COMPETITIVE PAPER

TOWARDS A RESOURCE-BASED VIEW OF THE FIRM PERSPECTIVE ON ENHANCING CUSTOMER RELATIONSHIPS IN THE HOTEL INDUSTRY

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ABSTRACT

The Irish hotel industry is facing major challenges, with a rapidly increased bed capacity in the sector accompanied by an international economic slump. In addition, hotel guests have increasingly high levels of expectation about the quality of their hotel experience, and are sharing these views through travel sites such as Tripadvisor.com. This reinforces the need articulated in national strategy to enhance the business capability of Irish tourism firms (Fáilte Ireland 2004; Tourism Policy Review, 2003) and in particular, there is an imperative for Irish hotels to establish and maintain more effective relationships with their guests.

Customer Relationship Management (CRM) represents the organisation's ability to create and maintain profit maximising relationships with its customers (Zablah et al., 2004). However, CRM programmes frequently fail (Sigala, 2005). The objective of this paper is to examine how a Resource-Based View of the Firm (RBV) perspective (Wernefelt, 1984), which links company actions directly to performance (Harmsen and Jensen, 2004) can assist Irish hotels in implementing more effective CRM programmes. The rapid evolution of CRM technologies grants organisations the motivation and the instruments to create strong relationships and enhance customer value (Day and Van den Bulte, 2002). However, this is not the case for all organisations: many companies have failed to forge customer relationships through utilising CRM (Sigala, 2005), which may be due to an over-reliance on the technology aspect (Campbell, 2003; Reinartz et al., 2004). The RBV is proposed as a theoretical perspective to address the failures of CRM. The RBV is a strategic management framework that aims to elucidate the link between idiosyncratic firm resources and differentials in firm performance (Gibbert, 2006; Hatch and Dyer, 2004). It focuses on how specific resource and capability pools are employed to create and sustain competitive advantage. Firms possessing sustained competitive advantage (SCA) will enjoy profit earnings exceeding that of their competition. However, while the RBV shows potential as a theory for examining strategic issues, firms must understand it before implementation efforts are considered (Fahy and Smithee, 1999).

Significant work by Day and Van den Bulte (2002) and Day (2003) on CRM within the RBV framework has identified that the Customer Relating Capability (CRC) provides a more satisfactory model of CRM, they argue that the acknowledgement of the cultural context to developing more effective customer relationships in this capability explains its positive relationship with performance. However, this capability has had limited empirical exploration. Therefore, a research agenda is presented in this paper which proposes examination of the nature of customer-relating capability within the Irish hotel industry. Research should encompass both senior managers and front-line staff, important for gaining the optimum view of an organisational capability (see Ulrich and Smallwood, 2004). This will make a significant contribution to the academic literature in further understanding of this key capability, and address a pressing need for insight into more effective customer relationship management in the Irish hotel sector.

INTRODUCTION

Given the current difficulties faced by Irish hoteliers, there is need for them to become more competitive vis-à-vis their rivals in European and global markets. Irish hotels face many challenges: a rapidly increased bed capacity, sub-standard ‘value for money’, and the global economic decline (IHF, 2009b). Indeed, national tourism bodies like Fáilte Ireland have recognised this and have urged hoteliers to create and preserve relationships with their guests. This reinforces the need articulated in national strategy to enhance the business capability of Irish tourism firms (Fáilte Ireland, 2004; Irish Tourism Policy Review Group, 2003), that respond flexibly to market changes (IHF, 2009a). Additionally, the hotel industry is best suited for CRM; the manner in which business is conducted presents numerous opportunities to learn about customers needs and wants (Piccoli et al., 2003). However, CRM does not guarantee success and must be clearly understood in order to confer competitive advantage to firms. The overarching purpose of this paper aims to contribute to the understanding of the capability responsible for the development of effective customer relationships, using the Irish hotel sector as the context of study. We propose that the Customer-Relating Capability (CRC) is a more effective way to implement CRM and is based around the integration of three constructs: a firm’s workforce, business processes, and technological tools (Chen and Popovich, 2003). A CRC model is proposed, inspired by both the view of front-line staff, and the synergy of both RBV and CRM.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

