THE CONTRIBUTION OF CRM MARKETING VARIABLES TOWARDS IMPROVING COMPANY’S PERFORMANCE: A CASE OF THESSALONIKI AREA HOTELS

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Abstract

Companies are developing and deploying CRM systems to improve their business performance and competitiveness. Although, previous research has shown the information technology, in general, contributes to the improvement of organizational performance, the benefits of the marketing variables in CRM systems still remain uncertain. Concerning the hotel industry, there is a significant body of literature that has examined and underlined the necessity of information systems adoption and application. Nevertheless, the CRM systems do not embed efficiently marketing variables like customer satisfaction, loyalty, customer’ complaining etc. This paper will present and analyze the findings of an exploratory research study which has been conducted in Thessaloniki area. An attempt was made to find out whether marketing variables are adopted by hotel CRM systems. Further, the research explored the degree to which hotels have exploited the potential of CRM systems. Particularly, it will analyze whether the hotels are profiting from the opportunities provided by CRM or whether simply their use of CRM revolve around the basic functions of providing information.

Introduction

In today’s changing and very competitive marketplace companies have identified the need to improve customer service in order to maximize revenues. One way to succeed that is by Customer Relationship Management, which enables companies to optimize revenue and increase customer value through understanding and satisfying individual customers’ needs (Liu and Yang, 2009). Actually, CRM initiatives have resulted in increased competitiveness for many companies as witnessed by higher revenues and lower operational costs. Managing customer relationships effectively and efficiently boosts customer satisfaction and retention rates (Chen and Popovich, 2003). Thus, CRM has become a strategic imperative for companies in almost every business sector.

With the CRM approach to receive increased attention as a business strategy (Sin et al., 2005; Wahlberg et al., 2009), many research studies have investigated companies adoption of CRM. However, there are few studies attempting to examine the adoption of CRM in the hotel sector, which is of strategic importance for Greece. Specifically, there is a relative lack of empirical studies of the issues associated with the implementation of the concept, in Greek hotels (Sigala, 2004 and 2005; Sarmaniotis et al., 2010). Most of the studies in hotel CRM have focused on the role of Information Communication Technology (ICT) in CRM practices. Other studies have investigated whether hotels have CRM software and the characteristics they have. This paper mainly attempts to examine hotelCRM in a marketing context. In particular, the purpose of this paper is to address some marketing variables related to the implementation of hotel CRM systems, employed by 4 and 5 stars hotels, in Thessaloniki area and their contribution to hotels CRM effectiveness. The specific objectives of the study are to find out:

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- The existence or not of a CRM system/software
- Whether hotel management is interested in customer’s satisfaction and whether encourages them to complain
- The attitudes of hotel managers towards customer-centric orientation
- To determine whether exists or not a brand loyalty strategy and how intense the latter is
- Whether some marketing variables and long term profitability are related

In the rest of the paper a literature review is analyzed, in order to present a CRM discussion and especially to analyze some crucial factors for the effectiveness of hotel CRM. Next, the research methodology used in an empirical research conducted in 4 and 5 stars hotels of Thessaloniki area is presented. Finally, findings from research are provided and analyzed followed by a discussion, conclusions and suggestions for further research.

Literature Review

CRM appeared as new concept at the peak of the Internet boom (Kotorov, 2003), even though CRM itself is not a new concept. It is impossible to ignore the striking similarities between CRM and relationship marketing. Relationship marketing is at the core of customer–centric orientation. When a firm adopts customer-centric orientation, and therefore exercises relationship marketing, it is attempting to develop and establish long-term relationships with customers. Hence, it is aiming at improved customer service and satisfaction, thus retaining and further increasing the sales level (Sarmaniotis and Stefanou, 2005). Empirical findings suggest that customer satisfaction, which is the underlying notion of relationship marketing, is a critical point in achieving and retaining competitive advantage (Stefanou et al., 2003). Moreover, there is a strong evidence that customer retention and profitability are correlated (Payne et al., 1999). However, CRM goes a step further. CRM has been defined as a management approach that involves identifying, attracting, developing and maintaining successful customer relationships over time in order to increase satisfaction, loyalty and retention of profitable customers (Bradshaw and Brash 2001, Massey et al., 2001). In addition, Fjermestad and Romano (2003) maintained, and most of the authors and the practitioners accepted, that successful CRM requires attracting and keeping economically valuable customers, while repelling and eliminating economically invaluable ones.

Organizations have identified the need to become more customer facing and they have started to expend more effort in finding new ways to create value for their customers. Concerning the hotel sector, the number of hotels investing in the development of structured CRM programs has increased over the last years (Songini, 2001). Piccoli et al. (2003) stressed that the hotel sector has the greatest potential of all industries with regards to CRM application. All hotels are collecting information about their customers at reservation, check-in, check-out, and sometimes during their stay. The point is the ability of hotels to facilitate the collection of, and access to, customer information and further to exploit data mining capacities of CRM (Min et al., 2002).

