Customer Relationship Management Strategies by 3 and 5 Star Hotels (In Special Reference to Delhi City)

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Abstract

The key to success therefore lay in knowing potential customers better, and in bringing out products and services tailored to specific customer requirements. To achieve this Hotel Industry decided to go in for an enterprise-wide deployment of an e-CRM suite even before it launched Indian operations. With the recent technology boom in India, many companies are finding themselves with wider customer bases and a greater need for high quality service, both internally and externally. Many of those companies are turning to Customer Relationship Management (CRM) in order to gain a competitive edge. This study is conducted to study the adoption of Customer Relationship Management strategies by Three & Five Star Hotel Companies to build customer rapport, long term relationship and ultimately to increase their business.

Key Words: Customer Relationship Management, Hotels, Delhi, e-CRM.

1. INTRODUCTION

There has been an influx of Hotel companies in India after liberalisation. The key to success therefore lay in knowing potential customers better, and in bringing out products and services tailored to specific customer requirements.

To achieve this Hotel Industry decided to go in for an enterprise-wide deployment of an e-CRM suite even before it launched Indian operations. With the recent technology boom in India, many companies are finding themselves with wider customer bases and a greater need for high quality service, both internally and externally. Many of those companies are turning to Customer

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Relationship Management (CRM) in order to gain a competitive edge.

This study is conducted to study the adoption of Customer Relationship Management strategies by Three & Five Star Hotel Companies to build customer rapport, long term relationship and ultimately to increase their business.

Introduction of Multinational companies has given a threat to existing companies. The latest techniques and strategies used by new emerging companies have also forced local players to rethink their strategies and to implement latest strategies and techniques like CRM etc.

Figure 1 Model of CRM



Customer Relationship Management (CRM) includes the methodologies, strategies, software, and web-based capabilities that help an enterprise organize and manage customer relationships. It is the collection and distribution of all data to all areas of the business. The general purpose of CRM is to enable organizations to better manage their customers through the introduction of reliable systems, processes and procedures for interacting with those customers.

In today's competitive business environment, a successful CRM strategy cannot be implemented by simply installing and integrating a software package designed to support CRM processes. A holistic approach to CRM is vital for an effective and efficient CRM policy. This approach includes training of employees, a modification of business processes based on customers' needs and an adoption of relevant IT systems (including software and hardware) and/or usage of IT services that enable the organization or company to follow its CRM strategy. CRM services can even replace the acquisition of additional hardware or CRM software licences.

The term itself is meant to describe the whole business strategy (or lack of one) oriented on customer needs. The main misconception of CRM is that it is only software, instead of whole business strategy. To be effective, the CRM process needs to be integrated end-to-end across marketing, sales, and customer service. A good CRM program needs to do the following:

- (i) Create a customer-based culture
- (ii) Adopt customer-based measures
- (iii) Develop an end-to-end process to serve customers
- (iv) Recommend what questions to ask to help a customer solve a problem
- (v) Recommend what to tell a customer with a complaint about a purchase
- (vi) Track all aspects of selling to customers and prospects as well as customer support.

Major areas of CRM focus on service automated processes, personal information gathering and processing, and self-service. It attempts to integrate and automate the various customer serving processes within a company.

(a) Setting up a framework for CRM

- When setting up a CRM segment for a company it might first want to see what profile aspects it feels are relevant to its business, such as what information it needs to serve its customers, the customer's past financial history, the effects of the CRM segment and what information is not useful. Being able to eliminate unwanted information is can be a large aspect of implementing CRM systems.
- When designing a CRM's structure, a company may want to consider keeping more extensive information on their primary customers and keeping less extensive details on the lowmargin clients.

(b) Privacy and Ethical Concerns

CRM programs are not however considered universally good - some feel it invades customer privacy and enable coercive sales techniques due to the information companies now have on customers - see persuasion technology. However, CRM does not necessarily imply gathering new data, it can be used merely to make "better use" of data the corporation already has. But in most cases they are used to collect new data.

