

# Customer Relationship Management in Hotel Industry

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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 focussing on customer retention and customer loyalty. The present research was undertaken to study the Customer Relationship Management (CRM) practices in hotel industry. For the purpose of the study, a sample of 10 hotels were selected from the list obtained from Restaurant and Hotel Association of Ludhiana on random basis. The managers/owners of the hotel were contacted to satisfy the objective of the study. It was found that most of the managers had a positive attitude towards CRM practices and the most common activities undertaken were studying the existing database of the customers and personal counseling. The benefits of CRM are increased customer satisfaction and increased customer loyalty.

**Keywords:** Customer Relationship Management, Hotel Industry, Customer Satisfaction.

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## Introduction

The Indian hotel industry is experiencing increased globalization, 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 (rooms) are very similar, when comparing the same quality level the customer focuses are on soft factor like personal treatment, personalization, 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. In addition, people are very likely to share their personal preferences with hotel staff to make their stay more enjoyable. The hotel can make use of this database combined with IT and give the guests a unique experience. They can establish a close relationship with customers and meet their needs perfectly. In order to be able to compete on a highly competitive market a hotel has to meet every single customer's needs and expectations. To do this it is important to understand 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 Customer Relationship Management (CRM) strategies that aim to seek, gather and store the right information, validate

and share it throughout the organization (Goyal, 2011). Dominici and Guzzo (2010) said that to be 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. Appiah and Kingsley (2010) stated that as the world economy is becoming globalized, competition has intensified and the differences in products have faded. Consequently, businesses have become fixated on customer relationship management (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. Parvatiyar and Sheth (2001) in their conceptual framework said that the two most important process of Customer Relationship Management include proactive customer business development and building partnering relationships with the most important customer.

## Customer Relationship Management

CRM is about managing customer knowledge to better understand and serve them. It is an umbrella concept that places the customer at the centre of an organization. Customer service is an important component of CRM: however CRM is also concerned with coordinating customer relations across all business functions, points of interaction, and audiences. CRM can bring a lot of benefits for hotels such as customer satisfaction and loyalty, increase in revenues, decrease in costs, and a sustainable competitive advantage. CRM involves the integration of technology and business processes used to satisfy the needs of a customer. In terms of IT, CRM is defined as "an

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enterprise wide integration of technologies and functions such as data warehouse, websites, intranet/ extranet, telephone support system, accounting, sales, marketing and production". In other words, CRM is a notion regarding how an organization can keep their most important customers and at the same time reduce costs, increase the values of interaction to consequently maximize the profits". CRM can also be defined as "an information industry term for methodologies, software, and usually internet capabilities that help an enterprise manage customer relationships in an organized way" or be defined as "an all embracing approach, which seamlessly integrates sales, customer service, marketing, field support and other functions that touch customers", (Xu *et al*, 2002). The real value to the company lies in the value they create for their customers and in the value the customers delivers back to the company. The value lies in the customer knowledge and how the company uses that knowledge to manage their customer relationships. Knowledge is the sole of CRM. Unfortunately, few companies are transforming the information to customer knowledge and therefore they miss the opportunity to provide value to their customers. However, applied in the right way, CRM is the tool that contributes to profit. If companies are transforming the customer data into knowledge and then use that knowledge to build relationships it will create loyalty, followed by profits. Companies can gain many benefits from CRM like lower cost of recruiting customers, reduced costs of sales, higher customer profitability, increased customer retention and loyalty and evaluation of customer profitability. 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, (Mc Kim, 2002).

### Objective of the study

The present research was undertaken with the following specific objective:

**To study the Customer Relationship Management (CRM) practices in Hotel industry.**

### Research Methodology

The population for the study consisted of all the Hotels of Ludhiana. As Ludhiana is an important industrial town and business hub and is developing at a fast pace, a number of hotels are coming up in the city.