The core aim of Customer Relationship Management (CRM) is to focus on improving the creation and management efforts of firms with respect to their relationships with customers (Geib et al., 2005). It accomplishes this by analysing and using marketing databases and leveraging communication media to establish practices and methods that will maximise the lifetime value of each individual customer to the firm (Kumar and Reinartz, 2006). These distinctive relationships have the potential to increase customer retention (Zindelin, 2006), resulting in greater loyalty and profitability (Chen and Popovich, 2003). In addition to this, CRM should help firms to create an optimum fit between a firm's investments and satisfying its customers' needs as a means to maximise profits (Gebert et al., 2003; Schierholz et al., 2007). According to Payne and Frow (2004), this is achievable through creating, developing and enhancing relationships with the firm's most profitable customers. The principles of both Relationship Marketing (RM) and Market Orientation (MO) are the cornerstones of a sound strategy, as CRM theory and practice incorporates both these aspects of marketing in addition to database management (Langerak and Verhoef, 2003).

The goal of RM is to establish, preserve and augment lasting relationships between customers and organisational stakeholders. It relates to the way in which firms manage and improve their client relationships whilst sustaining profitability (Kennedy, 2006). It was developed on the principle that individuals differ in their needs, preferences, purchasing decisions, and price sensitivities (Chen and Popovich, 2003). Its importance can be summarised as the creation of reciprocal value through durable and solid relationships, which centre on understanding customers, managing resources and anticipating customer needs (Richard et al., 2007). On the other hand, MO is seen as a philosophy which associates all organisational departments with the environment whose goal is to create SCA by offering superior value to customers (Pandelica et al., 2009), by modifying itself consistently with market changes (Jaworski et al., 2000). A synthesis of these two streams implies that CRM strategies must focus on the creation of durable and mutually beneficial customer relationships.

Defining CRM

Moreover, CRM has experienced problems with reference to its conceptualisation: CRM means different things to different people (Kale, 2004). This multi-dimensional characteristic of CRM has created ambiguities in how it is defined; there is no universally accepted definition of CRM (Ngai, 2005). Nonetheless, attempts to precisely define it have revealed three key approaches: the functional level, the customer-facing level and the company-wide level (Kumar and Reinartz, 2006; Valsecchi et al., 2007: Zablah et al., 2004). The functional level views CRM purely as a technological solution that joins sales and marketing functions (Chen and Popovich, 2003). The customer-facing level sees CRM as a tool that deals with solely with customer relationships. While, the company-wide perspective sees CRM as a strategy that seeks to create mutual value for both the customer and the firm (Boulding et al., 2005).

In addition to the three approaches, Zablah et al. (2004) show that the CRM definitions can be grouped into five distinct concepts: process, strategy, philosophy, technology and capability. According to Zablah et al. (2004), the process perspective of CRM is one that extends over the entire firm, with the purpose of creating and leveraging relationships with external stakeholders. The strategic view of CRM stresses the decision to devote resources to building and maintaining relationships with individual customers should be based on customers' lifetime value (CLV) to the firm (Kracklauer et al., 2001). The philosophy viewpoint stresses that firms must organize around and be responsive to their customers and their changing needs (Kohli and Jaworski, 1990; Narver and Slater, 1990). Peppers and Rogers (2004) affirm that the technological perspective views CRM as a database software solution that archives information acquired from customers, whose purpose is to contribute to better customer service. Finally, the capability perspective on CRM states that organisations have to invest in developing and attaining a set of diverse resources that facilitate behaviour change towards individual customers when necessary (Peppers et al., 1999, cited in Zablah et al., 2004).

Implementing CRM

Having an appropriate strategy does not guarantee organisational success with CRM; effective implementation is also necessary (Bohling et al., 2006). Positive CRM implementation depends on an integrative approach towards people, processes, and technology (Chen and Popovich, 2003; Kumar and Reinartz, 2006; Thakur et al., 2006; Shum et al., 2008). Such efforts lower operational costs, increase customer satisfaction, enhance decision-making, and instil employee confidence (Reid and Catterall, 2005). Employees are necessary in order to recoup investments made in processes and systems (Boulding et al., 2005), as they are the building blocks of customer relationships (Chen and Popovich, 2003). In a CRM context, processes are the collection of activities involving customer interaction (Mendoza et al., 2006). Thakur et al. (2006) state that the marketing, sales and customer services are the areas from where CRM processes derive. The overarching objective of CRM processes is the generation of customer knowledge from data gained during interactions, so that the principles of RM can be achieved (Bueren et al., 2005). Various CRM technology tools contribute to its implementation in three ways: (1) enhancing the reliability of relationship building, (2) helping them monitor and respond to the changing needs of customers (Zineldin, 2006), and (3) enabling and mechanising necessary CRM processes (Ngai, 2005).

