Customers Relationship Considerations in Hotels Belonging to an International Chain

by
Smaranda Cosma, Cristina Fleșeriu, Marius Bota
Faculty of Business, Babeș-Bolyai University, Cluj-Napoca, Romania
smaranda.cosma@tbs.ubbcluj.ro; cristin.fleseriu@tbs.ubbcluj.ro, marius.bota@tbs.ubbcluj.ro

Abstract. The best ranked hotel chains possess more than 1/3 of the world's accommodation capacities. International hotel groups have penetrated the Romanian market and even if their presence is relatively small, the weight they possess is significant. The development of relationships with customers could be considered empathic to the hotel industry and it is significant because the hotel sector is highly competitive. The main purpose of the study is to identify the approach to their customers and the loyalty methods used by the hotels in Romania belonging to an international hotel chain. A descriptive research, applying an interview based on a questionnaire was performed. The research reveals that the communication with the clients is made mostly direct, but also by using the hotels' own website. The hotels own databases with clients. The structure of the database allows them to personalize the offered services, what attracts an increasing degree of customer satisfaction. The strategies and the policies used to retain clients are established mutually, taking into consideration the proposals made by the international chain but also the hotels' ideas.

1 Introduction

The influences of global environment are reflected in the intensity and the direction of tourist streams and in the development of the hotel companies' strategy (Petrovic, et. al, 2013). The International Association of Hotels and Restaurants registered more than 300 international hotel chains with different characteristics (size, ownership structure, business relations, quality of hotel capacity, business concept, price etc.). The best ranked 300 hotel chains have over 7.2 million rooms (54,400 hotels) meaning that these business systems possess more than 1/3 of the world's accommodation capacities (Petrovic, et. al, 2013).

The hotel industry in Romania is formed mainly by individual units managed by their owners. In the last ten years, the number of hotels has increased, reaching in 2013, 1445 hotels (National Institute of Statistics, 2014). International hotel groups have penetrated the Romanian market and even if their presence is relatively small (15 hotel groups), the weight they possess is significant (Cosma, et al., 2015).

The international hotel chains use a mixture of strategies to penetrate markets and to extend their position in foreign markets. They mix the direct foreign investment strategy with the leasing, franchise and management contract or even joint venture operational systems, dependent upon the interest in a certain country or the policies and laws a country may implement (Cosma, et al., 2015). On the Romanian market, the strategies used by international hotel chains to penetrate this market are: franchise, management contract, direct foreign investment and the leased contract (Cosma, Fleșeriu and Bota, 2014).

After penetrating a market, the hotel chains will try to adopt and to implement the best strategies, specific to each country or each market by analysing some aspects such as: the economy, the demand, the buying behaviour, the infrastructure etc. but also aspects regarding the strategic objectives and the companies' resources. To have the perfect adapted marketing mix, the chains will consider segmentation, targeting and positioning strategies (Stone and McCall, 2004)**.**

International Journal of Economic Practices and Theories, Vol. 5, No. 5, 2015 (October), Special issue on Trends in Sustainable Business and Consumption

www.ijept.org

2 Customer relationship management in the hotel industry

In the literature are many studies regarding customer relationship management and many authors have approached it.

Customer relationship management (CRM) is associated with relationship marketing and is defined as relating to sales, marketing and services. Nowadays, this concept is one of the most controversial issue and a focal point in the business field (Becker, Greve and Albers, 2009; Balaram and Adhikari, 2010).

Also it is associated with specific objectives such as "customer retention" (Geddie, De Franco and Geddie, 2002; Kuo, 2009), "customer share" (Rich, 2000) and "customer loyalty" (Reichheld and Schefter, 2000; Hu, Huang and Chen, 2010). In this case, customer relationship management is regarded as a strategy, which focuses on consumers for the purpose of retaining them, increasing their loyalty and based on this improving the profitability for the organization (Dowling, 2002).

The concept is also aligned to processes such as "enterprise resource planning applications" and having the goal "to deliver cost savings and more streamlined services within organizations" (Luck and Stephenson, 2009). In this case, the implementation of customer relationship management strategy can bring a great benefit for the organization. The benefits are: increasing the sales through a better marketing segmentation, customizing the products or services, obtaining higher quality products, gaining access to information and employee satisfaction. All of these can ensure a long-lasting customer retention and loyalty (Verma and Chandhuri, 2009; Mohammed and Basri, 2012). Customer relationship management is considered not only to involve technology but also processes and people (Luck, 2009).

