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# A FIELD STUDY OF CRM ON HOTEL ENTERPRISES

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## ABSTRACT

The value of customer relationship is well recognized by many leading companies, especially for the service companies. For the hotel enterprise, application of Customer Relationship Management (CRM) is a great opportunity to increase the customer value and provides a way to systematically attract, acquire and retain the customers. The main purposes of this study are to provide a framework to review the strategic application in related to customer connections on high quality hotel enterprises.

This study has taken the hotel enterprise as an example to perform a field study. These hotels, based on the surveyed data, have done the connections for customer knowledge in 69%, for customer-connective technologies in 84% and for customer economics in 75%.

**Keywords:** Customer Relationship Management, Field Study, Hotel Enterprise, e-Business

## INTRODUCTION

Many companies are transforming themselves into customer-focused organizations nowadays, and the importance of establishing Customer Relationship Management (CRM) to better understand what customer wants and needs becomes obvious. For business, CRM is more than a software package but is being a killer application. It aims to understand, anticipate and manage the needs of organizations' current and potential customers. There are also only a few companies which have implemented CRM systems in Taiwan based on a recent survey [7].

This research performs a field study to explore how the hotel enterprises can improve the relationship among companies and customers. In specific, this paper studies three interrelated objectives in order to get a holistic view of customers and their relationship to the entire enterprise as follows.

1. Provide a framework to review the strategic application in related to customer connections.
2. Conduct a field study of the CRM applications on high quality hotel enterprises.
3. Discuss opportunities for hotel enterprises to leverage customer knowledge and to create value for customers based on the findings.

## THEORETICAL BACKGROUND

As the business world shifts from product focus to customer focus, managers find out that the enhancement of the existing customers relationship will be benefit for a profitable and sustainable revenue growth. Wayland and Cole [3] have presented the Value Compass model which makes explicit connection between what managers know about their customers and how they can leverage that information to create customer value. Lin [2] presented a systemic integrated communications model that might help enterprises identify the potential issues of CRM and its idea is similar to the value compass model.

## RESEARCH DESIGN

A field study is performed under the research structure presented in Figure 1. There are five phases in this study. Since customer connection strategy is so important,

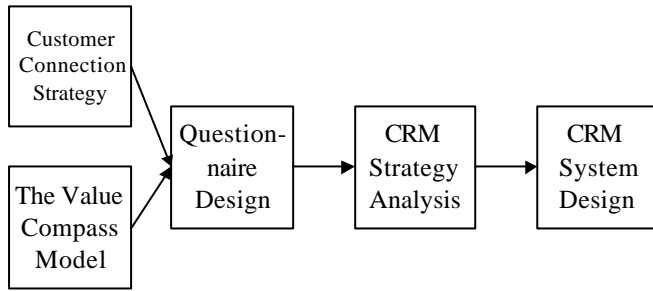


Figure 1. Research structure

customer knowledge management, customer-connecting technologies and customer economics applied in high quality hotel enterprises have firstly been reviewed. Then, four dimensions of the relationship value (customer portfolio management, value proposition design, value-added role as well as reward and risk sharing) are identified. Appropriate questionnaire is designed to collect the field information with subjects restricted to high quality hotel enterprises in Taiwan. CRM strategies can be recommended considering the data analysis from the field study. Finally, suitable solutions are suggested to fit the needs of CRM demands.

## RESEARCH FINDINGS AND DISCUSSION

Descriptive analysis of the questionnaire results is now provided. The questionnaires were sent to 19 high quality hotel enterprises in Taiwan. There were 19 responses from these 19 companies. The analysis of customer connection strategies and their positions on the value compass are now discussed.

### 1. Customer connection strategies

The purpose of customer connection is the first priority to investigate. In Figure 2 a comparison of how these high quality hotel enterprises consider about their customer connection strategies is shown. These hotels, based on the surveyed data, have done the connections for customer knowledge in 69%, for customer-connective technologies in 84% and for customer economics in 75%. The implications are as follows.

