

Studying the Comprehensive CRM Practices in Hospitality: A Critical Review

Tanvi

Assistant Professor, Institute of Hotel Management & Tourism
Punjab University, Chandigarh

Abstract

Customer relationship management (CRM) practice are growing popularity and becoming one of the most up-to-date academic and practical topics in the business field of hospitality. In this competitive business environment, these practices are essential and have become a function for firm performance in context of acquire, satisfies, retention, loyal customer by providing benefits to customers and company. On the other hand, there is some degree of research in hospitality that reveals the relationship between various CRM practices. Therefore this study provide a value conceptual structure that explains the theoretical existing of CRM practice from all kind of empirical researches which are conducted by researcher all over the globe in hospitality and related service sector. The researcher in their research concentrate on the CRM practices in hospitality in four key topic areas: customer Acquisition; customer Satisfaction; customer Retention; and customer Loyalty as comprehensive CRM practices.

Key Words: CRM Practices, Acquisition, Retention, Satisfaction, Loyalty

Introduction

‘New economy’ is the buzzword. Business practices have changed, witnessing a shift from industrial era to information era. Business is no longer a platform for exchange of money, product and service but more than that. Earlier it was capital, then technology and now knowledge that is deciding the fate of the organization. Today’s customer is conscious of the fact that they are important to the organisation. So organisations have started putting lots of stress on sophisticated technologies to capture, store and harness information. Bottom line today is customer preferences are integrated through what is known as CRM (customer relationship management)

Maintaining and establishing good relationships with customers provided few problems in the past when businesses were small and customers were identifiable by sight rather than by an ID number or code.

The Manager of the small business knew each of his customers, understood their value to him in terms of how much they spent and how often, remembered their idiosyncrasies and their preferences. Customer relationship management was a term unknown but a practice adhered to if business has to be successful.

The concept of CRM is now gaining wide acceptance and recognised as a powerful tool of business development and to have an edge over the competitors on the account of universal traits of human behaviour. Organizations have focused earlier on their product as the starting point and then look around for the customer to sell it. But the approach of CRM is different it starts with the customer not totality of the customer because every customer is an individual and thus exact customer has to be dealt individually to find out what they want and accordingly design the product as their need and supply.

Increasing competition and advances in information and communication technology has forced companies to focus on managing customer relationships in order to efficiently maximize revenues. Increasing competition and decreasing customer loyalty have led to the emergence of concepts that focus on the nurturing of relationships to customers. Therefore, there is a major change in the way companies organize themselves, as businesses switch from product based to customer-based structures.

In nutshell CRM is about growing enduring relationship with profitable customer. So in order to maintain those relationships this can be maintained with the help of various CRM practices.

CRM and Hotel industry

CRM brings benefits to the organizations that generate a lot of information about customers (Bose, 2000; Kotler, 2002; Mnguyen et al., 2007). In addition to this, Gronroos (2004) that service organizations for their intrinsic characteristics of the production and consumption are inseparable elements necessary to build relationships with customers. Accordingly, CRM will be ideally suited to the hotel industry, especially when implementing it successfully and effectively, taking into our account that hotels receive a lot of data about customers. Such data can be transformed into useful knowledge about them (Kotler, 2002; Lin and Su, 2003; Mnguyen et al., 2007; Nasution and Mavondo, 2008; Dev and Olsen, 2000).

Over the years as customer became aware to their value to the organisation the thought processing of the companies also start changing with years. Peter Ducker also mentions the changing practices of organisation towards customer 25 years ago:-

1961-1970 servicing the customer

1971-1980 satisfying the customer

1981-1990 Pleasing the customer

1990-2000 delighting the customer

2001 and beyond relating the customer

Hotel industry, like any business sector has to be highly competitive to be able to do well in the business environment, therefore, it is of vital importance for it to encourage behavioural patterns of continuous customer satisfaction and to retain customers last them by making customer loyal. Thus, it is evident that such ambitious aims can only be achieved through implementing CRM, which will result in establishing fruitful relationship between organizations and their customers (Papastathopoulou et al., 2007; Verdugo et al., 2009). Moreover, it goes without saying that growing customer- acquisition costs, rising customer expectations, price-sensitive travellers, more sophisticated clients, uncertain market and less brand loyalty are all key factors, which strongly urge hotels to focus on CRM as a useful practices.

