

Emerging Role of Customer Relationship Management in Hospitality Services: A Study of Hotel Sector in India

Dr. Ansuman Sahoo

Lecturer, IMBA, P.G. Department of Business Administration, Utkal University, Vani Vihar, Bhubaneswar

Abstract — Today, in this ferocious competitive economy customers are the centre for each and every business transactions for each and every sector. And in the global market scenario, customers are the sole reason for the existence of every business organization. Moreover Customer satisfaction is the strategic mantra to achieve global competitiveness and sustainable growth. Therefore, in this emerging economy Customer Relationship Management (CRM) concept has emerged as a popular business strategy. It is all about the application of innovative marketing technology that not only retains the existing customers but also acquires new customers. Usually for service sector like hospitality and hotels CRM practices are being widely adapted to support customer satisfaction, customer retention and profitability through establishing long term relationships with the customers. The proposed study will provide an insight into the technological innovation in hotel industry to develop their relationship with their guests/customers. The main purpose of this study is to understand the strategic role of CRM technology to transform hospitality services in India with respect to Hotel operations. Based on the data collected through secondary sources; this paper makes an assessment of the extent of the awareness and innovativeness prevalent among hotel sector in India.

Keywords — Customer Relationship Management; Hospitality; Hotel sector; Technovation; Global Competitiveness.

1. Introduction

“There is only one boss; the customer. And he can fire everybody in the company, from the chairman on down simply by spreading his money somewhere else” - Sam Walton –founder Wal-Mart. Today, in this ferocious competitive economy customers are the centre for each and every business transactions for each and every sector. And in the global market scenario, customers are the sole reason for the existence of every business organization. How to satisfy customers and make them loyal is now become the major challenge for the service industries across the globe. Managing relationship with the customer's further act is a significant factor for the achievement of competitive advantage. Thus, leading marketers of 21st century are increasingly adapting the concept of relationship management practices. Building relationships through One-to-One marketing is now the strategic mantra to achieve global competitiveness and growth sustainability. As per many research it has been proved that it is more profitable for a company to retain an existing customer than to attract a new one. Likewise, according to great management guru, Peter Drucker, “the purpose of business is to create and keep a customer.” Hence, many service organizations hospitality offers frequent-guest programmes and lucrative discounts and reward programmes for the loyal clients.

2. Literature Survey

In the present day, technotronic revolution has revamped and reshaped the way of doing business operations. Hence, technology plays a pivotal role to build

relationships with the customers in a more effective mode. Customer relationship management (CRM) is the innovative approach which facilitates an organization to track the existing as well as potential customers proficiently. A great deal of sense to keep existing customers happy rather than devoting high levels of marketing effort on acquiring new ones. CRM can be defined as a system which helps organizations build customer relationship and streamline processes, so they can increase sales, improve customer service and increase profitability (Nagi, 2005). CRM concept is a technique to handle customer relationships which originated from the earliest notion of relationship marketing approach (Gummesson, 2008). Furthermore, according to Gummesson (2008), CRM is defined as “the values and strategies of Relationship Marketing with special emphasis on the relationship between a customer and a supplier where businesses can store customer and prospect data, track customer communications and share this with similar groups. It helps to manage relationships with customers and the business to grow. Similarly, CRM can be considered as a company-wide business strategy designed to improve revenues and profitability, reduce costs and increase customer loyalty. Peeru Mohamed and Sagadevan (2002) have considered CRM as “a management process of acquiring customers by understanding their requirements, retaining customers by fulfilling their requirements more than their expectations and attracting new customers through customer specific strategic marketing approaches.” On the other hand Parvatiyar and Sheth (2013), declared Customer Relationship Management as “a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer.” In a nutshell CRM is a

synergistic blending of customer relationship marketing strategies and information and communication technology to generate profitable and long-term relationships with customers and other stakeholders. In addition, CRM technology is a cross-functional integration of people, process, operations and marketing strategy enabled through ICT applications which helps an organization to deliver efficient customer value. Thus, the primary focus of CRM is to upgrade relationship with the customer from a “stranger” to “acquaintance” then to a ‘friend’ and finally to treat him as a ‘partner’ (Raizda, 2011). However, Leena, et al. (2015) considered CRM as an “umbrella concept” that place the customer subsequently to the center of any organization.

