1.1 Conceptual Framework of the Study

The biggest management opportunity in the new millennium of globalization and liberalization for a business is to serve and sustain good relations with the king – the customer. The changing environment of business specially depends on the economic liberalization, increasing competition, enlightened and demanding customer, high consumer preference and selection, more emphasis on quality and value of purchase.

Today, many systems are confronted with significant challenges in the field of customer service and service delivery and retention both internally and externally. The constant change in demographics coupled with high client expectations is making organizations rethink its customer relationship management practices (Harring and Akehurst, 2000).

Competition as increased, therefore firms look to differentiate their products in the highly commoditized market through branding. Branding refers to any feature or characters that can differentiate a product or service from that of a competitor. The ultimate goals of branding are to create brand awareness and brand loyalty among consumers through building relationships of trust, familiarity, and reliability and to feel them comfortable. According to (Peppers, 2004), awareness of the brand and commitment will ultimately translate into a branded relationship with “ongoing dialogue” where customer needs influence the products or services. Because of the focus on the consumer-brand
relationship, brand loyalty can be seen as a precursor to customer relationship management.

Customer service is the provision of services to customer before, during and after a purchase. Client service is a service of activities designed to enhance the level of customer satisfaction that is the feeling that a product or service has met the customer expectation. Customer service plays an important role in an organization’s ability to generate income and revenue (Seldon, 1998). From these perspective, customer service should be included as part of an overall approach to systematic improvements.

Customer care is a competitive weapon that can easily differentiate one provider from another. The correction is followed to a good customer service and operational exercises in order to create substantial rewards (Dall and Bailive, 2004). Following increased competition within the hospitality industry, many hotels are attempting to acquire competitive advantage through customer care. In this regard the successful execution of CRM strategy is of outstanding benefit to the organizations adopting it, since such organizations can reap the benefit of increasing sales through better market segmentation, customizing products and service, obtaining higher quality products, gaining access to information and employee satisfaction, and above all ensuring long lasting customer retention and loyalty.

Despite the fact that CRM brings lasting benefits to organizations as a whole, more or less of them gain profits from implementing it more than others; CRM brings benefits to the organizations that generate a lot of information about customers (Winer, 2001).

Customer relationship management has acquired from the creation of mass marketing and brand loyalty. The peak of the industrial era brought with it mass production and a
division of specialized corporate functions (Parvatiyar, 1995). The region was dominated by product innovation, and firms created competitive, advantage by creating products that were more serious than those products of their competitors (Peppers, 2004). Firms focused on the quantity of merchandise that could be produced and for speed and efficiency were the top priorities and very little care was given to customization and overall customer satisfaction. The marketing departments used mass advertising for their wares in order to increase awareness and build market share. Since the firms were solely concentrated on persuading the customers to buy similar products, the marketing departments were often completely separated from direct consumer contact; no attempts were made to truly understand the customers or their purchasing behaviors.

1.1.1 Concept of Relationship Marketing

Relationship Marketing is activities that are aimed at developing, managing trusting and building long-term relationships with larger clients. In relationship marketing, customer profile, buying patterns, and history of contacts is maintained in a sales database, and an account executive is assigned to one or more major customers to fulfill their needs and maintain the relationship.

Relationship marketing is a strategy designed to accelerate customer loyalty, interaction and long-term employment. This CRM approach focuses more on customer retention than customer acquisition (Reinartz, 2004).

Relationship selling is applied to develop strong ties with customers by providing them with information directly suited to their needs and interests and by promoting open communication. This attack frequent results in increased word-of-mouth activity, repeat business and a willingness on the customer’s part to provide information to the system.
Chapter I - Introduction

Relationship marketing contrasts with transaction marketing, an approach that focuses on increasing the number of sales. Most organizations combine elements of both relationship and transaction marketing strategies.

Building relationships with customers and suppliers is necessary for a company during the past few years, concentrating their marketing by focusing on their important customers and suppliers, whom they must develop in order to build long-lasting relations. This is the only way that a company can obtain a permanent competitive advantage and as a result ensure its own survival and growth. It implies that relationship building is a key factor to success.

