

# Customer Relationship Management in Hotel Industries of Tirunelveli District an Empirical Study

<sup>1</sup>M. Maheswari & <sup>2</sup>Dr. S.Sudalaiyandi

<sup>\*1</sup>Full Time Research Scholar, Sri Parasakthi College for Women, Coutrallam, Affiliated to Manonmaniam Sundaranar University, Abishekapatti, Tirunelveli, 627 012, Tamilnadu( India)

<sup>2</sup>The Principal, Ambai Arts College, Ambasamudram, Tirunelveli, Affiliated to Manonmaniam Sundaranar University, Abishekapatti, Tirunelveli, 627 012, Tamilnadu (India)

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### \*Corresponding Author

Email: rishikarthik786[at]gmail.com

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## ABSTRACT

Hotel industry is a highly flourishing, lucrative and competitive market. To compete in such a market, the hotels should focus on maintaining good relations with the customers and satisfying the customers. Increasingly, the organizations are using Customer Relationship Management (CRM) to help boost sales and revenues by focusing on customer retention and customer loyalty. The present research was undertaken to study the Customer Relationship Management (CRM) practices in hotel industry. Customer relationship management (CRM) has a growing popularity and is becoming one of the hottest academic and practical topics in the business field. In fact, due to the competitive environment, CRM is crucial and has become a niche for firm performance. However, there is limited research that reveals the relationship between CRM dimensions and hotel performance. Therefore this study is an attempt to provide a value conceptual model that explains the theoretical linkages existing between CRM dimensions and hotel performance.

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## 1. Introduction

The Indian hotel industry is experiencing increased globalisation, competition, higher customer turnover, growing customer acquisition costs and rising customer expectations, meaning that hotels performance and competitiveness is significantly dependent upon their ability to satisfy customer efficiency and effectively. In the hotel industry the basic products (room and food) are very similar, when comparing the same quality level the customer focuses are on soft factor like personal treatment, personalisation, one to one marketing and attention by the hospitality professions. The hotel industry enjoys easy data access as the guests need to register their name and address during check-in and in some countries, guests even need to provide their passport data and more detailed private information.

Customer relationship management (CRM) has a growing popularity and is becoming one of the hottest academic and practical topics in the business field. In fact, due to the competitive environment, CRM is crucial and has become a niche for firm performance. However, there is limited research that reveals the relationship between CRM dimensions and hotel performance. Hotel industry is a highly flourishing, lucrative and competitive market. To compete in such a market, the hotels should focus on maintaining good relations with the customers and satisfying the customers. Increasingly, the organisations are using CRM to help boost sales and revenues by focusing on customer retention and customer loyalty. The benefits of CRM are increased customer satisfaction and increased customer loyalty; it has attracted the lengthened attention of practitioners and research scholars in most of the areas of marketing different business organizations and fields. Major companies/organizations are adopting customer-centric strategies, programs, tools, and technology for efficient and

effective customer relationship management. The company will get to know which customers are more profitable, the ones who never might become profitable, and which ones that might be profitable in the future. This is very important since the key to success in any business is to focus on acquiring customers who generate profit, and once you have found them, never let them go.

## 2. Statement of the Problem

CRM entails all aspects of interaction a company has with its customer, whether it is sales or service related. It even uses technology to stream line processes that impact customer loyalty, service delivery and quality management. Today, businesses are facing an aggressive competition and they have to make efforts to survive in a competitive and uncertain market place. People have realised that managing Customer relationships is a very important factor for their success. CRM is a strategy that can help them to build long-lasting relationships with their customers and increase their profits through the right management system and the application of customer-focused strategies. "Customer is the most important person for a business. He is not an interruption to our work but the purpose of it. He is not an outsider; he is a part of it. We are not doing him a favour; he is doing us a favour by giving us an opportunity to serve him."(By Mahatma Gandhi).

