

CRM: Impact on hotel industry

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Abstract

In present scenario market is currently focusing on prospective customers whether its investment market or service sector. For enhancing the experience of customers and provide high value, CRM provide base to different sectors to support them. Its a strategy or tactics for managing the relationship between two of them. Basically CRM is working in a combination of system that helps companies to stay connected to customers, streamline processes, and improve profitability and market value by expanding the large customer base. Its a customer-centric business philosophy and to support effective marketing, sales, and service processes. CRM requires because of managing good customer base that increases customer loyalty. In current scenario Customer loyalty decreases due to various channels and transparent market. It decreases due to fast internet growth economic globalization and comparable quality. In hotel sector, the basic product is hotel room that is very similar, to competitors when comparing the same quality level. CRM not only focus on the existing and frequent customer base but also to acquire new prospective customers. It needs to manage all customers of the organization. Return of CRM investment strategy is customer satisfaction, decrease marketing cost.

Keywords: customer-centric, strategy, transparency, framework, perishable

Introduction

The Hospitality industry focus on two basic factors-Segmentation & Unique identity. It provides various satisfactory factors apart from the regular promises of customer satisfaction, it is the Identity or rather the personality of the hotel that really matters. And not to forget the Stand-out factor, that every hotel has on offering, as compared to its competitors. These factors contribute towards the building of trust and customer loyalty, and eventually prolonged profitability and gain customer satisfaction.

Why CRM necessary? In the present era the importance of CRM in the commercial world of retaining existing customers and gaining new potential customers and expand their business. For finding every new customer the satisfaction of existing customers is very important and the costs associated with finding new customers mean that every existing customer could be important. Every owner of the business expect maximum returns from their assets and bear minimum cost. A dilemma is still there if they are to remain profitable. The solutions could be considered to be revolutionary, which may be a problem for a 'traditional' business. So what is required, it is to change the mindset throughout 'the organization, change their work culture and for this there is need to CRM and its strategies. If a CRM strategy is to succeed, then everyone in the organisation must know the whole picture and understand why Customers are important and if service delivery is to be consistently good, also believe it. What is often overlooked, is that Customers are fickle and therefore unpredictable, when choosing where and what they buy. Another thing is, reliability and consistency of repeat purchases are disturbed by the changing environment we find ourselves in. With the opportunities for wider choices increasing, we should

acknowledge our Customer's behaviour in this context, and mix that together with their 'history' to help determine future sales & marketing to them and making strategies according to them. Thereby ensure a greater chance of attracting repeat purchases in the future. The more opportunities that a customer has to conduct business with your company the better, and one way Customer relationship management (CRM) helps businesses to find and gain an insight into the behaviour of their customers and modify their business operations to ensure that customers are served in the best possible way.

When you better understand your customers, the more responsive you can be to their needs. CRM can be achieved by:

- Finding out about your customers' purchasing habits, opinions and preferences
- Profiling individuals and groups to market more effectively and increase sales
- Changing the way you operate to improve customer service and marketing Benefiting from CRM is not just a question of buying the right software.

Literature Review

Service quality and customer satisfaction are key factors in the battle to obtain competitive advantage and customer retention. Customer satisfaction is the outcome of customer perception of the value received in a transaction or relationship, where value equals perceived service quality, as compared to the value expected from transactions or relationships with competing vendors (Blanchard and Galloway, 1994; Heskett *et al.*, 1990; Zeithaml *et al.*, 1990). In order to achieve customer satisfaction, it is important to recognize and

anticipate customers' needs to be able to satisfy them. Enterprises which are able to rapidly understand and satisfy customers' needs, make greater profits than those which fail to understand and satisfy them (Barsky and Nash, 2003). Organizations must therefore, develop and manage a healthy and good customer relationship with all the entities they have to deal with. Peel (2002), CEO of Quadriga Consulting, defines CRM as understanding the nature of the exchange between customer and supplier and managing it appropriately. The exchange contains monetary considerations between supplier and customer – but also communication. The challenge to all supplier organisations is to optimize communications between parties to ensure profitable long-term relationships. CRM is a key focus for many organisations now as a shift away from customer acquisition toward customer-retention and churn reduction strategies dictates a need for best practice CRM processes. Customer Relationship Management is also a concept of identifying customer needs; understanding and influencing customer behaviour through ongoing communications strategies and an effort to acquire, retain and satisfy the customer. Customer Relationship Management is more than simply managing customers and monitoring their behaviour or attitude. It has the potential to change a customer's relationship with a company and increase revenues in the bargain. It also helps to know the customers well enough to decide whom to choose and whom to lose. The objective of CRM is to recognize and treat each and every customer as an individual. Customer relationship management enables organisations to provide excellent real-time customer service through the effective use of individual account information (Kotler and Keller, 2006). Organisations therefore, need to investigate customer needs, build relationships with both existing and potential customers, and will have to satisfy their customers' needs (Rootman, 2006). A lot of researchers have made attempts to define CRM. Here are some definitions, which will hopefully give a better understanding of what CRM is all about. According to Picton and Broderick (2005), CRM is a view that emphasizes the importance of the relationships developed between an organization and its customers. It involves the strategic and tactical management tasks to achieve positive communications and long term customer relationships. Berkowitz (2006) also defines customer relationship management (CRM) as "the organization's attempt to develop a long-term, cost-effective link with the customer for the benefit of both the customer and the organization." Benefits of CRM Early researchers had hypothesized that CRM benefits varied by industry as the process and technologies associated with CRM were tailored to specific industry structures (Lemon and Zeithaml, 2001). However, findings in cross cultural, multi-industry study of CRM done by Thomas and Kumar (2004) supports the notion that desired CRM benefits do not vary across industries or cultures as stipulated by earlier thoughts. The latest findings were associated to three components including relationship, value and brand equity (Richard and Jones, 2008). The list of desired benefits will be used as the critical link between CRM initiatives and the development of customer equity. These core benefits of CRM will be linked theoretically to the three types of equity (relationship, value and brand) and ultimately to customer equity. Seven core benefits were identified to serve

