
DETERMINANTS OF CUSTOMER RELATIONSHIP MANAGEMENT: A STUDY OF FIVE STAR AND FIVE STAR DELUXE PROPERTIES IN NCR

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ABSTRACT

Hospitality industry is rapidly growing and the competition is also very aggressive. To increase the profitability sales has to be increased or the cost needs to be reduced or the other way out is to retain the profitable customers. So, to survive in the present scenario customer has turned out to be the most important asset and establishing and maintaining relationships with customers is an inevitable strategy. But there are many factors which play crucial role in customer relationship management. In the present study those factors/determinants have been identified by applying factor analysis. The five factors extracted from factor analysis are complaint handling and customer satisfaction, customer offers and customer information, hotel employee's behavior, customer needs and preference, customer treatment and feedback.

Keywords: *Customer Needs, Marketing, Information System, Products and Services*

INTRODUCTION

Decades ago, it was thought that to increase the productivity the firms need to increase the efficiency of machines and employees, or by adopting various cost reduction techniques or the other way out was attracting new customers through television advertisement, sales promotion techniques, bill boards etc. But the service sector changed the whole scenario by recognizing that the most important asset is customer and keeping the existing customer loyal and preventing him to switch over to competitors is the best way to increase profitability. The trend got shifted from product centric strategies to customer centric strategies. Focus of the organizations turned its way from product to customer. Organizations

started advocating that understanding customer requirements is very important. Becoming familiar with the client by understanding him was the trend which later got depicted as customer intimacy. In 1980's existed the concept of direct marketing which used databases of customers available with the firm, Christian Gronroos and Evert Gummesson of the 'Nordic School' and Theodore Levitt first introduced the concept of relationship centric marketing.

History says our tradition was to treat each customer independently and even solutions were also tailor-made. Then came advancement in technology, marketing techniques and even the production became mechanized which led to the concept of mass marketing. Apart from the economic benefits there was a drawback that business and the customer could no longer spend quality time required to know each other. Similar customers got grouped into one segment and businesses lost the individuality of their customers, needs and requirements of customers got generalized as customers lost their uniqueness (Payne and Frow, 2005). So, to reconnect with the customers companies started adopting relationship strategies and the basic aim of CRM is to identify and treat each and every customer individually. All the customers are not same, organizations need to differentiate each customer according to their needs and wants, all customers are not profitable firms need to recognize customers they want to establish and enhance relationship with. So, it is very important for every business to know that every customer is not same and customer treatment should vary according to the needs and preferences of customers.

Today, one of the over-riding goal of marketing and business as a whole is relationship building. Cultivating customer relationships has become the need of the hour not only among financial Institutions but in other businesses also due to the very fast changing global and technological environment. Specially in service industry more emphasis is given on the significance of repeat customer as it is believed to cost very less as compared to what needs to spent on acquiring a new customer. In 1998 a forecast was made by JP Morgan that internet revolution has brought a change in customer needs and requirements and now customers demand to have more interactions with corporations and the result would be a double digit growth in the demand of Customer Relationship Management.

One of the fastest growing sectors in the economy today is Hospitality Industry. The Hospitality Industry is growing globally at a very fast pace which creates wide opportunities for employment and economic growth. It alone is a multi billion dollar enterprise and the Indian Hospitality Industry is experiencing the rare growth trends. The success story of "Hotel Industry in India" is only

second to China in Asia Pacific. According to World Travel and Tourism Council, India ranks 18th in business travel and very soon it will reach to top five. Moreover, the Indian Hospitality Industry is expected to grow considerably in the years ahead. India being a growing economy with such a large population opens so many doors of opportunities.

By visualizing the importance of CRM in hospitality industry and observing that very less research work has been conducted on this burgeoning issue, makes it imperative for conducting the study on factors influencing customer relationship management.

REVIEW OF LITERATURE

Many studies have proved that service industry especially hotels need to identify the importance of customer orientation which is vital for improving performance (Kim and Pan, 2006). If Hotels want to improve their performance and ensure long term profitability and business CRM is the best strategy (Kasim and Minai, 2009; Sigala, 2005; Wu and Li, 2011).

Olsen and Connolly in 2000 in their research also highlighted that success of Hotel Industry is not only dependent on quality of services but also on guest relationships and specifically with existing customers.

Piccoli, Connor, Cappacioli and Alvarez in 2003 also stated that CRM has much more relevance in hospitality industry as compared to other industries as it is customer information intensive and quality of service plays a very important role. So, this sector is ideally suitable for CRM.

In today's environment hotels need to learn deeply about their customer's preferences and behavior to deliver their services in a better way (Papaioannou, Sarmaniotis, Assimakopoulos, and Sotiriades, 2011).

In a study on hotels by Adam, Stalcup and Lee, 2010 suggested some important strategies for managers in this competitive environment. He stated that the best method to keep the guests happy is to fulfill their both intrinsic as well as extrinsic needs. For that, hotels have to systematically recognize and evaluate those needs in a regular routine without fail. And the study also cited that the most common and important goal of CRM is guest retention.

