

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS EDUCATION

DEPARTMENT OF MARKETING MANAGEMENT

Application and Implementation of Customer Relationship
Management Practice (CRM) in Hotel Industry
Case of Sheraton Addis

A Paper Submitted to Department of Marketing Management
In Partial Fulfillment of Masters of Arts In Marketing Management

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Letter of Certification

This is to certify that Tadesse Endaylalu carried out this study on the topic entitled “Application and Implementation of Customer Relationship Management in Hotel Industry, case study of Sheraton Addis.” This is his work and is suitable for submission for the award of a masters degree in marketing management.

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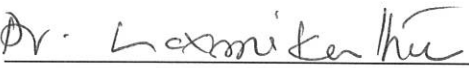
**APPLICATION AND IMPLEMENTATION OF CUSTOMER
RELATIONSHIP MANAGEMENT (CRM) IN HOTEL
INDUSTRY: THE CASE OF SHERATON ADDIS**

BY:
TADESSE ENDAYLALU


Approved by Board of Examiners


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Table of Contents

List of Tables.....	vi
List of Figures.....	vii
Acknowledgments	viii
Abstract	ix
1. CHAPTER ONE	
Introduction	1
Problem Discussion	2
Research Purpose	4
Research Questions	5
Research Methodology	6
Outline of the Thesis	7
2. CHAPTER TWO	
Literature Review	8
Tourism	8
Hospitality Industry	8
Definition of CRM	11
CRM as Profit Multiplier	13
CRM Technologies	14
CRM and Customer Loyalty	18
Organizational Culture and Acceptance	19
Information and Communication Technology's (ICT) Role.....	23
CRM's 4p	24
PMS	26
CRM Payback	27
Applied Research	28
3. CHAPTER THREE	
Research Methodology	30

Research Approach	31
Research Strategy	32
Data Collection Methods	32
Validity and Reliability	33
Sample Selection	34
Data Analysis	34

4. CHAPTER FOUR

Results and Discussion	35
Demographic Statistics	35
Testing Hypothesis	37
Correlations	45
IT Variables	47
One-to-one Marketing Variables	48
Personalization Variables	49
Customer Services and Support Variables	50

5. CHAPTER FIVE

Conclusion and Recommendation	55
References.....	58
Questionnaire.....	62

List of Tables

- Table 1.1 Research Methodology
- Table 3.1 Situations for Different Research Strategies
- Table 3.2 Reliability Test of Questionnaire
- Table 3.3 Application of CRM in Hotel Industry
- Table 4.1 Gender Statistics
- Table 4.2 Marital Status Statistics
- Table 4.3 Statistics of Respondents' Age
- Table 4.4 One Sample T-test of Main Hypothesis
- Table 4.5 One-sample T-test of Second Hypothesis
- Table 4.6 One-sample T-test of the Third Hypothesis
- Table 4.7 One-sample T-test of Fourth Hypothesis
- Table 4.9 Correlation between respondents' and their satisfaction
- Table 4.8 One-sample T-test of Fifth Hypothesis
- Table 4.10 Correlation between respondent's education and their satisfaction
- Table 4.11 Correlation between marital status of respondents' and their Satisfaction
- Table 4.12 Correlation between respondents' jobs and their satisfaction
- Table 4.13 Friedman test of IT variable
- Table 4.14 Friedman Test of One-to-one Marketing Variables
- Table 4.15 Personalization Variable of Friedman Test
- Table 4.16 Customer service and support variable Friedman Test
- Table 4-17 Summary of research hypothesis results.

List of Figures

Figure 1.1 Research Process

Figure 2.1 The five main sectors of the travel and tourism industry.

Figure 2.2 Integrated customer data on a data warehouse.

Figure 3.1 Research Process

Figure 4.1 Genders of the Respondents

Figure 4.2 Marital Statuses of the Respondents

Figure 4.3 Age of the Respondents'

Figure 4.4 Friedman test of IT variable

Figure 4.5 Friedman Test of One-to-one Marketing Variables

Figure 5.1 Summary of CRM Research

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Abstract

With increased globalization, competition, higher customer turnover, growing customer acquisition costs, and rising customer expectations in today's competitive world, CRM is very important for several companies and received an increasing amount of interest among scholars and practitioners especially in recent years. Some companies have received immense benefits from their investments in enhancing customer satisfaction and profitability. Hotels in Ethiopia are no exception. The purpose of this thesis is to investigate the application of Customer Relationship Management (CRM) in the local hotel industry.

A case, Sheraton Addis Hotel, is selected for the study. Samples are determined using a sampling formula and subjects are requested to fill out a questionnaire. In addition, with the help of open-ended questions and observation, the researcher extracted first hand information. Secondary data sources are used to enrich the amount of gathered information.

The researcher tried to find out if CRM is implemented in the form of giving special services with the help of IT, one-to-one marketing, effective relationship building with guest, and discovering guest needs and meeting them by giving always new special services could be a life saver for hotel industry.

The results showed that after implementing customer relationship management (CRM) guest satisfaction effected in guests' loyalty and retention. As guest stay longer they buy more, and more frequently and this pushes up the wallet share also. Similarly, the hotel kept down some costs by retaining existing customers.

For the hotel, guests loyalty to the brand reduces the risk of service variability, allows for the development of a social rapport with the provider, and the customization of services to their desires.

CHAPTER ONE

INTRODUCTION

The first chapter presents the purpose of the study and the problem area. Initially, an introduction and a background are provided in order to signify the importance of the subject. Then, a discussion of the research problem that necessitated the current study follows.

Before discussing the main topic, a highlight of the nature of the hospitality industry is presented. The hospitality industry is a segment within the tourism industry. When most people think of the hospitality industry, they usually think of the hotels and restaurants. However, the true meaning of hospitality is much broader in scope. According to the Oxford English Dictionary, hospitality means "the reception and entertainment of guests, visitors or strangers with liberality and good will." The word hospitality is derived from hospice, the term from medieval times to mean rest for travelers and pilgrims.

Hospitality, then, not only includes hotels and restaurants but also relates to other kinds of institutions that offer shelter, food, or both to people away from their homes. This might include private clubs, casinos, resorts, attractions, and so on.

Hotels as one part of the hospitality industry have evolved from the very modest beginning of families and landowners who opened their homes to travelers to the high rise of properties today which contain thousands of guest rooms that these lodging facilities can be classified by location, by room rate and by the number of rooms they contain.

Nowadays, basic accommodation of a room with only a bed, a cupboard, a small table and a washstand has largely been replaced by rooms with en-suite bathrooms and, more commonly in the United States than elsewhere, climate control. Other features found may be a telephone, an alarm clock, a TV, and broadband Internet connectivity. Food and drink may be supplied by a mini-bar (which often includes a small refrigerator) containing snacks and drinks (to be paid for on departure), and tea and coffee making facilities (cups, spoons, an electric kettle and sachets containing instant coffee, tea bags, sugar, and creamer or milk).

In most parts of the world, hotels are driven by daily operation throughout the industry, the percentage of academic education is generally low, and general managers (hoteliers) at different hotel levels usually come from the operational side of business and they are not familiar with new concepts of management put together by academics, hence most of the time they rely on their practical experience that they face lots of problems such as increasing costs, decreasing revenues and dissatisfied guests while guests satisfaction is the main job of hoteliers.

Customer relation management model with requiring customer-centric business philosophy and a culture to support effective marketing, sale, making long term relationships and services process could be a life saver for most businesses especially for the hotel industry. "CRM is about managing customer knowledge to better understand and serve them. It is an umbrella concept that places the customer at the center 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" (Bose and Sugamaram, 2003, p.4).

CRM can bring a lot of benefits for hotels such as customer satisfaction and loyalty, increase in revenues, decreasing costs that all these benefits for a hotel can be a source of sustainable competitive advantage.

Problem Discussion

In today's world, tourism has expanded to such an extent that it is now claimed to be the world's largest industry, with high rate of employees, and bringing a lot of revenue for countries. On the other hand, the increased online price/product transparency and the new e-business models (e.g. online auctions) enhance tourists' purchasing powers, who are becoming more price sensitive, less brand loyal, more sophisticated and experience seekers (Gilmore and Pine, 1997; Sigala and Christou, 2002; Sigala, 2003; Christou, 2003a; Christou and Kassianidis, 2003).

The 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 on their ability to satisfy customers efficiently and effectively (e.g. Olsen and Connolly, 2000; Gilmore and Pine, 1997).

In the hotel industry the basic products (rooms) are very similar. When comparing same quality hotels, customer's focus is on soft factors like personal treatment, personalization, one-to-one marketing and attention to the hospitality professions.

The hotel industry enjoys easy data access which guests need to provide with their name and address during check-in. 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.

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 which aspects of a business performance persuade customers to become repeat purchasers, and to exhibit behavioral loyalty (it cost five to ten times more to sell to a new customer than to an old customer).

To enhance profitability and guest satisfaction, hotels must these days focus on implementing Customer Relationship Management (CRM) strategies which aim to seek, gather and store the right information, validate and share it throughout the entire organization, and then use it throughout all organizational levels for creating personalized, unique guests' experiences (Sigala and Connolly, 2004; Olsen and Connolly, 2000; Sigauw and Enz, 1999).

To enhance profitability and guest loyalty focusing on implementing customer Relationship Management (CRM) strategies that aim to seek, gather, and store the right information, validating and sharing it throughout the entire organization could be a good solution.

Xu states that, "basically, CRM is an idea regarding how a company can keep its most profitable customers by increasing the value of interaction. The value is maximized through differentiation of the management of customer relationships." Another definition provided by Xu is formulates that "basically, CRM is a notion regarding how an

organization can keep its most important customers and at the same time reduce costs, increase the values of interaction to consequently maximize the profits.” According to Xu, CRM can also be defined as “an information industry term for methodologies, software, and usually Internet and IT capabilities that help an enterprise manage customer relationships in an organized way.”

The hospitality industry is perfect for the application of CRM principles. Customer Relationship Management as a business strategy, which selects and manages the most valuable guest relationship, makes use of one-to-one marketing plans (offering personalized services) and gives value-added services to build guest satisfaction, loyalty and retention. It is the best strategy for hotel companies to differentiate themselves from their competitors (Francese and Renaghan, 1990).

Customer satisfaction and loyalty occurs when customers find the company being more responsive and more in touch with their specific needs that they will visit again. Customer retention is good for both businesses and customers. For business, it is cheaper to keep existing customers happy than to attract new ones. Dyche (2001) stated that a five percent increase in customer retention results in a 25 to 95 percent increase in profits. On the other side, for a customer, loyalty to one organization reduces the risk of service variability, allows for the development of a social rapport with the provider, and the customization of services to his/her specification (Berry, 1995).

Customer Relationship Management implementation, particularly in hotel industry, is very challenging. A successful CRM strategy cannot be implemented by only installing and integrating software packages, but it needs co-ordination along with the business operations, strategy and user and customer acceptance.

Research Purpose

The primary intention of this research is to undertake a feasibility study of Customer Relationship Management (CRM) application in hotel industry.

Main Objective:

- Determining the effect of implementation of customer relationship management (CRM) on customer satisfaction, loyalty and retention.

Sub objectives:

- Does CRM implementation has an impact on customer satisfaction and loyalty?
- Does IT-supported special service delivery influence customer satisfaction and loyalty?
- Does customer loyalty and retention oscillate with marketing style?
- Does application of Customer Relationship Management (CRM) increase profitability?
- Suggesting useful and practical CRM solutions that could be used in hotel industry.

Research Questions:

To assess the research purposes, the following research questions were raised:

1. How can hotels implement an effective CRM?
2. What is the influence of implementing a CRM model on customer satisfaction, loyalty and retention?

Research Hypothesis:

To reach this purpose, the following research hypothesis is formulated:

Main hypothesis: Implementation of CRM model will increase a hotel's customer satisfaction, loyalty and retention.

Second hypothesis: IT infrastructures in hotel services (that are applied to gain customer insight, build relationships, enable customization and provide new opportunities for service distribution) cause customer's satisfaction and loyalty.

Third hypothesis: Using one-to-one marketing as one of Customer Relationship Management (CRM) strategies to offer more and better services according to customer's preferences and characteristics will increase a hotel's customers loyalty and retention.

Fourth hypothesis: Personalization of services (according to guest's preferences and characteristics) increases guest satisfaction and loyalty.