Limitations of CRM

Despite the potential promised by CRM, many companies have failed to forge customer relationships through its utilisation (Sigala, 2005). This has been illustrated by Day and Van den Bulte (2002), who have highlighted that a commitment rooted in the organisation culture is critical to achieving performance through CRM. Kale (2004) cites the absence of a customer-centric vision as a reason for CRM breakdown. Indeed, not having a strategy orientation is the chief reason for CRM failures (Thakur et al., 2006). This may be due to an over-emphasis on the technological dimension of CRM (Day, 2003; Campbell, 2003; Reinartz et al., 2004). But, implementation of CRM initiatives must be supported by both a firm’s workforce and business processes (Chen and Popovich, 2003). It may be relatively easy to subscribe to CRM, but if results are required, implementation is key (Bohling et al., 2006). Even if the business was strategically aligned towards creating customer relationships, it could still face the difficulty of sourcing CRM solutions; many organisations have little choice but to outsource a significant proportion of their CRM solution as they cannot develop CRM software in-house (Bull, 2003). This is because managers generally have a basic understanding of CRM and the IT department has little time to research CRM or to develop software solutions (Blery and Michalakopoulos, 2006).

THE RESOURCE-BASED VIEW (RBV) OF THE FIRM

The RBV is a strategic management framework that aims to elucidate the link between idiosyncratic firm resources and differentials in firm performance (Gibbert, 2006; Hatch and Dyer, 2004). Its core principle is that competitive advantage of a firm rests principally on the application of the valuable resource base available to it internally (Peteraf 1993; Runyan et al., 2007; Wernerfelt, 1984) rather than external industry factors (Conner, 1991; Capron and Hulland, 1999; Teece et al. 1997). According to Rao and Stekel (1998: 270, cited in

Chmielewski and Paladino, 2007), the RBV considers firms as distinctive clusters of resources and capabilities, which enables them to surpass their competitors over a prolonged timeframe, in the form of sustainable competitive advantage (henceforth SCA).

SCA exists when competitors cannot match the value created by a specific firm nor be able to profit from the firms' effort (Barney, 1991). In order to achieve SCA, resources must exhibit heterogenic characteristics and be imperfectly mobile (Barney, 1991; Lado and Wilson, 1994; Mata et al., 1995; Coviello and Cox, 2007). Resources can accomplish these crucial requirements by fulfilling four key criteria: value, rarity, inimitability and non-substitutability (Barney, 1991; Meso and Smith, 2000; Runyan et al., 2007). If these above conditions persist, the firm's collection of resources can assist it in sustaining durable surplus returns, allowing it to earn above-average returns (Fahy and Smithee, 1999).

A limitation of the RBV is that the terminology regarding both resources and capabilities is ambiguous and inconsistent (Fahy and Smithee, 1999; Ray and Ramakrishnan, 2006), with their resultant interrelationships suffering as a result (Priem and Butler, 2001). Terms like resource, capability and competence have been used interchangeably to convey analogous ideas (e.g. Wernefelt, 1984; Peteraf and Bergen, 2003; Ray et al., 2004). This, naturally, has brought about deficiencies in accurately defining them (Savory, 2006). Confusion is further created within RBV with the addition of competencies as an important construct for SCA generation (see Ljungquist, 2007; Ray and Ramakrishnan, 2006; Smith, 2008). On the other hand, others see competencies and capabilities as identical entities (e.g. Day, 1994).

Additionally, there are two deviating views about resources and capabilities: one view considers them as identical and the other as distinct entities (Oladunjoye and Onyeaso, 2007).

For example, Daft (1983, cited in Barney, 1991) makes no distinction, classifying resources as: “all assets, capabilities, organizational processes, firm attributes, information and knowledge etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness” (p. 101). Conversely, Amit and Schoemaker (1993) make a contrast between both terms: “Resources are stocks of available factors that are owned and controlled by the firm” while “capabilities, in contrast, refer to a firm’s capacity to deploy resources” (p. 35). However, clear demarcation of these two terms must be established (Ray and Ramakrishnan, 2006), so as to facilitate RBV at the operational level (Savory, 2006).

