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# KEY ACCOUNT DATABASE MANAGEMENT IN HOSPITALITY

## UPRAVLJANJE BAZOM PODATAKA O KLJUČNIM KUPCIMA U UGOSTITELJSTVU

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### *Abstract*

Developing and implementing marketing plans in hospitality entails conducting market research and collecting information about customers that will make it possible to monitor current activities, as well as define business priorities for the future. Marketing plans and decisions that are mostly made on the basis of a manager's business experience but without any communication with guests do not contribute to good performance. In the hospitality industry (the hotel and restaurant industries), developing key account databases is a vital process that is increasingly becoming a prevailing competitive tool in ensuring better performance. As hospitality facilities seek to more fully adjust their offerings to demand, the need to understand what motivates guests to buy individual services or a whole product has emerged and is growing. ICT development has enabled the development of micromarketing, the philosophy of which is based on guest data, while adaptable computer programs make it possible to handle guest data for a variety of purposes.

### *Sažetak*

Za izradu i implementaciju ugostiteljskih marketinških planova, prijeko je potrebno istraživanje tržišta i prikupljanje informacija o potrošačima, koje omogućuju praćenje tekućih aktivnosti, ali i definiranje poslovnih prioriteta u budućnosti. Marketinški planovi i odluke koje se pretežito donose na temelju poslovnog iskustva odgovornih menadžera, bez komunikacije s njihovim gostima, ne doprinose uspješnijem poslovanju. U ugostiteljskoj djelatnosti (hotelijerstvu i restoraterstvu), razvoj baze podataka o ključnim kupcima izuzetno je važan proces i sve više postaje dominantno konkurentsko oruđe za uspješnije poslovanje. Kako bi ugostiteljski objekti svoju ponudu mogli bolje prilagoditi potražnji, nastala je i sve se više razvija, potreba razumijevanja motivacije gostiju pri kupnji pojedinačnih usluga ili proizvoda u cjelini. Razvoj informacijsko-komunikacijske tehnologije omogućio je razvoj mikromarketinga, čija se filozofija temelji na podacima o gostima, a prilagodljivi računalni programi omogućuju sveobuhvatnije raspolaganje podacima o gostima za različite namjene.

## 1. Introduction

Today's dynamic changes in the hospitality industry (hotel and restaurant industries) lead to the conclusion that business is increasingly becoming knowledge-based, with service customers becoming its focal point. This fact requires new skills and strategic thinking from hospitality managers. To be able to anticipate and adequately respond to change, it is necessary to identify key changes and study their dynamics, understand competitive methods, and evaluate the readiness of a hospitality enterprise to accept changes that the future will bring.

In the future, the hospitality industry will need to address challenges resulting from the transition into the information age, in which the convergence of computer technology and telecommunications is

changing the way people work and live. This will affect the relationships between employees and their guests. The exchange process will be reshaped between service providers and well-informed guests, whose service expectations are steadily growing. In addition to guest segmentation, service providers in the future will be expected to know many more details about their guests and to design their services in accordance with the specific wants and needs of guests. Technology is changing the marketing practice of the hospitality industry, redefining the guest as a segment on whom a hospitality facility possesses a great volume of information systematically gathered and stored in databases, containing real information system data /1/, for the purpose of using this information to

design a hospitality offering. In addition to seeking to identify the key accounts in hospitality, this paper examines the Database Management System for these key accounts. Hospitality establishments are increasing turning towards aggressive concepts in acquiring new and keeping repeat customers with the aim of enhancing their loyalty to a hospitality facility. More and more attention is being focused on key accounts; this attention in providing services is aimed at persuading them to make repeat visits to a hospitality facility. The primary goal of a hospitality establishment is to collect as much information as possible in the shortest time possible on the greatest number of customers (guests) possible. This goal, together with the activities it requires, is becoming a deciding factor in the growing competitive struggle among hospitality establishments, through which they seek to retain guests in their hospitality facilities while preventing them from defecting to rivals. Hospitality establishments collect data about their key accounts in order to improve the preparation and provision of the services they render. Also, these data are used in increasing the sales of all types of capacities (accommodation, consumables, congress facilities, sports and recreational facilities, etc) and in capturing as large a market share as possible. Namely, the future will belong to those hospitality establishments that have recognised the fact that these data are a major asset for their future successful performance.

