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Authors	Hermans, Olaf W.;Mount, Daniel
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Customer Relationship Management (CRM) in Hospitality: Adding a Relationship Dimension to a Relational Service

Olaf Hermans
Academy of Hotel Management
NHTV Breda University of Applied Sciences
Breda, the Netherlands

ABSTRACT

Building on a discussion of critical concepts, topics and issues in Relationship Marketing and CRM literature, this study aims to present research directions for customer relationship management (CRM) in hospitality.

Keywords: *relationship marketing, customer relationship management, hospitality, research agenda, relationship quality, loyalty.*

RELATIONSHIP MARKETING

Berry (1983) introduced relationship marketing to direct marketing attention towards customer retention, customers as relations or assets, not targets.

Relationship marketing is a distinct management discipline. It shifts focus from revenue and market share to customer relations and customer assets, promoting the use of both marketing and non-marketing resources (Sheth & Parvatiyar, 2002).

Relationship marketing can draw upon theories from the social, psychology and business sciences, and adapt them to customer relationships contexts (Fournier, Dobscha & Mick, 1998).

Customer equity marketing is a “redefinition of marketing from a shareholder’s perspective”. Its main challenge is the identification of both direct and indirect drivers of lifetime value (Bayon, Gutsche & Bauer, 2002).

Methodological issue: weak link between firm value and customer value (Gupta & Lehmann, 2003).

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

A broad basis of support can be found for a four dimensional definition of CRM as a strategy with integrated cross-functional processes (dimension one) facilitated by information technology (dimension two), leveraging knowledge (dimension three) to enhance long-term customer and shareholder value (dimension four) (Payne & Frow, 2005).

CRM involves identifying and rethinking all strategic processes that take place between an enterprise and its customers (Payne & Frow, 2005). Being an outgrowth of sales force

automation and with a focus on data-mining (Chen & Popvich, 2003) CRM finds a continuous challenge in making CRM relevant to service and to non-marketing employees.

The failure rate of CRM is high

- CRM programs typically embed and script actions in communication channels rather than enabling rich communication and facilitating emerging responses (Mitussis, O'Malley & Patterson, 2006).

- Lacking attention to and understanding of critical factors like corporate cultures, subcultures and motivation (Finnegan & Willcocks, 2007).

- CRM rapidly evolves into electronic customer relationship management (e-CRM) but that up to 50 percent of implementations yield unsatisfactory returns, due to functional (non)usability and user and management resistance factors Fjermestad and Romano (2003).

- Lack of knowledge pertaining to the concept of CRM as a critical issue observed in numerous large scale CRM system implementations (Bull, 2003).

- Failure to manage knowledge from customers, rather than *about* customers (Gibbert, Leibold and Probst, 2002) through dialogue (Ballentyne, 2004).

- Poor data quality affects the effectiveness of CRM programs (Reid & Catterall, 2005).

THEORETICAL RESEARCH CHALLENGE FOR GUEST RELATIONSHIPS IN HOSPITALITY

Researchers have consistently found hospitality organizations to be unlikely to develop strong customer relationships (and therefore, customer loyalty) by merely providing high levels of service quality (Bowen & Shoemaker, 1998). Key theoretical questions are:

- Is Relationship Quality the most robust predictor of loyalty behaviors? Is it a second order construct with perceived quality, trust and commitment as core dimensions (Hennig-Thurau, 1997)?

- How can the drivers of loyalty and relationship quality be fostered (Shoemaker & Lewis, 1999; Storbacka, K., Strandvik, T. & Grönroos, C.,1994)?

CRM IN HOSPITALITY OR NOT? TWO SCHOOLS

A school in favor of the application of CRM in hospitality:

- Loyal guests report lower satisfaction: the unmet psychological service contract (Mason, Tideswell & Roberts, 2006).

- Serve repeat customers beyond the transaction focus (Lewis & Chambers, 2000).

- Replace inefficient loyalty card programs (Tideswell & Fredline, 2004).

A school opposing to the application of CRM in hospitality:

- Hospitality is a basic service (Lovelock, 1983).

- Corporate cultures in hospitality have hard standards, unfavorable ownership-management structures, a strong technology focus, top-down hierarchies (Baran, Gulka & Strunk, 2008).
- Incompetent staff (Presbury, Fitzgerald & Chapman, 2005; Sandoff, 2005).
- Privacy issues.

AGENDA FOR CRM RESEARCH IN HOSPITALITY: 3 CORE QUESTIONS

1. Guest Relationships or not?

Scholars are advised to explore methods to identify the guests who need (from a guest perspective) and deserve (from a hotel perspective) a relationship. Examples of possible research are: guests' willingness to disclose personal information, VIP scoring of all guests, integration of customer profiles with cost accounting information, continued integration of CRM and revenue management (e.g. through relationship pricing).

2. Staff empowerment or not?

Scholars are advised to explore the empowerment of staff by "pushing" customer information to the front operations (development of customer dialogue technologies). Examples of possible research are: the planning and effect of dedicated relationship moments entwined in basic service, the development of relationship evaluation processes in addition to service evaluation processes, the introduction of flexible frames of standard operating procedures.

3. Loyalty programs or not?

Scholars are advised to explore methods which further integrate marketing and service operations, e.g. through locally negotiated loyalty benefits and rewards (Gronroos, 2000). Examples of possible research are: measuring guests' sensitivity to intangible rewards; the creation of private brand spaces ("relationship bubbles"), integrating and customizing brand communication into the pre-departure and post-departure service process, actual (versus intended) guest network expansion through existing guests (on/off-line; social media).

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