Fifth hypothesis: A good customer support and services (CSS) (as one of the segments of operational CRM) will increase customer satisfaction and loyalty.

Research Methodology

This research is both descriptive and exploratory. The research approach is quantitative because relationship can be expressed in numbers (Hamgame Arya group hotels).

Both primary and secondary data are used. Secondary data is utilized to explore theoretical issues on CRM books, latest journal articles that focus on CRM, credible CRM web portals and mass media. Primary data gathering tools that are employed are questionnaire, interview and archival records.

For testing the hypothesis, research questions are designed, and gathered data is analyzed with SPSS (ANOVA, T-TEST and FRIEDMAN). At the end, a number of possible solutions are forwarded based on the research questions. The number of samples (n) was found using the following formula:

$$n = \frac{N (Z_{\alpha/2})^2 pq}{\epsilon^2 (N-1) + (Z_{\alpha/2})^2 pq}$$

In this formula

$$N = 300$$

$$P = q = 1/2$$

$$\epsilon = 0.07$$

$$A = 0.05$$

$$Z_{\alpha/2} = Z_{0.05/2} = \pm 1.96$$

With regard to the above information, the (n) is calculated 100.

$$n = \frac{300 \times (1.96)^2 \times 1/2 \times 1/2}{(0.07)^2 \times (300-1) + (1.96)^2 \times 1/2 \times 1/2} = \frac{288.1}{2.42} = 100$$

Outline of the Thesis

The research aim was to find and analyze a hotel's needs, expectations and prerequisites for a successful CRM implementation and beneficial application via testing the hypothesis. This researcher wanted to find out the effect of implementing CRM, and customer satisfaction, loyalty and retention. The theoretical findings are compared and adapted to the hotel's (which is the subject of study) specific needs giving practical and useful solutions. Sheraton Addis hotel being a case for the study, the upcoming information and solutions could help it for the betterment of its performance.

Discussion in the Coming Chapters

In chapter one, an overview is made on the whole topic to be studied. In the following chapters more details are lined up. In chapter two, a detailed description of related literature review is presented, and in chapter three the methodology of the research is described. Chapter four presents results obtained from gathered data and the tested hypothesis are discussed in light of the results. Finally, the conclusion and recommendations are presented in chapter five.

CHAPTER TWO

LITERATURE REVIEW

In the present chapter, theories that are relevant to the research are discussed. The literature review generally investigates about the definition of customer relationship management, benefits and implementation and in some parts the specifics of the hotel industry. At the end, results of two applied researches will be presented.

Tourism

The world tourism organization defines tourists as people who “travel to and stay in places outside their usual environment for not more than one year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.” Tourism has become a popular global leisure activity.

Tourism has expanded to such an extent that it is now claimed to be the world’s largest industry and provider of jobs, and it brings in huge earnings for countries and going to have a rapid expansion (Chon and Sparrowe, 2000; Go and Pine, 1995). This fast growing industry relies on development and expansion of hotels around the world as lodging is an essential provision in tourist activities.

Hospitality Industry

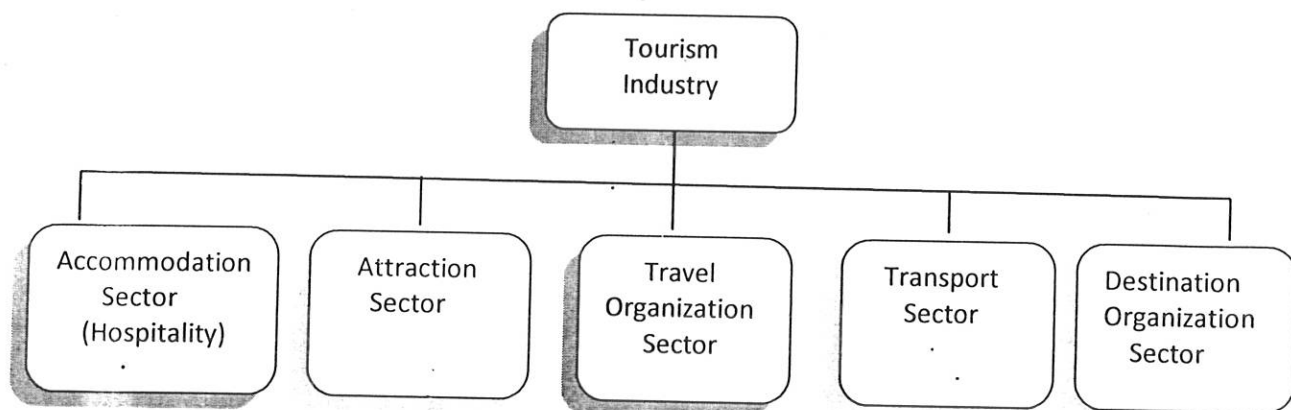
The hospitality industry is a segment within the tourism industry. Figure 2.1 provides an overview of the different types of organizations that make up the tourism industry.

When most people think of the hospitality industry, they usually think of the hotels and restaurants. However, the true meaning of hospitality is much border in scope. According to the Oxford English Dictionary, hospitality means “the reception and entertainment of guests, visitors or strangers with liberality and good will.” The word hospitality is derived from hospice, the term from medieval time to mean rest for travelers and pilgrims.

Hospitality, then, not only includes hotel and restaurant sector but it also relates to other kinds of institutes that offer shelter, food, or both to people away from their homes. This

might include private clubs, casinos, resorts, attraction sites and so on (Olsen, 1996; Barrows 1999).

Figure 2.1 The five main sectors of the travel and tourism industry.



The hotel sector as one part of hospitality industry has evolved from the very modest beginning of families and landowners who opened their homes to travelers to the high rise of properties today which contain thousands of guest's rooms. These lodging facilities can be classified by location, by room rate and by the number of rooms they contain.

In other words, the hotel industry is a large and highly diverse industry that includes a wide range of property styles, uses and qualities (Chon and Sparrowe, 2000; Go and Pine 1995; Olsen 1996; Powers and Barrows, 1999). The industry covers a spectrum of small, medium and large enterprises (Brotherton, 2003; Jones 2002) and makes a significant contribution to national and international economies.

The hotel industry is getting complex for a number of reasons. First, the industry is structurally complex for the large number of categories it contains. These categories encompass hotel quality (e.g. luxury, first class, mid-range and economy), hotel location (e.g. city center, rural, seaside), hotel style (e.g. traditional hotel, resort hotel, all-suite hotel, limited service hotel, motel) (Chon and Sparrowe, 2000; Go and Pine, 1995; Lewis, Chambers and Chacko, 1995; Littlejohn, 2003; Powers and Barrows, 1999) and hotel usage

(e.g. business, leisure, convention) (Jones 2002; Lewis et al. 1995; Powers and Barrows 1999).

Second, the industry is further complicated by affiliation and management structures. In terms of affiliation hotels can be operated as independent properties, franchised to a branded hotel company (e.g. Marriott, Holiday Inn), or as members of a marketing consortium (e.g. Best Western, Leading Hotels of the World). In addition, hotels can be owner-managed, managed by independent hotel management companies or managed by a national or international branded hotel company (Chon and Sparrowe 2000; Go and Pine 1995).

Third, the industry is also highly fragmented with most hotels being independently owned and operated, (Olsen,1996; Powers and Barrows,1999) although there is a higher level of concentration in certain key quality sectors such as the luxury and first class sectors and the limited service sector (Jones,2002). The perceived level of fragmentation is also lower when measured by the number of bedrooms rather than the number of properties (Olsen, 1996).

Now a days, in hotels basic accommodation of a room with only a bed, a cupboard, a small table and a washstand has largely been replaced by rooms with en-suite bathrooms and, more commonly in the United States than elsewhere, climate control. Other features found may be a telephone, an alarm clock, a TV, and broadband Internet connectivity. Food and drink may be supplied by a mini-bar (which often includes a small refrigerator) containing snacks and drinks (to be paid for on departure), and tea and coffee making facilities.

As it was mentioned earlier tourist movements continue to grow and become a source of revenue for different countries, so different segments of this industry with their activities have an important role in bringing a lot of revenue for countries.

The increased online price/product transparency and the new e-business models (e.g. online auctions) enhance tourists' purchasing powers, who are becoming more price sensitive, less brand loyal, more sophisticated and experience seekers (Gilmore and Pine, 1997; Sigala and Christou, 2002; Sigala 2003a; Christou, 2003a; Christou and Kassianidis, 2003).

The hotel industry is also experiencing increased globalization, competition, higher customer turnover, growing customer acquisition costs and rising customer expectations, meaning that hotels' performance and competitiveness is significantly dependent on their ability to satisfy customers efficiently and effectively (Olsen and Connolly 2000; Gilmore and Pine 1997).

As travelers are becoming more price sensitive, less brand loyal and transient, Customer Relationship Management (CRM) becomes a strategic necessity for attracting and increasing guests' patronage to enhance profitability and guests' loyalty. Hotels must these days focus on implementing Customer Relationship Management (CRM) strategies that aim to seek, gather and store the right information, validate and share it throughout the entire organization and then use it throughout all organizational levels for creating personalized, unique guests' experiences (Sigala and Connolly 2004; Olsen and Connolly 2000; Siguaw and Enz 1999). The hyper competitive global economy has intensified the importance of identifying factors that will provide firms with long-term competitive advantages. This is where the importance of CRM surfaces. Contemplations over CRM employment has become a common agenda in board rooms and management meetings in an effort to gain competitive advantage.

Definition of CRM

Several researchers have made attempts to define CRM. The definitions principally capture the intertwine between information technology and sales to better predict customer's behavior and serve it even better.

Therefore, CRM as a business approach aims at identifying those customers that can be a source of profit over time and providing them enhanced service to augment the profit margin. Identifying these sections of customers from the legion of clients is difficult without the use of information technology. Bose's (2002) definition of CRM emphasizes on the technological aspect of the strategy. "It is an enterprise-wide integration of technologies and functions such as data warehouse, web sites, intranet/extranet, telephone support system, accounting, sales, marketing and production."

The convergence of service units facilitates the collection of valuable data on customers which forms the backbones in any planning. It is the business intelligence that is acquired from such data, as Swift (2001) put it, that makes CRM a creditable approach in “understanding and influencing customers’ behavior through meaningful communication in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability.”

The term CRM is coined following the desire to combine the varied services of helpdesk, customer support, Enterprise Resource Programme (ERP), and data mining to provide improved service. Though it is not clear who first coined it, it possibly was born out of an ongoing trial and error approaches (Oberkamp, 2002).

Originally, Personal Information Manager (PIM) was used by executives to organize simple information about customers and activities. The next generation gadget, Contact Management Systems (CMS) had wide acceptance by people in sales and marketing due to their improved functionality that emanates from better capacity database engines.

Then, Sales Force Automation (SFA) replaced CMS laying the cornerstone for modern CRM application. CRM is a business auxiliary that helps an enterprise to manage its customer relationships in an organized way deploying a set of methodologies and tools. Xu’s (2002) definition encapsulates that CRM is a business endeavor that espouses strategy with technology to increase profit. Xu states, “basically, CRM is a notion regarding how a company can keep its most profitable customers and at the same time reduce costs, increase the value of interaction to consequently maximize the profits.”

Requiring customer-centric business philosophy and a culture to support effective marketing, sale, and service process, CRM can enable effective customer relationship, customer satisfaction and customer loyalty. CRM has developed as an approach focusing on gaining a multifaceted view of the customer, having all the data from all touch points (Blattberg and Deighton, 1996; Brassington and Pettit, 2000; Ahn, Kim, and Barf, 2003).

CRM as Profit Multiplier

Understanding the needs of customers and offering value-added services are recognized as factors that determine the success of companies. The real value to a company lies in the value it creates for its customers and in the value the customer delivers back to the company. It is important to note that value does not lie in a bulk of information extracted through advanced technology. Value lies in knowing the customer and in transforming that knowledge to manage their customer relationship. Knowledge is according to Newell (2000) at the heart of CRM. Unfortunately, few companies use their knowledge of a customer and therefore many miss the opportunity to provide value to their customers.

However, applied in the right way, CRM is a tool that contributes to customer satisfaction. If companies transform their customer data into knowledge and use it to build relationships, they can win customer's loyalty and secure their profit (Newell, 2000).

