

**ASSESSING THE EFFECTIVENES OF CUSTOMER RELATIONSHIP
MANAGEMENT (CRM) IN THE HOTELS IN PRETORIA**

by

PREVILEGE GARIKAI MADHOVI

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SUPERVISOR: DR S DHLIWAYO

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ABSTRACT

This study is set out to assess the effectiveness of customer relationship management (CRM) in the hotel industry. Relying on the integration of several CRM scholars, the study seeks to answer questions about the relationship between CRM and performance. A mixed research method approach was adopted. The research targeted 106 hotels in Pretoria. 47 responses were received from the hotel personnel who answered the questionnaire. The findings of the survey clearly indicate that hotel performance is dependent on CRM, as shown in the variance of performance levels in line with the level of CRM practised by a specific, named hotel.

The study further suggests that hotels' management should continuously embark on various CRM practices in order to improve their performance. Responses will be captured and analysed using the SPSS computer software. The results will be subjected to quantitative data analysis. It is expected that the findings will highlight important implications for hotels and other hospitality and tourism stakeholders in Pretoria and beyond. Stakeholders wishing to improve their understanding of the effectiveness of CRM in hotels will find this study helpful.

Keywords: Customer relationship management, Effectiveness of CRM, Hotel performance, Customer satisfaction, Customer loyalty, levels of CRM, Market share, profitability, Sales increase and Repeat business.

DECLARATION

I hereby declare that the dissertation submitted for the degree Magister of Technology in Business Administration at the University of South Africa (UNISA) is my own original work and has not previously been submitted to any other institution. I further declare that all sources cited or quoted are indicated and acknowledged by means of a comprehensive list of references.



Preville G. Madhovi

Signed at Pretoria on the 15th day of February 2014

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DEDICATION

This study is dedicated to my wife Clara, my Children Ropafadzo and Rutendo for their endurance on my continuous absence from home and my late brother Hillary for encouraging me to be committed to my studies.

TABLE OF CONTENTS	vi
ABSTRACT	ii
DECLARATION	iii
ACKNOWLEDGEMENTS	iv
DEDICATION	v
CHAPTER 1: INTRODUCTION	1
1.1 The research problem	3
1.2 Importance of the study	5
1.3 The purpose of the research study	5
1.4 Proposition	6
1.5 Definition of concepts, key terms and variables	6
CHAPTER 2: LITERATURE REVIEW	8
2.1 Introduction	8
2.2 What is CRM?	8
2.3 Importance of CRM	12
2.3.1 Product or service customisation	13
2.3.2 Long-term relationships	13
2.3.3 Disintermediation	14
2.3.4 Customer loyalty and profitability	15
2.3.5 Return on Investment (RoI)	16
2.3.6 Other overall gains	19
2.4 Application of CRM	19
2.4.1 CRM and technology	19

2.4.1.1 Operational CRM	19
2.4.1.2 Analytical CRM	20
2.4.2 Other applications of technology	22
2.5 CRM as a marketing strategy	23
2.5.1 CRM marketing stages	24
2.5.1.1 Customer recognition	24
2.5.1.2 Customer analysis	26
2.5.1.3 Customised delivery	27
2.5.2 CRM strategies	28
2.5.3 Five primary stages of CRM in the hotel industry	38
2.6 CRM in practice	41
2.6.1 Strategic elements of CRM in the hotel industry	42
2.7 CRM and performance	45
2.7.1 Four parameters to measure CRM success	45
2.7.2 Framework for implementing and evaluating	46
2.7.2.1 Generic interrelated steps	47
2.7.2.2 Strategic operational or analytical CRM	48
2.7.2.3 CRM value chain	48
2.7.2.4 An integrated managerial approach	49
2.7.3 The nature of CRM performance metrics	51
2.8 Conclusion	54

CHAPTER 3: RESEARCH METHODOLOGY	56
3.1 Introduction	56
3.2 Research design	57
3.3 Data collection instrument	57
3.3.1 Questionnaire design	57
3.3.1.1 Section A – Demographics	57
3.3.1.2 Section B – Levels of CRM	57
3.3.1.3 Section C – CRM performance	58
3.3.2 Approval of the questionnaire	58
3.3.3 Measurement scales	58
3.4 Population and sampling analysis	59
3.5 Data collection methods	60
3.6 Data analysis and interpretation	61
3.6.1 Capturing and coding	62
3.6.2 Descriptive and inferential statistics	62
3.6.3 Factor analysis	62
3.7 Validity and reliability instrument	63
3.7.1 Construct validity	63
3.7.2 Internal validity	63
3.7.3 External validity	64
3.7.4 Scale reliability	64
3.8 Ethical consideration	64
3.9 Conclusion	65

CHAPTER 4: DATA ANALYSIS AND RESULTS	66
4.1 Introduction	66
4.2 Descriptive data analysis	66
4.2.1 Demographic factors	66
4.2.1.1 Duration in service	67
4.2.1.1 Star grading	67
4.2.1.3 Types of hotels	68
4.2.1.4 Clientele type	70
4.2.1.5 Major products	71
4.2.1.6 Room rate ranges	72
4.3 Reliability tests	73
4.3.1 Construct validity	73
4.3.2 Internal validity	73
4.3.3 External validity	73
4.3.4 Scale reliability	74
4.4 Research question and hypothesis tests	74
4.4.1 Study's research question	75
4.4.2 Correlations	82
4.5 Summary	87
CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS	88
5.1 Introduction	88
5.2 Conclusions	88

5.3 Recommendations	90
5.4 Limitations of the study	93
5.5 Areas of further research	94
REFERENCES	96

LIST OF TABLES

Table 2.1 CRM Impact	18
Table 2.1 Membership categories	31
Table 3.1 Breakdown of hotels in Pretoria	59
Table 3.2 Determining the sample size	60
Table 4.1 Major products offered	71
Table 4.2 Room rate ranges	72
Table 4.3 Cronbach's Alpha: CRM and performance	74
Table 4.4 Correlation between CRM and performance variables	85

LIST OF FIGURES

Figure 2.1 Generic interrelated steps	47
Figure 2.2 Strategic, operational or analytical CRM	48
Figure 2.3 CRM value chain	49
Figure 2.4 Integrated managerial approach	50
Figure 4.1 Number of years in operation	67
Figure 4.2 Star grading	68
Figure 4.3 Type of hotel	69

Figure 4.4 Type of clientele	70
Figure 4.5 Maintenance of Database	76
Figure 4.6 Two way communication between the hotel and its customers	77
Figure 4.7 Importance of CRM in the hotel	78
Figure 4.8 Customer follow-up	79
Figure 4.9 Responses on whether the hotel uses CRM or not	80
Figure 4.10 Level of CRM practice in the hotel	81

CHAPTER 1: INTRODUCTION

Literature sources define customer relationship management (CRM) using different terminology. Darrel (2010) defines CRM as a process that organisations use to understand their customer groups and respond quickly (and at times instantly) to shifting customer desires. Du Plessis, Jooste and Strydom (2005) refer to CRM as relationship marketing based on the concept of an organisation's effort to develop long-term, mutually beneficial links with customers. Graham (2001) defines CRM as an attitude, a mindset, and the value that one places on a business and its relationship with customers.

Organisations are currently struggling to survive among aggressive competition, hence the need for effective CRM as a management competitive tool. CRM has grown tremendously as an effective management tool since 2006 (Darrel, 2010) and is being implemented in various sectors including the medical, manufacturing, transportation and financial sectors. The continuous growth in use has landed on hotel management, where the high benefits of implementing CRM within their organisation (Darrel, 2010) have since been discovered.

This research is intended to uncover the effectiveness of CRM in the hotel industry, specifically in the city of Pretoria in South Africa. The researcher holds vast experience in the hotel industry, with an understanding of the importance and sensitivity of a hotel customer. The researcher has seen the need to dig deeper and find out how best CRM can be used to improve service in hotels in Pretoria.

Bennet, (2000) defines a hotel as a hospitality facility that offers mainly accommodation, food and beverages, among other services. Thus, from the definition, there are two main offers - beds and meals as well as other services for an establishment to be recognised as a hotel. Therefore in this study, smaller establishments such as bed-and-breakfast and guesthouse establishments will not be included on the basis that they do not offer other services and some (guesthouses) do not offer meals. The study will be based on graded hotels (1 to 5 star hotels).

CRM has become one of the emerging management tools that are essential for organisational success. The increase in accessibility to information systems and a

fall in the cost of acquiring computer hardware have led to the need for an improvement of CRM in the hotel industry (Darrel, 2010). Its growth has become more visible since 2006, when it was rated the second best effective management tool after strategic planning.

Despite the rapid growth in the integration of management information systems (MIS), there is little research to document the processes and the value added by CRM in the hotel industry (Yi Wen Fan, 2011). Research on CRM has been highly concentrated in the automobile and mobile communication industries. However, CRM studies that were conducted within the hotel industry were done prior to 2006 and the research focused on specific hotels and not on a wider spectrum of the hotel industry.

Most studies conducted on CRM in South Africa, are not based on the hotel industry. Most are based on other industries such as mobile communication, retail and banking (Du Plessis et al, 2005). Therefore, CRM in the hotel industry in South Africa has not been researched much, therefore leaving a gap.

Research conducted prior to 2006 has also lost impact since in 2006, CRM was not much of a management tool. It was simply viewed from a marketing perspective. Yi Wen Fan (2011) states that while information technology offers companies a wide range of alternatives to improve customer service, CRM technologies were found to be the most popular among these technologies. This statement justifies why CRM will always be crucial to customer satisfaction. Although the importance of CRM in today's competitiveness is not in doubt, the extent to which it is being practised in the South African hotel industry is unknown. A gap for further research therefore exists.

An example of a known study is by Amoako, Bando and Katah (2011), which was based on the Golden Tulip hotel in Accra, Ghana. Beldona, Siu-lan and Morisson (2006) conducted their study along the lines of CRM but their study was based more on a travel club, and not on a hotel or hotels.

The results of this study will add value to the hotel industry, especially the hotels that are currently practising and implementing CRM. Those that will need to embark on CRM processes will also find value, in terms of approaches and processes from both customer and management perspectives. As revealed by Darrel (2010), CRM is an

upcoming trend and there is a need to study its impact as a management tool in the business world, especially in the hospitality industry since it is highly sensitive to good customer relations.

1.1 The research problem

There is a rapid growth in the adoption rate of CRM by the entire hotel industry across the globe. However, as stated earlier, the adoption rate and implementation of CRM by the hotel industry in Pretoria is unknown (Yi Wen Fan, 2011). Also unknown is the success or failure the implementation of CRM will experience. The problem is identified as follows:

- The levels of CRM in the hotels in Pretoria are not known and these need to be researched.

Myron (2011) emphasised how CRM has done very well for the entire business world as well as how it would improve and integrate with social platforms as social CRM. The author will show how effective CRM is doing but without elaborating on indicators.

To be researched here, are the levels or the intensity at which CRM is practised in the hotels in Pretoria. Hamid, Cheng and Akhir (2011) carried out research along the lines of CRM in hotels. However, their study was more based on e-CRM, with the core aim being to find customers' perceptions on various hotels' websites. Therefore the extent to which CRM is practised from a general point of view is still uncovered.

- Effectiveness of CRM is not assessed. There is a need to assess the effectiveness of specific CRM aspects. What is unknown is how much CRM is contributing towards improved service and increased profitability.

Min and Min (2002) emphasised benchmarking as a way of measuring CRM. However, this still leaves a problem that needs research because no exact figures were revealed. The authors' findings were based on the fact that effectiveness can be assessed through benchmarking. The best in the industry that were used in benchmarking were not mentioned and, the yardstick used to benchmark was also not mentioned. Generally, the benchmarking conducted by Min et al (2002) did not provide statistics or any numeric results.

Most researchers, among them Beldona et al (2006) and Min and Min (2002) were more focused on service quality and not specifically on CRM. Beldona et al had a broader study based on a travel club, not specifically a hotel. Though Min et al (2002) based their study on a hotel, CRM was not their main focus. Therefore, CRM in hotels still needed to be researched.

- Performance of hotels is not credited to the level of CRM. There is a need for performance to be based on the hotel's CRM assessment results. This is a critical aspect of the hospitality industry.

There are mixed reactions towards the relationship between CRM and hotel wellbeing. Byeong (2008) states that many researchers have overlooked basic elements such as employee training and customer information processing that important for improving organisational performance. This statement reveals that as much as CRM is essential for organisational wellbeing, much credit is devoted to other aspects rather than CRM. There is insufficient information that can be used by hotel management for the betterment of CRM within the hotel industry. The problem then literally lies in the fact that there is the need to dig deeper and find information that can improve hotels' wellbeing through the effectiveness of CRM within the industry.

The findings by Bain and Company (2010) shows that CRM grew in importance in 2006. Prior to that, CRM was viewed as simple marketing tool whereas today it is recognised as a very powerful management tool. Min et al (2002) credited CRM for increasing customer loyalty and profitability in the hotel industry. However, their view emanated from marketing perspectives because at the time, CRM was only a marketing tool. A fresh research that approaches CRM as a management tool is therefore necessary.

1.2 Importance of the study

The study will reveal the extent of the practice of CRM in hotels in Pretoria. The findings will play a crucial role in the improvement of service to the hotel guests while at the same time creating a mutual understanding between the hotel management and their guests. Levels at which CRM is being practised will be known and a relationship between the level of practising CRM and performance of the hotel will also be known. The researcher will have information on whether there are any other underlying mechanisms that may lead to better contribution of hotel performance. It will also be known to what extent CRM will be contributing to better hotel performance in comparison to other contributing factors.

1.3 The purpose of the research study

The main purpose of the research is to investigate how CRM can turn the hotel industry in Pretoria around in such a way that hotels will render quality service while maximising their profits and at the same time give customers quality and value for money. The purpose is to find out to what extent CRM is being practised and what the yields are.

Hotel management must be able to provide customised services to ensure an increase in both customer loyalty and company sales and profitability. It can also play a crucial role in increasing service quality at a lower cost. The importance of the study is to find out the level at which hotels in Pretoria are practicing CRM and how much CRM is contributing to better performance of the hotel business in Pretoria.

The purpose of the research is to determine:

- The levels of implementation of CRM by hotels in Pretoria
- The effect of CRM on the performance of hotels in Pretoria (measured by market growth, customer loyalty, increase in sales volume and profitability)

1.4 Proposition

Proposition1: There is a high level of CRM practice among hotels in Pretoria P1.

Propositions 2: There is a significant correlation between CRM and Performance P2.

The performance elements are as follows:

- a) Customer loyalty (P2a)
- b) Profitability (P2b)
- c) Rol (P2c)
- d) Turnover (P2d)
- e) Market share (P2e)

1.5 Definitions of concepts, key terms and variables

Customer relationship management – A business philosophy based on customer value and anticipation of their expectations and delivering according to their needs (Du Plessis et al 2010).

Customer satisfaction – A product or service experience that meets or exceeds customers' expectations (Strydom, 2012).

Hotel – A hospitality facility that mainly offers accommodation, food and beverages among other services (Bennet, 2000).

Pretoria – The capital city of South Africa which has been used as the delimitation area in this study.

Quality – A dynamic state associated with products, services, people, processes and environments that meets or exceeds expectations and helps produce superior value (Davis & Goetsch, 2010).

1.6 Outline of proposed study

Chapter 1

This chapter outlines the background to this study, the research problem and the aims of the study.

Chapter 2

A detailed review of literature related to this study is analysed in this chapter. More insight is deduced from the literature and the researcher analyses the findings of different scholars on the subject under study.

Chapter 3

This chapter discusses the methodology or approach followed in gathering data. The instruments used, and data sources are discussed in detail.

Chapter 4

This chapter details how data collected was analysed using various methods. Research findings are presented and analysed

Chapter 5

The chapter discusses the research findings in detail and recommendations made. Conclusions and research limitations are also presented.

CHAPTER 2: LITERATURE RIVIEW

2.1 Introduction

This chapter constitutes a detailed analysis of CRM with findings of various other researchers. Several scholars and scientific researchers who conducted studies on CRM had different views and perspectives and some of those views are analysed in this chapter.

The chapter analysis comprises all the various scholars who conducted studies on CRM. However, since this study is on CRM in the hotel industry, there will be a bias towards the views of those who focused on the hotel industry. An overall understanding from the researchers' view will serve as a conclusion of this chapter, thus setting the direction of the study.

In order to survive in the business world, it is insufficient to only work on attracting new customers. Existing ones also have to be retained by implementing effective policies of customer satisfaction and loyalty (Gandolfo and Guzzo 2010). CRM is one of the effective tools that ensure high levels of customer satisfaction and loyalty. Service quality and customer satisfaction are the key factors for competitive advantage and customer retention (Amoako et al, 2012).

On average, it costs five times more for the hotel industry to acquire a new customer as compared to retaining an existing one (Hamid, Cheng & Akhir, 2012). In their study, Hamid et al (2012) found that in a service sector such as the hospitality industry, co-ordination, information and communication are critical factors that make personalised service very important. CRM then plays the critical role of ensuring that hotel management knows and understands their customers so that they are able to provide them with personalised services.

2.2 What is CRM?

The twenty-first century's level of competition requires companies to move from short-term goals to long-term goals through various CRM practices (Kotler, 2011). According to Ahmad and Jawabreh (2012), CRM is a process of managing customer relations in an organised way with the core aim being to ensure that each individual customer always has a positive moment of truth.

Ahmad et al (2012) also states that CRM helps to improve product and service quality while at the same time adding value and improving customer service. The researchers' view of CRM is balanced between the customer and the organisation. While CRM is important for customer loyalty that will lead to increase in return on capital employed (ROCE), market growth and profitability, it is also very important in terms of understanding customer needs and ensuring that the customers are served according to their needs, leading to customer satisfaction (ibid.). The connotation deduced from their view of CRM is that CRM plays an important role for both the organisation and the customer.

Agrawal (2003) said CRM is a concept that keeps tracking customers, once attracted, retains them in the business and makes profit from their growth. CRM can be viewed from four different perspectives. To start with, CRM is a contemporary response to the emerging stiff competition that is leading to low brand loyalty and low profitability. Secondly, CRM is the task of making an organisation customer-centric. Thirdly, CRM is a symbol of embracing technology in business and lastly, CRM is the simplest way of increasing value to the customers in a way that profits the business (ibid.).

Agrawal (2003) views CRM from organisational perspectives. His four views all emanate from an angle that emphasises the importance of CRM for the organisation. In his first statement mentioned above, he was of the view that CRM was only important for organisational profitability. Thereafter, he says that CRM came as a mere response to competition within the market, creating the impression that it came into existence to necessitate organisational survival.

The statement that CRM came to embrace technology is unfounded by several scholars. In contrast, Sigala (2003) states that CRM does not only require information technology (IT), but also structure, culture and supported acquisition, sharing and utilisation of knowledge and internal and external relationships. This contradicts Agrawal (2003)'s view that CRM came into existence to embrace technology; CRM can in fact even take place without technology (though technology necessitates better CRM practices). Hermans (2009), among others, was of the view that CRM is an important tool for improving relations between the organisation and its customers. In his fourth view, Agrawal (2003) says that CRM is now in practice

purely because it is the simplest way of increasing value to the customer, but most importantly increasing organisational profitability.

Agrawal (2003) did not view CRM as a tool that is important for strengthening the relationship between the customer and the organisation. He was rather biased towards the fact that CRM is most important for ensuring that the organisation benefits in terms of increase in profitability whereas CRM also helps in adding customer value, quality improvement and above all customer satisfaction.

Hermans (2009) defines CRM from a strategic perspective. He states that CRM performance includes customer service, frequency or loyalty programmes, customisation based on guest profiles, reward programmes and community building. He went on to state that early CRM perspectives “killed” customer involvement. The practices were more centred on keeping customers in the loop to ensure that they buy the organisation’s products without necessarily trying to understand what the customers are looking for.

According to Hermans (2009), new CRM processes should re-establish reciprocity-driven communication and a sense of togetherness from both parties (customers and organisations). From his findings, CRM should not aim mainly to serve the interests of the organisations. Customers need to be heard and understood through various CRM practices. Though Hermans, (2009) seemed to be more customer-biased, his view was the same as that of Ahmad et al (2012), who also emphasised that CRM must be for the betterment of customer service in terms of improved product and service quality, and not only for increasing organisational profitability.

Amoako et al (2011), states that CRM is a process of identifying and understanding customer needs and influencing customer behaviour through various communication strategies to satisfy and retain customers. Two aspects are of note here. Firstly, the researchers might have meant that organisations have to provide a product or service that meets the customer’s needs so that the customer will automatically behave in a positive way towards the organisation’s product or service. The positivity will be because the product or service meets the customer requirements. On the other hand, organisations may continuously communicate their products to portray a positive image so that customers’ behaviour must be influenced in such a way that purely on sentiment they opt for that particular organisation’s products or services.