A list of Hotels was taken from the Hotel and Restaurant Association of Ludhiana. From the list, the hotels were categorised into two categories i.e. high/medium tariff category hotels and low tariff category hotels based on the single room tariff. A sample of 10 hotels were selected from the list of hotels on the basis of single room tariff, five hotels each from high/ medium tariff and low tariff category based on random sampling. Five hotels selected from high/medium tariff were Majestic Park Plaza, Hotel Mahal, Nagpal Regency, Friends Regency and Dhodha Regency and five hotels selected from low tariff were Novena Hotel, Vikrant Hotel, Hallmark regency, Dyal Palace and Champion-2000 Hotel. The managers of these hotels were contacted and interviewed. The primary data was collected with the help of structured, non-disguised questionnaire. The questionnaire was designed on the basis of the Customer Relationship Marketing Model, given in Fig 1 (Dash, 2003). Questions were asked relating to CRM practices like customer need assessment and acquisition, customer development through personalization and customization, customer retention through personalization and customization, customer development through personalization and customization, customer retention, new customer referrals and benefits from CRM approach, etc. After collection of data, master tables were constructed and analysis of collected data was done by using various statistical techniques like percentage method, mean scores and two mean t-test.

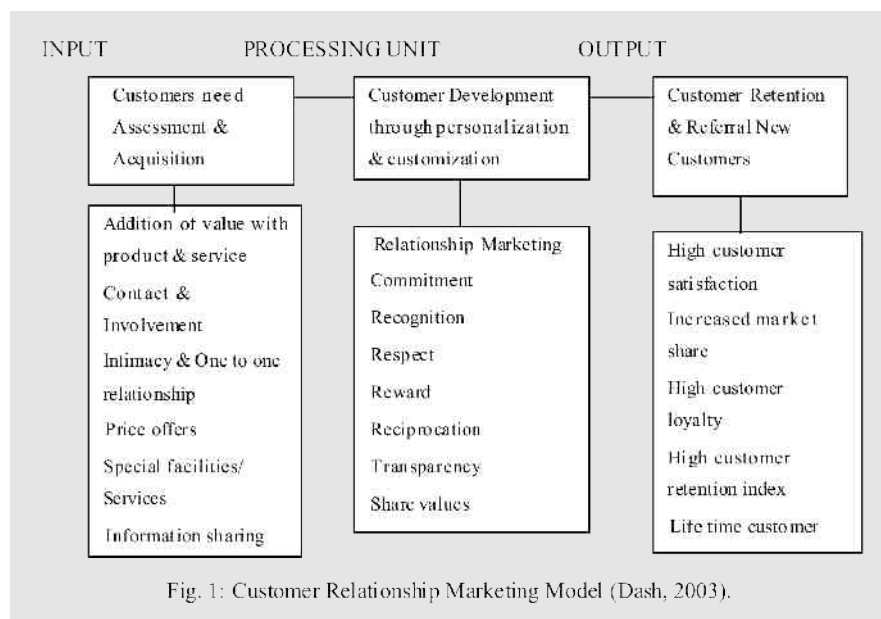


Fig. 1: Customer Relationship Marketing Model (Dash, 2003).

For the comparison between the mean obtained from managers of selected samples of high/medium tariff hotels and low tariff hotels, t-test was applied. The value of t was calculated as follows:

$$t = \frac{\bar{X}_1 - \bar{X}_2}{S} \times \sqrt{\frac{n_1 n_2}{n_1 + n_2}}$$

Where,

$\bar{X}_1$  = mean of first sample

$\bar{X}_2$  = mean of second sample

$N_1$  = number of observations in the first sample

$N_2$  = number of observations in the second sample

$S$  = combined standard deviation

$$S = \sqrt{\frac{\sum(X_1 - \bar{X}_1)^2 + \sum(X_2 - \bar{X}_2)^2}{n_1 + n_2 - 2}}$$

The degree of freedom =  $(n_1 + n_2 - 2)$

### Results and Discussions

This section discusses the profile of the hotels and the Customer Relationship Management practices followed by them which includes awareness and opinion towards CRM, activities undertaken for customer need assessment, activities undertaken for acquiring customers, activities undertaken for customer development through personalization and customization, activities undertaken for customer retention, information maintained about customers and methods for complaint handling.

