A conceptual analysis of customer relationship management practices in hotel Industry

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SUBJECT: COMMERCE

ABSTRACT

Tourism and hospitality have flourished together in India. But, compared to various other tourist destinations, India’s tourism infrastructure is not up to mark and so applies to Hotels of India. Service expectations of visitors must also be satisfied and so hoteliers had adopted CRM (Customer Relationships Management) practices and now with the infusion of Information Technology, the management of luxury properties has started adopting eCRM. Companies try to understand service expectations of customers in various star categories properties. It is assumed and practiced that through CRM, hoteliers can retain existing customers along with the addition of new customers.

This research paper focuses on the various literatures undertaken by various researchers and the same is analyzed and discussed.

ABOUT HOTEL

The hotel is a commercial establishment providing lodging, meals, and other guest services. In general, to be called a hotel, an establishment must have a minimum of six letting bedrooms, at least three of which must have attached (ensuite) private bathroom facilities. Although hotels are classified into ‘Star’ categories (1-Star to 5-Star), there is no standard method of assigning these ratings, and compliance with customary requirements is voluntary. The market size of Hotel industry has more than doubled from about USD 1 billion in 2004 to USD 2.3 billion in 2008. It was estimated that India is likely to have around 40 international hotels brands by 2011. Despite the global economic recession, foreign tourist arrivals (FTAs) increased to 5.37 million in 2008 from 4.98 million in 2007. FTAs in India registered an increase of 5.4% during the year 2012 as compared to FTAs of 2011. The hotel and tourism industry’s contribution to the Indian economy by way of foreign direct investments (FDI) inflows were pegged at US$ 2.35 billion from April 2000 to February 2011.

IMPORTANCE OF CRM IN HOTEL INDUSTRY

Customer Relationship Management, particularly on hotel chain level, is very challenging but also very important, as the hospitality industry deals with perishable goods and needs to manage supply and demand with a sure instinct. Once checked into hotel, a customer deals with the multiple touch-points like the reception, the restaurant or the gift shop, all keep their individual and independent customer records.

The luxury hotel industry today is in the globalization market and the use of customer relationship management (CRM) has become an important strategy for attracting and building customer’s brand loyalty. Nowadays, the high quality of hotel facilities and amenities are no longer considered as luxury and has become a primary component of lifestyle. In fact, the hotels can collect and incorporate their guests’ information and it may be a chance for the luxury hotel to improve their profitability. Hotel may use the information about the customers to build their relationship and it will improve customers’ satisfaction and loyalty, and increasing their profitability. For an example, the hotel can ensure that customers will come back again while offers them with the special and unique service.

As today, the best competitor advantage for the hotel industry is continuing provides excellent quality service and coming out with the innovation idea. In the competition, most of the service provider will try to offer several choices, greater value and different levels of
service to attract the customers. By using price discounting and providing the special benefit will develop customer loyalty and it also the most commonly strategic used by hotel managers in order to gain the competitive advantage. Thus, value of quality service provide also become the main key point to a hotel's capability to discriminate itself from competitors and build up their unique customer loyalty. The quality of accommodation, fulfillment provide will totally effect on the customers’ satisfaction and expectation. By using past personal experience information to let the guests staying will help the hotel management to increases their hotel revenue. As in the hotel industry, customer relationship management (CRM) is more in performing and practice of collecting guest fulfillment data.

REVIEW OF LITERATURE

1. Mohsin et al (2005) is of the view that today’s hotel guests expect quality service, product, atmosphere, entertainment, value for money, require high quality experience from their stay in hotel. The authors discuss the significance of service quality and customer satisfaction, and undertake a service quality assessment of hotels.

2. As per John W. O'Neill and Qu Xiao (2006), the notion that a hotel's brand contributes significantly to its market value analyzed the various factors and implications. The study examines the relationship between the market value and the brand effect from the investor-owner perspective.

3. Sachin Gupta et al (2007) discusses a methodology to quantify the links between customer satisfaction, repeat-purchase intentions, and restaurant performance. The author argues that higher customer satisfaction should lead to increased probability of repeat purchase, which in turn should result in greater restaurant sales.

4. Roya Rahimi (2007) presented a thesis on the feasibility study of Customer Relationship Management (CRM) application in hotel industry. The study finds that customer satisfaction will cause customer loyalty and retention; customer retention is important for business and customers; successful implementation of CRM will increase rate of retention, increase in revenue, profitability, reduction in internal costs, reduction in marketing costs, positive word of mouth, better understanding of customer requirements, and higher employee productivity and concludes that all these benefits for a hotel can be a source of long-term and sustainable competitive advantage.

5. Osarenkhoe and Bennani (2007) explain in their study that degree of success is purely based on the level of involvement of employees of the organization at several organizational stages. Furthermore, they elicited in their study that involvement of top management, systematic communication, customer loyalty, training programs are very authoritarian in successful CRM implementation.

6. Grigoroudis, E and Siskos, Y (2009) opines for ‘customer’ upon two approaches: With reference to loyalty; A customer is the person that assesses the quality of the offered products and services. And with reference to process oriented approach; the customer is the person or group that receives the work output.

7. Taylor et al. (2009) stresses on relationship commitment and trust for successful relationship marketing and argued that CRM also enlightens in terminating unprofitable customers though analytical CRM.

8. Love et al. (2009) deduced that top management support is consequential in successful implementation of CRM because employees will not follow the new ideas until executive do not show high level commitment in it.

FINDINGS AND DISCUSSIONS

1. Customer satisfaction has direct link with the total services offered by the Hoteliers.

2. Brand value of Hotel chain has direct and positive relationships with the investors’ confidence and customer flow.

3. Customer satisfaction could be measured with the repeat buying of Hotel services and so affect the profitability.

4. In hotel industry Customer retention is equally important with the adding up of new ones. To attain this objective, implication of CRM is very important.

5. The proper application of CRM can be ensured only with the level of involvement of employees in the whole process.
In this industry, a Customer is taken from a loyalty point of view and the preference of him/her to accept the procedures.

Hoteliers prefer to serve key customers differently and sometimes drop the small ones.

The top management must ensure a high level of commitment of involvement to ensure proper implementation of CRM practices.

REFERENCE CITED


LIMITATION ASPECTS

This study paper is a conceptual framework but there is a wider scope for empirical studies/research on the said topic.

The researchers have already defined various sources of data, defined sample size, identified research gaps and so, conclusions could be drawn based on the further research work in the said area.