CHAPTER -1

INTRODUCTION

1.1 Introduction

“Customer is the most important person for a business. He is not an interruption to our work but the purpose of it. He is not an outsider; he is a part of it. We are not doing him a favour; he is doing us a favour by giving us an opportunity to serve him” (Mahatma Gandhi, 1890).1

In 21st century; customer relationships become a buzz term not only for modern marketers but also for sensible customers. It has been realized by every business sector that maintaining relationships with customers is the strategic mantra to achieve global competitiveness and growth inclusivity. Ensuring long term relationships with the stakeholders especially with the customers enable a service provider to improve and enhance its business domain. Analyzing relationship has to be pertained from multiple dimensions so that fruitful outcome can be cherished in the sustainable period of time. For this reason service organizations pay extra attention and focus on their existing and potential customers through their diverse lucrative services. The trend of retaining and sustaining valued customer has been uprisng at a rapid pace; with the changes in the social structure and in the lifestyle of Indian service sector.

In this competitive marketplace it’s a herculean task for professionally managed service organizations to retain and sustain customers by providing services differentiation and innovative branding strategy. Therefore, in a service organization retaining and sustaining customers through relationship management is the key to growth inclusivity. And relationship marketing is the process that creates long-term customer relationships along with organizational profitability with help of customer-focused strategies. Customer relationship management has emerged as a popular business strategy in

today’s competitive environment. It is the discipline which enables the companies to identify and target their most profitable customers. It involves new and advance marketing strategies which not only retain the existing customers but also acquire new customers.

Due to intrinsic nature of the service industry customer relationships have become critical to ensure customer loyalty. This is especially true for hospitality sector where relationships create more value for the customer than factors like price and product features. Therefore enhancing the lifetime value of the customer to the organization and augmenting quality relationships also lead to positive word-of-mouth (Palmer, 1994). Therefore in India relationship marketing practices are being adapted by various firms including hospitality service sectors especially the hotel sector. In hotel industry star classified hotels plays a crucial role in the economic development of a state. Number of international as well as high profile domestic tourists prefers to stay there. Hence star hotels provide service quality and amenities of international standards to woo premium segment customers and to maintain long term relationship with them.

This chapter introduces the study of customer relationship marketing practices in star category hotels in Bhubaneswar city. Then it highlights on the background of the study along with a brief descriptions of hospitality and tourism sector. After exploring the research gaps subsequently this chapter presents the aims and objectives of the study to develop the rationale of the research proposal. Afterwards this chapter discusses the significance as well as the scope and limitations of the research. Finally, it will outline the structure leading to the thesis and lastly summarizes the succeeding chapters.

1.2 Background of the Study

Due to the heightened competition in the market retaining and sustaining customers through relationship management is the strategic mantra for achieving global competitiveness. Hotel industries are investing huge amount of money in the development of their customer relationships in order to improve their overall business performance. Hospitality service organizations are investing huge funds in the development of their customer relationships programmes to improve their overall business performance. Therefore it’s a major area of research in hospitality sector to investigate on how to create and maintain ‘customer and organization’ relationships.
Eventually hotel sector is anticipated as the second largest contributor to Odisha’s GDP. During last ten years between 2004-05 and 2013-14, hotel sector maintained a highly impressive annual average growth rate of 10.12 percent and the percentage share of the sub sector in real GSDP of Odisha is 13. 19 percentage. During 2012-13 an amount of Rs. 64.43 crore has been spent against the plan outlay of Rs. 65. 85 crore. As per statistical survey, 2014 there are 1, 01, 31, 472 tourists have visited Odisha as on 2014 with a growth rate of 8. 3%. Bhubaneswar has become a tourist hub in Odisha, with many international tourists visit every year. According to the survey report by Odisha Tourism department 66,675 numbers of foreign tourists visited the state in the year 2013-14. Therefore, the growth of hotel industry significantly is influenced by Odisha tourism sector. Due to tourism sector is one of the vital source of foreign currency generation to the state, service quality enhancement and life-time customer relationship management are highly essential for the success of the star hotel industry. The significance of establishing long-term relationships between organization and customer have been recognized and reexamined extensively in marketing research and replaced transaction orientated mentality (Berry 1983; Morgan & Hunt 1994; Grönroos 2007; Gummesson 2008). And according to many researchers it is profitable to retain existing customer than to create new ones (Reichheld and Sasser 1990; Berry and Parasuraman 1991; Buttle 1996; Gilbert 1999). Hence, particularly in hotel industry many constructs including customer loyalty plays crucial role in establishing relationships (Reichheld & Sasser 1990; Morgan et al. 2000). Because, loyal customers are less sensitive to price fluctuations and more likely to make positive word-of-mouth referrals (Diller 2000; Morgan et al. 2000). Therefore, many hotels incorporate different loyalty programmes to encourage repeat visit.