Swift (2001) indicates the multitude of ways companies can gain benefits from CRM. It helps an organization to avoid/lower marketing cost for recruiting new customers; by preserving existing customer base a steady volume of business can be maintained; selling and marketing campaign costs are reduced owing to existing customers' responsiveness; aged relationship with a customer often leads to up-selling, cross-selling and follow-up sale, and more referrals come with higher customer satisfaction; satisfied customers buy more and they buy more frequently which indicates a customer's loyalty; and last CRM allows a business to identify which customers are profitable, less profitable, and which ones 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. Nevertheless, not all customers are valuable; some may even be a source of loss. This occurs when the customers use the company's time, energy and resources without generating enough business to make them worth the effort (Budhwani, 2000).

As a new approach, CRM will bring in best possible return by focusing on customers who already are or will be the company's most profitable customers (Newell, 2000).

Services that an organization provides to its customers have an impact on the customer's perspective of the organization. CRM objectives for service applications according to Ryals and Knox (2001) are to create a profit center out of a service organization using operational tools and customer information by reducing costs and generating more revenues; increasing the efficiency of a business using integrated enterprise-wide information available in front offices and ERP application; boosting customer care, service and customer information management across the organization to improve customer satisfaction and loyalty; and in the least to differentiate a business by offering service as a distinguisher using multiple-channel communication with customers.

CRM Technologies

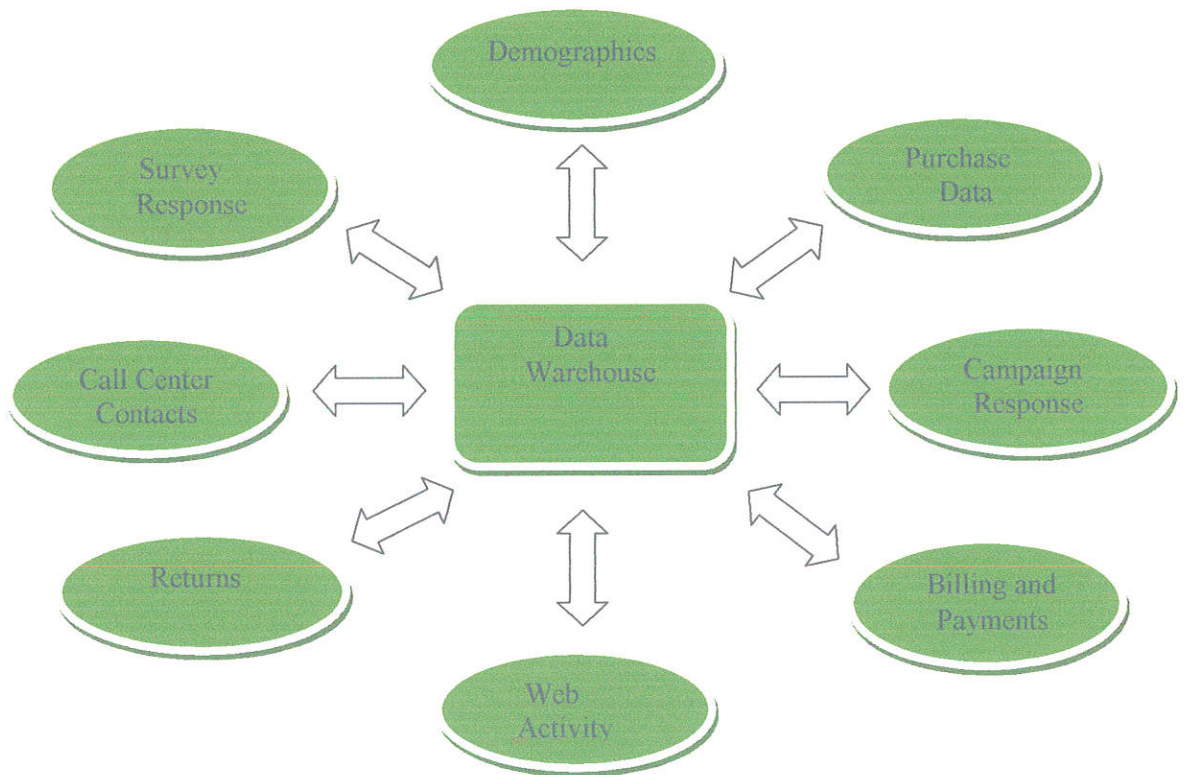
CRM technologies are rapidly evolving and are providing companies a collection of tools to use in order to enhance their customer relationships. According to Stone (2000) there are two main forces that influence the need for CRM technologies to support the completion of CRM. One drive is the need for higher quality CRM in order to meet the needs of customers. CRM systems are increasingly being used to arrange companies' resources in a proper order. Another factor is the need for greater profitability. CRM systems are giving the possibility to automate work previously done by hand (Stone, 200).

According to Trepper (2000), a CRM system must provide three crucial functions, namely, providing the company a consistent and unified view of each customer for every customer interaction; presenting the customer with a complete view of the company irrespective of how the customer contacts the company; and last allowing the sales, marketing and service staff to perform their tasks more like a team, leading to reduced costs and increased efficiency (Trepper, 2000).

What is known as CRM technologies is a culmination of three functional units: operational CRM, analytical CRM, and collaborative CRM. Operational CRM includes customer-facing applications that integrate front-, back-, and mobile offices in order to increase the efficiency of customer interactions (Trepper, 2000). This involves automating business

operations processes, such as order management, customer service, marketing automation, sales-force automation and field service. For the system to be effectual, employees must have the right skills and the company must have a customer-centric focus (Lawrence et. al., 2001).

Figure 2.2 Integrated customer data on a data warehouse.



Source: Dyche 2002.

Analytical CRM involves applications that analyze customer data generated by operational tools (Trepper, 2000). The data is often stored in a data warehouse, a repository for corporate data. Stored data shall give the company information that will allow it to provide value to its customers (Dyche, 2002).

Using data warehouses to analyze business performance, a company can enrich its business intelligence. CRM integrates new business knowledge development with business action.

The analytical function of a CRM technology prepares a company to take better decisions. Since customer retention is vital for companies, analytical CRM is used to identify which

customers are likely to leave. After these customers are identified, the company can design tailored marketing actions that will motivate these customers to stay. Thus, a lot of marketing decisions are made based on the knowledge how a customer is likely to behave. Analytical CRM generates different sorts of profitability analysis, i.e. propensity-to-buyer, next sequential purchase, product affinity, and price elasticity modeling and dynamic pricing, using historical data.

Identifying the most profitable customers is not that easy. The identification process can be performed starting by distinguishing the pure transaction oriented customers who only focus on price and who never will be even a little loyal. New technology can measure account specific profitability, average discount percent of a customer's cumulative purchases and identification of purchases done during off-price sales. This information helps to identify buyers who only focus on transactions.

When this group is discovered, the company can engage in relationship building with the remaining customers. These customers can be divided into three groups based on their utility rate to a company. The divisions include customers who are the most profitable customers, customers who are delivering good profit and have the potential of becoming references to new profitable customers, and customers who are profitable, but only marginally so (Newell,2000).

After identifying the profitable customers, Newel states that they shall be classified depending on regency and frequency of purchase, depending on how they buy. Next, the company has to consider how many of these customers it can afford to cultivate. This depends on the company's incremental profit objectives and how much time, money and recourses that can be allocated.

Yet, discovering a profitable customer only constitutes a small part of calculating a customer's value (Dyche, 2002). In Dyche's view a customer who is unprofitable but has referred three high-value customers to the company is, in turn, very valuable. Companies

value their customers based on different metrics, such as a customer's Life Time Value (LTV), its potential value, and competitive value also known as wallet share.

Most important is not to base customer value assessment on a single dimension; companies need to take several factors into consideration, such as historical customer behavior, product costs, support costs, channel usage and last but not least customer profitability (Dyche, 2002).

Historical customer data is analyzed employing various techniques. OLAP and Data Mining are two of the frequently used techniques in CRM projects. Online Analytical Processing (OLAP) supplies a set of data attributes from a database that are organized around certain dimensions, like time and location. For example, a company can demand the regional sales revenue for a certain product, or during a certain time period. The researcher can gain a more detailed view of the data by drilling down to sales by city, and then sales by residential area, and so forth (Dyche, 2002).

Data Mining is preferred to identify meaningful patterns, rules and relationships from detailed data. Data mining can generate information about patterns without the analyst knowing about them before. Thus it is a great tool for acquiring new knowledge. This characteristic constitutes the difference between data mining and OLAP, since OLAP requires the analyst to have a hypothesis in mind before the analysis takes place. To illustrate the difference, with OLAP you first have to have a clue of what products certain groups of customers buy, and then you can identify those customers. In contrast, data mining can identify groups of customers who buy similar products, such as home/office workers who buy PCs and printers. When using OLAP, the analyst first would have to guess what products a home office/worker would buy and then those customers may be identified.

Data mining allows researchers to make determination of future behaviors by using historical data (prediction analysis), identification of combinations of activities that take

place in a specific order (sequence analysis), and to identifying groups of similar events or items often bought together (Dyche, 2002).

The third interfacing aspect, Collaborative CRM, focuses on facilitating interaction between customers and companies. One-way communication must be replaced by two-way communication, letting customers to get involved early with issues affecting their future purchase behavior (Lawrence et. al., 2001). In other words, collaborative CRM provides a point of interaction between the customer and the supplier. For example, technologies, such as electronic communication, are used to facilitate relevant, timely, and personalized interaction with the customers (Greenberg, 2001).

CRM and Customer Loyalty

The customer is King. An effective CRM is able to please this king by turning a business 'customer-centric' in the most practical sense. Customer satisfaction and loyalty is secured when customers find the company to be more responsive and more in touch with their specific needs. The topic of loyalty has received increased attention in tourism and hospitality research in recent years (Bowen and Shoemaker, 1998; Oppermann, 1999; Shoemaker and Lewis, 1999). Research on loyalty in general, however, dates back much earlier (Copeland, 1923). For an organization, loyal customers are the most profitable types of customers since they tend to spend more over a long time period. The "lifetime" value of loyal customers is enormous since they represent a positive word-of-mouth communication, often resulting in referral business (Reichheld and Sasser, 1990). For a customer, on the other side, loyalty to one organization reduces the risk of service variability, allows for the development of a social rapport with the provider, and the customization of services to his/her desire (Berry, 1995).

According to Berry, loyalty can be divided into levels based on purchase frequency, visit frequency, customer recommendations, product recognition, and deal periods. Based on the afore mentioned statements, CRM can be used to boost both business relationships and the volume of transactions with a customer in the active client bracket (i.e. first time customer,

repeat customer, client, and advocate customer), and with clients who are outside of this bracket (i.e. suspect, prospect, inactive customer and inactive client).

CRM Implementation

A successful customer relationship management system depends on many basic business rules and underlying organizational factors. One such factor is strategy. One of the basic and most common sources of failure for CRM implementations is a missing customer strategy. Porter (1996) defines strategy “as the creation of a unique and valuable position involving a different set of activities.” A robust customer strategy based on customer segmentation is one of the first steps necessary when implementing sound CRM solution (Gillies et. al., 2002). Yet, it is not so important how customers are segmented, but that it is vital that the segmentation complements the business strategy (Gillies, 2002). Companies that have the most successful CRM programs appear to be very selective in their customer segmentation process, which is congruent to their organizational strategy. Strategy is the guiding principle while CRM is instrumental in materializing the principle.

A CRM strategy should balance value achievement for both stakeholders and customers for a mutually beneficial relationship. Additionally, a CRM system needs to be congruent with the business strategy.

Organizational Culture and Acceptance

Another basic prerequisite for a successful CRM project is internal support and marketing. The initial customer strategy must be supported through a proper internal business culture that brings off the customer relationship philosophy from top-level management to front-of-house staff (Haley, 2003). Many past studies have shown positive association between executive support and IT innovation success (Rai 1997). Those findings still apply, as can be seen in a recent study by Gartner Inc. that rated CRM Excellence. The study showed that eleven out of the 16 winners and finalists received strong support from senior executives (Close, 2003). The management set sensible expectations and put heavy emphasis on employee buy-in and collaboration among employees. Another study by Forsyth (2002) showed causes for unsuccessful CRM implementation. Software issues are almost

evanescent, however company politics and organizational change issues relate to approximately 50 percent of failures.