The aspects of business performance that persuade customers to become repeat purchasers and to exhibit behavioral loyalty as it costs five to ten times more to sell to a new customer than to an old customer. To enhance profitability and guest satisfaction and loyalty, the organizations (hotels) should focus on implementing CRM strategies that aim to seek, gather and store the right information, validate and share it throughout the organization. The successful in the market it is

not sufficient to attract the new customers but to concentrate on existing customers implementing effective policies of customer satisfaction and loyalty. The world economy is becoming globalised, competition has intensified and the differences in products have faded. Consequently, businesses have become fixated on CRM as it has become a central orienting point with organizations increasingly focusing on managing customer relationships as a strategic capability to achieve market leadership and profits, the two most important process of CRM include proactive customer business development and building partnering relationships with the most important customer.

### 3. Need of the Study

With the increasing competition that companies are facing today, rewards will accrue to those who can read precisely what consumers want by continuously scanning the environment and delivering the greatest value to customers, the operating environment changes; a more pronounced transformation of the business landscape lies ahead. As a result, businesses are faced with increased competition and thus register low profits and even losses. This could probably be attributed to lack of customers' relationship management practices, the competition in the hotel industry worldwide is reaching a level where it is so intense that almost the same package of services is offered and product differentiation becomes increasingly a fiasco.

Therefore this study is an attempt to provide a value conceptual model that explains the theoretical linkages existing between CRM dimensions and hotel performance. This study serves not only to clarify the relationship between CRM dimensions and hotel performance, but also to explain the mediation role of marketing capabilities in this relationship, it was also undertaken to study the CRM practices in hotel industry.

### 4. Scope of the Study

The study entitled "**Customer Relationship Management in Hotel industries of Tirunelveli district – An empirical study**" encompasses the study in Tirunelveli district only, the hotel industries told in this study includes the hotels with star grading providing service to its customers in the study area.

### 5. Objectives of the Study

The primary objective would be: To study "Customer Relationship Management in the Hotel Industry".

The other objectives:

- To study the programs and practices of CRM employed by the leading hotels in Tenkasi taluk.
- To study the measures to build a better relationship between the customer/guest and the hospitality (hotel) unit.

### 6. Methodology

**6a. Selection of the Sample:** In the primary stage of methodology is related to selection of the sample. This study

will be conducted in the banks of Tirunelveli District. All the private sector, public sector banks are the samples of the study.

**6b. Formation of the Interview schedule:** The second stage of methodology is related to the formation of Interview schedule to obtain necessary particulars pertaining to the study. The researchers will interview the sample respondents with the help of pre-constructed Interview schedule and a questionnaire to the banker to find out the profile, activities and services rendered by the banks to their customers.

**6c. Collection of Data (Methods of data collection: Primary Data:** Primary data is the data which is collected for the first time by investigators. Primary data will be collected by using well structured Interview schedule. **Secondary data:** Secondary data refers to the data which is originally collected and published by the authorities other than who require it. It will be collected from books, websites and few journals and news paper.

**6d. Consolidation of Data:** The collected data will be consolidated in the form of schedules for the purpose of interpretation; tabulation and formation of master table for analysis purpose. After the classification, the data will be processed (analysis) by using various statistical tools (SPSS) and diagrammatic illustration.