Indian hospitality sector as an intrinsic component of tourism industry has undergone a paradigm shift in the present scenario. Since past few years the growth in the hotel industry had a significant contribution to the tourism industry of the country. Due to remarkable influx of domestic as well as international tourist there has been tremendous growth opportunity for the hotel industry in India thrived by 'Atithi Devo Bhavah' campaign. In hotel sector service quality and customer satisfaction are the two very significant elements playing pivotal role to inculcate competitive advantage. Because if the customers are highly satisfied with the quality of service they will prefer to visit the same hotel repetitively and also attracts more customers through referral marketing. Therefore in people oriented sector like hotels managing relationships with the customers further act as a key tool to achieve business excellencies. CRM has ultimately reshaped the way of managing relationships with the valued customers in the hotel sector. In hospitality setup CRM helps in maximizing customer satisfaction, loyalty and long-term relationship formation. As a result, it leads to spread of positive word of mouth, profitability, enhancing brand image and also reduction in customer switchover rate.

Therefore, the essence of CRM philosophy in hotel sector is to strategize a customer-centric environment. However the success of CRM strategy depends not only on the capability of the hotel to identify the needs and demands of customers but also on the way of achieving customer life time value. CRM tools further assist the staffs of the hotels to store and access the customer information throughout the organization. Moreover, the ultimate goal of CRM approach in hospitality is to handle relationships with the customers in a holistic manner.

3. Objective

The main objective of the study is to analyze the strategic role of CRM in hotel sector to transform the service operation through technological innovation. This

paper aims to understand the practice of customer relationship management approach adopted by Indian hotel sector to foster business excellencies. This paper further analyses various issues and challenges associated with employment of CRM technology in hotel context

4. Research Methodology

This research is based on the secondary data. The data and information has been obtained from various sources which includes books, personal sources, journal, previous studies, published statistics, newspaper, reports and websites. Then it makes an assessment of the extent of awareness, innovativeness and responsiveness prevalent among hotel sector in India for managing customer relationship.

5. Business Transformation through CRM Analytics in Hospitality Services

CRM is basically an automated technology to process customer data which are used for future decision making in an organization. It also helps in utilizing the data to analyze and interpret the behavior of the customers that helps the organizations to know and understand each segment of the customers. In general, customer analytics are a kind of software based on Online Analytical Processing (OLAP) technique to help in mining as well as analysis of the customer database. CRM analytics platform mainly consisting of a data warehouse to collect, store and analyze data, integration of data, visualization of data through score cards, dashboards and lastly query and reporting analysis through OLAP.

Customer facing application mostly related to marketing related activities including sales, customer services and care and campaign management. On the other hand, customer-touching applications deals with customer-oriented activities like searching of customer from the database, feedback management, E-mail and auto responses, loyalty programmes, etc. In hospitality sector two types of CRM can be implemented. Generally analytical CRM leads to profit generation through maintain long-term relationships with the customers while, operational CRM increases profitability through saving of service cost (Arul and Baranidharan, 2012). Data-mining technology also emphasized as a significant tool to forecast guest behavior in hotel sector. Hoteliers can make effective marketing decision through the information generated from data mining which further establishes customer relationships (Danubianu and Hapenciuc, 2008). Years before business analytics were purely hardcore technology oriented and restricted to skilled professionals only. However, in present days the technology has become

online based and user-friendly to assist all groups of employees ranging from high level executives to front office staffs. Business analytics and CRM have brought a phenomenal transformation in the hospitality sector. In the process data management solutions implemented in companies and enterprise to collect historical and present data, while using statistics and software to analyze raw information and deliver insights for making better future decisions. CRM analytics can integrate all customer data points including call centre, internet email and social media and customers. This helps the hotels to understand their customer more proficiently. Furthermore it also helps the hotels to identify their potential and valued customers to serve them with latest offers. CRM tools along with business analytics further helps to demonstrate quicker decision making process too. Through predictive analytic tools hoteliers also can forecast the repurchasing or repeat visit intensions of the guests. Nonetheless, CRM analytics further helps the hospitality organizations to track the performance records related to customer satisfaction, retention and profitability through benchmarking analysis.

6. Strategizing Technovation through CRM in Hotel Sector

Usually for service sector like hospitality and hotels the first and foremost skill that ultimately makes a big difference in the service quality is the promptness in solving customers' problem through a systematic and responsive manner. Accordingly, strategizing innovative technology is a tool in hospitality services further leads to enhance customer satisfaction level as a result of exceeding perception over expectations. In CRM arena both technology and strategy has a dyadic relationships in hotel sector. In hotel industry the customer-centric approach technology of CRM effectively establishes long term customer relationship with help of comprehensive database management.