In the same context Kotler (2002), Lin and Su (2003) and Dev and Olsen (2000) conducted research on hotel industry and established through their results that hotels receive a lot of data about customers and that data can be transformed

into useful information and can be used for maintaining long term relationship with the customers. So, CRM is an ideal strategy for the hotel industry. Kamath, Bhonsle and Manjrekar in 2008 conducted a study on hotels of Navi Mumbai in 2008 and documented that warfare in the market and aggressive need for profitability makes CRM an inevitable strategy and it also helps in creating competitive advantage and it was also found that CRM is key to success in service marketing specially in hotel industry.

Imhoff in 2001 declared five factors which are very important and have been recurring in literature: business strategy has to be customer focused, there has to be a flexible organizational structure which is CRM friendly, organizational culture also has to be CRM savy, top management should also be committed towards CRM and the CRM success measures should be properly defined. Sin, Tse and Yim, 2005 in their study professed that CRM constitutes of various activities like identifying customer preferences, resolving complaints of customers, providing after sales services, establishing long term profitable customer relationships and ultimately satisfying them.

In 2009 Almotairi in his study also identified various factors which are important in CRM implementation. These factors are: customer focus, top management support, proper presentation process, adequate knowledge of customers and markets, correct mission and strategy of the organization, change management and participation of end user in solution designing of CRM.

Mehta, Sharma and Mehta in 2010 conducted a study on Madhya Pradesh State Tourism Services and identified five factors of CRM: amenities, speedy services, comfort, supportive staff and trust and also that corporation should work for further improvement on all such fronts.

In 2012 in a study on Indian Retail banks Padmavathy, Balaji and Sivakumar made an attempt to identify various dimensions of CRM that should be implemented to strengthen business performance. These dimensions are customer experience, process driven approach, technology orientation, reliability and organizational commitment. In their findings they also reinstated that organizational commitment, process driven approach and reliability have a positive influence on customer satisfaction. It was also affirmed in this study delivering quality and quick services as promised and execution of correct and flawless transactions also helps in enhancing customer satisfaction. Another very significant implication from this research was that efficient customer relationships lead to satisfied and loyal customers which further gives rise to new opportunities for cross selling other related products/ services to customers. So managers should concentrate on CRM

practices to enhance customer satisfaction and customer loyalty which also helps in cross selling other products.

Rahimi and Gunlu in 2015 conducted a study on a Chain Hotel in UK and found that for successful implementation of CRM in Hotels a shift towards customer centric approach is required in organization's culture and it has to be communicated amongst the staff of all departments. Hotels need to have a clear and achievable mission and vision statement, staff empowerment to handle complaints, training of the staff to make them multi skilled. Some other factors being having an open and honest communication with the staff, creating a pleasant working environment, keeping the staff satisfied is also very important for successful implementation of CRM.

Melendz and Moreno in 2013 conducted a study on three to five star hotels by sending questionnaires to their CEO's to measure the success factors of CRM and they established that organizational readiness is a directly affecting factor of CRM. The other factors which have an indirect impact on CRM are IT, Knowledge Management capability and customer orientation.

Malhotra, Ho and C in 2010 conducted a study on banks in Taiwan to recognize and identify the challenges faced by banks in implementing CRM. They authenticated that the major challenges faced by banks in CRM implementation are insufficient financial support, improper criteria for evaluation and lack of required organizational culture.

In the same context to find out the challenges faced by banking industry in Iran a study was conducted by Jarmafshari, Divandari and Shahhoseini in 2016 and the study admitted there are some technical challenges faced which have been classified in five dimensions cultural, economic, structure and management. This study conducted interviews with the experts and also recognized and stated that this study can be used as a base to identify challenges for other financial institutions.

RESEARCH METHODOLOGY

The main objective of the study is to analyze the factors/ determinants of CRM in Indian Hotel Industry.

DATA COLLECTION

Secondary Data

Secondary data has been collected by reviewing research papers, thesis, journals, books, newspapers, magazines, proceedings of the conferences etc.

Primary Data

For collection of primary data a structured questionnaire was developed which was pre tested. To achieve the objectives of the study the questionnaire has been divided into two parts. The first Part A has been made to collect the diverse demographic details of the respondents. Part B of the questionnaire comprise of the questions related to customer relationship management.

SURVEY SAMPLE OF THE STUDY

The survey sample includes the guests visiting five star and five star deluxe hotels in Delhi, Gurgaon, Noida and Faridabad. A total of 700 questionnaires were sent to five star and five star deluxe properties in NCR and we got back 600 questionnaires out which 525 were complete and worth using for analysis.

RELIABILITY ANALYSIS

To determine the reliability of structured questionnaire Cronbach's Alpha test is used. The high value of Cronbach's Alpha (0.965) is suggesting the high reliability of the scale.

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.965	.965	29

ANALYSIS OF DATA AND DISCUSSION

Further factor analysis was applied on all the items representing customer relationship management to meet the objective of the study. Data is analysed by using SPSS 18.0 version software. Factor analysis with varimax rotation is used on 28 items of customer relationship management of the hotel. Five factors are extracted as a result of factor analysis.