From Amoako et al (2011)'s definition, influencing customer behaviour may be an ambiguous statement because the influence could be from the fact that the organisation simply uses various CRM tools to convince customers to buy their products. On the other hand, influencing customer behaviour may be through understanding customers' needs and customising their products in such a way that the customers will prefer their products or services as compared to those offered by competitors. For clarity therefore, more explanation of the definition was required.

CRM is a management philosophy that calls for reconfiguration of the organisation's activities around the customers (Rutherford & O'Fallon 2007). Unlike the traditional approach, which is a short-term one, CRM is long-term and focuses on maximising revenue from each customer over the lifetime relationship, while at the same time getting to know each other intimately (ibid.).

Rutherford et al (2007) had an understanding of the need for a mutually beneficial relationship as a result of CRM. From their definition, an organisation becomes customer-centric through centering all its activities on the customer, thus ensuring an understanding of the customer's needs. On the same note, the authors state that an intimate long-term relationship is created through CRM. The intimacy in this statement shows the art of mutual understanding between the organisation and its customer, hence customer satisfaction as well as organisational profitability.

Hermans (2009) had the same view with that of Rutherford et al (2007). From Hermans' view, CRM is essential for improving customer satisfaction, offering quality products and services at the same time adding to the organisation's market growth, broadening market share, profitability and overall performance.

In the late 1990s most companies improved on CRM by making it more of a two-way connection. Instead of simply gathering data for their own use, they began giving back to their customers not only in terms of the obvious goal of improved customer service, but in incentives, gifts and other perks for customer loyalty (Sigala, 2003).

This was the beginning of the now familiar frequent-flyer programmes, bonus points on credit cards and a host of other resources that are based on CRM tracking of customer activity and spending patterns. CRM was then being used as a way to increase sales passively as well as to actively improve customer service.

The definition by Rutherford et al (2007) is generally accepted and supported by other scholars such as Sigala (2003), Hermans (2009) and Ahmad et al (2012). The researchers had the same view, that CRM should be a two-way street that is mutually beneficial for both the customer and the organisation. Therefore, in this study, the definition by Rutherford et al will be accepted. However, Wong (2009) states that despite the journals and articles published on CRM, there is no universally agreed definition of CRM. The meaning varies from individual to individual. To some it is about creating marketing activities using customer information from a data warehouse and to others it is technologically oriented. Despite the variances in the definitions, most definitions constitute customer relationships and technology (ibid.).

2.3 Importance of CRM

According to Iriana and Buttle (2006), the following are the main reasons most organisations embark on CRM practices:

- Some companies can boost profits by almost 100% by retaining just 5% more of their customers.
- It typically costs 5-10 times more to acquire a new customer than to retain an existing one.
- Most companies lose 50% of their customers in five years due to lack of CRM-enabling tools.
- 70% of repeat purchases are made out of indifference to the seller, not out of loyalty.

Ahmad et al (2012), states that CRM is one of the most magnificent tools that swept the business world in the early 1990s with a promise of completely changing the way businesses interacted with their customer bases. The new direction to be taken was the one in which organisations launched continuous communication and ongoing interaction with their customers. Since then, CRM has grown and is being applied in various industries with the major intention being to forge long-term relationships with the customers to attain customer loyalty (ibid.).

Agrawal (2003) found that the importance of CRM is seen in the benefits the organisation reaps from various CRM practices. The author identified CRM as a

dream tool, thus making it a tool that is used to keep on aspiring to attain the benefits (dreams) of CRM. Such benefits are attained from undertaking and implementing various CRM practices. These CRM benefits are:

Product/Service customisation

Long-term relationships

Disintermediation

Return on investment

Customer loyalty and profitability

These benefits are discussed in detail in the remaining part of the section below:

2.3.1 Product or service customisation

Customers that are known and understood are served on an individual basis. Products and services are tailor-made to meet customer requirements. Ongoing interaction between the organisation and its customers leads to mutual understanding to such an extent that the organisation will be able to render services based on individual tastes and preferences (Alipour and Mohammadi, 2011). As opposed to mass marketing, one-to-one marketing creates a bond that is characterised by respect and understanding between the organisation and the customer.

Bennet (2000) makes use of a practical example in which hotel guests make a reservation for honeymoon suites. The author states that five different 'honeymoon rooms' may be booked in a hotel in one day, but the rooms will not actually be the honeymoon suites. Each guest describes the layout, colour schemes and combinations he or she likes in the room according to own tastes and preference. The room layout requirements vary from guest to guest and the hotel provides according to individual needs, or customisation.

2.3.2 Long-term relationships

Agrawal (2003) states that CRM stresses commitment rather than flirting. The greatest importance is to ensure that the organisation develops long-term relationships, especially with the most profitable customers. Long-term relationships

make it easier for the organisation to establish customers that have the highest customer lifetime value (CLV) and ensure that they continue doing business with that particular organisation. Customers with a long-term relationship with an organisation are always easy to serve and easy to satisfy since their needs will long be known (Hamid et al, 2012).

For businesses that focus more on physical storefronts than online experiences, CRM involves employee training. Employees must be shown how to treat customers, how to answer their questions effectively and how to make the service experience an enjoyable one thereby increasing customer loyalty. This type of employee training is often the most vital part of CRM strategies since it is crucial in fostering long-term relationship (Gandolfo et al, 2010).

Alipour et al (2011) found out that CRM is a non-imitable strategy. The researcher states that if CRM is successfully conducted in an organisation, other organisations will not be able to imitate or replicate it. CRM is unique and special in each organisation. The CRM strategies undertaken by different hotels maybe similar in the broad sense but vary on how one specific hotel implements a given strategy.

Yi Wen Fan (2011) views CRM as a technology-based business strategy whereby companies leverage customer knowledge to build profitable relationships. The advanced technology of today gives organisations a better platform to nurture and sustain long-term relationships with their customers. From the author's view, for CRM to be a long-term strategy it has to be based on technology.

2.3.3 Disintermediation

Most intermediaries bridge the gap between the supplying organisation and the customer unnecessarily. Rather than adding value within the chain, they only pursue individual benefits (Jones & Hill 2008). A practical example is found in the tourism sector nowadays. Travel agents and tour operators must intermediate to ensure that customers get bundled and packaged services with easy access and affordable discounted services. However, their motive is more profit maximisation than customer service.

From the 19th century, tourism intermediaries became highly profit conscious, such that the main goal became profit maximisation at the expense of the principals on

whose behalf they render services as well as the customers. Besides increased inflation, rates charged by the tourism intermediaries abruptly increased too far above the inflation rate. (Bennet, 2000). On that note it then becomes more beneficial for the principals to sell directly to their customers, that being one most important benefit of CRM.

2.3.4 Customer loyalty and profitability

According to Du Plessis, Jooste & Strydom (2005), CRM tools contain all the details of a customer, and it is very easy to track a customer accordingly. The details can be used to determine which customers can be more profitable than others. In CRM systems, customers are grouped according to different aspects in relation to the type of business they do or according to physical location and are allocated to different customer managers, known as account managers. This helps to focus and concentrate on each and every customer separately.

A CRM system is not only used to deal with existing customers; it is also useful in acquiring new customers (Du Plessis et al 2005). The process starts with identifying a customer and maintaining all the corresponding details into the CRM system used by the organisation. The sales and field representatives then try getting business out of these customers by following up with them and converting them into buying customers. All this is done easily and efficiently through an integrated CRM system. Dealing with all the customers efficiently and providing them what they actually need increases customer satisfaction. This in turn increases the chance of getting more business, which ultimately enhances turnover and profit. If the customer is satisfied, they will always be loyal to you and will remain in business indefinitely, resulting in an increased customer base and ultimately enhancing net growth of business (ibid.).

Unlike inventory types of industries, the hotel industry offers a perishable product, characteristic of overall service industries. A service lost or not rendered on a specific day is revenue lost for that particular day (Bennet, 2000). Even if the following day enjoys hundred percent occupancy, that will not be the solution to revenue lost on the previous day (ibid.). The perishability of the product requires massive ongoing purchases to ensure that the product sells on a daily basis. This requires effective CRM to convince customers to remain loyal to the organisation.

They key benefits of CRM that were largely ignored in the past are customer loyalty and customer profitability (Agrawal 2003). According to the author (ibid.), a report published by the Harvard Business Review (n.d.), shows that in most service industries, especially the telecommunication industry, a 5% increase in customer loyalty leads to a 50% increase in profitability. Thus, once customers become loyal, they increase their purchases of specific products as well as variety. Loyal customers are less price-sensitive because they have tried, tested and developed confidence with the quality offered by the organisation. However, new customers are normally highly price-sensitive because they will not be prepared to spend much on a product or service they are unsure of.

2.3.5 Return on investment (RoI)

Mohammed et al (2012) states RoI can be viewed from organisational intelligence, customer intelligence and supplier intelligence that helps understand the views of customers, suppliers and organisations.

Factors to be considered while calculating RoI:

- Savings in the form of reduced use of time to manage customers and customer transactions.
- Savings in the form of time needed to assemble and consolidate sales forecasts.
- Additional revenue in terms of increased lead generation.
- Additional revenue in terms of increased sales due to increased customer loyalty.

CRM is an integration of contact management, sales automation, marketing automation, customer service and support, e-commerce, partner and channel management. In most cases, all these are necessitated by a computerised system, which will be a mass investment in form of a fixed asset. It is also not just a software solution, but also a set of skills and competencies that will enable a company to better leverage and profit from each and every customer relationship (Mohammed et al 2012). When the goal of cheaper, faster, better service is considered, the results far outweigh the challenges. Several big organisations have failed to know what the customer really wants and several others, after knowing, could not really translate

these requirements into delivery. At the same time, we are able to see small shopkeepers doing CRM extremely well. Good CRM is all about replicating the same experience with the use of technology (Hamid 2011).

2.3.6 Other overall gains

Apart from the various CRM benefits mentioned earlier, CRM can also lead to market growth. Where the organisation develops a mutual understanding with its customers, in most cases quality service is experienced (Darrel 2010). Most customers continuously share satisfactory service with friends and family. Word of mouth (WoM) will serve as an unpaid form of marketing, thereby broadening the market. Most customers will defect from other organisations to try the 'told about' products.

Increased market share will certainly be another benefit. With CRM in practice, most customers defect from other organisations and flock to a specific organisation that has high levels of customer service. The organisation will gradually grow its database of customers, leading to an increase in market share. The new customers will be pooled in by the various CRM practices and bring about retention that will lead to an increase in revenue and possibly increased profitability and return on investment (RoI), among other various factors (Min & Min 2011).

Graham (2001) states that CRM techniques are also used to increase the overall market share of the business. Essentially, treating customers well adds to the value of the business products and services. If the business impresses customers, it tends to attract more people, increasing its pool of customers. Loyal customers will then attract others through word of mouth.

The strongest aspect of CRM is that it is very cost-effective. The advantage of a decently implemented CRM system is that there is less need for paper and manual work, which requires lesser staff to manage and fewer resources to deal with. The technologies used in implementing a CRM system are also very cheap and smooth when compared to traditional ways of business (Darrel, 2010).

All the details in CRM system are kept centralised and is readily available. This reduces the process time and increases productivity.

Min et al (2012) summarised the main importance/benefits of CRM as shown in the table below:

CRM reduces	CRM enhances
➤ Cost to acquire customers	➤ Competitive advantage
➤ Cost to serve	➤ Customer numbers
➤ Time to serve	➤ Customer retention
➤ Cost to sell	➤ Customer relations
	➤ Revenue per customer
	➤ Order fulfilment - returns and call centre activity on actual sales performance

Table 2.1 CRM Impact: *Source: (Agrawal, 2003)*

2.4 Application of CRM

Based on wide research conducted by several scholars, while CRM involves far more than technology, it does still involve technology. From the 21st century, most organisations embraced technology and launched various technologically based CRM applications (Yi Wen Fan 2011). Therefore, discussions of CRM application will either be incomplete or biased if not integrated with technology.

2.4.1 CRM and technology

In CRM, the important functions are collecting customer data, analysing and forming relationships with the prospective customers based on the analysed information. Among these three main functions, both analysis and relationship building involves direct contact with customers. Chaudhuri & Shainesh (2001) found that there are three parts of application architecture to CRM: operational CRM, analytical CRM and other aspects of technology. These are discussed below:

2.4.1.1 Operational CRM

This deals with those aspects that make customer contacts and are also known as the touch points. Thus, the automation to the basic business processes such as marketing, sales and customer service.

The components of operational CRM are as follows:

Customer service and support (CSS):

These applications basically automate the support and service functions, including analysis, and also provide workflow engines that facilitate efficient problem and enquiry escalation, tracking and resolution. They also provide customisable scripting capabilities for the customer service representatives or executives as well as the potential to record customer responses in a shared storehouse. Call centres use operational CRM tools, they also integrate with computer telephone integration capabilities which allow automatic call routing with automatic screen pop-ups containing all customer and product information to the agent's work stations as the agents are answering or initiating calls (Law and Kua 2009).

Sales force automation (SEA):

These are tools that automate the collection and distribution of all types of sales or sales-related information. SEA allow for the design of sales teams based on a specific designed criteria. Calendar management, activity management, sales reporting and forecasting, lead distribution and tracking of sales contacts with customers and prospects are some of the capabilities offered within these solutions (Chaudhuri et al, 2001).

Marketing automation (MA)

These applications provide the ability to create automated marketing campaigns and track results. Generating list of customers to receive mailings of customers or telemarketing calls. Scheduling automatic or manual follow-up activities and receiving third-party lists for incorporating into the campaigns are all typical functions. Internet personalisation tools are offered here to track behaviour on a website and allow tailoring of the contact experience or generate specific cross-selling opportunities based on this behaviour. Inbound and outbound e-mail management capabilities are also becoming popular components of the marketing automation suites (Milovic, 2012).

2.4.1.2 Analytical CRM

According to Hamid et al (2012), this performs the function of analysing the accumulated data from the various touch points with the aid of business intelligence. By using the new CRM techniques, the companies try to provide a consistent but tailored customer experiences across all contact points with the customers.

According to Hart et al (2002), analytical CRM involves the analysis and interpretation of large amounts of cross-functional data collected from the customer activities that occur at the front-office. This data is regularly stored in a data warehouse, which is actually a storehouse of corporate data from various sources intended to facilitate business analysis.

The major types of analysis of data are the following:

OLAP: Online analytical processing (OLAP) is one of the most popular types of decision support analysis, allowing the average business person to explore data

online with the aim of focusing on detailed data at a lower level of the data hierarchy. This includes generating an online report, analysing results and submitting a detailed query in order to understand the result of data. OLAP analysis requires the analyst to have a query or hypothesis in mind to clearly understand the result (Chaudhuri et al, 2001).

Data mining: Identify patterns in data and deliver valuable new information that can increase a company's understanding of itself and its customers. It is commonly used to help data analysts search for information they will be unaware of (Law et al, 2009). Data mining includes the use of historical data to determine future behaviours of customers and this is known as prediction.

Data mining also deals with sequential analysis that identifies combinations of activities that occur in a particular order. This is used to determine whether customers are purchasing in a specific sequence. This helps organisations to clarify behavioural purchases and consumer patterns. There are also association analysts that detect groups of similar items or events. The association algorithm is often applied to market basket analysis to help business understand organisations and understand products which are usually purchased together (Hart et al, 2009).

Click stream analysis: By analysing the click streams of an internet user, one can understand how the user arrived at the site, how long he stayed, what he did during his visit and when he returned. The whole process is similar to a hidden camera recording the activities of a shopper in a store. The data is stored either as part of organisation's data warehouse or as a separate click stream data store called data web house (Chaudhuri et al, 2001).

2.4.2 Other applications of technology

Call centres

These are organisations that deal directly with the customers and are popularly known as contact centres. Call centre technologies are centred on the market place to effectively alleviate some of the repeat work and increase efficiencies, allowing companies to handle escalating call volumes (Law et al, 2009). Customer service representatives (CSRs) can handle high call volumes with the aid of automated systems. The software tools used in the call centres also provide forecasting of call volumes to ensure adequate call centre staffing.

Web-based self-service

The customers themselves, without the help of CSRs, can resolve their problems and queries (Chaudhuri et al, 2001). For example, within the mobile network call centres, the caller will be informed on how to inquire about their balance, top up airtime or convert airtime to data bundles. Such information is heard before going through to the CSR. This also makes it easier for customers to do self-help services via the call centre or online, saving time.

Customer satisfaction measurement

Survey mails are the major ways for companies to monitor customer satisfaction. Nowadays, these survey forms are even personalised to specific customers or customer groups. Responses are input into customer databases and included as part of individual customer profiles (Law et al, 2009). Such tracking of customer satisfaction overtime enables a company to fine-tune how it communicates with its customers according to their preferences. Nowadays, paper-based surveys that are normally at the disposal of the guest are giving way to electronic surveys (Hamid et al, 2012).

Call scripting

Automatic scripts generated for customer service representatives, based on an individual customer segment or customer profile (Iriana et al, 2006). It avoids use of guess work in solving guest queries or complaints by guiding the customer through a dialogue, thus optimising discrete customer interactions.

Cyber agents

This is a modified or improved self-service concept. Cyber agents are online representatives normally depicted on a company's website as real people. The concept pulls together the best of both personalisation and advanced technology. Customers can have online personalised responses to the most frequently asked questions. Thus, cyber agents do not offer ordinary responses but rather specifically respond to an individual customer hence customised responses (Chaudhuri et al, 2001).

Website

This efficient and effective use of the worldwide web to provide information to the customers, enjoys 24-hour accessibility, worldwide access and speedy service. Nowadays most websites have a 'Contact us' facility that makes it easier for customers to send queries directly from the web page without wasting time going the e-mail route (Law et al, 2009).

2.5 CRM as a marketing strategy

Given the importance of CRM in business, it is vital to ensure that an organisation have a well-formulated CRM procedure. Agrawal (2003) says that there must always be a link between CRM strategies and business objectives in order to succeed in CRM implementation. It is always crucial to listen to the customer before designing a CRM strategy. Alipour (2011) identified three main components that are involved in CRM marketing. These are discussed in detail in the entire part of this section.

2.5.1 CRM marketing stages

2.5.1.1 Customer recognition

Identifying the type of customer the organisation is serving is the fundamental stage. Customers want to get something extra for being loyal to an organisation. If they can get additional products or services at no cost, they remain more loyal. Customers who participate in reward programmes tend to shop exclusively at one company, neglecting other competitors (Alipour, 2011). One can design a reward programme based on points tied to purchase amount, purchase levels or a combination of recency, frequency and monetary value of individual customers. Customers can be notified of their rewards or access their accounts electronically to check reward status. The programme can be administered by the organisation or by a subcontracted CRM specialist organisation. Below are the phases that are pursued in the customer recognition process:

Step 1: Identify the customers

The first question is “Who is doing business with us?”. Answering this question might seem to be a daunting task because the answer involves a lot, so one can begin by trying to group the customers (Gandolfo et al, 2010). For example, does the organisation have a customer membership programme? If so, are there different classes or types of membership? Are there customers who purchase specific products, and can they be classified by the type of business, or by the amount they spend annually with the organisation?

Step 2: Differentiate the customers

Based on step 1, can one brainstorm specific needs the customers have from the organisation? (Why are they doing business with us?) (Sigala, 2005). Second, what does the organisation value from its customers, these can be number of referrals they bring and whether or not these come to fruition, the rand value of their business, whether they participate willingly and actively on product focus groups or regularly provide strategic feedback, as well as the potential business they could bring in future (Yi Wen Fan, 2009).

Step 3: Idea generation

Here the question is “How are our customers motivated?” Can be answered by brainstorming a list of ways that the organisation believes the customers would like to be recognised. These may include a special phone number they can call without having to wait in the phone queue for the next representative, magazine subscription for a topic area of interest to them personally or professionally, a free membership, discount pricing for bulk orders among other aspects (Min et al, 2005).

Step 4: Behaviours

The key question is “What are the behaviours the organisation wants to recognise?”. This may, for example, be rate of purchase, how often they use the purchase desk when it comes to product selection, using the web store versus contact centre. To be considered are the ideas from both the organisation value and customer value perspectives (Alipour, 2011).

Step 5: Determine how

Here the lists from steps 1-4 are put together. For each valued behaviour, the organisation has to identify how to recognise the customer and whether this is targeted at all customers, or a specific group of customers (Sigala, 2003). Few different ideas might be raised for each behaviour. The lists are then reviewed with the critical question "Is this manner of recognition going to be seen as valuable from the customer's perspective and does it meet their needs?" (ibid.).