As the purpose of the research is to extend the existing body of knowledge by examining relationship marketing with customers in the context of the star hotels; its findings are based on data collected from five numbers of star hotels in Bhubaneswar. All of the hotels that participated in this research are connoisseurs for their excellent service delivery with genuine interest in the Odisha hospitality market. The results of this study suggest that star hotels are gradually became aware of the significance of customers and accordingly focus on relationship marketing activities through high quality service delivery harmonizing with customer needs. Similarly, personnel from
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star hotels were also enormously aware that prioritizing to their guests would eventually increases profits as well as market share. However, the terminology associated with customer relationship marketing was understood by only a few respondents. Hence it is suggested that there is a need for a more methodical understanding of the constructs which are involved.

The study provides an extensive holistic exploration of relationship marketing in the star hotel industry in Bhubaneswar. It makes use of the practical experiences of hoteliers as well as customers respondents to understand the operational processes which underlie service creation, delivery, and the interactions between customers and hotels.

1.3 Why Bhubaneswar was selected as the Place of Research?
Over the past two decades, Bhubaneswar has undergone a radical transformation in its socio-economic structure and demographic pattern. It incorporates a mindful blend of culture, custom, modernity and technotronic revolution. This has resulted in setting up of more service industries and attracted gennex youth to Bhubaneswar as a service hub. In context to tourism and hospitality the city upholds a magnificent charisma in satisfying its diverse customers through its multicuisine hotels, restaurants and resorts.

Firstly, there are many researchers who have attempted to conceptualize relationship marketing in the hotel industry, but to date only few of them have conducted research in Bhubaneswar. Secondly, Bhubaneswar has become one of the most important tourist destinations in Odisha. Enhancing service quality and creating good relationships with customers is a critical issue in the success of the hotel industry in Bhubaneswar. Bhubaneswar was selected as the universe of the study because it is a developing city, centrally located and capital of Odisha, having highest number of star hotels to permit a large sample of guests. Therefore, conducting research in this location will be of great benefit and will provide useful insights into customer relationship marketing in the star hotel industry as a whole.

1.4 Why Star Hotels?
Star Hotels were selected because relationship marketing practices implemented more often than non-star rated hotels (Sahu, 2011). Kim and Cha (2002) also indicated that
the practice of relationship marketing frequently occurs in star hotels as compared to mid range and budget category hotels.

1.5 Tourism and Hospitality Industry

Presently tourism and hospitality is the most emerging sector in the global context. Tourism in India has yielded its brand equity by investing and capitalizing in the rich cultural responses of the country. Tourism promotes the country, culture, heritage generates revenue, employment and supports sub sectors like travel, hospitality, transport etc. Hospitality and tourism industry is the largest and fastest growing sectors in India. Hospitality is a segment within the tourism industry and both are interconnected to each other. Hospitality is related to the accommodation and food services for the travellers. In general hospitality is the welcoming the guests with a friendly attitude and an overall concern for their satisfaction and well being. Tourism comes from the Latin word ‘tornus’ means a circle or wheel; accordingly the concept of tourism derived from the above notion i.e. round tour. As a whole, tourism encompasses travelling, tourist and tour. According to the World Tourism Organization (WTO) tourists are the people “traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes”. And Tourism is “the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited”. The Macmillan Dictionary defines tourism as the business that facilitates services for the holidayers. Wikipedia defines tourism as travelling with a purpose for leisure, recreation or business. The Organization for Economic Co-operation and Development (OECD) glossary of statistical terms defined tourism as the “activities of people travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited”.

