

Customer Relationship Management and Information Technology as Determinants of Malaysian Hospitality Industry: A Qualitative Approach

Fawad Hussain
Pakistan Air Force
Karachi Institute of Economics and Technology
Karachi, Pakistan
e-mail: fawadhussain.fawad@gmail.com

Mihraj Begum Binti Saibu Rahman
Open University Malaysia
Pulau Penang Learning Center
Penang Malaysia
e-mail: mihrajbegum@gmail.com

Mohamad Ghazali Bin Hassan
College of Business
Universiti Utara Malaysia
Sintok, Kedah Darul Aman, Malaysia
e-mail: ghazali@uum.edu.my

Abstract—Today, the hospitality industry is deviating from their traditional way of doing business and is now becoming more customer focused aimed at developing a positive and satisfying relationship with their customers. Information technology is the most significant factor that is helping the management of hotel industry to lower costs, increase operational excellences with profitability and give value to customer's time. Malaysian hospitality industry is based on Malaysian customer, culture involving a specific way of treating customers. The competitive advantage in this industry is based on the time and cost factors, which worries the customer and the hotel management. Information technology has helped the entire industry to prevent the wastage of resources and time by fulfilling optimum customer needs and demands. This paper is an attempt to explore the customer relationship management and IT related issues in three star rated hotels in the state of Penang, Malaysia. This paper would contribute as a useful guide to three star hotels, giving them some valuable information on what the customer expectations are in terms of CRM and IT facilities and if they are duly met then services and operational issues shall not occur. The significance of this case study includes providing a scope for three star rating hotels to improve their IT based activities to influence service quality and reduce the weaknesses, through availing opportunities and to strengthen their position in the industry.

Keywords—CRM; IT; Customer Satisfaction; Expectations; loyalty and Malaysian Three Star Hotels Introduction

I. INTRODUCTION

Hospitality industry is based on those businesses which lead to profitability only because of their customer service, customer loyalty and customer satisfaction. Like other industries, this industry has also deviated from its traditional way of doing business and is actually now becoming more customer-focused and aimed at developing a positive and satisfying relationship with their customers. There is huge interference of Information technology and it underpins the reason for efficiency, meeting customer expectation and accuracy in services. Information technology is the most

significant factor that is helping management of hotel industry in lowering their cost, time accuracy and increasing the operational excellences. Malaysian hospitality industry is based on Malaysian customers' culture involving a specific way of treating customers.

This paper is a qualitative analysis based on customer relationship management (CRM) and Information technology (IT) practices of the Palm Inn Hotel. There are three branches of Palm Inn Hotel. One of it is in Kuala Lumpur and two in Penang, located in Butterworth and Bukit Mertajam. In the present case, this paper conducted interviews of IT manager of Butterworth Branch Palm Inn Hotel and Kuala Lumpur branch. The first Palm Inn Hotel was opened in Ampang, Kuala Lumpur in August 2005 with 35 rooms in 3 floors. The second Palm Inn Hotel was opened in September 2008 with 42 rooms in 5 floors and the third one was opened in November 2008 with 90 rooms in 6 floors. The management of Hotel Palm Inn will be opening a 20-storey Business class Hotel in 2014 under different brand strategy, in Seberang Jaya Penang.

According to Mr. Paul, (IT Manager, Penang branch), when the first branch was opened, the hotel did not increasingly make use of IT software. IT was only prevalent in the form of Hotel Web Page, CCTV, IPTV, Security Alarm System and Point of Sale System were used. For the second and third branches, more IT software were installed such as Keycard System, Telephone with multi core PABX systems, Free WIFI, and Online Guest Reservation, Confirmation and Cancellation Software. They did not have Customer Relationship Management Software. It was later installed based on the recommendation by the IT depart, which was later benefited from especially in the fourth hotel which is planned to have 20 floors and 276 rooms. This paper aims to explore Palm Inn Hotel's customer complaints and expectations in term of CRM and weakness of IT.

II. BENEFITS OF INFORMATION TECHNOLOGY

Recent trends in globalization and advancement in information technologies have enabled businesses to explore new directions in their competitive markets. In many

industries today, information system administrators carry out these setups. Globally the trend is deviating strategically as the managers' look forward to adjust the technological changes according to latest advancements and market trends. The aim of these managers is to get the most out of strengths, deal with threats and decrease weaknesses.