Some argue that the most basic privacy concern is the centralised database itself, and that CRMs built this way are inherently privacy-invasive. See the commercial version of the debate over the carceral state, e.g. Total Information Awareness program of the United States federal government.

(c) Technical Functionality

A CRM solution is characterised by the following functionality:

 scalability - the ability to be used on a large scale, and to be reliably expanded to whatever scale is necessary.

- multiple communication channels the ability to interface with users via many different devices (phone, WAP, internet, etc)
- workflow the ability to trigger a process in the backoffice system, e. g. Email Response, etc.
- assignment the ability to assign requests (Service Requests, Sales Opportunities) to a person or group.
- database the centralised storage (in a data warehouse) of all information relevant to customer interaction
- customer privacy considerations, e.g. data encryption and the destruction of records to ensure that they are not stolen or abused.

2. RESEARCH METHODOLOGY

Successful marketing requires timely and relevant market information. An inexpensive research program, based on questionnaires given to current or prospective customers, can often uncover dissatisfaction or possible new products or services. Market research will also identify trends that affect sales and profitability. Population shifts, legal developments, and the local economic situation should be monitored to quickly identify problems and opportunities. It is also important to keep up with competitors' market strategies.

(a) Objective of the Study

- (i) To study basic structure of the CRM;
- (ii) To analyse the way the Hotel companies manage CRM;
- (iii) To work out the various solutions to the CRM problems.

(b) Questionnaire Design

The questionnaire is a structured technique for collecting primary data in a marketing survey. It is a series of written or verbal questions for which the respondent provides answers. A well-designed questionnaire motivates the respondent to provide complete and accurate information.

The survey questionnaire should not be viewed as a

stand-alone tool. Along with the questionnaire there is field work, rewards for the respondents, and communication aids, all of which are important components of the questionnaire process.

(c) Nature of the Study

This is an exploratory study based on both-research from secondary data available as well as the inferences drawn from the responses to the questionnaire, its tabulation and analysis.

(d) Data Design

- (i) Secondary Data: Secondary data was collected from business magazines, news papers and various web sites on internet. Under secondary data inferences already taken by other researchers were directly imbibed into this research.
- (ii) Literature Survey: A literature survey has been done to find out whether there are published materials like magazines, books etc. about the topic or websites related to the topic.
- (iii) Primary data: Consumer Survey of 100 individuals in Delhi (Capital of India). Sample is Convenient-judgmental.

(e) Limitations

Due to time and money constraints, it was able to do research away from the city limits of Delhi. As the author lives in Meerut where 3 and 5 star hotels are not available. Delhi is the most suitable and nearest research location in this regard.

3. IMPROVING CUSTOMER RELATIONS AND CRM IN BUSINESS

CRM programs are also able to improve customer relationships. Proponents say this is so because:

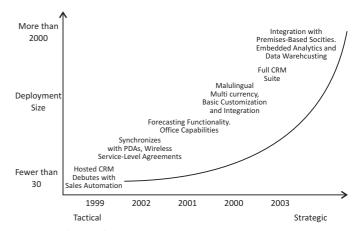
CRM technology can track customer interests, needs, and buying habits as they progress through their life cycles, and tailor the marketing effort accordingly. These way customers get exactly what they want as they change.

- The technology can track customer product use as the product progresses through its life cycle, and tailor the service strategy accordingly. These way customers get what they need as the product ages.
- In industrial markets, the technology can be used to micro-segment the buying centre and help coordinate the conflicting and changing purchase criteria of its members.
- When any of the technology-driven Ó improvements in customer service (mentioned above) contribute to long-term customer satisfaction, they can ensure repeat purchases, improve customer relationships, increase customer loyalty, decrease customer marketing turnover, decrease (associated with customer acquisition and customer "training"), increase sales revenue, and thereby increase profit margins.
- Repeat purchase, however, comes from customer satisfaction - which in turn comes from a deeper understanding of each customer, their individual business challenges and proposing solutions for those challenges rather than a "one size fits all" approach.
- CRM software enables sales people to achieve this one on one approach to selling and can automate some elements of it via tailor able marketing communications. However, all of these elements are facilitated by or for humans to achieve - CRM is therefore a company-wide attitude as much as a software solution.

