



# Customer Management and New Technology: An Investigation of How 5 Star Hotel Employees Perceive New Technologies in the Facilitation of Customer Retention and Provision of Service Quality

Ioannis S. Pantelidis, MSc, MHCIMA  
Stream Leader International Hospitality Management  
School of Management Studies  
University of Surrey  
Guildford, Surrey GU2 7XH  
email: [i.s.pantelidis@surrey.ac.uk](mailto:i.s.pantelidis@surrey.ac.uk)

Maria Protopapa  
Mouson 25-27  
Paleo Faliro  
17562  
Athens, Greece  
[proto\\_m2002@yahoo.gr](mailto:proto_m2002@yahoo.gr)

## ABSTRACT

*Five star corporate hotels in European Cities have employed information Communication Technology (ICT) and electronic Relationship Management (e-CRM) as the primary tools for a strategy that focuses on customer retention and competitive service quality. This study examines and evaluates the implemented ICT and their effect on traditional CRM practises, from an employee point of view. The research endeavours to investigate whether employees believe that e-CRM systems are in use within their organisation, whether they believe that the technology has altered the way quality service is delivered and if customer retention and loyalty has been positively affected.*

*The research focuses on London based Five star corporate hotels, as the city's status of "European Capital" should produce indicative results for other, developed European cities. Both qualitative (in-depth interviews with managers) and quantitative (Questionnaire survey) methods are employed as the research aims to uncover perceptions of both managers and line employees. The sample size comprised of twelve interviews with Front Office managers and sixty questionnaires completed by employees in the front office or reservations departments. The findings suggest that the delivery of personalised customer service, has been identified by all respondents as a primary goal for a hotel and although managers acknowledge the value of ICT and e-CRM in achieving such a goal, non-management staff appear to perceive such value less clearly.*

## INTRODUCTION

For many years hospitality firms' goal was to continuously find new customers (Shoemaker and Lewis, 1999). Remembering customer's names and basic habits was enough for a hotel manager to maintain their customer base. Stone et al. (1996) claims that "Customer Relationship Management" (CRM) is deep rooted in relationship marketing. It is a combination of business processes and technology that aims to comprehend a company's clientele, fulfil their needs and retain their loyalty. As companies reorganise themselves and switch from product-based to customer-based structures the need for effective customer relationship management for the delivery of improved customer service has become more evident (Chaston, 2001). Excellent customer service helps hotels differentiate their product from competition and retain satisfied, loyal guests who contribute in building a good hotel reputation (Kotler, 1991). Underpinned by customer oriented technology and the progress of supporting software systems, CRM has become a primary factor in successful business strategies (Ryals and Knox, 2001). As the issue of customer

loyalty and its importance to the hotel sector has received much attention from researchers (Linton, 1994) this paper investigates the perceptions of employees on e-CRM systems and whether these affect customer retention and loyalty positively.

## LITERATURE REVIEW

Hospitality is mainly a service product with its own distinct characteristics which distinguish it from physical goods (McGrath, 1999). The delivery of consistent high-quality service in luxury international hotels is now integral part of any corporate strategy. In most cases positive experience of the service leads to customer loyalty (Gamble et al. 1999). The balance between the level of customer service provided by hotel staff and what service guests expect, is where hotel companies base their successful operations nowadays (Cooper et al. 1998). Supplementary to service differentiation, another proficient means of ensuring future viability and gaining competitive advantage for both manufacturing and service industries is the use of appropriate information and communication technologies. Hoteliers are becoming increasingly aware of the benefits such technology may bring. According to Gianforte (2001) customer service quality is one of the primary factors that may be enhanced with the use of technology. An example of that is suggested by Honeycomb (2001) who reveals that the Internet has given international hotel chains the opportunity to provide customer service online as part of their customer relationship management procedures. Internet based service has enabled businesses to improve service levels, retain customers increase loyalty and save money (Thompson, 2001).

Information technology (IT) has become one of the crucial elements of the tourism and hospitality industries due to the great supply growth witnessed during the last decades of the twentieth century (Proll and Retschitzegger, 2000). In IT two sides may be identified, this of an "automator" and the one of an "informer". Both are widely used in the hospitality industry, because of the need to refine customer service, improve operations, increase revenues and minimise costs (Siguaw et al., 2000). How technology is perceived within the hospitality industry is one of the fundamental determinants of its use and success. Peacock (1995) suggests that a guest database may have both an automated side, for example sending out advertising material, and an informative side, for example analysing facts and figures. In doing so a firm's marketing approaches and hotel services can be redesigned according to guest wants and needs.