Customer Relationship Management is a replacement of many processes. This replacement requires change which most people are afraid of. Early and substantial work can be found by Lewin (1947) who points out that permanent change in behavior is a three-step process: unfreezing previous behavior, changing, and then refreezing the new patterns.

Resistance needs to be addressed in the early stages of the project. To overcome employee resistance in a changing environment, one needs to focus on 'education and communication' and 'participation and involvement' (Kotler and Schlesinger, 1997). Education and communication helps people to understand the need for change and leads towards a mutual trust for the project. Participation and involvement is the key to success as people are likely to accept their own work, (Thompson, 2001). We know from experience that most organizations and the people that make them up typically resist change at conscious and subconscious levels.

The challenge for the change manager is to move the people past resistance to acceptance and finally to embrace the change (i.e. adopting a CRM initiative) as if it was their own. Change management toolbox contains communication exercises that could be used for this kind of changes. These exercises present communications about the change and its impact on the organization step-by-step. Prosci has condensed these steps into a useful acronym- ADKAR.

- Awareness
- Desire
- Knowledge
- Ability
- Reinforcement

Each step in the ADKAR model represents a communications 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.

Awareness - Making sure that every one in the organization who will be affected by it understand what you are doing and why.

Desire - Being aware of the change is not enough. Employees need to want to support the change. This is where articulate and unwavering support from the top of an organization becomes essential to change management. The CEO needs to be the cheerleader.

Knowledge - After you have spent a lot of money on parties and incentives to make them want to embrace the CRM initiative, but you need to tell them what their new task is. The task might be simply capturing and verifying e-mail addresses at the point of reservation for the reservations personnel.

Ability - Most of us need practice and training to do something consistently well. Knowledge alone is not enough.

Reinforcement - This phase is crucial. Catch people doing something right and reward them when you do. Continue to reinforce the desired behavior, ideally with positive reinforcement, rewards for appropriate behavior.

Other critical components of change management that need consideration include budget for change management and structural modifications. It takes time and costs money to put into force the change. The budget line item for change management may range typically between 8 percent to as much as 12 percent of the total project cost. Additionally, some rearrangement might be called for. It might mean setting up a new department at headquarters, a new position at the CRG or a new title in every hotel, depending on how your organization needs to use CRM to drive the business.

Indeed, several CRM projects have failed due to the lack of appropriate management practices, robust implementation approaches and measurement tools, the bad exploitation and integration of ICT tools with processes, people and business strategies as well as the inappropriate ICT and business reengineering (Rigby et. al., 2002; Corner and Hinton, 2002; Rheault and Sheridan, 2002). Many observers consider CRM projects high-risk

undertakings. A popular statistic offered up by Gartner Inc. showed that 55 percent of customer relationship management programs fail. More optimistically, CRM Guru.com. reports only a 35 percent failure rate. A survey of the CRM literature lead to some basic conclusions why some CRM projects have huge benefits across the enterprise and others become costly by the marketing, technology and operations departments alike. Some of these factors include:

- a strong, persistent and personal commitment from top management for the initiative,
- a coherent vision of 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 that has gone bad. All of them are often discussed under the broader topic of change management.

Today, companies invest a lot in CRM systems, however many of these hardware/software systems still fail to meet management expectations on return on investment. One reason is that companies apply the technology with the absence of a holistic and coherent business strategy focused on the customer. CRM technology is basically an enabler.

Another reason to why companies still have difficulties in using CRM technology is too slow and cumbersome business processes. Many companies still are very “command and control” oriented, which means controlling the customers impact on the organization rather than aiming to give better service to the customers (Stone, 2000).

To beat these adversaries, Gronroos (1994) emphasized that businesses should be managed from a process rather than a functionalistic perspective, whereas Mok et al.; (2000) stressed the importance of exploiting and adopting ICT. However, participants in a Tourism Society’s seminar on CRM concluded that CRM refers to a strategy that gets together a

combination of ICT tools with business processes and services, e.g. automated call centre, customer data warehouses and data mining, customized Content, targeted banner advertising and targeted e-mail delivery (Alford, 2001). Stone's findings (Alford, 2001) also revealed that people, customer management and detailed measurement are the most critical elements for successful CRM, while ICT was found to act as a CRM enabler only when the previous elements were in place.

Information and Communication Technology's (ICT) Role

Data warehouses and data mining are the most popular and highly needed systems for providing CRM capabilities or else for defining, developing and managing "an all-inclusive" view of the customer. This is because by helping to wade through volumes of information and decipher meaning, patterns and relationships from many seemingly unrelated bits of data, they are necessary and valuable tools for trying to determine customer demographics, buying patterns, market segments, contribution margins, customer lifetime, etc. ICT is instrumental for gathering and storing customer data (e.g. EPOS system, website analysis, IBM systems), providing ways for one-to-one interactions, e.g. website, call centre, kiosks, etc., as well as identifying ways for disseminating and accessing information across the organization. However, to achieve the latter, a new ICT infrastructure is required that would enable the creation of consolidated customer databases and overcome limitations created by functional isolated digital "field-dooms."

Like many new technologies, CRM has been accompanied by vendor hype and stories of implementation failure. Chaffy's (2003) three-stage model of CRM shows how customer relationships can be managed. His model proposes that customers are first acquired via clear communication of a powerful value proposition. They are retained via good service, and the relationship is extended via the delivery of tailored products/services to clearly defined customer segments. This view means that CRM uses information and communications technology (ICT) to gather data, which can then be analyzed to provide the information required to create a more personal interaction with the customer (Swift, 2001; Brohman, Watson, Piccoli, and Paraguayan, 2003; Pan and Lee, 2003).

From an operations perspective, Bose (2002) pointed out that CRM is an integration of technologies and business processes that are adopted to satisfy the needs of a customer during any given interaction. Whilst the potential benefits are attractive, CRM implementation must be managed carefully to deliver results.

Romano (2000) and Massey et. al., (2001) strongly advocated the relation of CRM with KM and specifically customer KM, while the significance of customer knowledge is highlighted in several CRM studies. Knowledge is produced when information is analyzed and used to enable and leverage strategic actions. To overcome the ICT productivity paradox, hotel management needs to embed ICT-generated customer and competitive information in to its decision-making processes. These processes involve three broad phases that run in parallel (Tiwana, 2001) namely information acquisition, sharing and utilization. Hence, the collection and creation of insights, skills, and relationships (Knowledge acquisition), when they are disseminated and shared (knowledge sharing) are followed by integration of learning, insights and experiential knowledge that in turn support effective decision-making processes (knowledge utilization). Davenport and Prusak (1988) identified the following Knowledge Management factors critical for success: ICT and organizational infrastructure; friendly culture for knowledge sharing, creation and management; change in motivational practices for encouraging and rewarding staff when information is collected, shared and used; and open organizational structure.

CRM's 4p (Marketing Mix in Hotel Industry)

The marketing mix may be defined as “the mixture of controllable marketing variables that the firm uses to pursue the sought level of sales in the target market” (Kotler, 1984). According to Mark Haley and Bill Watson, any self-respecting CRM toolbox contains its own four Ps which are all tactical elements that are required for a successful CRM initiative in any hotel company. The indispensable four Ps are profiles, preferences, precision, and property.

Profiles

Effective profiling is at the heart of having one-to-one communications with hotels' guests. Capturing relevant information about the guest and their behavior, both observed and reported is the main task here. A hotel CRM initiative calls for major tactical decision to be very selective in data recording. The dilemma is between capturing so much information that service delivery is overwhelmed and not capturing enough detail to do anything useful with it. Related issues include guests' legitimate concerns about the potential for privacy abuse. 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, and correspondence history.

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. 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 does not apply on a business trip to Manhattan. The trick for the hotel company is to identify what are global preferences against local ones unique to a property.

Precision

Precision of data input is a crucial element for any CRM effort in any industry. Variations in abbreviations, addressing and formatting cripple a CRM effort that attempts to match new data with prior guest record. It becomes almost impossible for the system to match the new record with the old one if the new one is a reservation for IBM and the old one is for I.B.M. The answer to such setback is standardized data input.

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. Global distribution systems (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 PMS 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.

PMS (Property Management Systems)

Many hotel enterprises use a third-party system or service as the heart of their CRM initiative. Some of these systems are specific to the hospitality industry such as Guest Ware. Others are modules of horizontal CRM platforms from well-known vendors such as Group 1, Siebel Systems, Pivotal or others.

This approach makes sense: property management systems are built to drive the operation, 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 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 true interaction. All the profiling and preferences taken down will not help if service delivery fails due to faulty or misinformation.

Given the role of the PMS in service delivery, an integrated CRM initiative must incorporate two-way data transfer 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

CRM system to the PMS to enhance service delivery and synchronize the records 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 resolute leadership, this kind of initiative will go nowhere.

CRM Payback (Return on Investment or ROI)

Measuring ROI in the context of CRM can be very subjective, but it will provide a company with the ability to identify which components of CRM improve customer relations (Dyche, 2001). Many of the CRM implementation decision processes span over a long period of time, as the ROI is not easily visible and a substantial upfront investment is necessary.

Return on CRM investment is normally visible over the long term, through improvement in the company's strategic objectives. Short-term ROI is hardly measurable in terms of money and the immediate benefits tie back to a customer-oriented strategy. It is sometimes overlooked that a clean data structure, which is normally set during the implementation project, or even beforehand, is the basis for accurate reporting and better results (Schuster, 2002). One of the returns, that is easily and quickly identified is a major saving in mailing costs, as the percentage of undelivered pieces will normally decrease substantially.

In addition, campaign management spending are cut back as marketing staff are endowed with the ability to pull queries themselves, without any external marketing or IT company assistance (Dyche, 2001). One needs to be careful not to mix up CRM program benefits and ROI. It is important to set KPI's (Key performance indicators) in an early stage of the CRM project or even better before the project starts, to get a clear and spontaneous comparison over the legacy process.

Long-term benefits of CRM are more oriented towards the interactive part of customer relationship and in the lifetime value of customers. Additional customer care, supported through an integrated profile and activity tracking of the guest, leads to increased loyalty. The end of a hotel stay is especially important, since this is what remains in the customer's recollections. This does not mean that the check-in process can be sloppy, but the guest recognizes if there is an upswing during his stay.

Applied Research

Marianna Sigala (2005) in his paper about integrating customer relationship management in hotel operations: managerial and operational implications, developed a model for CRM implementation, which instead of overstating the role of ICT, it suggests that an integrated managerial approach among three areas namely ICT, relationship and knowledge management, should be adopted. The applicability and value of this approach is illustrated by several examples and cases from the international hotel industry. Moreover, data from the Greek hotel sector provided evidence that ICT is not the panacea and the exclusive CRM determinant factor. So, ICT is more important in large than small hotels, while other organizational and managerial factors such as culture, staff motivation and development also play a vital role on CRM's success. CRM implementation may also be driven and so affected by different (strategic) motivations. Indeed, CRM in small hotels was found to frequently adopt the owner's/manager's personal style and flair, whereas in large properties CRM is usually viewed as a way for formalizing processes, enhancing customer service and reducing costs.

Wolfgang Emperger (2004) investigates CRM in hospitality industry. The analysis identifies the hotel corporations' needs and expectations, the prerequisites of a successful CRM implementation and beneficial appliance. The findings assist CRM software companies to build a state-of-the-art CRM suite, and for hotel companies to apply customer relationship management successfully.

The survey identifies the importance of a centralized management of guest records and the linked possibility for campaign management activities. Global accessibility of chain-wide guest information needs proper management and access restrictions to avoid misuse of stored data. Hotel organizations are aware that they need an underlying strategy and culture to support CRM; however, many companies are uncertain in their focus. The findings showed almost 40% of respondents do not have a clear corporate strategy. Hotel companies need to include all organizational levels during the definition and implementation phase of the CRM project. Internal acceptance and return on investment is strongly dependent on user support at hotel level.

