Importance Of Crm In Hospitality Services And Its Impact On Customer Satisfaction: A Study Of Hotels In Indore

*Sneha Rajput
**Mili Singh

Abstract

In the era of globalization there is an increase in competition and with this competition the methods of operating a business organization has changed drastically. Customers are the reason for existence which has resulted in increasing Customer expectation in Global scenario.

Customer Satisfaction has converted into a critical issue which decides the success of any organization. It is one of the major factors which have to be taken into consideration. It is the demand of market to find out a way to make and feel your customer satisfy.

The Concept of Customer Relationship Management (CRM) has emerged as magic stick and it describes the way to reach "Customer delight ness". CRM includes basically understanding the customer's need and requirement and the essence of CRM is Customer Retention. The Application of CRM in Hospitality Industry is required to increase the satisfaction level of customer and resulting in maintaining long term relations, helping the Social Recognition and developing Customer loyalty too.

Bottom line is that "Positive Word of Mouth" brings lot of advantage along with it like reducing marketing cost, increasing profitability, reducing Customer turnover, maintaining market share and a better Return on Investment.

Key words: Customer Satisfaction, Customer Retention and Customer Relationship Management

*Lecturer, Prestige Institute of Management, Gwalior
**Lecturer, Prestige Institute of Management, Gwalior

1.   Review Of Literature

American Marketing Association has defined services as "activities, benefits or satisfactions which are offered for sale ,or provided in connection with sale of goods". Regan (1963) suggested services represent either intangibles yielding satisfaction directly (transportation, housing), or intangibles yielding satisfaction jointly when purchased either with commodities or other services (credit, delivery)

Rampal and Gupta(2006) defined service as identifiable, intangible activity that is main object of a transaction designed to provide want satisfaction to consumer. Hospitality Services means receiving and attending guest with 'Bounteousness'. The Hotel Industry is a major part of Service Industry which is experiencing increased globalization, competition, higher customer turnover, growing customer acquisition costs and rising customer expectation ,meaning that hotels performance and competitiveness is significantly dependent on their ability to satisfy customer efficiently and effectively. Customer Satisfaction can be measured through level of Service Quality provided to the Customers.

Parasuram, Ziethaml and Berry (1985) developed a model of service quality. The model explains that the consumer evaluates service quality experience as the outcome of the gap between expected and perceived quality. The model emphasizes on the key requirement for a service provider delivering the expected service quality. So, the five gaps as discussed in PZB Model (Knowledge gap, standard gap, Behavior Gap, Communication Gap and Gap between service and expectations) when removed can result in improving and increasing the level of Customer Satisfaction as well as in Customer Retention.

Thompson Bob(2005) explained that loyalty expert agree it is more cost effective to retain customer than to acquire them because building loyalty can be a significant way to grow business. Zikmund, William; McLeod,Raymond and Glilbert Faye(2004) defined Customer Relationship Management(CRM) as a process to compile information that increases understanding of how to manage an organization's relationship with its customers.

The relation Building is most important to survive in long run Peppers, Don and Martha(1993) said you will not be trying to sell a single product to as many customers as possible. Instead, you'll be trying to sell a single customer as many products as possible – over a long period of time, and across different product lines. To do this, you will need to concentrate on building unique relationship with individual customers on 1:1 basis. Dyche' Jill (2002) says embattled companies are slouching towards the realization that without customer, products don't sell and revenues don't materialize.

The Concept of CRM helps the Customer retention and win back of customer. Griffin Jill and Michael Lowenstein (2005) describes the advantage of win back as follows
- Realize potential sales/profits by rebuilding customer relationships.
- Minimize new customer acquisition costs.
- Reduce negative word-of-mouth.
- Better understand the customer process for relationship termination so that appropriate intervention and recovery steps can be taken.
- Develop a profile for lost customers that can help detect 'at risk' customers.
- Build customer recovery into the customer-focused culture.

