

## Application of Customer Relationship Management (Crm) Dimensions: A Critical Assessment of Their Impact on The Performance of Hotels

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**ABSTRACT**: Customer relationship management is crucial due to the competitive environment. For this reason, it has become a widely implemented strategy across the hotel industry in retaining customers and maintaining good relationships with them. It also promotes customer satisfaction and loyalty which lead to the achievement of competitive business performance. However, due to the ever-increasing competition and the continuous changing customers' needs in the hotel industry, the ability to achieve customer satisfaction is becoming a major challenge. Using 40 respondents from 20 hotels, this paper, therefore, explores the managers' perspective into how the application of CRM dimensions impact on the performance of hotels and also examines the relationships between them since studies evaluating their relationships are limited. It studies CRM from the hotels' perspective as Guest Services Managers and Marketing Managers were the respondents. This study employed an exploratory research design and quantitative technique. The survey was conducted in New Delhi and simple random sampling was the sampling technique used to select respondents. With the study's objectives in mind, the developed research hypotheses constructed were tested using multiple regression analysis as the statistical tool. Through the results, it has been revealed that CRM dimensions are positively related to the performance of hotels. Finally, CRM dimensions are highly recommended as a competitive strategic tool to enhance competitiveness.

**Keywords:** CRM Dimensions, Organizational Performance, Hotel Industry, Customer Orientation, CRM Organization, Knowledge Management and Technology-Based CRM

### I. INTRODUCTION

Customer relationship management, one of the most important competitive advantage strategies for managing an organization's interactions with customers and prospects, has become a necessity in the hotel industry. It is crucial due to the competitive environment. For this reason, it has become a widely implemented strategy across the hotel industry in retaining customers and maintaining good relationships with them. It also promotes customer satisfaction and loyalty which leads to the achievement of competitive business performance. By the definition of **Parvatiyar and Sheth (2001)**, Customer Relationship Management (CRM) is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer. Customers are considered to be at the center of a CRM organization and that organization focuses on keeping them to become loyal customers. It also integrates the use of varied information and communication technology and other tools as a way of accomplishing the stated objectives of organizations.

Since studies evaluating the relationships between CRM dimensions and hotel performance are limited, this paper contributes to literature by providing insights into CRM dimensions and hotel performance in a competitive industry. It studies CRM from the hotels' perspective as Guest Services Managers and Marketing Managers were the respondents.

Using 40 respondents from 20 hotels, it explores the managers' perspective of CRM dimensions in the hotel industry through investigating the relationships between the application of the CRM dimensions and performance of the hotels. The elements of the CRM dimensions in this study are adopted from previous research by **Sin et al. (2006)**. In addition to this, prior related studies have also been reviewed with the focus on how CRM is used as a guide in assessing organizational performance.

The next section of this paper presents the statement of the problem. This is followed by the research objectives, the review of literature and the hypotheses. The research methodology, results and discussion also follow in an orderly manner. Finally, it concludes with managerial implications and limitations.

### **1.1 Statement of the Problem**

Hotels, like any other organizations, in order to survive in rivalry, require maintaining and improving the relationship with their customers and understanding their expectations so as to meet their changing needs. However, due to the ever-increasing competition and the continuous changing customers' needs in the hotel industry, the ability to achieve customer satisfaction is becoming a major challenge. In addition, with the entry of new and internationally recognized hotels onto the industry, the competition has taken more form. All these accumulate to impact the hotel's performance.

**Vogt (2011)** posits that, although there is ever-increasing use of CRM in the tourism sector, there are still limited researches investigating its variety of applications in such significant industry. On the other hand, several studies have addressed the important effects of undertaking research on CRM dimensions in the hotel sector (**Sin et al., 2005; Akroush et al., 2011**).

This study, therefore, seeks to study how the application of CRM dimensions impact on the performance of hotels and also examine the relationship between CRM dimensions and the performance of hotels with the aim of filling the above-mentioned gap in literature. In so doing, different hotels can better understand their customers' needs and consequently, remain competitive.

### **1.2 Research Objectives**

The following are the objectives of the study;

- To assess the impact of CRM dimensions on the performance of hotels
- To examine the relationship between CRM dimensions and the performance of hotels

## **II. REVIEW OF LITERATURE**

**Parvatiyar and Sheth (2001)** define Customer Relationship Management (CRM) as a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer. It is mainly based on the belief that establishing a sustainable relationship with customers is the cornerstone for obtaining loyal customers who are much more profitable than non-loyal ones (**Dowling, 2002**).

With reference to the hotel industry, it is seen to be among the best strategies and practices for hotels in developing their performance and thus to make sure that their long-term business is survival (**Sigala, 2005; Kasim and Minai, 2009; Wu and Lu, 2012**).