Relationship marketing would lead to greater marketing productivity by preparing it more effectual and efficient. Building and maintaining relationships have considerable long term implication and have an impact on strategic and long-range firms’ planning markets. In order to create relationship with both individual clients and business clients we should attract them, to develop this relationship we should make them satisfied and to maintain this relationship we should retain them and at last we will make more profit from them, so building and maintaining relationship with their customers, both individual customers or businesses, should be their main objectives (Reichheld, 1996).

Firm’s profitability is influenced by number of variables largely independent of relationship marketing activities, it seems appropriate to conceptualize relationship marketing outcomes on more concrete level when investigating possible antecedents. Two constructs are referred to in the marketing literature as key relationship marketing outcomes: customer loyalty and (positive) customer word-of-mouth communication. Customer loyalty, as we conceptualize it, focuses on a customer’s repeat purchase
behavior that is triggered by a marketer’s activities. Customer loyalty today is usually viewed as comprising both behavioral and attitudinal components (Day 1994).

1.1.2 Customer Relationship Management (CRM)

It is worth noting that the concept of CRM can be defined in different ways. It also means different things to different people; depending on the working environment it has been used in therefore, there is no single correct definition of CRM (Brown 2000).

However to enrich the literature about CRM, this study will define it as “a strategic approach that enables organization to use internal resources (i.e. technology, People and Process) to manage the relationship with customers for the whole of their Lives cycle, in order to create a competitive advantage and improve organizations performance”.

Customers in the current era are much more empowered today and selling to them requires a far more strategic approach which CRM hopes to fulfill. Organizations are not only attempting to interpret the needs of the customers based on their buying behavior, but are also predicting their future needs. CRM enables firms to customize offerings for customers and when offerings are customized, the perceived value gets enhanced. The perceived value is equated with perceived quality by customers, leading to enhancement of customer satisfaction. This emphasizes the need for integration along the value chain and aligning and integrating organizational processes back through the supply chain to enable better value delivery to the end customer.

CRM can be viewed as an application of one-to-one marketing and relationship marketing, responding to an individual customer on the basis of what the customer says and what else is known about that customer (Peppers, Rogers and Dorf, 1999). It is a
management approach that enables organizations to identify, attract, and increase retention of profitable customers by managing relationships with them and further identifying strategically significant customers. CRM is an IT enabled business strategy, the outcomes of which optimize profitability, revenue and customer satisfaction by organizing around customer segments fostering customer-satisfying behavior and implementing a customer-centric process.

Alignment of incentives and metrics, deployment of knowledge management systems, tracking customer defection and retention points and customer service satisfaction levels are other contributions of CRM Technology (Mehta, 2010).

Customer relationship management, is also known as relationship marketing, has recently emerged as an integral marketing concept in the business universe. CRM practices enable marketers to establish long lasting relationships with client at the individual level through the function and management of a number of different programs and key components. CRM entails all aspects of interaction a company has with its customer, whether it is sales or service related. It even uses technology to streamline processes that bear on customer loyalty, service delivery and quality management. Today, businesses are facing an aggressive, competitive and they hold to make attempts and live in a competitive and uncertain marketplace. People have recognized that handling customer relationships are a very important element for their winner. Customer relationship management is a strategy that can help them to make lasting relationships with their client’s and increase their earnings through the right management system and the application of customer-focused strategies (Parvatiyar, 2001).
CRM has grown mainstream and is being taken out in a broad range of companies and organizations such as manufacturing, financial services, transportation and distribution, medical services and products, consumer package goods and others. This explosive growth of CRM reflects the intersection of true market need and enabling technology. And, in this growth period, the impetus for CRM is shifting from emphasis inefficiency, i.e., doing more things faster with less cost, to effectiveness, i.e., doing things better for increased revenue with a high "return on relationships (ROR)".

Customer relationship management is about more than simply managing customers and monitoring their conduct and position. CRM delivers the potential to change a customer relations with a company and increase revenues in the bargain. Furthermore, it serves to distinguish the customers well-enough to determine whom to choose and who to lose. The objective of customer relationship management is to discern and treat each and every customer as an person.

Customer relationship management is a relatively young discipline, but its importance is becoming yet more apparent as time goes. The paradigm shift from focusing on attracting new customers to retaining current ones is at the backbone of CRM (Winer 2001).