Hotel Industry spends close to 12 percent of their IT budgets on CRM software and services. The cost includes operational CRM and spending on BI tools. Industry pundits believe that Hotel companies are looking for CRM initiatives with budgets ranging from Rs 50 lakh going right up to Rs 3 crore. The sector is busy compiling data on individuals, including their purchasing patterns and buying preferences of policies, pension plans and the like. In many cases, policy renewal marketing to existing

customers remains an unsophisticated exercise, often amounting to little more than a request to renew, with no attempt at putting a value proposition before the customer. With a little help from CRM software, Hotel Industry can serve their customer better and reduce their costs and increase their profits.

Figure 2
Evolution of Strategic CRM in Business

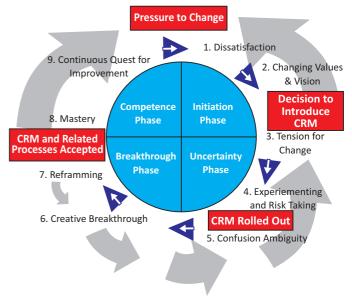


Source: The Yankee Group, 2004

4. CUSTOMER RELATIONSHIP MANAGEMENT AND HOTEL INDUSTRY

Customer relationship management systems, are clearly the hot, new technology tool for hotel

Figure 3
Transformation Change Cycle



companies to grow their top lines, increase return patronage by keeping more of the guests they already have and to fatten up the bottom line. And, the dependency is on management and philosophy, not on technology. There are five key strategic elements to any comprehensive CRM initiative. These core aspects included:

- (i) Guest recognition
- (ii) Data capture and maintenance
- (iii) Channel integration and consistency
- (iv) Ranking and discrimination
- (v) Two-way personalized dialogs

Specific tactics for endowing the hotel company's CRM program with those strategic elements. The key thing to remember here is that CRM is not a computer system. It is an approach to the customer that involves and embraces the hotel guest and branding that guest forever.

5. THE FOUR Ps OF CRM

We all learned about the four Ps of marketing as undergraduates, any self-respecting CRM toolbox contains its own four Ps:

- Profiles
- Preferences
- Precision
- Property management systems

Any CRM platform that fails to deal with each of these elements has dim prospects at best, most likely a train wreck. Let's discuss each of these areas in turn.

(a) Profiles

Effective profiling is at the heart of having one-toone communications with your hotels' guests.

A giant hotel company will typically store profiles in the central reservations system (CRS), usually under its frequency program. Smaller companies or independent hotels may choose to store profiles in the property management system (PMS). In either case, profiles are often pushed to an outboard CRM system with data hygiene and

analytical tools. Some of the key elements to consider in defining your profile data include :

- Multiple addresses and telephone numbers
- Payment methods (i.e. credit card numbers)
- Prior visit history, typically at some summary level with the detail available
- Some ranking measurement indicative of value to the brand
- Family composition
- Comments
- Correspondence history
- Preferences, preferences

(b) Preferences

Preference data may be either observed or reported. For example, a preference for golfing could be reported by the guest in a profile form completed when registering for a frequency program. Likewise, an observed golfing preference could be measured by noting that a given guest went to a golf resort and had greens fees and pro shop purchases on their folio. Either way, you now have a topic to engage the customer in a dialog about, a topic of value and interest to your guest. Make the communication enticing and attractive and you increase your share of that guest's wallet and mind.

One challenging thing about preferences is that a single guest's preferences vary according to the purpose of a given trip and the destination. The vacationer's preference for a room near the pool usually doesn't apply on a business trip to Manhattan. The trick for the hotel company is to identify what are global preferences vs. local ones unique to a property.

(c) Precision

Precision of data input is a crucial element for any CRM effort in any industry.

Corporate management owns the responsibility to define data input standards for all address, comment or other fields that allow text entry. Property management owns the

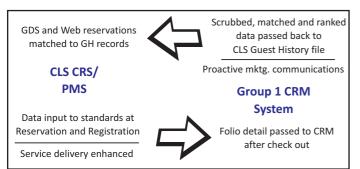
responsibility to train reservations and front office personnel on those standards and reinforce their use. GDS and Internet reservations often come in with non-standard addresses and must be tidied up or matched to a guest history record.

