

Journal of Association of Arab Universities for Tourism and Hospitality (JAAUTH) Vol. 21 No. 3, (December 2021), pp. 152-161.

journal homepage: <u>http://jaauth.journals.ekb.eg</u>

Impact of Customer Relationship Management on Customer Retention in Hotels

Sameh	n G. Saad	Nancy J.	Kamel
•	urism and Hotel	Cairo Higher l	
Management, H	Ielwan University	Tourism an	d Hotels
ARTICLE INFO	ABSTRACT		
Keywords: Customer relationship management; customer retention; customer service.	relationship manage in a sample of five- for managing al interactions with cu is simple: improv	ement (CRM) on c star hotels in Cair l your company stomers and poten e business relation	e impact of customer customer retention (CR) o. CRM is a technology y's relationships and tial customers. The goal onships to grow your vanies stay connected to
(JAAUTH) Vol. 21, No. 3, (December 2021), PP.152-161.	customers, streamling For this purpose, of random sample of number of 400 form (88%) were complet hypotheses tested the package for social that CRM positive that the present investion	ine processes, and online questionnai customers in the ns was distributed, eted and valid for nrough multiple reg science (SPSS 22 ly affect CR. Also vestigation states to hotels as assume	d improve profitability. res were directed to a investigated hotels. A among them 350 forms analysis. The research gression using statistical 5). The results showed b, the results illustrated hat this concept is well ed by the participants'

Introduction

Over the years, CRM has gained in importance in explaining client loyalty to a specific organization. Dowling (2002) stated that establishing a good customer relationship is the main reason for having loyal customers who bring a great deal of business than non-loyal customers. The most critical aspect of CRM is customer service. As a result, the concept is extremely relevant to the hospitality business (Algharabata *et al.*, 2018).

In addition to creating and maintaining new customers, CRM seeks to gain a competitive advantage by excelling at understanding, communicating, delivering, and developing existing customer relationships. In addition, CRM is one of the concepts that places the client at the heart of a business and views the client as the organization's cornerstone. (Stefanou *et al.*, 2003).

Understanding important customer satisfaction variables is essential for success in the hotel industry. Client satisfaction results in repeat purchases, a desire to return, and customer retention. (Poon and Long, 2005). On the other hand, Ovenden (2005) argued that it is necessary to satisfy him in order to retain a customer. Furthermore, Desai and Mahajan (2008) It is also presumed that the consumers that have been kept

are satisfied customers. Ranaweera and Prabhu (2003) agreed with the concept and discovered that customer satisfaction has a significant beneficial effect on customer retention.

With increasing competition, customer retention in the lodging industry has become more and more important. Hotels where customers can attract, maintain, satisfy and retain are more likely to survive (Choi & Chu, 2001). In addition, Customer retention is critical for the hotel in order to achieve long-term sustainability and growth; hence, it is the hotel's responsibility to ensure that all customer wants and desires are met. (Kahrig, 2005).

Literature Review

Concept of Customer Relationship Management (CRM)

In recent years, CRM has been defined by many authors, and has different meanings as a concept. CRM, according to Stone and Findlay (2001), is an organization that collects a large amount of customer information from many sources and stores it in order to separate, analyze, and reuse areas. In addition, Forss and Stone (2001) described it as the application of knowledge in research methodology, technology, and e-commerce to the management of client relationships. Furthermore, Parvatiyar and Sheth (2002) stated that CRM is a wide approach that encompasses the process of acquiring, maintaining, and collaborating with specific customers in order to create distinct value for both the organisation and the client. By contrast, CRM is defined as the integration of technology such as accounting software, websites, marketing software, and social media in order to strengthen customer connections. (Klutse, 2016).

Dimensions of CRM Implementations

1. Customer orientation

It refers to the predisposition of the employee to satisfy the needs of the customers and this has a positive impact on customer satisfaction since the primary goal of customer-oriented activities is to promote customer happiness and loyalty. (Brown *et al.*, 2002). Numerous researchers have found a link between customer focus strategy and customer retention. (Dowling, 1993; Liu *et al.*, 2003; Sin *et al.*, 2005; Asikhia, 2010; Tajeddini, 2010). Moreover, Customer orientation is also regarded as one of the most effective sources for gaining a thorough understanding of the client, which aids in the delivery of an acceptable plan to fulfill the needs of the customer. (Youssef, 2017).