At this point, we should underline that company relationships with customers can be greatly improved by employing information technology (IT), which can facilitate and enhance customer relationships in various ways, but mainly enables companies to attain customization. CRM applications take full advantage of technology innovations with their ability to collect and analyze data on customer patterns, interpret customer behavior, develop predictive models and so on. As a consequence, in many cases, CRM was deployed as a technology solution that extends separate databases and sales force automation tools to bridge sales and marketing functions (Peppers and Rogers, 1999). The point is that still many companies have difficulty in implementing an effective CRM system because they allow software vendors to drive their approach to customer management (Rigby et al., 2002) or because they deploy CRM as a technological solution which can facilitate some particular marketing functions (Kotorov, 2003).

Obviously, data collection and maintenance has been identified as a critical component of CRM. However, the key issue for CRM success is not the role of ICT, but marketing variables. Unfortunately, it appears that there has been little consideration of the impact could have variables such as satisfaction/dissatisfaction, complaining behavior, behavioral loyalty -including volume and frequency of purchase over time-, on hotels CRM strategy. Even though, many studies in marketing field and CRM in particular have shown that customer satisfaction is a critical point in achieving a competitive advantage leading to brand loyalty, repeat sales (Oliver, 1999; Parasuraman and Grewal, 2000) and finally to customer retention, emphasis has been given in acquiring additional customers.

It should be noted moreover that customer complaining is strongly related to the notion of customer dissatisfaction (Stefanou et al., 2003). The degree of customer satisfaction is one determinant affecting consumer complaining behavior. This has wide-spread implications and includes the dilution of brand loyalty (Andreassen, 1999), drop in repurchase intentions (Tax et al., 1998) and spread of negative word-of-mouth (Lam, 2003). Particularly, in the hotel
industry, guests’ complaints seem to be inevitable (Ngai et al., 2007). Furthermore, in the hotel sector again, where guests are usually from different cultures, it is very essential for hotel management to know how culture affects consumer complaining behavior, in order to respond in such a way that dissatisfaction is reduced and repeat business is encouraged (Fornell and Westbrook, 1984; Nyer, 2000, Zineldin, 2006). Therefore, guest complaints should be encouraged so that hotel management could have the opportunity to improve consumer perception of service quality. Complaints are useful sources of information that help marketers identify sources of dissatisfaction (Nyer, 2000). However, there is a lack of entailing the customer complaining behavior variable in the CRM systems applied and especially in the CRM softwares.

Concluding, it should be underlined that the philosophical bases of CRM are relationship marketing, customer satisfaction and retention, life time value and customer profitability created through business process management. This is one of the main reasons that CRM projects fail. However, it is strongly argued that CRM applications can assist company management to improve company’s profits if some key factors are followed (Sarmaniotis and Stefanou, 2005).

Methodology

A questionnaire has been used in order to collect data for the hotels that were constituted the sample of our survey. The measures included has been either constructed in the literature or developed by the authors. in order to achieve the objectives of the research. Specifically, a tentative measure consisting of attitudes towards customer-centric orientation of the hotels’ management is constructed. Particularly, the latter has been used by the authors in a previous research in the hotel sector. This tentative measure consists of 19 Likert-scaled variables with agree/disagree answers. The measure was developed considering analogous sentences found in the literature (Luck and Lancaster, 2003; Lo et. al., 2010). Additionally, some sentences were developed by considering experts’ opinions.

Demographics of the hotels and of the person interviewed are collected. Moreover, the degree of adoption of the CRM philosophy is measured. In addition, the existence of a Hotel CRM software is investigated. Basically, we are interested in investigating whether some marketing variables are included in the CRM software package and system. It is worth to mention that CRM software packages lack marketing variables which is highlighted in the literature as a drawback for the success of CRM. Finally, statistical tests such as chi-square and one-way ANOVA were used to find out if there were statistical significant relationships among variables. The sample consists of 57 hotels (pensions excluded) of Thessaloniki area including all hotel categories and sizes.

Results and Discussion

Demographics

72% of the interviewees were males and 28% were females. The majority were either owners of the enterprises or hotel managers. 58.9% worked in the same hotel for more than 5 years, whereas 12.5% for 3-5 years, 19.6% for 1-3 years and 8.9% for less than a year. Long-lasting work at the same hotel probably means that the respondent had a better and a clearer view about potential CRM implementation and practices adopted by the hotel. Regarding the education level, 51.8% of the respondents have a bachelor’s degree, 10.7% a master’s degree and 25% have graduated from high school.