Sophisticated data hygiene and matching algorithms somewhat address the precision issue, but establishing, training and reinforcing data input standards is the only effective remedy. Note that some legacy PMSs will aggravate this problem by erroneously matching stay detail history records under the wrong history master record, making a bad situation worse. Again, data input standards will minimize the negative impact of the primitive logic used in these systems.

(d) Property Management System (PMS)

Many hotel enterprises use a third-party system or service as the heart of their CRM initiative.

Figure 4
Interfaces between the CRM application and the PMS in Manbuttan East Smile Hotels MAGIC system



Property management systems are built to drive the operation, not perform detailed analyses or manage personalized communications. However, in the hotel environment the measure of excellence in service almost always comes down to a face-to-face interaction in the hotel with the guest. The PMS is a crucial part of servicing that interaction. Getting what we know about the guest and their preferences in front of the employee is a required element in supporting them through that moment of truth interaction. All the profiling and preference capture in the world won't help if service delivery fails due to faulty or missing information.

Given the role of the PMS in service delivery, an integrated CRM initiative must incorporate two-way data transfers between any third-party system and the PMS. As guest stays are completed, the stay detail and any new master records must get passed from the PMS to CRM platform. Likewise, scrubbed and summarized data must get passed from the CRM system to the PMS to enhance service delivery and improve record matching for the next transaction.

The Four Ps described above are all tactical elements required for a successful CRM initiative in any hotel company. However, there is a fifth element that overarches all of the others: management commitment to embracing CRM as a way of doing business, and thus embracing the customer. Without deep and confirmed leadership, this kind of initiative will go nowhere. If you are concerned about the level of commitment from the leadership of your enterprise, and lack confidence in the ability to drive effective change management, then our advice is to address those issues before funding and launching a CRM effort.

6. DERIVING DECISIONS FROM DATA

Establishing the scope of a CRM project, or if the project proceeds at all, depends on how much a company aims to collect and act on what it knows about customers.

Some companies begin with purchasing software, like customer support tools, in individual departments before deciding if they should use modules of CRM suites in multiple departments. Other companies start by installing CRM software in all departments that need information about customers.

The pitch you've probably heard from CRM software vendors is that their suites let you buy standalone modules you can combine as you need them. The built-in integration of modules from one vendor, the argument goes, is less costly and takes less time than culling data from different products from different vendors.

But the true power of CRM suites is that they give you crucial information that cuts across your entire organization, revealing trends you can't discover by examining one metric or data from one department.

(a) Purposes of Customer Relationship Management

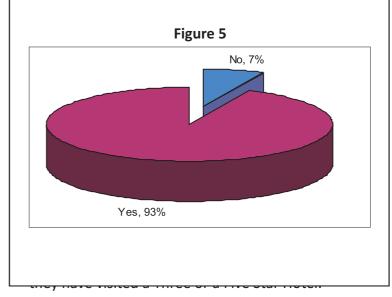
CRM, in its broadest sense, means managing all interactions and business with customers. This includes, but is not limited to, improving customer service. A good CRM program will allow a business to acquire customers, service the customer, increase the value of the customer to the company, retain good customers, and determine which customers can be retained or given a higher level of service. A good CRM program can improve customer service by facilitating communication in several ways:

- Provide product information, product use information, and technical assistance on web sites that are accessible 24 hours a day, 7 days a week.
- Identify how each individual customer defines quality, and then design a service strategy for each customer based on these individual requirements and expectations.
- Provide a fast mechanism for managing and scheduling follow-up sales calls to assess postpurchase cognitive dissonance, repurchase probabilities, repurchase times, and repurchase frequencies.
- Φ Provide a mechanism to track all points of contact between a customer and the company, and do it in an integrated way so that all sources and types of contact are included, and all users of the system see the same view of the customer (reduces confusion).
- Help to identify potential problems quickly, Φ before they occur.
- Provide a user-friendly mechanism for registering customer complaints (complaints that are not registered with the company

