

Investigating the Impact of Customer Relationship Management on Customer Satisfaction With Reference To the Hotel Industry

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Abstract: *The excessive competition existing in industries today calls for the need for hotels to differentiate their services in order to achieve customer satisfaction. Due to this, customer relationship management is increasingly adopted and has, therefore, become a strategic objective in which hospitality services are delivered. Thus, if the objectives of CRM could be achieved, it depends on the degree to which customer satisfaction is created and maintained by the hotels. In spite of the fact that customer relationship management has a positive influence on customer satisfaction as it has been widely addressed and accepted, very little research has been undertaken to further explore this in the adopted study area. This study, therefore, attempts to find out if customer relationship management impacts on customer satisfaction with reference to the hotel industry using 40 respondents made up of Guest Service Managers and Marketing Managers selected from 20 hotels. The exploratory research design and the quantitative technique were adopted for the study. The survey was conducted in New Delhi and the simple random sampling technique was used in selecting two employees each per hotel who were given a questionnaire to fill. With the objectives of the study in mind, simple linear regression analysis was employed as the statistical tool for testing the research hypotheses constructed for the study. The results confirm that customer relationship management has significant positive impact on customer satisfaction and they are both related. It is recommended that the hotel management needs to continuously evaluate the hotel's relationship management with their customers.*

Keywords: *Customer Relationship Management, Customer Satisfaction, Hotel Industry*

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I. INTRODUCTION

With the need to differentiate their services in a highly competitive industry, all activities of hotels, nowadays, are focused on achieving customer satisfaction. This is because the significance of customer satisfaction cannot be underrated. Customer relationship management is increasingly adopted and has, therefore, become a strategic objective in which hospitality services are delivered.

Customer Relationship Management as defined by **Chen and Popovich (2003)** is a cross-functional, customer-driven and technology-integrated business process management strategy that maximizes relationships. On the other hand, **McKenzie (2001)** defines it as the mixture of information systems and strategy with the objective of concentrating firm's efforts on improving the ways customers are being served.

From the definitions, it is obvious that the customer happens to be an integral part of it. Hence, the efforts to achieve customer retention and attraction through customer satisfaction are paramount in today's dynamic and highly competitive market is imperative.

According to **Mohsan et al. (2011)**, organizations are setting themselves strategies to ensure customer retention, and changing their employees to be more customer-focused and service-oriented. This is similar to what is happening in the hotel industry. By capturing, analyzing and gaining insights from the available customer service data with the help of CRM, hotels ensure that customers are served in the best possible way to make them satisfied.

In a nutshell, it is, therefore, worth emphasizing the enormous roles that CRM play in recognizing the value of improved customer relations, customer loyalty, customer retention, continuous patronage and in the overall attainment of customer satisfaction. This implies that the degree to which all the objectives of CRM could be achieved depends on the degree to which customer satisfaction is created and maintained by the hotels.

To this effect, this study, therefore, attempts to find out if customer relationship management impacts on customer satisfaction with reference to the hotel industry using 40 respondents made up of Guest Service Managers and Marketing Managers selected from 20 hotels.

1.1 Statement of the Problem

Customers have become more sophisticated since their changing needs, desires and preferences are increasingly becoming more difficult for hotels to satisfy accordingly. Consequently, satisfying and retaining customers are the major challenges they face nowadays. This can be attributed to the various alternatives offerings given by the competitors available in the industry.

Nevertheless, focusing on the customer to achieve customer satisfaction is a key factor for survival in the hotel industry. Generally, sensing and understanding the changing needs, desires and preferences and through the provision of the required quality services to their customers by the hotels can help in creating long-term relationships resulting in better attraction and retention.

In spite of the fact that customer relationship management has a positive influence on customer satisfaction as it has been widely addressed and accepted, very little research has been undertaken to further explore this in the adopted study area. Therefore, this study attempts to find out if customer relationship management indeed impacts on customer satisfaction with reference to the hotel industry.

In this respect, the above-mentioned gap in literature will be filled and hotels can better understand the changing needs, desires and preferences and consequently, remain competitive.