Apart from CRM there are other factors which do influence the Customer satisfaction like trust Moorman, Deshpande, and Zaltman (1993) referred to the willingness to rely on an exchange

partner in whom one has confidence. According to Lau and Lee (1999), if one party trusts another party that eventually engenders positive behavioral intentions towards the second party. Customer loyalty has significance contribution in the same Pearson (1996) has defined customer loyalty as the mind set of the customers who hold favorable attitudes toward a company, commit to repurchase the company's product/service, and recommend the product/service to others. The Contribution of Service Quality is already discussed above and their exist a strong relationship between both. Sureshchandar et al, (2003) identified that strong relationships exist between service quality and customer satisfaction while emphasizing that these two are conceptually distinct constructs from the customers' point of view. The present paper conceptualizes the importance of Customer Relationship and its impact on customer satisfaction in hospitality services.

2.   Objectives

The objective of the current study is to develop and standardize a measure to evaluate importance of Customer Relationship Management in Hospitality Services and its impact on Customer Satisfaction

3.   Research Methodology
The Study
 The Study is exploratory in nature with survey method being used to complete the study.

Sampling Design
Population: Population included customers of Indore Region.
Sample Frame: The Sample Frame is of customers who visit Hotels.
Sampling Elements: Individual respondent would be sampling element.
Sampling Technique: Purposive sampling technique used to select the sample.
Sample Size: Sample Size was 200 respondents.

Tools used for the Data Collection
Self Designed questionnaires used for the evaluation of Customer Satisfaction and impact of CRM on satisfaction. Data collected on a Likert Type Scale, where in Customer satisfaction 5 stands for Strongly Agree and 1 stands for Strongly Disagree and in Customer Relationship 5 stands for High Satisfaction and 1 Stands for High Dissatisfaction.

Tools Used for Data Analysis
- Item to total correlation applied to check the internal consistency of the questionnaires.
- The measure has been standardized through computation of Reliability and Validity.
- Regression test has been applied to identify the relationship between Customer Satisfaction and CRM
- Factor analysis was carried out to find out the underlying factors of customer satisfaction and CRM

4.   Result And Discussion
Consistency Measure

Consistency of all the items in the questionnaire is checked through item to total correlation. Under this correlation of every item with total is measured and the computed value is compared with standard value (i.e. 0.1379) and in case of computed value less than the standard value the whole factor / statement is dropped and will be termed as inconsistent.

S.NO	ITEM	COMPUTED CORELATION VALUE	CONSISTENCY	ACCEPTED/ DROPPED
1	STATEMENT 1	0.291018	CONSISTENT	ACCEPT
2	STATEMENT 2	0.656981	CONSISTENT	ACCEPT
3	STATEMENT 3	0.838159	CONSISTENT	ACCEPT
4	STATEMENT 4	0.423552	CONSISTENT	ACCEPT
5	STATEMENT 5	0.809506	CONSISTENT	ACCEPT
6	STATEMENT 6	0.446856	CONSISTENT	ACCEPT
7	STATEMENT 7	0.635194	CONSISTENT	ACCEPT
8	STATEMENT 8	0.667987	CONSISTENT	ACCEPT
9	STATEMENT 9	0.660648	CONSISTENT	ACCEPT
10	STATEMENT 10	0.492515	CONSISTENT	ACCEPT
11	STATEMENT 11	0.467993	CONSISTENT	ACCEPT
12	STATEMENT 12	0.725762	CONSISTENT	ACCEPT
13	STATEMENT 13	0.801169	CONSISTENT	ACCEPT
14	STATEMENT 14	0.713692	CONSISTENT	ACCEPT
15	STATEMENT 15	0.154092	INCONSISTENT	DROPPED
16	STATEMENT 16	0.201477	CONSISTENT	ACCEPT
17	STATEMENT 17	0.288654	CONSISTENT	ACCEPT
18	STATEMENT 18	0.833002	CONSISTENT	ACCEPT
19	STATEMENT 19	0.753273	CONSISTENT	ACCEPT
20	STATEMENT 20	0.669143	CONSISTENT	ACCEPT
21	STATEMENT 21	0.753043	CONSISTENT	ACCEPT
22	STATEMENT 22	0.590265	CONSISTENT	ACCEPT
23	STATEMENT 23	0.391365	CONSISTENT	ACCEPT
24	STATEMENT 24	0.52567	CONSISTENT	ACCEPT
25	STATEMENT 25	0.925903	CONSISTENT	ACCEPT
26	STATEMENT 26	0.806891	CONSISTENT	ACCEPT
27	STATEMENT 27	0.55179	CONSISTENT	ACCEPT
28	STATEMENT 28	0.78712	CONSISTENT	ACCEPT
29	STATEMENT 29	0.877988	CONSISTENT	ACCEPT
30	STATEMENT 30	0.585448	CONSISTENT	ACCEPT
31	STATEMENT 31	0.320246	CONSISTENT	ACCEPT
32	STATEMENT 32	0.041936	INCONSISTENT	DROPPED