Hunziker and Krapf (1941) defined tourism “as the sum of the phenomenon and relationship resulted from travel and stay of on-residents in so far as they do not need permanent residence and are not connected with any earning activity”. According to Mathieson and Wall (1982) tourism is defined as "the temporary movement of people to
destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created to cater to their needs”. Similarly, Macintosh and Goeldner (1986) defined tourism as “the sum of the phenomena and relationships arising from the interaction of tourists, business suppliers, host governments and host communities in the process of attracting and hosting these tourists and other visitors”. Afterword, McIntosh, Goeldner and Ritchie (1995) further defined tourism as “a short –term movement of people to places other than normal place of residence and work including the activities of persons travelling to and staying in locations outside their places of residence and work for not more than twelve months for the purpose of leisure, recreation, vacation, health, study, religioun, sport, business, family and meetings”. Moreover, tourism is travelling away from home for the purpose of recreation or leisure (Andrews, 2007).

Thus tourism is the leisure activity and recreation and relaxing the body, mind and soul. Tourism infrastructure facilitates recreation and leisure activity like transportation, accommodation, amusement etc.

1.5.1 Hospitality

Hospitality is an art of making guests feel of a ‘home away from home’. In general hospitality is all about welcoming a stranger with warmth and courteousness and a process of receiving and entertaining a guest with goodwill. In business perspective hospitality relates to the profession of treating tourists in hotels, restaurants, catering, inn, resorts or clubs.

Oxford Dictionary defined hospitality as “the reception and entertainment of guests, visitors or strangers with liberality and goodwill”. According to Wikipedia hospitality is derived from the Latin word *hospes* meaning ‘host’, ‘guest’, or ‘stranger’ and related to *hospitium* or the ‘philosophy or a style of care’. Similarly, Dittmer (2002) argued that hospitality has its ancient roots from Roman civilization, originated from the Latin verb *hospitare*, that means ‘receive as a guest’. Correspondingly, Wikiquote identified hospitality “as the relationship between the guest and the host, or the act or practice of being hospitable”. Nailon (1982) defined hospitality as “providing security, physical comfort and psychological comfort for reward”. However, according to Gautam (2005), it is the personal experience delivered. Gambo and Jakada (2013) considered hospitality
is serving the people with a sense of benevolence who are away from their home on temporary basis. In a nut shell, hospitality is considered as “a host’s cordial reception, welcome and entertainment of guests or strangers of diverse social backgrounds and cultural charitably, socially or commercially with kind and generous liberality, into one’s space to dine and/or lodge temporarily” (Morrison and O’Gorman 007).

1.5.2 Hospitality and Hotel Industry

The hospitality industry is a broad category of fields within the tourism service industry that includes hotels, restaurants, catering, leisure & sport, transportation, cruise line, and additional fields within the tourism industry as shown in Figure-1.1. Cassee and Reuland (1979) considered hospitality sector as comprises of a synergistic blending of tangible and intangible components including food & beverages, rooms, environment, ambiance and behavior of staff to satisfy the needs of the customers. In wider sense hospitality sector refers to any group that is engaged in tourism, entertainment, transportation, accommodation and tour operations (Ghosh, 2004). The primary focus of the modern hospitality sector is to facilitate well-being experience to the travelers through diversified and innovative services and amenities. Facilitating accommodation and catering is the sole objective of good hospitality which immensely reflects in the service mechanism of hotel sector. Hotels are crucial component of hospitality sector, and hold significant contribution to world tourism.

The word hotel is derived from the French word hotel meaning host. According to Mishra and Sadual (2008) hotels comes under accommodation category of tourism classification. Hotels contribute in the overall tourism experience for the guests through the high standard services and facilities with the aim of providing contemporary standard. Salami (2008) defines hotel “as the hospitality environment built either by an individual or a group of people or by state or by the federal government to welcome and receive guests in a friendly manner and to sell suitable accommodation and other ancillary services such as food and drinks. “For the modern hoteliers it’s highly complex task to cater the rapid changing needs of all types of customers. Hence, they try to fill up the gap through adding innovative services in their product line and associating them with their branding strategies to accomplish their business objectives. Presently, hotels are not just for lodging and boarding, there are huge range of
augmented services facilitated by hoteliers to pamper the guests. For this reason these luxurious hotels provide a range of sophisticated facilities to the guests like ambiance, internet connectivity, pool and spa etc.