Step 6: Implement

There are a series of considerations at this step. When will the programme be implemented? Who needs to be involved and in what manner (i.e., champion, data entry, budget approval, etc.). What are we going to do to ensure success and what are we going to tell customers? Or are we going to just recognise their behaviours without outlining our programme in full? How are we going to measure success, how are we going to engage all employees involved? (Alipour, 2011).

Step 7: Track and capture

This step progresses from questions asked and answered in step 6. Specifically, what is the plan to capture information and to track what we are doing and to whom? What are the different information sources needed to consider and are they residing as silos or are they integrated? Who is going to add data, how are we going to turn data into strategic information, and who needs access to this information? Do we require an investment of technology to implement the programme? (Alipour, 2011). The major importance of the track and capture phase is to ensure that no valid potential customer information is left in the “jungle” (Law et al, 2009), that all essential information is tracked and captured.

Step 8: Evaluate

This is an ongoing step, but at this stage one needs to answer the ‘who’, ‘what’, ‘when’, how and possibly ‘where’. We have to consider identifying what the return on investment is going to be as well as the qualitative and quantitative measures, which may not be directly translated into rand value. While we call this creating a "programme", it may not have a start and end date (Law et al, 2009). The organisation must come up with a culture of valuing customers where the above process enables the organisation to continually find and implement new ways of treating customers differently (Amoako et al, 2012).

2.5.1.2 Customer analysis

The analysis is done based on customer needs. CRM-practising organisations must identify and concentrate on the right customers only. Data warehousing and mining must be used to ensure that a customer profile is created. Agrawal (2003) recommends a database that pulls information from various departments and compile a customer profile database. Customer relationship analysis (CRA), sometimes termed customer relationship analytics, is the processing of data about customers and their relationship with the enterprise in order to improve the enterprise's future sales and service while at the same time reducing cost (ibid.). This term is generally a synonym for CRM analytics.

Customer relationship analysis can be considered as a form of online analytical processing and may employ data mining (Hermans 2009). As websites have added a new and often faster way to interact with customers, the opportunity and the need to turn data collected about customers into useful information has become generally apparent. As a result, a number of software companies have developed products that do customer data analysis.

Customer relationship analysis can provide customer segmentation groupings by dividing customers into those most and least likely to repurchase a product, profitability analysis, studying which customers lead to the most profit over time, personalisation, thus looking at the ability to market to individual customers based on the data collected about them, and event monitoring which deals with aspects such as what happens when a customer reaches a certain rand volume of purchases (Hamid, 2011). Data collection and analysis are viewed as a continuing and iterative process and ideally over time business decisions are refined based on feedback from earlier analysis and consequent decisions.

Benefits of customer relationship analysis are said to lead not only to better and more productive customer relations in terms of sales and service, but also to improving supply chain management (lower inventory and speedier delivery) and thus lower costs and more competitive pricing. One of the major challenges implicit in customer relationship analysis is how to integrate the analytical software with existing legacy systems as well as with other new systems (Wong, 2010).

2.5.1.3 Customised delivery

This involves treating customers differently varying on the specific needs required by different customers (Agrawal, 2003). Wong (2010) conducted a study on Starwood properties states that the most contact that most guests have with Starwood Hotels and Resorts Worldwide is with one of its 900 call centre agents, who work from one of four contact centres in the United States or one in Ireland. These agents handle 14 million calls annually for hotel and resort reservations. Starwood sought to create a consistent method of service delivery to improve sales and service levels.

Large call volume and varied call types across multiple sites in different cultures led

Starwood to the decision that an automated customer interaction recording and performance evaluation solution from automated systems would provide just what it needed. Using e-Quality Balance to record customer interactions, and e-Quality Evaluation to measure associate performance online, Starwood could calibrate performance scoring among agents, evaluate customer service skills, and maintain important facets of customer connection--from problem-solving to politeness (Wong, 2010).

Capturing both the voice and data aspects of customer interaction, Starwood now has clearer visibility into how associates use the reservation system--from navigation to how they use information. The company shares the recorded interactions monthly across the call centres for evaluation purposes.

Starwood agents ensure that guests receive tailor-made services in accordance to their tests and preference. Services are not standardised but rather vary from person to person and from time to time. Thus the guests enjoy a full customised product which leads to loyalty.

2.5.2 CRM strategies

Customer retention

CRM increases relationship building which increases customer loyalty, revenue per customer and frequency of purchases. According to the Harvard Business School, (n.d.), increasing customer retention rates by 5 percent increases profits by 25 percent to 95 percent. This is important to consider when evaluating customer loyalty strategies because generally companies celebrate increase market growth and less consider how to retain the added customers.

In service industries, loyalty programmes are the best tools to fight against the perishability nature of the product. George (2010) cite an example of the South African Airways (SAA) frequent flyer programmes as one of the best retention strategies. Passengers earn free miles whenever they fly SAA and the free miles upon accumulation, will be redeemed for a free ticket. The passenger will use the free ticket to any destination of interest that is equivalent to the free miles earned (ibid.). Customers feel acknowledged whenever there is something in return for

them. In this case they feel that they will be well rewarded for their loyalty to the organisation.

Customer acquisition

Customer acquisition is the process of acquiring new customers for business or converting existing prospect into new customers (Beldona et al, 2006). The importance of customer acquisition varies according to the specific business situation of an organisation. This process is specifically concerned with issues like acquiring customers at less cost, acquiring as many customers as possible, acquiring customers who are indigenous and business oriented, acquiring customers who utilise newer business channels. According to Mahommed, (2012), the whole process should concentrate on the following considerations:

- Primarily it is important to determine and focus on the psychology of customers, like how the customers feel and think, and then selecting the product segment to be presented to them.
- Concentrating on how the customers are influenced by the surrounding environment like the business culture, technology and media.
- Analysis of customer behaviour and tendency while buying a specific range of products.
- Studying the customer's limitations of knowledge-processing power, which influence the decision making power.
- Finally it is very important to engage best strategies for effectively convincing new customers and improving marketing campaigns.

Customer acquisition techniques change with technological changes. There is always a need to optimise and upgrade the traditional ways of marketing channels available (Hermans, 2009). Exploring new methods to entertain customers is important to remain in competition and retain a high acquisition rate.

Acquiring a customer depends on how effectively the organisation is able to build a comprehensive relationship with that customer (Milovic, 2012). When suppliers have

healthy relationship with customers, the revenue of the organisation always increases as customers tend to buy more and more. There is the possibility that a satisfied customer wants to buy a special category of related products apart from the regular ones from that particular supplier (Ahmad, 2012). For instance, if a satisfied and loyal customer books a hotel room with one specific named hotel, chances are high that the same customer may go on to expand business with that hotel by having meals and even conference bookings at the hotel hence business growth.

While acquiring, the nature of response provided to acquisition is the key aspect to create an impressive opinion in a customer's mindset. Suppliers should always have prompt, responsive and experienced executives to serve customers (Min et al, 2005). For example, if a customer calls and asks about some critical features of any product and the executive fails to explain it or is non-responsive to questions, then the customer could divert to another organisation for better response, resulting in the end of the relationship with that customer.

Improving customer acquisition is the primary challenge an organisation faces (Kim, 2008). It is important to identify critical approaches to enhance customer acquisition power. This includes acquiring a higher number of customers or a higher number of attractive customers at low cost. One of the best strategies to acquire new customers is through running promotional campaigns. These campaigns should be efficient and well-targeted to customers (Ahmad, 2012).

Encouraging customer referrals can also attract new customers. Referrals by customers who feel satisfied and encouraged when they have a healthy relationship with customers (Mohammed, 2012) are always cost-free for the supplier. These referrals or customer's reference of other customers act like a piece of cake for suppliers as there is no cost and struggle involved in this. For enhancing the revenue, the organisation should always balance the number of customers acquired with number of customers who divert to different organisations. Failing to do so will definitely affect the economic growth of the organisation (Beldona et al, 2006).

Customer loyalty

Loyalty programmes are often an integral part of a comprehensive customer relationship strategy. "Loyalty programmes are now the price of doing business" (Gandolfo et al, 2010).

These programmes are designed to reward the loyal guests of the hotel. Every time a guest checks into the hotel, at his every touch point or interface with the hotel, any time he spends on a service provided by the hotel (use of room, restaurant, laundry, telephones), the transaction is recorded at each point and is added to the final bill presented to the guest at the end of the stay (Amoako, 2012). Points are allocated to the amount spent by the guest (Beldona et al, 2006).

The higher the bill, the higher the number of points earned by the guest (Gandolfo et al, 2010). These points are credited to the account of each guest with the help of technology. These are called loyalty points. Account loyalty points are unique to every guest (Sigala, 2003). After the first time the guest checks in at the hotels, the guest's history also affects the loyalty points. The higher the number of points, the more loyal the guest is. The points can be redeemed by the guest either for free stays at the hotel, free gifts as listed by the hotel or free meals depending on the number of points accumulated.

The objective of having a loyalty programme is not only to make the guest feel rewarded for the stay, but also to provide the opportunity to spend the points at the hotel, thereby creating increase loyalty (Ahmad, 2012). For example, if a guest redeems his points for a free stay, he would spend on the supporting services like the laundry, telephones and restaurants, among others. The revenue generated from these is earned by the hotel. So, instead of losing revenue by providing the free stay, revenue and a customer for life is gained.

Wong (2010) has a way to categorise guests in terms of loyalty as shown below:

<i>Gold</i>	<i>Great Member</i>
<i>Silver</i>	<i>Special Member</i>
<i>Bronze</i>	<i>Good Member</i>
<i>Lead</i>	<i>Member</i>

Table 2.2 Membership categories

From the table above, the level of loyalty to the hotel goes along with the category the guest will fall under. Guests are given different loyalty cards differentiated by colour according to their loyalty category. The greatest member within the gold category may even be published in the hotel magazine or any appropriate hospitality magazine or local newspaper. This will encourage other loyal members in the lower categories, Lead and Bronze, to spend more and at the same time create a battle of the giants in the higher classes, Gold and Silver (Wong, 2010).

Cost reduction

CRM leads to more cost-effective marketing, avoiding the costs of mass marketing and reducing direct mailing (Kim, 2008). Every additional rand of sales is only a percentage of increment to the bottom line; however every rand of costs saved is an additional rand returned to the bottom line. It doesn't take a genius to work out that the current market conditions are forcing companies to reduce their costs. But how does one protect the customer experience (as well as retain all your CRM capabilities) while the financial people are driving down costs to ensure the business survives? It's about knowing which costs to reduce and understanding how they impact the customer (Rance 2003).

Cost savings

Most managers have experienced the negative impacts of cost-saving failures, and are uncomfortable with wasting financial resources. The promise of operational efficiencies, on the other hand, is more tangible. Managers can actually be held accountable for cost savings (Rance, 2003).

According to Rance (2003), CRM is viewed across all marketing, sales and customer service functions, cost-saving opportunities can be represented in a broad range of metrics:

- Campaign expense reduction. When prospective targets are selected more effectively, campaign volumes decline, and expense-to-revenue ratios fall.
- Internal process improvements. The percentage of customer orders that can be handled automatically, shorter sales cycle time, less rework – all

these efficiencies go right to the bottom line.

- Service centre efficiencies. When the duration of a transaction or a problem resolution call is shorter, that translates directly into lower headcount requirements.

Strategists make use of the very specific areas where costs would disappear. They keep track of how problems are resolved in the call centres (Yi Wen Fan, 2009), how much time resolution takes, and how many people are involved. An increase in the number of problems resolved at a single point of customer contact signifies the right direction.

Therefore, despite being beneficial through customer retention and loyalty, CRM is also internally beneficial from the cost saving perspective. Offering targeted marketing and product customisation, CRM also becomes a critical tool for saving the organisation's marketing budget. Having the marketing budget reduced through CRM eventually leads to increased profitability.

Determining the effectiveness of a CRM software investment goes far beyond a rudimentary RoI estimate during a business case pitch (Law et al, 2009). Nailing results to a tangible impact is crucial in proving the ultimate value of CRM initiatives. Disappointments and failures tend to happen because companies do not align tangible CRM business benefits with business operational outcomes, expectations are not properly set from the outset, and much too often the CRM software initiative is scoped as a technology focused (Yi Wen Fan, 2009).

Wong (2010) identified six top tactics to move CRM forward. He states that these are important (beyond business alignment) to make an initiative meet or exceed expectations.

Reward adoption. No CRM application will perform unless staff and sales people actually use the system. Therefore, high adoption rates are essential to success. Once CRM is implemented and sales people are trained, a starting point can be with a simple declaration that staff will only be paid commission if their contacts and opportunities are in the CRM system (Hermans, 2009).

Revamp and refocus the metrics. Shift from efficiency-focused metrics to effectiveness metrics. Average handle time and other efficiency metrics cannot capture the organisation's ability to differentiate the brand, and in fact, 'success' in such areas can actually be huge detractors in customer satisfaction and thus, brand value (Kim, 2008). Companies need to map each customer touch point and determine what a successful interaction looks like from the customer's viewpoint and then develop the tools and processes to deliver an exceptional experience.

Create your own CRM communities. As brands begin to positively influence the customer experience through both traditional and emerging channels, customers will be open to company branded forums, or online communities, which can be used as another extension of the overall CRM approach, and done well, another boost for customer satisfaction and brand value (Beldona et al, 2006).

Break the silos. Gone is the era in which companies promote their external brands out of their marketing department while managing their CRM in separate portfolios. Today, a brand is made or broken across all customer contact channels, and most notably in social interactions, both online and via word of mouth (Iriana & Buttle, 2006). This transition is not new, but many organisations have been slow to adjust their market approach.

Mark mobile as a top priority. Mobile CRM is no longer a standalone function. Today, mobility is a necessity for employees, vendors, partners and customers to interact with the company and each other (Kim, 2008). A well-defined mobile CRM strategy can significantly improve employee productivity, increase customer satisfaction, enhance collaboration with partners and ultimately reduce the cost of operation and increase business revenues (Ahmad, 2012). For the connected organisation, mobile value-added services can be a key differentiation factor.

In order to improve CRM solution effectiveness, one must stop looking at it as an operational tactic and view it as a means of doing business in a whole new way, from the strategy development forward (Law et al, 2009). The days of looking at change management and value realisation as isolated initiatives are over.

From the analysis of CRM, it is important to treat different customers differently. And also recognise that CRM is a business approach that aims to build long-term, mutually-beneficial relationships with customers (Wong, 2010). Achieving CRM strategy is the process of identifying current state and capabilities, and then defining the path to achieve the CRM vision and goal.

While definitions and even objectives of CRM have remained relatively unchanged, CRM strategies have evolved significantly. In the early years of CRM, adopters tended to approach the strategy with an inside-out focus, a software technology-centric deployment and a future (static) state destination when the CRM would be complete (Wong, 2010). From an operations perspective, there was also often an overarching management command and control mindset, whereby CRM could be used as a tool to control the activities of customer-facing staff such as getting sales people to record their sales activities and opportunities or contact centre staff to follow a call script (Law et al, 2009). CRM was even used as a tool to control and direct customer behaviours such as when a customer should make a purchase or which channels a customer should use. Based on trials, tribulations and a significant CRM failure rate, CRM strategy has reflected back to original definitions and objectives to reconsider the methods to build mutually-beneficial customer relationships (Hamid, 2011). Based on experience and maturity, CRM adopters now focus on the customer rather than the technology, understand what the customer seeks to achieve and how as their supplier we can assist them better than our competition, and clearly recognise what the customer values from the relationship (Beldona et al, 2006).

In addition to business maturity, CRM software technology has evolved similarly (Chaudhuri et al, 2001). The customer's adoption of social channels and social technologies, portable (and even disposable) applications, and mobile accessibility show a clear customer-driven technology evolution that poses both a technology challenge and an improved engagement opportunity for suppliers. The constant state of change serves as a reminder that CRM strategies cannot be designed as future static states, but must be architected with change in mind and recognise that CRM is a journey (Law et al, 2009).

On that note, organisations have to continuously manage CRM in such a way that it becomes a continuous process. Improvement strategies such as technology based CRM are crucial for offering better value to the customer. Therefore hotels that are involved in CRM should not reluctantly stick to the traditional CRM but integrate it with the dynamism of technology.

Technological advances such as systems applications (SAP) are being integrated by many organisations and SAP has unveiled CRM aligned software. Therefore hotels can take advantage of such a highly customer enhancing software and integrate it with their CRM practices to improve customers satisfaction and profitability.

A six-step success programme to implement CRM is advised by (Wong, 2010). First, there must be a compelling need for change that is recognised throughout the organisation. Second, the CRM strategy must be customer-centric and designed with an outside-in customer perspective. Third, the CRM vision must be clearly articulated, not necessarily as a fixed point in time measurable objective, but with clear understanding of guiding principles, organisational priorities and objectives in achieving successful and growing customer relationships.

It is essential that staff understand and buy into the principals in order to accomplish the vision (Wong, 2010). Fourth, the organisation must assess and design its capabilities to deliver on the vision. These capabilities include the culture, people, business processes and enabling technology. Fifth, the company should develop a prioritised delivery plan in order to recognise dependencies and interrelated tasks as well as allocate resources and set the timing for which capabilities that contribute to the vision and objectives. Finally, the CRM strategy roadmap should start small, and be agile in order to support the inevitable learning and adjustments incurred (ibid.).

A supporting business case or benefits case can be helpful in prioritising the activities in a CRM strategy roadmap (Amoako et al, 2012). However, caution should be exercised that any supporting document not imply or suggest that a CRM project is designed as a support project. A CRM strategy must be tightly linked to the organisation's corporate strategy. A benefit case may further concretely reflect the benefits to all participants in the value chain, including the company, the staff and the customer. The business case can identify and quantify the benefits, whether seeking

to do more business with existing customers for longer periods of time or reducing costs through operational efficiencies (Hermans, 2009). When the business benefits are measured and compared to the costs involved, the organisation is left with the amount of investment that makes business sense and can further prioritise objectives for maximum payback.

Implementing a CRM strategy generally incurs a cultural change within the business, and such change may be the most significant obstacle to success (Hamid, 2011). For example, disruptive technologies such as social media and big data represent big challenges to countless numbers of companies who severely struggle with these technologies, not because they don't understand the technologies but because the technologies challenge their existing cultures and business models such as their departmental silos, speed of response and their command and control mindset of wanting to control the messaging or communications that occur in social channels.

While recognising CRM software is an important enabler of CRM strategy, it's quite unfortunate that the term "CRM" has become synonymous with CRM software. Experience has shown that most companies procure far more technology than they need or can use (Chaudhuri et al, 2001).

Disruptive technologies such as Software as a Service (SaaS), cloud or social media and social CRM clearly bring innovation and opportunity but are not a panacea and may actually bring increased risk to CRM strategies. In fact, notwithstanding its value, cloud CRM can exacerbate historical CRM problems (Law et al, 2009). For example, the ease of purchase of cloud CRM systems can facilitate putting technology ahead of strategy and result in rogue or departmental purchases by line of business managers that then contribute to further data and operational silos, and in effect splinter or fracture the ability of a CRM strategy to support a corporate strategy.

2.5.3 Five primary stages of CRM in the hotel industry

For CRM to be effective within the hotel industry, Zeithaml, Rust and Lemon (2001) state that a series of stages must be pursued. These stages are:

- Customer portfolio analysis
- Customer intimacy
- Value proposition development
- Managing lifecycle
- Evaluation and control

Below is a detailed discussion of these 5 stages.

Customer portfolio analysis

Hotels are beginning to understand customers have different relationship values and that it is not viable for them to meet or exceed each customer's requirement and expectations even though they would like to give 'unforgettable' experiences and services to all customers (Zeithaml, et al 2001). Each customer has different contribution potential to the hotel, some have greater potential while others have less. Customer portfolio analysis asked the question: "Who are the hotel's strategic customers?"

Without the appropriate customer data, hotels cannot segment the customers to understand the projected contribution from individual segment. All hotels, in one way or another, collect customer data at the reservation counter during customer enquiries, at the front desk when guests check in and out, and even during the stay when they request services or eat in any of the hotel's food and beverage outlets.