CRM plays a significant role to achieve global competitiveness in hotel industry. All together CRM acts a one stop database consisting of the customer's information in a comprehensive way, provides better customer support, customized the product as per the demand of the customer, increases referrals through positive word of mouth results in retention of customers, enhances sales productive and moreover employs winning strategies like cross selling of augmented products.

6.1 Technological Solutions for the Hotel Sector

Technological advancements facilitate the hotel sector to collect, analyze and exploit customer information broadly (Lancaster and Luck, 2010). There are huge number of integrated software have been developed

specific for the hotel operations. Hotel management system facilitates hoteliers to manage different activities with no difficulties from reservation to after sales services.

In hotel sector, at the time of check in staffs of the hotel often records the guest history in their customer database for future utilization. Accordingly at the time of check out also they record the feedback and suggestions to provide customized and enhanced services in their next visits. Similarly, with the help of yield management and revenue system hotel authorities also can develop pricing strategy according to the different category of guests. Moreover, communication technology also provides the opportunity for the hoteliers to interact with the customer in regular basis which ultimately helps them to build customer relationship. In view of that, ICT regulates the CRM strategy for the hotel sector to retain and satisfy customers. With the help of ICT CRM facilitates one-to-one marketing, identify specific demands of the guests and moreover acts as a life saver for the hotel sector (Rahimi, 2007). There are many CRM solution providers exists throughout the globe to provide utmost customer service facility for the hotels. They provide customized products and marketing solutions for the famous hotel brands of India. Some of the common CRM software solutions are SAP-CRM, ORACLE, Siebel, Sales force, Marketo, Experiture, Guestware, Kapture CRM, TLC group and many more.

7. CRM Application in Indian Hotel Industry

It has been rightly said by John Lydgate that "Most of the time you can please some of the people, but not all." Whereas CRM technology helps in serving all customers better, this in turn would improve your business processes. CRM has emerged as a miraculous tool to delight customers through having an in-depth knowledge of customer's needs and demands. CRM has phenomenally transformed the hospitality sector in global context. It has been widely accepted by marketers to attract as well as retain prospective customers in hospitality setup. CRM software at one go support hospitality service sector to strategize sales, marketing, e-commerce, customer care and post-sales services. According to Mohammed and Rashid (2012), in hotel sector there are four dimensions of CRM i.e. customer orientation, CRM organization, Knowledge management, and technology based CRM improve organization performance and create competitive advantage.

In hotel sector, CRM tools helps in keeping track of customers and their specific demands. Accordingly, hoteliers can frame appropriate marketing strategy to provide utmost service quality deliverance to the guests. Furthermore, it also helps the hotel sector to increase

profitability and build customer loyalty and retention in an effective manner. For this reason, presently CRM is the latest buzz in the hotel sector all across the world. Many tycoons of the hotel sector have successfully implemented CRM tools in their organization for smooth service operations. Hence, famous hotel chains of India are also supporting CRM technology to facilitate world class customer service to their trustworthy customers. According to Chadha (2015), in case of hotel Taj, New Delhi CRM practices implemented mostly inform of analyzing the existing customer database and personal counseling. The staffs of the hotels were highly satisfied with the CRM approach as it leads to higher level of customer satisfaction and retention. Similarly, Banga et al. (2013) found that maximum hoteliers in Ludhiana demonstrated positive response towards CRM implementation that practiced through analyzing customer database and personal counseling which boost customer satisfaction and loyalty. While, Bhavani and Pawar (2012) found that in star hotels in Hyderabad, CRM establishes a positive correlation among the customer expectations and perceptions. Sahu (2011) indicated that the practice of relationship management frequently occurs in five star hotels as compared to mid range and budget category hotels in India. Likewise, Deshmukh et al. (2012) in context of Nagpur star hotels observed CRM system of 5 star hotels were highly customer centric as compared to the hotels with lower star rating. Srivastava, et al. (2018) in their study in Jharkhand Hotel industry explored that CRM systems facilitates cost effective and high quality service delivery that leads to customer loyalty. On the other hand Thryambakam and Bethapud (2013) further emphasized on the significance of social media integration with CRM system of hotels to enhance customer service operations in an effective way.