CHAPTER THREE

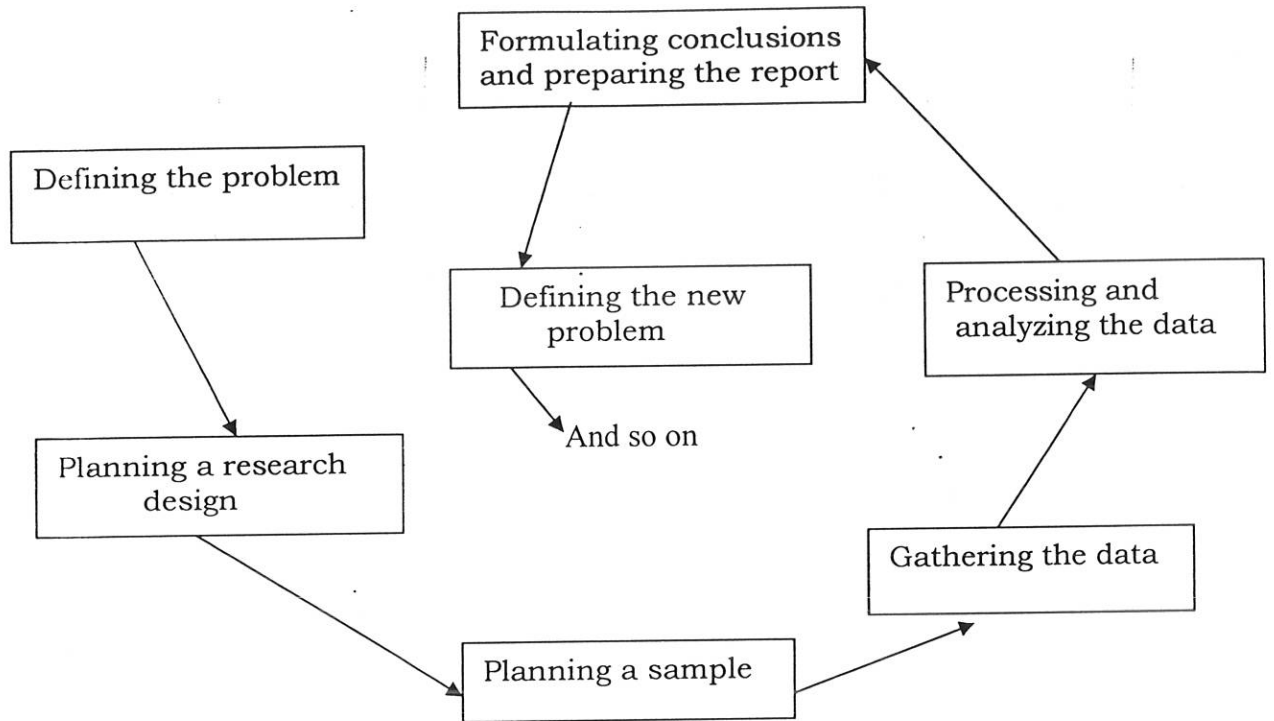
RESEARCH METHODOLOGY

The purpose of this chapter is to describe the necessary methods pursued in the research. Research methodology refers to the procedural framework within which research is conducted (Remenyi, Williams, Money, and Swartz, 1998). This chapter will present how the current study was designed, orchestrated and providing a clear and complete description of the specific steps that were taken to address the research problem and test each of the five hypotheses laid out in chapter one. First, the research approach and research design will be discussed, followed by a discussion of selection of population, sample, instrumentation and methods of analysis.

The hotel industry accumulates considerable information about their guests. But the industry is inapt in collecting data, analyzing it to uncover unmet needs and shaping the service to serve the demand. CRM could serve to fill up this gap. Frequently, the decision and implementation for a CRM system is handled as a standard procedure without specific care and investigation. A piece of software cannot create a customer relationship philosophy within companies. Insufficient research will lead to unqualified decisions and gaps between the hotel's needs and the CRM software provided by the vendor. Technology will not drive the change, but a customer-oriented culture can be supported and strengthened by a suitable CRM system. Although CRM needs a basic IT infrastructure and technological commitment, these are barely incorporated in the industry. Integration between hotel departments is rare and even then, numerous manual steps are involved to exchange and use information. Hotels are operation-minded and will rather invest in new kitchen supplies than in sophisticated IT systems.

This study is built to identify the needs of the hotel for implementing a successful CRM project and the effect of using CRM on customer satisfaction, loyalty and retention for the hotel that already has an automated CRM process in place.

Figure 3.1 Research Process



Source: Zikmund, 2000.

The research purpose and research questions of the present thesis indicate that this study is primarily descriptive. It is descriptive since it is the researcher's intention to describe what CRM practice is like in the hotel industry and draw some conclusions from the collected data. There by, descriptive research approach was used when asking questions about the CRM approach.

The study is also a bit exploratory, since the aim is to gather as much information as possible concerning the problem under investigation and suggesting CRM solutions. And also in order to increase understanding about CRM and CRM systems, explanation is given regarding the relationship between the variables.

Research Approach

As the study follows a deductive approach, the factors that are pinned in the literature review are compared with the empirical findings. In addition, a list of new solutions that could boost CRM practice is offered towards the end under the recommendation section.

As outlined in chapter one, the data is collected via questionnaire and it will be analyzed in the form of numbers for seeking relationships and patterns between implementation of CRM and customer satisfaction, loyalty and retention. So, the results can be expressed in numbers rather than words. In this way quantitative approach could be adapted in the present research.

Research Strategy

For this research a case study was selected for a number of reasons. First, in the present research a deep understanding of the subject is necessary. Also for testing the hypothesis we need some information gathered via questionnaire.

Data Collection Methods

In this study, I have chosen to collect data from both primary and secondary sources. Secondary data that is used was collected from archival records, organizations information, reference books, academic Journals, business magazines, internet publications, famous hotel websites such as Hilton and Marriott, from comments of general managers, from records of customer's relationship departments, advising from different journals such as *The Guest Report*, and through reviewing the advice of consultants who work in guest experience management.

Primary data was collected via interviews and questionnaire. A lot of necessary data on guests' preferences was gathered interviewing customers while the interview with IT and CRM experts on CRM solutions and requirements had rendered enriching information.

Statistical information and data for testing the hypotheses was collected with questionnaire. The questionnaire first was developed in Persian in the form of a five point Likert Scale (1 =strongly agree, 2= agree, 3= not agree, 4= disagree 5= strongly disagree) and was then reviewed by experts. The Persian version was per-tested on two experts in research methods, and based upon their advice and suggestions, improvements were made.

The four pages questionnaire was accompanied by a one page cover letter. The cover letter provided a brief explanation of the actuality that instigates this study, instructions and on how respondents can go about the questions. The questionnaire (as a tool for collecting data) was distributed by the researcher himself to guests and also with the help of front office employees during check out times.

The questionnaires were given to 200 guests and 125 completed questionnaires were returned. The questionnaire included few open-ended questions which help to dig up the views of customers about some aspects of CRM related services.

The researcher spent six months and also worked in Public Relation and CRM Departments of Sheraton Addis hotel and gained a first-hand observer experience of the numerous challenges, opportunities and solutions pertaining to CRM.

Validity and Reliability

There are different ways for finding reliability of a questionnaire. In this study, I used SPSS and Cronbach's Alpha. As shown in the table below, Cronbach's Alpha is 92% (Cronbach's Alpha 0.921 and it is near to 1), so the questionnaire is reliable.

Table 3.1 Reliability Test of Questionnaire

Case processing summary

%	N	
100.0	10	Valid case
		excluded(a)*
100.0	10	Total

*Listwise deletion based on all variables in the procedure.

Reliability Statistics

No of items	Cronbach's Alpha
24	.921

Validity

The validity of the questionnaire was studied by several experts and all stated that it is valid.

Sample Selection

Number of the sample (n) was found with sampling formula:

$$n = \frac{N (Z_{\alpha/2})^2 pq}{\epsilon^2 (N-1) + (Z_{\alpha/2})^2 pq}$$

In this formula

$$N = 300$$

$$P = q = \frac{1}{2}$$

$$\epsilon = 0.07$$

$$A = 0.05$$

$$Z_{\alpha/2} = Z_{0.05/2} = \pm 1.96$$

Regarding the above information, the (n) was calculated 100.

Data Analysis

In this research the data were processed using the Statistical Package for Social Sciences (SPSS) and this analysis includes descriptive statistic, one sample T-test, ANOVA and Freedman test.

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter displays the data and results of the study. First the descriptive data is presented. Subsequently, the data analysis relevant to each hypothesis is discussed and in the end the correlation between variables is shown. Finally, a short summary of the results is provided.

Demographic Statistics

This section presents descriptive statistics of the collected data such as sex, age, education, marital status and jobs of the respondents of the questionnaire.

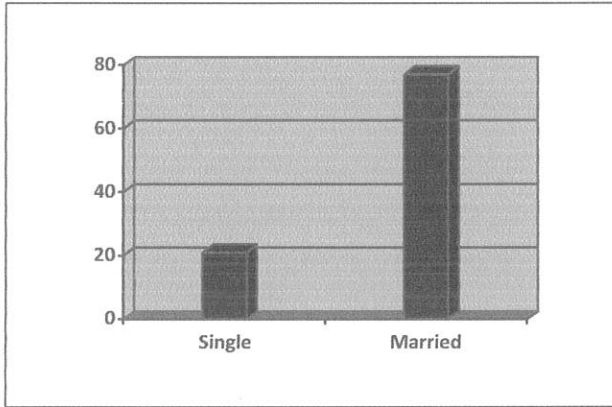
One hundred twenty five questionnaires were given to the guests and 100 of them were completed and returned. Table 4.1 shows that among 100 respondents which are used as the sample, 73% were male and 25% were female.

Table 4.1 Gender Statistics

	Frequency	Percent	Valid percent	Cumulative percent
Valid: Female	25	25.0	25.5	25.5
Male	73	73.0	74.5	74.5
Total	98	98.0	100.0	
Missing system	2	2.0		
Total	100	100.0		

Source: Respondents of the questionnaire.

Figure 4.1 Gender of the Respondents



Source: Demography of respondents' gender.

Table 4.2 exhibits the marital status of the respondents and the outcome shows that, 77% of the respondents are married and 21% are single.

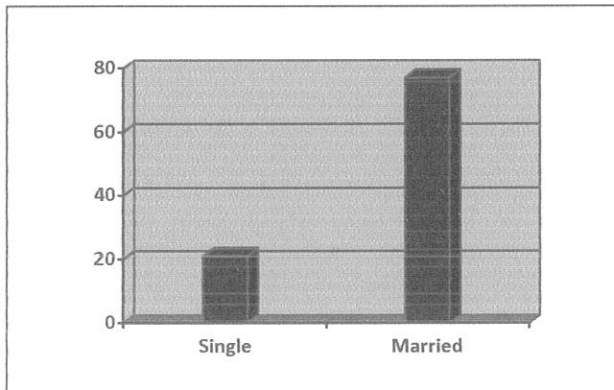
Table 4.2 Marital Status

	Frequency	Percent	Valid percent	Cumulative percent
Valid: Single	21	21.0	21.4	21.4
Married	77	77.0	78.6	78.6
Total	98	98.0	100	100
Missing system	2	2.0		
Total	100	100		

Source: Respondents of the Questionnaire.

Among the valid questionnaires, 21.4% are single and 78.6% are married ones. Two of the questionnaires are not responded to and the total respondents are 98.

Figure 4.2 Marital Status of the Respondents



This figure shows the difference of respondents in terms of their marital status which 21 % is single while 77% is married. Among the samples, two of them are missed.

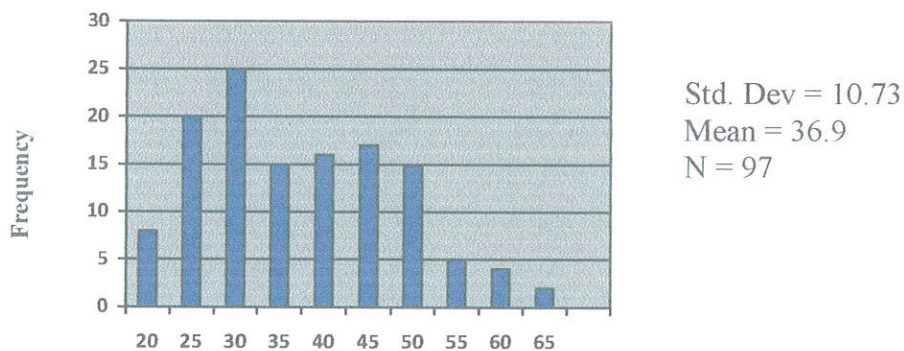
From the total respondents, single men are 11 and female are 10. The married males are 62 and female are 15. The married age composition of respondents is 21-30 years of age, male are 32 and female are 5 while 31-65 years of age male are 25 and female are 10 in number. In the single's composition between 21-30 years of age male are 11 and female are 5 while 31-65 years of age male are 4 and female are 5.