It is worth mentioning that many studies undertaken on the effect of CRM and organizational performance have found positive relationship existing among them and it also brings benefit in terms of improved performance (**Zablah et al., 2004; Coltman, 2007; Shang and Lu, 2012; Hassan and Parves, 2013**).

**According to Sin et al. (2006), CRM consists of four broad behavioral dimensions. These are;**

- ❖ Customer Orientation
- ❖ CRM Organization
- ❖ Knowledge Management and
- ❖ Technology-Based CRM

It is essential that all of these dimensions work systematically in an organization to guarantee its improved performance (**Sin et al., 2006**).

### **Customer Orientation**

**Jayachandran et al. (2005)** define customer orientation as the cultural propensity of the organization to undertake customer relationship management. It indicates the organization's inclination to meet its customers' needs over time. This has a positive effect on customer satisfaction, customer loyalty and the organization's performance. Many studies have revealed that stronger customer-oriented behaviours in an organization have a tremendously positive impact on its performance (**Yilmaz et al., 2005; Kim, 2008**). In a related study, **Zhu and Nakata (2007)** found that CRM orientation enhances market performance which in turn influences financial performance.

## **Crm Organization**

This is defined as the supporting organization structure, incentives, resources allocation, and management controls that enables building and sustaining customer relationships (Jayachandran et al., 2005; Sin et al., 2005).

Sin et al. (2005) and Yim et al. (2005) hinted that CRM cannot be successful even if the organizations enjoy the most advanced technology and adapt a customer-oriented approach unless the project is completely integrated by them. Therefore, the organization's resources ought to be integrated to enhance a successful implementation of CRM.

Many studies have also affirmed the positive impact of CRM organization on customer retention, financial, marketing and business performance (Sin et al., 2005; Yim et al., 2005; Akroush et al., 2011).

## **Knowledge Management**

For any organization to stay in the competitive industry of today, it has to be reliant on collecting and analyzing customers and get a wide knowledge about their market to build better customer relationships. As a matter of fact, knowledge management helps an organization to succeed by building better customer relationships and it has a positive effect on an organization's performance (Akroush et al., 2011; Sin et al., 2005; Yim et al., 2005). Fan and Ku (2010) argue that customer knowledge management is firmly associated with marketing capabilities, and it greatly enables organizations to take strategic managerial decisions for improving their performance. Hence, effectively managing knowledge can greatly help an organization to have success in building better customer relationship, resulting in a positive impact on organization performance (Sin et al., 2005; Yim et al., 2005; Akroush et al., 2011).

## **Technology-Based Crm**

Many customer-centric strategies cannot achieve their goals without the help of information technology (Sigala, 2005; Sin et al., 2006). As a result of this, different hotels and businesses now implement different CRM systems (Moriarty et al., 2008). Several studies have revealed that CRM technology is linked and has a significant positive impact on the organization's performance (Akroush et al., 2011; Sin et al., 2005). In another study by Kasim and Minai (2009), they also found that CRM technology dimension is firmly related to hotel performance because hotels need to use information technology for improving their performance. Similarly, Zhu and Nakata (2007) also disclosed that IT capability moderates the influence of customer orientation on performance. Nevertheless, on the contrary, Reinartz et al. (2004) revealed in their study that CRM technology had no moderating impact on the relationship between CRM processes and performance.

## **III. HYPOTHESES**

**H1:** CRM dimensions have a positive impact on the performance of hotels

**H2:** CRM dimensions have a significant positive relationship with the performance of hotels

## **IV. RESEARCH METHODOLOGY**

Employees from a total of 20 selected hotels formed the respondents and were, therefore, covered for the study. This study employed an exploratory research design and quantitative technique. The survey was conducted in New Delhi. Primary data were collected using self-administered questionnaires. The questionnaire presented two parts; the first part was related to the respondents' demographic information and the second part consisted of the four dimensions of CRM which were connected with the hotel's performance. Moreover, secondary data from sources such as research reports and publications on the topic were complemented to understand the phenomenon better. Respondents were asked to rate items on a five-point Likert scale. The scale which ranges from strongly disagree to strongly agree was used to measure the hotel's performance as related to the CRM dimensions. Simple random sampling was the sampling technique used to select two employees each per hotel who were given a questionnaire to fill. In total, the sample size of 40 was covered. These employees were either the Guest Services Manager or the Marketing Manager. Respondents were chosen from these two key positions because they are knowledgeable on both the hotel's practices of various CRM dimensions and the hotel's performance as well.

Finally, the developed research hypotheses constructed for the study were tested using multiple regression analysis as the statistical tool. This was undertaken to determine the relationships between the dependent and the various independent variables using SPSS.

