

**IMPACT OF INCORPORATED CUSTOMER
RELATIONSHIP-AN INSIGHT TOWARDS HOSPITALITY
INDUSTRY IN REALMS OF CRM INTEGRATED
FRAMEWORK**

Tilottama Singh*

Abstract

In the global era of competition where due to customer awareness the customers today tend to be more price sensitive, sophisticated and calculative in deciding the service providers. With increasing competition apart from the quality and brand image the relationship marketing has also gained momentum, emphasizing more on the emergence and development of Customer Relationship Management (CRM). The paper hereby is an attempt to present the importance and applicability of CRM with respect to the hotel industry. It also highlights the parameters for effective integration of CRM in hotel operations. Considering the three pivotal of effective CRM integration i.e. in Managerial Processes, ICT and Knowledge Management, the paper builds up a concrete framework establishing the relationship between effective CRM vis-à-vis increasing popularity.

Key Words: Customer Relationship Management, service sector, integration, operations etc.

* Assistant Professor, Institute of Management Studies, Makkawala Greens, Mussorie Diversion Road, Dehradun – 248009 (Uttarakhand) India

Introduction

It is a truth that a winning company not only put customers first, but put customers at the heart of their organization because the changes in customer behavior determines the growth curve of the organization, directly effecting the profits. Therefore CRM plays a pivotal role in developing strong organization. The main goal of CRM is the capability to handle customer interaction across different channels and functions, for building loyal and profitable customer relationships. Although cost cutting and competitive pricing strategies may attract customers from competitors, in many services industries price advantages are not a sufficient reason for customers moving between suppliers. In these situations successful competitive strategies include developing strong relationships with customers and cross-selling those other services can only pave the path towards development.

Specifically the hotel or the service industry involves CRM at its every step of operation. The hotel industry is also experiencing increased globalization, competition, higher customer turnover, growing customer acquisition costs and rising customer expectations, meaning that hotels' performance and competitiveness is significantly dependent on their ability to satisfy customers efficiently and effectively (e.g. Olsen and Connolly, 2000; Gilmore and Pine, 1997). The success rate of CRM Implementation is low and evidence suggests that many organizations are finding it hard to realize business benefits from this strategy. While there are well-known and impressive success stories (Sprint, 2002), failure rates of CRM projects are high (Tafti, 2002; Mendoza et al., 2006). To enhance profitability and guest loyalty, hotels must nowadays focus on implementing Customer Relationship Management (CRM) strategies that aim to seek, gather and store the right information, validate and share it throughout the entire organization and then use it throughout all organizational levels for creating personalized, unique guests' experiences (Sigala and Connolly, 2004; Olsen and Connolly, 2000; Siguaw and Enz, 1999). Therefore many hotels face the challenge of effective implementation of CRM which is closely integrated to the operations, knowledge management and extremely important its dependency on information technology. Since ICT appears as a major catalyst for developing one-to-one experiences and implementing CRM strategies, CRM in the hospitality industry has been primarily defined by the myriad of ICT suppliers that overstate ICT's role. Consequently, many hotels have difficulty

in implementing effective CRM strategies, because they allow software vendors to drive their approach to CRM, or retrofit a CRM strategy to match the CRM technology they have purchased.

However, CRM is not a technology problem but a business problem that requires ICT tools and functionality to be aligned, designed and effectively coordinated along with the business operations and strategy. Indeed, several CRM projects have failed due to the lack of robust implementation approaches and measurement tools, the bad exploitation and integration of ICT tools with processes, people and business strategies as well as the inappropriate ICT and business re-engineering and management practices (Rigby et al., 2002; Corner and Hinton, 2002; Rheault and Sheridan, 2002). In the lack of a widely accepted framework for effective CRM implementation (Adebanjo, 2003), this paper aims to develop a model for managing and integrating ICT capabilities into CRM strategies and business operations. To that end the concept, aims and crucial factors for implementing CRM in general as well as in the hotel industry are analyzed and summarized into a model that integrates three crucial managerial processes: knowledge, relationships and ICT management.

