



## CUSTOMER RELATIONSHIP MANAGEMENT IN HOTEL INDUSTRY

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### **Abstract**

*Today, there is a vast development in hotel industry due to increased tourism. To survive in this competitive scenario hotel industry has to realize the importance of Customer Relationship Management (CRM) and its potential to help them in acquiring new customers and retaining the existing ones to maximize their lifetime value. Customer Relationship Management (CRM) is an activity involving all resources to establish, manage and maintain relationships with existing customers, to determine the needs and wants of customers. It has become a key strategy for attracting and retaining the customers particularly in hotels. The aim of the research is to know the strategies followed to attract and retain the customers in selected hotels in Chennai. The data was collected through a questionnaire from the hotel guest. A sample of 335 questionnaires were selected and used for the study. Factor analysis is applied to analyze the data. The findings indicate that Check in services, Marketing and Special facilities are provided to attract the customers and Customer care, Personalized service, Customer delight are followed to retain the customers.*

**Key Words:** *Customer Acquisition And Customer Retention.*

### **INTRODUCTION**

There are vast development in hotel industry due to increased tourism. To survive in this competitive scenario hotel industry has to realize the importance of Customer Relationship Management (CRM) and its potential to help them in acquiring new customers and retaining the existing ones to maximize their lifetime value. Customer Relationship Management (CRM) is an activity involving all resources to establish, manage and maintain relationships with existing customers, to determine the needs and wants of customers. Customer relationship management has become a key strategy for attracting and retaining the customers particularly in hotels.

### **REVIEW OF LITERATURE**

#### **CUSTOMER RELATIONSHIP MANAGEMENT**

Customer relationship management (CRM) is being one of the leading modern business and market strategy employed in high competing business environment. It is a comprehensive strategy for acquiring, retaining and partnering with selected customers to improve quality for the company and the customer (**Sigala, 2005**). It is an asset for an organization because satisfied customers are more likely to return to the hotels and also to recommend others (**Jones et. al., 2007**). **Minal and Kasim (2009)** argued that hotels should assess users satisfaction levels towards their service so that they can use the feedback to make positive adjustments to their products and services. **Iravo et. al., (2013)** state that dissatisfied customers will be disloyal to the organization and will talk about their bad experience to other customers. There is intense competition in today's hotels which requires managers to adopt strategic drivers of performance in order to improve hotel services.

#### **CUSTOMER ACQUISITION**

**Park and Kim (2003)** emphasis the importance of acquisition process, especially in the organization where potential customers are identified through various communication channels. **Kamakura et al. (2005)** also supported that despite the significance of acquisition process, due importance is not accorded to the identification of potential customers for acquisition. Likewise, **Ganapathy et al**, also observes that well designed customer acquisition process is essential for the institutions which make attempts of converting the acquired customers into cost effective and advantageous ones. Moreover, **Berndt et al. (2005)** explained acquisition process of customers as a want of finding new customers for their products; thus it creates a need to develop strategies for attracting the customers.

#### **CUSTOMER RETENTION**

The costs of acquiring customers to replace the lost customer is very high, because the cost for acquiring customers is spent only in the beginning stages of customer relationship. (**Reichheld and Kenny, 1990**). In addition long term customers buy more and , if satisfied, may generate positive word of mouth promotion for the company. Long term customers are less time consuming and also less sensitive to price fluctuations(**Healy ,1999**). Hotels that can attract, preserve, satiate and retain customers have more chances to survive. (**Choi and Chu, 2001**). So, Customer Retention is important for survival which needs to develop strategies for retaining the customers.

## OBJECTIVE OF THE STUDY

The aim is to know the strategies followed to attract and retain the customers.

## METHODOLOGY

The primary data was collected through a questionnaire from the guest of selected hotels in Chennai. A sample of 335 questionnaires were selected and used for the study.

## DATA ANALYSIS AND RESULTS

To identify whether it is appropriate to employ the principal component method with varimax rotation, Kaiser-Meyer-Olkin (KMO) test and Bartlett's test of sphericity was conducted firstly.

### Factor Analysis for Attracting the Guest

**Table no: 1 Table of KMO and Bartlett's Test on strategies for attracting Guest**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.764
Bartlett's Test of Sphericity	Approx. Chi-Square	1114.477
	Df	45
	Sig.	.000

The above table indicates that the KMO value is 0.764 and Bartlett's test of sphericity with Chi-square approximation is 1114.477. These values are significant at 5% level. Therefore, it is appropriate to conduct the factor analysis. The following communality table gives the Range of the variances of all the nine variables.

**Table no: 2 Table of Communalities**

	Initial	Extraction
AG1	1.000	.674
AG2	1.000	.690
AG3	1.000	.268
AG4	1.000	.666
AG5	1.000	.624
AG6	1.000	.635
AG7	1.000	.698
AG8	1.000	.798
AG9	1.000	.718

Extraction Method: Principal Component Analysis.

\*AG – Strategies for attracting Guest.

From the above table it is clear that the Range of the variable is 0.268 to 0.798. Thus the prevailing variable of sampling distribution varies from 26.8% to 79.8%. This leads to the conclusion that the factor extraction process is justified to formulate meaningful factors. The number of factors identified in the following total variance table.