## 2. Identifying key accounts in hospitality

Managing KA relationships, repeat-guest relationships, guest loyalty, guest preferences: these are all variations of one sweeping idea, and that is to learn about guests and understand their needs. This is an idea that hospitality establishments have

been considering for many years but have only now intensified their activities in carrying it through because of the drastic change of conditions on the market. Over the past decade, new knowledge has been acquired in managing KA relationships, even though there is no simple or single recipe for managing these relationships. This is especially true of hospitality, which is a highly dynamic and complex activity characterised by a small number of constant and certain data and a large number of changing and uncertain data. This is the reason why there are but a few hospitality establishments that have succeeded in making this concept – which can be described as a sophisticated KA relationship or developed KA loyalty program – work. It is a fact, however, that, because of increasing competition, a growing number of hospitality establishments have become engaged in applying some of the elements of relationship management to their guests; in this, the time factor has a vital effect /2/. This is an important factor because a considerable amount of time, consistency and efforts are required to develop an effective KA relationship management system. This leads to the conclusion that a comprehensive concept for managing KA databases cannot be set up impromptu. Even those hospitality establishments that have just begun to develop their own approach to managing KA databases have realised that the commitment of the highest level, top management is of crucial importance. On the one hand, top management members are responsible for leading the organisation, as a whole, through this process, and on the other hand, they must ensure the preconditions required to give KA database management priority in terms of time as well as in financial investment. In the hospitality industry, there are four basic KA groups as illustrated in Figure 1.

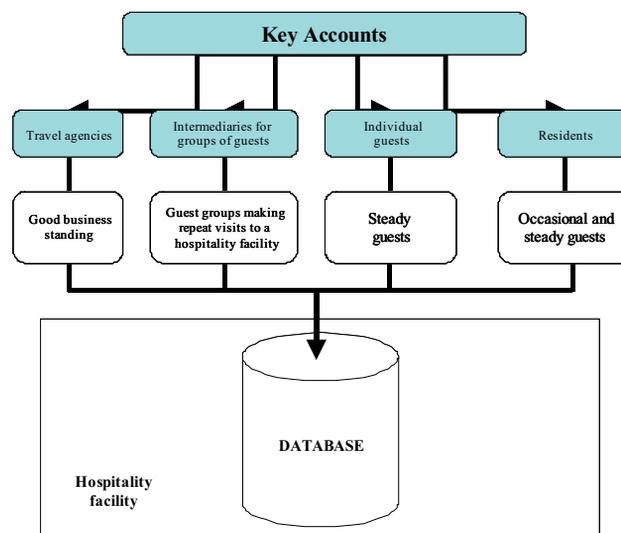


Figure 1: Key accounts in hospitality  
Source: By the author

The first KA group consists of **travel agencies** with which hospitality establishments do business based on signed allotment agreements. These domestic and foreign travel agencies need to have an excellent business standing, which is a prerequisite for them to receive KA treatment. They are a stronghold for selling the accommodation capacities of hospitality establishments and routinely help in keeping these capacities occupied. This is a KA group of hospitality establishments that provides accommodation services (hoteliers). The second KA group comprises **intermediaries engaged in organising the stay of groups of guests**, a number of times a year. In addition to travel agencies that arrange accommodation services for their customers, intermediaries can also be various types of sports clubs, associations, organisations or other intermediaries for various guest groups who do not necessarily have to use accommodation services. The criterion for falling into this KA group is multiple visits made to a facility over the period of a year (sometime, several consecutive years). To the third KA group belong a hospitality facility's **individual, steady guests**. These are guests who come a hospitality facility several times during the year to use accommodation services and other services as well. It is common hospitality practice to keep History Cards that are updated, upon the departure of guests, with the needs, wants, habits, remarks, commendations and complaints of guests. The fourth KA group consists of **residents**, who can be a hospitality facility's occasional or steady guests. These are guests who do not use accommodation services but who are the occasional (several times during a week, month or year) or steady (daily) customers of the hospitality facility's other services (eating, beverages and drinks, auxiliary services). In addition to being its service users, these guests also tend to be its advocates by organising and bringing in more customers of hospitality services, accommodation services included (the organisation of business conferences, sports competitions, etc.).