Recent studies on CRM focus selectively on some service sectors such as: banking (Krasnikov, Jayachandran and Kumar, 2009; Akroush, et al., 2011), telecommunication (Beldi, Cheffi and Dey, 2010; Mohammed and Basri, 2012), healthcare (Hung, et al., 2010; Bunthuwun, Sirion and Howard, 2011), and contact center (Abdullatif, Mokhtar and Yusoff, 2010), but there is still a market lack of research on customer relationship management in the hospitality industry (Luck and Stephenson, 2009; Wu and Lu, 2012). Although there is an ever-increasing use of CRM in the tourism sector, there are still limited researches investigating its variety of applications in this industry (Vogt, 2011). The researchers refer to the importance of making studies on CRM dimensions in the hotel sector, because the last one is possessing elements ideal for creating and nurturing relationships with customers (Akroush, et al., 2011; Sadek, et al., 2011).

Customer relationship management is relevant for the hotel industry because most companies are offering more or less the same products or services. In this case, the differentiation is more interesting to those companies because there is a potential and the resources to develop long-term relationships with customers (Zineldin, 2000). The development of relationships with customers could be considered empathic to the hotel industry and it is significant because the hotel sector is highly competitive (Nasution and Mavondo, 2008). In the hotel industry, customer relationship management becomes a strategic imperative for attracting and increasing the guests' patronage (Sigala, 2005).

The adoption of CRM should improve the hotels' performance trough increasing customer satisfaction and loyalty, declining customer acquisition costs and increasing profitability by customers that are willing to pay an extra price for better services (Verdugo, Oviedo-Garcia and Roldan, 2009; Wu and Li, 2011).

3 Research methodology

This paper considers a marketing research aiming to identify the perceptions and actions of hotels belonging to international chains in Romania. The paper capitalizes only a part of the data collected in this research and continues previous studies (Cosma, Fleșeriu and Bota, 2014; Cosma, et al., 2015). The main purpose is to identify the customers approach and the

International Journal of Economic Practices and Theories, Vol. 5, No. 5, 2015 (October), Special issue on Trends in Sustainable Business and Consumption

www.ijept.org

loyalty methods used by the hotels included in an international hotel chain from Romania.

The research objectives are as follows:

1. To identify the way in which the hotels approach the target segments.
2. To study of customer relationship policies.
3. To identify the loyalty strategies used by hotels.

4 Results and discussions

The investigation of the 51 hotels, belonging to the 21 international hotel chains present on the Romanian market, reveals that the most strongly segment in the case of hotels affiliated to international chains is the upscale one (59%). The midscale segment represents 22%, the luxury 16% and the economy one has just 4%. The penetrating strategies used by the international hotel chains in Romania are as follows: 57% from the hotels have a franchise agreement, 27% a management contract, 14% are direct foreign investments and just 2% have a leased contract.

Regarding the customer relationship management, the hotels belonging to international chains are trying to create a strong connection with the customers.

That is way they communicate in different ways with the customer. The most used communication method is the direct communication. From all 51 hotels, 41 are using the direct communication very often. The web sites are used very often by 38 of the hotels. 24 hotels are using often specific publications. Also, 20 of them use often the socializing networks. The newsletters are normally used by 25 hotels (Table 1).

Table 1. Communication methods with the consumer

	Very often used (5)	Often used (4)	Normally used (3)	Rarely used (2)	Very rarely used (1)	Average value
Direct communication	41	7	3	0	0	4.75
Own website	38	8	4	0	1	4.61
Socializing networks	9	20	17	2	3	3.59
Newsletter	4	16	25	2	4	3.27
Publications	2	24	8	15	2	3.18

(Source: calculation made by the authors)

All the 51 hotels have their own data base with the clients who are split in different categories (different segments). All hotels have a business client segment; less than the half have a leisure category and just 25% have a category with VIP clients (Figure 1).
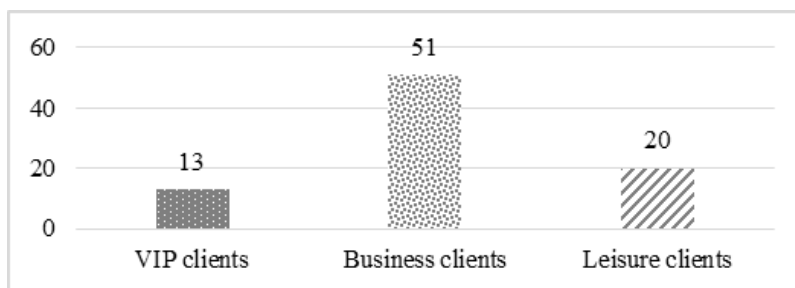