2. CRM organization

According to Mechinda and Patterson (2011), in order for service personnel to demonstrate customer-oriented behaviour, firms must create an atmosphere of service in the workplace. (e.g. an appropriate reward system, inspiring service leadership, tracking customer satisfaction and complaint management systems, and providing modern tools and technology for staff). Therefore, Successful implementation of CRM depends on the involvement of all organizational members in the project; redesign of organizational structure and processes; and appropriately lead change (Elmuti *et al.*, 2009). According to Sin et al. (2005), the fundamental goal of

collecting customer data was to get a clear picture of them. Organizations can use such data to develop and establish beneficial relationships with their customers. Previous studies have shown a positive impact on customer retention by CRM organizations (Yim *et al.*, 2005).

3. Knowledge management

A company cannot be customer focused without knowing customer needs. CRM can only be successful if customer information is properly translated into customer knowledge (Freeland 2003; Plessis & Boon 2004). This knowledge organisation can use it to strengthen and expand their client relationships (Zahay and Griffin, 2004).Moreover, Knowledge management assists a business in developing stronger customer relationships and has a favourable impact on customer satisfaction (Sin *et al.*, 2005; Yim *et al.*, 2005; Akroush *et al.*, 2011). Knowledge management can be understood as a creative, efficient and effective use of knowledge to attract and retain clients and improve the organization (McDonald, 1999).

From previous discussion, it can be said that knowledge management process is one of the key factors for long-term CRM achievement. (Alhawari & Ibrahim 2010, Khaksar *et al.*, 2011)

4. Technology- based CRM

A contemporary system can be used to improve enterprises' ability to decrease internal costs, interact better with the environment, and increase long-term economic profit as information communication technology progresses (Moriarty *et al.*, 2008). Many CRM-related operations, including as knowledge management, cannot be maximized unless cutting-edge technology is used. In fact, Most CRM applications benefit greatly from technological advancements, including the ability to collect and analyze data on customer patterns, develop predictive models, respond with timely and effective customized communications, and efficiently deliver individual customized value offerings to individual customers (Peppard, 2000; Vrechopoulos, 2004).

In conclusion, According to Yim et al. (2005), a successful CRM implementation is dependent on the integration of four dimensions: customer orientation, CRM organisation, knowledge management, and technology-based CRM in an effective overall CRM strategy.

2. CRM and Hotel Industry

According to Gronroos (2004), it is critical for the hotel business to create relationships with consumers due to the intrinsic qualities of service companies' production and consumption. These examples demonstrate how crucial CRM is to the hospitality industry because of its service-oriented nature (Alt and Reinhold, 2012). Moreover, increasing customer expectations, price-sensitive customers, rising customer acquisition costs, uncertain market conditions and less brand loyalty are all key factors that drive the use of CRM as a successful hotel strategy (Mylonakis, 2009; Wu & Li, 2011; Anshari *et al.*, 2019). CRM practices are commonly utilized in the service business to improve client satisfaction and retention (Buttle, 2009; Pai & Tu,

2011). As a result; satisfied customers would return and could also bring in new customers.

The benefits of using CRM in the hospitality industry are increased customer satisfaction and retention; increased share of category spending; increased repeat business; increased likelihood of referral business (Buttle, 2009). These results come from a strategy to strengthen customer relationships by providing customer value that always leads to satisfaction. On a previous study, Scanlan and McPhail (2000) discovered that hotel guests regarded customization, dependability, and social bonding as the most influential variables in boosting their pleasure and, as a result, their retention in the hotel. Kotler (2006) illustrated that customer satisfaction is the key to customer retention. Hence, the following hypothesis could be proposed:

OC positively influences AC

Methodology

An online survey was adopted to investigate the customers' perspectives towards the impact of CRM practices on CR in a sample of five-star hotels in Cairo. A convenience sample was used in this study to select the hotels. The methodology for the best usage of online survey proposed by Evans and Mathur (2005) was followed. During the tool's creation, one member of the research team began developing the online survey, while another team member double-checked it for correct presentation and precision before sending the URL to the participants. The purpose of the research was explained by an introduction and hotel customers were invited to participate in the study. All respondents were reviewed for confidentiality and the analyzes were kept updated for research purposes. The URL (English and Arabic) was sent by e-mails and various social media accounts to hotel customers. Several times a day, the research team examined and followed the replies (see Table 1).