As the values of all the items are more than 0.1379 except two items which were dropped.

Reliability Measure

Reliability test was carried out using SPSS software and the reliability test measure are given below:

Alpha- . 936

It is considered that the reliability value is more than 0.7 is good and it can be see that in almost all the reliability methods applied here, reliability value is quite higher than the standard value. So the questionnaire is reliable.

HO: There is no significant effect of CRM on Customer Satisfaction.

Validity

The face validity was checked and found to be high.

Regression Analysis

The regression is calculated by taking the total customer satisfaction and customer Relationship by using SPSS software. In this the customer relationship as the independent variable and customer satisfaction as the dependent variable. Therefore Regression is calculated by taking Dependent Variable.

HO: There is no significant effect of CRM on Customer Satisfaction.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.666	2.479		-.269	.788
	relations	1.066	.038	.894	28.105	.000

a. Dependent Variable: satiafscation

Histogram

Dependent Variable: satiafscation

Mean =-1.21E-15
Std. Dev. =0.997
N =200
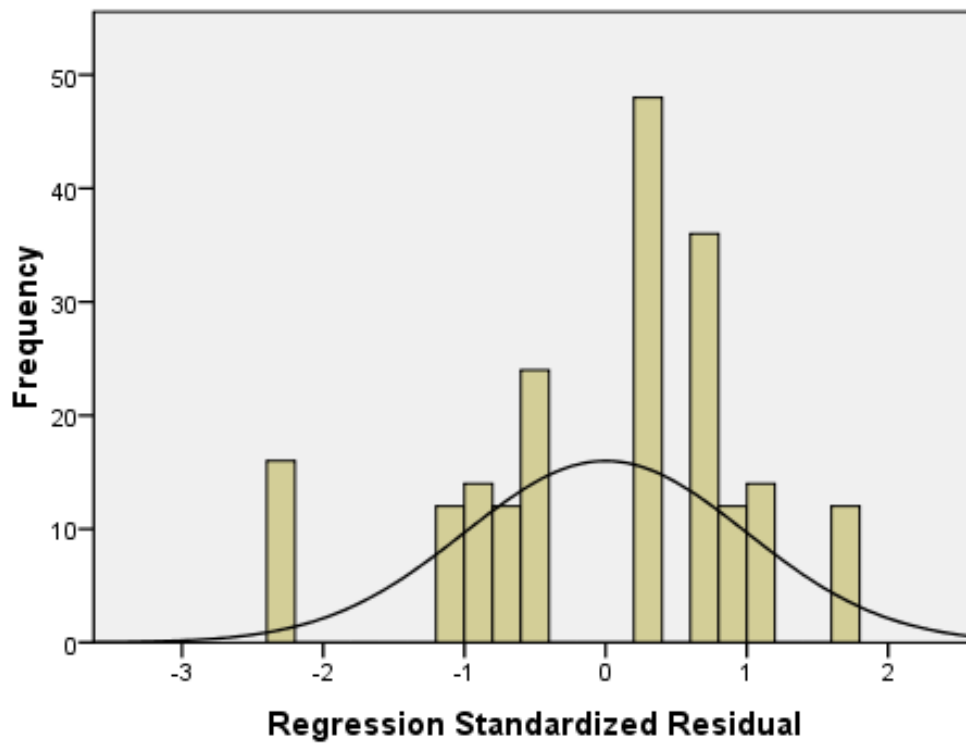
Normal P-P Plot of Regression Standardized Residual

