

## **CRM IN A CROATIAN HOTEL CHAIN**

**MIROSLAV MANDIĆ**

Faculty of Economics and Business, University of Zagreb  
Trg J.F. Kennedyja 6, 10000 Zagreb, Croatia  
mmandic@efzg.hr

**VLADISLAV VALIČEK**

Nove Mogućnosti d.o.o.  
Kalinovica 7, 10000 Zagreb, Croatia  
vali@novemo.hr

**ZRINKA SKELIN**

Nove Mogućnosti d.o.o.  
Kalinovica 7, 10000 Zagreb, Croatia  
zrinka@novemo.hr

### **ABSTRACT**

*The paper aims to research the application of CRM's quality business practice in the Croatian hospitality industry. The reason why this topic is being researched is a continued growth of the hospitality industry in Croatia and worldwide. In Croatia tourism represents the key economic sector. The factors such as addition on personal income, more free time and the customers' desire to experience as much as possible while travelling are significantly influencing and changing the hospitality industry. This means that the application of CRM in hospitality is becoming ever more demanding and challenging. This paper used qualitative analysis so as to research the application of CRM in one of Croatia's leading hospitality companies. The applied case analysis used a specific example in order to analyse the application of CRM's quality business practice. The paper focuses on analytical and operative challenges in CRM, for example how to collect useful information out of all the numerous contact points which appear between customers and companies, how to make sense of them and use them in the best possible way. In accordance with the above mentioned, the focus is on the possibility of a successful and efficient customer segmentation, determining the offer which satisfies the customers' needs the most, as well as on determining the customers' value and applying the collected knowledge about the customers in order to increase their value. The results of this research exhibit a successful application of CRM in hospitality, and as such they might be interesting and useful to researchers whose area of interest is CRM in general and especially CRM in the hospitality industry. Furthermore, the paper might be interesting to managers and practitioners who through a proper implementation of CRM want to segment their customers according to their value and, finally, increase the value of their customers. The limitation of this paper is the*

*limited experience in the implementation of CRM within one company and a display of the business practice within one market.*

**KEYWORDS:** customer relationship management, hospitality industry, customer service, customer value, Croatia.

## 1 INTRODUCTION

Customer relationship management (CRM) is one of the basic and most crucial elements of the marketing philosophy. CRM puts in focus the customer and their satisfaction in such a way that all the company's activities are pointed towards the customer (Mandić, M., Vranešević, T. 2012). The main aim of CRM is to get to know the customer as well as possible, which can help a company deliver better, more appropriate and higher added value to the customer. CRM is all about collaborating with each customer – being able to create the classic win-win situation: you add value to each customer's daily life, and they give you loyalty in return (Temporal, Trott, 2001).

The primary goals of CRM are to: build long-term and profitable relationships with chosen customers; get closer to those customers at every point of contact; and maximize the company's share of the customer's wallet. Simply stated, CRM is about finding, getting, and retaining customers. So, it is possible to conclude that CRM is business strategy and therefore more than a functional strategy alone. It affects the organisations as a whole: marketing, IT, service, logistics, finance, production and development, HR, management, etc (Peelen, 2005).

Also, Kumar and Werner (2005) look at CRM from a business strategy perspective. The aim is to gain long-term competitive advantage by optimally delivering value and satisfaction to the customer and extracting business value from the exchange. From this standpoint, CRM is the strategic process of selecting the customers a firm can most profitably serve and of shaping the interactions between a company and these customers. The goal is to optimize the current and future value of the customers for the company.

CRM is a strategic process that includes all business units and departments. It is a process that must be integral to the whole organisation (Mandić, Zbodulja, 2014). In other words, CRM is not merely a technical solution; It is a continuous process of learning that entails business strategy, business philosophy as well as a database (Osarenkhoe i Bennani, 2007).

The Interest in customer relationship management (CRM) began to grow in the 1990s. Regardless of the size of an organization, businesses are still motivated to adopt CRM to create and manage the relationships with their customers more effectively. An enhanced relationship with one's customers can ultimately lead to greater customer loyalty and retention and, also,

profitability. In addition, the rapid growth of the Internet and its associated technologies has greatly increased the opportunities for marketing and has transformed the way relationships between companies and their customers are managed (Ngai, 2005).

CRM is a field encountered in marketing, management, but also in information technology as well as science. A CRM application (software) strategy requires the usage of information, processes, technology and people who work on maintaining a relationship between the company and its clients (such as marketing, sales and support department etc.) An effective CRM increases client loyalty, reduces costs and increases the overall value to the company as well as to the interest groups that the company does business with (Kangal, 2012).