- (1) Customer knowledge
  - (A) Build the stock of knowledge
  - (B) Generate knowledge at the right level and the right depth
  - (C) Generate the right kind of the knowledge
  - (D) Leverage knowledge
  - (E) Apply knowledge management model
  - (F) Build up call center
- (2) Customer-connective technologies
  - (A) Identify the main purposes
  - (B) Set up a feedback loop
  - (C) Implement new database systems and agent technologies
  - (D) Conduct on-line relationship
- (3) Customer economics
  - (A) Estimate the value of customer relationships
  - (B) Understand the distribution of customer relationship value
  - (C) Manage the customer portfolio for maximum growth

### 2. The value compass

The current and future positions for the subjects on the value compass are shown in Table 1 and 2. Strategies of the high quality hotel are analyzed in detail as follows.

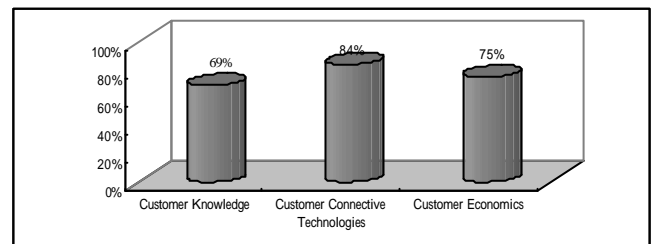


Figure 2. Customer connection strategies

- (1) Customer portfolio management
  - (A) Attract the largest share of the company's potential customer base.
  - (B) Offer a moderate level of product variety might be more effective than fragment the customer portfolio.

Table 1. The current and future positions of the subjects

Position \ Situation	Market	Group	Individual	Core Product	Extended Offer	Total Solution
Present	13	6	0	6	7	6
Future	13	5	1	0	7	12

Table 2. The current and future positions of the subjects (continued)

Position \ Situation	Product Manager	Process Manager	Network Manager	Neutral	Performance	Outcome
Present	9	6	4	7	6	6
Future	6	6	7	2	8	9

(C) Achieve the most efficient levels of mass operations to produce a fairly uniform product despite the promise of and recent advances in flexible manufacturing.

(D) Rely on brand image and customer self-selection.

(E) Apply the strategy that the right market is targeted on the right product with right image.

(F) Do not try to distinguish and manage relationships with several different customer groups.

(2) Value proposition design

(A) Use information and knowledge to enhance the value proposition.

(B) Enhance the core product.

(C) Understand the buyer's criteria as to the value chain.

(D) Appreciate the customer's value and decision-making process in its value chain or experience.

(E) Extend the range of the offer.

(3) Value-added role

(A) Increase the application of information and technology to forge new relationships and partnerships.

(B) Add value to company's core product.

(C) Assign responsibility for some portions of the buyer's production function or value chain.

(D) Provide both buyers and sellers a form of connection more efficient than either one can achieve when operate independently.

(E) Add capacity that exists in the seller's industry.

(F) Enjoy knowledge-based advantages over the buyers.

(G) Improve operating efficiency and expand the professional capacity.

(4) Reward and risk sharing

(A) Define clearly what is meant of the value created in a relationship, what constitutes the shares of the value received by buyers and sellers and how the shares can be changed.

(B) Consider outcomes-based rewards for ads on the Internet.

### 3. Summary of the survey

Summary of the findings are as follows.

(1) There are 69 percent of the respondents who care about customer knowledge. Most likely, these high quality hotel enterprises do not realize the importance of customer knowledge and even don't know how it works.

(2) Although the respondents have higher proportion for customer-connective technologies, it is important to create mutual value and strengthen bounds to engage in E-commerce era in order to expand the market share.

(3) The respondents have shown that they understand the distribution of customer relationship value because of the higher proportion for customer economics. However, the high quality hotel enterprises can further maximize their rate of profitable growth by deploying their resources in proportion to the value of relationships.

(4) The hotel enterprises can go for the purposes of approaching their markets very broadly, making few distinctions among the customers for their products; creating a set of related products to address their customers' need for management knowledge; expanding the market by making it more economical for buyers and sellers to connect with one another; and assuming part of the risk and reward that the total enterprise will succeed.

(5) The customer-centric knowledge management in e-business for the high quality hotel enterprises is critical.