RBV presumes a clear understanding of unique resources and capabilities can improve the judgment of the relationship between the strategy and performance of an organisation (Chmielewski and Paladino, 2007). The configuration of resources and capabilities is fundamental if firms want to effectively penetrate the market, a precursor to attaining SCA (Smith, 2008). With the long-term critical support of resources, capabilities are key requirements for successful product placement within a market (Smith, 2008). Additionally, the independent management of each element is as equally important as their collective integration (Fuchs et al., 2000 cited in Smith, 2008). Therefore, we explore the core components that form the RBV concept: resources, capabilities and SCA.

Resources

Resources are the inputs of a firm’s value process (Ljungquist, 2007). In general, they can be categorised as either tangible or intangible assets (Afiouni, 2007). Examples of tangible resources are land, capital, labour, machinery, and technology (Collis and Montgomery, 1997) whilst intangible resources include know-how, reputation, organizational culture and knowledge (Hall, 1992). They determine what firms are capable of doing (Collis and Montgomery, 1997); they are 'the foundation of a firm and the basis for firm capabilities' (Wang and Ahmed, 2007: p. 35). Indeed, they are the pre-requisite for capability development and selection, and directly impact upon both the strategy and competitive advantage of a firm (Toppinen et al., 2007).

It is important to note that RBV makes two core assumptions about firm resources in relation to analyzing them as sources of competitive advantage (Barney, 1991; Peteraf, 1993). First, resource clusters can differ amongst firms (Martín-de-Castro et al., 2006). Second, resources are imperfectly mobile; competing firms should encounter cost-related difficulties in acquiring, developing and utilizing a resource compared to a firm already possessing it (Mata et al., 1995). These two assumptions result in unique, firm-specific resource sets (Ainuddin et al., 2007), implying that they are not easily or readily traded within factor markets (Hu, 1995). Moreover, Rugman and Verbeke (2002) recognize these two suppositions as fundamental for maintaining superior rents.

The criteria that these resources must fulfil in order for a firm to realize superior performance is extensive (Chmielewski and Paladino, 2007). The most commonly used set of criteria is that of Barney (1991), which comprises of four conditions: value, rarity, inimitability and non-substitutability. These attributes were espoused by Barney (1991) as 'empirical indicators of the potential of firm resources to generate sustained competitive advantage' (p. 99), and are widely accepted as essential for generating SCA (Cavusgil et al., 2007; DeSarbo et al., 2007; Sheehan, 2006). Indeed, the questions raised by these criteria determine if resources are either strengths or weaknesses (Barney, 2002). Fahy and Smithee (1999) present a more parsimonious categorisation, suggesting three conditions: value, barriers to duplication and appropriability. To better understand these attributes, each are discussed in greater detail below:

1. Value: Value to customers is an essential element of competitive advantage (Fahy and Smithee, 1999: p. 5). Valuable resources possess the ability to allow firms to conceive or implement strategies that enhance organisational efficiency and effectiveness (Barney, 1991). Resources can only be of value to a firm if they are capable of seizing opportunities and negating threats (Barney, 1991; Meso and Smith, 2000), thereby improving its market share compared to the competition (Hoopes et al., 2003). Value creation is achieved when firms either reduce the cost of its product/service offering or by means of product/service differentiation, permitting the firm to charge an additional premium (Barney and Wright, 1998). Resources that do not deliver value to an organization can never become a basis for competitive advantage, even if it could compensate this by demonstrating other vital characteristics (Fahy and Smithee, 1999).

2. Barriers to Duplication: Fahy (2000) recognises three barriers to duplication: rarity, imitability and non-substitutability. Rarity is achieved when a firm enjoys competitive advantage through the utilisation of value-creating strategies not simultaneously used by other competing firms (Barney, 1991). However, it is assumed that more than one firm will possess a specific resource at any given moment (Meso and Smith, 2000). Despite this, competitive advantage is still possible providing that the number of firm possessing the resource in question is held by less than the number necessary to create perfect competition dynamics (Barney, 1991, 2001; Carmeli and Tishler, 2004). This means that resources must be scarce in supply proportionate to demand in order for rarity to exist (Hoopes et al., 2003).