Figure 1. Clients' categories from the data base
(Source: calculation made by the authors)

Regarding the strategies used by the hotels to retain the clients, from all 51, the majority (37) are using the combined strategies set by the hotel chain, own strategies and mutually agreement (Figure 2).
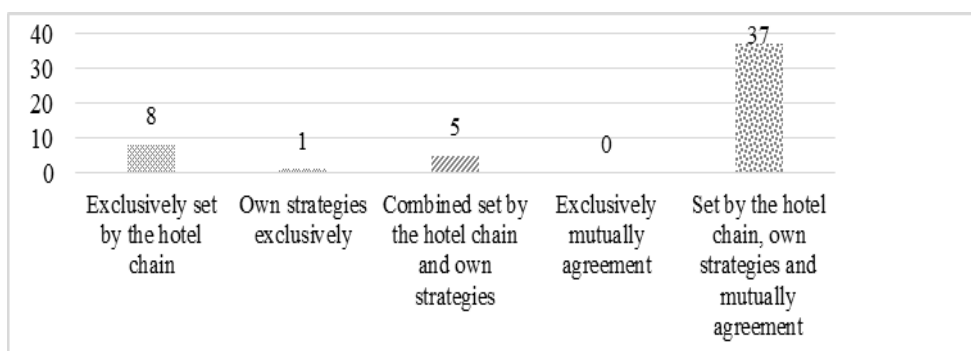
International Journal of Economic Practices and Theories, Vol. 5, No. 5, 2015 (October), Special issue on Trends in Sustainable Business and Consumption

www.ijept.org

Figure 2. Strategies used to retain the clients
(Source: calculation made by the authors)

The hotels are using as loyalty instruments permanently special offers depending on the event (29 hotels) but also own loyalty cards (23 hotels). Periodically are using special offers for different categories of clients (32 hotels) but also special offers depending on the season (35 hotels). Occasionally some hotels are using special offers depending on the payment methods and more than 50% of the hotels (35 hotels) never use co-branded loyalty cards (Table 2).

Table 2. Retain instruments used by hotels belonging to international chains

	Permanently (4)	Periodically (3)	Occasionally (2)	Never (1)	Average value
Own loyalty cards	23	2	8	18	2.59
Co-branded loyalty cards	8	2	6	35	1.67
Special offers for different categories of clients	10	32	9	0	3.02
Special offers depending on the season	12	35	4	0	3.16
Special offers depending on the payment methods	11	9	20	11	2.39
Special offers depending on the event	29	15	6	1	3.41

(Source: calculation made by the authors)

The investigated hotels are evaluating the offered services' quality as followed: 50 hotels take a feedback from the clients, less than the half of them are discussing with their business partners and just 13 are asking the employees (Figure 3). Two of the hotels gave other answers such as: sometimes, when the franchisor wants that.
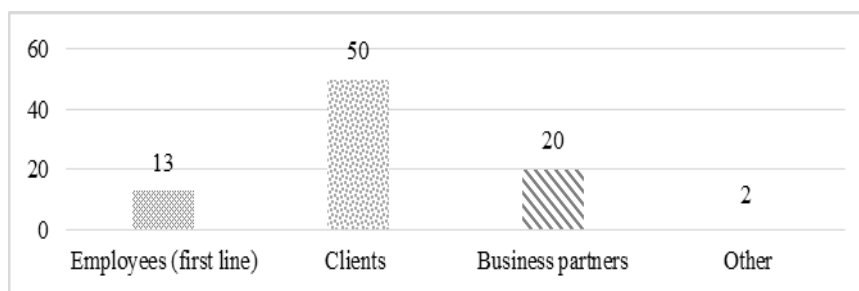

Figure 3. Service quality evaluation
(Source: calculation made by the authors)

Regarding the human resources policy, the majority of the hotels have the possibility to decide some elements such as: the level of the salary, the bonuses, the number of employees