Customer Relationship Management (CRM) is an enterprise customer-centric approach that uses different techniques to understand and influence consumer behavior. It is a process which has two objectives:

- To impact all aspects to the consumer relationship (improve customer satisfaction, enhance customer loyalty or increase profitability).
- To ensure that employees within an organization are using CRM tools. The need for greater profitability requires an organization to proactively pursue its relationships with customers. In the real world, acquiring, building, and retaining customers are becoming top priorities. For many companies, the quality of their customer relationships provides their competitive edge over other businesses. In addition, the definition of *customer* has been expanded to include immediate consumers, partners and resellers - in other words, everyone who participates, provides information, or requires services from the company. Companies are beginning to realize that surviving an intensively competitive

and global marketplace requires closer relationships with customers. In turn, enhanced customer relationships require the company to know and understand its markets and customers. This involves detailed customer information in order to select the most profitable customers and identify those no longer worth targeting. CRM also entails development of the offer: which products to sell to which customers and through which channel. In selling, firms use campaign management to increase the effectiveness of the marketing departments. Finally, it seeks to retain its customers through services such as call centers and help desks.

Literature Review

According to Light (2003), Customer Relationship Management is a process of managing customer relations in an organized way. They aim at managing each "Moment Of Truth" that is experienced by the customer. There are various contact points where the hotel comes in direct contact with the customer which are known as 'Touch points' in the CRM language. These touch points are considered important as there is direct interaction with the customer and they provide valuable input to the hotel. The input provided by the customer has to be captured in such a way that it becomes information and can be used by various processes within the hotel. It is based on the argument that "the happier a customer is with a relationship, the greater the likelihood they will stay with an organization". Moreover, the comprehension of the potential life-time value of a loyal customer to the company is also closely connected to its development. (Chen and Popvich, 2003). It is argued by some researchers that CRM can be seen as the organizational implementation of a relationship management philosophy (Ryals and Knox, 2001, Ryals and Payne, 2001). Through delivering more responsive and customized services to customers, CRM increases customer satisfaction and this, in turn, improves customer loyalty. (Croteau and Li, 2003). The importance of relationship management is increasingly being recognized. Kotler (1992) wrote that companies must move from short-term transaction-oriented goals to long-term relationship-building goals. (Jackson, 1994). The evolution of relationship management is also closely associated with the realization of the importance of the customer to a company the advancement of technology, the diminishing of product differences and the ever-increasing pressure of competition has led to

the acknowledgement that customers are one of a company's most valuable assets. (Chen and Popovich, 2003,). It is argued by some researchers that CRM can be seen as the organizational implementation of a relationship management philosophy (Ryals and Knox, 2001, Ryals and Payne, 2001). Through delivering more responsive and customized services to customers, CRM increases customer satisfaction and this, in turn, improves customer loyalty. Ndubisi (2003) argued that the only real sustainable business growth strategy is through a symbiotic relationship with customers, which enables a business to understand their needs more clearly and to create and deliver superior value. Keltner (1995) found that German hotels, in contrast to American hotels, managed to maintain a stable market position during the 1980s and early 1990s because of relationship oriented hotel strategies. (Johnson, 1999). The term also refers to a customer's perceptions of how well the whole relationship fulfils expectations, predictions, goals and desires the customer has concerning the whole relationship. Henning-Thurau et al., 2002). Customer Service is now more fashionably called Customer Relationship Management. The concept of Customer Relationship Management has a broader focus of not only serving the customer but also creating the customer and retaining him for measurable and substantial returns. Also, a review of literature has revealed that studies focusing on relationship management, service and satisfaction already exist. (Colgate et al., 2005; Marti'n-Consuegra et al., 2006). CRM is a vast subject where Database Marketing supports the concept of one to one marketing. It is also remarkable that there is no research on the relationship between relational benefits and customer satisfaction in retail hotel. (O'Malley and Tynan, 2000). However, all customers do not want to engage in relationships and, in fact, it has been suggested that close customer relationships in hotel are rare, and that they are being further weakened by the increase in self-service technologies.

Customer Relationship Management and ICT

Customer Relationship Management (CRM) is a crucial aspect of all business. It's a widely accepted truism that the more you know about your clients and prospects, the higher their prospective lifetime value will be to your organization. Data warehouses and data mining are the most popular and highly needed systems for providing CRM capabilities or else for defining,

developing and managing “thesegment of one”. The theory is simple – build as much detailed information about your clients and their preferences as you can, and use that information to offer them the right products at the right time at the right price.