CRM appeared as a new concept at the peak of the Internet boom. In 1998 JPMorgan's analysts forecasted that the demand for CRM technology would grow with double-digit annual rate because the Internet was causing a quiet revolution in the way were customers would demand to interact with companies. All the mentioned points to the same conclusion - companies need CRM because they have to improve their performance.

In today's globally competitive world, customers expect more, have more choices, and are less brand loyal. The only thing that is constant is change. Customers will continue to change with regard to needs, demographics, lifestyle, and consumption behaviour. The companies that survive and grow will be the ones which understand change and are in the lead, often creating change.

Many businesses work hard to acquire new customers, but this is where the customer relationship often stops. However, in implementing the CRM strategy, managers must recognize the cultural orientation required to energize inter-firm communication and knowledge sharing routines and build innovation and joint action. Infrastructure alone will not build relationship bridges with strategic partners not leverage the resources that lie within those partners. Thus, managers will need to ensure that processes are in place to stimulate new ideas about relationship management and to capture current knowledge about relationship practice and productivity (Jarratt, 2008). The development and implementation of the customer relationship management strategy is influenced by a large number of factors. The three most commonly present are as follows (Chen and Popovich, 2003, Liew, 2008):

- The technology,
- Business processes.
- People.

The importance and influence of technology has already been mentioned several times since it has offered support which has resulted in the current level of possibilities and application of customer relationship management.

Furthermore, an emphasis has been put on efforts and aims of all companies which want to implement the customer relationship management strategy in order to make all business processes directed towards the customers, meaning satisfying the wishes and needs of their customers. This includes activities inside all the companies' departments.

Satisfying the previously mentioned factors without the support of the employee as the most important factor is futile and does not make any sense. The given elements are basic according to the latest theoretical findings but the question is whether they are sufficient for achieving success.

A successful customer relationship management strategy implementation should in one company cover all steps which are in contact with the customer. For the given approach to be successful, companies should above all apply a systematic strategic approach. Crosby (2002) says one of the biggest misapprehensions (or myths) concerning CRM is that it all evolves around information technology. He claims the complete opposite (Crosby, 2002) by saying that it is about the business strategy and that the loss or lack of strategy leads to undesired results and a waste of big financial means, pouring money down the drain, if invested in CRM software or hardware.

Kotorov (2003) thinks the same and in his opinion the success of customer relationship management most importantly depends on understanding and approach according to which customer relationship management is a strategy and not a software solution or a software package. The commonly accepted belief is that the implementation of customer relationship management strategy (CRM) strives to improve relationships with customers and their loyalty but also it tends to reduce costs through business enhancements, boosting sales per customer and attracting new customers.

Moreover, the aim of customer relationship management can be the total customer experience. Improving customer relationships is definitely based on good communication skills, which are ensured by a quality approach to customer relationship management strategy. No matter how deeply rooted the customer and his satisfaction in the essence of marketing philosophy is, it is still questionable how many companies truly know their customers. It is to understand that the process is long-term and prone to changes which require continuous monitoring. Today's business environment is such that companies need customer relationship management (CRM) in order to improve their businesses.

Implementing CRM requires an increase in knowledge and capability of the employees, ensuring additional training, motivation and authority. One of the key requirements for this to work is to create a new business culture and a new set of values, based on the client that will result in a reorganization of the business process.

Company related obstacles are in fact the reason why employee related obstacles can be encountered before and during CRM implementation. The company's actions will directly influence the employees' behaviour. As it has already been stated, implementing CRM requires all departments in the company to work together (Yurong, et al. 2002) so many companies took different actions in order to better develop their employees and achieving a satisfactory level of internal and external relations as well as client satisfaction (Proctor, 2003.; 268). CRM is often linked with high expectations and, consequently, dissatisfaction with its implementation.

Unfortunately, a high percentage of customer relationship management strategy implementations fail because of the existence of elementary non-understanding of the strategic approach here in question. Hoots (2004) stresses the importance of a more active role of "top management" and defines customer relationship management as a development of a universal image of customers' needs, of their expectations, behaviour and of managing the mentioned elements (factors) which influence a company's business. A more active role is especially expected with regard to research into customers' expectations and determining whether the expected value has been delivered.

Kotorov (2003) supports the same approach and emphasises the importance of involvement of top management. Otherwise, it is obvious that just implementation or acceptance of customer relationship management will not be successful. Furthermore, Hoots (2004) introduced a model, the so called "3R", which represents resources, response and respect. The given model shows there is a gap between customers' expectations and value delivery.

On account of all this, customer relationship management is currently one of the most interesting ("burning") issues in the business world. The crisis has done its part and proved the importance of customer loyalty, so customer relationship management is experiencing growth in practically all sectors and companies, regardless of the fact whether those companies are focused on the market of final or business consumption expenditure.