#### Profile of Hotel

The information about the profile of the hotels is given in Table 1.

**Table 1: Profile of Hotels**

Parameters	Number of respondents (n=10)	Percentage	Name
<b>Year of establishment</b>			
Before 1990	2	20%	Dhodha Regency, Novena Hotel
1990-95	3	30%	Majestic Park Plaza, Dyal Palace, Vikrant Hotel
1995-2000	2	20%	Hallmark Regency, Shampion
2000-05	3	30%	2000
After 2005	0	0%	Hotel Mahal, Nagpal Regency, Friends Regency
<b>Number of hotels</b>			
1	9	90%	All hotels except Hotel Mahal
2	0	0%	
3	1	10%	Hotel Mahal
4	0	0%	
>5	0	0%	
<b>Other business holding</b>			
Yes	8	80%	All hotels except Hotel Mahal and Hallmark Regency
No	2	20%	Hotel Mahal, Hallmark Regency
<b>Single room tariff</b>			
<1000	5	50%	All low tariff hotels
1000-2000	3	30%	Dhodha Regency, Friends Regency, Nagpal Regency
2000-3000	1	10%	Hotel Mahal
3000-4500	1	10%	Hotel Mahal
>4500	0	0%	Majestic Park Plaza

Table 1 show that 90% of the hotels have only one hotel in their business except Hotel Mahal that has a chain of three hotels in India. Also 80% of the hoteliers are involved in other business holdings too. The single room tariff for all the low tariff category of hotels is below Rs. 1000 and in high/medium tariff category hotels it is 30% between 1000-2000 and 10 %

between 2000-3000 and 3000-4500 each.

**Awareness about CRM**

The managers/owners were asked if they were aware about the CRM concept.

**Table 2: Awareness of hotel mangers about CRM**

Awareness	High/medium tariff hotel (n=5)	Low tariff hotel (n=5)	No. of respondents (n=10)
Yes	5	5	10
No	0	0	0
Total	5	5	10

Table 2 shows that all the respondents were aware about the CRM concept.

**Opinion regarding benefits from CRM approach**

In this section the hotel managers/owners were asked to give their opinion regarding benefits from CRM approach. The

respondents were asked to rate the statements on the scale from 1 to 5 where 1 states for strongly disagree and 5 states for strongly agree.

**Table 3: Opinion of managers regarding benefits from CRM approach**

Statement	Mean Score		Overall mean score (n=10)	T-value	p-value
	High/medium tariff (n=5)	Low tariff (n=5)			
It expands the customer base	5	4.4	4.7	2.45	0.07
It increases the longitivity of customer relationship	4	4.6	4.3	2.45	0.07
It reduces the rate of customer defection	4.6	3.8	4.2	1.79	0.12
It helps in increasing the number of profitable customers	3.8	3.8	3.8	0.00	1.00
It helps in easy introduction of new product/services	4.4	3	3.7	3.50*	0.008*
It enhances the potential worth of individual customers in terms of their lifetime value to company	3.4	3.8	3.6	0.89	0.40
It offers better value to customer's money by c onstantly improving the quality of services offered to them	3.8	3.2	3.5	1.41	0.21

It benefits customer selectivity approach	3.8	3.2	3.5	1.41	0.21
Increases customer satisfaction	4.4	3.6	4	2.31	0.05
Increased customer loyalty	4	3.4	3.7	1.50	0.17
Profitability increases	3.8	3.6	3.7	0.63	0.55
Increases market share	3.8	3.2	3.5	1.41	0.21
Enhances lifetime value of customers	3.6	3	3.3	1.50	0.17

\*Significant at 5% level of significance

(t=2.56)

According to Table 3, in case of high/medium tariff category hotels the mean score was highest for “it expands customer database” (=5). For the same category the next highest mean scores was for “it reduces the rate of customer defection” (=4.6), “it helps in easy introduction of new product/service” (=4.4) and “increases customer satisfaction” (=4.4). For low tariff category hotels the mean score was highest for “it increases the longitivity of customer relationship” (=4.6), “it expands customer database” (=4.4), “it reduces the rate of customer defection” (=3.8), “it helps in increasing the number of profitable customers” (=3.8) and for “it enhances the potential worth of individual customer in terms of their lifetime value to the company” (3.8). The overall mean score is highest for “it expands the customer database” (=4.7). The next highest mean scores was for “it increases the longitivity of customer relationship” (=4.3), “it reduces the rate of customer

defection” (=4.2), “increases customer satisfaction” (=4.0) and for “it helps in increasing the number of profitable customers” (=3.8).