With the current scenario its imperative to ensure customer satisfaction by updating your database with as much information as you may incorporate in your records with respect to the clients and there family,especially the ones frequently visiting the hotel.

The reality is often different – the various touch points you have with your clients can beextremely difficult to align, making effective data management nothing but a corporate fantasy. It’s not uncommon to have legacy systems, outsourced call-centres, poorly maintained transaction records, and a whole host of logistical, budget and time constraints which prevent you from building the kind of picture of your clients that you need.

It’s your client data and it should be getting squeezed, interrogated and pushed as far as it can tohelp you build your revenue streams. If it’s not, it’s a wasted resource. It’s your job to know when you could be doing more with your data, but it’s ours to help you achieve it. It is arguedthat most problems in CRM implementationare not technical (Goldenberg, 2002; Finnegan and

Willcocks, 2007). Instead, common problems include organizationalchange and disruption, different views on customerinformation and changes in the business, for examplemergers (Schwartz, 2002). There are also cases wheretechnology misfit has created further hurdles(Finneganand Willcocks, 2006).

ICT’s supporting role for fostering business process reengineering and restructuringprocesses around the customer is widely argued and does not stop at thetraditional organizational boundaries. Aligning the ICT with the organizational infrastructure is critical so that the numerous systems at the customer touch points(e.g. Internet, PMS, EPOS, CRS, etc) do not become “islands” of uselessinformation. Within the hotel sector, Sigala et al. (2001) argued the need tointegrate yield management (YM), customer databases, corporate and distributionsystems for maximizing yield per individual guest during his/her business lifetime,per distribution channel and/or per hotel chain or properties-network. Currently,Fairfield and LeMeridien integrated their YM and CRM systems for personalizing their rates, products, services and

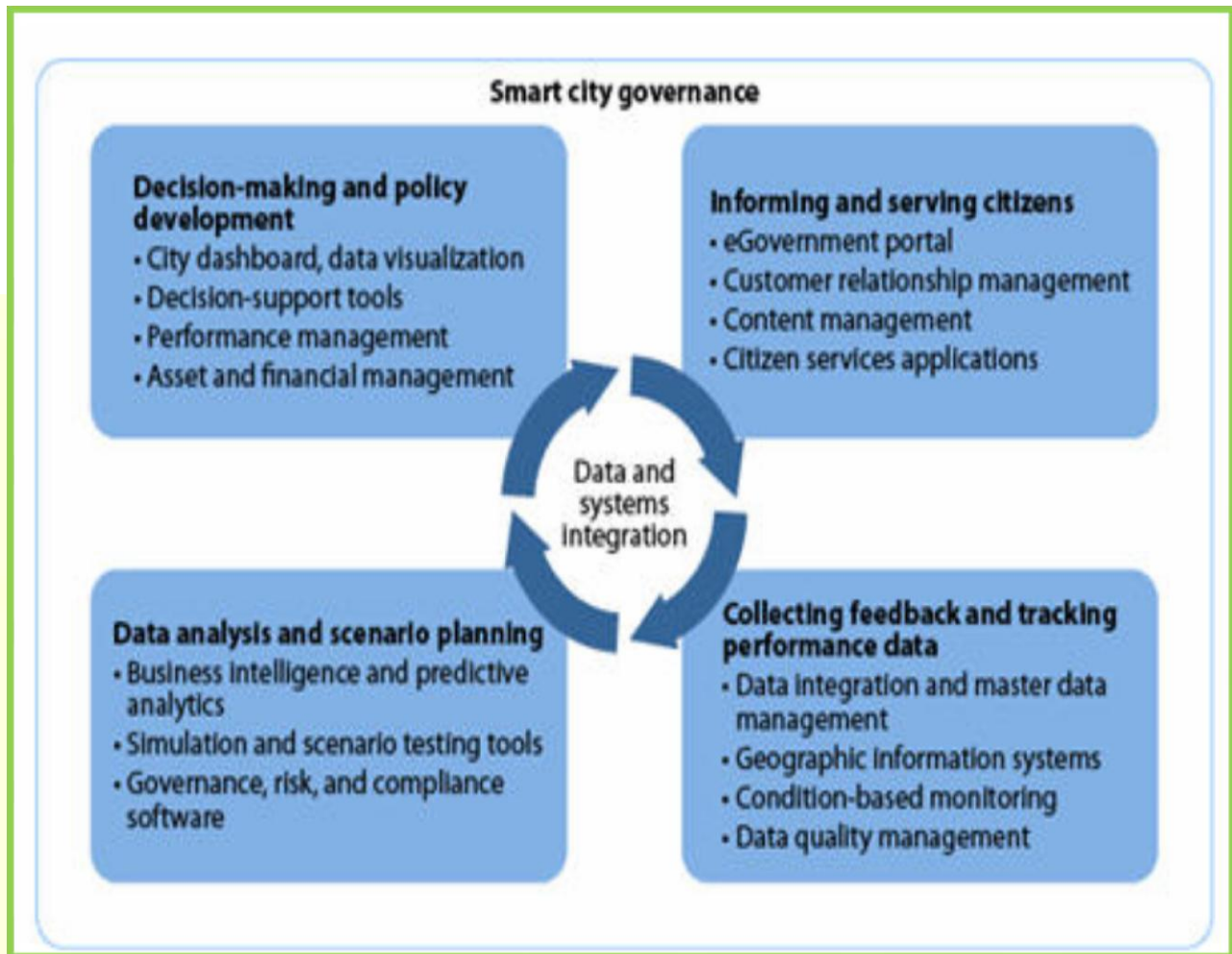
promotions to their frequent guests. Wells et al.(1999) described how electronic networks allow the distribution and share of guestdatabases across Ritz Carlton hotel properties allowing staff to accommodate and treat individual guests based on preferences from previous visits. MarriottInternational hotel chain installed a “Codification System” to virtually convert what all its employees knew about hotel day-to-day operations and standardoperational procedures in order to provide consistent customer services (Gupta andGovindarajan, 2000). The company also designed a reward system for those whoshared, created and mobilised new knowledge relevant to the firm. Accor is installingcomputers to their lounges for providing information access to employees, who donot have and need computers for their operations. Similar operations are initiated inRitz Carlton hotels (Sveiby, 2000) for enhancing customer loyalty .Therefore the base emphasis on effective maintenance of customer data base through various IT softwares.