as value drivers in the model: Figure 7. 1. Improved ability to target profitable customers; 2. Integrated offerings across channels; 3. Improved sales force efficiency and effectiveness; 4. Individualized marketing messages; 5. Customized products and services; 6. Improved customer service efficiency and effectiveness; and 7. Improved pricing. According to Swift (2001), companies gain many benefits from CRM. He states that the benefits are commonly found in one of these areas: 1. Lower cost of recruiting customers: The cost for recruiting customers will decrease since there are savings to be made on marketing, mailing, contact, follow-up, fulfilment and service and so on. 2. No need to recruit so many customers to preserve a steady volume of business: The number of long-term customers will increase and consequently the need for Amoako *et al.* customers, and will have to satisfy their customers' needs (Rootman, 2006). A lot of researchers have made attempts to define CRM. Here are some definitions, which will hopefully give a better understanding of what CRM is all about. According to Picton and Broderick (2005), CRM is a view that emphasizes the importance of the relationships developed between an organization and its customers. It involves the strategic and tactical management tasks to achieve positive communications and long term customer relationships. Berkowitz (2006) also defines customer relationship management (CRM) as "the organization's attempt to develop a long-term, cost-effective link with the customer for the benefit of both the customer and the business.

Objective of the Study

1. To identify the Customer relationship management importance in hotel sector.
2. To find out the impact of CRM in hotel sector.

Benefits of Using CRM in Hospitality Industry



Fig 1

Make a better relations with your existing customers and attracting new one which can lead to:

- *Anticipate needs and desire*: increased sales through better timing by anticipating needs based on historic trends
- *finding specific customer requirement*: identifying needs more effectively by understanding specific customer requirements
- *cross selling*: cross-selling of other products by highlighting and suggesting alternatives or enhancements
- *potential customer*: identifying which of your customers are profitable and which are not This can lead to better marketing of your products or services by focusing on:

- *Marketing action according to customer*: effective targeted marketing communications aimed specifically at customer needs
- *improved products*: a more personal approach and the development of new or improved products and services in order to win more business in the future Ultimately this could lead to:
- *reduction in cost*: increased value from your existing customers and reduced costs associated with supporting and servicing them, increasing your overall efficiency and reducing total cost of sales
- *Expand market value and profitability*: improved profitability by focusing on the most profitable customers and dealing with the unprofitable in more cost effective ways once your business starts to look after its existing customers effectively, efforts can be concentrated on finding new customers and expanding your market.

Impact of CRM in Hotel Industry

Catering to Valuable Guests

Not all guests are alike, and some are more valuable than others in terms of profitability. "CRM is very important in the hospitality industry, though how robustly it is used does vary," Diane Clarkson, a travel analyst at Forrester Research, told CRM Buyer. "CRM is typically associated with loyalty, which is limited, because purchase frequency and profitability can be two very different business outcomes." It's not enough to determine who the frequent customers are, but also who the most valuable customers are, in terms of actual spending, according to Mike McCall, a research fellow at Cornell University School of Hotel Administration. McCall and colleague David Ogden, a consulting analyst for SAS Institute, have developed a marketing approach that utilizes information technology to focus on garnering increased business from high spenders in the short run. They advocate implementing a customer lifetime value (CLV) strategy designed to improve customer retention over the long term, including mechanisms that can model and predict future business.

Better Customer Data Yields Benefits

A well-grounded CRM program should be built on generating high-quality consumer information for designing promotion activities. "If the hotels or resorts don't have a good data strategy, they won't have a good marketing strategy," Steven Ashe, a customer intelligence specialist at SAS Institute, told CRM Buyer. "There is a gold mine of data out there. They just need to use the available tools to manage it," he said.