International Journal of Economic Practices and Theories, Vol. 5, No. 5, 2015 (October), Special issue on Trends in Sustainable Business and Consumption

www.ijept.org

etc. Just 1.3% of the hotels have a similar policy like the international one and less than 1% have a negotiated one (Figure 4).
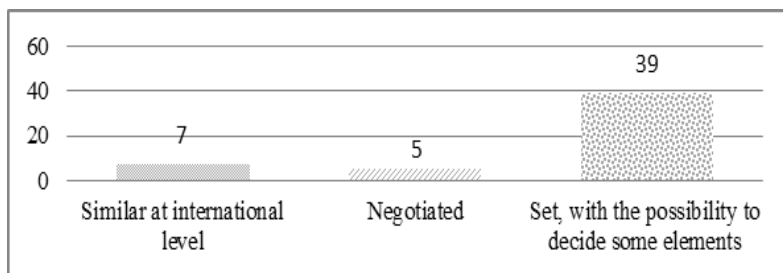

Figure 4. Human resources policy in the hotels belonging to international chains
(Source: calculation made by the authors)

The labour in the hotels are even entirely local (38 hotels) or are a mixture between local and foreign (13 hotels).

From all the hotels belonging to the luxury segment (8 hotels), seven have local and foreign labour and just one hotel has entirely local employees. Also six hotels belonging to the upscale segment have foreign employees (Figure 5).
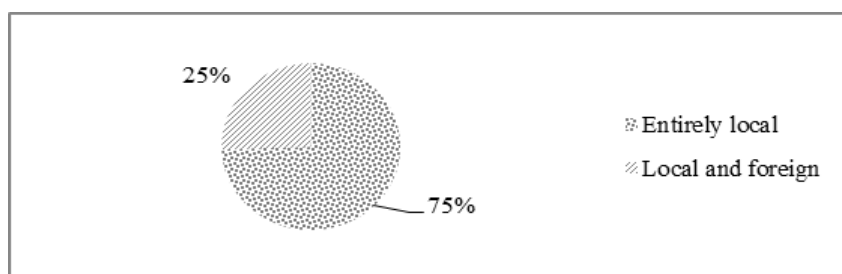

Figure 5. Labour in the hotels belonging to international chains
(Source: calculation made by the authors)

All the 51 hotels own some policies regarding the service quality offered by the hotel and there are standardised rules and procedures specific to each chain.

The internal audit is made for the majority of the hotels each year (40 hotels), but in some cases it is more often. Nine hotels have the internal audit quarterly, one hotel monthly and one hotel answered that it depends based on how often the chain wants (Figure 6).
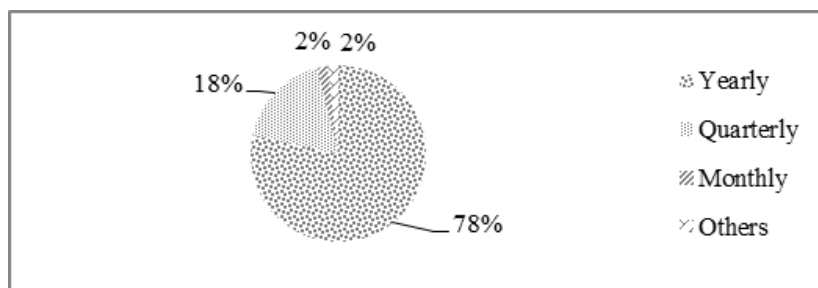

Figure 6. Internal audit for the hotels belonging to international chains
(Source: calculation made by the authors)

International Journal of Economic Practices and Theories, Vol. 5, No. 5, 2015 (October), Special issue on Trends in Sustainable Business and Consumption

www.ijept.org

5 Conclusions

To offer the best quality of the services, by respecting the conditions established by the international chain, the communication with the clients is made mostly direct, but also by using the hotels' own website. These two communication types allow the hotel to see the consumer's reaction, the frequency which with they are visiting the site, the number of registered visitors on the site etc. To have a communication as good as possible with the customers, the hotels own databases with them. All the hotels affiliated to international chains have databases with business clients, because all are focused on the business tourism and the organization of corporate events. Also, the majority of the hotels belonging to the luxury segment have a database with the VIP clients and a part of the hotels which have four stars have a database with the leisure clients (the hotels located in the capital and in the big cities form Romania). This structure of the database allows them to personalize the offered services, what attracts an increasing degree of customer satisfaction.

