

# Social media and successful retail operations in the hyper-customisation era



Social media in the age of ubiquitous computing connects people, enabling them to share personal and professional experiences. Back in the beginning of the 21st century, businesses did not pay much attention to social media, considering it as a personal space for a network of people to hang out. From 2010 on, social media platforms have elicited attention as it has become clear that shared views dramatically influence individuals' purchasing behaviour, preferences and attitudes. In addition, technological innovation enables service providers to customise the products and services to cater to individual customers' needs and preferences. Such individualised offerings are known as hyper-customisation.

Social media and linked technology are two major considerations that challenge businesses seeking to communicate with customers. The ceaseless growth in technology effectively compels retailers to introduce more tailored business models to retain customers and to gain a competitive advantage. A groundswell effect has prevailed, where widely available and shared online reviews have enabled buyers to gain greater knowledge, access more information and increase their purchasing power.

The retail landscape has changed and continues to change as customers, reviewers and market mavens can potentially jeopardise entire operations, thus diluting the marketing of the company and products. Some reviews may also change the future of the product completely. In particular, retailers are increasingly taking a more proactive role in satisfying customers. In doing so, they are under tremendous pressure to reconfigure their business models and to gain a competitive advantage based on the level of individual customer understanding.

## Contemporary retailers' challenges

A major issue for hypermarkets is to learn how to make use of technology and several other hyper-phobic (*active*) sales practices in order to survive in the increasingly competitive scenario. A few contemporary challenges are:

- To what extent are existing sales promotion practices (vouchers, coupons and in-store promotions) helpful to retailers in the age of social media?
- Will social network reviews influence buyers' choice of store, product and brand?
- Do the existing loyalty-building frameworks still work in the technology-dominated era?
- Are fundamental changes needed in service operations such as service quality and store convenience in response to social media reviews?
- How should service operations blend with marketing efforts to utilise and maximise customer satisfaction?

The above questions formed the basis of our study, which collected retail customers' views on weekly grocery shopping experiences with respect to various features such as loyalty schemes, convenience and price. We attempted to generalise our understanding using the perspectives of heterogeneous customers based in the South East region of the UK. We analysed key aspects of service operations (such as store service quality and store convenience), marketing (such as brand and price promotions) and social media reviews (shop reviews and product reviews) on customers' satisfaction levels.

Research findings confirmed the importance of social media reviews, marketing and the interaction between promotions and service operations, which enable retail networks to build both loyalty-based and value-based models. Based on customer behaviour, the study suggests a need to consider operational efficiencies when promoting sales. Through careful planning, customer satisfaction and profitability levels can be increased. This sends a strong message to the retail network to defend their position within a very competitive business market.

### Key findings for retailers

- In the age of social media, standalone promotional efforts will not enhance customer satisfaction.
- Social media reviews substantially influence customer choice and satisfaction.
- Retail chains need an integrated loyalty-and-value-based business model.
- Aligning service operations based on social media reviews will increase customer satisfaction.
- Integrating service operations and marketing efforts based on social media reviews will increase customer satisfaction and profitability.
- Hybrid loyalty-and-value-based business models using integrated operations and marketing efforts will enable companies to convert different segments of customers classified on level of satisfaction and profitability such as "free riders (higher satisfaction and low profitability)" and "vulnerable customers (low satisfaction and higher profitability)" into "star customers (higher satisfaction and high profitability)".



#### Notes:

- This blog post is based on the author's paper, [Role of social media in retail network operations and marketing to enhance customer satisfaction](#), *International Journal of Operations & Production Management*, 37 (1), pp. 105-123.
- The post gives the views of the authors, not the position of LSE Business Review or the London School of Economics.
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