**6e Analysis of Data:** Simple percentage Analysis, Likert scaling and Chi-Square (testing of hypothesis)

### 7. Framed Hypothesis

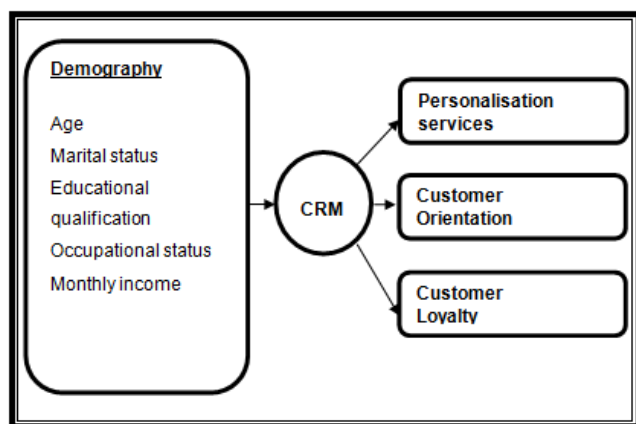
- **Ho:** There is no significant relationship between the demographic profile of the respondents and CRM in the study area.
- **Ho:** There is no significance relationship between the CRM and personalised services, customer orientation and customer loyalty.

### 8. Limitations of the Study

- ❖ The study is confined to the respondents of Tirunelveli district only.
- ❖ The hotels taken for the study is also limited based on the majority of hotels and its branches found in Tirunelveli district.
- ❖ It is in dire need of further verification by collecting data from the hotel industries to test the proposed model and further investigate the hypothesised relationships.

The model is more focused on the hotel industry and therefore, there is a need to test it in different sectors such as the financial sector

### 9. Framework of the Research



**Table 3b**  
Distribution on ranking of Customer orientation

Sl.no	Customer Orientation	5	4	3	2	1	MS	MR
1	CO-1	206	195	117	40	1	3.73	8
2	CO-2	410	244	9	6	1	4.46	3
3	CO-3	208	340	49	8	3	4.13	4
4	CO-4	235	194	122	18	4	3.83	6
5	CO-5	384	276	8	2	1	4.47	2
6	CO-6	286	195	102	13	4	3.99	5
7	CO-7	342	205	61	12	4	4.84	1
8	CO-8	232	225	82	24	8	3.80	7
9	CO-9	190	248	81	34	6	3.72	9
10	CO-10	181	204	136	27	4	3.67	10

Source: Computed Data

**Table 3c**  
Distribution on ranking of Customer loyalty

Sl.no	Customer Loyalty	5	4	3	2	1	MS	MR
1	CL-1	162	162	8	2	1	4.59	2
2	CL-2	352	246	28	11	3	4.27	5
3	CL-3	333	213	60	13	4	4.15	6
4	CL-4	361	246	32	8	2	4.32	3
5	CL-5	223	168	121	42	3	3.71	7
6	CL-6	525	165	3	2	1	4.69	1
7	CL-7	403	185	34	17	4	4.28	4

Source: Computed Data

**10. Analysis of Data**

**Table 1**  
Overall result Profile of the respondents and detail of the sector (majority)

Sl.no	Particulars	Variable	No. of respondents	Percentage
1	Age	46-55 years	83(150)	55
2	Educational qualification	Post graduates	67	45
3	Marital status	Married	89	59
4	Occupational status	Business	42	28
5	Monthly income	Above 35000	51	33
6	Year of establishment	1996-2000	13(30)	43
7	Number of employees	Above 200	9	30

Source: Primary Data

**Table 2**  
Reliability - Co-efficient for the various elements of CRM

Sl.no	Elements	Cronbach Alpha
1	Personalised services	0.8792 (very high)
2	Customer orientation	0.9341 (very high)
3	Customer loyalty	0.6901 (high)
	<b>Total CRM</b>	0.9328 (very high)

Source: Fieldwork

**Likert Scaling Techniques**

**Table 3a**  
Distribution on ranking of Personalised Services

Sl.no	Personalised Services	5	4	3	2	1	MS	MR
1	PS-1	385	211	51	3	2	4.86	1
2	PS-2	347	201	64	10	4	4.66	2
3	PS-3	202	240	80	36	5	3.75	9
4	PS-4	232	225	78	25	9	3.79	8
5	PS-5	282	194	100	15	3	4.00	7
6	PS-6	181	204	136	28	3	3.68	10
7	PS-7	527	162	7	2	1	4.64	3
8	PS-8	352	246	28	11	3	4.27	5
9	PS-9	333	213	60	13	4	4.15	6
10	PS-10	361	246	33	8	1	4.33	4