Customer intimacy

Most hotels have customer data and use this data in one way or another like geo-demographically, complaint, service recovery and preference data to service the guests when they stay at the hotel or when they make reservations. It is critical for the hotel to be efficient in acquiring, storing and distributing the data to different departments or sister hotels to use. Research has shown that communication with the customer is an important element to improve customer intimacy (Lo et al, 2010). Customer intimacy refers to an idea where having the intimate information on

individual customers helps to promote customer loyalty and develop a personalised experience that satisfy the individual customer's needs (Zeithaml, Bitner and Gremler, 2009). The challenge for most hotel at customer intimacy stage is to use the data to analyse all the question marks about customer service (who, what, how and when to serve) so as to delight the customer (Buttle, 2009). If a hotel can perform data mining intelligently, the hotel will be in a better competitive landscape than the rest. This also allows a more detailed customer portfolio analysis to be carried out by the hotel (Buttle, 2009).

Chaudhuri et al, (2001) emphasises the importance of data mining. The authors state that data mining is becoming an increasingly important tool to transform this data into information. It is commonly used in a wide range of profiling practices, such as marketing, surveillance, fraud detection and scientific discovery.

Value proposition development

Here the hotel understands which customers to serve and begin to build a profile that will result in choice of the customers to serve ensuring that they meet or exceed their expectations in order to satisfy and retain customers will survive better than those who cannot. Amoako et al, (2012) found that customer satisfaction and repeat purchase is highly correlated with employee's service quality level, quality of rooms and customer value being the most important factor to succeed. In this respect, customised services and communications, guarantees of services and service recovery programmes are all important and critical value-added CRM practices (Lo et al, 2010). Customisation of services and communication requires the hotel to provide certain levels of adaptation and tailoring to meet individual customer's requirements.

Service guarantees are often used to complement service recovery, serving as an efficient tool to complement the service recovery strategies (Rutherford et al, 2009). Hotels need to ask the following questions before making service guarantees (Rutherford et al., 2009): What is the expected quality standard? Is the guarantee's cost sustainable for the hotel? Is customer risk high? What is the competitor doing, also offering a guarantee? Is this guarantee not in line with the hotel's culture?

From the findings of the above scholars, CRM is important for understanding

customer value in relation to what competitors offer. Thus trying to retain the customer is not only providing the best service that works best. The business has to closely find out what competitors are offering and give a better offer to the customer hence improving the relationship.

Customer complaints are found to create opportunity for information gathering, which is useful for modifying product to suit the customer, improving services to delight the customer and to design measures to prevent similar occurrences (Hamid, 2011). Most hotels agree service recovery is a critical task in the CRM value chain, have formal procedures to handle service recovery and require their employees to respond to customer log-in complaints within 24 hours (Lo et al, 2010). Many hotels also agree that giving employees the opportunity to handle customer complaints is a way of empowering and motivating them.

Lo et al (2010) states that different hotels have different rates they use as a way to distinguish themselves. Medium-priced hotels distinguish themselves as the ones offering reasonably lower price emphasising value for money. Those with high rates are more on the side of premium pricing, boasting quality and personalised services they associate with the high price. Some hotels give their employees time to interact with guests in the lounge, marketing managers are also given time to interact separately with guests and here their concerns.

Managing lifecycle

There are various ways to explain customer lifecycle but generally they all attempt to do the same thing, which is to try and describe the growth of the relationship with a customer over time. There are three major activities in managing the customer lifecycle: acquiring new customers, retaining existing customers and developing customer value (Iriana et al, 2006). Buttle (2009) suggested organisations adopt a trio marketing plan (customer acquisition, retention and development plan) to manage customer relationships. With available data mining technology, information is available to assist in acquiring new customers and for cross-selling to promote new products and services. In designing a customer acquisition plan one must know which prospective new customers to target, how to approach these potential new customers, and what offer to present to these new customers (Buttle, 2009).

Some important issues to be considered when putting the customer retention plan together are which customers are to be retained, what strategies are used to retain these customers and how to measure the success of the customer retention performance. Strategies which organisation use can be either negative or positive retention methods (Buttle, 2009). In negative retention, customers are imposed with a switching cost if they choose to deviate.

For positive retention, loyalty programmes and customer clubs can be used. Frequent customer programmes are general marketing strategies used to acquire and retain customers. Most of the hotels researched have some kind of programmes to acknowledge and compensate their frequent guests (Lo et al., 2010). Developing customer loyalty rather than only encouraging repeat patronage must be the goals for some of these loyalty programme (Sigala, 2005). Some of these programmes do however meet the objectives of improving customer loyalty to the hotel, but they are costly to implement (Agrawal, 2003).

Evaluation and control

Lo et al's (2010) study found evaluation and control is perceived as a critical activity in this CRM value chain. Tracking the performance of the different departments in a hotel and monitoring customer evaluation of their services experiences are two important steps in evaluation and control. Most of the hotels have customer survey forms distributed to the guests when they check out or after a meal at the restaurant. Some hotels give incentives to encourage participation from customers and they use these survey forms to continuously improve their services to the customers.

2.6 CRM in practice

Many hotels that are involved in CRM have a clear and logically laid-out strategy they pursue in implementing their CRM (Hermans 2009). From these findings, it is therefore important in this study to include the findings from other authors on how various organisations undertake CRM in reality than theoretically on paper. Considering the value and importance of CRM in the business, it is a high stake strategy that needs to be planned carefully and holistically. There must be an

orchestration of a series of inputs and processes that must come right (Yi Wen Fan 2011).

CRM needs to be customised from a business point of view. Thus, CRM then varies from one type of business to the other and also from one segment to another (Agrawal 2003). For example, in the hotel industry, during off-peak periods, it is reasonable to embark on a strategy in which sales are made at any reasonably lower price due to the perishability nature of the product. The strategy may be to promote loyalty through discounting and embarking on massive promotion in order to generate high sales with less profitability. This strategy may not be applicable within the manufacturing industry, where high overheads are experienced because profitability will be compromised and losses might result.

For CRM to be effective, different sets of data are required (Agrawal 2003). For example in the service industry such as a hotel, a key performance indicator (KPI) such as the most profitable customers is required. The customers with the highest lifetime value are very important. Such customers are kept on the loop and aggressive CRM strategies are targeted towards that specific segment.

2.6.1 Strategic elements of CRM in the hotel industry

Experience and research identifies five crucial elements required for a successful CRM initiative in any service organisation (Sigala, 2005). For some companies, additional elements may become equally crucial, but the strategic concepts are seen as universal:

Guest recognition

Sigala (2005) found that the term recognition is very broad, meaning lot of things. A smiling face, recalling a preferred room type or a welcome back greeting is all common recognition experiences in the hotel industry. These are all typical recognition interactions between a repeat visitor to a given hotel and a front of house employee endowed with a hospitality work ethic.

When recognising a customer of the brand more so than the hotel, the challenges expand, but so do the opportunities. Many of the multi-brand companies succeed in

this area by training reception staff to acknowledge the guest's participation in the multi-brand frequency programme (Kim, 2008). In order to have a positive impact on service delivery, there must be a way of recognising the guests. An essential concept in discussing guest recognition is that of understanding their preferences. That is not only acknowledging that the guest has a prior relationship with the enterprise, but there is also something that can be done for the guest based on that knowledge (Mohammed, 2012).

Some establishments send lifestyle data capture forms out to previous guest history records in the lodging property management touch systems. Each week the management team reviews the profiles of returning guests prior to arrival and take action accordingly.

Data capture and maintenance

Information to be presented to a guest service agent is captured and scrubbed (Law et al, 2009). That information will also be maintained on an ongoing basis. It is very important to ensure that all the vehicles for data input are available. Personnel should be able to capture all the necessary information about the guest's expressed feelings.

Technological advancement

Channel integration and consistency have made consumers prefer to conduct most of their business over the internet (Hamid, 2011). Where hotels offer online booking facilities, most guests make use of such facilities. However there are also some guests who believe in talking to a person for reservations to ensure that their bookings are done. It is very important to ensure that guests, those who make online bookings and those who call the hotel, both receive equal treatment and recognition. The organisation must strive for consistence in guest recognition.

Ranking and discrimination

In all organisations, there are always some customers who are worth more to the organisation than others (Agrawal, 2003). The organisation needs to concentrate most of its resources on its most valuable customers and less resources on the least

valuable customers. Since the hospitality industry traditionally believes in valuing every guest and deliver outstanding service to all of them, this strategy is the most difficult for CRM, but it is essential.

There are other customers who are toxic to an organisation and obviously their repeat business is always unwelcome (Gandolfo et al, 2010). In every hotel and casino there is always a list of blacklisted guests and that is backed by an organisation's policy. As much as the organisation would like to maintain all customers to maximise its revenue, the organisation maybe better off without some. An example is all customers on the written-off bad-debt list.

Two-way personalised dialogues

This strategy pursues a personalised communication with individual customers, the content will be specifically about the customer's interests and preferences (Mohammed, 2012). The organisation saves on mass marketing by targeting customers individually. Most of the communications undertaken include tangible and specific call to action encouraging the customer to get involved in the communication hence establishing a two-way dialogue. This is important for reinforcing the connection between the organisation and the customer, and providing an opportunity for sales growth.

2.7 CRM and performance

The influence of CRM on organisational performance is a prominent subject in most experimental studies, which indicate a positive correlation between CRM practices and the customer (Alipour 2011). Providing high-quality service and improving customer satisfaction are the widely recognised fundamental factors of improving performance of organisations (Gandolfo et al, 2010).

2.7.1 Four parameters to measure CRM success

CRM's ability to impact corporate strategy:

Without a corporate strategy, giving emphasis to a customer-centric approach, no CRM initiative can be made fully successful. Most organisations have blended their various marketing strategies with CRM, thereby making CRM the cornerstone of their marketing (Ahmad, 2012). CRM has added high value to company recognition and image improvement through blending with other marketing strategies.

A highly customer-focused organisation concentrates on high customer satisfaction. All the various strategies that are essential for customer satisfaction, retention and loyalty are implemented. Such strategies will be incomplete without the inclusion of CRM. Thus, an organisation that is practising CRM in the right way will be seen by entirely a CRM adoptive strategy.

Successful technology integration:

The technology that has been used across different departments of an enterprise should be integrated to give a comprehensive and successful CRM application (Milovic, 2012). Though CRM can occur without integration of technology, it is high technological integration that has contributed to the growth of CRM and creating global impact.

From a performance perspective, an organisation that values CRM will invest a lot in various CRM enabling computer technologies. Such organisations spend a lot just to be able to continuously communicate with the customer to forge a long-term relationship. The net worth returns are tangible to such businesses.

Enhanced strategic partnerships:

For good CRM implementation, there should be a co-ordinated effort among the different partners in the enterprise. Du Plessis et al, (2008) states that nowadays the entire organisation is customer-centred. All the various functions of the organisations concentrate on inventing new ways of satisfying the customer. CRM has grown to forge a common relationship and partnership among the various functions of the organisation, with a common goal of having a loyal customer.

CRM-practising organisations tend to be highly customer-centric to such an extent that all the various organisational functions will be more focused on how best to satisfy the customer. Whether they are frontline or back-room functions, one common goal of maximising customer satisfaction will be shared, leading to market growth, sales growth and above all, profitability (Agrawal, 2003).

Assimilation of CRM-related technologies:

Those who are responsible for the CRM activities should be thoroughly conversant with the technological aspects of that particular technique. Otherwise, misuse or under-utilisation of these technologies may result in partial or full failure of those activities. Organisations are unveiling vast budgets for either developing, upgrading or maintaining their information technology (IT) systems. CRM has its footstool in technology, creating assimilation of technologies.

2.7.2 Framework for implementing and evaluating CRM

Several researchers conducted studies on how CRM can be implemented and evaluated across different industries. Among them are Lo et al (2010) in the hotel industry, Chahal (2010) in the retail industry and Sidney (2003) in financial services. Despite tangible evidence they gathered on how to implement and evaluate CRM practices, to this date there is no agreed single framework for evaluating CRM performance.

Four frameworks have been identified:

- Payne and Frow (2005) Five Generic Interrelated Process Steps
- Sigala (2005) An Integrated Managerial Approach
- Buttle (2009) CRM Value Chain
- Iriana and Buttle (2006) Strategic, Operational and Analytical CRM

2.7.2.1 Generic interrelated steps

Payne and Frow (2005) uses interaction research and a combination of literature review and field communication with executives to arrive at a strategic multifunctional process-oriented CRM framework consisting of five generic processes including strategy development process; value creation process; multichannel integration process; information management process and performance assessment process.

The process begins by developing business and customer strategy (strategy development) and is concluded with performance monitoring through qualitative and quantitative measurement and key performance indicator. Data is collected through these four processes.

Below is a diagrammatical illustration of the generic interrelated process.

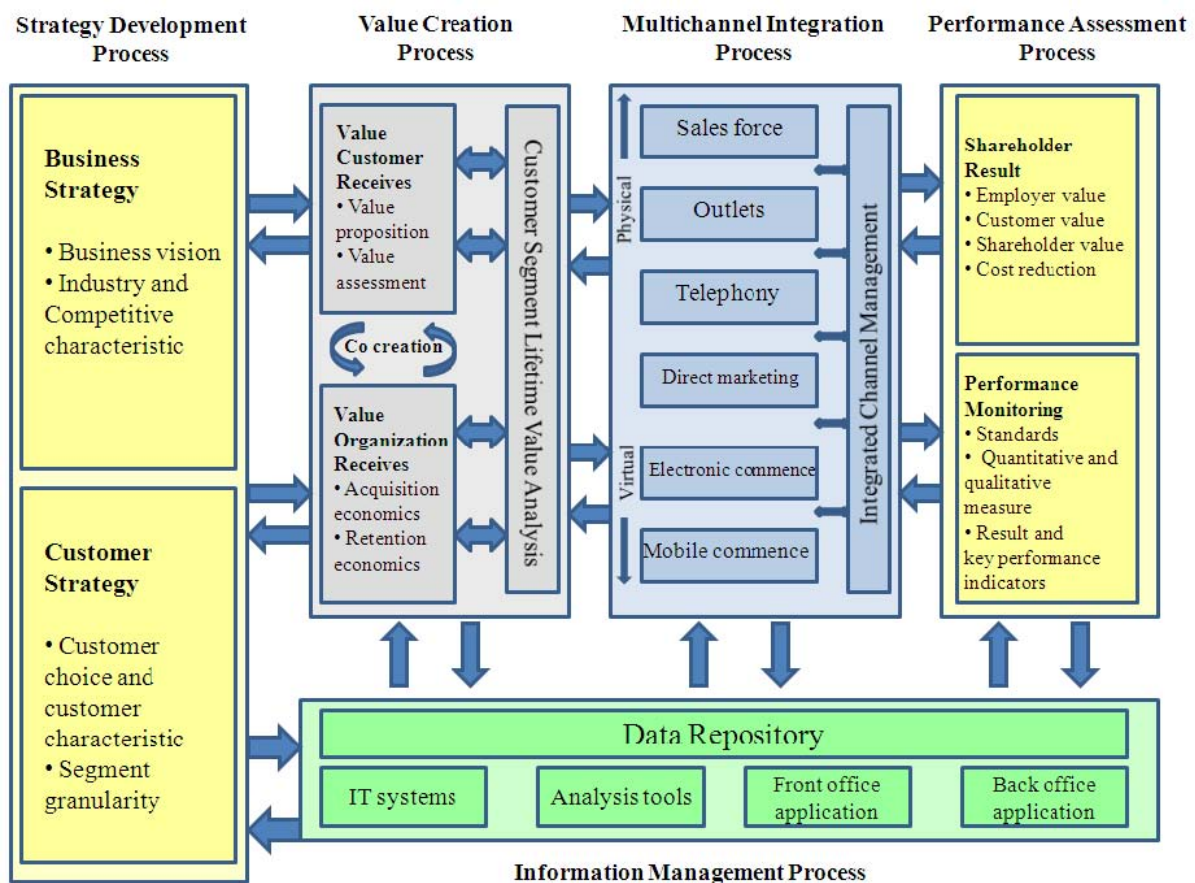


Fig 2.1 Generic Interrelated process steps: Payne & Frow (2005).

2.7.2.2 Strategic, operational or analytical CRM

Another perception of a CRM framework is the formulation of an idea that supports a multidimensional view of strategic, operational and analytical CRM. A 13-item survey questionnaire was developed to understand an organisation's orientation towards a strategic, operational or analytical form of CRM (Iriana et al, 2006). Strategic CRM covers the strategic development and value creation process answering questions related to business visions, customer choice, value proposition and assessment. Operational CRM is related to a multichannel integration process focusing on the communication channels between customer and organisation. Analytical CRM encompassed the process of managing information focusing on collecting and using customer data.

Below is an illustration of the strategic, operational or analytical CRM

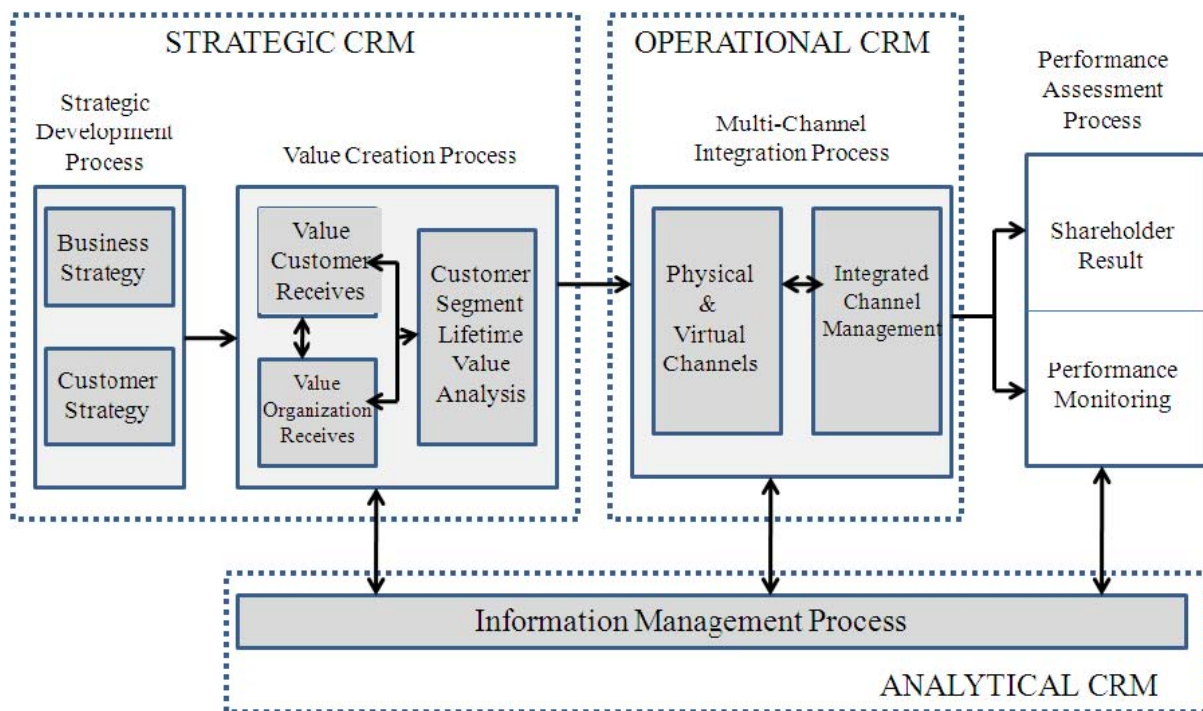


Fig 2.2 Strategic, operational or analytical CRM: Adapted from, Iriana &Buttle (2006),

2.7.2.3 CRM value chain

Buttle (2009) CRM value chain uses the Porter (1985) competitive value chain system as a guide. Buttle's CRM value chain includes five primary stages and four supporting conditions to aid the organisation create customer value and organisation profitability. The primary stages are customer portfolio analysis, customer intimacy,

network development, value proposition development and manage the relationship. The supporting conditions consist of culture and leadership, procurement processes, human resource management process, IT data management process and organisational design.

The following diagram illustrates Buttle’s CRM value chain in detail.