If properly used, KA information and KA database management can result in increased profits for a hospitality facility. The reasons behind this very real premise are the following:

1. The cost of winning new guests can be considerable.
2. A high retention rate of steady guests implies that less and less new guests are needed, cutting back the costs involved in winning them.
3. Steady guests are more inclined to spend more and consume services more often.
4. Steady guests are satisfied guests.

5. Steady guests often recommend a hospitality facility to other potential guests at no additional cost to the facility.
6. Satisfied guests are often willing to pay top prices in a hospitality facility they know and trust.
7. Keeping a circle of steady guest makes it impossible or very difficult for rivals to enter the market or take a piece of the market.

Today in the age of one-on-one marketing, when guests, service customers are again in the centre of attention, hospitality establishments need to undertake additional activities that involve:

1. creating KA databases
2. building a system to use the data gathered, and then
3. deciding which tactical communication tool to use to reach the customer.

The management systems of the late 1980s and early 1990s focused on winning customers now belong to the past, and marketing data are perfected through the creation of databases. A key component of a modern marketing approach is being able to keep true (real) data on key accounts. Even more important will be the ability to integrate all these systems into a booking system and a comprehensive strategy aimed at improving services to guests and maximising profits. In doing so, it is important not to neglect the fact that the strategic use of information in an information system represents a part of the overall services provided; this ability to properly use relevant information may be the competitive advantage of every hospitality facility /3/.

### 3. Collecting KA information

Technological development, in particular in IT, already has transformed operations in hospitality and the employee-guest relationship to a considerable extent. Innovations and change that are so rapid today have resulted in making hospitality facilities increasingly more dependent upon human resources in achieving their goals /4/. It should be noted, however, that in the market competition to which all hospitality establishments are exposed, only people can create value added on the supply side, in this case, the service staff with their knowledge, skills and competencies. Increasingly, today's guests wish to communicate; they prefer those employees you are willing to talk to them and, in exchange, they are ready to overlook some professional mistake, but not arrogance or unfriendliness. Guest communication skills and ITC skills are now preconditions to quality in the hospitality industry, and balancing these

skills is a basic precondition to good performance. Hence, personnel and guests are not in conflict; it is the responsibility of management to reconcile the human aspect of providing services with the conditions that prevail in ITC usage, and to create an environment in which optimum services can be rendered in ITC conditions /5/.

Given today's growing competition, hospitality establishments are required to focus more and more attention on meeting the needs of their guests. Among other things, this means focusing on those services that are the most important to guests. The question arises as how to go about collecting information on the wants and expectations of guests. One of the ways is to collect and process hospitality-employee feedback. Namely, because they are in direct contact with guests, employees represent a valuable source of information on how to improve services, as the feedback that they receive from guests is the foundation for making improvements to services in the future. In most cases a few years ago, hospitality managers sought to gain feedback on guest wishes and expectations through questionnaire-based surveys. Although the results obtained with this method can be considered relevant in assessing the quality of services provided, there is still the unattained sample of those guests who did not fill out the questionnaire and whose impressions are missing. Because of this, the management could create an unreal picture of service quality. Because a special link is created between hospitality workers and guests and because of the nature of their direct relations, those employees who are in direct contact with guests are the ones that collectively generate and design services. Therefore, guests will primarily go with their first-hand impressions in forming an opinion about a specific service.

Previous research has identified a high level of psychological association between employees who are in direct contact with guests and the guests themselves. The reason for this strong association between employees and guests can be defined through a number of factors, the most important being /6/:

1. their physical closeness in rendering and consuming services,
2. the time they spend together,
3. the feedback that employees get directly from guests,
4. the amount of information that guests provides, and
5. employees understand that they need satisfied guests if they want to keep their job.