**Figure 1.1 Hospitality Industry**

![Hospitality Industry Diagram]

**Source:** Adapted from University of Bournemouth figures included in hospitality in to the 21st century: a Vision for the Future (June 1996)

Today, star hotels play crucial role in the economic growth and development of a country due to most of the international tourists and high profile domestic tourists stay in these hotels (Batra, 2014). Therefore, service quality in these hotels have to match with international standards. Moreover, star hotels need to impart training to their employees so that they can extend warmth hospitality, courtesy and attentiveness towards the guests.

### 1.6 Research Gap

In the review of the literature, it is clear that the major constructs of customer relationship marketing are trust, commitment, communication, bonding and conflict handling that influences loyalty and retention. However previous research has not adequately investigated the proper linkage between service quality and relationship marketing especially in the hospitality service sector. In particular, very few studies have emphasized on the significance of service quality on relationship marketing.
approach. Thus, this study will fill this gap by investigating how service quality is practiced by the star hotels to influence their customer’s satisfaction, trust, commitment and loyalty. It also recognizes that quality, customer service and relationship marketing need to be much more closely integrated. Furthermore, limited research has been done on customer relationship marketing approach in star hotel sector in Odisha context.

1.7 Statement of the Problem

Literature in relationship marketing reveals that in an organization keeping the existing customers are more profitable than acquiring new one (Kotler, 2001; Doyle, 2000; Piercy, 2002). Jones and Sasser (1995) pointed out that retaining a customer is five times cheaper as compared to acquire fresh ones. The 80/20 rule also says that 80 percent of organizational profits come from 20 percent of its customers (Zeithaml et al., 2001). Therefore, retention of customer can substantially increase the revenue generation as well as sustainable competitive advantage. Furthermore, developing customer loyalty is highly significant for every organization and moreover loyal customers are always profitable than newly acquired customers (Webster, 1994). Through analyzing different models associated with the topic the study explored that relationship marketing, service quality and customer loyalty are strongly interconnected and the sole objective of relationship marketing is customer loyalty (Too et al., 2001). Correspondingly, in hospitality and tourism industry; hotel sector exclusively star hotels are constantly struggling to achieve core competence. How to meet upscale market standards through increasing occupancy rate, revenue generation and how to stimulate customer retention and loyalty is the major challenge for hotel industry in Odisha. Nevertheless, to attain these star hotels should have a thorough knowledge of needs, demands, expectations and behaviour of each and every customers. And relationship marketing is the preeminent tool to fulfill the above objectives.

The majority of the previous studies conducted in this area were in the context of western business environments. However, though this study was conducted only in Bhubaneswar, it provides a comprehensive overview of relationship marketing in the star hotel industry with results that are applicable to a range of these category hotels in other parts of the state.
In view of the above, the following questions set out the problem of this research:

### 1.7.1 Research Questions

1. What is the perception of star hoteliers in Bhubaneswar regarding customer relationship marketing?

2. What is the perception of customers regarding the quality of services provided by star hotels in Bhubaneswar?

3. What are the customer retention strategies used by hoteliers to build relationships with the customers?

4. Does quality of relationship marketing is a predictor of customer satisfaction and loyalty?

### 1.8 Purpose of the Study

The sole purpose of this study is to understand the formats of relationship marketing programmes implemented by different star rated hotels in Bhubaneswar. The aim and objectives of the study are as follows.

#### 1.8.1 Aim of the Study

The aim of this research is to explore the awareness and methods of customer relationship marketing practices in the star hotels in Bhubaneswar. And the findings of the study will provide a standard framework of customer relationship marketing for the star hotel industry in Bhubaneswar and Odisha as well.

#### 1.8.2 Objectives of the Study

1. To study the awareness and perception on customer relationship marketing strategies framed by star hotels in Bhubaneswar.

