Applications of Customer Relationship Marketing in the UK Hospitality Industry

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ABSTRACT

This paper aims to research the hospitality industry to gauge dimensions of Customer Relationship Management (CRM) that resonate with guests and employees. An uncovering of perceptual differences of hotel guests and employees was sought to assess its application within the London hotel industry and to investigate CRM as an emerging concept. The global hotel market contains many brands and partnerships, and CRM is significant, because differentiation becomes easier for those with potential to develop long-term customer relationships. Despite being differentiated by star ratings, most hotels in London offer similar core products and services. In this regard, development of relationships with customers can be considered emphatic to the London hotel industry. Methodologically, triangulation of data and theories was used in this paper to investigate staff and customers. A standardised questionnaire gauged elements regarded as being part CRM with the objective to assess differential CRM perceptions and their relevancy to the hotel industry in contemporary terms. Findings suggest CRM become an integral part of a hotel’s offerings and operations.

Keywords: Customer Relationship Management, Hospitality Management, London Hotels, Strategic Decision Making, Triangulation

INTRODUCTION

This paper explores how ‘Customer Relationship Marketing’ (CRM) has been embraced by UK hotels as a contemporary marketing strategy. Theoretical dimensions are discussed. An evaluation is made as to whether its principal use is strategic or tactical, based on findings of a study in London.

Traditional marketing is associated with development, sale and delivery of products/services by means of short-term transactions, but since the 1980s, research has increasingly advocated longer-term exchanges. ‘Relationship Marketing’ (RM) emerged as an alternative to traditional marketing (Håkansson & Snehota, 2000).

Customer Relationship Marketing (or Management) [CRM] has become a ‘buzzword’ reflecting a number of differing perspectives. It has been referred to as being synonymous to a form of marketing such as ‘database marketing’ (Cross et al., 2009; McCall & Voorhees, 2010), ‘services marketing’ (Grönroos, 1994; Schmidt...
et al., 2008) and ‘customer partnering’ (Nasution & Mavondo, 2008). Furthermore, CRM is normatively associated with such specific strategic objectives as ‘customer retention’ (Kuo, 2009), ‘customer share’ (Rich, 2000) and ‘customer loyalty’ (Hu et al., 2010).

AIMS AND OBJECTIVES

Creating an environment that nurtures and maintains relationships with customers is a challenge. Although this seems commonsensical, many seem unable to reap the benefits customer relationships can enable; so many CRM programmes seem irrelevant. Could this be due to unrealistic expectations of the potential of CRM, a misunderstanding of its true meaning or the fact that CRM is not being used as a strategic tool, linked to marketing objectives?

Research in the hospitality industry is reported to gauge dimensions of CRM that resonate with guests and employees to refine its engagement. The uncovering of perceptual differences of hotel guests and employees was sought to assess its application within the hotel industry.

Four objectives provide this framework:

1. To illustrate the grounding of CRM as an emerging concept and clarify how even though it is still evolving (just like marketing), CRM pivots on three main dimensions: technology, people and processes.
2. To show how CRM has been embraced within hotel industry operations.
3. To compare/evaluate perceptual differences of guests and employees to gauge whether customers (those to whom CRM is targeted) and employees (those who deliver CRM within operations) have different perceptions about its dimensions.
4. To propose a refined list of dimensions of CRM tailored to the dynamics/operations of the hotel industry.

THE LONDON HOTEL SECTOR

A diverse group of hotel companies from owner-operators to global chains operate in this sector (Mintel, 2006) which is especially exposed to global economic developments, and is often first destination for international travellers. It is susceptible to international events, the industry being affected by bombings that took place in July 2005; yet, despite of a dip in occupancy, the industry recuperated.

Corporate guests account for a high share of sales, and hoteliers intensely target this market. New room designs, enhancement of business facilities and incentive schemes have been tailored to needs of business guests, e.g., in May 2006, Marriott International launched its first online campaign to appeal to two different types of business traveller: over 45s and under 45s: banner advertisements on key business websites direct users to microsites where they can check reservations and view offers.

The leisure sector suffers from intense competition from other European destinations (Mintel, 2006). The strength of Sterling in 2006/early-2008 and easy accessibility to Europe have affected short leisure-breaks. Budget airlines have provided a challenge, as prospective guests are able to choose between breaks overseas and the UK with little price differentiation. In response, major hotels now focus efforts towards leisure markets, e.g., in May 2003 Hilton Family Breaks was launched: offering family breaks during weekends/school holidays in 51 hotels in UK and Ireland with Hamleys and Mothercare enlisted to create value-added products.

The London industry operates in a mature environment of uncertainty and is not stagnant because of restructuring, mergers, developments and new entrants, so companies have to rely more on their established client base (Sheth & Parvatiyar, 2000) and the concept of CRM is particularly relevant.
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