Suggestions for ICT implementation in hotels relies chiefly on technology and that has the implication of relationships forged without the face to face interaction. However MCGrath (1999) argues that the human element will continue to be the primary key in such a people intensive environment where products and services are inseparable in nature.

According to KPMG's (2001) survey, CRM is a technology-enabled business strategy, which involves managing customers throughout their interactions with an organisation, gaining and retaining profitable customers through the effective use of individual account data. Read (2001) claims that as part of an overall business strategy, CRM is nothing new, in fact it existed long before ICT evolved. CRM gained its importance with the knowledge that repeat customers are important because it is more profitable and more cost-effective to keep a loyal customer than attracting a new one (Alford, 2000). The central objective of CRM is to maximise the lifetime value of a customer to the organisation (Dube and Renaghan, 2000)

The combination of ICT, CRM and the Internet have allowed the enhancement of conventional strategies of customer service, sales and marketing, commerce, as well as staff competency, profitability and market share. If employed wisely according the organisations goals and structure, computer technology and communication networks can be used to access a plethora of information and co-ordinate activities globally (Laudon and Laudon, 2000) The internet has fuelled the development of thousands of new electronic commerce ventures, capitalising on the digital New Economy (Palmer and McCole, 1999). This electronic commerce revolution has affected most of the traditional businesses (Amor, 2000) The hospitality industry has followed the trend and companies have adopted new digital strategies or revised their existing ones to respond to modern age business transactions. Enabled by this notion of electronic commerce what was known until recently as CRM has turned into e-CRM. Morphy (2002a) emphasises the need to strategically use the data collected. The value a hotel can get out of e-CRM systems is not automatically guaranteed by the size of loyal clientele and its spending levels. Training of operating staff is vital for the co-ordination and implementation of quality input (KPMG, 2002 and Morphy, 2002b) If staff fail to recognise the importance of such technology organisations might fail to attain the full benefits of such a strategy. As Paul Rabideau, Director of Marketing Sciences, Novartis Corp in McKean (1999) argues, spending millions of dollars and thousands of hours in developing database-marketing machinery, tools and automated techniques, has not done the trick. The health industry finds itself technology tired, number numb and not one step closer to the customer. Could the same be said for the hospitality industry or have we learned from other industries mistakes.

## METHODOLOGY

This paper explores whether hotel staff believe Information Communication Technology (ICT) and its impact on Customer relationship Management (CRM) facilitates customer service and enhances customer loyalty. The research focused on London based five star, corporate hotels that belonged to large world-wide hotel chains. Chain hotels were selected because it is believed that they are more likely to invest on Internet applications and CRM software (Siguaw et al., 2000). The need for the adaptation of existing CRM strategies to the Internet era, in order to retain demanding corporate clientele in today's competitive markets is imperative (Beckett-Camaratya et al., 1998). Therefore, exploring how hotel managers perceive and implement ICT and CRM in order to improve customer service and enhance customer loyalty was one of the aims of the research. The second aim was the emphasis and significance of strategic e-CRM implementation and by examining non managerial staff perceptions and experiences should provide evidence of such a strategy manifesting at operational level.

Exploratory research was employed as Riley et al (2000) argue that such research is concerned with revealing "how" and "why" rather than answering to "when" and "what" "who" and "where". Both qualitative and quantitative approaches were employed for the collection of primary data. Qualitative research not only allows thoroughly analysing

a subject but also adding new dimensions to it (Patton, 1990). Furthermore it serves well in understanding how things work (Bryman, 1992). On the other hand quantitative research relies on numerical facts to formulate conclusions allowing little flexibility and imaginative input (Brannen, 1994). The findings in this paper originate from twelve interviews with Front Office managers and sixty questionnaires completed by employees in the front office or reservations departments of five star corporate, chain hotels based in London, UK. The interview questions were classified according to their subject and thematic analysis (Ely et al., 1997) was conducted on the content of the related responses. This involved both logical and intuitive thinking (Ritchie and Spencer 1995). For the quantitative data analysis the software SPSS was used and in accordance with Malhotra (1999) independent t-tests were used to compare the means between two different groups in relation to the dependent variables. One way ANOVA tests were utilised to evaluate the means between more than two different groups in relation to the dependent variables (Sekaran, 2000). Pearson product-moment correlation test are performed to identify the significance between variables (Cohem, 1992).