CRM-OPERATION

Relationship marketing (internal and external)Within this new paradigm, interacting with customers and satisfying customerneeds are vitally important (Christou, 2003b). Customer relationships are not builtand sustained with direct (e)-mail themselves, but rather with the types ofprogrammes and communication strategies that are available and for which e-mailmay be a delivery mechanism. Winer (2001) argued that a comprehensive CRM is a collection of integrated components such as customer service (0800 numbers,faxback/customer comments cards, e-mail, FAQ), frequency, loyalty and rewardprogrammes, customisation and community building (e.g. virtual communities). Theaim of these integrated customer communication channels is to support the customercycle (i.e. acquisition, enhancement/cross-up-selling and retention) by identifyingprofitable customers, differentiating the services/products offered to differentmarkets of ones, interact with individual customers in an integrated way acrosschannels and customise/personalise customers’ experiences. Individual resistance combined with organizational resistancecan create barriers for an overall integration. Variablessuch as senior management support/sponsorship,selling change internally, putting a change infrastructurein place, providing effective end-user training, business processre-configuration and establishing rewarding systemsplay an important role (Pettigrew, 1985).

CRM also largely depends on staff attitudes, commitment and performance and so, success on the external marketplace requires initial success on the internal business by motivating and getting employees' commitment (Gronroos, 1994). Hence, apart from developing the four P's of the marketing mix, a host of other resources and as well as of front-of- and back-of-house activities should be achieved (e.g. handling guests' complaints and requirements) (Bitner, 1995). Although most of the people involved in customer-invisible activities are not part of the marketing department, their attitudes towards customers and their ways of executing their tasks are imperative. According to Gummesson (1990), these employees must be trained to become part-time marketers. According to Peppard (2000), from a customer perspective the channel they choose at any point in time should be the most convenient. Integration of these channels or touch points therefore becomes highly important. To date, channel integration remains complex and goes beyond integration of technology.