Considering the hotel category, 21.1% of the hotels were of 5 stars (Deluxe/Luxury), 17.5% of 4 stars, 54.4% of 3-2 stars and finally 7% had less than 2 stars. Hotels were also categorized by their bed capacity. Specifically, 40.4% of the sample had more than 101 beds, 24.6% from 51 to 100 beds and 35.1% less than 50 beds. However, as it is mentioned below, low bed capacity does not necessarily leads to the rejection of the CRM system on the part of the hotel. In terms of number of employees, 19.3% of the hotels in the sample employ more than 50 employees, 24.6% 21-50, 15.8% 11-20 and 40.4% employ less than 10 people.

Marketing Variables and CRM

A research objective was to measure whether hotels implement a CRM system and what is the philosophy of the management (consumer-centric or not). In order to measure this orientation a tentative multi-item measure was constructed called “Attitude Towards Customer-Centric Orientation (ATCCO)” of the hotel management. A Likert-scaled group of sentences was used in order to measure the ATCCO of the firm, in a successive phase of data collection through the procedure of measurement construction. These items give a new variable, which is the
summation of the values of the nineteen sentences. In this research the descriptive statistics of the ATCCO are shown the table below.

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATCCO</td>
<td>54</td>
<td>59.00</td>
<td>95.00</td>
<td>77.2778</td>
<td>8.26316</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>54</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In this survey the hotels were questioned whether they record some marketing variables (such as customer’s satisfaction, complaining, or special customer demands) electronically or by other means. The hotels, which recorded customer-related data, without electronic means, were a minority. Nevertheless, when an electronic-CRM system existed, the majority replied that those variables were stored for further processing. Thus, the necessity to support electronically the CRM system is obvious. Related findings are shown in the diagrams below.

![Customer's satisfaction](image1)

![Customer's special demands](image2)

![Customer's complains](image3)

Figure 1. Clustered bar charts of three measured marketing variables versus the utilized means to record them.

Performing chi-square analysis it is depicted that there are relationships between variables like customer’s satisfaction, special demands and complaints on the one hand and the existence or not of a separate marketing department on the other.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Asymptotic significance</th>
</tr>
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<tbody>
<tr>
<td>Recording customer’s complaints</td>
<td>0.005</td>
</tr>
<tr>
<td>Recording customer’s special demands</td>
<td>0.010</td>
</tr>
<tr>
<td>Recording customer’s satisfaction</td>
<td>0.005</td>
</tr>
</tbody>
</table>

In order to identify relationships between ATCCO and other nominal or ordinal variables, one-way ANOVA significance test was employed. Results showed that there is a relationship between ATCCO and the number of employees (p<0.05). Moreover, there is a relationship between ATCCO and the degree that the CRM software is exploited (p<0.05). The adoption of a brand loyalty strategy from the hotel management is also used as a measure of the customer-centric orientation of the latter. The loyalty strategy is measured employing a group of variables used to collect information about the motivations that the hotel offers to their customers in order to increase their loyalty.

The higher the motivations offered, the stronger the brand loyalty strategy of the hotel is. In the diagram below it can be seen that more than 47% of the hotels in our sample have a moderate, intensive or very intensive brand loyalty strategy. As cited above, the majority of the respondents had a positive ATCCO. Nevertheless, a few hotels installed some type of CRM software (17.9%). Concerning the existence or not of a separate marketing department it is found that the overwhelming majority does not have a marketing department. However, it has been found that CRM software installation is related to the existence or not of a separate marketing department (p<0.05). Enterprises that do not have a separate marketing department do not have an electronic CRM system at all. It appears therefore, that marketing and CRM information technology are connected closely.
Most of the hotels that have utilized a CRM software responded that they utilize it extensively. It is worthy to mention that 94.4% of the sample that apply a customer relationship management system (or philosophy) believe that have a large long-term financial profit out of it.

Conclusion

In this paper, through a survey conducted in Thessaloniki area hotels, it was firstly found that the majority of them adopt CRM philosophy. The possible adoption of CRM orientation by hotels’ management was measured through a tentative measure constructed by the authors. It was found moreover that this variable, labeled “attitude towards customer-centric orientation (ATCCO)”, is related to the number of the employees of the hotels. Another finding was that, when an electronic-CRM system existed, the overwhelming majority of the hotels recorded customer-related variables. Besides, results showed that a satisfactory minority of the hotels recorded customer-related data without electronic means. Additionally, half of the respondents stated that the company followed moderate, intensive or very intensive brand loyalty strategy. As to the deployment of a CRM software, unfortunately only around 18% of the respondents replied that the hotel has installed a type of a CRM software.

Further research should be directed towards the improvement of the proposed, tentative measure of attitude towards customer-centric orientation, a research topic the authors are currently working on. More emphasis should be given on examining marketing variables in CRM research. Finally and obviously, more research is needed to analyze CRM implementation characteristics in hotels in Greece and particularly in Northern Greece hotels.

Reference