- cannot be resolved, and are a major source of customer dissatisfaction).
- Φ Provide a fast mechanism for handling problems and complaints (complaints that are resolved quickly can increase customer satisfaction).
- Provide a fast mechanism for correcting Φ service deficiencies (correct the problem before other customers experience the same dissatisfaction).
- Use internet cookies to track customer Φ interests and personalize product offerings accordingly.
- Use the Internet to engage in collaborative customization or real-time customization.
- Provide a fast mechanism for managing and Φ scheduling maintenance, repair, and on-going support (improve efficiency and effectiveness).
- Ô The CRM can be integrated into other crossfunctional systems and thereby provide accounting and production information to customers when they want it.

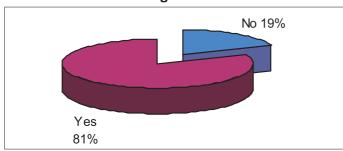
(b) Graphs

Have you ever visited a Three or Five Star (i)



(ii) Did any representative from Hotel contact you after you have completed your visit?

Figure 6

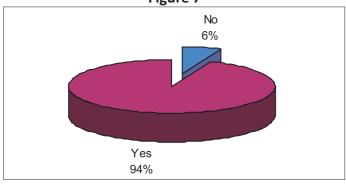


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visited three or rive star notes admitted that they were contacted again after their visit.

(iii) Did Hotel contact you for more business opportunities?

Figure 7

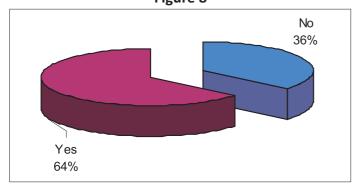


that

they were contacted for more business opportunity by Hotels.

(iv) Do you feel Hotel employees at reception, room service and in marketing department

Figure 8

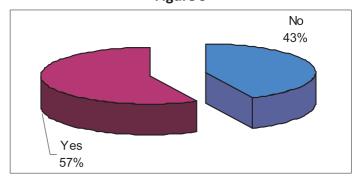


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the employees in Three & Five Star Hotels are fully trained.

(v) Have you received any visit/email/fax/sms/ phone/from Hotel regarding any alert for your booking status?

Figure 9

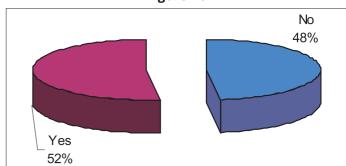


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that they were contacted regarding their booking status by Hotel staff.

(vi) Does these Three & Five Star Hotels offer you automated process of personal information

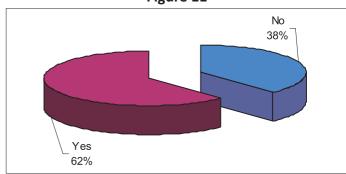
Figure 10



the.....at information gathering and processing on internet.

(vii) Does these Three & Five Star Hotels provide their booking status information; room rent information, and booking assistance on web sites that are accessible 24 hours a day, 7 days

Figure 11



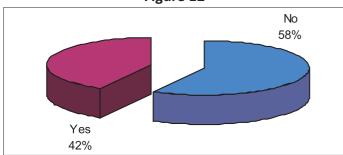
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these hotels provide online booking status, room

rent and other important information on their website that is available 24 hours 7 days a week.

(viii) Does these Three & Five star Hotels identify ar?

Figure 12



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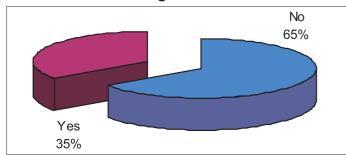
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these Hotels identify potential problem before they appear.

(ix) Does these Three & Five Star Hotels Provide

Figure 13

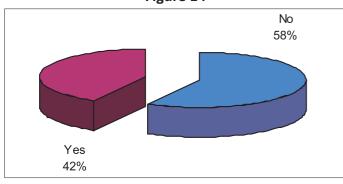


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handling complaints and problems.