Hotel Name	Valid Forms	
notei maine	Freq.	%
Intercontinental Cairo Citystars	37	93
Holiday Inn Cairo Citystars	26	65
Sheraton Cairo Hotel	39	98
Ramses Hilton Hotel	31	78
Conrad Cairo Hotel	37	93
Fairmont Nile City Hotel	33	83
Sofitel El Gezirah Hotel	36	90
Four Seasons First Residence Cairo Hotel	34	85
Four Seasons Hotel Cairo at Nile Plaza	38	95
The Nile Ritz-Carlton Cairo	39	98
Total	350	88

Fable 1	
----------------	--

The Investigated Hotels

Note: 40 forms for each hotel

As indicated in Table 1, contact information (i.e. name, phone number, email address, and social media profiles) were added by the end of the introduction for any additional inquiries. A total of 400 forms e-mailed to hotel customers; 350 completed forms were valid representing 88% response rate. The survey consists of two parts. The first part dealt with the profile information. The second part focused on the level of agreement of participants with factors relating to CRM and CR. A seven-point Likert scale was utilised, with 1 indicating "strongly disagree" and 7 indicating "strongly agree.". Cronbach's alpha was used to ensure the reliability of the measures, which was more than 0.70 for all items (Hair *et al.*, 2013).

In order to analyze questionnaire data, a software package for social sciences (SPSS 25) was used. Descriptive data analysis was conducted to illustrate respondents' profile. To examine the research hypothesis, multiple regression was conducted.

Results and Discussions

1- Demographic Data Analysis

Respondents' profile data included their gender; age as well as educational level. As shown in Table (2), 71.1% of the hotel customers were males compared to only 28.9% were females. The table also illustrates that 45.1% of customers were in the age between 26 to 35 years; subsequently the customers whose 25 years or under with a percentage of 26.8%. A percentage of 23.8% of the customers were from 36 to 50 years, and only 4.3% of the customers over 50 years.