In the hotel industry, there is high competition and the industry is trying to provide and fulfill the best demands and expectations of their customers. Customers nowadays have the alternative to buy what they think they should and from whom, being in their best interest, so they have many options and choices. In the hotel industry, the management needs to follow the trend and fashion of product development, technological improvement, cost optimization and excellent service facility, which are very important for any hotel but their significance only matters when customer appreciates it. The competition never stops, with increasing competitiveness; hotels are worried of the degree of customer satisfaction and their profitability in both short- and long-term. It is very important that hotels care for their long run profitability, which can be achieved through CRM and effective management strategies to ensure customer satisfaction and loyalty. Customer expectations are always demanding for a newer benchmark within the industry. Therefore, the competitive pressures are demanding for hotels not only to accept the customer oriented CRM strategy, but also to follow customer concerned procedures of performance [1].

Information technology enables hotels to acquire the capability to process huge amount of information and present it in an understandable and brief manner to employees for further decision-making. Predictable advantages of implementing an information technology system include enhancements in productivity, improving profit or return through performance, and maximization of accuracy within the organization, which is interconnected through information. The capability to share information among employees is also improved with IT [2].

Information technology has become a revolution in the industry and personal computers are often linked together across wide geographic areas to create networks. When we use this informative technological advancement, it offers added payback to hotel performance and operational excellences, such as data integrity and enhanced performance. By using a broadband network, users can share a greater range of voice, data and video services, including videoconferencing. Technology has kept up with advancements in hardware and software as to influence productivity, which makes it easy to incorporate into operational activities [3].

III. CUSTOMER RELATIONSHIP MANAGEMENT

Customer relationship management is defined as "a managerial philosophy that calls for the use of information technology (IT) to capture, store, manipulate and distribute substantial information about customers." [4]. The term customer relationship management (CRM) is explained as "the core business strategy that integrates internal processes and functions, and external networks, to create and deliver

value to targeted customers at a profit. It is grounded on high-quality customer data and enabled by IT" [5] [6].

In another respect, CRM is a specific organizational strategy to know or to identify, cultivate, and maintain long-term profitable customer relationships. It is needed to establish a technique to choose the most potential customers and to provide those customers with excellent service quality that exceeds their expectations leading to customer satisfaction and loyalty [7] [6].

IV. CUSTOMER SATISFACTION AND LOYALTY

Hotel performance appreciates when there are high valued customers and therefore the aim of any hotel management is to have an efficient CRM practices. These CRM practices can be improved by enhancing customer satisfaction and customer loyalty as shown by [5]. [5] explains that customer satisfaction and their loyalty is the key competency for any hotel business [6].

On the other hand the most widely used model, is the "satisfaction-profit chain" [8] [6].

It is found that satisfaction increases as customer insight permits hotels to understand their customer better, and create a better improved understanding of customer value propositions. It is mathematically represented as, with the increase in the satisfaction of customers, the customers' buying power or intention also appreciates [9]. These variables are highly significant to influence the customer's basic purchasing behaviour or mentality, which has a value adding impact on hotel performance [6].

On the other hand, customer loyalty can be explained in dual distinct directions [10]. The first distinct direction explores loyalty as an attitude. The number of different feelings makes a customer attached to a specific service, product or a hotel [11]. The feelings are explained as individual or customer's degree of loyalty. The second distinct direction explores loyalty as a behaviour. The behaviour attributes includes pushing an individual or customer to buy the product or services from the same service or product provider [12] [6].

V. CUSTOMER EXPECTATIONS AND PERCEPTION

There are many views of how researchers perceive customer expectations and their perceptions. As discussed by [13], customer expectations are in the form of expected service quality and perceived service quality. He has proposed a model known as the gap model which states that there are five gaps.