3. Appropriability: Appropriability refers to the ability of transforming value into profit (Kay, 1993, cited in Fahy and Smithee, 1999). It seeks to answer whether profits generated by organisational resources will be retained by the firm or be distributed to other parties (Tangpong, 2008). Appropriability assumes that possessing a SCA-enabling resource does not assure superior profitability to the firm that employs it (Becerra, 2008). For example, employee wages and benefits depress returns and can negatively impact the measure of organisational performance (Coff, 1999). Such payments diminish firm performance despite the resources being sources of competitive advantage (Ray et al., 2004). Indeed, if firms do not retain most of the created value from their resources, there is little incentive for them to continue their value-creating efforts (Lepak et al., 2007).

Capabilities

Capabilities comprise of skills, tacit knowledge, and social relationships rooted in the routines, managerial processes, communicative practices, and culture (Pandza et al., 2003). They symbolize the capacity of resources to be consistent during the execution of tasks or activities (Smith, 2008). In essence, capabilities are a special resource that renders other resources more productive (Makadok, 2001).

CONNECTING RBV AND CRM

It should be recalled that the RBV sees the firm as collections of unique resource and capability pools that, if utilised in a distinctive way, can be employed to create and preserve competitive advantage (Osarenkhoe, 2008). The RBV is an appropriate multi-dimensional perspective for CRM implementation because it links superior firm performance to a firm's resource and capability pools (Coltman, 2007). Xu et al. (2002) stress that maintaining customer relationships through CRM is the only competitive advantage of the modern era.

Plakoyiannaki and Tzokas (2002) state that firms need five capabilities for successful CRM implementation: learning and MO capabilities, integration capabilities, analytical capabilities, operational capabilities and directional capabilities.

How an RBV perspective can address the limitations of CRM

The RBV perspective has the potential to address the shortcomings of past CRM failures in firms. The main justification for the RBV is that effective CRM implementation needs an integrative approach towards technology, people and processes (Chen and Popovich, 2003; Kumar and Reinartz, 2006; Thakur et al., 2006). Unfortunately, such attempts at CRM execution has been a failure point for many firms (Campbell, 2003; Reinartz et al., 2004). The literature suggests that the importance of technology in CRM efforts should not be over-estimated nor should it be ignored (Zablah et al., 2004): it should facilitate relationships as opposed to determining them (Mitussis et al., 2006). According to RBV, capabilities are the adhesive that combines resource endowments, which enhances their deployment and represent the capacity of a set of firm resources to be able to carry out a specific task or activity (Day, 1994). Thus, the capabilities view would serve as an effective perspective with respect to delivering more effective CRM initiatives.

The RBV perspective stresses that resources can only deliver value to a firm if they are capable of seizing opportunities and negating threats (Barney, 1991; Meso and Smith, 2000). With the help of knowledge about individual preferences attained from data conversion, cross-selling and up-selling efforts of sales personnel permit firms to exploit novel market opportunities. This constant interaction between customers and employees render firms more resilient against competitive threats (Judson et al., 2007). Additionally, the way in which both people and processes are integrated could be difficult to duplicate (Boulding et al., 2005). In addition, the strategy, philosophy, implementation, and management of CRM systems can be non-substitutable and difficult to copy, thus rendering it a distinguishing element that can confer a SCA to a firm (Smith, 2006). Successful CRM implementation requires the availability of resources, notably people and technological tools.

Chen and Popovich (2003) refer to a firm's workforce as the primary element of customer relationship building. This is because the necessary capabilities are knowledge-based components, comprising of know-how and skills, which are embedded in employees (Olavarrieta and Ellinger, 1997). Moreover, capabilities involve the development, accumulation and flow of information (Ensign, 2004; Killen et al., 2008), important for the efficiency of CRM initiatives. Information Technology tools can be leveraged to store, analyse, and retrieve this information more efficiently. These resources and capabilities are vital for the effective management of a firm's relationships with its clients (Zablah et al., 2004), and are considered significant sources of SCA (Shi and Yip, 2007). Indeed, Yang (2008) notes a positive association between the interdependent combination of related capabilities (IT, market knowledge and human resources) and the performance of CRM. Shi and Yip (2007) emphasise the importance of exploiting customer knowledge for CRM initiatives from the RBV perspective: its use has a constructive effect on both service delivery and the relationship capacity of hotel employees.