The t values were calculated to see the difference between the mean scores of high/medium tariff and low tariff hotels and tested at 5% level of significance. In the above table only one statement “it helps in easy introduction of new product/services” is found to be significant i.e. whose value was more than 2.56. This means that there is difference of opinion in the high/medium tariff and low tariff hotels for this statement.

#### Activities undertaken for customer need assessment

Table 4 presents the activities followed by the hotels for the customers need assessment.

**Table 4: Activities undertaken by hotels for customer need assessment**

Statement	High/ medium tariff (n=5)	Low tariff (n=5)	Total (n=10)
	No. of respondents (%)	No. of respondents (%)	No. of respondents (%)
Study existing customer database	5 (100%)	5 (100%)	10 (100%)
Personal counseling	5 (100%)	3 (60%)	8 (80%)
Survey of competitors customer's	3 (60%)	0 (0%)	3 (30%)
Survey of existing customers	1 (20%)	1 (20%)	2 (20%)
Survey of potential customers	1 (20%)	0 (0%)	1 (10%)

\*Multiple choice responses

Analysis of Table 4 shows that all the high/medium tariff hotels “study existing customer database” and “personal counseling”. Other activities undertaken by the hotels for customer need assessment are “survey of competitor's customers”, done by 60% of the hotels. In low tariff hotels, all hotels adopt “study of existing customer database”, 60% of the hotels believe in going for “personal counseling” for the evaluations of customer need assessment. Overall, the best method of customer need assessment is “study of existing customer database” as this is the

method that is adopted by all the hotels.

#### Activities undertaken for acquiring customers

Data is collected from the hotel managers/owners to know what are the activities undertaken by them for the acquisition of the customers. The respondents were asked to rate the statements over a scale from 1 to 5 where 1 states for least extent and 5 states for great extent.

**Table 5: A activities undertaken for acquiring customers**

Statement	Mean Score		Overall mean score (n=10)	t-value	p-value
	High/medium tariff (n=5)	Low tariff (n=5)			
Maintain Contact and involvement	4.6	4.4	4.5	0.58	0.58
Maintain intimacy	4.4	3	3.7	3.5*	0.008*
Information Sharing	4	3.4	3.7	2.45	0.07
Addition of value with product or service	4	3	3.5	2.24	0.06
Providing special facilities/ Services	3.6	2.6	3.1	2.89*	0.02*

\*Significant at 5% level of significance

(t=2.56)

Table 5 shows that the activity undertaken by hotels for acquiring customers was to “maintain contact and involvement” the most. For high/medium tariff category hotels, the mean score was highest for “maintain contact and involvement” (=4.6), “maintain intimacy” (=4.4), and “information sharing” (=4.0). For low tariff category hotels the mean score is highest for “maintain contact and involvement” (=4.4), “information sharing” (=3.4), and “maintain intimacy” (3.0). The overall mean score is highest for “maintain contact and involvement” (=4.5). The next highest mean scores was for “maintain intimacy” (=3.7), and for “information sharing” (=3.7).

The t values were calculated to see the difference between the mean scores of high/medium tariff and low tariff hotels and

tested at 5% level of significance. In the above table only two statements “maintain intimacy” and “providing special facilities/services” were found to be significant i.e. whose value was more than 2.56. This means that there is difference of opinion in the high/medium tariff and low tariff hotels for these statements.

#### Activities undertaken for customer development through personalization and customization

In this section the information is collected about the activities undertaken by the hotels for customer development through personalization and customization. The respondents were asked to rate the statements on the scale from 1 to 5 where 1 states for least extent and 5 states for great extent.

