

## **CUSTOMER RELATIONSHIP MANAGEMENT IN HOSPITALITY SECTOR**

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### **ABSTRACT**

“Customer relationship management (CRM) is a business strategy to select and manage the most valuable customer relationships. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales, and service processes. CRM applications can enable effective customer relationship management, provided that an enterprise has the right leadership, strategy, and culture.” Basically everything is said within this statement. Customer loyalty decreases due to a multitude of channels and increasing transparency of the market. This is mainly due to the rapid growth of the Internet, economic globalization and comparable quality. Especially in the hotel industry, the basic product (hotel room) is very similar, when comparing the same quality level. The customers’ focus is more on the soft factors, like personal treatment and attention. It is identified that most failures to achieve CRM benefits are due to a lack of internal strategy. Treacy and Wiersema’s (1993) value disciplines form a good framework to build a customer-oriented and focused organizational strategy. Customer Relationship Management must not only focus on the existing and frequent customer base; it needs to manage all customers of the organization. Return on CRM investment will fall in place automatically after the base is set properly. Main drivers are increased customer satisfaction, an increased number of referrals and a decrease in marketing costs. 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.

Keywords: Customer-centric, transparency, framework, perishable

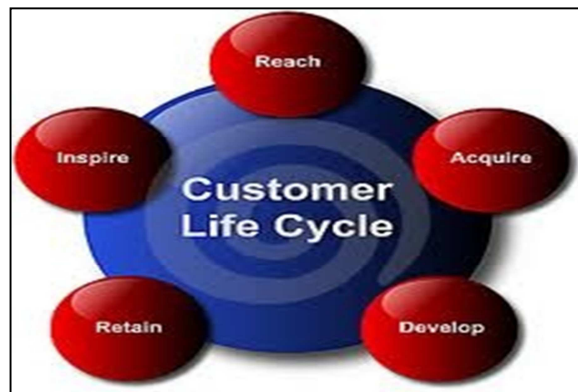
### **INTRODUCTION**

The Hospitality industry offers a huge potential for Social CRM. The Hospitality industry thrives on two basic factors- Segmentation & Uniqueness. Apart from the regular promises of customer satisfaction, it is the Identity or rather the personality of the hotel that really matters. And not to forget the Stand-out factor, that every hotel has on offering, as compared to its competitors. All these factors contribute towards the building of trust and customer loyalty, and eventually prolonged profitability.

Most hotels spend heavily towards enhancing customer experiences through various marketing ploys. They offer loyalty programs and other exclusive benefits to capture the customer's attention. But, these promotions tend to become heavy on their pockets. Hence, including Social CRM mechanism in their framework will see a significant cut-down in their costs and also lessen the outreach efforts thanks to social media's targeted reach resulting in a win-win situation.

Taking a cue from other verticals, social media is slowly but steadily being employed by players from the Hospitality industry. The InterContinental Group of Hotels was one of the first players in this field, to have successfully adopted social media to boost sales. Hotel Westin Mindspace, Hyderabad has also started really well. But, by far the best that I've seen is Hotel Royal Plaza on Scotts, Singapore. It seems to be doing everything right. As we know, the Hospitality industry is heavily dependent on Word-of-Mouth. It can benefit immensely from Social CRM which is nothing but an electronic version of Word-of-Mouth. Any amount of negative feedback from customers can act as a dampener and affect sales, and the brand itself.

As per a report, customer tells eight friends about a satisfying experience and 20 friends for a negative experience. It is easier to influence existing customer to buy 10% more than it is to increase the customer base by 10%. 80% of successful new product and service ideas come from existing customers cost 1/5 less than new customer and can substantially increase profit.



### **Customer Life Cycle**

Another area of concern in this industry is the lack of qualified social media personnel with Hotel management background. As per a recent research, some hotels have already started including knowledge of social media as a requirement into entry-level job roles, while most hotels have simply engaged a social media agency to carry out the task and rely on them to implement effective social media marketing strategies and Social CRM to manage guest reviews, measure results, engage and communicate effectively with potential customers through social media platforms and blogs.

