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Editorial Board

Title

APPLICATION AND IMPLEMENTATION OF CRM IN HOTELS OF DEVELOPING CITIES – A CASE STUDY OF RANCHI

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Abstract:

Hotel sells room to the guest. It is the main product that Hotel sells and with the sale of this product, other hotel products like food, beverage, laundry services etc. also get sold. Earlier when the numbers of hotels were limited, guests were not left with many choices. They were bound to select from the available few. This placed hotelier at the comfort zone as they never thought about building any long term relations with the guest. Their marketing strategy was limited only till the guest made transaction with the hotel. This was known as transactional approach of marketing and hoteliers were involved in this marketing to sell their prime product (i.e. rooms) and earn revenue.

However, with the change in time situation changed. The number of hotels increased and made it difficult for the hotelier to sell the product without relationship marketing. The concept of transactional marketing was pushed back and in order to sell the product every hotelier started considering customer as an insider to the hotel and aimed to build a long lasting relationship with him or her.

This approach of relationship marketing with the time changed into Customer Relationship Management (CRM) which according to Christopher et al (1990) is "a tool to turn current and new customer into regularly purchasing client and then progressively move them through being strong supporters of the company and its product to finally being active and vocal advocates for the company". Hence, without an appropriate CRM it is now difficult not only to retain the customer but also to attract new customer to the hotels.

This paper presents a study conducted on the hotels of Ranchi to analyze whether the hotels in developing city accept and implement the concept of customer relationship management. The study focuses on the attributes of CRM and level up to which it is accepted by both Hotelier and Guests in this city. This study is also aimed to find out the acceptance and use of e-CRM concept in the hotels and effect it has on the satisfaction level of customer visiting the Hotels.

Key words: Customer Relationship Management, Hotel, Transactional approach, loyal customer, e-CRM.

Introduction:

The concept of travel and halting facilities are quite old in India. In ancient times, people used to travel for pilgrimage or to meet their friends and relatives. In modern busy world it is business along with leisure, pilgrimage, sports and many other guiding factors that force people to travel from one destination to another. For ages, India has been known for its hospitality. Endowed with rich historic heritage, cultural diversity, natural resource and geographical advantage, India remained a big attraction for foreigners even today. As Hotel Industry is large and highly diverse industry that includes a wide range of property styles, uses and qualities (Chon and Sparrowe, 2000) it provides all the basic facilities which are needed by domestic as well as foreign travelers.

However, Customers of Hotel Industry are more aware, more alert and more demanding today, than before. The customer who would have been pleased with neat and clean room at check-in earlier, now demand (or have an expectation) for a bouquet and fruit basket at the time of check in.

They take basics for granted. Guests want special service and not just a stay. Guests want to be recognized and want to have a unique experience that requires personalization at all levels of the customer experience, from reservations to operations. Delivering consistently around the world and continuing to anticipate customers' needs will continue to be a challenge. (Rachel Ryerson, Director - field marketing, - Hawaii/French Polynesia, Starwood Hotels and Resorts Worldwide)

This change is not sudden; it is the result of customer's knowledge about the product and services they ought to receive during the course of time. This new and changed environment has forced even the hotelier to compete not only to identify, develop and retain their high value customers but also to plan strategies to attract new customers and maintain healthy relationship with them.

In order to build this strong relationship Hotels are turning toward Customer Relationship Management (CRM) which is a comprehensive approach for creating, maintaining and expanding customer relationships. The objective of CRM is to build loyal customer relationships, where companies can anticipate their customers' need and use information to personalize relationship, providing customer with confidence and trust in their dealing with the organization.

In hotel Industry, staff gets ample opportunity to interact with the customers that gives an opportunity to enhance the relationship with them. Interaction plays a lead role in building customer relationships. Basically CRM is an idea regarding how a company can keep their most profitable customers by increasing the value of interaction. The value is maximized through differentiation of the management of Customer relationships. CRM is a notion regarding how an organization can keep their most important customer and at the same time reduce costs, increase the value of interaction to consequently maximize the profit. CR M can also be understood as an Information Industry terms for methodologies, software and usually Internet and IT capabilities that help an enterprise manage customer relationship in an organized way. (Xu, 2002)

Though CRM involves using information hotel have about their customer and technology tool to deliver quality experience to the customer. But it is not just about technology and information. Both business process and people behavior often must also change to ensure a consistent and positive total customer experience. For the same reason it must involve all customer interactions, on the web, off the web and through third party channel.