New Directions Online

Industry may focus on price reductions to attract business, Forrester's Hartevelde found, based on a limited survey of 27 top hotel professionals. However, CRM tools including Web sites, better links with online travel agents, or OTAs, and social media will still attract a significant amount of attention. "This makes sense," he continues. "Direct Web sites are highly cost-efficient and allow hotels to establish and build relationships directly with their guests. Hotels have a fiduciary responsibility to ensure that their Web sites are tangibly better and more effective than any third-party Web site, making it

vital that hotel CFOs and CIOs commit to the necessary funding and technology support that will enable hotel Web sites to become more productive."

Customer Orientation

The main purpose behind customer-oriented behaviors is to increase customer long-lasting satisfaction and to create customer-loyalty. Therefore, studies have demonstrated that good customer-oriented behaviors, in an organization, definitely A framework Proposal on the Relationship among CRM Dimensions, Marketing Capabilities, and Hotel Performance ensures a tremendously positive impact on its performance (Kim, 2008; Yilmaz *et al.*, 2005). Similarly, King and Burgess (2008) reach the conclusion that customer orientation is a crucial factor in the successful implementation of CRM. Hence in order to enhance service experience, hoteliers need to focus on customer interaction. (Morgan, Vorhies, and Mason, 2009; Pulendran and Speed, 1996). Besides this, the beneficial influence of customer orientation strategy on marketing-planning capabilities, this strategy also influences the successful implementations of marketing actions or innovations (Slater and Narver, 1998). Hence, we note that despite the numerous positive impacts of customer-orientation on organizations performance, the fact remains that there is still a shortage of literature about customer-orientation impact on hotel performance (Sin *et al.*, 2006; Tajeddini, 2010).

CRM Organization

For enhancing service employees to conduct customer-oriented behaviors, organizations have to develop an appropriate working environment for service in work, for instance, providing staff with the modern tools, and technology, customer-satisfaction tracking and complaints management systems, inspirational leadership, and appropriate rewards systems. As a result of the previous supportive working conditions, organizations can ensure the required customer-oriented behaviors of their employees (Mechinda and Patterson, 2011).

Knowledge Management

Useful and important information about customers can be gathered through interactions with them or from different touch points within the organization itself (Brohman *et al.*, 2003), and the criterion for deciding whether CRM is successful or not, is to effectively transform customer information into customer knowledge (Plessis and Boon, 2004; Stringfellow *et al.*, 2004). We can say that managing knowledge effectively can help an organization to have success in building better customer relationship, resulting in a positive impact on organization performance (Abdulateef *et al.*, 2010; Akroush *et al.*, 2011; Sin *et al.*, 2005; Yim *et al.*, 2005).

Technology Based CRM

Dutu and Halmajan (2011) are of the opinion that CRM strategy will end in failure if the information technology is not used properly, thus the suitable use of technology in marketing is one of the greatest opportunities in hotel industry, because of the fact that it is important to get the right

information from the right people at the right time, so that the right decisions can be made and /or the services can be rendered (Dev and Olsen, 2000; Moriarty-Jones *et al.*, 2008). In support with that view, Kasim and Minai (2009) find out that CRM technology dimension is firmly related to hotel performance, because hotels need to use information technology for improving their performance. In this regard, new technologies are considered as the core drivers for change (Minghetti, 2003). Furthermore, several studies, made about the impact of information technology on organization performance report similar findings about the positive role of information technology in SCRM strategy. In other words, these studies revealed that many customer-centric strategies cannot achieve their goals, without the help of information technology (Abdullateef *et al.*, 2010; Eid, 2007; Ozgener and Iraz, 2006; Sigala, 2005; Sin *et al.*, 2005; Yeh *et al.*, 2010). Consequently, CRM based technology enables organizations to plan and implement successful marketing actions for retaining customers long-last and making them more profitable, because of the customer database and other information-storing systems (Roberts, Liu, and Hazard, 2005).

Conclusion

This study has provided a theoretical framework to show the firm relationship between CRM, marketing strategies and hotel performance. It provides a comprehensive framework that is used for explaining the impact of the CRM four dimensions on hotel performance. It is an accepted fact that the concept of customer relationship management neither has been fully verified, nor empirically assessed to determine the strength of the relationship between dimensions of customer-relationship management and hotel industry performance. Moreover, this study uniquely extends the body of knowledge by explaining the theoretical possibilities of the mediating role of marketing capabilities (planning and implementation) in the relationship between CRM dimensions and hotel performance. CRM systems have long been the repository for transactional customer data. The level of insight that they provided has always been limited and focused on behavioral knowledge. CRM was designed to analyze. At best, this provided a limited amount of attitudinal information – information that became vital when the social customer moved to the center of the business ecosystem. It might provide reasonable indicators of satisfaction and/or loyalty but remained limited.

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