Earlier factor analysis was applied on a total of 29 items and five factors were extracted but for some items factor loadings were below .5 and one was .389 for the item (*Hotel is always able to negotiate the problems with the guests*). So, the researcher decided to exclude this item as the factor loading was very less and factor analysis was again conducted on 28 items only.

Factor Loadings					
	1	2	3	4	5
Factor1: Complaint Handling and Customer Satisfaction					
Central information system is there for tapping information for assessing satisfaction level of guests.	.689				
The Hotel has formal complaint system which cover both written and verbal complaints.	.619				
The Hotel's staff tries to solve the problem even when it is not the Hotel's responsibility.	.606				
Problems with the Hotel are solved quickly.	.604				
Front office staff taps information for assessing satisfaction level of guests.	.584				
Guest's problems and complaints can be solved in an easy and friendly manner.	.571				
Customer Relationship Executives are there for assessing the satisfaction level of the customers.	.542				
The hotel communicates & develop relationship with the guests.	.440				
Factor 2: Customer Offers, Customer Information					
The Hotel also informs about other special packages/discounts to regular customers.		.801			
The Hotel keeps me updated with new services and products available.		.671			
The Hotel maintains a guest history card.		.624			

The Hotel offers to regular customers some special packages/discounts to celebrate different occasions (like birthday, new year eve, anniversary, festivals)		.608			
The Hotel keeps on informing frequently about guest loyalty programmes.		.580			
Front office staff enquired and also informed about the future reservations.		.557			
The Hotel send greeting cards on birthdays/anniversary to establish the relationship with regular guests.		.537			
The Hotel conduct studies to judge the satisfaction level of customers.		.492			
Factor 3: Hotel Employee's Behavior					
The employees here are friendly, cheerful, polite and responsive.			.765		
The employees here communicate well and are good listeners.			.716		
The employees of the hotel greet me with courtesy and smiles at all times.			.661		
The employees here are patient and spend time responding and explaining things to me.			.521		
The hotel staff seeks to proactively solve the guest's problems.			.482		
Factor 4: Customer Needs and Preferences					
Hotel provides customized services and products to the guests.				.783	
Hotel makes an effort to find out what the guests need.				.657	
The hotel pays attention and provides personalized care and takes care of special requirements of customers.				.590	
If requested in advance preferred tables were also reserved in the restaurant				.452	
Factor 5: Customer Treatment and Feedback					
Feedback at the time of checkout is always taken.					.671

Accommodation is provided as per guest's preference					.617
At this hotel I feel as I am treated like a Queen/King					.504
Variance (Percent)	14.601	14.506	11.636	11.486	9.154
Eigen Value	11.705	1.887	1.451	1.129	1.015

The first factor is related to tapping customer information to assess satisfaction through central information system, tapping information by front office to assess satisfaction levels, customer relationship executives assess satisfaction level of customers, hotel develops relationship with the guests, formal complaint system, solving problem quickly, solving problem even when it is not hotel's responsibility, solving problems in an easy and friendly manner, developing relationship with the guests. The factor is representing variance of 14.601 per cent and eigen value is 11.705.

The second factor is related to special packages and discounts to regular customers, special packages on different occasions, updating customers with new products and services, forming relationship with the guests, maintaining guest history card, offering guest loyalty programmes, front office enquiring and informing about future reservations, sending greeting cards on birthdays and anniversary, conducting studies to judge the satisfaction level. The factor is representing 14.506% variance and an eigen value of 1.887.

The third factor extracted includes the behaviour of the Hotel employees is friendly, cheerful, polite and responsive, employees communicate well and are good listeners, employees greet with courtesy and smile, employees are patient, hotel employees proactively solve the guests problems. The factor is exhibiting variance of 11.636% and eigen value is 1.451.

The fourth factor deduced includes providing customized products and services, finding the guests needs, providing personalized care, reserving preferred tables if requested by guests. The factor has a variance of 11.486 per cent and eigen value is 1.129.

The fifth factor consists of the items taking feedback, treating the guests as king/queen, providing accommodation as per guest's preference. This factor has a variance of 9.154% and eigen value 1.015.

Five factors of customer relationship management has been extracted by applying factor analysis which are complaint handling and customer satisfaction,

customer offers and customer information, hotel employee's behavior, customer needs and preference, customer treatment and feedback.

CONCLUSION

It can be concluded from the research that customer relationship management is very significant in hospitality industry and there are many factors or determinants which play a crucial role for the successful implementation of customer relationship management. The researcher has made an attempt to identify the factors which are important for customer relationship management and has extracted five such factors by applying factors analysis which are effectively handling complaints and assessing satisfaction, offering schemes and discounts and customer updating, behavior of hotel staff, understanding needs and preferences of customer and last but not the least taking feedback and customer treatment. So, it can be concluded from this research that hotels need to focus on all the factors above to successfully implement customer relationship management.

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