While the idea of maximizing transactions is nothing new, what is different is that this style of guest interaction will demand substantial conceptual skills from every employee. Because it might be impossible to create ideal guest experiences solely through expert systems, organizations might have to create intelligent response teams comprising of employees with broad knowledge bases cutting across traditional organizations functions. For dealing with guests' experience-related desires, employees will be required to have advanced social skills such as understanding of role conflict, role theory, communications and personality identification (Olsen and Connolly, 2000). Employees will need to be content experts who do not only know how to work with and exploit technology, but also can manage the information exchange and match guests to experiences. Moreover, as such knowledge-based work may take place electronically; staff should be able and know how to work collaboratively and electronically irrespective of their spatial, 396 M. Sigala / Hospitality Management 24 (2005) 391–413 time and cultural differences. For example, on its corporate website, Wyndham operates a virtual community and discussion forum for its women business travelers, which requires enhanced and specific techno-centric communications skills (e.g. knowing the netiquette discipline) from Wyndham employees who moderate and operate this online community. Overall, CRM calls for new job descriptions, organizational structures, motivational thinking and reward systems.



CRM-KNOWLEDGE MANAGEMENT

The success of relationship marketing heavily depends on the collection and analysis of customer information that are used for developing highly personalized offerings. Buttle (1996) pointed out that marketing problems are by nature information handling problems. Romano (2000) and Massey et al. (2001) strongly advocated the relation of CRM with KM and specifically customer KM, while the significance of customer knowledge is highlighted in several CRM studies (see review in Stefanou et al., 2003). However, information should not be confused with knowledge. Knowledge is produced when information is analysed and used to enable and leverage strategic actions. Sigala (2003c) argued that this confusion has led several businesses to make vast investments on ICT projects which have in turn yielded marginal results. To overcome

the ICT productivity paradox, hotelmanagement needs to embed ICT-generated customer and competitive information into its decision-making processes. These processes involve three broad phases that run in parallel (Tiwana, 2001) namely, information acquisition, sharing and utilisation. Hence, the collection and creation of insights, skills, and relationships (knowledge acquisition), when they are disseminated and shared (knowledge sharing) are followed by integration of learning, insights and experiential knowledge that in turn support effective decision-making processes (knowledge utilisation).

Davenport and Prusak (1988) identified the following KM critical success factors:

ICT and organizational infrastructure; friendly culture for knowledge sharing, creation and management; change in motivational practices for encouraging and rewarding staff when information is collected, shared and used; and open organizational structure. Malhotra (1998, p. 58) stressed the importance of ICT. M. Sigala / Hospitality Management 24 (2005) 391–413 for developing KM: ‘ICT embodies organizational processes that seek synergistic combination of data and information processing capacity of information technologies, and the creative and innovative capacity of human beings’. Several other authors (Earland Scott, 1999; Zack, 1999) also highlighted the importance of a customer KM strategy and the crucial leadership role that visionary knowledge officers should play for bringing together all the CRM stakeholders (e.g. frontline, finance, ICT and other staff) to share a common platform of beliefs, expectations and commitment.

Tiwana (2001) also stressed that a knowledge-based CRM strategy requires the development of boundary spanning communities of practice whose members are empowered and inspired by a culture of trust that in turn fosters cross-functional collaboration, sharing of expertise and creation of new knowledge. Indeed, building trust and driving out fear of knowledge management are fundamental issues for supporting and fostering staff empowerment, as when they are established employees are confident that taking risks and decisions based on new information, customer insights and knowledge will be rewarded and not penalized. On the contrary, cultures that do not drive out fear face two side effects: they force employees to focus on short-term at the cost of long-term performance; and they encourage employees to focus on the individual rather than the collective organization. However, Dev and Olsen (2000) reported that