Piccoli and colleagues (2003) review the risks and benefits of customer relationship management (CRM). This philosophy of intimate customer familiarity can lower marketing expenditures and increase sales through closer relationships and increased satisfaction. For this to occur, the entire hotel chain must cooperate in the collection, management and dissemination of customer information – an expensive and complicated process.

According to Mr. Swift (2001) companies can gain many benefits from CRM. He states that the benefits are commonly found in one of these areas:

1. **Increased customer retention and loyalty**

2. **Lower cost of recruiting customers**

3. **No need to recruit so many customer to preserve a steady volume of business**

4. **Reduced cost of sales**

5. **Higher customer profitability**

6. **Evaluation of customer profitability**

To study all the aspect of CRM benefit is beyond the scope of this study, and hence the present study focus on one of the prime benefit mentioned above i.e. increased customer retention and loyalty.

H Peeru Mohamed and A Sagadevan (2004) has identified following ways in which Customer comes within the fold of an organization:

- Customer by chance
- Customer by occasion
- Customer by choice
- Customer by repetition
- Customer by loyalty

The hotel should try to make maximum benefit from the interaction opportunity with their customers and should try to retain them. A retained customer who turns out to be loyal will shift his focus of relationship with the organization, from mere a transactional relationship to a relationship tied up with emotions and commitment, which will benefit the organization a long way.

The retention of the customer will help organization to reduce the cost of recruiting the new customer.

All the hotels practices CRM and most of the property understand these practices as a part of CRM. However, some hotel practices it as it should be done in hotels without understanding that it is a part of broad strategic CRM.

Some CRM practices lead to higher level of customer satisfaction then other. In order to ensure that customer is retained, organizations need to identify that practice which keeps the customer highly satisfied. Satisfaction can be defined as that state of mind when the customer feels that his expectation is met by the product (or service) being offered by the organization.

Hence, the firm should not only identify these practices which give satisfaction to the customer but also prioritize them to differentiate between practices which give higher level of satisfaction from those which do not play a major role in customer satisfaction. This will help hotels in

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focusing more on CRM practices which leads to higher guest satisfaction rather than diverting their attention on non satisfying practices.

Keeping in view the importance of CRM in Hotel Industry, we have tried to find the role of Customer Relationship Management in satisfying the customer needs in the present paper. Undoubtedly, if the level of service exceeds the customer expectation then it will lead to customer delight which will lead to higher rate of retention. Here, we have tried to identify the one of the major CRM practice i.e. – "Service Attributes" in hotel industry which helps in customer satisfaction and leads to customer retention. We have also tried to prioritize these attributes on the basis of level of satisfaction they provide to customers. This paper depicts the research work undertaken in Ranchi city which is looking forward to attract tourist with its natural beauty. The numbers of hotels are increasing in this city, latest being Radisson and Le liac and hence a study to understand role and importance of CRM become important here. Since Ranchi is a developing city, we have also tried to see CRM from the other side i.e. from Hoteliers view point. We have tried to find whether hoteliers are aware of current CRM practices and how do they perceive it.

Study goal:

1. To find some major service attributes (CRM practices), which leads to the satisfaction of guests.

2. To find the guest perception about use of CRM in Hotels of Ranchi.

3. To analyze the effect of applying e-CRM and providing IT enabled services on customer satisfaction.

4. To find out the acceptance of CRM by Hoteliers.

Study:

The present study is an empirical investigation to find out the importance of acceptance of Customer Relationship Management in the Hotels of Ranchi. The study is based on primary data. The sources of primary data are face-to-face interview and structured questionnaire from Guests and Hoteliers of star category hotels in Ranchi.

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The most common practices to implement CRM strategy in hotel was found with the help of focus group method.

The sample size for this study was 15 Front Office Manager/ Assistants of Hotels in Ranchi and 100 guests who have stayed in the hotels of Ranchi.

Guests were asked about the CRM and how it increases their satisfaction level. Hoteliers were asked about their perception regarding the role of IT enabled services in Customer satisfaction. Also, they were asked about the acceptance of CRM in Hotels.

The study helps in finding the preference of guest and their expectation from the Hotel Industry along with criteria guest keep in mind before planning their next stay in same hotel. The role of CRM in ensuring that guest remains satisfied and loyal toward the hotel is also analyzed.