Table 4.3 Statistics of Respondents' Age

N	Valid	97
	Missing	3
Mean		36.9
Median		36.0
Mode		40.0
Range		44.0
Minimum		21.0
Maximum		65.0

Source: Respondents' of the questionnaire.

Figure 4.3 Age of the Respondents



Among the respondents highest frequency of age is 30 and the lowest is 65. Twenty five years is the second highest age and 45 years of age exhibits the 3rd level.

Hypothesis Testing

In the present research, according to the subject and the essence of CRM there is one main hypotheses which serves us to test the general characteristics of CRM and four sub

hypothesis that each of them has different specific characteristics. For testing the hypothesis, a correlation test is used. Then to determine the degree of the relationship between demographic indicators and different variables one sample T-Test of SPSS, ANOVA and Friedman tests were used.

Regarding to hypothesis testing, each indicator has been defined, and each of them includes related questions in the questionnaire. For testing each hypothesis, there is a null hypothesis against an alternative hypothesis. In null hypothesis (HO), it is supposed that using related indicator has no effect on customer satisfaction, loyalty and retention while in alternative hypothesis (HI), implementing the indicator increase customers satisfaction, loyalty and retention.

According to the result of T-Test, if Sig. be less than 0.05 the null hypothesis will be rejected. This means that there is a relation between variables. Secondly, if μ in the t-test be less than 3 based on the Likert Scale in the questionnaire (1= strongly agree, 2= agree 3= not agree, not disagree 4= disagree 5= strongly disagree) it means that most of the respondent's answers are less than 3(1= strongly agree 2= agree) so the alternative hypothesis will be accepted since it has a positive relation.

Research Hypothesis

Main hypothesis: Implementation of CRM model in hotels will increase customer satisfaction, loyalty and retention. Indicator 1 (shakesh I) includes all questions for this hypothesis.

Second hypothesis: IT infrastructures in hotel services (that is applied to gain customer insight, build relationships, enable customization and provide new opportunities for service distribution) will cause customer satisfaction and loyalty.

Third hypothesis: Using one-to-one marketing as one of the customer relationship management (CRM) strategies with offering more and better services based on customer's preferences and characteristics will increase hotel's customer loyalty and retention.

Fourth hypothesis: Personalization of services according to guest's preferences and characteristics will increase guest satisfaction and loyalty.

Fifth hypothesis: A good Customer Support and Service (CSS) (as one of the segments of operational CRM) will increase customer satisfaction and loyalty.

Testing Hypotheses

HI: Influence of implementation of CRM on customer satisfaction, loyalty and retention

Implementing a CRM system that does not meet the business goals or is not accepted by and being useful for the customer, may create problems for companies and simply cause escalating costs, instead of leading to improvements in customer management. In this way, the main hypothesis which is needed is implementing CRM factors in general increases customers' satisfaction, loyalty and retention or not (Customer acceptance).

First or main hypothesis: Implementation of CRM model (IV) in hotels will cause customer satisfaction, loyalty and retention (DV). So, the null hypothesis is:

Ho: Implementation of CRM model in hotel industry has no effect on customer satisfaction, loyalty, and retention ($\mu = 3$).

Against the alternative hypothesis:

HI: Implementation of CRM model in hotel industry will increase customer loyalty, customer satisfaction and customer retention ($\mu = 3$).

Table 4.4 One Sample T-test of main hypothesis

	N	Mean	Std. Deviation	Std. Error Mean
Shakhes 1	100	1.5636	.36721	.03672

One-sample T-test

	Test Value-3					
	t	df	Sig. (2-tailed)	Mean Difference	95 Confidence interval of the difference	
					Lower	Upper
Shakhes 1	-39.117	99	.000	-1.43640	-1.5093	-1.3635

Source: Data collected from questionnaires.

According to table 4.4, the significant is 0.00, which means that it is $0.00 < 0.05$ so the null hypothesis ($\mu = 3$) will be rejected. It means that implementing CRM model has an effect on customer satisfaction, loyalty and retention.

In the next step with regard to the confidence interval μ is less than 3 ($3 - 1.5093 < \mu < 3 - 1.3635$), and the alternative hypothesis ($\mu < 3$) will be accepted. As a result implementation of CRM model in hotel will increase customer loyalty, customer satisfaction and customer retention (positivist impact).

H2: Influence of using IT infrastructures on customer satisfaction and loyalty

A lack of standardization and IT-system integration within hotel segments could have been ok in the past. Today's technical possibilities are crucial enablers for doing a much better job to embrace customers than ever before. IT infrastructure not only offers more and better services, but also in the case of data gathering and data mining has an important role. The entire guest's information could not be gathered with the help of employees during normal interaction with guests (considering the work pressure) or via reception form (because most of the guests want check in time to be as short as possible). But, there are a lot of necessary and valuable tools for trying to determine customer demographics, buying patterns, market segments, contribution margins, customer lifetime, etc. ICT is one of the most important instruments that allows customers to provide data for gathering and storing (e.g. automatic recording of customer behavior like music and file on demand or via saving IBS systems), providing ways for one-to-one interactions, e.g. website, call centre, kiosks, etc., as well as identifying ways for disseminating and accessing

information across the organization. Via this information and the help of IT more value-added services could be offered to guests.

Hypothesis 2: Using IT infrastructures (IV) in hotel’s services (that is applied to gain customer insight, build relationships, enable customization and provide new opportunities for service distribution) increases customer satisfaction and loyalty (DV).

HO: Using IT infrastructures in hotel services (that is applied to gain customer insight and to build relationships) enable customization and provide new opportunities for service.

HI: Using IT infrastructures in hotel’s services (that is applied to gain customer insight, build relationships, enable customization and provide new opportunities for service distribution) increases customer satisfaction and loyalty ($\mu < 3$).

Table 4.5 One-sample T-test of second hypothesis

	N	Mean	Std. Deviation	Std. Error Mean
Shakhes 2	99	1.6040	.43798	.04402

One-sample Test

	T-test Value-3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence interval of the difference	
					Lower	Upper
Shakhes 2	-31.713	98	.000	-1.39593	-1.4833	-1.3086

Source: Data collected from questionnaires.

For testing this hypothesis, the defined Indicator 2 that include questions 5,6,7,9,10,11,12,13,14, 15,16 of the questionnaire is used. According to table 4.5, the significant is 0.00, it means that $0.00 < 0.05$. So, the null hypothesis ($\mu = 3$) will be rejected. The result shows that using IT infrastructures in hotel’s services has an effect on customer satisfaction, loyalty and retention. In the next, step with regarding to confidence interval μ is less than 3 ($3 - 1.4833 < \mu < 3 - 1.3086$), the alternative hypothesis ($\mu < 3$) is accepted. The

result shows that using IT infrastructures in hotel's services increases customer satisfaction and loyalty (positivist).

H3: Influence of using one-to-one marketing on customer loyalty and retention

Customer Relationship Management does not create a new way of marketing. It upgrades the existing approach, with a more detailed focus on the customer. Marketing decisions should become based on the knowledge about how a customer is likely to behave. So hotels should gather high volume of data about the individual and try to adapt their entire services as closely as possible to the individual customers needs. This area is perhaps the most exciting and potentially rich in CRM strategy.

Hypothesis 3: Using one-to-one marketing (IV) as one of the customer relationship management (CRM) strategies with offering more and better services according to customer's preferences and characteristics will increase customer loyalty and retention (DV)..

HO: Using one-to-one marketing as one of the customer relationship management (CRM) strategies with offering more and better services according to customer's preferences and characteristics has no effect on customer loyalty and retention.

HI: Using one-to-one marketing as one of the customer relationship management (CRM) strategies with offering more and better services according to customer's preferences and characteristics increase customer loyalty and retention.

Table 4.6 One-sample T-test of the third hypothesis

	N	Mean	Std. Deviation	Std. Error Mean
Shakhes 3	98	1.6837	.50741	.05126

One-sample Test

	T-test Value-3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence interval of the difference	
					Lower	Upper
Shakhes 3	-25.681	97	.000	-1.31636	-1.4181	-1.2146

Source: Collected data from questionnaires.

For testing this hypothesis Indicator 3 that include questions 19,20,21,22 of the questionnaire is used. According to table 4.6, the significant is 0.00, it means that $0.00 < 0.5$. So, the null hypothesis ($\mu=3$) will be rejected. It means that using one-to-one marketing has an effect on customer loyalty and retention. The next step with regarding to confidence interval μ will be less than 3 ($3-1.4181 < \mu < 3-1.2146$). The alternative hypothesis ($\mu < 3$) will be accepted. It means that using one-to-one marketing increases customer retention and loyalty (positivist impact).

H4: Influence of personalization of services on customer satisfaction and loyalty

If hotels know their customers, they are in a better position to provide the goods and services which they're looking for. Successful companies, according to their preferences, anticipate customer needs and ideally shape those needs. With regarding to this point the fourth hypothesis is: Personalization of services (IV) according to guest's preferences and characteristics will increase guest satisfaction and loyalty (DV).

HO: Personalization of services according to guest's preferences and characteristics has no effect on guest satisfaction and loyalty.

HI: Personalization of services according to guest's preferences and characteristics increase guest satisfaction and loyalty.

Table 4.7 One-sample T-test of fourth hypothesis

	N	Mean	Std. Deviation	Std. Error Mean
Shakhes 4	99	1.6046	.48970	.04922

One-sample Test

	Test Value=3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence interval of the difference	
					Lower	Upper
Shakhes 4	-27.132	98	.000	-1.33535	-1.4330	-1.2377

Source: Collected data from questionnaires.

For testing this hypothesis Indicator 4 that include questions 17, 18, 19, 20, 23 of the questionnaire is used. According to table 4.7 the significant is 0.00, it means that $0.00 < 0.05$. So, the null hypothesis ($\mu = 3$) is rejected. It means, using personalization of services has an effect on customer satisfaction and loyalty. In the next step with regarding to the confidence interval μ is less than 3 ($3 - 1.4330 < \mu < 3 - 1.2377$). So the alternative hypothesis ($\mu < 3$) is accepted. As the result, using personalization of services increase customer retention and loyalty (positivist impact).

H5: Influence of a good customer support and services on customer satisfaction and loyalty.

Operational CRM is divided into 3 parts that one of them is CSS (customer support and services). In service industry Customer Support and Services (CSS) is indispensable, because, it empowers from office employees to serve efficiently and synchronizes customer interactions across all channels. Generally, CSS is one of the key factors for a company's success.

Hypothesis 5: A good customer support and service (CSS) (IV), as one of the segments of operational CRM, will increase a hotel's customer satisfaction and loyalty (DV).

Table 4.7 One-sample T-test of fourth hypothesis

	N	Mean	Std. Deviation	Std. Error Mean
Shakhes 4	99	1.6046	.48970	.04922

One-sample Test

	Test Value-3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence interval of the difference	
					Lower	Upper
Shakhes 4	-27.132	98	.000	-1.33535	-1.4330	-1.2377

Source: Collected data from questionnaires.

For testing this hypothesis Indicator 4 that include questions 17, 18, 19, 20, 23 of the questionnaire is used. According to table 4.7 the significant is 0.00, it means that $0.00 < 0.05$. So, the null hypothesis ($\mu = 3$) is rejected. It means, using personalization of services has an effect on customer satisfaction and loyalty. In the next step with regarding to the confidence interval μ is less than 3 ($3 - 1.4330 < \mu < 3 - 1.2377$). So the alternative hypothesis ($\mu < 3$) is accepted. As the result, using personalization of services increase customer retention and loyalty (positivist impact).

H5: Influence of a good customer support and services on customer satisfaction and loyalty.

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Hypothesis 5: A good customer support and service (CSS) (IV), as one of the segments of operational CRM, will increase a hotel's customer satisfaction and loyalty (DV).

HO: A good customer support and services (CSS) (as one of the segments of operational CRM) has no effect on customer satisfaction and loyalty.

H1: A good customer support and services (CSS) (as one of the segments of operational CRM) increase customers' satisfaction and loyalty.