Table 2	
---------	--

Customers Demographic Data

	~~~~	Freq.	%
Gender	Male	249	71.1
	Female	101	28.9
Age	25 years or under	94	26.8
	From 26 to 35 years	158	45.1
	From 36 to 50	83	23.8
	Over 50 years	15	4.3
Educational	Secondary School Education	40	11.4
level	Undergraduate degrees or Higher	253	72.3
	Institute degree		
	Postgraduate Degrees	57	16.3

It is noticed that 72.3% of the customers held an undergraduate degree or higher institute degree. While, 16.3% of them were Masters and PhD degrees. Moreover, 11.4% of the customers were secondary certificate holders. These findings indicate that most of the customers in the hotels are well educated.

## 2- Demographic Data Analysis

#### Table 3

**Descriptive Analysis** 

Variables	Μ	SD	Factor loadin g	α
Customer Relationship Management			· -	
This hotel services performed well.	6.16	0.83	0.97	
Hotel employees respond to our requests promptly.	6.17	0.83	0.97	
Hotel employees are willing to help customers in a responsive manner.	6.23	0.85	0.91	0.943
Hotel fully understands the needs of our key customers via knowledge leaning.	6.25	0.86	0.90	
Hotel provides channels to enable ongoing, two- way communication with its loyal customers.	6.18	0.88	0.92	
Customer Retention				
I feel that we need to continue our relationship with this hotel.	6.22	0.85	0.93	
In the future, I'll spend most of my vacation at this hotel.	6.18	0.88	0.96	0.90 6
I am a loyal customer of this hotel.	6.16	0.83	0.93	
This hotel is my first choice to stay in.	6.32	0.92	0.95	

CRM variable deals with interpersonal relationships between co-workers at all levels influenced the good feelings and positive support (Harvey, 2013). Regarding this issue, Table 3 illustrates that the item "hotel fully understands the needs of our key customers via knowledge leaning" has the highest mean score of CRM factor 6.25 (SD, 0.86). Moreover, the item "This hotel services performed well" has the lowest mean score of CRM factor 6.16 (SD, 0.83). The findings indicate that, on average, customers have positive perceptions of CRM. These findings agree with According to Stefanou et al. (2003), CRM creates a competitive advantage by being the best at understanding, communicating, delivering, and expanding existing customer connections, as well as creating and retaining new customers. Customer retention variable is associated with an employee's overall attitude about his/her relationship with supervisors (Harvey, 2013). Regarding this issue, Table 3 shows that the item "This hotel is my first choice to stay in" has a high mean score of 6.32 (SD, 0.92). Furthermore, the item "I am a loyal customer of this hotel" has the lowest mean score of customer retention factor 6.16 (SD, 0.83). This implies that on average, customers have positive perceptions of their retention and loyalty to the investigated hotels. These findings are consistent with Kahrig (2005), who stated that customer retention is critical for hotels in order to secure their long-term sustainability and development; hence, it is the hotel's responsibility to ensure that they have met all of the client's demands and desires.

# 4- Testing Direct Relationships of the Research Hypothesis

Table 5 illustrates the findings of the hypothesis testing through multiple regressions (e.g. standardized path coefficients  $(\beta)$ , *t*-values, and the corresponding significance levels).

## Table 4

Direct Relationships of Research Hypotheses

Hypothesis	Direct Relationships	ß	<b><i>P</i>-Value</b>	Result
	CRM ->CR	0.149	0.005**	Supported

Note:  $\beta$  = Standardized path; * P  $\leq$  0.05, ** P  $\leq$  0.01 and *** P  $\leq$  0.001

## **Customer Relationship Management and Customer Retention**

The investigated hypothesis is associated with the impact of CRM on CR. It was hypothesized that there would be a positive influence of CRM on CR. The result demonstrated positive and significant paths from CRM on CR ( $\beta = 0.149$ ,  $p \le 0.005$ ).

## Conclusions

Discussing the customer relationship management in industry in general and in hotel industry in particular through the relevant literature state the importance of this aspect. This approach helps the hotel to get a lot of information about its actual and potential customers. This would result in giving the hotel to fully satisfy its guests through achieving their need and requirements at the most appropriate level. The present investigation states that this concept is well understood by the Egyptian hotel as assumed by the participants' responses through the survey study. Furthermore, it is clearly illustrated that the CRM adopted by the Egyptian hotels has a marked impact on customer retention in these hotels, and it is advisable to spread this concept over the Egyptian hotels.