**Table 6: Activities undertaken for customer development through personalization and customization**

Statement	Mean Score		Overall mean score (n=10)	t-value	p-value
	High/medium tariff (n=5)	Low tariff (n=5)			
One to One Relationship Marketing	4.4	4.4	4.4	0.00	1.00
Commitment towards providing better services to customers	4.6	3.6	4.1	2.89*	0.02*
Give personal recognition to customers	4	3.6	3.8	1.00	0.35
Transparency about company's policies and procedures	3.8	3.8	3.8	0.00	1.00
Reciprocation	3.8	3.2	3.5	2.12	0.07
Give rewards to customers	3.6	2.8	3.2	1.79	0.12

\*Significant at 5% level of significance

(t=2.56)

Table 6 shows that for high/medium tariff category hotels the mean score was highest for “commitment towards providing better services to customers” (=4.6), “one to one relationship” (=4.4) and for “give personal recognition to customers” (=4.0). For low tariff category hotels the mean score is highest for “one to one relationship” (=4.4), “transparency about company's policies and procedures” (=3.8), and “commitment towards providing better services to customers” (3.6). The overall mean score is highest for “one to one relationship” (=4.4), “commitment towards providing better services to customers” (=4.1), and “give personal recognition to customers” (=3.8).

The t values were calculated to see the difference between the mean scores of high/medium tariff and low tariff hotels and

tested at 5% level of significance. In the above table only one statement “commitment towards providing better services to customers” was found to be significant i.e. some values were more than 2.56.

#### Opinion towards activities relating to customer retention

It is very important to retain the customer for the future as it is known that it takes double the cost to acquire new customer than the old one. So here, the information is collected about the views of the hotel managers/owners upon the activities that result in customer retention. The respondents were asked to rate the statements on the scale from 1 to 5 where 1 states for strongly disagree and 5 states for strongly agree.

**Table 7: Opinion of managers towards activities undertaken for customer retention**

Statement	Mean Score		Overall mean score (n=10)	t-value	p-value
	High/medium tariff (n=5)	Low tariff (n=5)			
Customer complaint handling in an effective manner	5.0	5.0	5.0	1.00	0.38
Membership of the hotel	4.8	4.6	4.7	0.63	0.55
Effective room service	4.6	4.6	4.6	0.00	1.00
Soft behavior of staff/personnel	4.6	4.4	4.5	0.58	0.58
Customized services	4.0	4.6	4.3	1.50	0.17
Sending wishes on various occasions	3.8	4.0	3.9	0.55	0.61
Special greet by the hotel management	3.8	3.8	3.8	0.00	1.00
Accepting cancellation of reservation by the hotel	4	3.6	3.8	1.00	0.35

\*Significant at 5% level of significance

(t=2.56)

In Table 7, for high/medium tariff category hotels the mean score was highest for “customer complaint handling in an effective manner” (=5.0), “membership of the hotel” (=4.8), “effective room service” (=4.6) and for “soft behavior of staff/personnel” (=4.6). For low tariff category hotels the mean score is highest for “customer complaint handling in an effective manner” (=5.0), “customized services” (=4.6), “effective room service” (=4.6) and for “membership of the hotel” (4.6). The overall mean score is highest for “customer complaint handling in an effective manner” (=5.0), “membership of the hotel” (=4.7), and “effective room service” (=4.6).

The t values were calculated to see the difference between the mean scores of high/medium tariff and low tariff hotels and tested at 5% level of significance. In the above table no statement was found significant i.e. no statement has value more than 2.56. This means that there is no difference of opinion in the high/medium tariff and low tariff hotels.

#### Activities undertaken for customer retention

Table 8 presents the information is recorded about the activities undertaken by the hotels for the purpose of customer retention.