Table 4.8 One-sample T-test of Fifth Hypothesis

	N	Mean	Std. Deviation	Std. Error Mean
Shakhes 5	100	1.3195	.33043	.03304

One-sample Test

	Test Value=3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence interval of the difference	
					Lower	Upper
Shakhes 5	-50.857	99	.000	-1.68050	-1.7461	-1.6149

Source: Collected data from questionnaires.

For testing this hypothesis, there is an Indicator 5 which includes questions 1, 2, 3, 4, 8 of the questionnaire. According to table 4.8 above, the significant is 0.00. It means that $0.00 < 0.05$. So, the null hypothesis ($\mu = 3$) will be rejected. A good customer support and the services have an effect on customer satisfaction and loyalty. In the next step regarding the confidence interval, the μ is less than 3 ($3 - 1.7461 < \mu < 3 - 1.6149$) and the alternative hypothesis ($\mu < 3$) is accepted. As a result, giving a good customer support and services increase customer retention and loyalty (positivist impact).

Correlations

Since the results of the hypothesis testing proved there is a relationship between the dependant and independent variables, testing the nature of the relationship using correlation (linear, positive/negative, strong/weak) and significance (high, low, moderate) tests make possible generalization of the findings.

According to Pearson Correlation, table 4.9 shows there is no correlation between the age of respondents and their satisfaction, loyalty and retention as the correlation coefficient is negative (-.017). The absence of correlation is supported by the significant indicator though it is weak (.865).

Table 4.9 Correlation between respondents' and their satisfaction

		Age	Shakhes 1
Age	Pearson correlation	1	-.017
	Sig. (2-tailed)		.865
	N	97	97
Shakhes 1	Pearson correlation	-.017	1
	Sig. (2-tailed)	.865	
	N	97	100

Source: Data collected from questionnaires.

Table 4.10 Correlation between respondent's education and their satisfaction

	Sum of squares	df	Mean square	F	Sig.
Between Groups	.492	4	.123	.919	.456
Within Groups	12.311	92	.134		
Total	12.803	96			

Source: Data collected from questionnaires.

Analysis of Variance is preferred to check whether the variation of sample groups is in one way or with regard to one aspect. ANOVA correlations shown in table 4.10 indicated a significant absence of relation hence rejection of the null hypothesis. In other words, educational level does not affect customer's satisfaction and loyalty.

Similarly, Table 4.11 below shows that as there is no correlation between marital status of respondents and their satisfaction, loyalty and retention as the significance is low (.08760).

Table 4.11 Correlation between marital status of respondents' and their satisfaction

Status		N	Mean	Std. Deviation	Sig. error Mean
Shakhes 1	1.00	21	1.5814	.40144	.08760
	2.00	77	1.5588	.35918	.04093

1= Marital Status
2= Satisfaction

Source: Data from questionnaires.

According to table 4.12, there is no correlation between respondent's jobs and their satisfaction.

Table 4.12 Correlation between respondents' jobs and their satisfaction

	Sum of squares	df	Mean squares	F	Sig.
Between Groups	.432	6	.072	.519	.793
Within Groups	11.942	86	.139		
Total	12.374	92			

Source: Data from questionnaires.

In the questionnaire, according to the nature of each hypothesis, there are some critical and symbol factors which are used in designing the questions. Hereunder, one can find in each hypothesis which factors (questions) are the most important ones for respondents.

IT Variables

There are a lot of facilities that could be implemented and used in the hotel, with the help of IT, for customer satisfaction, such as having web site, 24 hours online reservation, TV, welcome messages, TV menu ordering, credit card facilities and room services like wireless internet, music and video on demand. Among IT facilities that could be offered for customer satisfaction, according to Friedman test in the table 4.13, using credit card facility, film and music on demand in rooms, having web sites and 24 hours online reservation are the most important factors for guests.

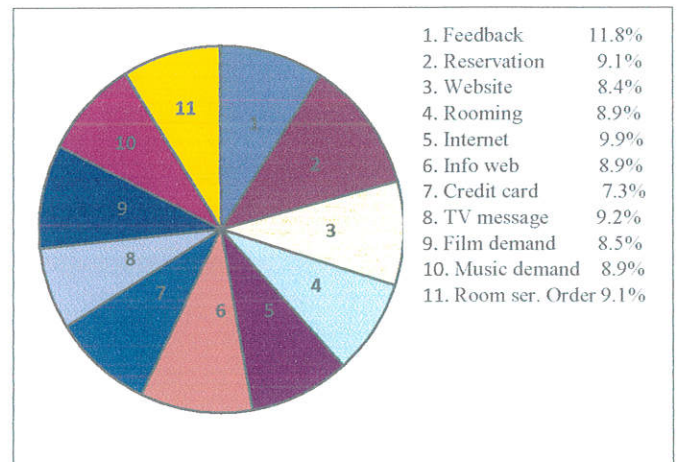
Table 4.13 Friedman test of IT variable

	Mean Rank
Info web	5.92
Feedback	7.99
Reservation	5.88
Website	5.54
Rooming	5.80
Internet	6.35
Credit card	4.76
TV message	6.29
Film demand	5.53
Music demand	5.86
Room ser. order	6.07

Test Statistics

N	87
Chi-square	85.987
df	10
Asymp. Sig.	.000

Figure 4.4 Friedman test of IT variable



The figure shows that among IT variables 9.1% is room TV, 8.9% music on demand, 8.5% film demand, 9.2% TV message, 7.3% credit card, 8.9% information web, 11.8% feedback, 9.1% reservation, 8.4% website, and 9.9% is internet. Although all variables have very related percentage, internet has the highest rate for customer satisfaction.

Source: Questionnaires.

One-to-one Marketing Variables

In the case of marketing rather than relying on mass-market advertising, focusing on customer preferences and behavior could help companies to change their marketing plans in to one-to-one marketing. In hotel industry one-to-one marketing could include offering more services according to customer behavior - pattern such as giving membership status, reward strategies, frequent buyer programs and providing up selling, cross selling and follow up sale.

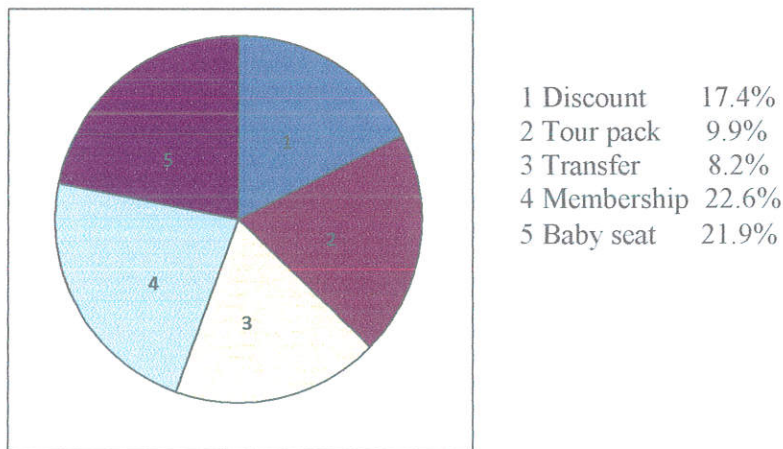
The Friedman test in table 4.14, between one-to-one marketing factors of the questionnaire; sending information about new packages according to customer preferences, offering discounts to loyal customer and giving good services to customers' in the form of quick response to their requests, complains and supports before, during and after stay (stay process) is one of the key factors that causes customer satisfaction, loyalty and retention.

Table 4.14 Friedman Test of One-to-one Marketing Variables

Rank		Test Statistics	
	Mean Rank	N	95
Discount	2.54	Chi-square	48.377
Baby seat	3.33	df	4
Tour package	3.00	Asymp. Sig.	.000
Transfer	2.67		
Membership	3.46		

Source: Questionnaire respondents.

Figure 4.5 Friedman Test of One-to-one Marketing Variables



Source: Questionnaires.

Figure 4.5 shows that the share of the Friedman test of one-to-one marketing variables are baby seat 21.9%, discount 17.4%, membership 22.6%, tour packages 9.9%, and transfer is 8.2%, although all of them have significant impact, membership plays the highest role among others.

Personalization Variables

Knowing more about customer preferences could help hotels to meet customer's needs more than the usual practices. Specially in lodging industry the nature of services (giving rooms) are the same. Giving customized and value-added services based on to customer

preferences is one of the most important factors for customer satisfaction and loyalty. According to table 4.15, personalizing services that could be used for improving customer satisfaction, such as customizing service during stay, sending welcome note from the general manager and sending birthday congratulation cards are the most important elements for customer satisfaction and loyalty.

Table 4.15 Personalization Variable of Friedman Test

Ranks		Test Statistics	
	Mean Rank		
Personal	2.79	N	93
Postcard	3.01	Chi-square	34.123
Discount	2.56	df	4
Gm. Card	3.19	Asymp.	.000
Membership	3.44	Sig.	

From the test of Friedman, membership has the highest mean of 3.44 while discount has the lowest, 2.56 mean rank. Among the questionnaires, 93 are possessed in the system.

Source: Questionnaire response.

Customer Services and Support Variables

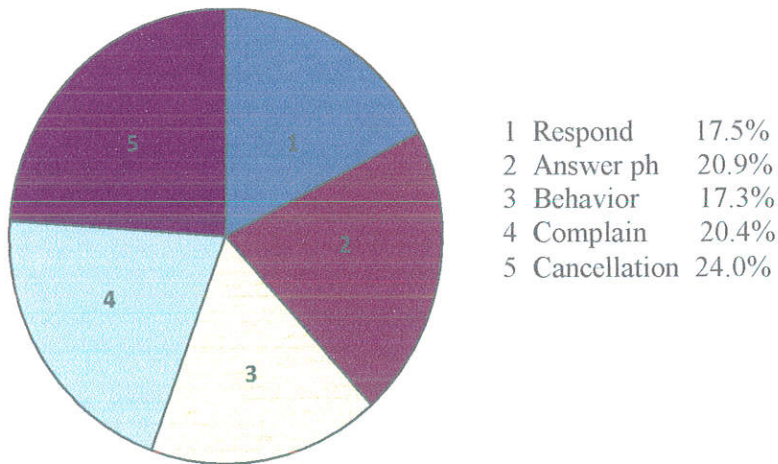
Giving good services to customers in the form of quick response to their requests and complaints, and other supports before stay, during stay and after stay (stay process) is one of the key factors that cause customer satisfaction, loyalty and retention. According to Friedman test in table 4.16 and the graph stipulated between customer services and support factors, good behavior of employees, their responses and cares for customers (during the stay process) are the most important ones for customer satisfaction.

Table 4.16 Customer service and support variable Friedman Test

Ranks		Test Statistics	
	Mean Rank		
Answer ph	3.07	N	95
Respond	2.63	Chi-square	71.814
Behavior	2.56	df.	4
Complain	3.07	Asymp. Sig.	.000
Cancellation	3.67		

Source: Questionnaires.

Table 4.16 Customer service and support variable Friedman Test



Source: Responses of the questionnaires.

The Friedman test of the customer services and support variables (Table 4.16), present that cancellation service has the highest mean (3.67) followed by complain customer behavior, which has 2.56 mean. These variables percentage share as shown in figure 4.6 are, cancellation 24%, complain 20.4%, answer ph 20.9%, respond 17.5%, and behavior 17.3%. These percentage differences or its variation indicates the degree of importance of the customer services and support. For the test of the variables, 95 questionnaires are filled up and responded to.

Furthermore, the respondents highly approve of the services that are aided by a CRM system. A considerable number of guests said Sheraton’s service is special because of the instant responses they get. One respondent said “the attendants solve things for you in no time. Because the system is computerized they give you an answer right there, and it’s fast

to send queries to other sections for attention.” Another respondent added that the standby help is what is fascinating about the service. “Wherever you’re in the hotel, help is always around which makes me feel reassured. In the public places like the restaurant and the lounge, when I look around for something one of the employees come to me and ask if I need help. When I am in my room, asking for help is fun. There is the phone, the TV, the internet to send my request.”