Different author have various explanations on CRM practice like customer service excellence is important, but they identify the following aspects in common: quick service delivery; positive communication; the personal touch; customer retention; turning complaints into opportunities; the creation of "moments of truth"; exceeding customer expectations; good quality systems; follow-up and follow through; and delivery (Blem, 1995; Brown, 1989; eGain, 2006; Freemantle, 1993; LeBoeuf, 1991; Linton, 1995; Mercer, 2003; Small Business Advice, 2006a; Tack, 1992; Thompson, 2004, 2006a; and Timm, 2001).

Basically CRM adopted by hotels by dividing/separating them into four basic parameters such as Customer acquisition, Customer Satisfaction, Customer Retention & Customer Loyalty. Similarly in this paper we will be discussing how these parameters of CRM practices have discussed by various researchers at different phase of time. The focus will be on various CRM practices involved in the above mentioned parameters.

CRM Practices

CRM practices are a way of creating active, participatory and interactive relationship between business and customer. The actual objective as mentioned by Piccoli et al (2003) is to achieve a comprehensive view of customers, and be able to consistently anticipate and react to their needs with targeted and

effective activities at every customer touch point. As we know that it takes five times more money to acquire a new customer than to retain the existing customer. To survive in this global & competitive market focusing on customer has become very important. In this relation CRM practices are based on the ability to facilitate communication and decision-making to provide consistent, high-quality, and cost-effective services to all stakeholders (Andrade, 2003). CRM practices teach its employee no matter where, when, or how a customer interacts, the contact is personalized, consistent, and demonstrate that the company knows and values that client. As Lo et al (2008) said it is to a hotel's interest to engage in CRM activities which include understanding customer requirements and expectations; delivering of services which create value for the customer and managing customer lifecycle effectively and efficiently.

CRM practices which are different ways of maintaining customer relationship by adopting various method of putting the customer in the centre of organisation activity by giving assistance from technology, taking complete view of customer need and requirement. Various practices are followed by hotel but every time different practices are design after listening to customer in a way to motivate the customer to return to same company.

Implementation of CRM & CRM practices is not just limited to hotel industry. It has been studied in various other fields or organisation too like manufacturing (Sidney, 2003); financial services (On, Pires, & Stanton, 2008); medical services (Chahal, 2010); retailing (Anderson, Jolly, & Fairhurst, 2007) and hotels (Lo et al., 2010). They adopt these CRM practices to study hotel or organisation on various factors such as managing CRM effectively (Reinartz et al., 2004); measuring CRM performance (Richards & Jones, 2008) and CRM domain and meaning (Parvatiyar & Sheth, 2001). To study the above mention point a frame work for implementing and effective CRM practices is made which includes ICT management, data warehouse and data mining helps to gather, store, retrieve, access, and disseminate customer data and information. . Every hotel put an effort to accomplish this initiative and also to build long and lasting loyal relationship with the guest by adopting CRM practices. Bonding, empathy, reciprocity and trust must be included in the CRM practices for customers to experience the excellent value added and positive passion from the service provider. Every part of a hotel including hotel's facilities, infrastructure, technology gadget, operational processes and human touch points are all critical criteria to ensure an unforgettable stay experience for the guests. Luck & Lancaster(2003) also mention that a research conducted on 17 hotels in UK who are promoting the use of their hotel's website shows that on the Internet, hotels' objectives are to provide information to customer and not to collect or

gather information about the customer a e-CRM are the latest practices adopted by the hotels. Gathering customer data to solve complaint and understand them in better way is most commonly used CRM practice Zeithaml (2009) also mentioned most hotels have customer data and use such data in one way or another like geodemographic, complaint, service recovery and preference data to service the guests when they stay in-house at the hotel or when they make reservations with the hotel.

These various CRM practices are performed at various stages and each stage are interconnected. As this research paper will show how customer acquisition is done that will satisfy the customer and once the customer is satisfied the next focus of hotel is to retain them. The last and most important stage is to generate the loyal customer which can only be achieved by following the different CRM practices at above mentioned stage. Each of these practices with their CRM practices are explained as follows.