**Table 8: Activities undertaken for customer retention**

Statement	High/ medium tariff (n=5)	Low tariff (n=5)	Total (n=10)
	No. of respondents (%)	No. of respondents (%)	No. of respondents (%)
Greeting the customer and paying them due respect	5 (100%)	5 (100%)	10 (100%)
Provision of customer service and complaint desk	5 (100%)	5 (100%)	10 (100%)
Participating in a two way communication, listening and recording the customer problem	5 (100%)	5 (100%)	10 (100%)
Talking in terms favorable to customers	5 (100%)	4 (80%)	9 (90%)
Attending customers promptly	5 (100%)	3 (60%)	8 (80%)
Providing customized services to the customers	3 (60%)	1 (20%)	4 (40%)
Membership for the regular customers and business houses	3 (60%)	0 (0%)	3 (30%)
Sending cards/wishes on special occasions like Birthday and Anniversary	3 (60%)	0 (0%)	3 (30%)

\*Multiple choice responses

Table 8 shows that several activities were undertaken by the hotels for the customer retention. According to the table above three activities “Greeting the customer and paying them due respect”, “Participating in a two-way communication, listening and recording the customer problem” and “Provision of customer service and complaint desk” are followed by all the hotels for the customer retention. “Talking in terms favorable to customers” was followed by 90% of the hotels and “attending customers properly” was followed by 80% of the

hotels.

#### Information maintained about customers

It is very important to maintain the proper information about the customers and in the hotel industry it is even a compulsion from the Government of India to maintain the records of people visiting the hotel. So managers were asked about what kind of information about the customers is recorded by the hotels in Ludhiana city.

**Table 9: Information maintained about customers by the Hotels**

Information of customers	High/ medium tariff (n=5)	Low tariff (n=5)	Total (n=10)
	No. of respondents (%)	No. of respondents (%)	No. of respondents (%)
Information about customer and his dwelling	5 (100%)	5 (100%)	10 (100%)
Information about customer's attitude towards the hotel staff and offerings	5 (100%)	1 (20%)	6 (60%)
Database about customer's lifestyle and likes/dislikes	3 (60%)	0 (0%)	3 (30%)
Information about change in customer's interest	1 (20%)	0 (0%)	1 (10%)

\*Multiple choice responses

Table 9 shows that overall, all the hotels maintain the information about customer and his dwelling and 60% of hotels also maintain information about customer's attitude towards the hotel staff and offerings. In case of high/medium tariff hotels also the information about the customer's attitude towards the hotel staff and offerings (100%) is maintained but in low tariff hotels only 20% of respondents maintain information.

#### Methods for handling the complaint

Handling the customer complaints is very important in the service industry as it results in customer satisfaction. Here the information about the complaint handling by the hotels is recorded.

**Table 10: Methods for handling the complaint**

Methods	High/ medium tariff (n=5)	Low tariff (n=5)	Total (n=10)
	No. of respondents (%)	No. of respondents (%)	No. of respondents (%)
Personal counseling	5 (100%)	5 (100%)	10 (100%)
Through complaint box	2 (40%)	3 (60%)	5 (50%)
Through phone	5 (100%)	2 (40%)	7 (70%)
Through direct mail	3 (60%)	0 (0%)	3 (30%)
Through intranet	0 (0%)	0 (0%)	0 (0%)

\*Multiple choice responses

Table 10 shows that all the hotels carry out personal counseling to handle the customer complaints in both the high/medium tariff hotels and in low tariff hotels. The other method of handling customer complaint in high /medium tariff hotel is through phone (100%) and in case of low tariff hotels it is through complaint box (60%).

#### Conclusion

There has been a considerable improvement in the service delivery system of the hotel industry and the concept of CRM has taken a new dimension and is gaining momentum in this sector. The present study on CRM concludes that almost all the owners/managers of the selected hotels in Ludhiana were aware about the CRM concept and are practicing it in their respective hotels. However, high/medium tariff hotels are practicing it at a greater extent and low tariff hotels are

practicing it according to their convenience. The companies are undertaking various activities for acquiring customers, for customer development through personalization and customization, and for customer retention. Further, CRM practices help the hoteliers to increase customer satisfaction, win customer loyalty and retain the customers which results in increased market share and high profitability.

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