Reichheld’s studies revealed that small gain in customer retention rates greatly increased profits, proving that long term customers can be more valuable. More revenue on average is generated from repeat-purchase customers when compared to one time customers. With potential profit maximization in mind, businesses are turning to customer relationship management in order to better understand customers. Traditional marketing and mass advertising are trying out to be ineffective in such a commoditized environment. With the number of similar products on the market increasing and competition among the firms
escalating, companies must look toward capturing customers on some factor other than product quality, price, or convenience.

**Defining CRM**

Lawrence Handen defines CRM as “process of winning, keeping and growing profitable customers”.

Hewlett defines CRM as “Bridiness strategy that involves focusing knowledge business process and organizational structures, ground customers and prospects enterprise wide”.

According to several scholars and experts, “CRM deals with long term mutually beneficial relationship among consumers, companies and other stakeholder”. CRM is a new technology enabled way to do business that revives a simple old-fashioned notion: keep pleasing customers and they will keep coming back”.

“CRM is a well defined series of functions, skills, processes and technologies which together will allow companies to more profitable manage customer as tangible assets”. Regardless of the technology platform selected by a firm, modern integrated CRM systems typically combine various information sources, account plans, the company’s marketing programs, and competitive and market information. CRM systems also have multiple users, those for whom the database provides continuous value in helping to formulate selling and buying strategies.

Customer relationship management is around managing of customer knowledge and it helps to better interpret and serve them. Client service is an important component of CRM. It is playing a vital role in a service industry. However, CRM is also concerned
with coordinating customer relation across all business function that is level of interaction, and audiences. CRM is not a product; it is not even a suite of products. It is business philosophy that touches upon many independent functions of the establishment of the organization, its addresses the sales, marketing, and service activities of the organization. It is about selling good products and services to the right people. It helps the firm to retain the customers, understand the needs and wants of the customer and tries to satisfy them. CRM is for crafting the fight value proposition, acquiring the customer, instituting the best processes, motivating employees and learning to retain customers.

Over the last decade Customer Relationship Management (CRM) has attracted considerable attention from both academics and practitioners and billions of dollars have been spent for the deployment of CRM systems by businesses hoping to obtain a better understanding of the customers’ behavior that will assist them to build long term relationships with customers and boost their profitability and yet has not been determined a commonly accepted definition that will reflect CRM’s main attributes.

Additionally, we will highlight the main benefits for a company from the implementation of a CRM system, but also the potential problems during the implementation process and the operational phase. The success rates of CRM system implementation are alarmingly low, and combined with high implementation costs make the acquisition of a CRM system a highly risky business. Our intention is to lift this shadow from CRM systems that makes reluctant many companies to proceed to the implementation of such systems, although their undeniable benefits at a theoretical level, by shedding light on the most common causes of failure during the implementation and operational stage. On top of everything else based on the literature study, we identify the most important success factors during the preparation, implementation and operational stage of a CRM system.
Finally, we will provide a section dedicated to the future trends and opportunities in CRM research field and practice. When people refer to CRM most of the times they think of it as a system that includes technological aspects associated with marketing, customer service and sales. In other words, CRM provides the appropriate channels for the effective communication between businesses and customers. However, although there is a general agreement about its basic components, different authors put emphasis on different aspects of CRM systems.

CRM is a combination of policies, procedures, and strategies implemented by an organization to unify its customer interactions and provide a means to track customer information. It requires the usage of technology in attracting new and profitable customers, while forming tighter bonds with existing ones. Customer relationship management is an emerging tool that enables vendors to keep their presence in the dynamic marketing environment. Customer relationship management is high along the corporate agenda. CRM requires a rich discernment of the customer expectations, attitude & behavior through a well organized & maintained customer database & innovative customer strategies. The goal of CRM is to ensure customer satisfaction & delight at every level of interface with the company (Pahuja & Verma, 2008).

The banks established customer relationship units to share with key customers; the airlines designed frequent programs to reward loyal clients; the telecom service firms designed customizes service for heavy users and the hotels introduced a personal user service for regular customers. The Indian hotel industry is experiencing increasing globalization, competition, higher customer turnover, and developing customer acquisition costs and growing customer expectations. It means that hotels performance and competition mainly dependent upon their ability to satisfy customer efficiency and
effectively. In the hotel industry the basic products are really standardized, when comparing the same quality level the customer focuses are on soft factor like personal treatment, personalization, one to one marketing and attention of the hospitality professions. Hotels use various strategies like loyalty programs, field selling call center, bonus levels, membership cards, database management, booking system, organizing food, tea festivals, organizing kid’s competitions and much more to maintain long term relationship with the customers and retain them. The hotel industry is highly flourishing, competitive market and lucrative. Compete of such type of market; the hotel should focus on keeping good relations with the customers. In addition to that CRM is also important to other industry such as hospital, healthcare industry, insurance sector, airline industry, banking sector and many more.