Analysis and interpretations:

Attributes which leads to customer satisfaction:

In order to identify the most common CRM practices which leads to guest satisfaction focus group method was used. Focus group was given a platform for discussion and they identified following practices as most common (in no set order of preference):-

- Mechanism to properly handle complains of the guest.

- Understanding the guest need (during check in) and fulfilling it during stay.

- Sending private message to guest on special occasions.

- Making it practice to remember the name of guest by staff.

- Identify the guest in their visit

- Sending a welcome message to guest in rooms' TV.

- Timely advertising about discount and special prices for each season

- Offering extra services like an itinerary for city visit.

- Providing membership card to the guest

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Guest perception about use of CRM

Guests were asked about the different services that can be provided through CRM to them which lead to satisfaction. The frequency analysis (Table 1) of the multiple responses set shows the list of important services. Customer identification in their visit receives the highest, 19.2% response percentage and 96% case percentage, suggesting that customer gives highest priority to their identification in the visit to the hotel. The customer response suggests that they giver less weightage to extra services, like itinerary for city visit, membership card and advertising about discount (1.6, 2.6 & 3.6 response percentage).

(Insert Table 1 here)

In order to analyze the services which the guest feels most important, Pareto Chart (Chart 1) was prepared.

(Insert Chart 1 here)

The vital services from the guests view point are as under:-

- Customer return to the hotel, if they feel identified in their visit.

- Understanding special need of the customer at the time of check in and fulfilling it during their stay will result in customer satisfaction.

- Customer feels highly satisfied if staff remembers their liking and dislikes.

- If customer receives private messages on Birthday, Anniversary or other special occasion then he will be more loyal to Hotel.

- Properly handling customer complains will results in guest satisfaction.

Effect of using e-CRM and providing IT enabled services on customer satisfaction.

Hoteliers were asked about the role of websites and various IT enabled services on customer satisfaction. The frequency analysis (Table 3) of the multiple responses set shows the list of these services which can satisfy customer from Hoteliers view point.

(Insert Table 3 here)

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As per hotelier, reservation from Internet, which is a major part of e-CRM, will increase the number of customer making reservation in a hotel, which receives the highest, 17.0% response percentage and 100% case percentage. The hotelier response suggests that access to Hotels website, attractive hotel website and online facility for reservation and cancellation will make customer more satisfied. (15.9, 15.9 & 14.8 response percentage respectively). However, facility of viewing and ordering room service via TV, filling feedback form via internet and internet facility in guest room does not play significant role in customer satisfaction (2.3,2.3 & 3.0 response percentage respectively).

In order to analyze the role of IT services which the hotelier feels most important, Pareto Chart (Chart 3) was prepared.

(Insert Chart 3 here)

The vital IT enabled services from the hotelier view point are as under

- Reservation from internet will make more customers do the room reservation.

- Customer feel satisfied if they can access Hotels website

- Attractive website of hotel make customer more satisfied then unattractive website.

- Accepting online Reservation / Cancellation make customer feel good.

- Applying IT in special service of room such as music on demand will lead to customer satisfaction.

Acceptance of CRM by Hoteliers:

Hoteliers were also asked about the different services that can be provided through CRM to Guests. The frequency analysis (Table 2) of the multiple responses set shows the list of important services from Hoteliers view point. In order to identify the hoteliers' understanding about customers' requirement, some questions from the guest's questionnaire were also kept in the questionnaire for Hotelier.

(Insert Table 2 here)

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Customer identification along with remembering customer likes and dislikes and understanding and fulfilling customer's need receives the combined highest, 17.2% response percentage and 100% case percentage, suggesting that hotelier gives highest priority to these three services. The hotelier response suggests that they give less weightage to viewing a private welcome message, extra services, like itinerary for city visit and sending welcome note to a guest room. (2.3, 3.4 & 4.6 response percentage respectively).

In order to analyze the services which the hotelier feels most important, Pareto Chart (Chart 2) was prepared.

(Insert Chat 2 here)

The vital services from the hotelier view point are as under

- Customer return to the hotel if they feel identified in their visit

- Customer feels highly satisfied if staff remembers their liking and dislikes.

- Understanding special need of the customer at the time of check in and fulfilling it during their stay will result in customer satisfaction

- If customer receives private messages on Birthday, Anniversary or other special occasion then he will be more loyal to Hotel

- Membership cards encourages customer to stay in the hotel.