Source: Computed Data

**Table 3b**  
CRM and customer orientation -Chi-square Test

Sl.no	Particulars	Value	D.f	Asymp. Sig.(2-sided)
2	Pearson Chi-Square	27.087	8	0.011
	Likelihood Ratio	37.160	10	0.000
	Linear-by-Linear Association	14.944	10	0.026
	N of Valid Cases	150		

Source: Computed Data

**Chi-Square Analysis**

**CRM and personalised services**

**Ho:** There is no significance relationship between the CRM and personalised services.

**Table 4a**  
CRM and personalised services - Chi-square Test

Sl.no	Particulars	Value	D.f	Asymp. Sig.(2-sided)
1	Pearson Chi-Square	27.654	7	0.000
	Likelihood Ratio	17.696	10	0.000
	Linear-by-Linear Association	21.503	10	0.000
	N of Valid Cases	150		

Source: Computed Data

**CRM and customer orientation**

**Ho:** There is no significance relationship between the CRM and customer orientation.

### CRM and customer loyalty

**Ho:** There is no significance relationship between the CRM and customer loyalty.

**Table 4c**  
CRM and customer loyalty -Chi-square Test

Sl.no	Particulars	Value	D.f	Asymp. Sig. (2-sided)
3	Pearson Chi-Square	10.517	5	0.022
	Likelihood Ratio	15.042	7	0.000
	Linear-by-Linear Association	21.069	7	0.000
	N of Valid Cases	150		

Source: Computed Data

## 11. Findings of the Study

**Likert scaling technique:** It is evident that, the variables of Personalised services are coded as follows., PS-1: offer new insights into consumer behaviour surroundings price-quality tradeoffs, PS-2: Customers considering a purchase in a particular product or service category scan their product/service options and develop a consideration set, PS-3: have a reward program that is meant to lock customer, PS-4: customers are given importance, cared and looked after sincerely, PS-5: The privacy of customers is not intruded into under any circumstances, PS-6:, PS-7: Hotel collects customer likes, dislikes, and preferences frequently, PS-8: The hotel differentiates the customers according to value and need, PS-9: The prevalence of frequent customer programs makes targeted promotions easier for retaining them, PS-10: Personalization of services leads to improved customer loyalty. It is found that PS-1 is ranked first followed by PS-2 and PS-7.

It is evident that, the variables of Customer orientation are coded as follows., CO-1: hotel has clear ideas of its customers and their needs, CO-2: Managers in hotel spend time with the customers, CO-3: Meeting customers' needs is a priority compared to meeting own internal needs, CO-4: hotel encourages customers to get involved in the process of defining service targets and standards in the hotel, CO-5: hotel knows exactly what aspects and characteristics of our service customers value the most, CO-6: hotel surpasses customers' expectations as regards the things which are most important for them, CO-7: Customers are encouraged to regularly give hotel feedback about business performance, CO-8: hotel regularly analyzes customer complaints and the information got is then used in the process of strategy development, CO-9: hotel responds quickly to customers' comments and complaints, CO-10: In hotel, everyone is responsible for solving customers' problems. It is found that CO-7 is ranked first followed by CO-5 and CO-2.

It is clear that for the purpose of analysis the variables of Customer loyalty are coded as follows, CL-1: The hotel has more than 5 customer loyalty programs, CL-2: always reward loyal customers with various none cash offers, CL-3: More than 50 percent of hotel guests are repeat customers, CL-4: repeat customers do not chose the hotel because of prices, CL-5: More than 50 percent of first time customers are referrals from existing customers, CL-6: customers often encourage other people to stay at this hotel, CL-7: customers say positive things

about the hotel in the customer satisfaction results. It is found that CL-6 is ranked first followed by CL-1 and CL-4.