Because the hotels know very clear which are the targeted consumer segments, the strategies and the policies used to retain them are established mutually, taking into consideration the proposals made by the international chain but also the hotels' ideas. The hotels are using as permanent retaining instruments the special offers depending on the event and the own loyalty cards.

The research limitations about the customer relationship management strategies, used by the hotels included to the international chains are as follows: difficulties encountered in data collection especially related with information accuracy (the respondent was not always a representative of the top management) and the present research represents only a descriptive statistical approach and future researches will consider inferential correlations also. The limits above can turn into future research objectives such as identifying the existence of a connection between: the target segments and the most used communication tools with them, the target segments and the loyalty instruments permanently used by the hotels, the target segments and categories of respondents addressed in evaluating services quality, penetration strategies and human resources polices, penetration strategies and the frequency of the internal audit required by the international hotel chain, penetration strategies and the origin of the human resources personal for the hotel.

The present research offers a support in understanding, evaluating and improving customer relationship strategies and adapting these actions to specific market needs.

Acknowledgment

References

Abdullatif, A.O., Mokhtar, S.S. and Yusoff, R.Z. (2010), The impact of CRM Dimensions on Call Center Performance, *International Journal of Computer Science and Network Security*, 10(12): 184-195.

Akroush, N.M., Dahiyat, E.S., Gharaibeh, S.H. and Abu-Lail, N.B. (2011), Customer relationship management implementation. An investigation of a scale's generalizability and its relationship with business performance in a developing country context, *International Journal of Commerce and Management*, 21(2): 158-191.

Balaram, A. and Adhikari, B. (2010), Managing Customer Relationships in Service Organizations. *Administration and Management Review*, 21(2): 65-78.

Becker, U.J., Greve, G. and Albers, S. (2009), The impact of technological and organizational implementation of CRM on customer acquisition, maintenance, and retention, *International Journal of Research in Marketing*, 26(3): 207–215.

Beldi, A., Cheffi, W. and Dey, B. (2010), Managing customer relationship management projects: The case of a large French telecommunications company, *International Journal of Project Management*, 28(4): 339-351.

Bunthuwun, L., Sirion, C. and Howard, C., (2011), Effective Customer relationship management of health care: A study of the perceptions of service quality, cooperate image, satisfaction, and loyalty of that outpatients of private hospital in Thailand. *ASBBS Annual Conference: Las Vegas*, February, 17(1): 198-211.

International Journal of Economic Practices and Theories, Vol. 5, No. 5, 2015 (October), Special issue on Trends in Sustainable Business and Consumption

www.ijept.org

Cosma, S.A., Fleșeriu, C. and Bota, M. (2014), Hotel chain's strategic options to penetrate the Romanian market, *Amfiteatru Economic*, November, XVI(8): 1352-1365.

Cosma, S., Fleșeriu, C., Bota, M. and Nedelea, Al. (2015), Aspects of Romanian marketing environment for international hotel chains, *Ecoforum*, 4, Issue 1(6): 38-45.

Dowling, G. (2002), Customer Relationship Management: In B2C Markets, Often Less is More, *California Management Review*, 44(3): 87–104.

Geddie, M.W., De Franco, A.L. and Geddie, M.F. (2002), From Guanxi to customer relationship marketing: How the constructs of Guanxi can strengthen CRM in the hospitality industry, *Journal of Travel & Tourism Marketing*, 13(3): 19-33.

Hu, H-H., Huang, C-T.and Chen, P-T. (2010), Do reward programs truly build loyalty for lodging industry?, *International Journal of Hospitality Management*, 29: 128–135

Hung, Y.S., Hung, H.W., Tsai, A.C. and Jiang, C.S. (2010), Critical factors of hospital adoption on CRM system: organizational and information system perspective, *Decision support systems*, 48: 592-603.

Krasnikov, A., Jayachandran, S. and Kumar,V. (2009), The Impact of Customer Relationship Management Implementation on Cost and Profit Efficiencies: Evidence from the U.S. Commercial Banking Industry, *Journal of Marketing*, 73(6): 61-77.

Kuo, C-M. (2009), The managerial implications of an analysis of tourist profiles and international hotel employee service attitude, *International Journal of Hospitality Management*, 28: 302–309.

Luck D. (2009), The Implications of the Development and Implementation of CRM with regards to Knowledge Management in Meir R. (ed.), *Knowledge Management Strategies for Business Development*, Hershey: IGI Global.