The Customer-Relating Capability

The Customer-Relating Capability (CRC) centralises the interpersonal interactions between an organisation's employees and its customers (Day, 2003). It relates to the capacity of firms to forge and manage relationships with its clients (Day, 1994). Lin et al. (2009) refer to CRC as a market-based resource that can be instantaneously deployed in the marketplace to generate or sustain competitive advantage. Its effective synergy involves the combination of skills, abilities, processes, and procedures that deliver a timely, cost-effective response to customer needs (Rao, 2005). These include the ability to identify customer needs and wants together with the capabilities to create and build appropriate relationships with those customers (Hooley et al., 2005). They further state that CRC matures over time, requires a complex set of supporting resources to interact, is founded on tacit knowledge and interpersonal skills, and is resistant to duplicative attempts of rival firms. Thus, firms who lack emphasis on CRC will struggle to be competitive (Zeithaml and Bitner, 2000). However, the CRC has had limited exploration: Day and Van den Bulte (2002) and Day (2003) framework have acknowledged the CRC as a more effective model of CRM. They both argue that the cultural context to developing more effective customer relationships in this capability explains its positive relationship with performance. However, its current empirical examination is sparse, and its conceptualisation is dominated from a managerial perspective (Day, 2003; Day and Van den Bulte, 2003).

The critical role of the employee

Employees, in particular front-line staff, are a prerequisite to the success of any service organisation (Wilson et al., 2008). They are the entities that deliver the desired characteristics of service quality (Brady and Cronin, 2001), which results in an increase of customer satisfaction (Loveman, 1998). Indeed, their interaction with customers, with the help of contact points, is critical for the creation of meaningful relationships (Stading and Altay, 2007). These “moments of truth” (Grönroos, 1990) form the building blocks for customer perceptions of a firm, and are critical determinants of service quality, value (Li and Ho, 2009), customer satisfaction, and loyalty (Wilson et al., 2008). Research reveals that encounters affect vital outcomes such as intention to repurchase, referrals (Ha and Jang, 2009), and relationship quality (Li and Ho, 2009). Indeed, the service encounter forms the foundation of the RM process (Grönroos, 2004). The rationale for this is that there is a strong link between the quality of both the customer interaction and the formed relationship, which consequently is strongly associated to customer value (Li and Ho, 2009).

Bitner (1992) considers how the service environment has an effect on both the customer and the service provider. The servicescape is an effective measurement tool of service quality; it is a predictor of service quality and influences a customer’s appraisal of the intangible elements of a service (Reimer and Kuehn, 2005). Attributes like physical appearance, ambience, and environmental aesthetics are assessed as part of service quality (Tuzovic, 2008). Front-line staff must exude a positive attitude by smiling at all times (Browning, 2008). These physical clues permit consumers to decipher both context and meaning from analysing the service delivery (Kwortnik, 2008).

Contact is necessary for the creation and transfer of knowledge between customers and the firm (Grönroos, 2004), which bestows a boundary-spanning role upon them. This means that they are responsible for serving both internal and external entities: they must respond to customers and, at the same time, satisfy the demands of their management (Chung and Schneider, 2002). The main responsibility of boundary spanners is to execute various service-based functions in instances where the firm and its environment interact (Stock, 2006). They form the link between external customers, the market environment, and the internal actions of the firm (Wilson et al., 2008). Chung and Schneider (2002) reveal that boundary-spanning roles serve two core purposes for organisations. First, in line with the principle of inseparability, services are only produced in collaboration with customers (Bateson, 2002). Second, customers depend on using the behaviour of boundary spanners as a criterion in appraising the overall service quality of the business; this is because they are, for the most part, the only point of contact (Berry, 1995).

Boundary-spanning roles flourish when firm departments utilise resources as information channels (Adler et al., 2003). Indeed, they have an important role as arbiters of information flow external to the organization (Hazy et al., 2003). They stress the importance of this approach in instances where vigorous market changes occur and when the interlinked networks in which the firm functions are socially complex (Wilson et al., 2008). In particular, boundary spanners can acquire information about the capacity (or lack thereof) of the firm to satisfy individual customer needs (Zeithaml and Bitner, 1996). Taking this into account, enhanced service quality is dependent on the ability of the boundary spanner to form a meaningful bond with the customer (Varca, 2009). For such a bond to develop, Gummesson (1987) recognises the need for all employees to be "well-attuned to the mission, goals, strategies, and systems of the company" (p. 24).