2. To investigate into quality of relationship marketing as a predictor of customer satisfaction and loyalty.

3. To study the perceptions of customers regarding retention strategies used by star hoteliers to build relationships.

4. To assess the perception of customers regarding the quality of hospitality services facilitated by star hotels of Bhubaneswar.
1.9 Significance and Contribution of the Study

From practical point of view, this study significantly contributes towards the hotel industry in several ways. The results of this study helps both classified and non-classified hotels to frame and innovative competitive strategies through customer relationship marketing. Through this research hoteliers can recognize the role of service quality and relationship marketing to build customer loyalty. Hence, through recognizing the needs of these aspects hoteliers can adapt appropriate and superlative marketing programmes to nurture potential customers. Furthermore it will lead to revenue generation and brand endorsement of star hotels and Odisha Tourism in global context.

1.10 Scope of the Study

Scope of this research is limited to the following aspects.

- The study conducted in all the Star hotels in Bhubaneswar.
- The sampling frame was restricted to in-house guests of star hotels only.

Bhubaneswar was chosen as the sample location due to ease of accessibility, capital city and wide availability of tourists and visitors. Further more time frames did not allow to cover other star hotels of the state. And the reason to conduct the research in star hotels because they facilitate a wide-versed range of extravagance amenities.

1.11 Period of the Study

The entire research work comprises of different phases and took about exact four years to accomplish. Initially in the first two years were attributed to extensive review of literature, attending seminars/ conferences, participating in workshops and discussing with experts to enhance research capability and potential pertaining to the area of the research.

After gaining conceptual efficacy and identifying research gaps, research objectives had set and carved out the work of questionnaire designing and data collection procedure which included six months. After that the researcher focused on data analysis utilizing appropriate statistical tools and finally interpreted the analyzed data and drew the conclusion.

At last the first draft of the thesis was prepared under the guidance of supervisor. And after the requisite rectifications the final drafting was carried out and the thesis was submitted accordingly.
1.12 Thesis Outline

As presented in Figure 1.2 the thesis consists of six chapters. The details of the chapterization is given below.

To begin with, the thesis Chapter-1, provides a brief introduction detailing the research setting and a relatively broad description of the background and discussions related to the problem area in relationship marketing in hospitality set up.

Chapter-2 presents a brief overview of the scenario of Odisha Tourism and Hospitality. It also provides a broader perspective on the importance of hospitality sector to the Odisha economy. It discusses issues which currently affect the hotel industry in Bhubaneswar and explores the contribution of star hotels to Odisha Tourism.

Figure 1.2 Outline of the Thesis
Chapter-3 provides an introduction to the concept and theory of relationship marketing and outlines its role in the management of hotels. Different schools of thoughts, theories and key concepts were examined together. Various definitions of relationship marketing is discussed as well as the various dimensions and themes associated. With reference to the earlier research studies and models a conceptual framework was developed accordingly.

Chapter-4 presents the overview of methodology used in the entire research process. It begins with analyzing the suitability of quantitative and qualitative methods of analysis in conducting the research into relationship marketing with customers in star hotels in Bhubaneswar.

Chapter-5 presents analysis of the research findings obtained from the survey and interviews which were conducted. The chapter begins with an analysis of the data collected from the customer survey and then proceeds to present an analysis of the data collected from the interviews conducted with the staffs of the hotels.

Chapter-6 concludes the study by summerising the results in a nut shell, presenting the contributions of the study to the existing research literature and its implications for the star hotel sector in Odisha. This chapter also includes an evaluation of the research, an analysis of its limitations and suggestions for further areas of research.

1.13 Conclusion

Customer relationship is a significant intangible marketing assets of an organization that needs to be cultivated and sustained (Normann, 1991). However, in order to develop a good relationship with new customers and maintain long-term relationships with existing ones, relationship marketing is a vital component.

As a major provider of tourism related services and products, hotels are becoming an increasingly important focus for researchers in the field of tourism and business. This study highlights the importance of developing long-lasting relationships between customers and hotels and the implications of this on hotel performance, business management and tourism development. The above study is an attempt to identify the importance and role of relationship marketing in hospitality industry for sustaining customers. The predictable outcome of the study could guide the hospitality service sector and research community towards a relationship with customer that lasts forever. It will also provide the staffs of the hotel industry relevant information, recommendations and feedback to develop a qualitative customer relationship marketing strategy. In addition, this study expectantly beneficiary for the researchers in the field of marketing and hospitality and tourism.