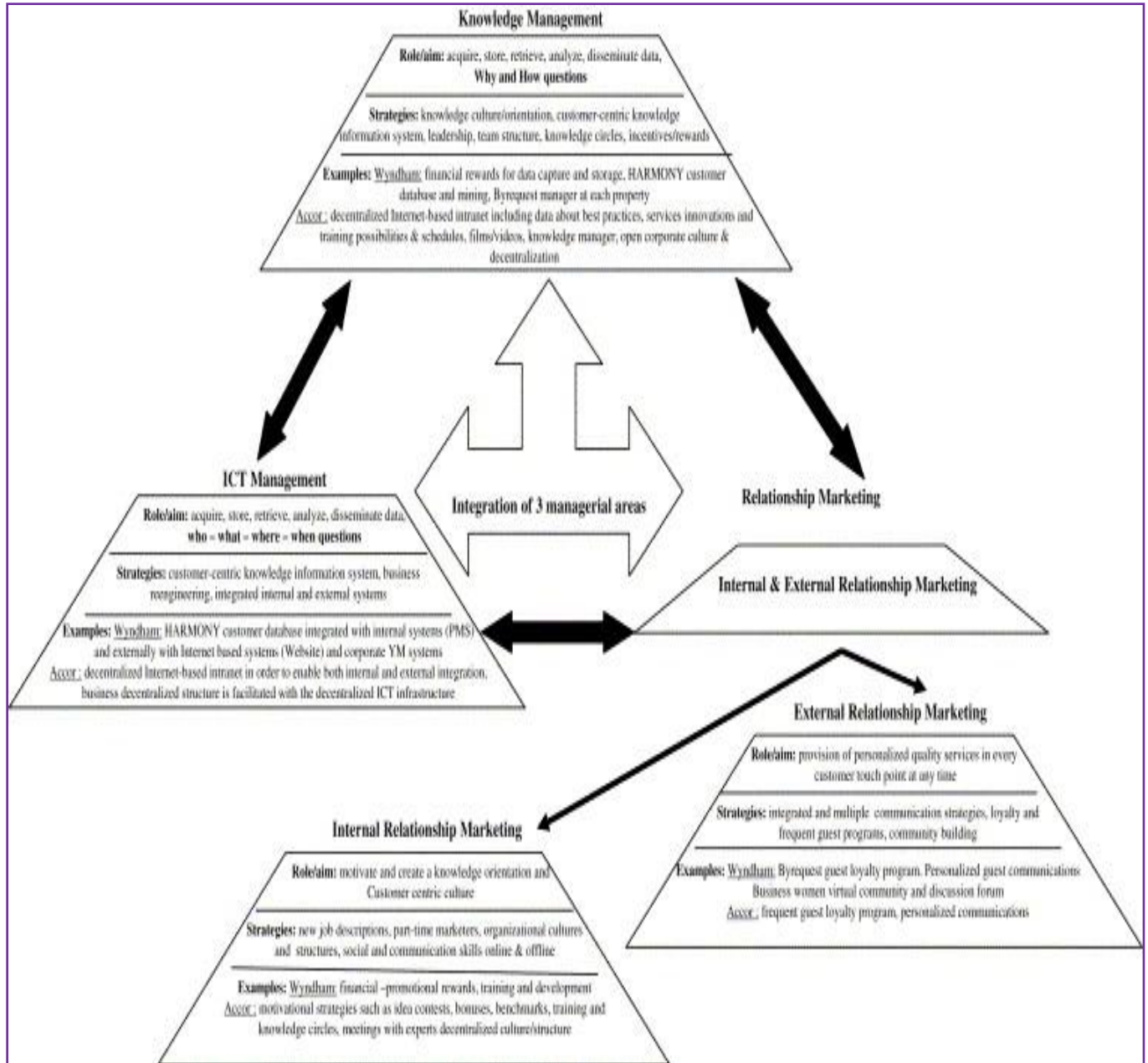
although hotels capture considerable amount of customer data, those data are rarely assembled to create useful knowledge about customers. Cline and Warner (1999) also found that the collection and use of customer information are frequently intermittent, delayed and fragmented. The lack of ICT applications' integration and the legacy systems designed along functional lines creating fragmented guests' profile have been reported as the major reason of duplication, inconsistencies, incompleteness and inaccuracies of customer data in hotels (Sigala, 2003a). Overall, knowledge-based CRM in hospitality requires:

- 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);
- A knowledge information system shaping the technical basis for information accumulation, retrieval and distribution of explicit knowledge, leadership that will motivate knowledge workers and orientation and team structures and knowledge circles that promote the personalized transfer of tacit and explicit knowledge (Bouncken, 2002);
- Incentives and rewards to staff's efforts to capture, use and share knowledge for personalizing customer interactions/experiences (Siguaw and Enz, 1999; Bouncken, 2002);
- A redesign of customer data across the organisation and a customer-centric ICT integration and infrastructure (Sigala, 2003b);
- Understanding of guests' value drivers and requirements as well as of the ways in which hotels contribute or fail to create customer value (Dube and Renaghan, 2000).

Implementing Integrated CRM Model

Many of the world's leading firms are developing a new model of industrial organization based on systems integration (Hobday et al., 2005). Organizations face the challenging task of integrating their distributed organization units, information systems, and business processes for improved operation and attainment of organizational goals (Giachetti, 2004).