Customer Acquisition

It is a way of attracting new customer by examining the market and adopting various practices. This is considered as the first step towards the generation of loyal customers is the main objective of the entire organisation. In order to start with acquiring customer employees have an important and critical role in delivering the CRM practices. Even managers from technologically strong hotel would agree highly motivated and passionate employees are required to deliver the CRM practices. Resources to recruit, train and retain employees are essential for the success of CRM practices. As it is said by Beck & Knutson (2006) competition build up on meeting revenue and marketing return on investment (MROI), hotel sales person will be required to manage their time correctly to prioritize their responsibilities ranging from looking for prospective sales to CRM activities within the hotel.

The prime activities that need to be followed while adopting CRM practices are customer acquisition for which various view points are put up by different researchers as it is believed that loyal customers are hard to acquire and if they are not treated in an acceptable manner, they will eventually stop doing business with the organisation. Organisations should actively listen to their customers and ensure that their customer's experiences are memorable, thus creating "moments of truth" (Blem, 1995, Freemantle, 1993, LeBoeuf, 1991, Thompson, 2006a:2-11). One of the tactics is to establish eye contact with the customer as this conveys the message that you are willing to serve them. Freemantle (1993) who states that all customers have thresholds, which may vary from customer to customer.

In the service oriented organization, the delivery of service in a hotel occurs when there interaction between service providers and the service encounter (Ki Lee et al., 2006). Hence in order to enhance service experience, hoteliers need to focus on customer interaction. That will lead to maintain positive relation between customer and service provider.

Accordingly, CRM practices are ideally suited to the hotel industry, especially when implementing it successfully and effectively, taking into our account that hotels receive a lot of data about customers. Such data can be transformed into useful knowledge about them (Kotler, 2002; Lin and Su, 2003; Mnguyen et al., 2007; Nasution and Mavondo, 2008; Dev and Olsen, 2000).It is accomplishes this by analysing and using marketing database & leveraging communication media to establish practices and method that will maximize life time value of each individual customer to the firm (Kumar & Reinartz 2006).

Dodds (2001) argued that CRM practice is about servicing customers better across the entire organisation, while CRM experts (Thomson, 2002) asserted that CRM is a customer-centric business philosophy and culture that sustains effective marketing, sales and service processes. CRM practice implementation is found to require the following procedural steps (Winer, 2001; Kalakota and Robinson, 2000; Loftness, 2001): creation and data mining of a database of customer activity; use of data analysis for deciding about which customers to target, how to target, contact and build relationships with them; development of personalised customer experiences; channel management for enabling efficient share of guest knowledge across the organisation, so that guests can get personalised and consistent service at anytime, anyplace, anywhere, any platform; management of privacy issues; and development and gathering of metrics for measuring success of CRM practices

Dutu and Halmajan (2011) are of the opinion that CRM practices 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).Ryals &Knox (2001) hotel should have a strategic view of investment in properly managed IT and adopt an enterprise-wide approach to the use and integration of IT systems.

Customer Satisfaction

Once the customer are acquire by these practices there will always be a need to satisfy the customer which is also said by hanson (2002) that CRM is about intelligent use of data as a mean of implement customer focused strategies that will first lead to Customer interaction involve need to resolve complaint which contribute customer satisfaction (bueren et al 2005) and once the customer is satisfy it will be linked to satisfaction to business performance (Kamakura, Mittal, de Rosa, & Mazzon, 2002); customer loyalty to profitability (Reinartz & Kumar, 2000); customer profitability heterogeneity (Niraj, Gupta & Narasimhan, 2001); and affective commitment, satisfaction, and payment equity to customer retention and customer share development (Verhoef, 2003).

CRM practices are all focus or conceptualized always at customer facing level as lots of empirical studies indicates relationship between customer satisfaction and positive word-of-mouth (Söderlund, 1998). Several tools are available for measuring customer satisfaction. In hotels, one of the most popular is a guest comment card (GCC). Satisfaction (positive disconfirmation) occurs when product or service is better than expected. Atkinson (1988) found out that cleanliness, security, value for money and courtesy of staff determine customer satisfaction. Barsky and Labagh (1992) stated that employee attitude, location and rooms are likely to influence travellers' satisfaction. A study conducted by Akan (1995) showed that the main determinants of hotel guest satisfaction are the behaviour of employees, cleanliness and timeliness. Choi and Chu (2001) concluded that staff quality, room qualities and value are the top three hotel factors that determine travellers' satisfaction are also the contributor. All these practice are commonly joint in one term called as service quality which is defined by Parasuraman et al. (1985) defined "service quality" as the degree and direction of discrepancy between a customer's perceptions and expectations, whereas "perceived service quality" is the gap between a customer's expectations and perceptions as a measurement of service quality. Business travellers were most concerned with the tangible aspects of housekeeping (e.g. room amenities) and the intangible aspects of the front desk (e.g. receptionists' willingness to provide service). Providing services which customers prefer is obviously a starting point for providing customer satisfaction.