8. Issues and Challenges

There is no doubt that technovation has revolutionized the marketing landscape radically. However, it also faces different challenges in its success path. CRM technology is yet to gain popularity due to many hoteliers still prefers traditional methods of approaching the customers. Therefore, CRM needs to be customized accordingly to the business model of the hotels. Furthermore, the effectiveness of CRM tools also depends on the number of customers.

8.1 Key Challenges with CRM Implementation

The key challenges associated with CRM implementation in hotels are discussed below.

- Handling of guest's information through collecting, storing and accessing in apposite manner.

- Analyzing the behavior of the guests from the past transactions.
- Automation of the sales and marketing procedure.
- Technology Management.
- Comprehensible strategy for the implantation.
- Proper Training to the staffs.
- Selecting the right CRM solution provider.
- Integrity of the system and security measures.
- Proper co-ordination between chains of hotels.
- Allocation of funding.
- Social media maturity level of the hotels.
- CRM implementation restricted to big hotel chains.
- Lack of awareness and inadequate knowledge about latest technology.

9. Results, Discussion and Suggestions

The main objective of the paper was to investigate in to how CRM helps the hotel sector to attract, retain and maintain guests to achieve customer loyalty. In the study the author through a conceptual review tries to find out the effectiveness, scopes and challenges for CRM technology implementation in the hotel set up. The study will provide an insight to the practitioner in hospitality service sector and research community towards relationships with customer that lasts forever. From practical point of view, this paper will increase the awareness level of hotels to frame and innovative competitive strategies through implementing suitable Customer Relationship Management prototype. It will also provide the staffs of the hotel industry relevant information to frame a qualitative CRM strategy.

At the moment, CRM implementation in hotel service sector is the need of the hour. However, the process requires commitment and synergy between the departments of the entire hotel. The main issue for implementation of CRM is the integration of the software with the existing management information system designed for the hotel. Besides, CRM only provides accurate results if it has been both strategically and operationally integrated completely with the hotel system. Furthermore CRM further acts as a container which needs to be filled up with relevant customer data in right time. Otherwise data mining is not possible and successful too.

Similarly, it is also found from different studies that higher the star levels of the hotel higher the success rate of CRM implementation. Hence, CRM solutions are best fit only for the premium segment group of hotels. There is also requirement to build up of a strong CRM team associating top level executives, customer care and IT department to develop a successful CRM strategy for the hotels. In addition to the above, staffs of the hotel also

needs to be given proper training regarding the flexibility of CRM system to enhance the quality of service delivery.

10. Conclusion

In hotel services both customers and employees play a crucial role in an organization. When the employees are happy ultimately it will reflect on their service delivery mechanism which eventually makes the customers delight. And the customers who are highly satisfied automatically they will stick to the service provider which further generates profit to the hotels. In view of that CRM technology helps the hoteliers to explore the potential and loyal guests through its customer selectivity skill. So, CRM assists in to choose the right customers to navigate relationships to inculcate sustainable competitive advantage. Similarly, CRM is not just a strategy encompassing with people, process and technology. Above and beyond, the technology mostly acts as a catalyst to make the strategy triumphant. Though technology has no replacement, still the core objectives of hotel industry revolves around hospitality, customer care and food quality but the technologies discussed above can make it easier for you to consistently deliver a memorable experience to your guests through assisting qualitative service delivery towards the prospective customers.

Lastly, in the present cutthroat global business environment CRM solutions have become inevitability for the hotel sector where, customer retention is the sole objective. Thus, strategizing CRM technology in the hotel framework can foster business excellency as well as transformation.

Acknowledgements

I express my sense of profound gratitude to all of them who in some or other way helped me to accomplish this challenging research article entitled “Emerging Role of CRM in Hospitality Services: A Study of Hotel Sector in India” and for giving me this opportunity to conduct this study. A special appreciative “Thank you” is accorded to all my family members for their positive support.

I am extremely thankful and pay my gratitude to my guides Dr. Mayadhar Satpathy and Dr. Jayakrushna Panda for their valuable guidance and timely support in completing this research article in its entirety. I am thankful to my Course Coordinator, Dr Muna Kalyani and also convey my thanks to my colleagues for their support.

Lastly, I am indebted to all the friends of mine and well-wishers who have extended their direct and indirect support to me during the research work.

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