Dependent Variable: satiafscation
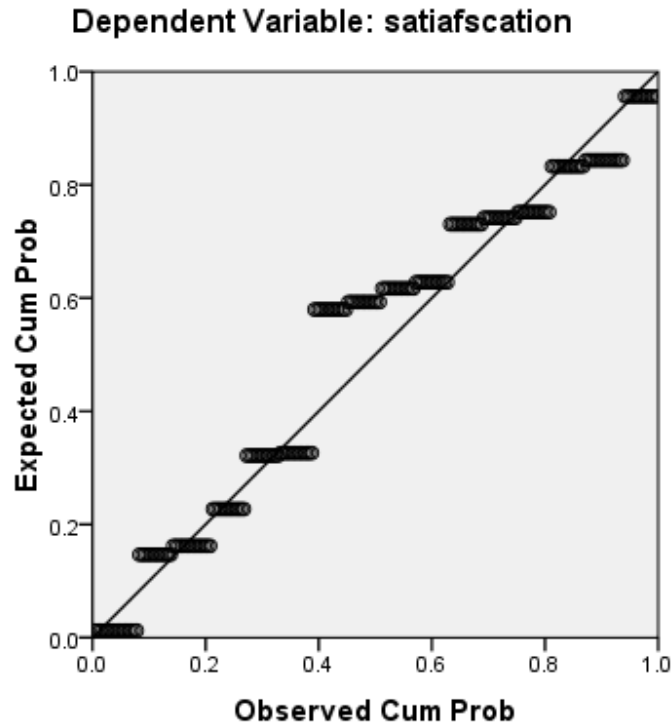
Y= a + bX
Y=1.066 +.666X
X=Independent Variable (Customer Relationship)
Y=Dependent Variable (Customer Satisfaction)

The Linear Regression was applied between Customer Relationship (independent Variable) and Customer Satisfaction (dependent Variable). The result of regression indicates that independent CRM has impact on dependent Variable Customer Satisfaction signified by the Coefficient beta factor of .894. Also the t-value is significant even at 0% although if we compare the computed t-value with critical value (1.96) at 5% of significance.

Factor Analysis
 Customer Satisfaction

Fc. No	Eigen Values	Factor Name	Va. No	Variable Convergence	% Of Variance	Loading
1	5.874	Payment System, food quality and variety, Chain Hotels	12	STATEMENT 12	36.711	.885
			5	STATEMENT 5		.823
			13	STATEMENT 13		.782
			14	STATEMENT 14		.752
			3	STATEMENT 3		.711
			11	STATEMENT 11		.602
2	2.781	Booking System and Communication	6	STATEMENT 6	54.091	.928
			9	STATEMENT 9		.692
			4	STATEMENT 4		.631
3	2.059	Convenience and Reliability	10	STATEMENT 10	66.961	.855
			1	STATEMENT 1		.780
			2	STATEMENT 2		.684
4	1.426	Facilities	8	STATEMENT 8	75.874	.908
			7	STATEMENT 7		.779
5	1.010	Ambience	17	STATEMENT 17	82.186	.858
			16	STATEMENT 16		.728

Customer Relationship

Fc. No	Eigen Values	Factor Name	Va. No	Variable Convergence	% Of Variance	Loading
1	6.829	Generic Factor	4	STATEMENT 4	48.776	.860
			2	STATEMENT 2		.857
			8	STATEMENT 8		.837
			9	STATEMENT 9		.718
			12	STATEMENT 12		.637
			7	STATEMENT 7		.613
2	1.849	Potential Factors	13	STATEMENT 13	61.980	.968
			1	STATEMENT 1		.813
			11	STATEMENT 11		.573
3	1.743	Expected factor	6	STATEMENT 6	74.431	.917
			10	STATEMENT 10		.731
4	1.182	Augment factor	14	STATEMENT 14	82.872	.807
			5	STATEMENT 5		.724
			3	STATEMENT 3		.716

Customer Satisfaction most contributing factor is Payment System, food quality and variety, Chain Hotels and in Customer relationship the factor which contributes most are Generic factors.

Implication

- This is intended to be useful contribution to understand the importance of Customer Relation on Customer satisfaction.
- It is also useful contribution for further researches because it provides a link between theory and practice.
- This study will also be useful to those Hotels who want to conduct research for knowing the correlation of Customer Relation with Customer satisfaction; they will be able to solve several problems related to their Customers.
- It also contributes to the related industry in helping them by knowing about the effect of Customer Relation on Customer satisfaction.