**Table no: 3 Table of Total Variance**

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.718	37.183	37.183	3.668	36.683	36.683
2	1.564	15.636	52.819	1.491	14.911	51.593
3	1.194	11.935	64.754	1.316	13.161	64.754
4	.937	9.369	74.123			
5	.744	7.438	81.561			
6	.544	5.441	87.002			
7	.442	4.425	91.427			
8	.279	2.787	98.263			
9	.174	1.737	100.000			

Extraction Method: Principal Component Analysis.

From the above table it is found that the nine variables are converted in to major three factors with individual variances 36.683, 14.911 and 13.161. The total variance explained by the variable is 64.754 which are significant at 5% level. The following variables loading gives the details about formation of new factors with appropriate variable loadings.

**Table No: 4 Table of Rotated Component Matrix**

	Component		
	1	2	3
AG7	.828		
AG9	.824		
AG6	.792		
AG4	.701		
AG5	.684		
AG2		.819	
AG1		.745	
AG3		.440	
AG8			.886

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

On the first dimension, factor loadings varied from 0.684 to 0.828. Among nine variables, Value added services are provided at 0.828 showed higher factor loadings followed by Special price discounts, premiums are offered at 0.824 Quick check in and check out at 0.792 Package deals are offered at 0.701 Responsive staff with accurate information at 0.684. From this it could be inferred that these variables are related to **Introductory offers and Check in services**.

The key variables identified in Second dimension are Ease of reservation and confirmation at 0.819 followed by Hotel facilities and services are advertised at 0.745, Variety of facilities and services are offered at 0.440. From this it could be inferred that these variables are related to **Promotional Campaign**.

At last Providing discounts for customer referrals at 0.886 is inferred as **Word of mouth**

**Factor analysis for Retaining the guest**

**Table No: 5. Table of KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.536
Bartlett's Test of Sphericity	729.676
Approx Chi-Square	
Df	78
Sig	.000

From the above table it is found that the KMO value is 0.536 and Bartlett test of sphericity with chi-square approximation is 729.676. These two values are statistically significant at 5% level and also designate the data reduction process to obtain the predominant factors. The following communality table gives the range of the variances of all the twelve variables.

**Table no: 6. Table of Communalities**

	Initial	Extraction
RG1	1.000	.845
RG2	1.000	.806
RG3	1.000	.586
RG4	1.000	.601
RG5	1.000	.551
RG6	1.000	.634
RG7	1.000	.620
RG8	1.000	.684
RG9	1.000	.502
RG10	1.000	.353
RG11	1.000	.629
RG12	1.000	.563

Extraction Method: Principal Component Analysis.

\*RG- strategies for retaining the guest

From the above table it is found that the range of variance is 0.353 to 0.845. This shows that the prevailing variance of the sample distribution varies from 35.3% to 84.5%. This forces to conclude that the factor extraction process is justified to frame the meaningful factor.

The number of factors extracted is identified in the following total variance table

**Table no: 7 Table of Total Variance Explained in floor management**

Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.400	18.459	18.459	1.850	14.233	14.233
2	1.945	14.962	33.420	1.843	14.178	28.411
3	1.359	10.452	43.872	1.716	13.202	41.613
4	1.225	9.420	53.292	1.512	11.629	53.242
5	1.132	8.710	62.002	1.139	8.760	62.002
6	.959	7.376	69.378			
7	.934	7.186	76.564			
8	.833	6.404	82.968			
9	.641	4.933	87.901			
10	.496	3.818	95.670			
11	.318	2.448	98.118			
12	.245	1.882	100.000			

Extraction Method: Principal Component Analysis.

From the above table it is found that the thirteen variables are converted in to major five factors with individual variances 14.233, 14.178, 13.202, 11.629 and 8.760. The total variance explained by the variable is 62.002 which are significant at 5% level. The following variables loading gives the details about formation of new factors with appropriate variable loadings.

**Table no: 8 Table of Rotated Component Matrix(a) of floor management**

	Component				
	1	2	3	4	5
RG1	.905				
RG2	.886				
RG4		.737			
RG5		.698			
RG10		.462			
RG8			.773		
RG7			.696		
RG9			.655		
RG12				.778	
RG11				.735	
RG6					.764
RG3					.665

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

On the first dimension Greeting the guest with welcome drinks at 0.905, Providing quality services than competitors at 0.886 are termed as **customer care service**.

On the second dimension Providing customized service at all touch points at 0.737, Remainder messages are sent periodically with details of upgrades in services at 0.698, Guest suggestions are accepted and materialized at 0.462 are related to **Personalized service**.

The key variables identified in third dimension are Sending cards/ wishes on special occasions like birthday and anniversary at 0.773, Hotel has a frequent guest program that allows guest to earn points towards free accommodation at 0.696, Priority for regular guest at 0.655 which are inferred as **Loyalty Programmes**.



On fourth dimension variables such as Thank you card with small momentous during check-out at 0.778, Invited for get – together programs in hotel at 0.735 are related to **Customer delight**.

Finally Membership card for regular customers and business houses at 0.764 and Quite and private accommodation at 0.665 are related to **Superior service**

## CONCLUSION

CRM strategy is a customer centered rather than product centered. Customer acquisition are achieved through multiple activities such as Advertising, special offers or Discounts etc, but they have to concentrate on cost considerations (Alina Filip, Lelia Voinea 2012). Hotel staff should interact with customers which adds value to the services offered to enhance the profitability Uzel (2012). Hotels can organize Food/Tea festivals, Kids competition schemes and many more to maintain long term relationships with the customers and to retain them.

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