**V. RESULTS AND DISCUSSION**

**Table 1:**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.796 <sup>a</sup>	.633	.591	.71678
a. Predictors: (Constant), Technology-Based CRM, CRM Organization, Knowledge Management, Customer Orientation				

**Table 2:**

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.993	4	7.748	15.081	.000 <sup>a</sup>
	Residual	17.982	35	.514		
	Total	48.975	39			
a. Predictors: (Constant), Technology-Based CRM, CRM Organization, Knowledge Management, Customer Orientation						
b. Dependent Variable: Performance of Hotels						

**Table 3: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	3.571	.407		.000
	Customer Orientation	.335	.130	.329	.014
	CRM Organization	-.671	.116	-.656	.000
	Knowledge Management	-.212	.117	-.206	.078
	Technology-Based CRM	-.259	.125	-.253	.046

a. Dependent Variable: Performance of Hotels

Table 1 above shows the Regression Coefficient ‘R’ as .796 or 79.6%. This implies that the correlation between the dependent variable and the independent variables is positive. Moreover, the Coefficient of Determination ‘R<sup>2</sup>’ = .633 and it means that 63.3% of the variation in the dependent variable is explained by the independent variables.

As represented on Table 2, the F-test value of 15.081 is significant because the significance level is = .000 which is less than 0.05 and it means that the correlation between the dependent variable and the independent variables is statistically significant. This, at the same time, confirms that the regression model is valid. Lastly, on Table 3 above, it is seen that the impact coefficient of all the four factors of CRM dimensions are positively related to the performance of hotels. Therefore, all hypotheses are accepted because there is sufficient evidence that at the 5% level of significance, there is a strong positive relationship between the dependent variable and the independent variables. In other words, the valid regression model confirms that CRM dimensions are positively related to the performance of hotels because they have a significant and positive effect on the performance of hotels.

**VI. CONCLUSION**

This study, which was conducted in New Delhi, has explored the managers’ perspective into how the application of CRM dimensions impact on the performance of hotels and also examines the relationships between them. The results of the study provide the evidence of a strong positive impact of CRM dimensions on the performance of hotels. The present study makes both theoretical and managerial implications and suggests future areas of research. The proposed implications can be acted upon by managers to help their hotels achieve a superior performance. Although few studies have established the impact of CRM dimensions on the performance of hotels, this study has further stressed the importance of CRM dimensions in predicting the successful performance of hotels.

All the four dimensions of CRM incorporated in the study were found to be positively and predict significantly the performance of hotels. Thus, these may serve as strategic guides by assisting managers to develop appropriate strategic plans that can help improve the understanding of the activities involved in CRM implementation. Subsequently, a better customer relationship management implementation will enhance performance in both financial and non-financial terms for the organizations.

### **6.1 Managerial Implications**

- The results of the study provide the evidence of a strong positive impact of CRM dimensions on the performance of hotels. These, therefore, direct the attention of hotel managers and owners to the alignment and the incorporation of the CRM dimensions with the overall corporate strategy. It is therefore recommended that hotels' CRM dimensions should not be applied alone but implemented with the other corporate strategies.
- The findings direct top managers to the essence of establishing effective and clear CRM objectives. Most importantly, their execution should be guided by the corporate structure. This would help in devising targets for customer acquisition and customer retention.
- Finally, the application of CRM dimensions in the hotel industry is, thus, highly recommended as a competitive strategic tool to enhance competitiveness. CRM has proven to be one of the main tools to fight competition. Based on this, it is recommended that there should be a continued high level of the application of CRM dimensions among hotels.

### **6.2 Limitations and Future Areas of Research**

- This study investigated how the application of CRM dimensions impact on the performance of hotels and also examined the relationship between CRM dimensions and the performance of hotels. This, therefore, is a major limitation as the resulting implications cannot be generalized. To increase the generalization power of this study, other future researchers need to explore additional dimensions of CRM (both internal and external) and examine their impact on the performance of hotels.
- Another limitation is concerned with the respondents of the study. It examined the impact of CRM dimensions on the performance of hotels from only the perspectives of the Guest Services Managers and Marketing Managers of the hotels. Future research can include data that reflect the customers' perspectives as well since they are the focal point of CRM strategies.
- Since the sample size used for the study is relatively small, another study using a larger sample size is recommended. Moreover, a longitudinal study replicating this can give better insights and explore the efficacy of the relationships between CRM dimensions and the performance of hotels.

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\*1Preeti Singh " Application of Customer Relationship Management (Crm) Dimensions: A Critical Assessment of Their Impact on The Performance of Hotels" *International Journal Of Modern Engineering Research (IJMER)* 7.7 (2017): 60-65.