

## CRM AS A TOOL FOR CUSTOMER LOYALTY IN THE HOTEL SECTOR

**MILENA RAQUEL DOMBROWSKI (UTFPR)**

MILENADOM@HOTMAIL.COM

**Luciano Scandelari (UTFPR)**

scandelari@utfpr.edu.br

**Luis Mauricio Resende (UTFPR)**

lmresende@utfpr.edu.br



*This article aims to emphasize the applications of CRM (Customer Relationship Management) in the hotel industry for monitoring customer preferences and for maintaining relationships with them, seeking higher levels of loyalty and also the adaptation of products and services based on profile of each client. The analysis accomplished in this study was based on an exploratory and literature research around theoretical concepts and CRM applications, as well as marketing relationship, loyalty, analysis of customer lifetime, aiming to highlight the main advantages of using this tool in hotels. The final considerations present a discussion on CRM applications, the results that company intends to achieve by deploying it, and the potential barriers to develop this tool into small business hotels.*

*Palavras-chaves: CRM, relationship, loyalty, customer.*

## **1. Introduction**

The insertion of technology in the ambit of many industries improved a lot of business sectors through processes more agile and effective, sustained by continuous recording and storage of information about market. Among the advantages of using technology tools, there is the ability of analyzing information about the company's customers through their purchasing history of a particular product or service.

For McKenna (1997), technology transforms choices and they transform the market and with its development and increasing of competition, the companies had changed their approach and began to return itself to the client. Technology permits information to flow bilaterally between the customer and the company, creating a feedback's loop between them, enabling the company to hold a market, to establish a dialogue and to develop customized products or services.

Considering market's development and search for excellence of service providers regarding to the process of customer service, was opted the hotel sector for being the object of this study. The increase in leisure tourism and business was the starting point for hotel companies to seek new ways of approaching their customers in order to make further transactions with them and also, as an attempt for attracting them. Technological progress has contributed to it, enabling the instalation of software programs such as CRM (Customer Relationship Management) that monitors the habits and preferences of customers, as well as frequency and history of actions within the company, aiming to make up services more appropriate and tailored for each client.

As a result of competitiveness of the hotel industry, there was a requirement of manpower's professionalization, of its processes and technology used for the excellence of this service category. Gobe et al (2008, p. 2) claim that "currently it is produced more, in less time, with less loss and with better quality and the differential in this productive process is the investment in knowledge about the customer."

Thus, because of the fact that hotel industry reaches different audience of different nationalities, it is necessary that care business segment becomes increasingly customized to the client, which is only possible in possession of detailed information about him.

This study is structured to broach first the importance and the expansion of the hotel industry in Brazil and later, the presentation of theoretical concepts about relationship's marketing and about the CRM tool and its applications in hotel companies as a strategy for gaining and retaining the client.

## **2. Literature Review**

### **2.1. Hotel Sector**

The hotel industry features economic activity that is responsible for developing lodging services, food, events and conventions that evolved driven by the entry of large international hotels which were established in Brazilian market and initiate a competitiveness in this sector.

According to the Brazilian Association of Hotels (ABIH), the importance of the hotel industry is unquestionable, both for Brazilian economy and to society. In Brazil, the tourism sector corresponds for 4% of GDP and influences 52 different segments of the economy.

When considering the hotel as a backbone of tourism is possible to see its importance and influence in this scenario, being that offers more than 500 thousand direct jobs of work.

According to Mello (2010), national president of ABIH, in 2009, the cities of Rio de Janeiro, Sao Paulo, Belo Horizonte, Brasilia and Recife achieved an occupancy rate that exceeded 5% in 2008 indexes. Brazilian tourists were responsible for this favorable environment, since they had been encouraged by marketing activities undertaken by Ministry of Tourism of Brazil, as the Program Travel More. In the same year, the occupation of the national hotel was near to 65% and the estimation for 2010's high season is an excellent occupancy rate, except for cities focused on business tourism.

With high prospects for 2010, national hotel industry must continuously improve to attract and capture a growing number of customers, and in this aspect, the present study aims to present possible actions to be taken in applying CRM tool.

## 2.2. Relationship to customer loyalty

The growth of hotel industry's offer intensified competition and forced companies to look for new ways of attracting and retaining customers. Customer acquisition is an important indicator of quality for companies in this sector, once its main offering is the marketing of comfort and resting that represents intangible sensations that will be evaluate only after the customer's experience with the company.