These gaps explain the customer expectations and perceptions from both the customer and the hotel. The model is divided into two parts. On the first level it explains how the service emerges from the customer's perspective. In the second part it explains the service provider's perspective towards the customer. The first gap shows the management perception, which occurs when the management perceives the quality expectations inaccurately due to inaccurate interpretation of information from the market research and demand analysis. The second gap explains the quality specification and the service quality descriptions, which are not consistent with management perceptions of quality

expectations due to planning, unclear goal, the setting within the hotel and insufficient planning support from top management. The third gap indicates the quality specifications, which are not met by performance of hotel in the service production and delivery process due to the specifications' complex and unfixable features. The fourth gap indicates that the promises are inconsistent with the service delivered. So there is variation between what is promised and what is provided. The fifth gap explains the perceived service quality and it shows the importance of the inconsistency between perceived or experienced service and the expected service, which results in a negative impact upon the corporate brand or image and the firm eventually loses some portion of business [6].

VI. INFORMATION TECHNOLOGY IN HOSPITALITY CONTEXT

The electronic interaction and distribution to strategically integrated different levels and units of any hotel can explain information technology in hospitality context. In line with a similar definition [14], has explained that it is very difficult to explain electronic distribution within the hotels. He further added that the in a competitive business environment, hotels are only competitive or maintain their competencies, when they assure stable inter-organizational relationship electronically. Information technology is a revolution in the hotel industry. It sets up customer information system (CIS) that automates information exploration and dispensation and makes available a reliable observation of the customer all over at every point of interaction, bringing together a broad array of data into an actionable set-up that helps management decision making. The CIS is based on a data warehouse with an accessible and user-friendly interface helps integrate different operational systems and databases and enables multi level storages and profiles for the same customers, based on their way of behavior and level within the list of customers [15].

In addition, relationship orientation involves business or hotel customer intelligence – it is the competency to know customers' needs, behavior, and preferences, recognize the most important customer part and to make the most of profit resulting from each of them [16] [15] [17].

VII. SAMPLING

The study was based on three stars rated hotel in Penang and Kuala Lumpur Malaysia. The total sample contains thirty-three people comprising twenty businessmen, eight tourists and five families. The study also interviewed the hotel manager and the hotel IT manager.

VIII. DATA ANALYSIS

The interviews were analyzed to address the initial propositions of a study, which is based on CRM and IT practices in hotels. The methodology is based on in-depth interviews, which is the instrument used in the case study report to achieve its objectives and propositions, to help

structure the analysis and provide in-depth understanding on CRM and IT factors that help hotel management maximize profits. The interview data was analyzed in depth to interpret the customers' perspective and managerial perspective regarding the CRM and IT facilities.

IX. RECOMMENDATIONS

In the future, more researchers are needed to explore avenues of CRM in connection with IT and their usefulness in Malaysian hotel industry. Specifically, in the hotel industry, CRM is changing and becoming a strategic essential element for attracting and increasing guests' patronage [18]. There is sufficient literature available on IT, CRM and hotel industry. This is an open opportunity for students and researchers to find more factors like hotel culture, pricing, branches and location, which can help management to increase their customers - the hotel's success factor.

X. SUGGESTIONS

This study suggests that hotel management must learn from their customer dealings and feedbacks. It also needs to flatten its hierarchical structure to sum up what is expected by the customer and what is delivered on the record. On the other hand, market research is another strategy, which would help the hotel management to improve in terms of knowledge and service competition. The study also suggests that hotels to change their priorities and show a strong commitment to developing service standards, to do a feasibility assessment of customer expectations and to develop a standard documentation process and automation of processes wherever required. The hotel management also needs to develop their service-oriented goals. In the researchers' opinion, the hotel should invest in people through the provision of staff training, recruitment and retention. Moreover, it is also imperative that the hotel management keep updating and investing in technology in order to meet the technological challenges. It is also required for the management to redesign workflow from time to time and encourage the staff by rewards and recognition that will improve the internal confidence of the hotel staff when dealing with customers. An improved internal communication is a must and in addition, hotel management should provide clear job specifications to avoid any uncertainty or ambiguity. The best way for the management to learn is to pay constant consideration to customer complaints and feedbacks. This could help the management not only to improve their services but also to improve quality and evaluate its weaknesses.