1.2 Research Problem

With the increasing competition that companies are confronting today, rewards will accrue to those who can say precisely what consumers want by continuously scanning the environment and delivering the greatest value to customers. Evans (1987) is of the opinion that as the operating environment changes; a more pronounced transformation of the business landscape lies in front. As a consequence, businesses are faced with increased competition and thus register low profits and even losses. This could probably be attributed to lack of customer relationship management practices (Abdalla, 2011).

Agreeing to a Gartner survey, most of the organizations do not understand how customer relationship management creates value in their customer base (Kirkby, 2002). Because of the lack of agreement, organizations have failed to develop good CRM strategies for their utmost benefit. This direction of CRM failure has provoked experts and researchers to
grasp into the lawsuits of this trouble. According to Caulfield (2001), CRM initiatives usually involve a number of departments wherein poor and insufficient understanding among the management and employees of the organization of the CRM initiatives become a reason for failure. Data quality issues are also contributing to this failure rate of CRM initiatives, despite their data being rich, the information available is not being used utilized. For organizations wanting to arrive at a competitive advantage, they demand to recognize how best to use their CRM capabilities to learn more about their customers and serve better for mutual benefits.

According to Jin Zhao and Fing (2009), the competition in the hotel industry worldwide is reaching a level where it is so intense that almost the same package of services is offered and product differentiation becomes increasingly a fiasco.

Nyongesa (2006) considered the analysis of application of customer relationship marketing strategies by classifying hotels in Kenya, where it was established that hotels were losing customers because of the low quality of services offered in some of the hotels. In addition the customers complained of frequent internet breakdowns and power blackouts which interfered with their enjoyment.

Consumers have become complicated in terms of their needs and anticipations. An effort to satisfy their complicated needs and expectations is a cost driving move. Hotel guest expect diversity of installations and comfort such as exercise and recreational facilities, business centers and guest room innovations. The facilities to be offered will definitely increase cost of service and thus they must be carefully selected to avoid non value added amenities that may appeal to most of the guests (Muthoni 2007).

From the studies cited above and the background challenges that have faced the
hospitality industry in India. It is evident that Customer Relation Management is an emerging marketing activity or occasion, which has gained prominence among academics and practitioners. However the adoption of customer relation management by most hotels fully is not only yet to be realized but also the benefits of it achieved, this is because there are no laid down guidelines on adoption, implementation and practices. Different hotels view and practice customer relationship management differently, yet there is no doubt that an effective.

1.3 Objectives of the Study

With the acknowledgement of the purported research, work “A Study of Customer Relationship Practices in Hotel Industry in India.” The researcher will have to focus over the following objectives.

The main objectives of the research are,

1) To examine different customer relationship management practices adopted by hotels in India.
2) To analyze that management of Indian hotels is well formed and structured to CRM.
3) To study the effects of customer relationship practices on service quality, retention and customer satisfaction.
4) To examine the technology based practices to increase customer relationship in the Indian hotel industry.
5) To understand and identify the Customer Relationship Management Practices followed by the hotels.
6) Suggesting useful and practical CRM solution that could be used in every type of Indian hotels.
1.4 Value of the Study

The subject area will benefit the stakeholders and management within the hospitality industry in India in understanding customer relationship management practices and how they can effectively adopt and implement to improve customer service, retention and satisfaction.

To the academicians and researchers, the finding would contribute to professional reference of existing knowledge of customer relationship management practices. The study would provide a useful basis upon which further research on customer relationship management practices can be undertaken. The study will also suggest area for further studies on which to research customer relationship management practices.

For the policy makers and government, the findings and recommendations of the study will serve as the empirical information to the management of hotels in India for their customer relationship policy formation. It will also inform on the nature and degree of customer relationship management practices in the hotel industry. This information was relevant to them because it is expected that effective customer relationship management in then hotel industry will have a positive effect on tourist attraction in the country.