Suggestions

- The study has been conducted in Indore Region and population is taken from only Indore, it can be extended to other cities also.
- The study is based on the sample size of 200 respondent, as soon as we increase the respondents, the result may vary.
- The research on Customer Satisfaction as correlates of Customer Relation can also be conducted in other sectors.

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Annexures

Questionnaire about Importance of CRM in Hospitality Services and its impact on Customer Satisfaction.

Dear Respondent, I am undergoing a research to find the importance of Customer Relationship Management in Hospitality Services and how it helps increasing the level of Customer Satisfaction. The Questionnaire that follows is a tool for collection of data for the project. You are requested to tick the option that best shows your preference and Please pay attention to respond the questions and help it to be of high validity. It is hoped that the result from this research is used in giving services better and more. The information provided will be used for research purpose only will be kept confidential.

RESPONDENT PROFILE
1)Name (optional)
2)Gender: Male(　　) 　　Female( )
3)Age: 　　　　　　　　　　　　4) STATUS
(a)15-25 yrs 　　　　　　　　　　(a)Business Class

QUESTIONS:(5=Highly Agree, 4=Agree, 3=neutral, 2=Disagree, 1=Highly Disagree)	5	4	3	2	1
1. Hotel should be registered with some reliable group	5	4	3	2	1
2. Hotel ones visited by me will be preferred for next visit	5	4	3	2	1
3. Hotel's web site always helps a person to know more about the Hotel	5	4	3	2	1
4. Hotels should have online reservation system	5	4	3	2	1
5. Chain business Hotels are more visited	5	4	3	2	1
6. Only Token money at the time of booking should be asked	5	4	3	2	1
7. Lifts and elevators are required for a comfortable stay	5	4	3	2	1
8. Hotels with prompt conveyance facility helps customer's visit	5	4	3	2	1
9. 24 hrs communication facility is required	5	4	3	2	1
10. Location near the city is preferred	5	4	3	2	1
11. Different mode of payment is required	5	4	3	2	1
12. Different kitchens for veg and non veg food is essential	5	4	3	2	1
13. Hotel exclusively meant for lodging and boarding makes stay more comfortable	5	4	3	2	1
14. Food should be served with quality and variety	5	4	3	2	1
15. Electric appliances in the room has to be properly checked regularly	5	4	3	2	1
16. The well furnished rooms are expected	5	4	3	2	1
17. Ambience of the hotel must remain good	5	4	3	2	1

(b)26-35 yrs 　　　　　　　　　　(b)Service Class
(c)36- 45 yrs 　　　　　　　　　　(c) House Wife
(d) 46 & above 　　　　　　　　　(d) Student

QUESTIONS: *(5=High Satisfaction, 4=Satisfaction, 3=Neutral, 2Dissatisfaction, 1=High Dissatisfaction)*	5	4	3	2	1
18. The staff understanding English as well as Hindi makes stay more easy.	5	4	3	2	1
19. employees in uniform gives a pleasant look	5	4	3	2	1
20. Promptness in Room Services at a single call is more satisfying	5	4	3	2	1
21. Hotel should be trust worthy and safe as far as honesty of Personnel is concerned	5	4	3	2	1
22. Rooms regularly cleaned gives a pleasurable stay	5	4	3	2	1
23. Any problem when informed to the manager is expected to be solved immediately	5	4	3	2	1
24. The staff following all the instruction given by customer is more appreciable	5	4	3	2	1
25. Feedback asked form the customer explains the customer importance	5	4	3	2	1
26. The hotel sending the season's greetings helps in remembering the hotel for long time	5	4	3	2	1
27. 24 hrs online booking is a strong point for hotel	5	4	3	2	1
28. Accepting reserve cancellation by hotel is of important consideration for customers	5	4	3	2	1
29. Advertising about the discounts and special prices of each season by hotel could be a factor for reselecting the hotel	5	4	3	2	1
30. Receiving welcome note adds to customer satisfaction	5	4	3	2	1
31. Giving priority to privacy is one important factor for satisfaction in stay	5	4	3	2	1
32. Personnel's appropriate behavior is one of the effective factor in next stays of the customer	5	4	3	2	1