In principle, customer is the heart of the CRM view, front processes, whereas product is the heart of backprocesses. On the other hand, no enhancement could be applied without improved infrastructure; consequently the enterprise should start automation by its product chain while it should handle its reference parts as human resources and asset category. So, the implementing blocks are as figure 6. In the era of global business competition, businesses are constantly finding ways of staying competitive hence businesses are deploying new technologies such as CRM systems to get close to the customer (Yu, 2001). According to Yu, interest in such systems as CRM continues to grow. The order of implementing doesn't mean to complete all blocks first and follow it with other blocks. The first blocks are reference and fundamental blocks. It's needed to implement them in order to meet their requirements. For instance, enterprise should know its human resources to assign them to production phases and customer contact center but there is no need to complete employee and personnel management processes, at first. In a factory to manufacture a product, they should design product phases and determine phases of product and parts of the product; then they should produce the parts. So they should know how to assign the raw material for different parts. That's they can find in *asset*. Furthermore, they should assign proper human resource to plan, build and control the parts and the product as well as making relation with customers and suppliers; consequently, they should know their *human resources*. After starting the product chain implementation, they can start managing their order management. They know their product and may map the orders to products; moreover they should know their customers to predict their future orders and meet their needs. In order to assign customer to orders that's enough to know customer name and its ID in reference table. In this way, they can enhance their implementation, step by step while integration is guaranteed. In the same phase, they can start to control suppliers and their offers. After building reference blocks and their dependency, they can start to complete different blocks. However, implementing thoroughly depends on enterprise situation. If it has enough budget and human resources, many blocks could implement in parallel after knowing their dependency. The most important point is starting the integration with a core as the model shows that is implementing reference blocks such as human resources and assets; then relating them to production, suppliers and customers.



Conclusion & Recommendation

CRM in this context is not just a software package but a comprehensive strategic approach to manage our evolving relationships with customers which require continuous adaptation in response to changing needs. In order to manage these customer relationships and promote a unified customer service approach all aspects of a business would need to work like a well-

rehearsed orchestra. The integration of the existing cultures, processes, technology with an ownership of people from all parts of the business becomes paramount.

Our study confirmed that CRM is no panacea and cannot be limited to hardware and software applications. A well-planned CRM strategy can act as a strategic tool in acquiring, but most importantly retaining and developing existing and future relationships with customers. Our multi-layered approach integrates current academic and practitioner understanding of CRM implementation and offers further insight through its application to the communities of practice featured in the three case studies. The multi-layered approach proved a useful conceptual framework to assist companies in developing their CRM strategy.

Recommendations

- The manager should focus on the staff's scientific and practical skills and capabilities. To raise their positive psychological level, to live up to the best level of dealing with consumers in line with the concept of Customer Relationship Management, there should be more training and increase their motivation by rewards.
- The company must continue in management studies in order to identify the consumers' present and future needs and desires to meet their desires and needs as well as they expected. This will be achieved by qualified and trained staff cope with the development of current and future surroundings to win the consumer's satisfaction.
- The institution should deal consumers trustworthily and credibly through commitment to the delivery dates of orders without bias to gain consumer's trust of the hotel institution.
- The institution must take care of the staff's external appearance in order to win the consumer's satisfaction.
- The institution must allocate places for waiting provided with hospitality services so that the consumer does not feel bored during the waiting period this service increases consumer's happiness and satisfaction.
- The directors of the Hotel should improve the image of the Hotel with regard to the consumer's point of view by good technique and speed in completing the work which increases consumer's happiness and satisfaction.

- The hotel institution must increase the interest in the periodical awards to consumers, which increases the level of satisfaction and loyalty to the organization.
- The hotel institution must increase its attention and focus on consumer complaints and suggestions, which increase the level of satisfaction and loyalty to the organization and keep the consumer for the longest possible period.
- The hotel institution should classify offering services regarding to the consumer groups in line with their culture and demographic factors, which increase the consumer's satisfaction.
- Consumers must be noticed that they have guarantees on their deposits. These guarantees should be activated to increase consumer's confidence in the organization.

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Asian Journal of Finance & Accounting ISSN 1946-052X 2012, Vol. 4, No. 1121
www.macrothink.org/ajfa