Luck, D. and Stephenson, M.L. (2009), An evaluation of the significant elements of customer relationship management within the hotel industry, Tourism Today, *The Journal of the College of Tourism and Hotel Management*, Autumn, (9): 7-26.

Mohammed, A.A., and Basri R. (2012), Customer Relationship Management (CRM) in Hotel Industry: A framework proposal on the relationship among CRM dimensions, Marketing Capabilities and Hotel performance, *International Review of Management and Marketing*, 2(4): 220-230.

Nasution, H.N., and Mavondo, F.T. (2008), Customer value in the hotel industry: What managers believe they deliver and what customer experience, *International Journal of Hospitality Management*, 27: 204–213.

Petrovic, M.D., Jovicic, A., Markovic, J.J., Gagic S. (2013), Territorial expansion of hotel chains in countries of South-Eastern Europe, *Journal of the Geographical Institute „Jovan Cvijic" SASA*, 63(4): 75-92.

Reichheld, F., and Schefter, P. (2000), E-Loyalty, *Harvard Business Review*, 78(4): 105-113.

Rich, M.K. (2000), The direction of marketing relationships, *The Journal of Business and Industrial Marketing*, 15(2/3): 170-179.

Sadek, H., Yousef, A., Ghoneim, A., Tantawi, P. (2011), Measuring the effect of customer relationship management (CRM) components on the non financial performance of commercial bank: Egypt case, *European, Mediterranean and Middle Eastern Conference on Information Systems (EMCIS2011)*, May 2011, Athens, Greece.

Sigala, M. (2005), Integrating customer relationship management in hotel operations: Managerial and operational implications, *International Journal of Hospitality Management*, 24(3): 391-413.

Stone, M.A., and McCall, I. (2004), *International Strategic Marketing. A European perspective,* Routledge, London.

Verdugo, C.M., Oviedo-Garcia, A.M., and Roldan, L.J. (2009), The employee-customer relationship quality: Antecedents and consequences in the hotel industry, *International Journal of Contemporary Hospitality Management*, 21(3): 251-274.

Verma, S., and Chaundhuri, R. (2009), Effect of CRM on Customer Satisfaction in Service Sector in India, *Journal of Marketing and Communication*, 5(2): 55-69.

Vogt, C. (2011), Customer Relationship Management in Tourism: Management Needs and Research Applications, *Journal of Travel Research*, 50(4): 356-364.

Wu, S., and Li, P. (2011), The relationships between CRM, RQ and CLV based on different hotel preferences, *International Journal of Hospitality Management*, 30(2): 262-271.

Wu, S., and Lu, C. (2012), The relationship between CRM, RM, and business performance: A study of the hotel industry in Taiwan, *International Journal of Hospitality Management,* 31(1): 276–285.

Zineldin, M. (2000), Total relationship management (TRM) and total quality management (TQM), *Managerial Auditing Journal*, 15(1/2): 20-28.

National Institute of Statistics, (2014), Romanian tourism. Statistical Abstract 2014, National Institute of Statistics. http://www.insse.ro/cms/files/publicatii/Breviar%20turism/Romanian_Tourism_2014.pdf, Accessed 13 February 2015.

International Journal of Economic Practices and Theories, Vol. 5, No. 5, 2015 (October), Special issue on Trends in Sustainable Business and Consumption

www.ijept.org

Authors' description

Smaranda Cosma: Professor PhD and the Vice-dean of the Faculty of Business, Universitatea Babeș-Bolyai, Cluj-Napoca, Romania, www.tbs.ubbcluj.ro. Research and Teaching Interests: Marketing Strategies, Destination Marketing, Hotel Marketing, International Tourism Marketing.

Cristina Fleșeriu: Teaching Assistant PhD at the Faculty of Business, Universitatea Babeș-Bolyai, Cluj-Napoca, Romania, www.tbs.ubbcluj.ro. Research and Teaching Interests: Principles of Marketing, Customer Relationship Management, Hospitality, Marketing Research, Consumer Behavior.

Marius Bota: Associate Professor PhD and the Secretary of Hospitality Services Department at the Faculty of Business, Universitatea Babeș-Bolyai, Cluj-Napoca, Romania, www.tbs.ubbcluj.ro. Research and Teaching Interests: Marketing Research, Researching and developing new products, Leisure and recreation, Conference, events and meetings organization.