1.2 Research Objectives

The objectives of the study are as follows;

- To analyze the impact of customer relationship management on customer satisfaction
- To further explore the relationship between customer relationship management and customer satisfaction

II. REVIEW OF LITERATURE

Customer Relationship Management as defined by **Chen and Popovich (2003)** is a cross-functional, customer-driven and technology-integrated business process management strategy that maximizes relationships. It is mainly based on the belief that establishing a sustainable relationship with customers is the cornerstone for obtaining loyal customers who are much more profitable than non-loyal ones (**Dowling, 2002**).

CRM involves actions positioned toward retaining customers through providing services that satisfy their needs and expectations. **Wills (2009)** suggested that it costs more than five times as much to obtain a new customer than to keep an existing one. With this revelation, businesses of today offer products and services which reflect their sense of responsiveness and sensitivity towards their customers.

Hansemark and Albinson (2004) define satisfaction as an overall customer attitude towards a service provider, or the difference between customer expectation and customer perception concerning the satisfaction of some wants needs, desire or goals. In other words, satisfaction is an overall customer attitude or behaviour towards the difference between what customers expect and what they receive, regarding the fulfillment of some desire, need or goal (**Hoyer and MacInnis, 2001; Hansemark and Albinson, 2004**).

Similarly, **Jeong and Lee (2010)** define customer satisfaction as an emotional reaction or positive feelings of expressing the difference between perceived service and customer expectations regarding specific product or service. Consumer satisfaction is a critical focus for effective marketing programs (**Rahim et al., 2012**).

It is important to note that prior studies undertaken on the impact of CRM on customer satisfaction have revealed interrelationships among them. For example, according to a study by **Ranaweera and Prabhu (2003)**, the more satisfied customers are, the greater is their retention, the positive word of mouth generated through them and the financial benefits to the firms who serve them.

Hisham (2011), in his study, found that there is a positive relationship between CRM and marketing performance such as customer satisfaction and customer loyalty.

The results of another study by **Srinivasan and Moorman (2005)** revealed that if the firm was strategically committed to CRM, effects of the investment would prove to be positive on customer satisfaction.

As **Lin and Wu (2011)** indicate, the customers who are unsatisfied with the received services would not be expected to have long run relationships with the company. Therefore, customer satisfaction is the necessary foundation for the company to retain the existing customers (**Guo et al., 2009**).

In conclusion, **Bowen and Chen (2001)** argue that having satisfied customers is not sufficient. Based on this hint, nowadays, not only the organizations aim to satisfy the customers but they attempt to do this more efficiently and effectively than their rivals in the competitive market place to attain their goals (**Kotler and Armstrong, 2011**).

2.0 Hypotheses

H1: Customer relationship management has a positive impact on customer satisfaction

H2: Customer relationship management has a positive relationship with customer satisfaction

III. RESEARCH METHODOLOGY

Employees from a total of 20 hotels were selected to constitute the respondents and were, therefore, included in the study. This consisted of 40 Guest Service Managers and Marketing Managers. Thus, the research scope is limited to these respondents. The research design which was employed in this study is the exploratory research design and it also adopted the quantitative technique.

The survey was conducted in New Delhi to obtain the primary data required for this study. Primary data were collected using self-administered close-ended questionnaires. It consisted of two parts; parts A and B. While part A was related to the respondents' demographic information, part B focused on statements related to the key constructs being studied (customer relationship management, customer satisfaction and customer retention). Moreover, the complemented secondary data were compiled from sources such as research reports and journals and publications on the topic.

Furthermore, the respondents were required to rate items measuring customer relationship management, customer satisfaction, and customer retention on a five-point Likert scale ranging from 1- strongly disagree to 5- strongly agree.

Simple random sampling technique was used in selecting two employees each per hotel who were given a questionnaire to fill. These employees were either the Guest Services Manager or the Marketing Manager. These respondents were chosen from these two key positions because they are knowledgeable on both the CRM practices and the hotel's customer satisfaction and customer retention practices as well.

Finally, simple linear regression analysis was employed as the statistical tool for testing the research hypotheses constructed for the study. Using SPSS, all the analyses to examine the relationships and the effect of the independent variables on the dependent variable were carried out.