Throughout this process, the managers are behind the scenes, as they are not in ongoing or direct contact with guests. Instead, when they

do meet guests, it is mostly to hear about their complaints and dissatisfaction. Because of this, the above listed facts point to the exceptional importance of building a sound relationship of trust between employees and guests. In hospitality as an explicit service industry, it is the responsibility of the personnel to successfully carry out the service production process, resolve problems and to deal with guests when the services provided do not meet the standards expected. This makes employee satisfaction also very important, because employees transfer their satisfaction to guests, and because it is in the moment when employees and guests come into contact that a hospitality facility can either lose or win /7/. Namely, a low level of employee satisfaction in a hospitality facility is closely linked to employee demotivation and frustration, and very often to a sense of the lack of freedom in taking action to meet guest needs. It can also be the reason for a lack of cohesion within the team in which an individual works /8/. Also, a hospitality facility can benefit from employee satisfaction through reduced costs resulting from satisfied guests who are willing to pay top prices for quality services. All this leads to the conclusion that, because of the use of modern technology, the rare contacts of guests with hospitality personnel have become more important than ever before /9/. It is a deep-seated belief among hospitality professionals today that the better they know their guests, the better their performance will be, because through a closer relationship with guests, they will be able to gain their loyalty and are likely to increase the number of their guests, as well. Although this does not sound all that complicated and seems easy to carry out in practice, finding the best way of really learning about your guests is actually a rather complex issue. Some hospitality professionals have already started to apply a concept by which they collect guest-related data that has been piling up for years in various parts and departments of their company. By collecting all these data, a database is created that contains the following segments:

1. Guest needs,
2. Guest habits,
3. Guest satisfaction (dissatisfaction) with services provided.

The system of collecting data and creating usable databases on a daily basis is an extensive task that requires much effort and knowledge, but what is most important is that each of these systems should be upgradeable. This refers to the system's ability to create the prerequisites to a new dimension of use by which it will, in addition to "serving" guests, literally provide answers to the question of "what now" and not only to the question "who is who".

Literally speaking, this means that bit-by-bit all those "holes" in a database, which perhaps does not provide the best answers at present or does not provide enough information to make personalised offerings, will be filled in. This in particular refers to guests who are not frequent customers, always stay only one day, and so on. With repeat guests, the system gives good results, because the database contains enough information to easily create a picture of these guests and their habits, and this is what opens up possibilities for creating customised offerings, which today's guests are increasingly insistent on.

#### 4. Database system

More by chance than intentionally, hospitality establishments have for years been collecting data that are now stored in a singular database or set of databases, organised so as to have a uniform structure and linked in a way that ensures minimum data redundancy and enables users to access data with the minimum of constraints /10/. The concept of this method of collecting, processing, storing and using (delivering) data is based on the principle of automatic separation of data and a simple search engine.

The system takes into consideration the needs and aims of hospitality professionals to derive maximum benefits from this way of processing guest data. The way the system works should enable the following data to appear alongside a guest's name:

1. how frequently does the guests visit the hospitality facility,
2. does the guest have any special requests,
3. does the guest have VIP status, etc.

On the other hand, the system should distinguish and separate guests according to certain parameters. For example, frequent guests should be distinguished from occasional or first-time guests; guests should be classified according to whether they could soon become frequent or steady guests, etc. This guest separation strategy will enable new marketing strategies to be formulated that will use different approaches in creating one-on-one contacts and that will send a targeted marketing message.

A database management system includes software support that enables the end user to operate the database and also to control, development, use and maintain it /11/. This system can have several functions, the most important being /12/:

1. functions for defining databases,
2. functions for handling data in databases,
3. control functions (that involve security, safeguarding integrity and statistically monitoring the database's operation).

A database also represents a component of a Management Information System; it is a repository for data and information used by a number of departments in an organisation /13/. The working principle of a database system is almost identical everywhere, with only minor differences in its application. Any information about the wishes of guests is exceptionally important in creating a well-designed all-day or multi-day package.

Once we have some knowledge of a guest's expectations, what he wishes and what he is passionate about, then, we can really begin to design a program that will contain everything he likes. This automatically means providing him with a program that will meet his needs, without any unneeded programs that he does not wish to try. It also reduces the intensity of work because there is no longer any need to present the entire offering to guests. Of course, this does not rule out the possibility that a guest might suddenly wish to do something else. Nevertheless, in most cases, the database system helps in organising a memorable stay for every guest that will bring the guest back again.

The information contained in a well-designed database usually falls into two categories:

1. standard operating data (a guest's name, titles, company, home and business addresses, usual mode of payment) and
2. specific marketing information (how and when booking is done, frequency of visits, responses to promotion, special preferences).