Linking customer satisfaction to relationship marketing

The aim of RM is to establish, maintain and enhance relationship outcomes at a profit (Grönroos, 1994). The rationale for RM is that strong relationships forged between customers and front-line employees are considered a strong driver of customer loyalty (Castro et al., 2004), which subsequently is the key antecedent of customer retention (Dick and Basu, 1994). Retaining customers is essential for firms who strive for durable financial performance. The rationale for this is that the cost of acquiring new customers is generally costlier than maintaining current ones, who are more profitable in the long-term (Reichheld and Sasser, 1990). Moreover, retained customers are more tolerant of price premiums and engage in positive word-of-mouth (Wicks and Roethlein, 2009). A perusal of the literature reveals three antecedents needed for successful retention: customer satisfaction, affective commitment, and calculative commitment (Gustafsson et al., 2005). Customer satisfaction is described as the assessment of the interaction between the customer and the service provider (Gustafsson et al., 2005). In a relationship, the roles assumed and performed by service providers serve as the criteria for the appraisal of satisfaction (Crosby et al., 1990). Thus, customer satisfaction is a central precursor for preserving customer relationships (Chen et al., 2008), in addition to enhanced profit accrual and market share (Meng and Elliott, 2009).

In addition to customer satisfaction, RM acknowledges the importance of relationship commitment as an ingredient of customer loyalty (Bendapudi and Berry, 1997). Commitment is referred to as a willingness to continue a relationship (Moorman et al., 1993), a pact between its participants (Dwyer et al., 1987). The commitment construct is comprised of two distinct dimensions: affective commitment and calculative commitment (Hansen et al., 2003). Affective commitment is the emotion-based aspect of commitment which is enhanced by customer interaction with an organisation, producing increased levels of trust and commitment (Morgan and Hunt, 1994). It exists in circumstances where customers develop a sense of belonging with their preferred firm (Achrol, 1997). On the other hand, calculative commitment concentrates on the rational, economical reliance on product and service benefits brought about by insufficient choice or switching costs (Gounaris, 2005).

Lessons for the hotel sector

Persistence in organizational commitment has a constructive impact on service quality in addition to firm performance (Maxwell and Steele, 2003). The willingness of Delta Hotels to seek suggestions from front-line staff and view them as equals in contributing to their business success (Pallet et al., 2003). Davenport et al. (2001) note the efforts of forging customer loyalty by Marriott Hotels, which they achieve by offering consistent levels of both guest recognition and service throughout all of its subsidiaries. Kim and Oh (2004) attribute their success to its culture, which encourages the exploitation of service-enhancing opportunities, and has granted Marriott the rewards of SCA.

The hotel sector has the greatest potential of all industries with regards to CRM application (Piccoli et al., 2003). This is attributable to the trait of inseparability, granting service firms the opportunity to create customer relationships (Grönroos, 1994). Competent staff members with the right attitude toward guest servicing are vital in enticing guest engagement; this results in imparting information to guests that promotes the benefits of the hotel in comparison to available substitutes (Skogland and Siguaw, 2004). Indeed, hotel staff can play a role in enhancing the mental disposition of guests in a positive manner according to Skogland and Siguaw (2004), who highlight that hotel décor and facilities are key drivers of guest loyalty, as they render the guest experience more memorable. Moreover, they mention increased switching costs as a factor that positively impacts upon customer loyalty and intent to re-purchase. However, a satisfied customer is not necessarily a retained customer (Torres and Kline, 2006) who point out that customer satisfaction is not enough to ensure customer loyalty; organisations must strive to 'delight' the customer by delivering a service that exceeds their expectations. According to Schneider and Bowen (1999), it is the emotive reaction to the service experience which is the trigger to igniting customer loyalty.

Research by Jain and Jain (2005) revealed three aspects that customers valued most from a CRM program: the offering, recognising valuable guests, and a customer-focused culture. Interviews with managers note the importance of staff motivation and training for CRM success (Sigala, 2005). This indicates the need for CRM to be integrated with and fed into guest service. Indeed, superior service can only be given if firms persistently collate and analyse data relating to guest preferences and interaction activities (Piccoli et al., 2003). CRM applications provide opportunities for firms to gain customer knowledge, helping them improve customer satisfaction levels. Hotels currently profit from the capacity of CRM to enhance communication efforts with customers; regular guests of Six Continents Hotels can use its online website to access the directory, their booking confirmation, personal schedule and individual loyalty accounts to satisfy their needs (Louvieris et al., 2003). A lack of communicative options can result in reduced business and/or insolvency (Gabbie and O'Neill, 1996). Indeed, competitive advantage can only be attained if guest information obtained from interactions is exploited (Min et al., 2002).