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Prof. Sneha Rajput,Lecturer, Prestige Institute of Management, Gwalior

Reliability

[DataSet0]

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	200	100.0
	Excluded[a]	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.936	30

Regression

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	relations[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: satiafscation

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.894[a]	.800	.799	4.20332

a. Predictors: (Constant), relations

b. Dependent Variable: satiafscation

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13955.756	1	13955.756	789.893	.000[a]
	Residual	3498.244	198	17.668		
	Total	17454.000	199			

a. Predictors: (Constant), relations

b. Dependent Variable: satiafscation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.666	2.479		-.269	.788
	relations	1.066	.038	.894	28.105	.000

a. Dependent Variable: satiafscation

Coefficient Correlations[a]

Model			relations
1	Correlations	relations	1.000
	Covariances	relations	.001

a. Dependent Variable: satiafscation

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	52.6288	79.2762	68.5000	8.37433	200
Residual	-9.41957	7.18507	.00000	4.19275	200
Std. Predicted Value	-1.895	1.287	.000	1.000	200
Std. Residual	-2.241	1.709	.000	.997	200

a. Dependent Variable: satiafscation

Factor Analysis
CUSTOMER SATISFACTION
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.874	36.711	36.711	5.874	36.711	36.711	4.199	26.243	26.243
2	2.781	17.380	54.091	2.781	17.380	54.091	2.376	14.851	41.093
3	2.059	12.871	66.961	2.059	12.871	66.961	2.281	14.259	55.353
4	1.426	8.913	75.874	1.426	8.913	75.874	2.247	14.044	69.397
5	1.010	6.312	82.186	1.010	6.312	82.186	2.046	12.789	82.186
6	.798	4.988	87.174						
7	.763	4.768	91.941						
8	.487	3.041	94.982						
9	.290	1.814	96.796						
10	.181	1.131	97.927						
11	.165	1.034	98.961						
12	.075	.471	99.432						
13	.051	.321	99.753						
14	.031	.191	99.944						
15	.009	.056	100.000						
16	-5.136E-16	-3.210E-15	100.000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrix[a]

	Component				
	1	2	3	4	5
VAR00012	.885				
VAR00005	.823				
VAR00013	.782				
VAR00014	.752			.405	
VAR00003	.711	.463		.316	
VAR00011	.602				.600
VAR00006		.928			
VAR00009	.416	.692			
VAR00004	.349	.631	-.444		
VAR00010			.855		
VAR00001			.780		
VAR00002	.491		.604		
VAR00008				.908	
VAR00007				.779	
VAR00017					.858
VAR00016				.548	.728

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 11 iterations.

CUSTOMER RELATIONSHIP

Total Variance Explained

Compo nent	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.829	48.776	48.776	6.829	48.776	48.776	4.463	31.881	31.881
2	1.849	13.205	61.980	1.849	13.205	61.980	2.931	20.939	52.820
3	1.743	12.451	74.431	1.743	12.451	74.431	2.318	16.554	69.374
4	1.182	8.442	82.872	1.182	8.442	82.872	1.890	13.498	82.872
5	.667	4.768	87.640						
6	.586	4.187	91.827						
7	.389	2.778	94.605						
8	.317	2.266	96.871						
9	.204	1.456	98.326						
10	.114	.813	99.139						
11	.061	.437	99.576						

12	.037	.261	99.837							
13	.018	.132	99.968							
14	.004	.032	100.000							

Extraction Method: Principal Component Analysis.

Rotated Component Matrix[a]

	Component				
	1	2	3	4	5
VAR00012	.885				
VAR00005	.823				
VAR00013	.782				
VAR00014	.752			.405	
VAR00003	.711	.463		.316	
VAR00011	.602				.600
VAR00006		.928			
VAR00009	.416	.692			
VAR00004	.349	.631	-.444		
VAR00010			.855		
VAR00001			.780		
VAR00002	.491		.604		
VAR00008				.908	
VAR00007				.779	
VAR00017					.858
VAR00016				.548	.728

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