## **2 METHODOLOGY**

Qualitative research was carried out in order to collect primary information, while the secondary sources were taken from books and scientific articles from the CRM area of study. The analysis of previous works was an attempt of reaching general conclusions which can be used as references for further implementations. Qualitative method is suitable for this type of research because it is to be expected that such approach would contribute to a better understanding of customer relationship management (Plakoyiannaki and Saren, 2006). An in-depth approach can be achieved via detailed description of happenings, situations and communications which occurred between the participants in customer relationship management. The data received

from this part of the research (qualitative) are linked with things and events which really took place inside the company.

Methodologically, it is a combination of a case study analysis and an in-depth-interview with an expert who took part in the CRM implementation. Case studies have been a commonly used and legitimate method of research inquiry for studying related fields (McLeod, MacDonell, 2011). Case studies also typically involve multiple data sources, including observation, interviews, documents and archival records, in order to develop a triangulated and in-depth analysis and a contextual understanding of the research setting (McLeod, MacDonell, 2011).

Case study research offers a degree of flexibility in that key parameters of the research design can be altered during the study in order to react or adapt to “the complex and dynamic characteristics of real world phenomena” (McLeod, MacDonell, 2011).

Case theory can offer higher validity and relevance by focusing on outcome instead of on details of the research process and techniques to augment reliability and rigor (Gummesson, 2014).

The choice of in-depth interview as a method seemed the appropriate with regard to the set goals of the research. According to Finnegan and Willcocks (2007), the in-depth interview is a good research method because it functions as a personal interview in which each interviewee answers questions of the interviewer so as to reveal motives, beliefs, attitudes, feelings connected with the topic, in this case feelings related to customer relationship management strategy. An in-depth interview per se does not possess a high level of structure so in this case, likewise, it was based on open questions which enable an “informal” conversation about the interviewee knowledge concerning customer relationship management.

The interview guide covered topics such as introduction to the field, the roles of the interviewee and the interviewer, including the key elements from literary sources and previous research on CRM. The interview had been previously arranged over the telephone and email and conversations took place when and where it was most convenient for the interviewee, provided that the conversations would not be interrupted.

The limitation of this paper is that the analysis of the CRM application was carried out in only one hotel chain in Croatia. However, the results of this research could be useful to the scientific and business community because they have shown a real case of CRM implementation, together with many useful findings which reveal the steps in the application of CRM in the hospitality industry.

### 3 RESULTS

This paper describes the quality business practice of applying customer relationship management (CRM) in the hospitality industry. If CRM is to be used in a correct and efficient way, it is of key importance that it is approached in a strategic manner. This means the first step is by no means technological. In order to be able to approach CRM in this way, it is necessary to have the support of the management and a clear understanding of what the objectives are, as well as to ensure the required resources. Besides the financial resources, just like everywhere else, it is the people who are the factor of utmost importance. Besides the needed support from the top management, it is required that one person in the company is employed especially for the purpose of implementing CRM, and that this person has an assistant to deal with the administrative work connected to it. Ideally, the person employed in the given company should be very well acquainted with their business, its processes and its organisation.

A strategic application of CRM requires cooperation and inclusion of all departments of a company, where the closest collaboration is expected with the marketing department. Besides achieving the required level of cooperation, a precondition for successful implementation is surely the level of a company's maturity with regard to accepting CRM.

The simplest steps in applying the CRM strategy include customer identification, customer differentiation, interaction with customers and customize treatment (Peppers, Rogers, 2004). The given steps are carried out continually, which means this is a constant process of identification, differentiation interaction and adjustment to clients.

Customer identification in a hotel involves managing all of the recorded information about the guests, no matter where the information came from (for instance Wi-Fi, reservations, check-in, manual reception entries, call centre, web, social media, newsletter, loyalty programme points, questionnaire, or any other way in which guest information can be recorded). This is followed by data cleansing in order to get a data base which is as accurate as possible. Here the key challenge is to identify the customer in the sense that if in a period of one year a customer stayed at the hotel several times, then it was not several different people but the same person. In this manner CRM can provide data about how many guests actually stayed at the hotel, which surpasses the information about the number of nights per stay.

This is a precondition for the ability to start differentiating clients. Besides the name and surname and their basic contact details (address, email, date of birth), it is also required to gather data about the stay (the room, stayed alone or with family), how much the customer spent, how many times he or she stayed in that particular hotel, which services he or she used (for instance only accommodation or also the restaurant, room service, wellness centre or services outside the hotel).