For example, Kandampully and Hu (2007) stress that the commitment of Ritz-Carlton has brought about opportunities to develop numerous ways to constantly enhance its standard of service, reinforcing their loyalty to the hotel. For this, Ritz-Carlton utilise employee skills to create positive relationships with guests (Timmerman, 2009). Timmerman (2009) further emphasises that this process allows Ritz-Carlton to construct learning cycles that enhance its organisational knowledge and capabilities. The underlying concept of RBV focuses on utilising idiosyncratic collections of resources and capabilities to deliver sustained competitive advantage in a market. This theory can be applied to CRM as its implementation requires the orchestration of resources and routines within the organisation. Capabilities are the organisational processes that deploy resources to improve organisational performance, with the outcome of enhancing value for guests (Nasution and Mavondo, 2008). Therefore, looking at CRM within a capabilities framework enhances the perspective on effective implementation. Its implementation requires the integration of resources (people, processes and technology) to create customer relationships that generate value for both the firm and its customer base. The intelligent use of technologies, and not technology itself, will augment the value of their offerings; this will help hotels to differentiate themselves from their rivals (Lee et al., 2003).

Hotel operations are ‘custom-made’ for CRM, the way in which they conduct business gives them numerous opportunities to learn about customers needs and wants (Piccoli et al., 2003). To take advantage of such opportunities, hoteliers must develop enduring strategies that orientate both the firm and its employees to put the customer at the forefront (Kandampully and Hu, 2007). This will encourage the implementation of CRM strategies that promote the collation, conversion and dispersion of pertinent data across the entire firm in order to create unique, personalised experiences (Sigala and Connolly, 2004, cited in Sigala, 2005). To do this, hotel managers need to fully understand the opinions of their front-line staff in relation to the climate within the hotel (Bellou and Andronikidis, 2009), given that people are the lifeblood of CRM initiatives (Chen and Popovich, 2003), and a prime example of a resource (Barney, 1991).

CONCLUSION AND RESEARCH DIRECTIONS

This paper constructs a solid foundation upon which examination of the CRC can be furthered. Additionally, it illuminates contemporary CRM issues faced by hoteliers and the need to address them. While CRM is the strategy that focuses on the creation of durable and profitable customer relationships, traditional attempts to successfully implement CRM in firms have not always been fruitful (Kale, 2004). To address these shortcomings, we have proposed the use of the RBV as an effective theoretical support for CRM initiatives. This capability synergizes the workforce, business processes, and technologies (Chen and Popovich, 2003), whose purpose is to form beneficial and dichotomous relationships with customers (Richard et al., 2007). The interaction of front-line staff members with customers is paramount for the creation of meaningful relationships (Stading and Altay, 2007), which enhances their function as gatekeepers of information from outside the organization (Hazy et al., 2003). CRM processes refer to the collection of activities concerning customer interaction (Mendoza et al., 2006), by which the principles of RM are exercised (Bueren et al., 2005). Technology plays a leveraging role in CRM (Schierholz et al., 2007): various CRM technologies permit firms to gain a more complete view of individual customers, to reduce costs in data organisation, to aid sales personnel to be more efficient in creating orders, and to improve target marketing efforts (Day, 2003).

However, hoteliers need to go beyond delivering customer service: they must fully incorporate effective CRM systems into their relationship building efforts. Mastery of CRM requires firms to modify its operations so that everyone in the organisation has a singular view of the customer, which then facilitates the delivery of a consistent and personalised service throughout all customer touch points (Piccoli et al., 2003). Despite the clear importance of the boundary-spanning role of the front-line employee (Grönroos, 1990; Brady and Cronin, 2001), the focus in literature on CRC has been from the perspective of the manager (e.g. Day and Van den Bulte, 2002). An interesting avenue of research would be to focus on the viewpoint of the front-line employee within the Irish hotel on customer-relating capability – for example, what factors has the hotel receptionist observed which lead from guest satisfaction to loyalty? This would address the research gap relating to the limited managerial perspective currently available on customer-relating capability and also potentially contribute to the enhancement of this key capability in Irish hotels. This may act as a bulwark against an increasingly competitive and demanding commercial environment for this sector.

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