Result:

1. The study suggests that most of the guest wants to be recognized by the hotels during their stay. They expect that their choices and preferences should be known to the hotels and remembered by the staff, their needs should be understood and the same may be fulfilled during their stay in a Hotel.

    This is possible if hotel uses an appropriate Customer Relationship Management strategy, hence it is recommended that hotel should not only adopt an effective CRM strategy for their property but also ensure it is implemented properly to ensure that maximum guest can be satisfied.

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2. Hoteliers of Ranchi are aware about the concept of CRM. They are implementing CRM in hotel and the implementations of CRM are at different levels/stages. They give high weightage to identification of customer during their stay in hotel and understand the importance of gathering data about guest likes and dislikes. Most of the services which hotelier feels important are given importance by the guest too. However, hotelier give due importance to Membership cards as a mean to ensure customer loyalty. Guests' data suggests otherwise. As per guest data, they do not lay much emphasis on membership card and do not accept it as a factor to stay in the hotel.

3. Role of internet and other IT enabled services has been highlighted in this study. Hotel find use of website (attractive websites) as a mean to give satisfaction to guest as they can have a virtual visit of hotels before their arrival and can anticipate what is in store for them. Some IT enabled services like music on demand also score high in the list of important IT services. The freedom to reserve or cancel a hotels room at the comfort of their home, without visiting any travel agent and with the help of internet makes customer highly satisfied.

This suggests that in the present competitive world hotels cannot do without e-CRM and IT enabled services. An attractive website is now must for all hotels whether chain or a stand alone. Along with website, other IT enabled services like music on demand, guest bills online, online settlement of bill etc. are the need of the hour and hotels should look forward to invest in these areas to make these feature available in their property.

Theoretical Implication:

The study reveals that not all CRM practices carry equal value and hence there are some which score more than others. CRM practices (service attributes in this case) helps in satisfying the customer and hence ensure that hotel retains them. This leads to customer loyalty in the long term and reduce the cost of recruiting customer and generating profit for the organization.

Managerial Implication:

The hotel management should identify the CRM practices which leads to higher level of customer satisfaction and should try to build Customer satisfaction Index. This will help them in measuring the extent of customer satisfaction in service attributes and any other attributes which they feel important in customer loyalty. With the help of the index they can measure the satisfaction level and hence can take appropriate steps to further improve it.

Scope of future study:

In the present study, an effort was made to find out the impact of one of the major CRM practice - service attribute on satisfaction of Hotels guest along with the perception of both guest and hotelier regarding CRM and role of e CRM and IT enabled services on customer satisfaction. During the research we found that there is scope to further divide the satisfaction of customer into different component like product satisfaction, peripheral satisfaction, ambience satisfaction and psychic satisfaction. By identifying these factors, we can further analyze the impact of CRM practices on these and the role each play in customer retention and customer loyalty.