Customer orientation is also one of the market beneficial sources, it helps organization to understand customer, and hence it helps in delivering an appropriate plan to satisfy customer needs as suggested by Liu et al. (2003).

Customer Retention

Once the hotel is able to satisfy the customer the next target is always on retaining the customer. As it is very well known it will require more money to acquire new customer in comparison to retain the existing one. Most important practice that is kept in mind for retaining customer is service quality need to consider most important because if service quality is good the hotel will be able to retain, satisfy and make more loyal customer some researcher conceptualized various dimension of service quality like landmark study of Knutson et al. (1990), Oberoi and Hales (1990) work in UK based hotel settings, Getty and Thompson (1994) study on Spanish hotel industry, SERVPERF model developed by Cronin and Taylor (1992), Ekinici (1998) work in hotel industry of Turkey, Wilkins et al. (2007) work on hotel service industry, "HOLSERV" scale of Mei et al. (1999) in the hotel industry of Australia, studies ranging from supermarkets to travel agencies and from information services to hotel industries (Bigne' et al., 2003; Akbaba, 2006; Landrum et al., 2007; Roses et al., 2009), five service quality dimensions in the hospitality industry by Saleh and Ryan (1991), six dimensions developed by Khan (2003) in ecotourism industry, "lodging quality index" by Getty and Getty (2003) in USA hospitality market, nine dimensional scale by Juwaheer (2004) developed in the Mauritian hotel industry and then a five-dimensional scale by Albacete-Saes et al. (2007) in rural accommodation industry. The most famous model of service quality was proposed by Parasuraman et al. (1985, 1988). It had five dimensions and can be explained as:

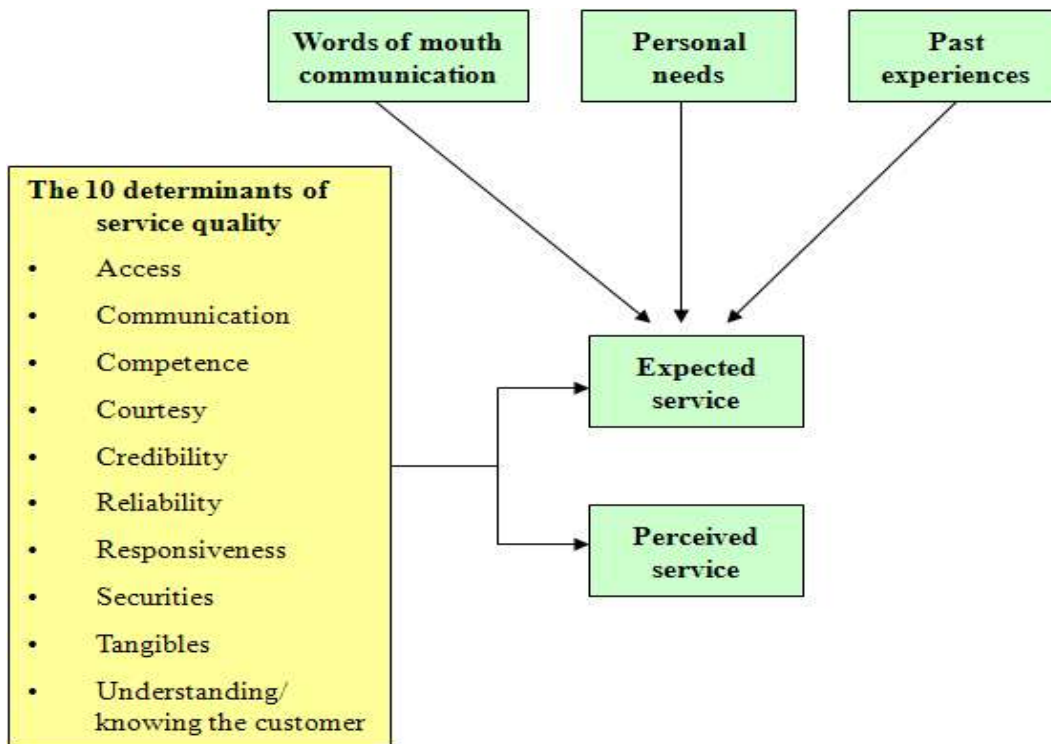
1st – Reliability: "the degree to which a promised service is performed dependably and accurately".