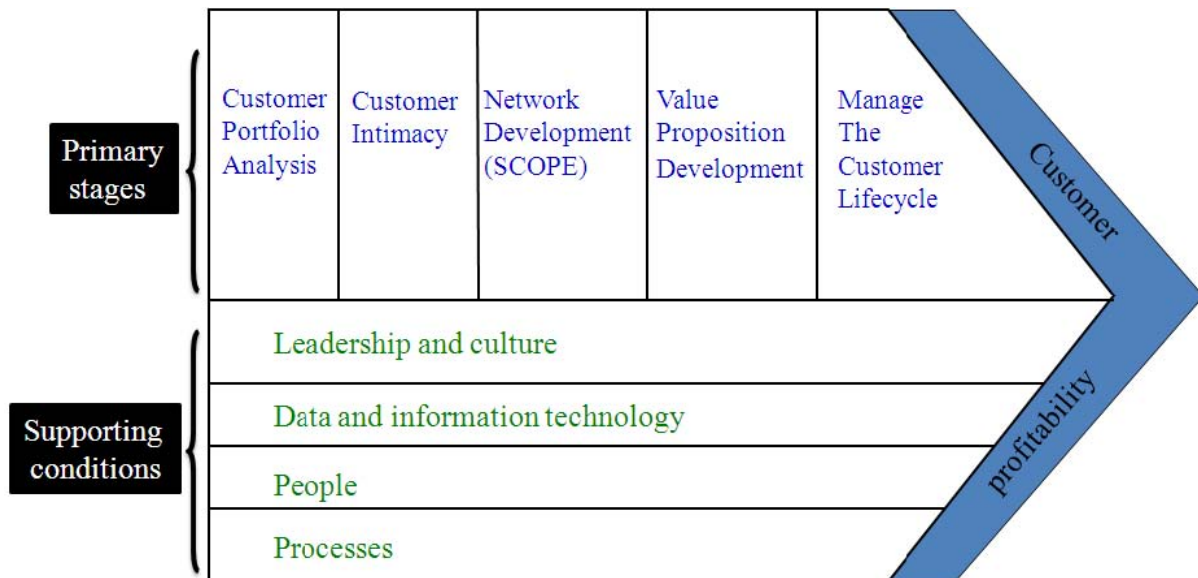


Fig 2.3 Buttle’s CRM value Chain: Buttle (2009).

2.7.2.4 An integrated managerial approach

Sigala (2005) noted CRM has exaggerated the role of information and communication technologies (ICT) in the hospitality industry, but that it is now globally acknowledged for CRM to be successful, organisations will need to align the functions of ICT with operational activities. Successful CRM implementation is possible through an integrated managerial approach of combining ICT, internal and external relationships and knowledge management (Sigala 2005).

In ICT management, data warehouse and data mining helps to gather, store, retrieve, access, and disseminate customer data and information. The role and aim of external marketing is to provide individualised services at every customer touch points with the help of various communication strategies or any guest loyalty programme (Law et al, 2009). To support the role of external marketing, the

organisation creates a motivated and customer-centric culture among the employees. This can be achieved through implementing new job descriptions, training employees to be part-time marketers, changes to the organisational cultures and structures to support this new paradigm where guest interactions demanded substantial skills from employees.

Below is the diagram of the Integrated Managerial Approach.

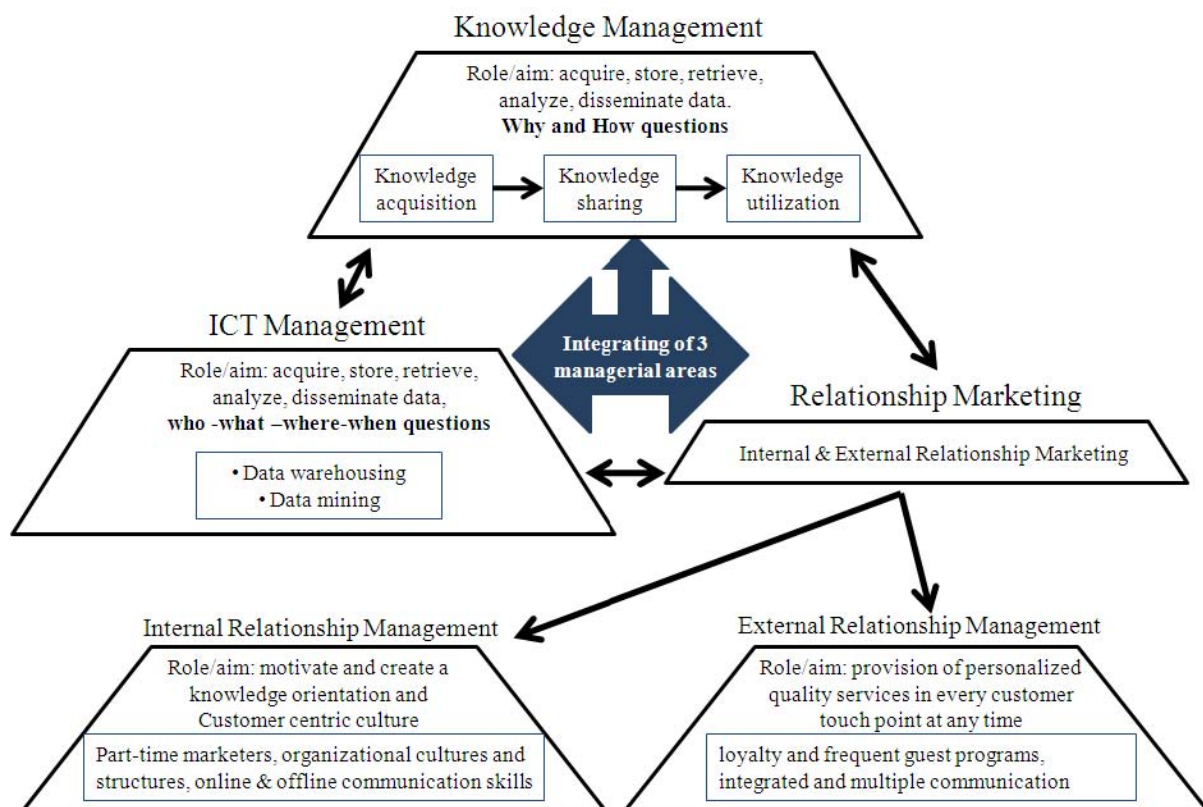


Fig 2.4 Integrated managerial approach: Sigala (2005).

Knowledge management is not simply information, but knowledge is produced when information is examined carefully and methodically to arrive at some useful and strategic actions. Knowledge management involves three fundamental steps running in parallel: knowledge acquisition, knowledge sharing and knowledge utilisation (Sigala, 2005). For knowledge management to be successful in the hospitality industry, the hotel must display a behaviour that reflects customer interaction as a

learning experience culture and also create opportunities to accumulate new information regarding the guest (Hamid, 2011).

2.7.3 The nature of CRM performance metrics

From a strategic perspective, Yi Wen Fan (2011) described the CRM performance areas, which typically include customer service, frequency/loyalty programmes, customisation based on guest profiles, rewards programmes and community building. Sigala, (2005) established that the hotel industry currently uses six value-adding or value-recovery strategies to influence loyalty: financial, saving money on future transactions; temporal, saving time (e.g. by priority check-in); functional (e.g. check cashing, website available); experiential (for example upgrades or turndown services); emotional (e.g. customer recognition or more pleasurable service experience); and social (e.g. interpersonal link with the hotel). Mason, (2006) validates the financial and emotional rewards and possible experiential features, but the impact of other strategies appears to be absent or minimal.

Kim, (2008), explains that conversations open the door to presenting the hotel's facilities in a context that is meaningful to the individual guest. Traditionally, CRM efforts are planned along the guest life cycle. Beldona et al, (2006) differentiate the performance focus for different guest segments also in terms of relationship inclination and type of loyalty. From a guest perspective, the critical relational attributes in the face-to-face service encounters that were most influential in forming of a service relationship from the business traveller's perspective are personalisation, social bonding, reliability and familiarisation.

According to Mohammed (2012), the core variables of modern marketing from a customer perspective is relationships, networks and interactions, which cause the design of a framework to be complex because of the difficulty to measure their performance and value. Some scholars argue that early CRM efforts made contacts efficient but killed involvement; new CRM efforts should develop processes, procedures and systems that re-establish local community tenets in a global and virtual setting. Insider knowledge is often tacit and reciprocity drives communication and collaboration in such communities. A sense of togetherness needs to be established.

The context surrounding the visit and the guest indeed become more important than the mere needs and preferences proclaimed by the guest. Communications and deals should be simple. The key question no longer is 'do we have the technology' but 'do we have the competency'? How do we get this down-to-earth dialogue started and going? Hermans and Melissen (2008) established that a relationship entails a meaningful dialogue, which actually is not only a tool but a part of the guests' basic need profile, no longer a privilege in return of proven loyalty or a next phase after fulfilling basic service needs.

Eventually, different returns of CRM and CRM maturity can be observed, pursued and measured, as there is guest satisfaction (Gandolfo et al, 2010) and staff satisfaction through need responsiveness and customisation, process efficiencies, improved sales through customer insight based segmentation (Kim, 2008) successful communication, image building and ultimately increased retention rates and share of wallet. These returns cumulate to ever stronger levels of loyalty in the customer base (Hermans, 2009). Customer loyalty is a complex construct but is usually simply defined and measured as the intention to repeatedly purchase a product or service (Lo et al, 2010).

In view of CRM's tempting value promise, many organisations have tried to carry through the necessary changes in perspective and competencies in the fourth layer of the balanced score card: learning and innovation. Few have succeeded. As Baran (2008) states, "the best CRM system as well as the first CRM success metric is a working programme." Strategically, in terms of sponsorship and the company's organisation, successful CRM implementation does not only need the full commitment and support of an organisation's board and senior management, but also a culture that lives the philosophy (Haley, 2003).

CRMGuru.com, on why CRM isn't working, blames the company's internal focus, the functional organisation design promoting functional strategies, customer information being mainly functional and transactional, and finally the perception of CRM as an IT solution and the IT department's responsibility. Customer-centricity or, as it is also often referred to, customer inclusivity, challenges structured organisation models based on the principle of specialisation of labour introduced in the mid 1800's by Adam Smith. The author mentions that "the line of chaos" must be crossed when

organisations are half-way in moving from a resource efficiency to a customer sensitivity focus, a moment that capabilities from one part of the business cannot be supported by or are in direct conflict with those of another.

Again, a clear set of critical performance metrics to measure and reward behaviours resulting in increased customer loyalty and value are identified as prerequisites of CRM success. Finnegan & Willcocks (2007) proclaim that implementing CRM requires either intense change management or acceptance of drift, since mechanisms at micro level are partly controllable and outcomes of dialogues are not entirely predictable. All of these authors reveal micro political, behavioural, psychological subcultures and knowledge issues in CRM and system integration, factors that are neglected too often.

Peelen, in his book *Customer Relationship Management* (2004), also acknowledges the importance of self-evaluation of current CRM performance by management and staff prior to engaging into a CRM track. From a functional perspective, Bell, (2002) discusses seven barriers to optimising guest lifetime value: data collection, lack of accounting instruments to value customers as assets, modelling future revenues, accounting for competitive reaction, the conversion to operations organised around customers, unwillingness by clients to share sensitive profile information in consolidating environments, and CRM perceived as an efficiency tool (e.g. reducing headcount or controlling staff performance), not as a service tool. Piccoli (2003) reveals a data ownership dilemma between owners, managers and brands while building, sharing and using customer information.

From a technical perspective, Law et al (2009) emphasise the importance of integrated IT. Chaudhuri et al, (2001) address critical cross-functional issues in CRM, primarily between IT and marketing. Sigala, (2003) reveals that CRM implementations require IT but also structure, culture and process supported acquisition, sharing and utilisation of knowledge, and internal and external relationship marketing.

As for the implementation track itself, O'Reilly (2004) describes and illustrates key prerequisites for CRM success with references to literature. Chaudhuri, (2001)

extensively document the common roadblocks and causes of failure to achieve CRM benefits from both a stakeholder, programme planning and change management perspectives.

Hotel performance can be assessed in many different ways. These may include market growth, financial performance (e.g. ROI), customer satisfaction, customer retention, sales growth. Mahommed (2012) suggested the use of a balanced scorecard (BSC), as a useful and effective tool to evaluate overall in-depth performance of a hotel. The BSC has become more appropriate because dwelling only on financial figures does not provide a true or accurate impact of CRM, and therefore the need for total performance perspective to be employed in evaluating CRM results. (ibid.)

2.8 Conclusion

The surveyed literature in this study creates a platform on which the research was based. Several researchers have conducted research on CRM. However with evidence of all the CRM related tangible evidence, there is still no agreement on what exactly CRM is. Most organisations are practising CRM and are indeed reaping a lot from the various CRM strategies that they are practising. They know what they are doing but they cannot clearly define what they are practising (CRM).

To some CRM is use of technology to communicate and to some it is about creating marketing activities using customer information from the database. Despite these two different views, CRM constitute two main things, customer relationships and information technology. In relation to Payne and Frow (2005), CRM is definition covers putting in practice a technological solution and applying a holistic approach to customer relationship management to create value for the customer.

With vast research evidence available, it can be inarguably concluded that CRM is practised in various organisations such as manufacturing, financial services, medical services, retailing and hotels. However, there is no consensus regarding a common framework for the implementation, evaluation and appraisal on the effectiveness of the performance of CRM practices. For this study, the author takes a common ground to agree that CRM includes customer relations and information technology.

Generally, organisations in the modern day have to implement various CRM strategies in order to survive. An organisation that does not embark on CRM strategies may risk slow growth, lack of customer loyalty characterised by continuous defection woes. CRM have grown to be a common requirement hence being practised by many organisations in different industries and sectors. Many researchers have also shown interest in adding more insight on CRM because of the impact that it has created in the 21st century business world. The service industry which is highly sensitive to customer service is one industry that is highly capitalising from CRM. Guest or customers in the service industry are kept in the loop by the nature of the service that they receive from the organisation.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the methodology of the study followed to determine the effectiveness of CRM in the hotels in Pretoria. The layout of the chapter comprises research design, data collection procedures, discussion of the data collection instrument and the population on which the research is based on.

3.2 Research design

There are two research approaches – qualitative and quantitative. Quantitative, also termed empirical research answers questions about the relationship between dependent and independent variables, with the purpose of explaining, predicting and controlling the dependent variable, Watkins (2008). Quantitative or empirical research is used to collect and analyse numerical data and applying statistical tests (Bak, 2004). Qualitative approach is used to address the research question and design a study that involves collecting data and analysing data using interpretative methods (Coopers and Schindler, 2008).

In this research, the researcher has adopted a mixed research approach. Mixed research is research that combines both qualitative and quantitative research (Biggam, 2008). Qualitative research was used to describe and explain the relationship between CRM and performance with reference to customer loyalty, profitability and return on investment. Quantitative research was done to measure the extent to which CRM can lead to market growth, increase in profitability, return on investment, and increase in market share and customer loyalty. The mixed research was used because it is essential for the various types of information sought, thus it allows full description of the relationship while at the same time allowing measurability on aspects such as market growth, market share, RoI and profitability.

Questionnaires were used to collect data for the study. In the next sections, the development and structure of the instrument, sampling and techniques utilised for data collection and analysis will be explored.

3.3 Data collection instrument

Bak, (2004) define a questionnaire as a list of questions to be asked by the researcher, prepared in such a way that the questions are asked in the same way to every respondent. Thus from the authors, there has to be a list of questions and in practice, a questionnaire may consist of structured and unstructured questions. This way the questionnaire will be structured according to the type of data being sought and targeted respondents among other factors. Structured questionnaire comprises of closed questions based on the characteristics of the specific respondent in question. Unstructured questionnaires in contrast, have open questions that want more of the respondent's own views.

3.3.1 Questionnaire design

For the purpose of this study, a structured questionnaire was developed. The questionnaire has three different sections that serve to collect different types of information. The sections are divided into demographics, levels of CRM and CRM performance levels. These are discussed in detail in the following sections.

3.3.1.1 Section A - Demographics

This section collects general information from respondents about the types of hotels the number of years the particular hotel has been in operation. The section serves to collect the background information that is not directly linked to the area of research but rather paves the way for the research. Star grading is included to ascertain the level at which the hotel operates. Some of the other aspects sought in the seven questions in this section are the type of clientele served by the hotel, major products and services and the standard room rate range.

3.3.1.2 Section B - Levels of CRM

This section seeks to find the level at which CRM is practised in a particular hotel. The types of questions in this section are designed in such a way that they can be used to determine the intensity at which CRM is practised within the hotel. There are twenty-three questions in this section. The information sought is mainly to tell whether the hotel does practise CRM and if so, to what levels. Some of the questions included seek to find whether the hotel maintains a customer database,

how valuable two way communication is in a specific hotel and the level of the relationship between CRM and sales level. A Likert scale was used ranging from 'strongly disagree' to 'strongly agree'.

3.3.1.3 Section C- CRM performance

The extent to which CRM adds value to a hotel is the crucial factor that this section is devoted to. Customer loyalty, profitability, return on investment, changes in market share, growth and sales increase are the variables used to measure performance of the hotels that practice CRM. Therefore the questions in this section are structured in a way that they ask for responses related to the performance of the hotel which should be seen in the changes of the above stated variables. The main questions are whether there was an increase in customer loyalty, RoI and profitability as a result of CRM. Likert scales ranging from 'strongly disagree' to 'strongly agree' was used.

3.3.2. Approval of the questionnaire

The information and consent letter to respondents together with the questionnaire of this research study were reviewed by the panel of the supervisor who was appointed to oversee my research. By his high level of academic and research knowledge and also virtue of authority vested in him by the institution, he found the questionnaire fit for research after effecting all the necessary corrections. Subsequent to the approval, the researcher distributed the questionnaires using the techniques discussed.

3.3.3 Measurement scales

Responses were measured on a 5-point Likert scale from 1 to 5, where 1 resembles high negativity and 5 the highest positivity. Favourable and unfavourable responses were scored numerically to reflect the degree of CRM in a particular hotel. According to Coopers and Schindler (2006), the Likert scale is the most frequently used variation of summated rating scales because it offers the following advantages:

- It is easy and quick to construct
- It shows the strength of the person's feelings to whatever is in the question
- Responses are easy to analyse

- Very reliable
- Provides a greater volume than many other scales

3.4 Population and sampling analysis

A population is a collection of objects, events or individuals having some common characteristics that the researcher is interested in studying (Roscoe as cited by Mouton, 1998; Collis & Hussey, (2000). The population of this study is the 106 hotels in Pretoria. All the hotels form part of this study. The unit of analysis is the variable or phenomena under study which the research will be conducted from and on which data is collected and analysed (Collis & Hussey 2003). In this study the unit of analysis is an individual hotel in Pretoria.

The target population is a total of 106 hotels in Pretoria which are graded as follows:

Hotel star grading	Number of hotels
1 star	2 hotels
2 star	6 hotels
3 star	45 hotels
4 star	45 hotels
5 star	8 hotels
Total number of hotels	106 hotels

Table 3.1 Breakdown of Hotels in Pretoria: (Source: *www.hotelcombined.com* 2012)

In this study, all the hotels in Pretoria are going to be included, thus providing 100% targeted respondents. According to Collis and Hussey (2009) and Vermeulen (1998), it is logical to involve the entire population in a research study if the target population is small.

The entire population is going to be included in the research. One respondent will be chosen from every hotel included in the study. The total number of units of analysis will be 106 respondents. The units of analysis will be drawn from the hotels. This will comprise representatives from the hotel management side, preferably those who interact with hotel guests because they are the ones who handle guest information

on a continuous basis and able to determine the level of guest satisfaction in relation to CRM.

Table 3.2 provides a guide for determining the minimum sample size that can be used in a study.

Population	Percentage suggested	Number of respondents
20	100%	20
30	80%	24
50	64%	32
100	45%	45
200	32%	64
500	20%	100
1000	14%	140
10 000	4.5%	450
100 000	2%	2000
200 000	1%	2000

Table 3.2: Determining the sample size: *Source: Vermeulen, (1998:56).*

This table shows that for a population of between 100 and 150, (which is the case in this research study) the minimum sample should be 40%. This study will therefore ensure that the minimum sample figures are complied with.

3.5 Data collection methods

A review of literature study was done to gain insight on data collection techniques. A questionnaire that was developed was distributed to all the 106 hotels in Pretoria. The researcher identified the target respondents and distributed the questionnaire by email and physical distribution (office intercept technique).

The research instrument was piloted before beginning of the full research. Eight questionnaires were distributed to ascertain clarity in the type of language used to ensure that the respondents understand the expectations of the researcher. Thereafter, amendments were made and the research was conducted.

Using the office intercept technique required to move from one hotel to another to request targeted respondents to complete the questionnaire. The advantages of the technique includes: it ensured co-operation from colleagues due to the fact that it was face to face, enabling the researcher to explain to the respondents and allowing respondents to see the researchers' sincerity and honesty. The technique was however less time-consuming and less cost-effective. Another advantage of the method is that it necessitated quick collection of data since the researcher would drop the questionnaires and return to pick up within a day or two, thereby making the total data collection period shorter. Respondents were requested to keep the questionnaires safe until the given date on which the researcher came by to collect them.