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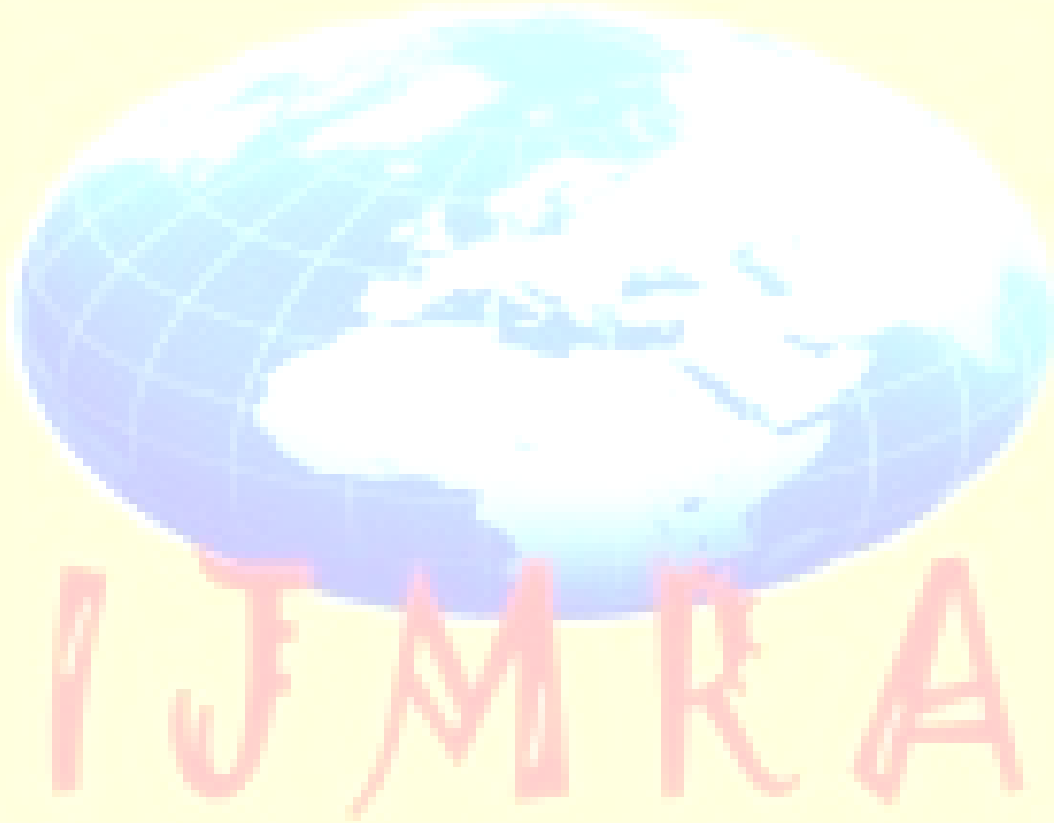
Table 1
Customer perception about CRM Frequencies

Customer perception about CRM	Responses		Percent of Cases
	N	Percent	
[a]Properly handling customer complains will results in guest satisfaction.	83	16.6%	83.0%
Understanding special need of the customer at the time of check in and fulfilling it during their stay will result in customer satisfaction.	94	18.8%	94.0%
If customer receives private messages on Birthday, Anniversary or other special occasion then he will be more loyal to Hotel.	86	17.2%	86.0%
Customer feels highly satisfied if staff remembers their liking and dislikes.	90	18.0%	90.0%
Customer return to the hotel if they feel identified in their visit	96	19.2%	96.0%
Viewing a private welcome message on a rooms' TV after entering results in guest satisfaction.	11	2.2%	11.0%
Timely advertising about discount and special prices for each season by hotel could be a factor for reselecting the hotel	18	3.6%	18.0%
Offering extra services like an itinerary for city visit is of customers' need.	8	1.6%	8.0%
Membership cards encourages customer to stay in the hotel.	13	2.6%	13.0%
Total	499	100.0%	499.0%

a. Dichotomy group tabulated at value 1.