2nd – Responsiveness: "the degree to which service providers are willing to help customers and provide prompt service".

3rd – Assurance: "the extent to which service providers are knowledgeable, courteous, and unable to inspire trust and confidence".

4th – Empathy: "the degree to which the customers are offered caring and individualized attention".

5th – Tangibles: "the degree to which physical facilities, equipment, and appearance of personnel are adequate



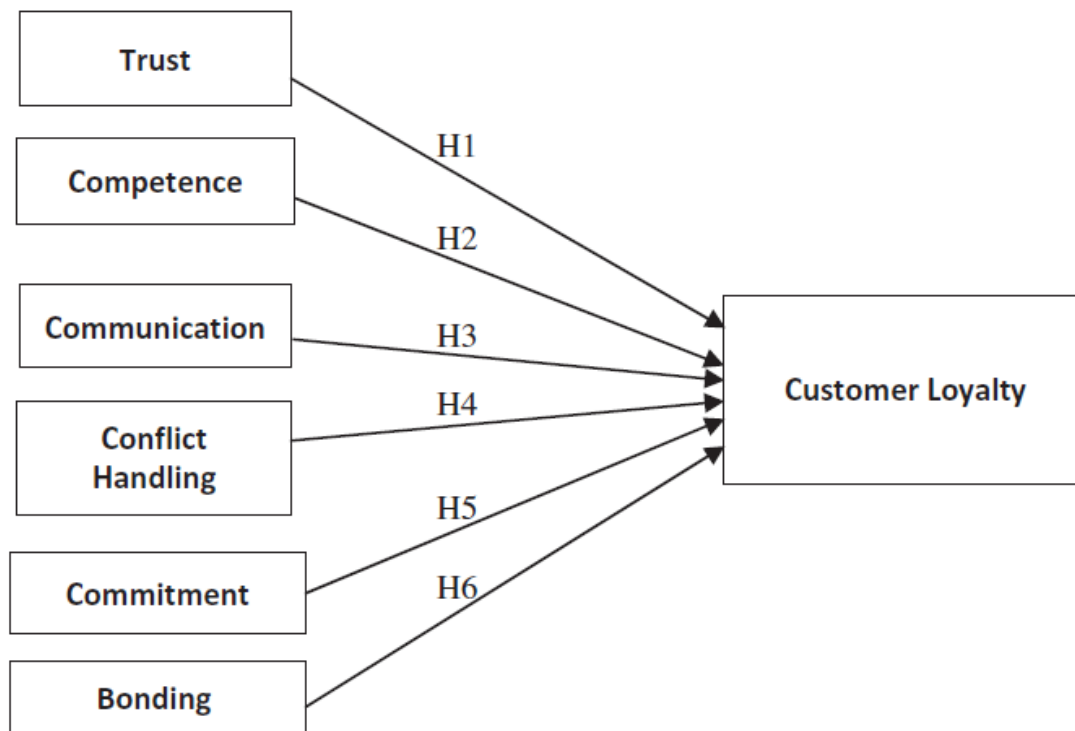
Parasuraman(1990) also explain in the above model the 10 determinants of service quality which are provided to customer at every touch point and will ultimately help in retaining customer. Data collection is also one of the practices apart from service quality to retain customer because it help in knowing the preferences of customer. As Dev and Olsen (2000) reported that although hotels capture considerable amount of customer data, those data are rarely assembled to create useful knowledge about customers. But a hotel culture whereby every customer interaction is perceived as a learning experience and each customer contact as a knowledge-building opportunity and a chance to collect new information about hotels’ guest (Olsen and Connolly, 2000). There is a need of collection, analysis and use of three type of customer information (Park and Kim, 2003; Bouncken, 2002): information of the customer (personal and transactional data); information for the customer (product/service/organisational information that are perceived useful by customers); and information by the customer (customer feedback, complaints, propositions, claims).