## References

- Akroush, M.N., Dahiyat, S.E., Gharaibeh, H.S. and Abu-Lail, B.N. (2011), "Customer Relationship Management Implementation: an Investigation of a Scale's Generalizability and its Relationship with Business Performance in a Developing Country Context". International Journal of Commerce and Management, vol. 21, No. 2, pp. 158-191.
- Algharabata, R., Rana, N.P., Dwivedi, Y.K., Alalwan, A.A. and Qasem, Z. (2018), "The effect of telepresence, social presence and involvement on consumer", Journal of Retailing and Consumer Services, Vol. 40, pp. 139-149.
- Alhawari, S., Ebrahim M., (2010), Improving Performance of Customer Knowledge Expansion with Knowledge Management Process: Journal of Organizational Knowledge Management.
- Alt, R. and Reinhold, O. (2012), "Social customer relationship management (social CRM)", Business and Information Systems Engineering, Vol. 4 No. 5, pp. 287-291.
- Anshari, M., Almunawar, M.N., Lim, S.A. and Al-Mudimigh, A. (2019), "Customer relationship management and big data enabled: personalization and customization of services", Applied Computing and Informatics, Vol. 15 No. 2, pp. 94-101.

- Asikhia, O. (2010), "Customer Orientation and Firm Performance among Nigerian Small and Medium Scale Businesses", International Journal of Marketing Studies, Vol. 2 No. 1, pp. 197-213.
- Brown, T.J., Mowen, J., Todd, D. and Licatta, J. (2002), "The Customer Orientation of Service Workers: Personality Trait Determinants and Effect on Self and Supervisor Performance Ratings", Journal of Marketing Research, Vol. 39 No. 1, pp. 110-119.
- Buttle, F. (2009). Customer relationship management: Concepts and technologies. Routledge.
- Choi, T. Y. & Chu, R. (2001). Determination of Hotel Customers' Satisfaction and Repeat Patronage in the Hong Kong hotel industry. International Journal of Hospitality Management, 20, pp. 277-297.
- Desai, K.K., Mahajan, V. (2008). Strategic role of affect-based attitudes in the acquisition, development and retention of customers, Journal of Business Research, 42, 309-24.
- Dowling, G. (2002), Customer Relationship Management: In B2C Markets, Often Less is More. California Management Review, 44 (3), pp. 87–104.
- Dowling, J. (1993). "Organizational Legitimacy: Social Values and Organizational Behavior", Pacific Sociological Review, Vol. 18, pp. 122-136.
- Elmuti, D., Jia, H. and Gray, D. (2009), "Customer Relationship Management Strategic Application and Organizational Effectiveness: an Empirical Investigation", Journal of Strategic Marketing, Vol. 17 No. 1, pp. 75-96.
- Evans, J., & Mathur, A. (2005). The value of online surveys. Internet research.
- Forss, B. & Stone, M., (2001). Successful Customer Relationship Marketing, London; Kogan.
- Freeland, J. (2003), "HBR Case Commentary: What Can Barry Do to Save the Project?" Harvard Business Review, 81 (12), pp. 38-52.
- Plessis, Marina du, and Boon J.A. (2004), "Knowledge Management in E-Business and Customer Relationship Management: South African Case Study Findings," International Journal of Information Management, 24 (1), pp. 73–86.
- Gronroos, C. (2004). The Relationship Marketing Process: Communication, Interaction, Dialogue, value. Journal of Business and Industrial Marketing, 19 (2), pp. 99-113.
- Kahrig, T. (2005). Personal Communication, January 14, 2005.
- Khaksar, S.M.S., Nawaser, K., Jahanashahi, A.A., and Kamalian, A. R. (2011). The Relation between After-Sales Services and Entrepreneurial Opportunities: Case Study of Iran-Khodor Company, African Journal of Business Management, 5 (13), pp. 5152-5161.
- Klutse, C. M (2016). Relationship management in hospitality industry: the case of hotels in Ghana. Global Journal of Commerce and Management Perspective, 5 (1), 12-15.
- Kotler, P. (2006). Marketing Management (8th ed.), Englewood, New Jersey, NJ: USA. Prentice hall.
- Liu, S.S., Luo, X. and Shi, Y. (2003), "Market oriented organizations in an emerging economy a study of the missing links", Journal of Business Research, Vol. 56 No. 6, pp. 481-491.

- McDonald, J. (1999). Understanding Knowledge Management in a Week.
- Mechinda, P. and Patterson, P.G. (2011), "The Impact of Service Climate and Service Provider Personality on Employees' customer-oriented Behavior in a highcontact setting", Journal of Services Marketing, Vol. 25 No. 2, pp. 101-113.
- Moriarty, J., Jones, R., Rowley, J. and Kupiec-Teahan, B. (2008), "Marketing in small hotels: a qualitative study". Journal of Marketing Intelligence & Planning, Vol. 26 No. 3, pp. 293-315