According to Lovelock and Wirtz (2006, p. 293), fidelity in the business context corresponds to the provision of a customer to continue patronizing a company in a long run, to buy and use their goods and services repeatedly and, preferably exclusively, and to recommend their products and services to friends and colleagues.

The conquest and loyalty are related to their relationship with the company, which must be built over the negotiations and based on the details of these transactions. The tangible aspects are extremely relevant in the hotel industry, thus they propitiate customer's welfare in the consumption of the service, however, the intangible aspects, such as attendance of employees and actions of the relationship practiced by the company, are those that allow to differentiate the organization in relation to its major competitors.

Marketing's relationship aims developing specific and continued actions to interact with customers and follow their preferences, in order to give them more value in products and services' company. Parvatiyar and Sheth apud Leite (2004) emphasize that marketing's relationship can also be understood as a continuous process of engaging end customers or users through cooperative and collaborative activities and programs with the purpose to create or enhance mutual economic value, with cost reduction.

The principle of marketing's relationship is to earn real customers, who will be happy to have chosen a company that realizes they are getting value, they are likely to buy other services of the company and, which are unlikely to leave for a competitor (BERRY; PARASURAMAN, 1992).

According to Zeithaml and Bitner (2003), the marketing's relationship features building and maintaining committed customers which are profitable for the organization. McKenna (1997) emphasizes that the relationship is the key, the base for customer choice, and is essential for development of consumer loyalty, while creation of solid and lasting relationships is a daunting task and difficult to maintain.

Companies that practice marketing's relationship appear that they need obtaining precise information in order to enlarge its knowledge about costumers, so then, offering value as a different proposal from competition, mainly in the attendance aspect and in the adaptation of products and services.

Thus, when customers realize that company delivers something they valorize and also recognize, and that the information's providing is important for this occurrence, there are more willing to talk about their preferences on what they need and also what they offer suggestions about how services can be improved (RIBEIRO; FLEURY, 2006).

When it is conducted in a strategic way, relationship with client in the hotel industry enables providing services with high level of excellence and reliability in this market. The positive predisposition of customers to provide positive personal information is a key to a successful relationship program and the company must explore it properly.

### **2.3. CRM (Customer Relationship Management)**

According to Rogers (2000, 2003), CRM consists of a set of tools for relationship management including customer identification at market and the understanding of factors that differentiate it from other customers. One of its most important principles is to discover which are the most valuable customers and those who are willing to provide information to the company.

Temporal and Trott (2004) emphasizes that CRM refers to the collaboration with each client, because the company adds value to their everyday life, and they reciprocate with loyalty. This is an individually negotiated with each client that aims to recognize the best customers and keep them, enlarging the understanding that the company has to their needs as individuals, meeting the expectations they have regarding to their organization and doing some difference in their lives.

The main objectives of the companies that install CRM, is to acquire, retain and increase profitability per customer. For this occurrence, it is necessary to gather adequate information about each client to predict their behavior and then, anticipate and offer them products or services with quality, what can only be achieved by treating client in a personalized way (SERRA, 2002).

Keen apud Greenberg (2001) adds that, the CRM is company's commitment to prioritize the customer experience and to ensure that incentive systems, processes and information sources to leverage the relationship by improving the experience, gaining more confidence and a sense of personal value from customers.

For Verhoef and Langerak (2002), CRM does not characterize only the installation of software, but it represents a philosophy of the whole organization, that is focused on creating value for customers and requires real commitment from senior management. The successful use of CRM and support tools is affected by the interaction of information technology, analytical capacities, marketing data and business. This interaction implies in analytical tools that will only have a good performance with utilization of market's data of quality. A good fit between the support system of CRM and the rest of marketing environment becomes critical to the success of CRM systems.

The gathered information by a CRM program is related to the habits and preferences of each client that are structured through a database marketing or database. According to Solomon (2002), the database marketing allows following the purchasing habits of consumers and developing products and messages tailored precisely to wishes and needs of people from that information.

The database marketing consists of a group of comprehensive data on existing customers or potential that is current, accessible and practical for marketing activities such as selling a product or service or for maintaining of customer relationships (KOTLER, 2000).

For Zeithaml and Bitner (2003), a well designed database includes knowledge about customers the company's assets, what comprises their buying behavior, the revenue generated by them, the costs related to serve them and their preferences.