(x) Does this Three & Five Star Hotels Provide fast mechanism for correcting service discrepencies?

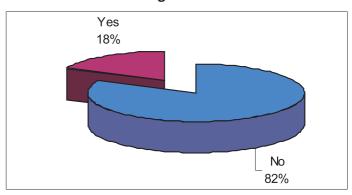
Figure 14



Result: 42 per cent respondents said that 3 & 5 Star hotels deliver fast mechanism for correcting service discrepancies.

(xi) Does these Three & Five Star Hotels provide budgeted package to meet your individual demands?

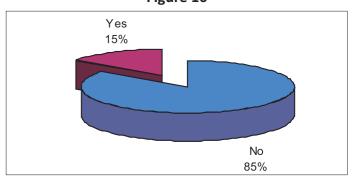
Figure 15



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- & 5 Star Hotels provide budgeted package to meet individual demands.
- (xii) Do these Three and Five star Hotels deliver you unique recognition and try to connect their products with your emotional touch?

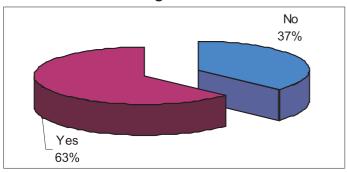
Figure 16



that these three and five star hotels deliver unique recognition and emotional touch.

(xiii) Do these Three & Five Star Hotels are interested to know about your interests, needs and buying habits?

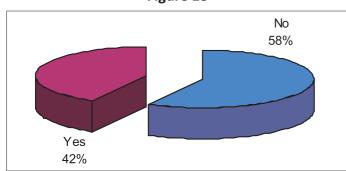
Figure 17



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- 3 & 5 Star notes are interested to know about their interests, need and buying habits.
- (xiv) Do these Three and Five star Hotels deliver all the services with a personalization touch at

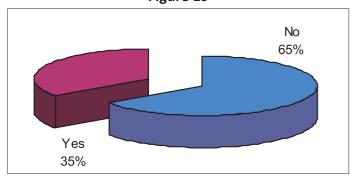
Figure 18



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- & 5 Star hotels deliver services with personal touch at all levels.
- (xv) Do these Three and Five star Hotels delivers you extra facilities as Travel planning and booking as per your poods?

Figure 19



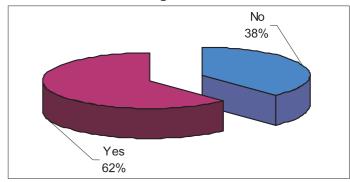
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planning and ticket booking as per our wish.

(xvi) When you revisit these Three & Five Star Hotels do they recognize you and offer you all the products that were liked by you during your previous visits?

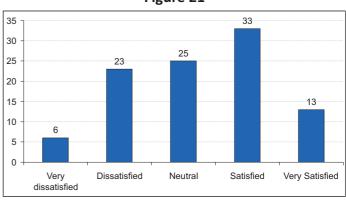
Figure 20



during their revisit Hotel staff recognized them and offered the products liked by them during their previous visits.

(xvii) How satisfied are you with these 3 & 5 star hotels?

Figure 21



Result: 33 per cent respondents said that they are satisfied with the services of 3 & 5 Star Hotels, while 25 per cent were neutral, 23 per cent respondents were dissatisfied, 13 per cent were very satisfied and 6 per cent respondents were very much dissatisfied with 3 & 5 Star Hotels.

7. CONCLUSION

While many hotel companies take Customer Relationship Management (CRM) as the way to increase customer loyalty, the ability to deliver highly personalized services still seems to be elusive.

Though the panacea of CRM has been touted for years, only now does technology offer the initial chance it will become reality. It's good timing too. Today's hotel guest is typically well versed in traveling and has stayed at many more hotels than those guests of a generation ago. Throw in the expectation of luxury in all facets of life -- think Starbucks -- as well as the impact of decades of amenity creep, hotel consumers have ratcheted up what they believe is the basic service standard of hotels.

