Role of Customer Relationship Management in Customer Retention with Special Reference to Star Category Hotels, Trivandrum, India

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Abstract

Customer Relationship Management is a systematic approach for serving customers in such a manner that customer retention and profitability in marketing are assured. CRM is the strongest and the most efficient approach in maintaining and creating relationship with customers, thereby helping in retaining the customers. From the study, it was identified that the Customers are dissatisfied with the services provided by the hotels and the facilities they have like speedy net connection, proper phone bookings and facilities for pets. The Customer Relationship Management System for retaining customers is not effectively handled in many hotels. This research aims in studying the facilities and services provided by the hotels and also examines the satisfaction level of the customers towards the hotel.

Keywords: Customer Relationship Management (CRM), Customer Retention, CRM System, Customer Satisfaction

Introduction

In hotel Industry, there is a need of personal bonding with the people. The aim of a hotel is to retain customers and to attract new customers. This can be done effectively using CRM. Using a CRM Software, the hotels can store and manage hundreds of customers/ guests and allows a computer system to handle the task of memory and recall. In short, CRM System acts as a tool of history remembrance. Customer Relationship Management helps in turning first time guests into repeat customers. The purpose of CRM in hotel industry is to retain the customers and to build customer trust.

Statement of the Problem

Particularly in hotel industry, there are some problems in common. Proper service towards customers is the major responsibility of staff in hotels. But, some treat customers rudely. They do not respond to customers

properly and are un-polite too. Hotels fail to realize the effect of customer retention. Safe lodging and reputation is the basic expectation of customers towards hotels. But, theft of phones, laptops, tabs etc. is increasing in hotels. This causes a bad image towards the hotels. Thus, the study is held to address all the above said problems and find solutions to it.

Review of Literature

Impact of Service Quality on Customer Satisfaction

- **Kijevcanin (2012),** investigates Customer expectations regarding service quality and other components of the value (price, delivery, communication with customers), keep rising due to a higher level of customer knowledge, as well as superior offer of service companies. Achieving loyalty in such conditions requires the creation of unique value for customers, which incorporates the wanted elements/attributes package: superior service quality, the appropriate associated products, security, unity, personalized communication, benefits in payment. The aim of this paper is to investigate the relations between the qualities of delivered service as a key determinant of customer satisfaction, as well as to show improvement of service quality and customer satisfaction.

Role of Customer Relationship Management on Customer Retention

- **Verhoef (2003),** investigates the differential effects of customer relationship perceptions and relationship marketing instruments on customer retention and customer share development over time. The results show that affective commitment and loyalty programs that provide economic incentives positively affect both customer retention and customer share development.

- According to **Accenture (2011),** organizations can reduce acquisition costs and boost market share by addressing the root causes of customer attrition and applying targeted treatment strategies that involve all service channels and functions in an end-to-end to improve the customer experience using relationship marketing. In order to improve and sustain customer retention rates over time, companies must improve the customer experience of all these interactions.

Relationship between CRM Practices and Organizational Performance

- **Majid (2014),** indicates that CRM practices have a significant positive effect on organizational performance. Similarly, the results revealed that enhanced key customer focus and relationship marketing leads to better organizational performance. Market turbulence was found to have a negative moderating effect on the relationship between CRM practices and organizational performance. The conclusions drawn have implications for CRM practices of key customer focus, relationship marketing and market turbulence in research literature.

- **Winston (2003),** states that customer relationship practitioners need to ensure that the measurement systems in adequate and specific to customer relationship management to measure the full benefits of the approach; that they are setting realistic, long-term scales over which to measure the effects. It is

recommended that organizations concentrate on implementation issues very carefully, ensuring that their adoption of CRM, both at the organizational level and for implementation of specific CRM initiatives. Because, if the CRM practices is effectively done, then there will be a better performance of service organizations.

Objectives of the Study

1. To examine the facilities and services provided by the star category hotels in Trivandrum District.
2. To identify the satisfaction level of the customers towards star category hotels.
3. To analyze the CRM system influencing the service providers to retain the customers.
4. To offer suggestions based on findings of the study.

Research Methodology and Data Collection

Type of Research

The type of research taken for the study is descriptive. There are totally 64 hotels, out of which 4 hotels are 5 star, 14 hotels are 4 star, 26 hotels are 3 star and 20 hotels are 2 star.