In order to gain all the above mentioned information, it is necessary to motivate the employees to enter all the data, but also to have the system collect the information from various other sources (such as what was searched on the Internet, how active a person is, etc.), and that all information is regularly updated. In this stage it is very important that the receptionists enter all the required information about the guests.

The emphasis is placed on the guests' interests, so as to later create customised offers in accordance with those interests. Besides monitoring how much data they are entering in the system on a weekly basis, in order to achieve a quality level of the employees' engagement, it is important the employees understand why this is being done.

The given data constitutes a guest's profile, based on which customers can be differentiated according to how much they spend and segmented into various value groups (for instance, average spender, above average spender or below average spender). Since this paper describes the application of CRM in a hotel chain, it is important to say that the value of each customer, that is their differentiation, is done on the level of the hotel where they are staying. This means the value segmentation on the hotel level takes into account all transactions a guest made in the hotel. It is especially challenging to update a guest's profile so as to ensure a continued flow between the four mentioned steps, since the final goal is the conversion of a customer/guest from one value category into another.

Differentiating between customers involves preparing various offers and creating different activities for different customer groups. Premium customers, of course, receive different offers than the customers who spend below average, and the communication with the two is not the same either. Companies most commonly focus on the four different customer groups. Upon creating campaigns, the content which is created for each group is of key importance. It is evident that communication and the adaptation of the offer to the customers is taking place at the same time.

What is important here are the interests the receptionists gathered and whether the employees are providing the guests with the offers which suit their interests. For written communication the staff are required to ask permission from the guest and allow the guest to choose the language in which he or she wishes to receive information and offers. Information protection is a fundamental precondition, and the only data which can be used is that which was approved by the customer. When activating the guest data it is necessary to pay attention to whether the channel through which the data is gained allows for their use. This usually happens with the Online Travel Agency (OTA) channel (Booking.com and similar). Although the activation collects data, the contract does not allow their use in communication with the guest. Since a considerable number of reservations arrive through such channels, introducing a loyalty programme would enable receiving contact permission by the guest, after which a hotel would have the right to include the guest in their communication.



No matter how adaptable to customers a business is, and how much they attempt to send them offers in their native language, the content of an offer is of key importance in whether it will be successful or not. Therefore, it is recommended to use less language options but to work on the quality and variety of offers. A newsletter is one of the possible communication channels towards customers, and its options are many, with the only limiting factor being the amount of sensible activities an organisation is able to create. CRM enables hotels to know precisely the channel a customer used to get to them. The additional tool which can also be of great use in collecting and updating the necessary data for the application of CRM is a loyalty programme. Considering all the above mentioned, it is evident that there are many sources of customer data. All the information has to be updated. Companies have to make sure the data is not duplicated, that the base undergoes regular cleansing, so it could provide the information based on which further decisions can be made.

In practice, a considerable amount of data cannot be used in a systematic and organised way by marketing and sales departments. In many cases, a company's marketing department and sales department operate in an old-fashioned way, and CRM is not used as a strategy but only as a tool which provides support in creating campaigns. There is room for progress in revealing the amount of potential coming from the customers. The question is how many guests can a certain offer cover? Connecting CRM-created offers and price lists suited for each guest group, as well as establishing a connection with feedback, is of great importance to CRM application on a higher level.

Finally, it can be said that technology is not a problem, and in technological sense nothing is impossible. The key issue in quality CRM application is in how mature a company so as to be able to apply all the possibilities CRM can offer.

## **4 CONCLUSION**

It is necessary for hotels to implement CRM if they want to know how many guests they really had, as opposed to only looking at nights per stay. A possible approach to the implementation can occur in four steps: customer identification, customer differentiation, interaction with a customer and customize treatment. As the first and crucial step for data quality, identification enables recognising a customer in a way that the information which used to be stored "in the receptionist's mind", or at best in an Excel document, is now systematically organised and available to everyone who needs to communicate with the guest.

CRM application can yield key information for the business, for instance when a guest stayed in the hotel for the first time, the last time, how he or she arrived, how long he or she stayed, the people he or she stayed with, the number of adults, the number of children, how much he or she spent and on which activities and services.

CRM includes the performance analysis which shows the total number of guests who repeated their stay. That data enables to determine the sales efficiency, such as: what was being sold, in which way, at what price, and, finally, what was actually achieved. CRM enables simple and fast reporting to the management, according to whichever success criteria they choose. The only limitation in CRM application is whether a company is mature enough to accept and apply all its possibilities.

A particular challenge and a recommendation for further research is how to successfully manage all the above mentioned data. A lack of adequate methodology is evident, so further research has to be directed towards preparing a methodological frame which could respond to that challenge. The key limiting factor, once again, is whether a company is mature enough to accept and apply all CRM possibilities.

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