A framework for customer retention management should include relationship marketing efforts, compatibility management, defection management, service failure management, and service recovery efforts (Petzer, 2005:308).As Juwaheer & Ross (2003) also said once customer requirements are clearly identified and understood, hotel operators are more likely to anticipate and full fill their customers& needs and wants. It is usually found most of the customer retention is possible due to the practices like

responsiveness, empathy, reliability, assurance, and tangibility of the service quality provided to the customer. CRM practices to retain customer future include cross-functional integration between different functions and information systems (booking, marketing, sales, administration, etc.) to accelerate processes and facilitate customer information sharing.

Customer Loyalty

The main target of the hotel for which the above mentioned parameters are followed because it is impossible to make a customer loyal to the organisation without acquiring, satisfying and retaining them. According to Jacoby and Chestnut (1978), customer loyalty is generated through a belief (service quality), affect (satisfaction), and cognitive (customer loyalty) process. Among which communication is probably the most important element in maintaining a long-term relationship between hotels and guests (Kim et al., 2001, p. 284). Some of the practices of CRM are trust, commitment, conflict handling, competence, communication, and relational bonding (Morgan & Hunt, 1994; Ndubisi & Wah, 2005; B. Smith, 1998). For instance, in a hospitality context, hotel chains may provide free or discounted travel services to frequent guests through loyalty programs (Shammout, 2007).



Source

Narteh et al 2010

Researcher told in the above model the 6 practice that are important to make customer loyal. It is well know that these practices cannot be adopted just in one go it take time and followed by the various stages which are mentioned above in this research paper. Many researchers propose that customer satisfaction influences customer loyalty, which in turn affects profitability (Anderson and Fornell, 1994; Gummesson, 1993; Heskett et al., 1990, 1994; Reicheld and Sasser, 1990; Rust et al., 1995; Schneider and Bowen, 1995; Storbacka et al., 1994; Zeithaml et al., 1990).

CONCLUSION

Today's customers are becoming harder to please. They are smarter, more price conscious, more demanding, less forgiving and they are approached by many more competitors with equal or better offers. The challenge is not to produce satisfied customers; several competitors can do this. The challenge is to produce delighted and loyal customers. That can be achieve by hotels is appropriate CRM practices are adopted by them at each and every interaction with customer. If these customers are retained with the organization, they become really profitable by way of increase in purchasing, reduced operating costs, price premiums and through referrals. Too many companies suffer from customer churn i.e. high customer defection. It is like adding water to a leaking bucket. Various strategies such as measuring customer life time value, efficient complaint management system and service recovery strategies can be really helpful in retaining customers.

References

- 1) Andrade,S. (2003). Using customer relationship management/strategies. *Applied Clinical Trials*, 2) 37, 37–41.
- 3) Anderson, E.W., Fornell, C., 1994. A customer satisfaction research prospectus. In: Rust R.T., Oliver, R. (Eds.), *Service Quality: New Directions in Theory and Practice*. Sage Publications, Thousand Oaks, CA, pp. 241–268
- 4) Anderson, J. L., Jolly, L. D., & Fairhurst, A. E. (2007). Customer relationship management in retailing: A content analysis of retail trade journals. *Journal of Retailing and Services*, 14(6), 394–399.