## KEY QUALITATIVE FINDINGS

- From the interviews with the Front Office Managers it appeared that the majority of the respondents had long standing careers in hospitality exceeding eight years in management, with the exception of one. Most of them were with that specific chain for about four years on average however they were on that specific post relatively recently (one year or less). The communal opinion regarding CRM was that providing service and maintaining solid guest relations were crucial elements in the hospitality.
- Guest satisfaction deriving from excellent customer service, was highlighted as the main reason for repeat, loyal guests who supported the organisation with positive word of mouth. One of the respondents mentioned that satisfied guests were not only loyal to the property but to the brand as well staying in other properties of the same brand when travelling abroad.
- Data collection happens during the reservation process and the data is automatically accessible to front office and guest relations regardless of whether the booking was made online, in-house or via a Tour Operator. Furthermore check in was mentioned as a good point to collect more customer data. Personal preferences are recorded when a guest comments or complaints whilst repeat customers did not have to fill out registration forms as the customer's profile is electronically stored.
- Regarding customer data usage, managers indicated three functions (service delivery, loyalty schemes and marketing). The daily arrivals list contains all essential information so that necessary arrangements are made for each one individually. Loyalty program points also appear on such lists. Statistical facts and figures such as average customer expenditure or length of stay are also gathered and compared at the end of the year to monitor that properties progress. Customer data is used to upgrade service consistently with guests demands. Sales and Marketing also used the data to identify guests that might be interested on special deals or promotional materials. A loyal customer loyalty was generally described as a customer that frequently stays in a hotel or brand. Another characteristic mentioned was the high expenditure such customers demonstrate. The frequency that defined a regular guest varied from a four visit to a ten visit in a brand or property. One respondent suggested that a loyal customer is much more than that. He or she is a customer whose willing to engage in two-way communications with the company and create friendly dialogues with the staff, so that their opinions would turn into constructive feedback.
- Another matter arising was that of Brand to Brand loyalty where one business corporation chose a hotel chain as the one chain they would put their employees in. Although at first it would seem that such customers cannot be loyal as it is their corporation that dictates where to stay, often because of their comments a hotel chain could loose an account or gain another. The respondents unanimously agreed that

superior customer management leads to customer loyalty and that CRM is the key to successful guest relations.

- The respondents claimed that the Internet has facilitated the way business is conducted and that ICT plays a very important role supporting the CRM processes. Managers also expressed the fact that CRS is not always integrated with the Hotel's in house Property Management System (PMS). Some chains suffer with old legacy systems and that systems could be more user friendly.

### KEY QUANTITATIVE FINDINGS.

- The questionnaire findings (n=60) suggest that a 93.3% of respondents believe their hotel utilises new technology for their CRM although a 64% believe that the technology could be more user friendly.
- There is no significant difference between the various age groups although the youngest age group had the most positive attitude towards ICT.
- At 95% confidence the Anova test revealed a mean of 3.2575 for the age of 19-29 (n=41) compared to a 3.1 for employees older than 30 (n=19).
- T tests revealed that there is no difference amongst employees from Front Office (n=37) and reservations (n=23) in terms of customer service perceptions.
- Pearson product-moment correlation test revealed a significant level of  $0.08 < 0.05$  indicating a significant relationship between e-CRM and ICT. There is a positive relationship between the two variables.. The r size ( $r=0.305$ ) demonstrates the relationships moderate strength (Cohen, 1992).
- The same can be noted for e-CRM and customer service where the significance level is  $0.07 < 0.05$ . The r size ( $r=0.345$ ) demonstrates a moderate strength in the relationship whilst it reveals a positive relationship between the two.
- However the correlation between e-CRM and customer loyalty demonstrates a significant level of  $0.056 > 0.05$  indicating no significant relationship at an  $r=0.248$  one can assume a weak relationship (Cohen, 1992).

### CONCLUSIONS

The research findings revealed that both hotel managers and employees consider ICT vital for the improvement of the hotel's procedures. Managers perceived CRM and e-CRM as a strategic business tool that enables communication with customers allowing hoteliers to understand customer needs even better. Theories such as that of Gamble et al (1999) and Zingale (2000) suggest that there is a relationship between e-CRM and loyalty. The fact that this study reveals operational staff do not perceive a relationship between e-CRM and customer loyalty might suggest that they do not fully comprehend what CRM encompasses and the fact that there is a gap in employee information and training. The relationship between customer service and e-CRM seems to be understood both by management and operational staff. Operational staff fail to make the link between good customer service and loyalty and that may suggest that operational staff do not have the information available that demonstrates customer loyalty to the brand rather than to the property. If employees fail to realise the importance of such technology to customer loyalty the full potential of the technology will not be utilised. Hotels are taking advantage of new technologies and employees feel competent. However awareness training is needed so that employees can fully understand the potential of the technology and the philosophy and strategies that underpins it.

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