**Chi-square analysis:** The calculated chi square value of CRM and personalised services is 27.654; the table value at 5% level of significance and 1 degrees of the freedom is 7.879. As the calculated value of chi square is higher than the table value the null hypothesis is rejected and the alternative hypothesis [ $H_a$ : There is significant relationship between the CRM and personalised services] is accepted. It is concluded that there is a significant relationship between the CRM and personalised services in the study area.

The calculated chi square value of CRM and customer orientation is 27.087; the table value at 5% level of significance and 4 degrees of the freedom is 14.860. As the calculated value of chi square is higher than the table value the null hypothesis is rejected and the alternative hypothesis [ $H_a$ : There is significant relationship between the CRM and customer orientation] is accepted. It is concluded that there is a significant relationship between the CRM and customer orientation in the study area.

The calculated chi square value of CRM and customer loyalty is 10.517; the table value at 5% level of significance and 3 degrees of the freedom is 12.838. As the calculated value of chi square is higher than the table value the null hypothesis is rejected and the alternative hypothesis [ $H_a$ : There is significant relationship between the CRM and customer loyalty] is accepted. It is concluded that there is a significant relationship between the CRM and customer loyalty in the study area.

## 12. Suggestions

In conclusion, this study has provided a theoretical model to show the firm relationship between CRM personalised services, orientation and loyalty. It contributes enormously to the body of knowledge, as it provides a comprehensive framework that is used for explaining the impact of the CRM three dimensions on hotel performance. It is an accepted fact that the concept of customer relationship management neither has been fully verified, nor empirically assessed to determine the strength of the relationship between dimensions of customer-relationship management and hotel industry performance. Moreover, this study uniquely extends the body of knowledge by explaining the theoretical possibilities of the mediating role of marketing capabilities (planning and implementation) in the relationship between CRM dimensions and hotel performance. It is worth mentioning that this paper will also raise awareness among hotel managers to pay more attention to CRM dimensions, marketing capabilities, and assist them in improving hotel performance and competitiveness. However, the fact remains that this study has its limitations. First, because it is in dire need of further verification by collecting data from the hotel industries to test the proposed model and further investigate the hypothesized relationships. Second, the model is more focused on the hotel industry and therefore, there is a need to test it in different sectors such as the financial sector.

## 13. Recommendations

On recommendation, captains of the industry should stand up to the challenge of ensuring that insurance companies in Nigeria keep records of their customers and identifying the key ones and making effort to tailor products to meet customers' needs, desires and expectations. Secondly, the various touch points of insurance customers (that is, request for insurance coverage, filling of proposal forms, complaint lodgment, renewal of policies, claims request and the likes) should be genuinely and adequately attended to. Lastly, regular deployment and encouragement of IT facilities be used as means of maintaining and managing customers' relationship, retention and value creation.

This study contributes significantly to knowledge in that it educates insurance companies' managers of need to continually evaluate their firm's relationship management to customers and the need to integrate customer retention and value creation into their vision and mission statement. It also informs regulatory authorities of the need to continually review the customer database of insurance companies. There are some notable limitations to this study. First, data were gathered from insurance practitioners (specifically marketing and underwriting officers) only and the views of the insuring populace were not considered. Secondly, the research was

unable to evidence the database of the customers of surveyed companies. Lastly, future research can endeavor to investigate reasons why insurance companies find it almost impossible often time to retain a policyholder for longer period.

#### 14. Conclusion

It is an accepted fact that the concept of customer relationship management neither has been fully verified, nor empirically assessed to determine the strength of the relationship between dimensions of customer-relationship management and hotel industry performance. Moreover, this study uniquely aims to extend the body of knowledge by explaining the theoretical possibilities of the mediating role of marketing capabilities (planning and implementation) in the relationship between CRM dimensions and hotel performance. It is worth mentioning that this paper will also raise awareness among hotel managers to pay more attention to CRM dimensions, marketing capabilities, and assist them in improving hotel performance and competitiveness.

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