Chart 1

Pareto Analysis
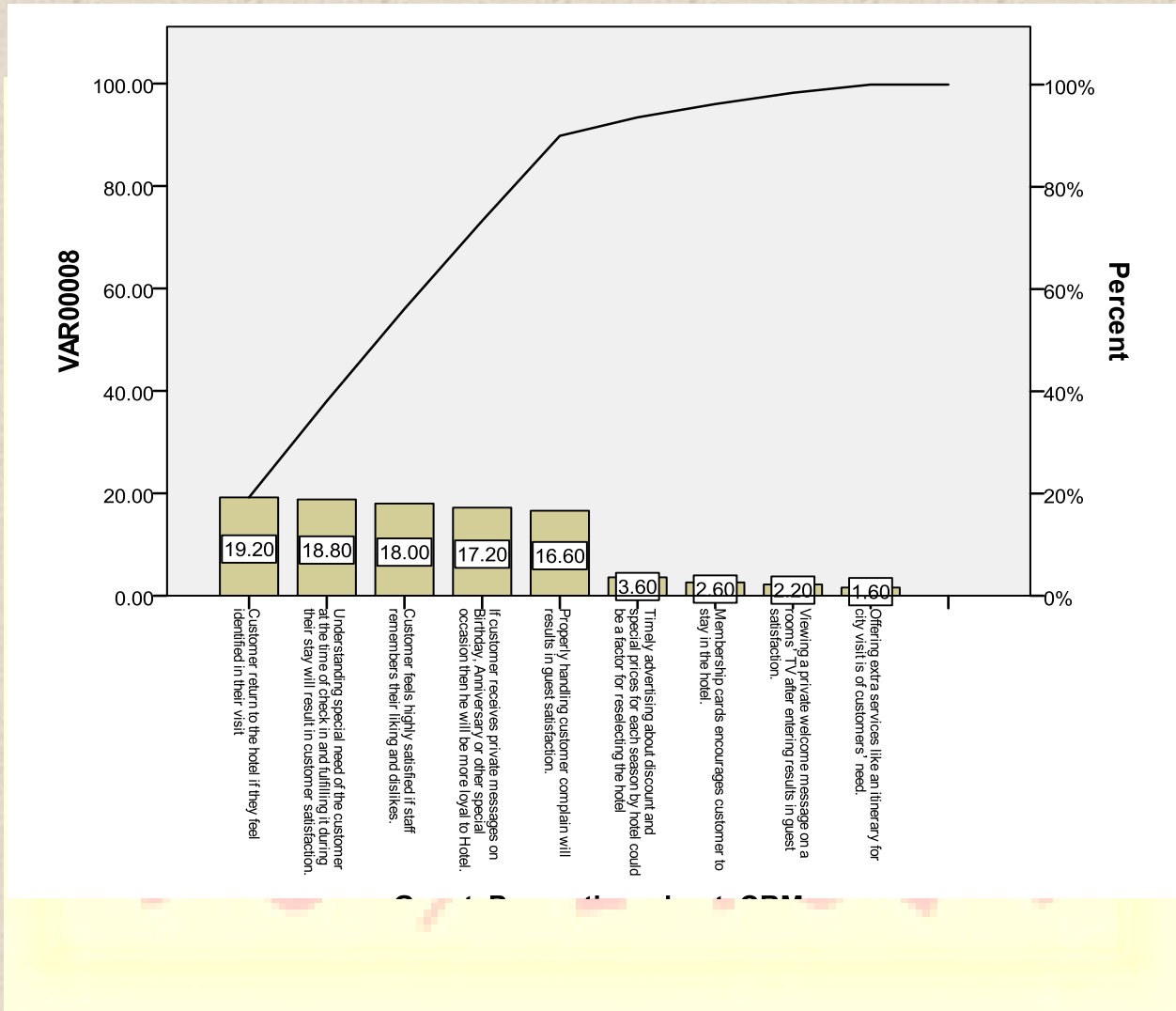
(Customer perception about CRM)

Table 2
Acceptance of CRM by Hotels Frequencies

Acceptance of CRM by Hotels[a]	Responses		Percent of Cases
	N	Percent	
Viewing a private welcome message on a rooms' TV after entering results in guest satisfaction.	2	2.3%	13.3%
Understanding special need of the customer at the time of check in and fulfilling it during their stay will result in customer satisfaction.	15	17.2%	100.0%
If customer receives private messages on Birthday, Anniversary or other special occasion then he will be more loyal to Hotel.	14	16.1%	93.3%
Timely advertising about discount and special prices for each season by hotel could be a factor for reselecting the hotel	6	6.9%	40.0%
Offering extra services like an itinerary for city visit is of customers' need.	3	3.4%	20.0%
Sending welcome note to guest room is pleasant for customer.	4	4.6%	26.7%
Membership cards encourages customer to stay in the hotel.	13	14.9%	86.7%
Customer feels highly satisfied if staff remembers their liking and dislikes.	15	17.2%	100.0%
Customer return to the hotel if they feel identified in their visit	15	17.2%	100.0%
Total	87	100.0%	580.0%