On emailing, the researcher compiled a list of telephone numbers of the hotels in Pretoria from various sources such as internet, billboards and the phone book. Calls were made to the hotels in which the researcher introduced himself, explain the study and then ask for email addresses from hotel staff in marketing or direct contact with the guests. Questionnaires were then e-mailed to the selected respondents who were requested to send back within at least five days. Where no responses were received after five days follow-up emails were sent. In situations where there was no response, follow-up phone calls were made. The advantage of this method was that it ensured co-operation from hotel personnel because the researcher explained the reason for conducting the research before e-mailing the questionnaires to ensure co-operation.

3.6 Data analysis and interpretation

Welman et al, (2010) states that once a decision is made on research design and a suitable means of measuring the relevant variables ascertained, the next step will be choosing an appropriate statistical procedure to analyse the data obtained. Data analysis is the process of measuring the findings through reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying techniques. Therefore the analysis of data for this study involves capturing and coding, descriptive and inferential statistics, and factor analysis. Each of these steps is elaborated in the next sub-sections

3.6.1 Capturing and coding

First, data was captured in an Excel spreadsheet using pre-assigned codes. These codes were checked for mistakes; the necessary corrections were done. Thereafter the data was edited, cleaned and coded prior to statistical analysis.

3.6.2 Descriptive and inferential statistics

The following descriptive statistics were addressed:

- Descriptive percentage statistics
- Central tendency statistics, that is, mean, variance, standard deviation

The following inferential statistics were performed:

- Correlation
- Regression

3.6.3 Factor analysis

According to Welman et al, (2010), the main purpose of factor analysis is to simplify in order, a large number of inter-correlated measures to a few representative constructs or factors. The success variables were measured by a five-point Likert scale. Mean score and standard deviation for each item was calculated. A higher mean score on a variable indicates greater importance. Cronbach's Alpha is most commonly used reliability estimates to check the internal consistency of the instrument. It is appropriate to be used to Likert-scaled items. The value of Alpha may range from 0.0 to 1.0. Accordingly, the principal component analysis was employed to assess the effectiveness of CRM on the hotels in Pretoria.

The success factors were finally determined based on Eigen values (retaining those with Eigen values of 1 or greater) and Scree plot via Varimax Rotation Component Matrix. In addition, a summated scale or score for each factor, which is the average of variables included in that factor, was generated to find out which factor has greater effect on the effectiveness of CRM on the hotels in Pretoria. Each of the factors was named consistently with literature for subsequent analysis.

3.7 Validity and reliability of instrument

Validity refers to the accuracy and trustworthiness of instruments, data and findings in the research. In order to satisfy issues relating to validity in research, the researcher had to establish the degree to which the findings reflect the empirical reality of human experiences. Kirk and Miller (1986:20) argue that reliability is impaired if the data are not independent of accidental circumstances under which they are gathered. In view of this, the researcher satisfied three main types of validity in this study.

The researcher complied with certain established criteria to ensure trustworthiness of the research findings. Reliability illustrates the extent to which the instrument is stable and dependable with measuring the concept. In other words, reliability means if the researcher utilised the same research method, data collection procedures, techniques and analysis to a second research sample, (almost) similar results to the previous research must be obtained. The next sub-sections discuss the various techniques that were employed to satisfy issues of reliability and validity.

3.7.1 Construct validity

Construct validity was fulfilled in the current study by piloting the instrument prior to the study to iron out any ambiguous or inapplicable questions and also by designing questions that effectively capture the main issues of the research. The issues included: adequacy of the covering letter, clarity of the instructions provided, clarity of the construct statements, length and layout of the questionnaire, and completion time.

3.7.2 Internal validity

The internal validity is required and used in explanatory causal studies and not in the descriptive or exploratory research (McKinnon, 1987). For this reason, the study did not require satisfying internal validity.

3.7.3 External validity

External validity refers to the extent to which the research findings can be generalised beyond the immediate study and applied to other contexts or to other cases of the entire population (ibid.). By adopting an instrument that was used before in similar studies suggests that external validity was complied with.

3.7.4 Scale reliability

Content validity was assessed by the research supervisor who reviewed the items for clarity, relevance, comprehensiveness and being understood. This approach helped to reduce the possibility of errors and increased the probability that the findings are an accurate reflection of the reality about effectiveness of CRM in the hotels in Pretoria.

3.8 Ethical considerations

Ethical issues were also considered in this study. The most important ethical issues the researcher fulfilled include:

- Informing the participants about their involvement in the research
- Avoiding risk and harm to participants and other parties
- Allowing free choice by emphasising that participation was voluntary
- Ensuring privacy by not sharing the participants' responses with other people
- Ensuring anonymity of participants
- Entering data on the computer as presented by the participants

Likewise, issues relating to privacy, confidentiality and anonymity of the respondents were provided for in the ethical application. Participants were informed not to disclose their names. All data collected remained confidential. As mentioned earlier, the purpose and aims of the study, anticipated uses of the data, identity of the researcher and office, respondent's role in the research, degree of anonymity and confidentiality were mentioned to the participants.

3.9 Conclusion

In this chapter the research design and methodology undertaken to conduct the current research have been explained and justified. Subsequently, the main issues of the descriptive research design were highlighted such as population and sampling, unit of analysis and the research instrument. In addition, data collection and analysis methods and processes have been explained. Finally, issues relating to ethics, reliability and validity have also been addressed. The next chapter presents the findings of this study.

CHAPTER 4: Data analysis and results

4.1 Introduction

This chapter focuses on the analysis of the data collected using the CRM questionnaire discussed in Chapter 3. The purpose is to determine the effectiveness of the implementation of CRM and the effect CRM has on performance of the hotels. The analysis was conducted using computer software, Statistical Package for Social Sciences (SPSS).

A cross-sectional analysis was conducted between variables. The findings are presented in tables and graphs. The chapter comprises a descriptive analysis, correlation and regression analysis and a chapter summary.

4.2 Descriptive data analysis

Descriptive research is based on determining the frequency with which something occurs or the relationship between variables (Welman et al, 2009). Descriptive analysis was done on the demographic factors and the results are displayed in graphs, charts and tables below.

Descriptive statistical analysis was performed for each question in the demographics section of the questionnaire. The target population was 106 hotels in Pretoria. 41 responses were received from the hotel representatives who completed the questionnaires. In this study, all the 106 respondents were included in the research hence strengthening validity and reliability of the research.

4.2.1 Demographic factors

These were analysed from a hotel perspective. The individual respondents selected per hotel provided the demographic questions related to the hotel such as star grading, duration in operation, type of hotel, room rate, clientele served and major products offered.

4.2.1.1 Duration in service

The first question sought the number of years the hotel was in operation and the results are shown in figure 4.1. The highest number of hotels included in this study falls within the category 11-19 years (56%). The least, (2%) denotes a hotel that has been in operation for a period of between 40 and 49 years. Category of less than 10 years has a second highest rated frequency (20%), with category 30-39 years followed by 4 hotels (10%), 20-29 years (7%) and over 50 years there is (5%).

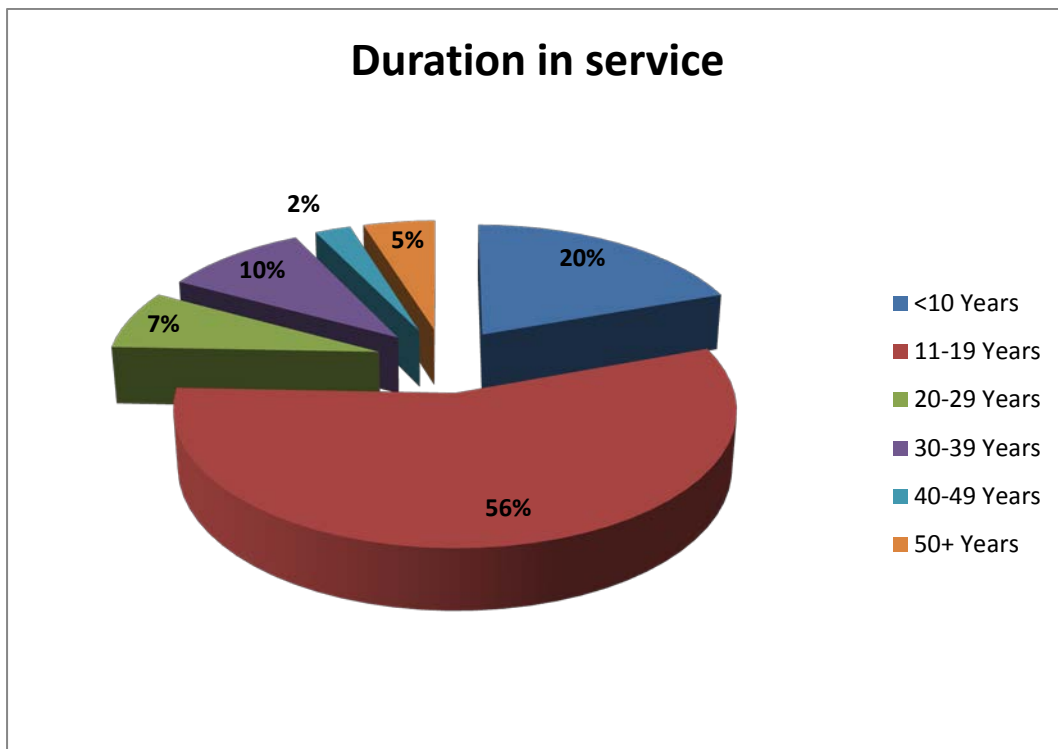


Fig 4.1 Number of years in operation

Many hotels (56%) are in the category 11-19 years. There is a possibility that the end of Apartheid regime in 1994 (19 years back) led to deregulation of investment-related laws, attracting investors, which led to the increase in hotels in Pretoria. At the extreme end is hotels in operation for 40-49 years and 50+ years, showing that there were very few hotels that had survived for this long.

4.2.1.2 Star grading

In relation to hotel star grading, the findings (figure 4.2) reveal that most hotels were concentrated in the three-star grading where responses found from that category

are 20 hotels. No one-star hotel was surveyed. In the ungraded and five-star categories, four hotels for each are included in the study. Two-star categories have been rated the lowest, with only three hotels. The explanation for this may be that hotels strive to improve their standards in order to attract a better clientele and maximise their revenue. Standards required by the tourism grading council will see most hotels being concentrated in the three-star grading due to failure to meet the required standards to surpass the 3rd star grading.

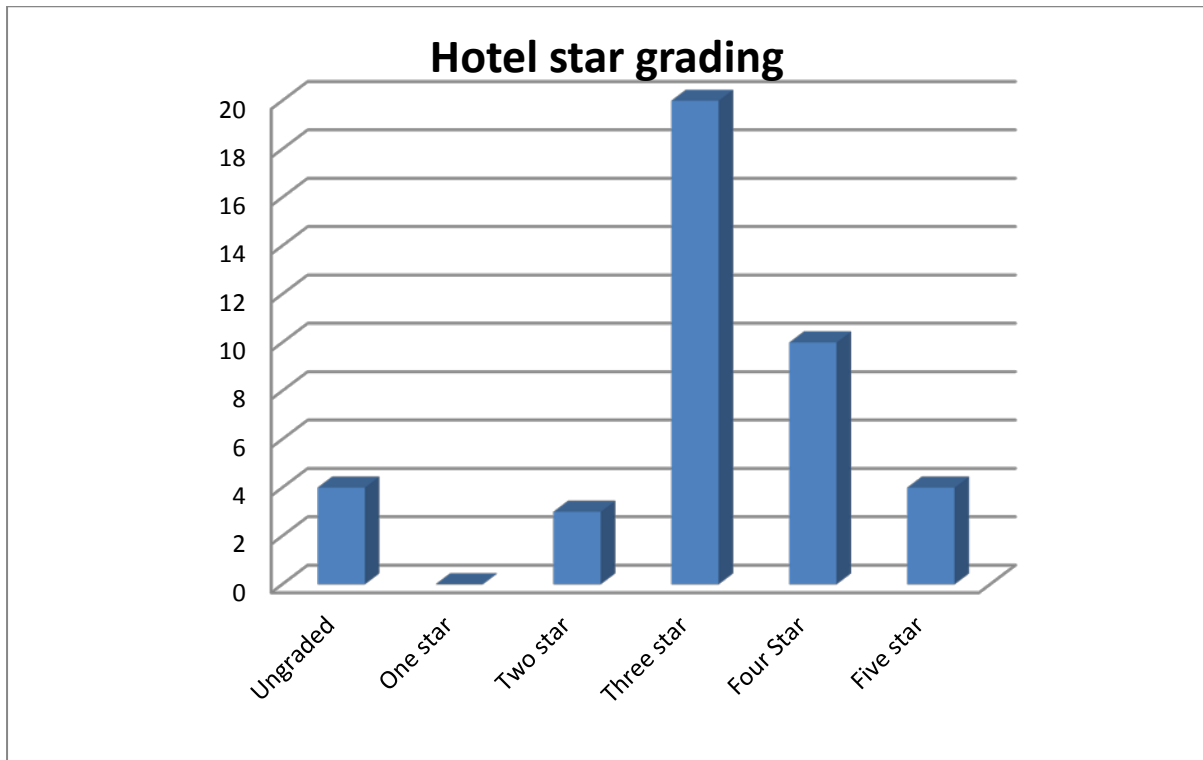


Fig 4.2 Star grading

4.2.1.3 Types of hotels

The 3rd question sought to find the types of hotels involved in the research. The results show that the highest numbers of hotels in Pretoria are business hotels showing a total of 46%, bed and breakfast hotels were 20% while suite hotels were 17.1%, Inns 10% and lastly other unnamed categories were rated 7%. Figure 4.3 below summarises the findings.

The high number of business hotels in Pretoria shows that there is a high possibility of adopting CRM in the industry because mostly business-focused hotels have a computerised system required by their clientele to serve them better, which makes it

easier to adopt CRM. Thus, the high concentration of the hotels in the business category shows that most hotels have a capability or sophistication to implement CRM.

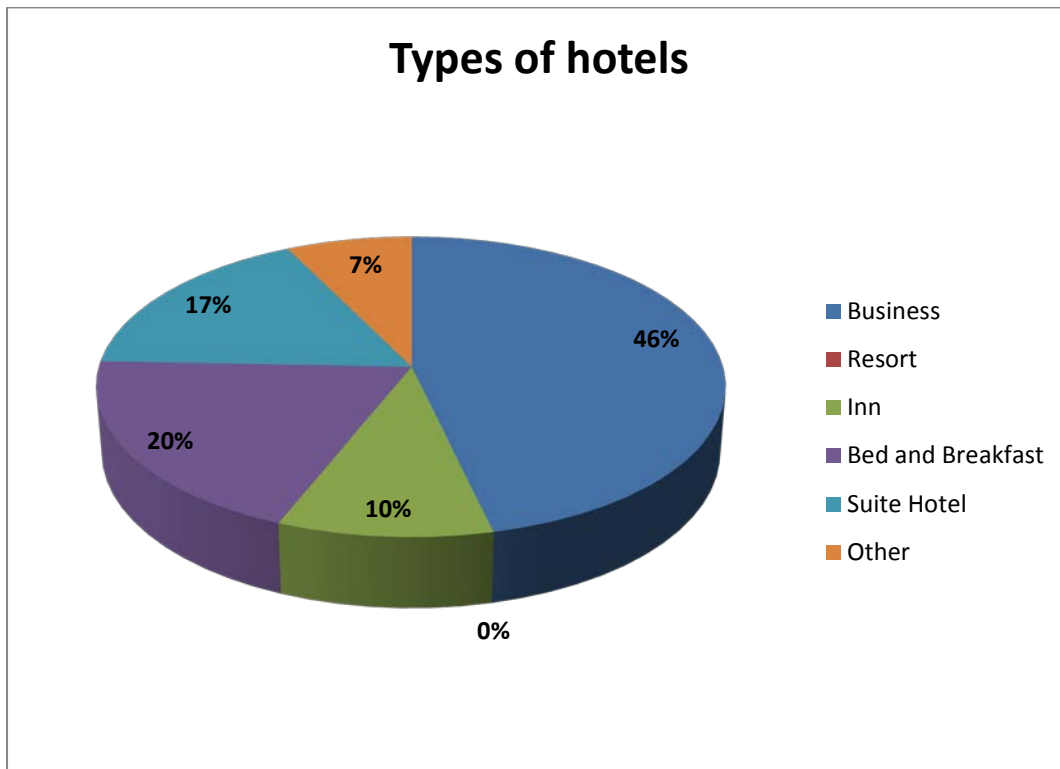


Fig 4.3 Types of hotels

4.2.1.4 Clientele type

The next question was about the type of clientele served in a particular hotel. The responses were more or less the same as reflected in the type of hotel. Business hotel serves the same business clientele, meaning 20 hotels' business clientele. This shows that most hotels in Pretoria concentrate on business services, therefore a business clientele, with the possibility to adopt CRM. On the extreme end the hotels do not highly concentrate on religious groups as shown by only one hotel in that category. The findings are illustrated in figure 4.4 below.

All types of clients have a high score of 17 hotels because generally most hotels would accept all other paying clients despite the fact that they are not in their target market. Gamblers or casino only scores two hotels. This is because in Pretoria there are few casinos and are concentrated outside the city.

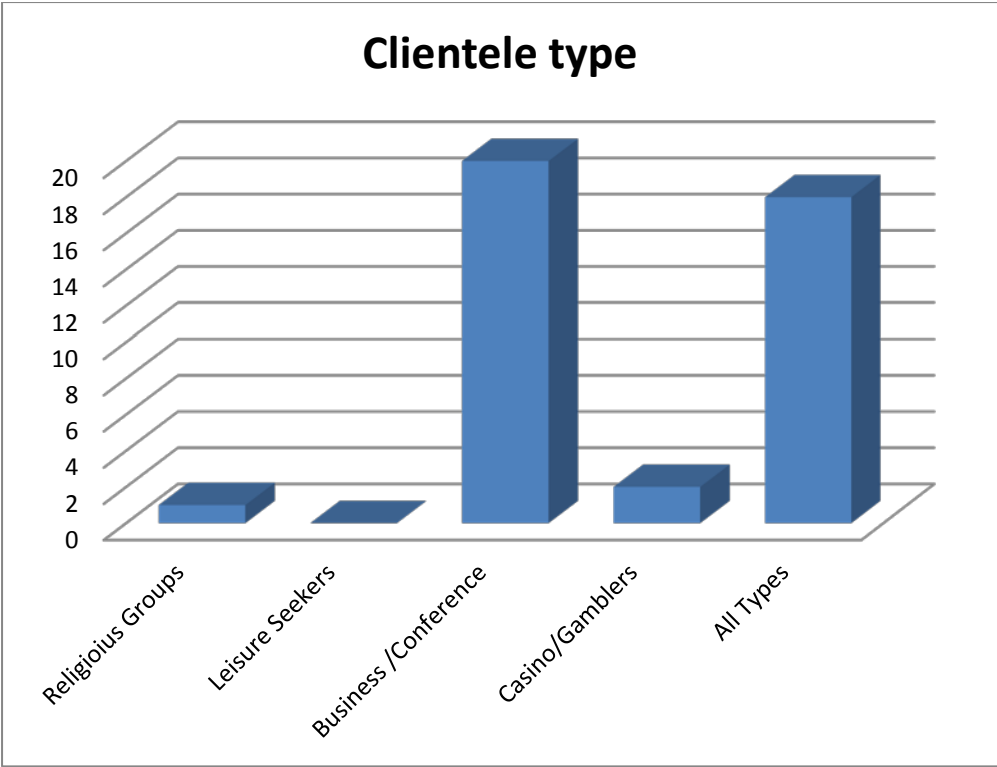


Fig 4.4 Type of clientele

4.2.1.5 Major products

On the major products sold by a hotel, it was found that most hotels (75.6%) had their major products as beds and meals. The remainder of the major products were all concentrated below 10% each, thereby showing that most hotels offer bed and breakfast.

	Frequency	Percent	Valid percent	Cumulative percent
Valid bed only	4	9.8	9.8	9.8
Bed and breakfast only	1	2.4	2.4	12.2
Bed and all meals	31	75.6	75.6	87.8
Bar services	3	7.3	7.3	95.1
Music and entertainment	1	2.4	2.4	97.6
Conference services	1	2.4	2.4	100.0
Total	41	100.0	100.0	

Table 4.1 Major products offered

Generally for a hotel to be viable in the market it has to meet the demands of its clientele to ensure satisfaction. In this case, hotel guests require accommodation, food and beverages as the core products to be offered by a hotel, creating the highest score of 75.6 % on hotels offering bed and all meals.

Other services such as conferencing, music and entertainment, bar services come as augmented services, therefore the lower percentages on those categories. However, of note is that there are other hotels that offer bed only as the main core product, with a score of 9.8% on bed only (a relatively considerable score).