- Mylonakis, J. (2009), Customer Relationship Management Functions: A survey of Greek bank customer satisfaction perceptions. The Icfai University Journal of Bank Management, VIII (2), 7-31.
- Ovenden, A. (1995), "Keep your customers happy and your competition will slowly fade away", The TQM Magazine, Vol. 7 No.1, pp. 46-9.
- Pai, J. C., & Tu, F. M. (2011). The acceptance and use of customer relationship management (CRM) systems: An empirical study of distribution service industry in Taiwan. Expert Systems with Applications, 38(1), 579-584.
- Parvatiyar, A. & Sheth, T.N., (2002) "Customer Relationship Management: Emerging Practice, Process, and Discipline", Journal of Economic and Social Research, Vol.3, No.2, pp. 340-365.
- Peppard, J. (2000). Customer Relationship Management (CRM) in Financial Services. European Management Journal, 18 (3), pp. 312–327.
- Poon, W.C. & Long, K.L.T (2005) Are travelers satisfied with Malaysian hotels? International Journal of Contemporary Hospitality, 17 (2/3), 217-228.
- Ranaweera, C., and Prabhu, J. (2003). On the relative importance of customer satisfaction and trust as determinants of customer retention and positive word of mouth. Journal of Targeting, Measurement & Analysis for Marketing, 12(1), 82-90.
- Scanlan, L., & McPhail, J. (2000). Forming service relationships with hotel business travelers: The critical attributes to improve retention. Journal of Hospitality & Tourism Research, 24(4), pp. 491-513.
- Sin, L.Y., Alan, C.B. and Yim, F.H. (2005), "CRM: Conceptualization and Scale Development", European Journal of Marketing, Vol. 39, Nos 11/12, pp. 1264-1290.
- Stefanou, C., Christos S., and Amalia S. (2003), "CRM and Customer Centric Knowledge Management: An Empirical Research," Business Process Management Journal, 9 (5), pp. 617–634.
- Stone, M. and Findlay, G., (2001). "Data chaos-A court case waiting to Happen", International Journal of Customer Relationship Management, sep./Oct.2001.
- Tajeddini, K. (2010), "Effect of Customer Orientation and Entrepreneurial Orientation on Innovativeness: Evidence from the Hotel Industry in Switzerland", Tourism Management, Vol. 31, No. 2, pp. 221-231.
- Vrechopoulos, A. (2004). Mass Customization Challenges in Internet Retailing through Information Management. International Journal of Information Management, 2(4), pp. 59–71.
- Wu, S., and Li, P. (2011). The Relationships between CRM, RQ and CLV based on different hotel preferences. International Journal of Hospitality Management, 30, pp. 262-271.
- Yim, F.H., Anderson, R.E., Swaminathan, S. (2005), Customer Relationship Management: Its Dimensions and Effect on Customer Outcomes. Journal of

Personal Selling and Sales Management, 24(4), pp. 265–280

- Youssef C. (2017). Customer Relationship Management (CRM) in Service Firms: A Model Proposal to Measure the Impact of the Implementation of CRM Dimensions on Hotel Performance. International Journal of Scientific & Engineering Research, Vol. 8, No. 5, pp. 289-307.
- Zahay, D. and Griffin, A. (2004), "Customer Learning Processes, Strategy Selection, and Performance in Business-to-Business Service Firms", Decision Sciences, Vol. 35 No. 2, pp. 169-203.



تأثير إدارة علاقات العملاء على الاحتفاظ بالعملاء في الفنادق

نانسى كامل

سامح سعد

كلية السياحة وإدارة الفنادق، جامعة حلوان معهد القاهرة العالى للسياحة والفنادق

الملخص	معلومات المقالة
يهدف هذا البحث إلى قياس تأثير إدارة علاقات العملاء على الاحتفاظ بالعملاء	الكلمات المفتاحية
في عينة من فنادق الخمس نجوم في القاهرة. تعرف إدارة علاقات العملاء على	ادارة علاقات العملاء؛
انها نهج لإدارة تفاعل الشركة مع العملاء الحاليين والمستقبليين. يعمل هذا	الاحتفاظ بالعملاء؛ خدمة
النهج على تحليل بيانات تاريخ العملاء مع الشركة من أجل تحسين أفضل	العملاء.
علاقات تجارية مع العملاء، مع التركيز بشكل خاص على الاحتفاظ بالعملاء،	
من أجل دفع نمو المبيعات، وأحد الجوانب الهامة للنهج هو أنظمة إدارة	
علاقات العملاء التي تقوم بتجميع المعلومات من مجموعة واسعة من قنوات	
مختلفة، بما في ذلك موقع الشركة، والهاتف، والبريد الإلكتروني. لتحقيق هدف	المجلد 21، العدد 3، (ديسمبر 2021)،
الدراسة، تم توجيه الاستبيانات عبر الإنترنت إلى عينة عشوائية من العملاء في	ص 161-152.
الفنادق التي تم فحصىها. تم توزيع عدد 400 استمارة، من بينها 350 استمارة	
(88٪) تم استكمالها وصالحة للتحليل. اختبرت فروض البحث من خلال	
الانحدار المتعدد باستخدام الحزمة الإحصائية للعلوم الاجتماعية (SPSS 25).	
أظهرت النتائج أن إدارة علاقات العملاء تؤثر بشكل إيجابي على الاحتفاظ	
للعملاء. كما أوضحت النتائج أيضا أن البحث الحالي ينص على أن هذا	
المفهوم مفهوم جيدًا وفعال من قبل الفنادق.	