According Zenone (2007), the CRM's architecture is composed of data warehouse that consists of the acquiring block of knowledge of the client's transactions with the company and the block of interaction that are channels that have relation with to customers as call center, electronic kiosks and point of sale. The creation of a data warehouse requires effort of time, money and a large management commitment.

Regarding to apud Zenone Inmon (2007), it can be seen that, CRM's data is stored in a data warehouse, which features a specialized database that integrates and manages the information's flow from banks corporate of internal and external data sources to the company.

Gobe et al (2008) adds that, this tool supplies the system with data that come from the points of sale, selling machines, internet contacts, direct marketing contacts, call centers and telephone information about potential customers, that must be updated continuously.

For comprehension of customer behavior, company must perform data analysis through data mining that permits to classify customers by profiles based on their preferences and their products and services that they purchased.

Zenone (2007) explains that data mining performs processing, analyzing and standardizing in order to make them more meaningful to the company, which is able to interpret customer behavior more accurately, besides managing areas such as commercial by financial reports. However, for effective deployment of data mining, the company needs to have organized information.

Regarding to Greenberg (2001); Gobe et al (2008) there are three segments in which CRM works on: operational, analytical and collaborative.

- First Segment or Operational CRM: is the primary use of CRM in which are functions that involve customer service, order management, billing and charging in order to improve the efficiency of relationship between clients and company;
- Second Segment or Analytical CRM: is the collection, storage, extraction, processing, interpretation and presentation of customer data to a user; is the using of information obtained through data mining, which allows to divide into various groups of clients and to develop strategies to answer its needs;
- Third Segment or Collaborative CRM: corresponds to the communication center, coordination network that indicates the ways to customers and suppliers. It covers the CRM functions that provide points of interaction between customer and channel, providing information to strong of sales, call centers, electronic business sites, etc.

In addition to collecting and analyzing data, the main applications of a CRM program are the sales force automation, marketing automation and call center automation that are shown in Table 1.

<b>APPLICATIONS OF CRM</b>	
<b>DATA COLLECTION</b>	The system records customer data, such as contact details, demographics data, purchase history, service preferences.
<b>DATA ANALYSIS</b>	The registered data is analyzed and categorized by system according to established criteria by the company. This information is used to divide customer base classes and personalize the delivering of service related to this division.
<b>FORCE OF AUTOMATION SALE</b>	Sales leads, crossed sales and opportunities for higher values can be identified and processed, and the whole sales cycle is able to be monitored and facilitated through the CRM system.
<b>MARKETING AUTOMATION</b>	Data mining enables the company to target its market. A good CRM system allows the company to make customized marketing, to save on cost and to evaluate the effectiveness campaigns of marketing by analyzing answers.
<b>AUTOMATION OF CALL CENTER</b>	By means of customer's data, the call centers professionals are enable to improve their service levels. Costumer Identification systems allow to identify the class they belong to and then, customize the service based on it.

Source: Adapted from Lovelock e Wirtz (2006)

Table 1 – Applications of CRM in companies

The automation force of sales is target to identify through the information in the system, possible additional sales opportunities associated with products and services offered by the company, or even the achievement of sales of higher value.

The marketing automation allows customization of messages through commands, which occur by means of an application layer called engine deal, which comes with purchase history, has a collaborative nature and enables them to develop agile offers. A large part of the e-marketing tools features: system of customer information, extracting and analyzing information, planning and definition of campaign based on data analysis; launch campaign, response management, workflow tool, intending to have a uniform view of the customer across the enterprise (GREENBERG, 2001).

The automation of call center allows people to interact with a database. For Greenberg (2001), the interaction centers with consumers represent the means by which the clients solve problems, make their purchases of products or services and clarify their doubts. Client interacts with the company through a variety of integrated channels, in environments such as internet and telephone. A conventional contact with any interaction center with consumer involves call routing, queue management, monitoring and event logging, workflow, opening and managing processes and outstanding issues, performance measuring and a multitude of small transactions, such as recording updating and storing call.

Consequently, it is observed that CRM enables leverage the acquisition, the development and customer retention. Its use allows gathering information about each client in order to adapt the company's offer to the habits and preferences of them, making a personal

service. For Barreto and Crescitelli (2008), the full deployment of the CRM and the ongoing communications with customers are strong trends in the relationship with them and are largely driven by increased accessibility of technology.