4.2.1.6 Room rates ranges

The last question was on the room rate offered by different hotels that were surveyed. It was found that the major concentration range was between R501 and R1000 with 21 hotels (51.2%) followed by R1 001-R1 500 with 15 hotels (36.6%). The R201-R500 had a 4.9 percent response rate. The extreme end of R200 and below have the least percentages of 2.4%.

	Frequency	Percent	Valid percent	Cumulative percent
Valid <R200	1	2.4	2.4	2.4
R201-R500	2	4.9	4.9	7.3
R501-R1000	21	51.2	51.2	58.5
R1 001-R1 500	15	36.6	36.6	95.1
R2 001+	2	4.9	4.9	100.0
Total	41	100.0	100.0	

Table 4.2 Room rate ranges

Average three-star hotels that target the business market are priced between R501 and R1 000. From this study, it has been found that most hotels in Pretoria have a three-star grading and mainly serve business clientele. These findings contribute to a higher concentration (51.2%) of hotels on the R501 to R1 000 categories.

On the two other extreme ends, business clientele does not prefer lower standards found in the low-priced hotels, thus contributing to low scores of 2.4 % and 4.9 % in the below R200 and R201 to R500 categories respectively. However, as the prices increase, the business sector becomes sensitive thus the 36.6% in the category of R1001 to R1 500 and as little as 4.9% in the most expensive category of R2 001+.

4.3 Reliability and validity tests

Validity refers to the accuracy and trustworthiness of instruments, data and findings in the research. In order to satisfy issues relating to validity in research, the researcher has to establish the degree to which the findings reflect the empirical reality of human experiences. Kirk and Miller (1986:20) argue that reliability is impaired if the data is not independent of accidental circumstances under which it is gathered. In view of this, the researcher satisfied three main types of validity in this study.

The researcher complied with certain established criteria to ensure trustworthiness of the research findings. Reliability illustrates the extent to which the instrument is stable and dependable with measuring the concept. In other words, reliability means if the researcher used the same research method, data collection procedures, techniques and analysis to a second research sample, (almost) similar results to the previous research must be obtained. The next sub-sections discuss the various techniques that were employed to satisfy issues of reliability and validity.

4.3.1 Construct validity

Construct validity was fulfilled in the current study by piloting the instrument prior to the study to iron out any ambiguous or inapplicable questions and also by designing questions that effectively capture the main issues of the research. The issues included: adequacy of the covering letter, clarity of the instructions provided, clarity of the construct statements, length and layout of the questionnaire.

4.3.2 Internal validity

Internal validity is required and used in explanatory causal studies and not in the descriptive or exploratory research (McKinnon, 1987). For this reason, the study did not require satisfying internal validity.

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4.3.4 Scale reliability

Content validity was assessed by the research supervisor who reviewed the items for clarity, relevance, comprehensiveness and being understood. This approach helped to reduce the possibility of errors and increased the probability that the findings are an accurate reflection of the reality about effectiveness of CRM in the hotels in Pretoria.

For this study, actual reliability tests were conducted to test the reliability of the data compiled from the questions on level of CRM practice and CRM performance. The findings are presented in table 4.3.

Variables	Cronbach's Alpha	No of items
CRM	.788	24
Performance	.779	10

Table 4.3 Cronbach's Alpha: CRM and performance

According to Field A, (2010), a score above 0.5 indicates that the variables used in the data collection process were reliable. Therefore in this study, table 4.3 shows reliability tests of CRM with a score of 0.788 which is above 0.5 hence showing high levels of reliability.

Reliability tests on performance in the same table shows a score of 0.779 which is also above 0.5 thereby indicating high reliability of the construct, performance.

4.4 Research question and Proposition tests

A statistical hypothesis (proposition) test is a method of statistical inference that makes use of data from a scientific study. These tests determine what outcomes of a study would lead to a rejection of the null hypothesis (proposition) for a pre-specified level of significance. The critical region of a hypothesis (proposition) test is the set of all outcomes which may cause the null hypothesis to be rejected in favour of the alternative hypothesis. (http://en.wikipedia.org/wiki/Statistical_hypothesis_testing).

The study has one research question, which looks at the levels of CRM in the hotel industry in Pretoria and one proposition that focuses on the relationship between

CRM and a select set of performance measures. The research question is analysed using descriptive statistical analysis and Pearson Correlation method is used to test the proposition.

4.4.1 Study's research question

The aim of this study was to find out the levels hotels in Pretoria practiced CRM to which the following one research question was generated:

Is there a high level of CRM practice in the hotel industry in Pretoria?

To answer this research question, six questions based on a five-point Likert scale ranging from 'strongly disagree' to 'strongly agree' were asked. The questions were: Does the hotel have a customer databases updated on daily basis? What value does the hotel place on two-way communication? How important is CRM in the hotel? Does the hotel receive feedback from customers? Does the hotel do a follow-up on customer concerns and rate the level of CRM practice in the hotel?

From the findings (below), most responses are concentrated on the extreme positive side of either 'agree' or 'strongly agree', thereby revealing that there is high level of CRM implementation in the hotels in Pretoria. It can therefore be confirmed that there are high levels of CRM practice in the hotel industry in Pretoria as the bar graphs and pie charts below show:

Level of CRM: Maintenance of database

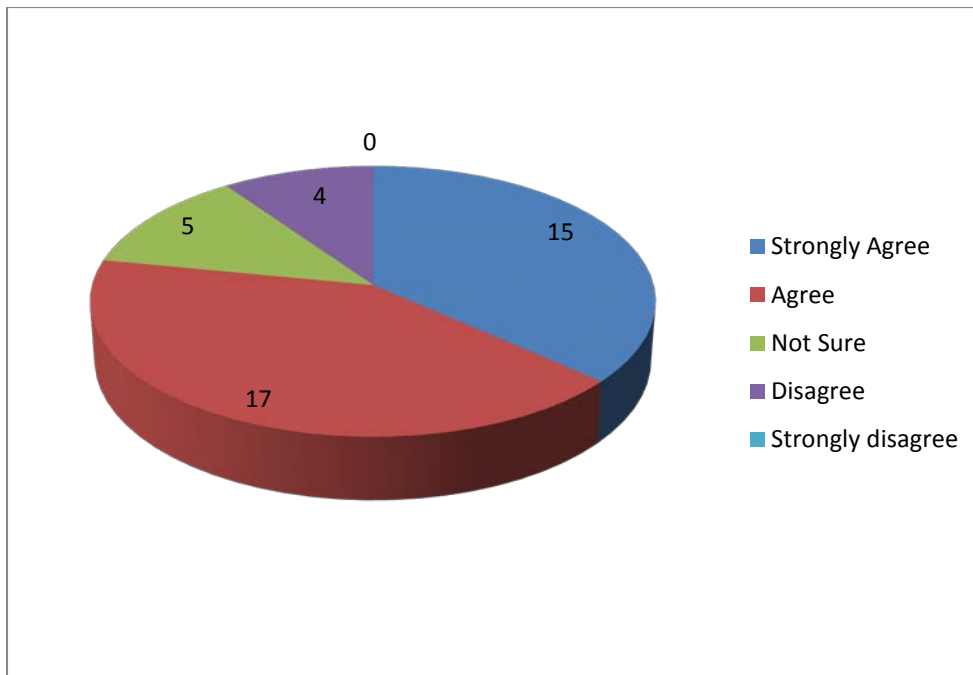


Fig 4.5 Level of CRM: Maintenance of database

Fig 4.5 above shows the findings from a research question which was seeking to find whether the hotel maintain a customer database for CRM purposes. For a total of 41 hotels surveyed, the findings shows that most hotels maintain a CRM database. The frequency counts are more concentrated on 'agree', with 17 hotels, and 'strongly agree' with 15 hotels. Though there are four other hotels that have a 'disagree' response, none of the hotels selected the 'strongly disagree' option, showing that almost all the hotels have a customer database which they maintain for CMR purposes.

Level of CRM: Two-way communication

Where CRM is practised, there will be continuous communication between the business and its customers (Kotler, 2011). Therefore the level of two-way communication between hotels and their customers had to be sought. The diagram below, (Fig 4.6) shows the findings from the question that sought to ascertain the level of two way communication in the hotels.

The question was phrased reading "What value do you place on two-way communication?". Most respondents, a count of about 30 hotels responded that they place extreme value on two-way communication with the remainder having

responded that they place moderate and a lot of value, indicating a high level of CRM.

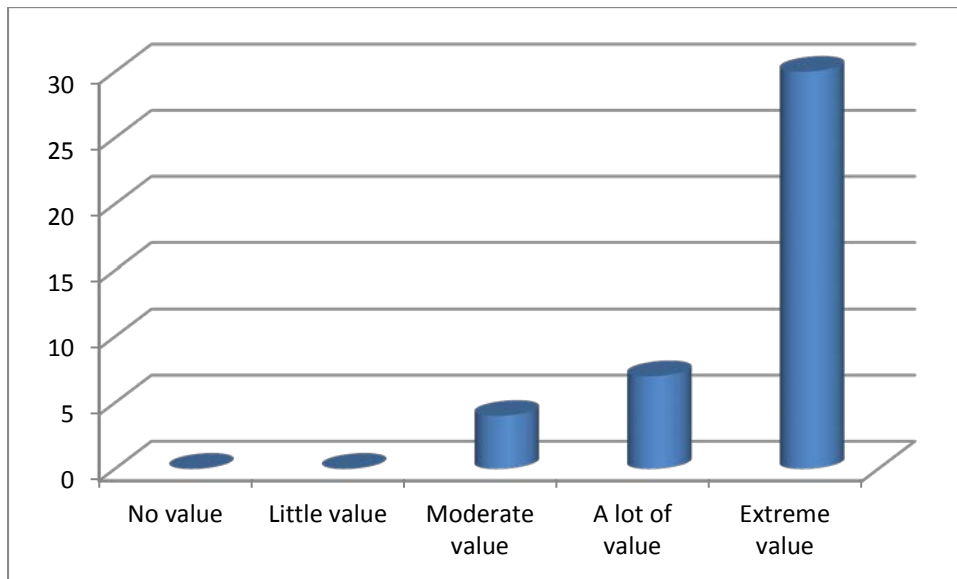


Fig 4.6 Two-way communication between the hotel and its customers

Level of CRM: Importance of CRM

Fig 4.7 below illustrates the results from one of the questions that sought to find the level of importance the hotel placed on CRM. The results show that 35 hotels treat CRM as 'very important', with four hotels treating it as 'important' and two as 'moderately important'. There were no responses in the categories 'not important at all' and 'less important'.

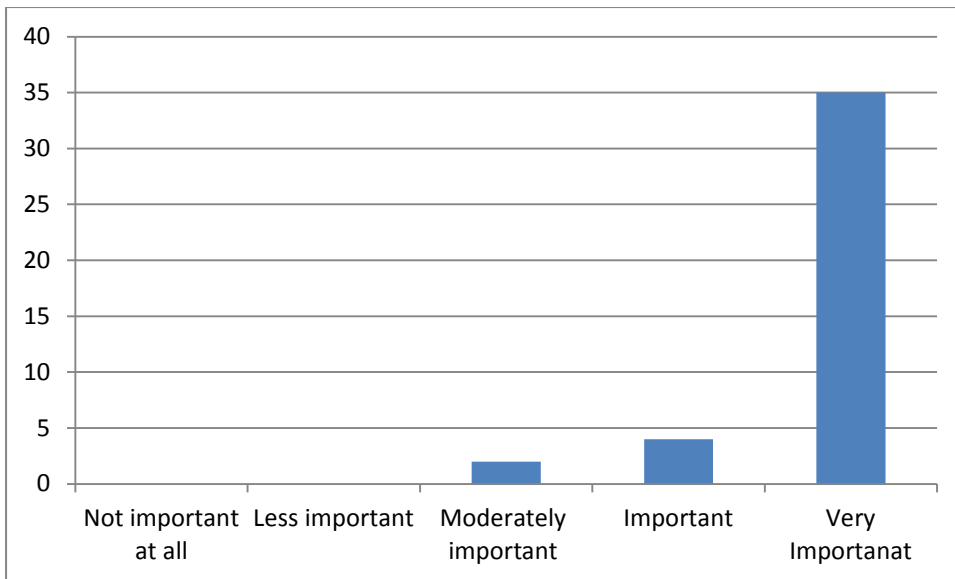


Fig 4.7 Importance of CRM in the hotel

Level of CRM: Customer follow-up

Where CRM is practised, any concerns, complains or compliments raised by customers should be timely actioned (Strydom, 2008). CRM practised is linked to the level of customer follow-up by the hotel. Fig 4.8 below shows the responses collected indicating that 35 hotels always follow up on their customers, five follow up most of the time and only follows up sometimes. None of the hotels responded that they do not follow up, pointing to significant levels of CRM practice.

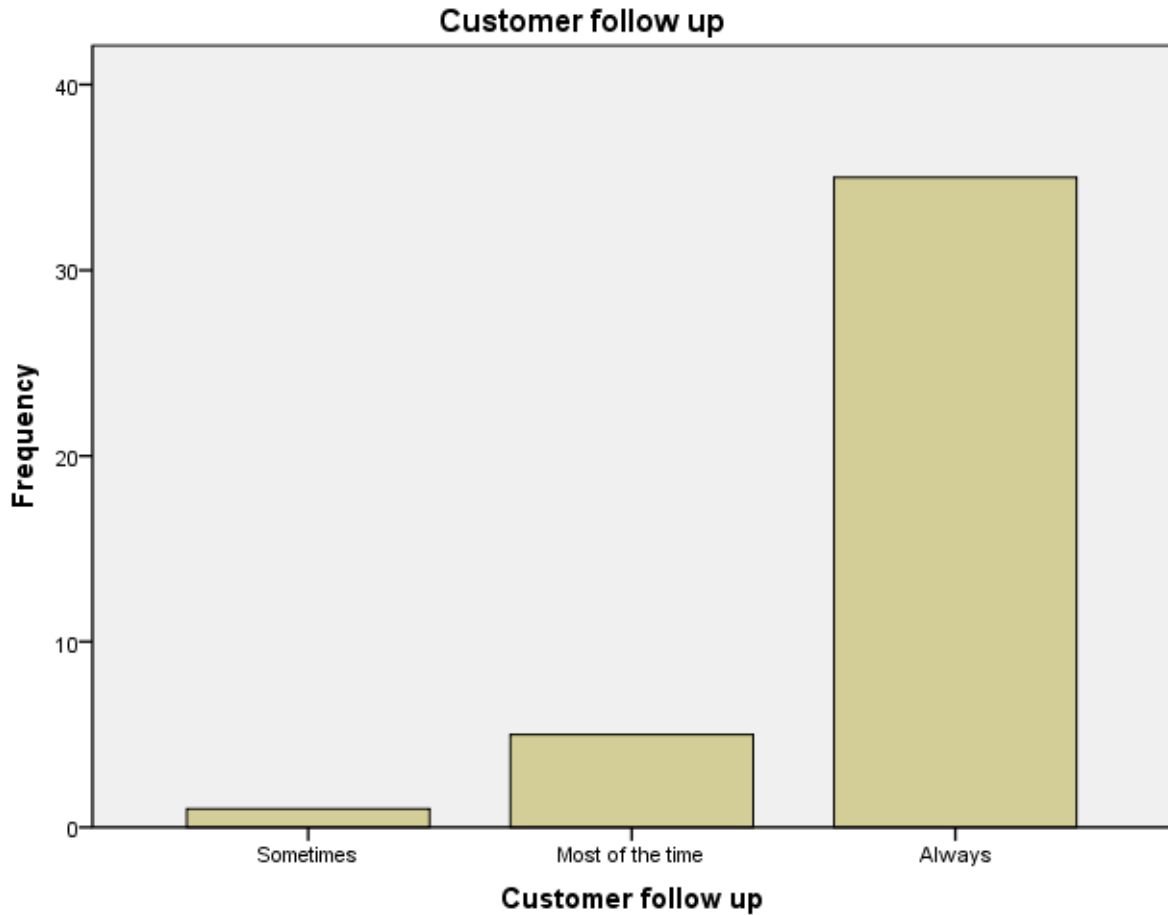


Fig 4.8 Customer follow-up

Level of CRM: Feedback

Fig 4.9 below shows the results from a question which sought to find out whether the hotels receive feedback from their customers. From the results, most hotels (68%) indicated that they receive feedback 'most of the time', 22% of the hotels 'always' receive feedback and 10% of the hotels 'sometimes' receive feedback. All the hotels in the study show that they receive feedback to a certain extent because none of the hotels responded 'never' or 'rarely'.

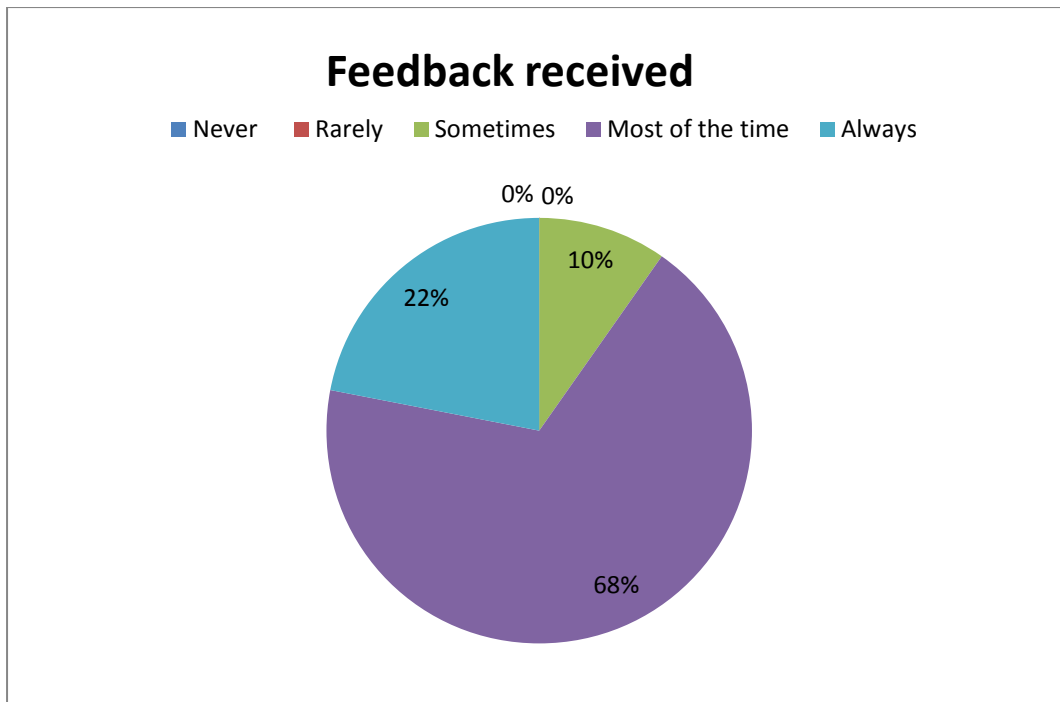


Fig 4.9 Responses on whether the hotel receives customer feedback or not

Level of CRM: Rating

Also of importance was to find the level of CRM practice in the hotel on overall, necessitating another question reading "rate the level of CRM practise in your hotel". On a five-point Likert scale that ranged from 'very low' to 'very high', the highest respondents of 25 hotels were concentrated on 'very high', followed by 10 hotels indicating 'high level' and the remaining six hotels 'average' (Fig 4.10). There were no responses on 'very low' and 'low', indicating a high level of practice.