### **Mahatma Gandhi's Definition of Customer:**

- ✓ A customer brings us his wants. It is our job to handle them properly and profitably- both to him and us.
- ✓ A customer is not an outsider to business; he is a definite part of it. A customer is not an interruption of our work. He is the purpose of it.
- ✓ A customer makes it possible to pay our salary, whether we are a driver, plant or office employee.
- ✓ A customer is not dependent on us, we are dependent on him.

### **Why CRM?**

In the commercial world the importance of retaining existing customers and expanding business is paramount. The costs associated with finding new customers mean that every existing customer could be important.

A recent article suggested that hotel business management is the best it has ever been, in that costs are under control in a better more effective way than ever before. Well good for them! But how will that control affect their ability to be competitive? And how will that affect Brands that rely on quality of service to differentiate them from the others? How will hotels regain the sales and marketing ground lost whilst busy reducing overheads? And thereby maximise the returns owners expect from their assets? A dilemma, if they are to remain profitable. The solutions could be considered to be revolutionary, which may be a problem for a 'traditional' business.

So what is needed, is a change in mindset throughout 'the organisation'. If a CRM strategy is to succeed, then everyone in the organisation must know the whole picture and understand why Customers are important and if service delivery is to be consistently good, also believe it. What is often overlooked, is that Customers are fickle and therefore unpredictable, when choosing where and what they buy. Additionally, reliability and consistency of repeat purchases are hindered by the changing environment we find ourselves in. With the opportunities for wider choices increasing, we should acknowledge our Customer's behaviour in this context, and mix that together with their 'history' to help determine future sales & marketing to them and thereby ensure a greater chance of attracting repeat purchases in the future.

The more opportunities that a customer has to conduct business with your company the better, and one way of achieving this is by opening up channels such as direct sales, online sales, franchises, use of agents, etc. However, the more channels you have, the greater the need to manage your interaction with your customer base.

Customer relationship management (CRM) helps businesses to gain an insight into the behaviour of their customers and modify their business operations to ensure that customers are served in the best possible way. In essence, CRM helps a business to recognise the value of its customers and

to capitalize on improved customer relations. The better you understand your customers, the more responsive you can be to their needs.

CRM can be achieved by:

- finding out about your customers' purchasing habits, opinions and preferences
- profiling individuals and groups to market more effectively and increase sales
- changing the way you operate to improve customer service and marketing

Benefiting from CRM is not just a question of buying the right software. You must also adapt your business to the needs of your customers.

### **10 Steps to implement Social CRM**

- 1) Understand your Conversation Map. Listen and understand the social media conversations from advocates to influencers and from detractors to consumers.
- 2) Understand the Social Graph of your customers. This is very important - it refers to your current customer in your CRM system, marketing database or customer datamart. Are they on Facebook, Twitter, blogs, forums, external communities, etc., etc?
- 3) Have a Social Graph of your Best Customers. Are your best customers using social media? Can you start engaging them for your own pilots? Can you engage them? What other types of customers can you engage? Again, these are known customers in your CRM system or Loyalty Program.
- 4) Establish processes & requirements to meet your goals and objectives based on current needs and the analysis from the above 3 steps.
- 5) Get ready to put together a social media plan based on the requirements and processes. Do you need to be on Facebook? Do you need call center integration? Do you need to integrate social media marketing with your marketing automation? Do you need a community to provide ideas and collaboration for customer support? Do you have a social Media Manager ad policies in place?
- 6) Create specific use cases for your integration points to capture data. This is not just about technology but also about customer experience, culture and processes.
- 7) Have your traditional CRM ready for social media. Do you have the workflow, processes, rules, data structure, training, call center, people, etc., ready to manage communities and social media channels?
- 8) If your customer or influencers are already collaborating using social media, is your enterprise ready to collaborate internally? i.e. Social Business, E 2.0.

9) Like in CRM... Do you have the culture, people and change management attitude to really change?

10) Improve your CRM ecosystem - this should be step 1. Fix what is not working today.

### **Benefits of using CRM in Hospitality Industry**

CRM has some obvious benefits for the hotel industry, but these are not especially different than they are for any other industry. The principal benefits that come to mind are fairly obvious –

- ✓ Increased customer satisfaction and retention, increased repeat business,
- ✓ Increased share of category spend,
- ✓ Increased likelihood of referral business.

These results come from a strategy of strengthening customer relationships by constantly providing customer value leading to satisfaction.