Now hotels must successfully wrangle technology to deliver the right information at the right time and also back it up with training that imbeds the mantra of exceeding guest expectations. But be warned, today's more emboldened guests aren't interested in getting something for free. True loyalty is being built by hotel brands striking up relationships that bring a sense of value to the consumer. They will also need to convince their guests to give personal details about their preferences to tailor their stays more effectively. The technology themes support the operationalisation of the Value Discipline of the business.

So, it is essential to assess the IT solutions from the perspective of the technology themes, with reference to the Value Discipline of the business. It is also useful to do such an assessment while evaluating potential solutions; evaluation criteria and scoring model should be based on the technology themes. Such an evaluation of your current (or future) solution against these themes can be used to understand the limitations of your technology choices, and therefore on your operational business strategies.

8. SUGGESTIONS

Basics of change management are essential to the successful adoption of a CRM initiative in a hotel or hotel company of any size.

Many observers consider CRM projects highrisk undertakings. A survey of the CRM literature and present study lead to some basic conclusions that some CRM projects have huge benefits across the enterprise and others become costly orphans spurned by the marketing, technology and operations departments alike. Some of these factors which have come forth during the study are:

- A strong, persistent and personal commitment from top management for the initiative.
- A coherent vision for what CRM is going to do for the organization.
- A structured plan to introduce and manage staff resistance to changes in processes and systems required to adopt CRM as a business strategy throughout the organization.
- Inadequate or inappropriate training of line personnel.

One or more of the above factors is usually missing from a CRM project gone bad. All of them are often discussed under the broader topic of change management. The hypothesis is that any effective CRM implementation requires broad adoption across the enterprise, thus demanding strong execution of change management techniques. Hotel industry should emphasis on ADKAR:

- ♦ Awareness♦ Knowledge♦ Ability
- Reinforcement

Each step in the ADKAR model represents a communication effort to individuals and the organization, often with underlying structural changes. The change manager delivers communications relevant to each step as the project moves through a natural life cycle from identifying a business need, to conceiving a solution to the need, implementing the solution and following up on the implementation.

(a) Awareness

Individuals cannot understand or accept a change in their environment unless they know what it is. A key part of launching CRM initiative is making sure that everyone in the organization understands It. Typical awareness mechanisms include posters, mottos, buttons and key rings and that perennial favorite, the all-employee meeting.

(b) Desire

Being aware of the change isn't enough. Employees need to want to support the change. With a CRM initiative, it is easy. More guests, coming back more often for more pleasant stays means more tips, more hours and more jobs. Even a general manager can understand that equation. Seriously, this is where articulate and unwavering support from the top of the organization becomes essential to change management.

(c) Knowledge

Customers are aware of this program and a lot of money have been spent on parties and incentives to make them want to embrace the CRM initiative. Depending on the structure and vision for the project, it might be simply capture and verify e-mail addresses at the point of reservation for the reservations personnel, but new task is being needed to tell.

(d) Ability

Most of us need practice and training to do something consistently well. Knowledge alone is not enough. If the task for front office personnel is upgrade premium members of the frequency program to best-available rooms, they will need some practice.

(e) Reinforcement

This phase is crucial. Catch people doing something

right and rewarding them. Continue to reinforce the behavior. ideally with desired reinforcement, rewards for appropriate behavior rather than negative punishment for undesired actions.

The growth of CRM parallels organizationwide initiatives across all industries to efficiently manage all aspects of the customer relationship, deliver the best experience, and optimize sales and marketing opportunities. Given the varied and complex needs of each organization, there are many factors that influence the success of any CRM.

Leading CRM vendors has been developed over many years incorporating cross-industry best practices. Where possible, an effort should be made to limit the amount of configuration and customization, as this impacts the deployment time and cost. A reasonable level of effort should be made to take advantage of the best practices represented in these packages, while leveraging their flexibility to accommodate your business processes. Whether you are considering a CRM deployment or already in process with one, the aforementioned factors will help level expectations with all project stakeholders and ensure a smooth project roll-out. CRM is a strategic tool for any business and doing it right will help your organization manage all aspects of the customer relationship lifecycle, maintain competitiveness, and boost sales and marketing opportunities.

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