- 5) Akbaba, A. (2006). Measuring service quality in the hotel industry: A study in a businesshotel in Turkey. *International Journal of Hospitality Management*, 25(2), 170-192
- 6) Akan, P. (1995). Dimensions of service quality: a study in Istanbul. *Managing Service*
- 7) Albacete-Saes, C.A., Fuentes-Fuentes, M.M., Lloréns-Montes, F.J. (2007), "Service quality measurement in rural accommodation", *Annual of Tourism Research*, Vol. 34 No.1, pp 45-46
- 8) Almotairi, M. (2009), A Framework for CRM Success. Proceedings of the European and Mediterranean Conference on Information Systems 2009. Izmir, Turkey, 13-14 July
- 9) Asikhia, O. (2010), Customer Orientation and Firm Performance among Nigerian Small and Medium Scale Businesses. *International Journal of Marketing Studies*, 2(1), 197-213
- 10) Atkinson, A. (1988). Answering the eternal question: what does the customer want? *The Cornell Hotel and Restaurant Administration Quarterly*, 29(2): 12-14.
- 11) Barsky, J.D. (1992). Customer Satisfaction in the Hotel Industry: Meaning and Measurement *Hospitality Research Journal*, 16(1): 51-73
- 12) Bickert, J. (1992). The database revolution. *Target Marketing*, 15(5), 14-18
- 13) Bigne´, J.E., Marte´nez, C., Miquel, M.J. & Andreu, L., (2003). SERVQUAL reliability and validity in travel agencies. *Annals of Tourism Research*, 30(1), 258-62
- 14) Blem, N. 1995. *Service, Please, South Africa*. Kenwyn: Juta & Co, Ltd
- 15) Bouncken, R., 2002. Knowledge management for quality improvements in hotels. In Bouncken, R., Pyo, S. (Eds.), *Knowledge Management in Hospitality and Tourism*. The Haworth Hospitality Press, Binghampton, NY, pp. 25–59
- 16) Brown, A. 1989. *Customer Care Management: Giving Added Value in Today's Competitive Environment*. Great Britain: Heinemann Professional Publishing Ltd
- 17) Buttle, F. (2009). *Customer relationship management: Concepts and technologies* Burlington, MA: Elsevier Butterworth-Heinemann
- 18) Bowen J. T., & Shoemaker, S. (1998). Loyalty: A strategic commitment. *Cornell Hotel and Restaurant Administration Quarterly*, 39(1), 12–25.
- 19) Chahal, H. (2010). Two component customer relationship management model for healthcare services. *Managing Service Quality*, 20(4), 343-365
- 20) Chi, C.G.-Q. & Qu, H. (2008). Examining the structural relationships of destination image tourist satisfaction and destination loyalty: An integrated approach. *Tourism Management* 29: 624-636.

- 21) Choi, T. Y., & Chu, R. (2001). Determinants of hotel guests' satisfaction and repeat patronage in the Hong Kong hotel industry. *International Journal of Hospitality Management*, 20:227-229
- 22) Cronin, J. and Taylor, S. (1992) "Measuring service quality: a re-examination and extension", *Journal of Marketing*, Vol. 56, No.3, pp. 55-68
- 23) Dev, C.S., Olsen, M. (2000), marketing challenges for the next decade. *Cornell Hotel and Restaurant Administration Quarterly*, 41(1), 41–47.
- 24) Dodds, B., 2001. CRM at no charge, www.dmreview.com/master.cfm?NavID=193&EdID=3477 [Accessed 11/07/01].
- 25) Dimitriadis, Z.S. (2006). Customer satisfaction, loyalty and commitment in service organizations – Some evidence from Greece. *Management Research News*, 29(12):782-800
- 26) Dutu, C., Halmajan, H. (2011), the Effect of Organizational Readiness on CRM and Business Performance. *International Journal of Computers*, 1(2), 106-114
- 27) eGain Communications Corporation. 2006. *Knowledge Management for "Stand-Out" Customer Service: 6 Best Practices from the Global 2000* [Online], p. 4. CRM Media, LLC Available from: <http://www.destinationcrm.com/PDF/dCRMWhitepaper.aspx?IssueID=857> [Accessed 24 Oct. 2006]
- 28) Ekinci, Y. (1999). An examination of generic service quality dimensions for the evaluation of hotels. Unpublished doctoral dissertation, University of Surrey, Guildford, England, United Kingdom
- 29) Faullant, R., Matzler, K. & Füller, J. (2008). The impact of satisfaction and image on loyalty the case of Alpine ski resorts. *Managing Service Quality*, 18(2): 163-178
- 30) Finch, E. (2002). Editorials. *Facilities*, 20(7/8), 229
- 31) Freemantle, D. 1993. *Incredible Customer Service: The Final Test*. Great Britain: McGraw-Hill Book Company
- 32) Getty, J. M., & Thompson, K. N., (1994). The relationship between quality, satisfaction, and recommending behavior in lodging decision. *Journal of Hospitality and Leisure Marketing*, 2(3), 3–22
- 33) Getty, J.M., & Getty, R.L., (2003). Lodging quality index (LQI): Assessing customers' perceptions of quality deliver. *International Journal of Contemporary Hospitality Management*, 15(2), 94-104