Gobe et al (2008) points out that the CRM strategy includes:

- Meeting customers and enhancing the most important of them;
- Continuous communication with customers to ensure they receive what they want about the company;
- Stimulating purchases and knowing what is not the client's interest;
- Knowing their preferences;
- Creating appropriate channels to meet the client;
- Providing what customers are able to buy in the future;
- Ensuring the client is being maintained, aiming at long-term profitability.

The same author adds that, employees are key to the development of a CRM program, because will depend on them that information is transformed into action. The company's philosophy must match to the proposal of deployment of program, and to be successful in gathering information from customers, employees also need to align themselves with this thought.

Programs of specific software for computerizing hotel industry have to follow the development at this industry, enabling management of several hotels within a database. The tools that usually integrate hospitality automation software include management activities, stock, finance, telephone control, automated point of sale, schedule of events, conventions and CRM. Each of these activities can be managed through the issuance of reports that assist on decision took by the company.

However, technology and customer information will not be helpful if the company does not use them based on the concepts of relationship with customers. Important to say that some companies think they are practicing CRM from the moment they buy the software, but this practice only occurs when company analyzes the information and can use it in efficient actions (RIBEIRO; FLEURY, 2006).

The performance of international net hotel Ritz-Carlton detaches as an expertise to gather information from their guests without them even knowing it. Employees are trained to monitor and explore all points of contact established with each client to gather information and provide it to the company's CRM with the intention of developing actions to surprise customers. According to Solomon (2002), Ritz-Carlton teaches their employees to enter detailed information in its database, so that, if a guest asks for decaf room service, it will receive the same kind of coffee in his next hosting.

The hotel chain Ritz-Carlton has information about preferences of more than 240 thousand active clients with the goal of providing guests a memorable experience, so that, if a customer comes into frequent contact with the hotel's central reservation for schedule an accommodation, the operator from this central performs a search in the system about individual preferences of these customer. The information recorded about the client are sent electronically to the hotel where the reservation was made, which will record data on a daily report about preferences of guests and those informations will circulate among the hotel staff.

Possessing those information, officials will provide whatever is necessary to meet the preferences of the guest, in order to receive him in a personalized way at the time of his arrival to the hotel (ZEITHAML; BITNER, 2003).

Wah (2000) adds that the staff of Ritz-Carlton are also instructed to follow by their hotel's guests, instead of simply indicating the path to a particular part of the hotel, because they have an opportunity to talk with customers and listen their needs and concerns. Thus, the company can predict the need for its customers in advance.

#### **2.4. CLV (Customer Lifetime Value)**

The analysis customer lifetime allows to know client's potential over the time and to direct efforts to keep them doing business with the company for as long as possible. Gobe et al (2008) believes that by obtaining this information, company will be able to leverage its profit, offering various products to the customer.

CLV (Customer Lifetime Value) or Lifetime Customer, according to Verhoef and Langerak (2002) can be understood as net present value from all future profits of an individual client and represents one of the most important performance measures into CRM. If the company identifies the CLV, it will direct efforts towards high-value. However, to predict the lifetime of each customer, the managers need information about probabilities of retention and individually cross-purchase.

Still, some authors emphasize that some factors such as customer satisfaction and competitive actions do not allow predicting CLV, since this information can not be stored in the database. Nevertheless, despite some complexities associated to its estimate, the CLV is still a useful concept because when using CLV as an indicator of performance, company conditions its managers to adopt a long-term vision in taking decision of marketing. And also, because prevision is able to be use to allocate a budget for strategies customer acquisition and customer development in order to specific market segments.

For Greenberg (2001), CLV is the profitability that client will bring along their existence and must be managed with help of CRM. In this respect, Gobe et al (2008) considers two important concepts, such as practice of cross-selling that consists on offering related products, and up-selling that is to improve the offered product. These concepts allow increasing volume of business with each customer.

Cross-selling in the hotel industry characterized by offering services related to the main product, such as for organizational clients, when providing rental services of places and organizes events and conventions. For individual customer, in addition to hosting, there are other services offered by the hotel, for example, eating during the week, as a buffet of soups in the winter, pasta or seafood night.

The up-selling in the hotel industry may occur through partnerships with companies that provide activities that could interest to guests and that are not available inside the hotel, such as gyms and beauty salon and Spa. Guests are able to enjoy these services outside the hotel, however, with no cost or at a greatly reduced cost.