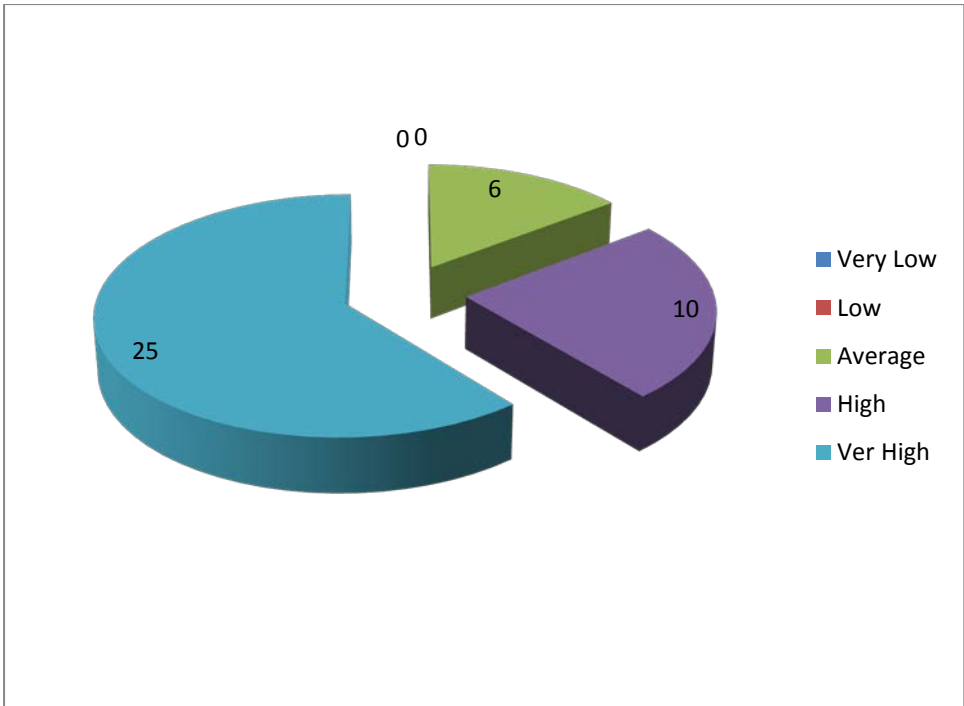


Fig 4.10 Level of CRM practise in the hotel

All the hotels included in the study indicated that they engage in all the CRM-related activities. Sigala (2005) notes that as customers become more price sensitive, less brand loyal and more sophisticated, CRM becomes a strategic necessity for attracting and increasing guests patronage. Without CRM, a hotel will not be able to increase guests' patronage, therefore the hotels nowadays practise CRM to survive. The study's findings are the same as those cited by Sigala (2005), that there is a high level of CRM in the hotels.

To enhance profitability and guest loyalty, hotels must nowadays focus on implementing customer relationship management (CRM) strategies that aim to seek, gather and store the right information, validate and share it throughout the entire organisation and then use it throughout all organisational levels to create personalised, unique guests' experiences (ibid.).

Hamid et al (2011) were strong proponents of CRM in the hotel industry. In their study, they stated that developing an effective consumer relationship via the technology platform such as the Internet may assist in increased consumers' satisfaction, loyalty and retention. Indeed, consumer relationship management

(CRM) has been regarded as one of the most important concepts in modern marketing. By far, managing consumer relationship with the advancement of Web 2.0 requires businesses to collaborate and engage with their consumers through purposeful use of the technology, such as the social media. Though their study was biased towards integration between CRM and technology, they revealed the same findings as in this study about CRM as a crucial tool for a hotel. Thus CRM is important for increasing customer loyalty, profitability, RoI, turnover and market share, which are all benefits of CRM

4.4.2 Correlations

Correlation analysis was used to test the hypothesis that there is a significant relationship between CRM and performance. According to Bak, (2004), correlation measures the strength of the relationship between two variables. In this case, the variable (CRM) and the performance elements (market share, RoI, profitability, customer loyalty and turnover).

The study proposed that:

1: There is a high level of CRM practice among the hotels in Pretoria **P1**.

Proposition 2: There is a significant correlation between CRM and Performance **P2**:

The performance elements are as follows:

- a) Customer loyalty (P2a)
- b) Profitability (P2b)
- c) RoI (P2c)
- d) Turnover(P2d)
- e) Market share (P2e)

(1) There is a significant correlation between CRM and customer loyalty (P2a)

Customer loyalty has a score of .484 which is also a moderate to strong positive relationship. There is a strong positive relation between CRM and customer loyalty and the relationship is significant at the 99% confidence level as shown in table 4.4. We therefore accept the proposition P2a, which stated that there is a significant relationship between CRM and customer loyalty.

Amoako et al, (2011) found that as customers feel valued, they bond with the organisation for a long term. The customers also more often take initiatives, which increase the bonding relationship, and as a result customer loyalty increases as well. Thus as CRM increases, customer loyalty also increases, showing significant correlation between CM and customer loyalty. The study's findings are therefore in line with literature.

		CRM Practice	Market share	Turnover	RoI
CRM practice	Pearson correlation	1	.221	.507**	.571**
	Sig. (2-tailed)		.170	.001	.000
	N	41	40	41	41
Market share	Pearson correlation	.221	1	.695**	.644**
	Sig. (2-tailed)	.170		.000	.000
	N	40	40	40	40
Turnover	Pearson correlation	.507**	.695**	1	.922**
	Sig. (2-tailed)	.001	.000		.000
	N	41	40	41	41
RoI	Pearson correlation	.571**	.644**	.922**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	41	40	41	41
Profitability	Pearson correlation	.467**	.769**	.713**	.713**
	Sig. (2-tailed)	.002	.000	.000	.000
	N	41	40	41	41
Customer loyalty	Pearson correlation	.484**	.446**	.599**	.530**
	Sig. (2-tailed)	.001	.004	.000	.000
	N	41	40	41	41

** Significance level at 0.99

Table 4.4 Correlation between CRM and performance variables

(2) There is a significant correlation between CRM and profitability (P2b)

On profitability, there is a score of .467 which shows a moderate to strong positive relationship. There is a strong positive relation between CRM and profitability and the relationship is significant at the 99% confidence level as shown in table 4.4. Hypothesis P2b is therefore accepted.

According to Amoako et al, (2011), the relationship between hotels and their customers is a key aspect to profitability. The authors cite potential increases in profitability as increases in up-selling, cross-selling and follow-up sales, and more referrals comes with higher customer satisfaction among customers.

As noted by Sigala, (2005) CRM's rational is to enhance long-term profitability by moving from transaction-based marketing and its prominence in attracting new customers, to customer retention by means of effective management of customer relationships. There is therefore need for CRM integration in order to reap better profits.

(3) There is a significant correlation between CRM and RoI (P2c)

Results show that there is a strong positive relation between CRM and RoI and the relationship is significant at the 99% confidence level as shown in table 4.4. Proposition P2c is therefore accepted.

Alipour et al, (2011) cited the five key benefits of CRM and among them are that CRM creates measurable RoI. According to Sigala, (2005), it goes without saying that in growing customer base, acquisition costs, rising customer expectations, price-sensitive travellers, more sophisticated clients, uncertain market and less brand loyalty are all key factors that can curb returns in the industry. The first major key factor when an entity embarks on business operations is to reap back their investments. However the challenges (price sensitivity, more sophisticated clients, uncertain market and less brand loyalty) are the opposing forces which can only be buckled by having a strategy in place and CRM is the strategy that can curb the challenges that work against higher RoI. From the author's findings, if CRM is not

implemented, the above stated challenges may make it difficult to enjoy a high RoI, hence the significance of CRM as a strategy tool.

(4) There is a significant correlation between CRM and Sales Turnover (P2d)

Results show that there is a strong positive relationship between CRM and turnover and the relationship is significant at the 99% confidence level as shown by a score of .507 in table 4.4. Sigala (2005) cites that as customers get more information about the organisation (through CRM), they get more acquainted to the organisation. As the relationship develops, customers tend to be insensitive to prices while at the same time increasing their purchase frequency. Thus, the hotel will sell more at reasonably higher prices hence a higher turnover. The study's findings are therefore in line with literature.

Law, (2009) conducted a study on usage of email communication in large hotels. He cites that e-mail messaging has become critical to the daily business activities of hotels, and any downtime of this service could lead to major losses of corporate productivity and profitability. Moreover, hotels may miss the opportunity to increase turnover and improve customer relationships if they fail to respond efficiently and adequately to e-mail enquiries (ibid.). In CRM practice, email serves a crucial role to enhance service quality. The study's findings that CRM leads to high turnover are in line with those of Law, (2009).

(5) There is a significant correlation between CRM and Market share (P2e)

Market share has a weak positive relationship with CRM as shown by a correlation coefficient value of .221. Thus there is no significant correlation between CRM and market share. A Pearson correlation of 0.221 indicates that there is a positive correlation between the level of CRM and market share thus when CRM increases market share increases but the strength of the relationship is weak and it is not significant. Hypothesis H2e is rejected.

Agrawal (2010) cites word of mouth (WOM) as a solid tool for improving market share. In the citation, the author states that WOM can be positive or negative. Where CRM benefits the customer, customers tend to be satisfied and such satisfied

customers will spread the 'good news' about the hotel, thereby increasing its market share.

According to Sigala, (2005), CRM is widely considered as one of the most effective ways to facilitate developing and expanding the customers' base that, in turn, will assist in enhancing profitability and guest loyalty. Though he combined various dimensions in this statement, key benefits of CRM mentioned are profitability, loyalty and market share thereby showing the significance of CRM in attaining such benefits.

It can be concluded from the study's findings that there CRM is practised on a high level by hotels in Pretoria. There is also a significant correlation between CRM and most of the select performance measures.

4.5 Summary

In this chapter information was presented based on findings from research done on the hotels in Pretoria. Firstly results were presented and discussed with literature integration making use of bar graphs that were computed using SPSS.

From the presentation and analysis discussed, results show that hotels in Pretoria do practice CRM. Results also show that there is a statistically significant positive correlation between the variable (CRM) and the performance variables (RoI, profitability, customer loyalty and turnover). Propositions P1a, P1b, P1c, P1d are therefore all accepted. However, a weak insignificant relationship was found between CRM and market share. Proposition P1e is rejected.

The findings in the study and support literature cited show that CRM is important in the performance of hotels. It should therefore be integrated as part of business strategy in the hotel industry.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter the focus is the conclusion and recommendations of this research study. Findings will be summarised and thereafter recommendations will be proposed. In conclusion, the study's limitations will be presented and areas of future research suggested.

5.2 Conclusions

The primary aim of this study was to ascertain the level of CRM practice in the hotels in Pretoria. The secondary aim was to find out the relationship between CRM and a select set of performance measures. The findings will be essential for the improvement of marketing the hotels in Pretoria and beyond. Two propositions were formulated to address these aims.

To address the question of the levels of CRM practice the following proposition was postulated: Proposition 1: There is a high level of CRM practice among the hotels in Pretoria.

In order to understand the application or practice of CRM in the hotels in Pretoria, questions were formulated which sort to find out whether the hotel has a CRM database, whether the hotel always communicate with its customers and whether they get feedback from their guests among many other questions. This proposition was tested using descriptive statistical analysis. The results show that there is a high level of CRM practised in the hotels in Pretoria. The study proposition was to determine if CRM has an effect on the performance variables (market share, RoI, turnover, profitability and customer loyalty. The proposition was therefore accepted.

The hotels are bound to benefit from the benefits of CRM. As shown in the study's literature, customers feel valued and appreciated when they continuously receive updates on product and services from a specific organisation. Wide literature findings also emphasise that quality service blended with CRM practice yields positive returns for the organisation, thereby showing improvement in performance as a result of CRM. The modern customer demands to be personally valued such

that hotels that do not to implement CRM in their marketing strategy have struggled to yield better performance and always operate on a downward trend.

CRM is a non-imitable strategy such that if it is implemented, it is difficult for other organisations to imitate or replicate it. Though CRM is a strategy undertaken by most hotels, it may be similar in a broad sense but it varies on how one specific hotel implements it hence making it unique from one organisation to the other such that even if all hotels practice CRM, their performance will vary.

The study's second proposition was to determine the relationship between CRM and a number of select performance variables (market share, RoI, turnover, profitability and customer loyalty

The study proposed that: Proposition 2:

There is a significant correlation between CRM and Performance. The proposition was tested using Pearson Correlation method. There were five performance elements identified which were customer loyalty, profitability, RoI, turnover and market share. The proposition was tested at 99% confidence level and all other performance elements except market share were found to have a strong positive and significant relationship with CRM hence the proposition was accepted. There was no significant correlation between CRM and market share (P2e) and this proposition was rejected.

The findings on the relationship between CRM and performance are briefly discussed next. This highlights the performance (or expected performance) of hotels in Pretoria as a result of their practice of CRM. It also shows that the study's results are in line with available literature.

Dominici et al, (2010) points out that a management approach focussed on CRM can increase customer loyalty while simultaneously increasing the positive image of the organisation and positivity in the image will translate into high sales turnover and possibly increase in profits. The authors analysis show that there a positive relationship between CRM and loyalty hence similarity with the findings of this study.

Ahmad et al, (2012), states that CRM is one of the magnificent concepts that swept the business world in the 1990s with tangible returns (RoI) visible within a short-term

operational period thereby increasing overall performance of the business. Agrawal (2011) points out that CRM can mean the difference between success and failure of a business across all industries. The findings in this study therefore show that CRM is very important for the hotel industry and if hotels aim to increase their profitability, gain customer loyalty, increase RoI and enjoy a high sales turnover they should build CRM into their business strategy.

The study's literature findings show that it is important that employees are well informed on how to treat guests, respond to their needs, concerns and complains, maintain good rapport and provide an enjoyable experience. Such customers stay with the organisation for longer, become less price sensitive, increase their purchasing and even recommend the hotel to their counterparts. Performance becomes exceptionally high where guests are satisfied, with a strong positive relationship between CRM and performance.

5.3 Recommendations

Results show a strong positive correlation between CRM and other independent variables such as profitability, RoI, turnover and customer loyalty. CRM and market share has shown a weak insignificant correlation. On all other variables, there is a significant positive correlation between CRM and performance.

Amoako (2011) points out that CRM tends to be more focused on the current customers, leading to more frequent purchases and higher quantities. CRM is not targeted at non-buyers, hardly increasing market share. Agrawal, (2011) states that the increase in market share as a result of CRM only occurs when the current customers uses WoM in telling non-buyers to buy from such an organisation. However the impact is likely to be very low, possibly resulting in a lack of a significant correlation between CRM and market share.

From the above, it can be concluded that CRM as a strategy is not tailor-made for acquiring new customers (increasing market share) but rather retaining and satisfying the already acquired customers. It is therefore recommended that CRM should be integrated with a form of an advertising or marketing campaign if the intention is to increase market share. The findings in this study have shown a weak

relationship between CRM and market share thereby showing that CRM is not the appropriate tool for increasing market share unless it is integrated with other product awareness tools.

In a study by Sigala, (2005), all respondents claimed that enhancing service quality, customer satisfaction and loyalty were the most important reasons for pursuing CRM, while they reported less importance in implementing CRM for increasing employee satisfaction and/or reducing costs.

These findings show that the main motive behind practising CRM was mainly on external performance related aspects (customer satisfaction and customer loyalty) rather than internal wellbeing-related aspects (cost reduction and employee satisfaction). Thus, it is shown from these findings that CRM is a strategy primarily formulated to increase overall performance of the business. Though costs may inversely move with performance variables and employees may be motivated by increase in sales turnover, RoI, loyalty and profitability, the primary goal will be initially to increase performance.

Milovic, (2012) states that CRM is now viewed as a way to run a hotel rather than just as a tool to implement. From this statement, a tool is implemented on a “when needed basis”. High RoI, customer loyalty, increase in market share and profitability will only be visible during the time that the tool is in place. However, when CRM comes in as a way of running a hotel, as found in this study, there will be continuous enjoyment of the performance elements. It is therefore recommended that organisations should view CRM as a day-to-day strategy fully incorporated into the business rather than treating it as a simple tool only implemented on a “when needed” basis. CRM should not only have an external focus (customers) but an internal bias as well, built into the internal operations of the hotel.

CRM is more important than ever, for the service industry such as lodging, the tourism industry and associated ancillary services that cater for travellers while away from home (Fan, 2012). Hotels are often eager to look for effective and efficient activities that can identify, select, acquire, develop, and keep increasing loyal and profitable customers. The benefits of retaining customers have led companies to

search for means of profiling their customers individually and tracking their retention and defection behaviours. Such benefits can only be tangible where CRM is pivotal, hence the need to implement it.

Hotel management must be able to provide customised services to ensure an increase in customer loyalty, sales turnover and profitability. It can also play a crucial role in increasing service quality at a lower cost.

In this era of globalisation where 'The Customer is King', customer expectations are going up, making the situation more and more competitive. As the hotel product is becoming generic in nature, the hotel industry can no longer rely on the traditional marketing strategies to retain the customers.

Customer relationship management is one of the key tools to fight the cut-throat competition and enable a hotel to stand out as a superior brand. It is encouraging to find that there is a high level of CRM practice in the Pretoria hotels, given the benefits to be derived from this philosophy as shown in literature. The study recommends a continued high level of application of CRM among the hotels.

On the basis of results of the study, which show a significant relationship between CRM and performance, there is a great need to integrate CRM into the business strategy. The following recommendations are further suggested.

- Surveys: Conducting monthly guest/customer surveys, club surveys, using room comment cards, toll free guest assistance centres can help in getting customer feedback and to improve in the areas where there is a lag as suggested by the feedback.
- Maintaining suggestion boxes at every touch point/point of interaction with the customers.
- Taking feedback not only from external customers but also the internal customers i.e., the employees.
- Proper check on the hotel staff's and processes' efficiency by management, say by employing mystery customers (employees who masquerade as customers to see how customers are treated).
- Keeping regular track of the sales data for further leads and follow-up.

- Employing effective CRM software to improve guest satisfaction, lower operating costs, build guest loyalty, and increase revenues.
- Having Guest History programmes – keeping a database of customer profiles along with such details as room preferences, amenities preferred, special requests, meal preferences, wallet services, sending birthday cards to loyal guests and even their spouses and giving them a hassle-free check-in procedure, like picking them up and dropping them off.
- Employing an efficient system of complaints handling as complaints are the opportunities to improve, to impress the customers and to turn complaining customers into loyal ones.
- Giving recognition awards to attract old customers.
- Giving the customers a more personalised and empathic service and building good rapport with the customers goes a long way in ensuring satisfied and return customers.
- Making sure that internal system (especially personnel) is well informed on the benefits of CRM to them as individuals as well as to the organisation.
- Rewarding internal staff who excels on superior practice or support of CRM.

5.4 Limitations of the study

This study was conducted to establish the level of CRM practice in the hotels in Pretoria. During the time of the research, there were 106 hotels in Pretoria and all were included in the study. Though much effort has been undertaken to ensure that all the 106 respondents included in the study participates, only 41 responded. Brynard et al, (2006) states that where there is a population of 100 to 199 respondents, the average suggested sample will be 45%. Therefore in this study, a 39% sample was used. Though it was within the suggested range, a higher sample would have yielded a higher level of reliability.

Further limitations also emanated from the challenges that were there in accessibility of the respondents. As indicated earlier, the most preferred targeted respondents were marketing personnel followed by front-office personnel. Marketing personnel were given first preference because they are directly involved in CRM practices.

Though front-office personnel have direct contact with the customers there rarely take part in CRM programmes hence they were made a second priority.

The inclusion of only marketing and front-office personnel has a likelihood of negatively affecting the results through bias because they might feel that highlighting the drawbacks of CRM on their hotel could reflect badly on them. The findings might have been better by including personnel from other departments such as reservations and food and beverage. However the challenges faced were that getting access to marketing staff was difficult in most establishments such that the researcher would end up selecting the second preference. These would also somehow negatively affect the findings.

Also of note is that the study was based on the hotels in Pretoria, South Africa. Consumer behaviour varies from country to country, influenced by factors such as income level, cultural background and customer preference among other factors. Therefore these results may not exume high confidence if they are to be applied in other places in the world other than Pretoria without taking into account local factors.

5.5 Areas of further research

Most studies conducted on CRM were either biased towards the tools CRM uses or were limited to a narrow geographical or a specific industry rather than the entire sector, showing that there is still a need for a study based on a wider spectrum.

In this study, the population was 106 hotels and the intended sample was all the 106 hotels. However, only 41 hotels were surveyed and the results may not be replicable. There is a possibility that the results may not be a true representation of all the 106 hotels in Pretoria. There is likelihood that if further research is conducted including all the entire hotels the results may be different. Therefore, there is still a need for research that incorporates all the hotels in Pretoria.

This study focused on Pretoria hotels only. There is a wide variance in customer behaviour from one continent to the other, one country to another and one city to the other. CRM views, implementation and applicability also vary. Pretoria may reveal

CRM findings that may be applicable only to the cities in the African continent or cities in South Africa if not Pretoria itself. A more acceptable research needs to be conducted based on at least one representative city of all the continents and if possible at least one major city per country. Such findings can be better applied universally.

CRM incorporation and practice varies from one industry to the other. This study was only based on the hotel industry. Though the findings may be applied to other service industries, for example hospitality, gaming and banking research in the application of CRM in other industries such as manufacturing which produce tangible products may also be necessary.

This study looked at the relationship between CRM and a select set of performance factors, but as pointed out by Mohammed (2012), the concept of CRM has not been fully verified nor empirically assessed to determine the relationship between the dimensions and performance. The relationship between the different dimensions of CRM and performance could therefore be pursued.

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