### **Business benefits of CRM**

Implementing a customer relationship management (CRM) solution might involve considerable time and expense. However, there are many potential benefits.

A major benefit can be the development of better relations with your existing customers, which can lead to:

- increased sales through better timing by anticipating needs based on historic trends
- identifying needs more effectively by understanding specific customer requirements
- cross-selling of other products by highlighting and suggesting alternatives or enhancements
- identifying which of your customers are profitable and which are not

This can lead to better marketing of your products or services by focusing on:

- effective targeted marketing communications aimed specifically at customer needs
- a more personal approach and the development of new or improved products and services in order to win more business in the future

Ultimately this could lead to:

- enhanced customer satisfaction and retention, ensuring that your good reputation in the marketplace continues to grow

- increased value from your existing customers and reduced costs associated with supporting and servicing them, increasing your overall efficiency and reducing total cost of sales
- improved profitability by focusing on the most profitable customers and dealing with the unprofitable in more cost effective ways

Once your business starts to look after its existing customers effectively, efforts can be concentrated on finding new customers and expanding your market. The more you know about your customers, the easier it is to identify new prospects and increase your customer base.

Even with years of accumulated knowledge, there's always room for improvement. Customer needs change over time, and technology can make it easier to find out more about customers and ensure that everyone in an organization can exploit this information.

### **Top 5 Trends for 2011**

1) **Branding** is more important than ever. Brands have always been and are increasingly becoming a surrogate for value - making brand differentiation all the more critical as generic features continue to propagate in the brand landscape.

2) **Value is the new black:** Consumer spending, even on sale items, will continue to be replaced by a reason-to-buy at all. The era of "Because I said so" is over. This will more than likely challenge most companies.

3) **The rise of the Datarati.** Google's Chief Economist, Hal Varian once said that "Datarati are companies that have the edge in consumer data insight...Data is ubiquitous and cheap, analytical ability is scarce... The sexiest job in the next ten years will be statistician." How true. There has been and will continue to be an increased focus on data analysis as companies continue to invest in measuring social media, understanding customer value and modeling customer behavior. If you do not use your data to talk to your customers, others will. As such the investment in data aggregation and the hiring of "sexy" statisticians is a going to be a major trend in 2011.

4) **Customer Experience:** Customers have more choices than ever, and are more frugal. This affords them the luxury of demanding more. This is the year that the CRM Marketer will be charged with offering a consistent experience across all company touch points and developing the infrastructure that allows for knowledge sharing and smart communication. Smart marketers will identify and capitalize on unmet expectations. Those companies that understand where the strongest expectations exist will be the companies that survive and prosper. The customer's mobile and online experiences will begin to evolve and rival the customer's offline experience - attentive assistants and all.

5) **Personalization and customization:** In order to be effective in this new year, companies will seek to know more about its customers and use that insight to talk, engage and interact with their

customers more often and more meaningfully in new and innovative ways (including dynamic content, blogs to other social networking). 2011 is going to be up close and personal, like it or not.

## **Conclusion**

Customers are the backbone of any kind of business activities, maintaining relationship with them yields better result. By capturing, tracking and analyzing customer service data, CRM enables a firm to identify new performance issues. Customer data will help a firm in identifying new product development opportunities, provide personalized services to customer based on their behavior and responses.

CRM is a powerful management tool that can be used to exploit sales potential and maximize the value of the customer to the hospitality industry. In the long term, CRM produces continuous scrutiny of the hospitality business with the customer, thereby increasing the value of the customer's business. Hospitality sector's greatest assets are their knowledge of their customers. They can use this asset and turn it into key competitive advantage by retaining those customers who represent the highest lifetime value and profitability. They can develop customer relationships across a broad spectrum of touch points such their franchise branches. Simply implementing a solution intended to achieve organizational goals is not enough to achieve CRM success. The process should ensure that these goals are achieved. More importantly CRM optimization should be encouraged through the right practices, optimization of resources and the ability to adapt to change. Objectives need to be identified and CRM goals need to be fixed before embarking on a CRM project. Business processes need to be integrated with CRM solution before actual implementation. The chosen solution should fit organizational objectives to the hilt.

But to be successful, the hospitality sector needs a comprehensive CRM strategy in which all departments within the hospitality sector integrates.

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