The worth of using CRM related facility is established in the sentiment it throws on guests. When responding to a question regarding how secure they feel when they are in the hotel, generally all said they feel well protected. The modern and computerized security system made the impression on clients that while they are at the hotel their personal and material well being is free from risks. One female respondent answered “the security installation at the main gate and the hotel entrance makes you think nothing harmful can escape the security system. Inside the hotel, the employees watch around vigilantly and I guess everything is under control.” The coverage of the security system is another point that guarantees guests of their safety according to a male respondent. “Everything is controlled by a computerized security. There are sensor machines at entrances, even the car plot is controlled by a digital system how many open spaces it has. I think every corner is covered by the system. And that is dependable.” Sheraton Addis has excelled in guests safety assurance mainly due to the highly digital security service it has in place. Opinions of guests showed that they took the place as a sanctuary from any harm once they are in the compounding. An elaboration is provided by a respondent who said, “I’m sure my security is not something to worry about. From car parking lot to the bed room door everything is digitized without disturbing my privacy. The digital system is reliable.”

Giving a sense of assurance is important for any hotel but in the case of the Sheraton it has additional value. As the hotel is located near a poor residential area that is known for its frequent crime, infringeable safety is given due attention. Most study participants touch this issue somehow in their response yet some talk emphatically of it. A male respondent who is in his the middle age said, “When I come to the hotel I drive through the village street and watch shabby young men. It is not a nice view. But I know every inch of the hotel is under

security cam view. The security is very tight. Nothing bad can happen to me in the hotel.” Though the hotel’s location is a source of anxiety for few, some guests reduce the threat because of other surrounding factors. These groups accept the risk yet they are of the view that that danger is lessened because of the presence of other government institutions in the area. A young man of 36 years of age has this view: “Of course the surrounding is a bit slummy. But I don’t think anyone can pass the security. Although those bad looking guys are around, it isn’t frightening. The palace is nearby, the Foreign Ministry is on the back of the hotel and Hilton is a few meters away. This is a well secured area. And those guys don’t dare to do something bad around here.” Even though the stiff hotel security is liked by guests, a few guests rarely spoke of their restlessness with it. This discomfort stems from the over-secured environment. An aged lady tells her restlessness “The hotel is over secured....ah...I think I am watched all the time. It’s...it’s... I feel tense.”

When looking at this type of stressing conditions against the overall service of the hotel, their importance is noticeably reduced since the security is one of the important services customers want the hotel to keep up. Asked what improvements the hotel should do to step up its Customer Relationship Management, a considerable sum of respondents said the security should not be reduced. A customer who has special liking for the Sheraton environment said the security is one of the things the “make me come here often.”

The study participants are in general fond of the services they receive and suggest to keep it as it is. Many are satisfied that the hotel employees are attentive. A businessman who is nearing 60 tells “The reason I like Sheraton is because the workers are always ready to serve me. They know when you need something and don’t wait until you call them.” The attentiveness of the hotel staff makes the guest relax specially those who come on vacation. A young couple refreshing on the poolside café has the following view. Young man: “On vacation I like to come here because I can simply rest and relax without needing to do care for something a bit. The waiters alertly wait for your signal. Sometimes not worrying even for the easiest things as knowing the time is very relaxing.”

Young lady: “Like my partner said, Sheraton is good on this. Their dedicated attention sometimes make me feel I’m in the care of my mother,....someone I’m close to.”

Overall, respondents are fulfilled with the hotel's service as it is. Answering to the question about necessary improvements, some clients instinctively said it is good if the hotel gives luxurious services as live concerts by world class singers, standard size golf field. However, the hazy comment other respondents gave to the same question casts uncertainty if improvements are really needed. Though they like to see some changes they could not definitely tell what sort of change they want to see. Their answers were a sort of "something that will make it more excellent." Hence, it is possible to say the service is fulfilling well guest's demand.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

Based on empirical data and analysis, the hotel industry is experiencing increased globalization, competition, higher customer turnover, growing customer acquisition costs and rising customer expectations. This means that hotels' performance and competitiveness is significantly dependent on their ability to satisfy customers efficiently and effectively. Sheraton Addis is no exception. It faces a double-faced challenge locally and internationally since it is a world class hotel and a first-rate service provider in the local circle. Therefore, to enhance guest satisfaction and profitability, it must focus on implementing a full-fledged customer relationship management (CRM) strategies which aim to seek, gather and store the right information, validate and share it throughout the entire organization and then use it throughout all organizational levels for creating personalized relationship and unique guest's experiences.

According to the results of hypothesis testing in chapter four, implementing CRM in the form of gathering information for personalization of services, using one-to-one marketing plans, improving guest services and support and using IT for giving more services in Sheraton Addis hotel resulted in increased customer satisfaction, loyalty, and retention.

Correlation tests showed that customer's loyalty does not depend on demographic factors; it is a condition that occurs following the service delivery mode. As the study showed, loyalty is instead affected by the types of services that are provided by the hotel, the type of marketing strategy adopted, and hospitality of the staff.

A successful implementation of personalized services, one-to-one marketing plans, improved guest's service and support, and using IT for giving more services in Sheraton Addis hotel resulted in growing customer satisfaction, loyalty, and retention.

Sheraton's success in preserving its loyal customers base paves the way for the hotel to be a source of long term and sustainable competitive advantage.

In light of this, the following recommendations are based on particular categories of CRM adoption Sheraton Addis need to consider.

Recommendation

For effective implementation of CRM, the main thing to remember is that CRM is not a computer system, it is not a line item in a marketing budget and certainly is not a fad: CRM is an approach to the customer that involves and embraces a hotel's guest, making them want to be the guest of the property or the brand lastingly. If Sheraton wants to scale up its success in future, it should use all the three packages of CRM. Though Sheraton Addis has a CRM system in place, the hotel needs to exploit more some features of the system to make a good use of it.

On the collaborative front, customer information should be kept consistently and it should be available across all the customer related departments (front office, housekeeping, restaurants, coffee shop...). Based on the value that hotel put on a customer, it should establish an effective and correct communication channel. Besides, guests should be classified through the corporation's data mining tool and put in special segments. Segmentation helps the hotel to manage its guests as individuals or small groups and become fluent in analyzing customer data.

Some customers are worth more to the business than others and Sheraton must invest more of its scarce resources in the most valuable customers, and less in the others. This strategy is perhaps the most difficult element of CRM to accept, but it is absolutely essential.

Similarly, part of the CRM strategy needs to be a means of servicing profitable customers differentially (according to service classification). Therefore, the hotel should coordinate between its customer classification and service tailoring strategies.

Coordination is equally important between data capturing, storing and managing departments alike to help people on the service delivery line to be well informed of customers (return) needs. An electronic facial recognition system could assist employees by providing a history of customers' behaviors and preferences. Using handheld devices,

attendants could read basic information of a return customer in real time and be ready to give customized service.

Last, the hotel should give back to its customers occasionally. Memberships and reward strategies are very convenient. Giving membership to frequent guest and giving opportunity to them for using from discounts or special services will cause their retention and make them feel they are given special privileges that the common customer would not have access to.

Buyer programs award redeemable points to customers that can be converted into free service, upgrades in class, and/or exchange of other products and services. The process of redeeming/ rewarding should be uncomplicated and easy to administer. Every organization should recognize that a frequent buyer program will increase the opportunity of the hotel's share of a customer's business.

Loyalty program provide opportunity to gather information about customer's demand and behavior. It is also an opportunity to stay in touch with the customer monthly or quarterly by sending "points" statements. It is a chance to customize the services a customer gets whenever the customer makes contact with the organization.

Finally, the hotel should undertake research regularly to find out changing customer needs and its position in the market. Following is a list of areas that could be of immediate interest for studying.

1. From customer's perspective, how well is the hotel doing?
2. What can be improved in existing services to serve customers better?
3. In which areas competitors have an advantage?

"CRM is never done, it is an ongoing effort."

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Addis Ababa University

Questionnaire about Customer Relation Management in hotel industry (Case of Sheraton Addis)

Dear respondent:

The present questionnaire is prepared for MA thesis in marketing management and its aim is to make the model “Customer Relation Management (CRM)” applicatory in hotel management. Hotel industry is considered as one of the greatest industries in the world and has a role in the world economy and foreign currency earnings updating the hotel services in relation to the customer needs and wants is of high importance. Therefore, the present questionnaire is formulated to help the tourism and hotel Industry in developing and improving the required services to satisfy customers. With this regard, you are kindly requested to take some of your time to respond the questions. It is hoped that your valuable response shall contribute to the improvement of the service.

With special thanks,

Tadesse Endaylalu

MA student in Marketing Management

Questionnaire

Part I Biographical Data

Full name _____ Sex _____ Age _____
 Marital status _____ Educational level _____
 Occupation _____

No	Questions	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
A. Hotel Point of View						
1	Access to hotel information via website is considered as one of the hotel's advantages.					
2	24 hours online reservation is one of the hotel's advantages					
3	It is of hotel advantages to use an effective media like website					
4	Paying the bills by the credit cards is of the hotel's advantages					
5	Applying IT in rooms as special services, such as film on demand is one of the hotel's advantages					
6	Applying IT in rooms as a special service, such as music on demand is one of the hotel's advantages					
7	Access to hotel various menus and getting room services via TV is of hotel's advantages					
8	Sending good-wishes messages for new year, birth day, or wedding anniversary result in more customer loyalty					
9	Advertising about discounts and special prices of each season by the hotel could be a factor for reselecting the hotel.					

10	Baby sitter service is necessary for a hotel					
B. Customers Point of View						
1	Responding to the guest's requests in the suitable time causes customer's satisfaction					
2	Personn�l's appropriate behavior is one of the effective factors in extending customers stay					
3	Attending customer's complaints results in more satisfaction					
4	Filling out the feedback form via internet provides more easiness for customers					
5	Accepting cancellations by hotel is of special importance for customers					
6	Reserving via internet increases the percentage of hotel selection					
7	Seeing a private welcome message on room's TV results in more satisfaction of customers					
8	Considering special needs of the customers during check in time and fulfilling them during staying results in more satisfaction of customers					
9	Offering additional services such as To/From airport transport is of customer's needs.					
10	Sending welcome note from hotel management to rooms is pleasant for customers					
C. Hotel and customer (Both) point of view						
1	Internet services in rooms results in customer's and satisfaction					

2	Having membership card of Sheraton Addis encourages customers to stay in the hotel					
3	Customer's perception and the rendered services of the hotel are at equal foot					
4	The image of the hotel and the service delivered are matching					

Part II

Please tick the closest choice which reflects your opinion (you can tick more than one choice).

1. If you want to travel for business, which services do you prefer in your opinion (you can tick more than one choice).

- Fax Direct line phone Office equipments
 Internet Answering phone Laptop Xerox

2. In the case of follow-up advertising after your departure, which type of media do you prefer better?

- SMS E-mail Sending letters
 Telephone Fax

3. In the case of staying in this hotel, which reservation do you prefer?

- Via internet Via phone
 Via travel agency Letter and fax

4. How was this hotel introduced to you?

- Other's recommendation Previous experiences
 Travel agencies From the website of the hotel

5. If the hotel is required to reclassified to higher standard, which services do you like to be included

- Casino game Golf field
 Ground tennis court City four by airplane
 Traditional dance in every evening

If any more please write down _____

6. Which one of the hotel's service gives you the highest degree of satisfaction?

Accommodation Food and beverage

Entertainment Customer relation

Of any other please list down _____

7. Compared with the same standardized hotels, that of Sheraton Addis, which one influences customers to be loyal?

The ideal location and the space it holds

The amenities existed in the hotel which are quality by for

The personalized services given to guests

The reasonable price of every type of service

If there are some reasons apart from the listed, please write them down

8. Which one of the following service/s has/ have greater contribution to satisfy more and to choose a given hotel to stay in

Wireless website access Up to the minute billing system

Credit facility Access of all services to the room

Availability of private guest lounge

If there are some more please state them _____

9. What makes Sheraton's service special to you? _____

If there is nothing special to you, what would you suggest to be added on the current provision of services? _____

10. What are expected from the Sheraton Addis to improve its total customer relationship management? _____

If there is no need of improvement, what action should be taken to maintain its status? _____

11. How do you find the safety and security services of the hotel? Does it cover the entire hotel? _____

Declaration

I, the undersigned declare that this thesis is my original work, has not been presented for a degree in any other University and that all sources of material used for this thesis have been duly acknowledged.

Name: TADESSE ENDAYLALU

Signature: 

Date of Submission: _____

This thesis has been submitted for examination with my approval as university advisor.

Name: Dr. Laxson Keirthe

Signature: 

Date of Approval: _____

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