### **3. Methodology**

The research conducted in this study is characterized as exploratory because investigates the relevance of using CRM in order to customer loyalty. This type of research seeks to familiarize themselves with the problem and obtain information about it. Developing



this study had also to carry out literature for presenting the concepts and applications of CRM in the literature, as well as main advantages of using the tool in the hotel industry. The completion of the study emphasizes the difficulties of CRM development, especially in small hotel companies.

#### 4. Discussion of Results

Finishing this research, it is possible to clear that technology instrumentalization to integrate customer to a hotel company is a fundamental importance for storing and analyzing information to know it better. The theoretical approach raised in this study allows analyzing CRM applications and its results in the hotel industry.

For collecting data, at check-in guest, the hotel employee logs into the system the demographic data regarding sex, age, education and profession of the guest. He also seeks to know the reason for the hosting, if it occurs at work or sightseeing. Some guest preferences can be identified on this occasion, for example: type of pillow, brand of favorite coffee or wine, favorite newspaper, kind of accommodation he prefers, the reason why he hosted, or even possible dietary requirements such as diet or light products. Armed with this simple information, the hotel might surprise customer with hosting an upcoming actions and also differentiate them from competition.

The analysis of data about customers allows targeting them in specific consumer groups with the same shopping behavior. The adoption of tools such as data warehousing and data mining permits the company to classify them by consumption profile, such as regular guests who stay at work and clients annually who stay during their vacation. Or, clients who prefer using heavy blankets instead of light blankets, because they sleep with air conditioning on.

Kotler (2000) states that companies that explore carefully data warehouse and data mining benefit itself in several ways, for identifying which are the customers who may buy other company's products and also those which have the largest value over time. They also are able to identify which customers are more likely to leave company. Thus, the company can act earlier, directing more attention to these customers.

The sales force automation allows greater control of prospecting, sales predicting, as well as generation of applications and budgets. Another important resource to be exploited is the automation of marketing, that enables creating and planning campaigns that promote products and services for hotel customers and ensure the company's workflow. Yet, call center or services automation allows to customize and improve contact with each customer that accomplishes his accommodation or other service into the hotel.

After the implementation of a CRM project, it is intended that the marketing department to know how deep the installed base of products and services to customers, what enables direct specific campaigns and promotions. The sales department would be up to know the history of customer service to offer the right product at the right customer at the right time and at the right channel. And finally, the service department would have to know the cycles of the customer's request and its particular characteristics (ZENONE, 2007).

The CRM deployment and its correct operating segments development, analytical and collaborative must be fully understood by managers and employees in order to reach the expected results. The management-oriented to relationship with customer, needs the full

commitment of team's work as presented in the case of Ritz-Carlton, where the staff provides information listed for CRM.

## 5. Concluding Remarks

Relationship marketing is the delivery of value to customer, then, to make him feel valued, and make him to stay with the company, it is clear that CRM is a tool of relationship that allows this to happen. Thus, using resources of CRM software helps in the process of management decision making, enhances business processes and enables a solid relationship with each client, and it occurs most often at big and media companies with high production capacity and know-how of market. Although, small companies also are able to use this technology for meeting client with greater precision and care.

Initially, the investment in CRM technology can be considered high for hotel companies of small businesses. But, as the company develops the learning about software, and is able to analyze data into it to direct specific and personalized actions into to determined customer groups, results appear and investment returns for the company. Thus, the challenge for small hotel companies is the costs of implementation and the adequacy of this tool to the real business needs, that need to learn how to interpret collected information to make more value in products or services.

Finally, it is pointed that hotel companies that successfully exploit this important relationship tool, have rapid flow of information and better results in the contacts established with clients, what will stimulate good levels of retention and appointment of new customers. The development of customer relationship requires continued efforts from the company and its employees, but nevertheless, contributes greatly to lessen the possibility of costumers to migrate to the competition.

So, the main reason why firms adopts CRM as a management philosophy, is to prepare its employees through a lot of training to achieve an excellent level of care, what enables the achievement of public through a continuous monitoring of customer satisfaction. The guarantee of customer satisfaction makes the company special, what attracts new customers who certainly will speak positively things about the company to others and when it happens, it is possible to see results of an effective relationship program well done.

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