Sampling Method

From the total population of 64 hotels, 34 hotels have been taken through Stratified Random Sampling. For the study, two 5 star, seven 4 star, fourteen 3 star and eleven 2 star hotels have been taken through Lottery method.

Sample Size

The respondents are staffs and customers of Star Category Hotels. Nearly 384 customers and 112 staffs are taken as sample size. Each hotel accommodates nearly 32 guests per day, so it is approximately 3, 91, 680 guests per year. Out of 3, 91, 680 customers, 384 customers and out of 279 staffs, 112 staffs have been taken through 95% confidence level and 5% level of interval using Sample Size Calculator.

Data Collection Method

The data are collected through Primary and Secondary sources.

a) **Primary Data:**

Primary data are collected through Structured Questionnaire.

b) **Secondary Data:**

Secondary data are collected through articles, journals, magazines and hotel websites.

Tools Used for the Study

Tools used for the study are ANOVA Test, Correlation Method and Chi-square Test

Hypothesis of the Study

1. Null Hypothesis Ho: There is no significant difference between Age and Customer Satisfaction.

Alternate Hypothesis H1: There is a significant difference between Age and Customer Satisfaction.

2. **Null Hypothesis Ho:** There is no significant association between Income and Type of Room preferred by customers to stay.

   Alternate Hypothesis H1: There is a significant association between Income and Type of Room preferred by customers to stay.

Analysis and Interpretation

1. **To identify the satisfaction level of the customers towards Star Category Hotels**

Satisfaction of customers also depends upon the age of the customers. The facilities utilized by customers change according to their age and to test the difference between the age of customer and customer satisfaction towards.

Table No 1: ANOVA for significant difference among Age of Customers with respect to Customer Satisfaction towards Hotel

Factors of satisfaction	Age of Customers (in years.)					F Value	P Value
	Upto 20	21-30	31-40	41-50	Above 50		
Safety and Security	4.76 (0.960)	3.73 (0.641)	1.48 (0.871)	2.07 (0.579)	1.00 (0.000)	262.802	1.000
Customer Service	4.78 (0.887)	4.51 (0.539)	1.59 (1.018)	2.59 (0.494)	1.69 (0.479)	325.688	0.060*
Rooms	4.76 (0.960)	4.01 (0.839)	1.48 (0.871)	2.20 (0.555)	1.00 (0.000)	228.968	1.000
Infrastructure	4.76 (0.960)	4.43 (0.535)	1.76 (1.300)	2.53 (0.583)	1.25 (0.447)	260.769	1.000
Entertainment	4.76 (0.960)	3.84 (0.782)	1.48 (0.871)	2.36 (0.567)	1.000 (0.000)	206.250	1.000
Price	4.76	4.52	1.76	2.85	1.31		

| | (0.960) | (0.539) | (1.300) | (0.529) | (0.479) | 243.506 | 0.131 |

Source: Primary data

Note: 1. The value within bracket refers to SD

2. * denotes significant at 5% level.

Since P value is greater than 0.01 the null hypothesis is accepted at 5 per cent level of significance. Hence, there is no significant difference among Age of Customers with respect to Customer Satisfaction towards safety and security, customer service, Rooms, Infrastructure, entertainment, price of hotel.

2. **To examine the facilities and services provided by the star category hotels in Trivandrum District.**
   Income level of customers plays a vital role in selection of type of room. Customers choose room according to their status. Hence, to find out the association between Income level of customers and type of room they prefer, chi-square test is used.

Table No: 2 Chi-square test for association between Income level of customers and the Type of room they prefer

Income	Type of Room					Total	Chi-square Value	P Value
	A/C Premium	A/C semi-superior	A/C Deluxe	Premium	Deluxe			
Below 1 lakhs	0 (0.0) [0.0]	0 (0.0) [0.0]	0 (0.0) [0.0]	0 (0.0) [0.0]	29 (100.0) [59.2]	29		
1-2 lakhs	0 (0.0) [0.0]	0 (0.0) [0.0]	0 (0.0) [0.0]	42 (67.7) [53.8]	20 (32.3) [40.8]	62		
2-3 lakhs	0 (0.0) [0.0]	17 (11.0) [25.4]	101 (65.6) [100.0]	36 (23.4) [46.2]	0 (0.0) [0.0]	154		
Above 3 Lakhs	89 (64.0) [100.0]	50 (36.0) [74.6]	0 (0.0) [0.0]	0 (0.0) [0.0]	0 (0.0) [0.0]	139	686.877	<0.001**
Total	89	67	101	78	49	384		

