer relationships can be weakened as a consequence of these divergent effects or drawbacks of Web 2.0 technologies.

Based on the qualitative analysis of the interview data with regard to the divergent effects or drawbacks of Web 2.0 technologies on customer attraction and customer retention for strong B2C relationships, it is noticeable that even though the majority of employees and customers said that Web 2.0 technologies play an important role in attracting and retaining customers (when exploring the findings of the first research question), respondents displayed divergent opinions. In some ways Web 2.0 technologies put both the business and its customers’ interests in jeopardy, suggesting that the customer attraction and retention process can get obstructed, and on some occasions, Web 2.0 technologies may even hinder the development of strong B2C relationships for Company X.
Another question was how organizations can capitalize on the use of Web 2.0 technologies to improve customer attraction and retention for strong B2C relationships. The data analysis revealed suggestions from both employees and customers for resolutions to overcome the aforesaid divergent effects (risk of abuse, misleading information, outdated information, information overload, privacy breaches and fear of being offended issues) or drawbacks of Web 2.0 technologies (such as in blogs and on social networking sites).

Some key suggestions that emerged from the qualitative data analysis include regular and thorough monitoring or surveillance of blogs and social networking sites by employees (acting as moderators), letting customer(s) control others’ access to their comments through a privacy setting option, zero tolerance policy for privacy breaches and offending others, and membership requirements for using blogs and social networking sites. Such steps could significantly reduce the drawbacks of Web 2.0 technologies. It also emerged from the data analysis that by reducing the drawbacks of Web 2.0 technologies, a company will be able to retain its existing customers and attract more potential ones to create stronger B2C relationships.

5. Application to marketing

The results of this study indicate several important implications for marketing strategies relevant both to academics and practitioners. Although this study was conducted in a context where the market is almost mature and competitive, the results provide insights and are still applicable to a certain degree. The following are valuable implications for marketing strategies:

1. The existence of a relationship between the mobile service providers and their customers can be seen to answer the question raised by earlier researchers (Moller & Halinen, 1998; O’Malley & Tynan, 2000), who were sceptical about the existence of such a relationship in the context of B2C. The findings of this research support the earlier proposition made by several researchers (Berry, 1983; Voss & Voss, 1997) who argue that a relationship exists between the company and its customers in a B2C context. For marketing strategies, it means that relationship marketing can be practised in the competitive B2C market.

2. From a practical point of view, companies planning to retain existing customers and attract potential ones through the use of Web 2.0 technologies must focus their efforts on activities that can positively influence relationship strength antecedents (i.e. trust, service quality assurance, satisfaction, referrals and loyalty). For example, ‘trust’ is found to be a highly significant factor both in retaining existing customers and in attracting potential ones in the B2C situation. Many existing customers will only remain with trustworthy suppliers, and similarly, many potential customers will only consider trustworthy suppliers when they engage in a relationship. From a management point of view, therefore, efforts must be made in order to develop trust (a relationship strength antecedent).

3. In the context of Bangladesh, where the telecommunications market is not yet mature, another practical implementation of this research is that the modified theoretical framework proposed here: of retaining existing customers and attracting potential ones using Web 2.0 technologies, can be implemented in other Bangladeshi companies. Other countries whose telecommunication markets are not yet mature could also benefit from the proposed theoretical framework. It is worth adding that one of the outcomes of this research is that the evidence of
‘Positive Linkage’ among Web 2.0 technologies in terms of customer attraction and customer retention is likely to make others interested in using Web 2.0 technologies.

4. The qualitative data analysis revealed many suggestions to address the drawbacks (i.e. risk of abuse, misleading information, outdated information, information overload, privacy breaches and fear of being offended issues) of Web 2.0 technologies that may obstruct a company’s customer attraction and retention process. Some key suggestions that emerged from the data analysis could significantly reduce the drawbacks of Web 2.0 technologies. These suggestions include regular and thorough monitoring or surveillance of blogs and social networking sites by the service providers’ employees (i.e. moderators), letting customer(s) control others’ access to their comments through a privacy setting option, a zero tolerance policy for privacy breaches and for offending others, and membership requirements for using blogs and social networking sites. These innovations, in turn, could significantly influence a company’s customer attraction and retention process; thereby strengthening B2C relationships.

5. This research also advances the understanding of the impact of the new restructured relationship strength antecedent called “Service Quality Assurance”, replacing another relationship strength antecedent known as “Service Recovery”. The research shows that the proper usage of Web 2.0 technologies can significantly influence the relationship strength antecedent “Service Quality Assurance” in strengthening a company’s relationships with its customers, and therefore helping the company to retain existing customers and attract new ones. The research also shows that the “Service Quality Assurance” antecedent can positively influence other antecedents (trust, satisfaction, referrals and loyalty). The context of Bangladesh’s telecommunication market is very competitive, and therefore effective implementation of “Service Quality Assurance” can bring competitive advantages over other companies.

The impact of “Service Quality Assurance” can be highly significant in attracting potential customers because not many of them have had such assurance from their service providers in Bangladesh previously. There, mobile service providers already have minimum standards, so from a management point of view, some effort would be needed to communicate the benefits of “Service Quality Assurance” to existing and potential customers through Web 2.0 technologies. From the qualitative research, it was also found that a continual failure to meet the standard of “Service Quality Assurance” will inevitably have a serious impact on a company’s relationships with its customers. The implication is that companies planning to adopt “Service Quality Assurance” must show their seriousness and commitment in order to avoid a backlash from customers.

6. Key findings

In short, the key findings of this research imply that the five main relationship strength antecedents (i.e. trust, service recovery, satisfaction, referrals and loyalty) have, to some extent, both positive and negative influence(s) on customer attraction and retention through Web 2.0 technologies in the B2C context in Bangladesh. The modified “Service Quality Assurance” relationship strength antecedent would play a significant role in strengthening B2C relationships through Web 2.0 technologies and would satisfy most customer needs. The findings of this study also suggest that “Service Quality Assurance” simply means providing a flawless business service to customers through Web 2.0 technologies.
The data analysis indicates that, once we know that Web 2.0 technologies have positively influenced all relationship strength antecedents, these technologies could also aid other companies in the context of Bangladesh to retain their existing customers and attract potential ones for a strong B2C relationship.

**Conclusion**

The implication for practitioners from the findings of this research is that customers are primarily interested in a high quality and reliable service, and that the use of Web 2.0 technologies can aid a company significantly in providing such a service. Thus, companies need to invest in order to provide this service quality, which will help them to retain existing customers and to attract potential ones for strong relationships in the B2C situation.

The extent to which companies can benefit from Web 2.0 technologies to attract and retain customers depends on another factor, however. The companies should create a dedicated team of employees to continuously monitor Web 2.0 technologies (social networking sites and blogs etc.) constantly to ensure the positive influence of relationship strength antecedents (i.e. trust, service quality assurance, satisfaction, referrals and loyalty) to achieve “Service Quality Assurance” in order to retain existing customers and attract new ones. This team of employees should also work to prevent the risk of abuse of Web 2.0 technologies, thereby minimizing the amount of misleading and outdated information, and information overload. At the same time, the team should handle any kind of privacy breach issues strictly and any fear of being offended issues through Web 2.0 technologies.

**The future in Bangladesh:** One major switching cost will disappear because Bangladesh’s government is making the mobile phone number portable. Therefore, existing and potential customers may look for a mobile service provider that ensures either service quality or best value for money. Companies using Web 2.0 technologies to offer a service quality assurance may be seen as one possible means of persuading existing and potential customers that companies are making an extra effort to maintain and improve their business relationships in the B2C context.
References