a. Dichotomy group tabulated at value 1.
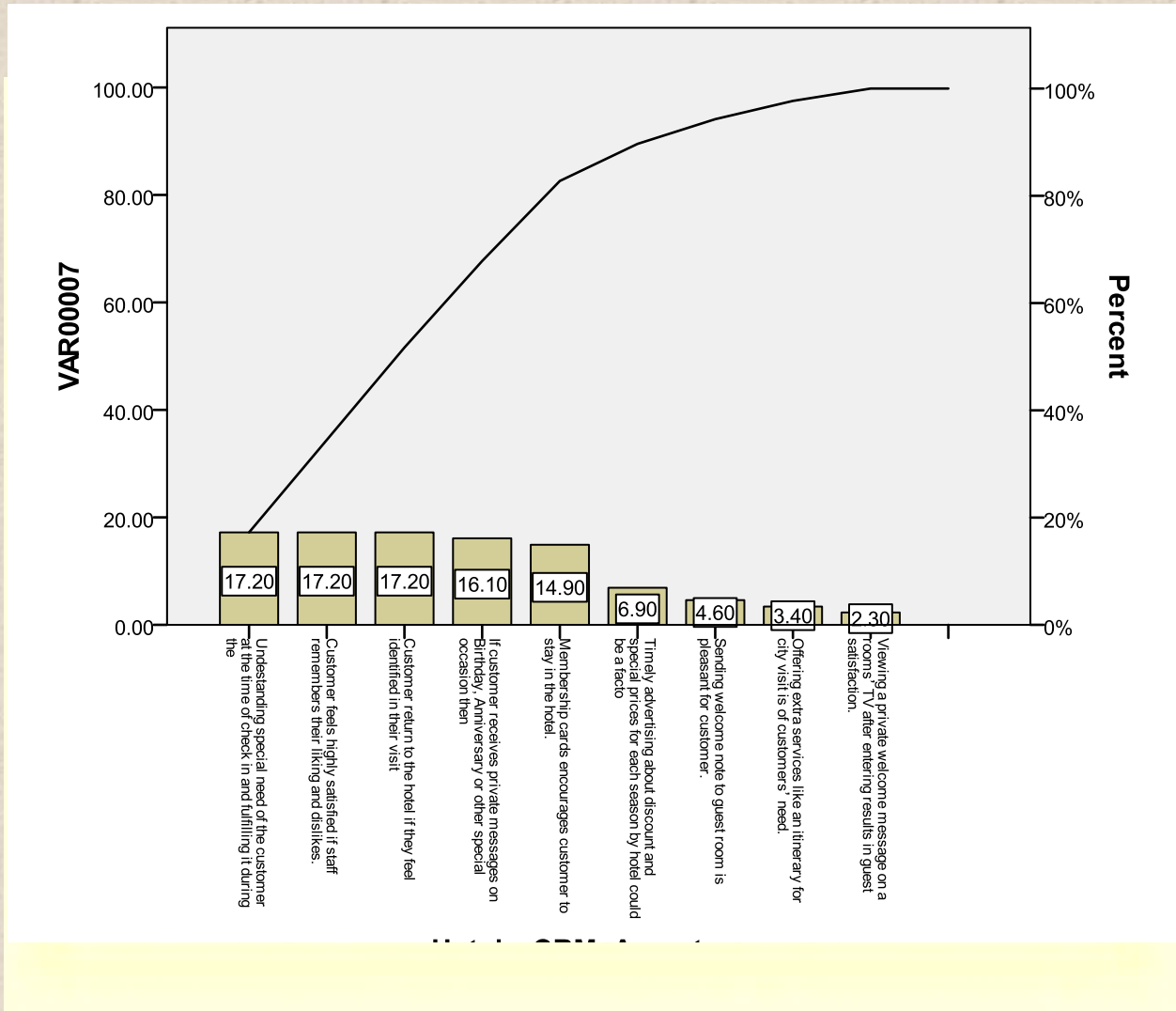
Chart 2

Pareto Analysis

(Acceptance of CRM by Hotels)

Table 3

Role of IT in Customer Satisfaction Frequencies

Role of IT in Customer Satisfaction[a]	Responses		Percent of Cases
	N	Percent	
Customer feel satisfied if they can access Hotels website.	14	15.9%	93.3%
Customer feel more comfortable in filling feedback-form via internet	2	2.3%	13.3%
Sending E Mails to customer on special occasion will make customer satisfied even after their departure	7	8.0%	46.7%
Accepting online Reservation / Cancellation make customer feel good.	13	14.8%	86.7%
Attractive website of hotel make customer more satisfied then unattractive website.	14	15.9%	93.3%
Availability of Internet service in Guest room will result in customers' satisfaction.	3	3.4%	20.0%
Reservation from internet will make more customers do the room reservation.	15	17.0%	100.0%
Applying IT in special service of room such as movie on demand will lead to customer satisfaction.	5	5.7%	33.3%
Applying IT in special service of room such as music on demand will lead to customer satisfaction.	13	14.8%	86.7%
Facility of viewing and ordering Room service via TV will lead to customer satisfaction	2	2.3%	13.3%
Total	88	100.0%	586.7%

a. Dichotomy group tabulated at value 1.

Chart 3

Pareto Analysis

(Role of IT in Customer Satisfaction - Hotels Perception)