Regardless of the differences between the two types of information, this data is essential in designing a marketing database that will assist hospitality establishments in discovering new business opportunities as well. A system's approach to building a database may begin by identifying the best customers, those who visit frequently and/or spend the most. Building this type of database provides several advantages over conventional marketing practice. It helps to:

- (1) encourage greater loyalty in existing guests,
- (2) increase market share by identifying and attracting potential guests through various prizes, or discover new markets,
- (3) create a basis for analysing revenue earned, and
- (4) reduce marketing costs in the long run, because it allows the marketing budget to be put to use more accurately.

KA databases are a direct input for formulating marketing plans and strategies. Along with these data, a hospitality facility also requires data on their rivals and data on how customers perceive and experience the place where the facility is located.

Providing this research is carried out on a regular basis, it can be of exceptional value in identifying change and confirming trends. Although many organisations using databases have created a new job, known as database administrator /14/, in hospitality and, in particular, in the hotel industry, it will depend whether a specific individual will be appointed as the KA database administrator (in the case of large hotels with many steady guests and much data about them) or will an individual in the booking office, usually a booking clerk, be appointed to maintain a database on steady guests (the case in smaller hotels with fewer steady guests and less data).

## 5. Conclusion

No participant in the process of managing KA databases sees this undertaking as an IT initiative. In most cases, KA database management is considered to be a cultural or organisational issue that is related to business processes. Several, more advanced hospitality companies and facilities have recognised the importance that the human issue has, and they have firmly integrated KA database management and their human-potential management policies. KA database management is about mutual benefits and not about “pampering guests” at all costs. Hospitality companies that are truly committed to transforming KA database management into an effective business method, dedicate equal attention to their guests as to their employees. KA database management is nothing other than an activity essential in helping employees who come into direct contact with guests to provide better services. At the same time, it is a mechanism that tells us who are the guests of a hospitality facility and helps us use this information to gain high-value guests, boost sales, and make a profit. People and the existing organisational culture are the most important factors in the field of providing hospitality services. These two factors can be either the greatest contribution or the greatest foil to successfully adopting KA database management in hospitality. The major principles that are also drivers in successfully managing KA databases in hospitality are the following:

1. The head manager of a hospitality facility creates the preconditions that will give priority to carrying through the project for KA database management;
2. The “external and internal cultures” must coincide in terms of time, as well as formally (satisfied guests, satisfied workers);
3. Cooperation at the level of the entire organisation is of crucial importance in managing KA databases (in most hospitality facilities, database management is handled

by the marketing department or the booking office, which is functionally incorporated with the most important function of marketing and that is selling hotel capacities);

4. At the most basic level, it is important to understand that the “kings” are actually the booking office employees (prior to a guest’s arrival at a hospitality facility) or other employees coming into direct contact with guests (during the arrival, stay and departure of guests);
5. Consistency is required in rewarding employees who are in direct contact with guests;
6. Considerable investment is required in employee training, and in developing employee knowledge, competencies and skills;
7. Communication needs to be an ongoing and frequent process, because this is an investment whose benefits are sometimes difficult to see in the short run.

There may be certain impediments to delivering KA database management projects in the hospitality industry, which mainly result from the following facts:

- a. The collection of KA data evolves in “small steps”.
- b. Acquiring guests as opposed to keeping guests (up to now, marketing activities have had a heavier emphasis on winning new guests than on keeping existing guests. Also, it is considered easier to quantify guest acquisition, whereas guest retention – for example, building a relationship of trust – is harder to do, longer term, intangible and requires investment in people.
- c. Size (in KA database management, larger does not necessarily mean better). It is because of their size and complexity that KA database management projects have not been adopted hastily by the most successful hospitality facilities. The answer is to divide the project into parts, measure it carefully, and then gradually make it bigger.
- d. Integrality and changing attitudes in an organisation. (Winning over all organisational parts to participate in the project, including those parts that have problematic priorities – for example, the need to sell capacities opposite the need to render services to guests).

For KA database management in hospitality to be effective, it is necessary to make employees aware of the importance of data quality, understanding data collected, analysing data and drawing up reports based on data collected. At the same time, additional

investment in developing information technology will be needed to ensure that all employees, at all times and in all organisational parts of a hospitality facility can have access to data on guests.

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