XI. CONCLUSION

The analysis of this study has shown that CRM implementation and practices are suitable with the presented strategies of these hotels in order to accomplish their most important aims. In comparison with other findings, we came to know that performance is appreciated as CRM practices involves the ongoing process development of market intelligence for building and maintaining a profit-

maximizing portfolio of customer relationship [1] [19]. As mentioned earlier, the trend in hotel industry is deviating from its traditional way of doing business and is now actually becoming more customer focused. The term focus can be explained in this context as customer satisfaction, loyalty and their preference. Information technology is the most significant factor that is helping the management of hotel industry to lower costs and give value to customers. As the market is very competitive, any negligence will never be tolerated neither by the customer nor the hotel management. The hotel management must carefully satisfy the expectations of their customer and make a positive long-term relationship. The hotel management also needs to develop their service-oriented goals. The more the services are offered, the more the customer will return for repetitive patronage. Managers need to face and solve the complication and difficulties to gain customer satisfaction and loyalty.

REFERENCES

- [1] Nor Aziah, Abu Kasim and Badriyah. Minai, Linking CRM Strategy, Customer Performance Measures and Performance in the Hotel Industry. *Int. Journal of Economics and Management*, 2009. 3(2): p. 297 - 316.
- [2] Karimi, J., Somers. T.M, and Gupta. Y.P. Impact of information technology management practices on customer service. *Journal of Management Information*, 2001. 17(4): p. 125 - 158.
- [3] Anckar, B. and Walden. P. Introducing web technology in a small peripheral hospitality organization. *International Journal of Contemporary Hospitality Management*, 2001. 13(5): p. 241-250.
- [4] Piccoli, G., et al., Customer relationship management - a driver for change in the structure of the U.S. lodging industry. *Cornell Hotel and Restaurant Administration Quarterly*, 2003. 44(4): p. 61-73.
- [5] Buttle, F., *Customer Relationship Management: concepts and tools*. Oxford: Elsevier Butterworth-Heinemann. 2004.
- [6] Akshay Jaipuria, *The Dark Side of Customer Relationship Management in the Luxury segment of the Hotel Industry*. MA Management Dissertation, 2009: p. 1-112.
- [7] McDonald, L., *Customer Relationship Management*. 2002.
- [8] Anderson, E.W. and Mittal. V, Strengthens the satisfaction-profit chain. *Journal of Service Research*, 2000. 3(2): p. 107-120.
- [9] Anderson, E.W., Cross Strategy variation in customer satisfaction and retention. *Marketing Letters*, 1994. 5(Winter): p. 19-30.
- [10] Jacoby, J. and Kyner. D.B, Brand loyalty versus repeat purchase behavior. *Journal of Marketing Research*, 1973. 10(1): p. 1-9.
- [11] Fornier, S., *A Consumer-based Relationship Framework for Strategic Brand Management*, in published PhD dissertation, University of Florida. 1994.
- [12] Yi, Y., A critical review of consumer satisfaction, in Zeithaml, V. (Ed.), *Review of Marketing*, 1990, Chicago, IL: American Marketing Association. 1990: p. 68-123.
- [13] Parasuraman, A., Zeithaml. V.A, and Berry. L.L, A conceptual model of service quality and its implications for future research. *Journal of Marketing Research*, 1985. 49(41-50).
- [14] Dale, C., *The Competitive Networks of Tourism E-mediaries: New Strategies, New Advantages*. *Journal of Vacation Marketing*, 2003. 9(2): p. 109-118.
- [15] Valeria Minghetti, *Building Customer Value in the Hospitality Industry: Towards the Definition of a Customer-Centric Information System*. *Information Technology & Tourism*. 2003. 6: p. 141-152.
- [16] KPMG, *CRM and the global travel industry [On-line]*. 2001, November.
- [17] Nykamp Consulting Group. *CRM Not an evolution but a transformation*. in *Customer Relationship Management in the Travel Industry 1999*. 1999. Conference proceedings, Miami, October 13-15, 1999.
- [18] Sigala, M., Integrating customer relationship management in hotel operations: managerial and operational implications. *International Journal of Hospitality Management*, 2005. 24(3): p. 391 - 413.
- [19] Zablah, A.R., D.N. Bellenger, and W.J. Johnston, An evaluation of divergent perspectives on customer relationship: Towards a common understanding of an emerging phenomenon. *Industrial Marketing Management*. 2004. 33: p. 475 - 48.