IV. RESULTS AND DISCUSSION

Table 1:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.561 ^a	.315	.296	.93801

a. Predictors: (Constant), Customer Relationship Management

Table 2:

ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	15.340	1	15.340	17.435	.000 ^a
	Residual	33.435	38	.880		
	Total	48.775	39			

a. Predictors: (Constant), Customer Relationship Management

b. Dependent Variable: Customer Satisfaction

Table 3:

Coefficients^a

Model	Unstandardized Coefficients	Standardized Coefficients		Sig.	
		B	Std. Error		Beta
1	(Constant)	1.096	.277		.000
	Customer Relationship Management	.653	.156	.561	.000

a. Dependent Variable: Customer Satisfaction

The Table 1 above presents the Regression Coefficient 'R' as .561 or 56.1%. This indicates that the correlation between the dependent variable and the independent variables is positive. Further, the Coefficient of Determination ' R^2 ' = .315 and it indicates that 31.5% of the variation in the dependent variable is explained by the independent variable.

Also, according to Table 2, the F-test value of 17.435 is significant because the significance level is = .000 which is less than 0.05 and it indicates that the correlation between the dependent variable and the independent variables is statistically significant. This, moreover, confirms that the regression model is valid.

Lastly, on table 3 above, it is indicated that the impact coefficient of customer relationship management is positively related to customer satisfaction because the significance level is = .000.

In conclusion, all hypotheses are accepted. This due to the fact that there is sufficient evidence that at the 5% level of significance, there is a strong positive relationship between the dependent variable and the independent variable.

Consequently, the valid regression model confirms that customer relationship management has significant positive impact on customer satisfaction and they are both related.

V. CONCLUSION

In conclusion, this study has analyzed and revealed that customer relationship management has a significant positive impact on customer satisfaction and both variables are positively related. Thus, findings of this study have significant implications for the managers of hotels across the country.

As the study proves that there is a significant and indeed a positive relationship existing between customer relationship management and satisfaction; the findings of this research also provide insights into one of the many mechanisms that impact on the customer. Hence, in the efforts to achieve the desired business results, hotels should learn to attract, make customers satisfied and retain those who share their rich values.

This study reinforces the reason why customer relationship management should be an essential investment for organizations since the entire success and failure of an organization depends on customer satisfaction.

With the excessive and the ever-increasing competition available in the industry, a hotel's success rests largely on its key customers and the degree to which they are satisfied and retained with the company.

3.1 Managerial Implications

- The findings of the study confirm that there is a strong positive relationship and impact of customer relationship management on customer satisfaction. It is recommended that the hotel management should continue creating favorable relationships and adopt various customer relationship management practices to achieve the effective satisfaction of customers.
- More so, it is crucial for the managers to embark on the continuous differentiation of their services. This is recommended to allow hotels to be more effective than their competitors in creating and delivering exceptional and superior customer satisfaction experiences for more effective customer retention and also aid in attaining competitive advantage.
- Lastly, it is recommended that the hotel management needs to continuously evaluate the hotel's relationship management with their customers. This would go a long way to ensure customer satisfaction and also help in identifying the key ones among them in order to tailor services to satisfy the needs and expectations, thereby, attaining customer retention.

3.2 Limitations and Future Areas of Research

- This study is limited to 40 respondents made up of Guest Service Managers and Marketing Managers selected from 20 hotels. This is relatively a small sample size compared to the many employees in the hotel sector of the study area.

Based on this, another study using a larger sample size is recommended to provide powerful insights on the impact and relationship between customer relationship management and customer satisfaction.

- Secondly, another avenue for further research is the impact of customer relationship management on customer retention with an appropriate test for mediating effects using customer satisfaction as the mediating variable. This investigation can reveal the reasons why hotels find it almost impossible at times to retain their customers and why dissatisfactions do occur.
- Finally, this study investigated the impact of customer relationship management on customer satisfaction without including any dimension of customer relationship management. The results cannot be generalized due to this major limitation.

Further research could investigate the impact of additional customer relationship management dimensions (including behavioral and analytical aspects) on customer satisfaction to be able to get a deeper understanding of the variations in perceptions on the subject.

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