Sources: primary data

Note: 1. The value within (   ) refers to Row Percentage

    2. The value within [   ] refers to Column Percentage

    3. ** Denotes significant at 1% level

Since P value is less than 0.01, the null hypothesis is rejected at 1 per cent level of significance. Hence concluded that, there is association between monthly income and type of room customers choose. It can be concluded that, customers prefer room based on their Income. Income plays a major role in the selection of type of room.

Findings of the Study

- Initial reception (3.58) is the important and highly satisfied infrastructure facility which is rated by most of the customers. And Atmosphere (3.45) is the least factor which is rated by the customers as highly dissatisfied factor. The room may be congested with no proper ventilation and balcony.

- Customers are highly satisfied on transport facility (4.79). Most of the hotels have cab facilities for pick and drop from airports, railway stations etc. Facilities for pets (2.78) are noted as least factor as most of the hotels do not have facilities for pets. It is not easy for the hotels to manage with pets and hence not allowed.

- Most of the hotel provides excellent customer relationship which was rated by 32.6 percent of customers and about 5.7 per cent of the customers says that poor customer relationship is maintained in the specified hotel.

- Most of the customers are highly satisfied on swimming pool facility provided by the hotel and the least factor rated by the customers are conference/ meeting halls.

- Since the objectives of Customer Relationship Management are not effectively communicated by the management 33 per cent staff doesn't receive any incentives and rewards for maintaining better Customer relations. 10.7 per cent staff strongly agrees about providing incentives and rewards to support CRM.

- It is concluded that, there is no significant difference among Age of Customers with respect to Customer Satisfaction towards safety and security, customer service, Rooms, Infrastructure, entertainment, price of hotel.

- It is inferred that, there is association between monthly income and type of room customers choose. It can be concluded that, customers prefer room based on their Income. Income plays a major role in the selection of type of room.

Suggestions of the Study

The study identified several areas where more improvements have to be made to stimulate customer retention through effective Customer Relationship Management.

1. As most of the Customers are satisfied on Star Category facilities of Hotel, some found improper facilities. Lack of facility for kids, pets and other additional facilities are taken into consideration and should be solved to improve Customer Satisfaction.

2. Hotel management can take effort on adding additional food items according to the tastes and preference of customers. Food plays an important role in Customer satisfaction. Traditional food items and western items also to be added.

3. Customer satisfaction survey, feedback forms, questionnaires should be effectively taken into consideration and this leads to elimination of negative word of mouth. Hence, the improvement strategies can be made by taking customer complaints into consideration.

4. Management should use CRM Software properly in order to record customer information, their preference etc., properly. This database should be updated based on current changes in technology.

5. Conference halls and Meeting halls can be improved. Because, some Customers visit hotel for business purpose and thus they arrange conferences and meetings. Therefore, the available seating facility, new technology interactive white board, hi-fi communication technology should be arranged in Hotel.

6. Hotel management should also concentrate on loyal Customers. It is easy to attract new customers but difficult to retain loyal customers. So that, loyal customers should be provided with expected service by the Hotel.

7. Loyalty programs and Guest programs should be effectively handled in which it is the easiest way to attract more loyal customers. Hotels can use different loyalty programs like free airline/ train tickets, discount on price, treatment facility etc.

Conclusion of the Study

Most of the Customers are satisfied with the Star Category facilities of Hotel, so that the hotel industry should have Customer based strategies. Customer Relationship Management Practice is one of the important retaining strategy used to attract Customers. It is identified that CRM Practices undertaken by the Hotels to retain Customers are effective but the information of customers, identification of need assessment of customers should be concentrated more.

It is identified from the study that most of the customers are satisfied with the Customer Relationship maintained in the hotel. But, the techniques used to make a better Customer Relationship should be maintained.

Thus, Customer Relationship Management plays a vital role in retaining Customers. Hotels focus on attracting customers by providing service with various offers like Loyalty Programs and Guest Programs. CRM can be effectively maintained if proper data are stored in CRM database.

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