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Is there a suitable CRM framework to evaluate the effectiveness of CRM practices in the Singapore hotel industry?

Janet Wong

University of Nevada, Las Vegas

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IS THERE A SUITABLE CRM FRAMEWORK
TO EVALUATE THE EFFECTIVENESS OF CRM PRACTICES
IN THE SINGAPORE HOTEL INDUSTRY?

by

Janet Wong

Bachelor of Science (Economics) in Management Studies (2nd Upper)

University of London, UK

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Department of Hotel Administration

Graduate College
University of Nevada, Las Vegas
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Abstract

Is there a suitable CRM framework to evaluate the effectiveness of CRM practices in the Singapore hotel industry?

by

Janet Wong

Dr. Clark Kincaid, Committee Chair

Associate Professor

Department of Hotel Management

University of Nevada, Las Vegas

With the continuous growth of the hospitality industry in Singapore and the increasing interest in CRM, it is becoming more critical to ensure Singapore hotels have in place a best CRM practice to improve customer value and retention. The purpose of this study is to develop a best CRM practice for Singapore hotels. Four frameworks are discussed in the study with Buttle's modified framework being the best suited because other models took on a more strategic CRM focus or focus their attention on the role of ICT. This framework provides a detailed value chain to understand the CRM practices at different operational level and activities. It also show how by getting all these activities together, a successful CRM practices is achievable. The best part of this framework is Buttle provides four supporting conditions to guide the CRM implementation at the property level.

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PART ONE

Introduction

Customer relationship management (CRM) has received enormous enthusiasm amongst academicians and practitioners touching on issues like managing CRM effectively (Reinartz, Krafft, & Hover, 2004); measuring CRM performance (Richards & Jones, 2008) and CRM domain and meaning (Parvatiyar & Sheth, 2001). Companies are now gaining knowledge and realizing different individual customers view the value of service differently, hence driving the organizations to adopt different offerings and communication strategies (Reinartz et al., 2004). To effectively and efficiently manage customer relationships, company will have to implement customer centric practices, strategies and programs, tools and techniques so as to build a strong co-operative and partnering relationship with customers (Parvatiyar & Sheth, 2001).

It is to a hotel's interest to engage in CRM activities which include understanding customer requirements and expectations; delivering of services which create value for the customer and managing customer lifecycle effectively and efficiently (Lo, Stalcup, & Lee, 2008). To achieve success with a CRM program, companies will need to take a holistic approach towards strategic, organizational and technological issues (Roberts, Raymond, & Hazard, 2005). The misconception CRM is principally IT implementation must be erased. Technology is viewed as an enabler for CRM success (Roberts et al., 2005). Agrawal (2004) points out there must be a link between CRM strategies and business objectives to stand a better chance of success in CRM implementation.

CRM is about putting customer in the center of organization activities. With the assistance from technology, a 360° view of the customer's needs and requirements is made possible. CRM is about first listening to the customer before designing the CRM strategies or

practices. Listening to the customer is a good way to motivate customer to return to the same hotel.

Purpose

The purpose of this study is to develop a best CRM practice for Singapore hotels. Previous research on CRM focused mainly on relationship between operational investments, customer satisfaction and company profitability (Kamakura, Vikas, & Jose, 2002); the link between long-lifetime value customer and company bottom line (Reinartz & Kumar, 2000); positive effect of customer loyalty program (Verhoef, 2003). There are not many academic researches on CRM practices focusing on the Singapore hotel industry. This study aims to begin the process of research to develop an understanding of CRM practices for Singapore hotels.

Statement of Problem

This study will highlight a best CRM practice to help organization implement CRM program successfully. Research has shown about 60 to 80 % of CRM projects were implemented unsuccessfully (Kale, 2004). Gartner (2003) studies show 70% of CRM projects end with no gain or improvement to the company's bottom line performance. Kale (2004) sums up seven poisonous sins that will lead to CRM implementation failure: narrowly equating technology implementation as CRM implementation; customer centric vision is absent; lack of appreciation for customer lifetime value (CLV); lack of top management support; lack of understanding change management in an organization; failure to re-look at organization business process and overlooking the difficulties and amount of work with respect to data mining and customer segmentation.

This paper will also look at effectively administrating CRM practices in Singapore hotels. Besides gaining an insight into the CRM framework and practices based on the current available

research, this paper aims to raise awareness of the available CRM practices which Singapore hotels can implement. This study should also provide a basis for future research into how best to implement such practices. The objectives of the study include:

- Develop a best CRM practice used at hotel property level
- Identify how CRM practices can be effectively administered
- Identify the gaps existed in one service residence in Singapore

Justification

Worldwide CRM software spending is forecasted to grow through 2010 reaching \$13.3 billion (Gartner Newsroom, 2008). According to Gartner, highest spending growth in CRM spending will be coming from the Asia Pacific region, hitting \$840 million in 2012 against \$410 million in 2007. This growth has not even considered CRM-related services like consulting, customer care outsourcing, change management etc.

Visitors arriving to Singapore in April 2010 tipped a record high of 938,000, a 20.4% increase. Hotel revenue reached S\$158 million, a 36.5% growth as compared to last year (Government of Singapore, 2010). With the continuous growth of the hospitality industry in Singapore and the increasing interest in CRM, it becomes even more critical to ensure Singapore hotels have in place a best CRM practice to improve customer value and retention.

Constraints

Lack of available existing literature or case studies regarding CRM practices in the Singapore industry context posed a challenge for this study. Insufficient time to perform an island wide survey to understand how most of the hotels in Singapore practice CRM confine the study to limited few cases.

PART TWO

Introduction

In Part one, an overview was made as to the holistic approach towards strategic, business objectives and technological issues within an organization to achieve success in CRM program. CRM is really first listening to the customers' needs before designing the CRM strategies or practices.

In Part two, existing literature review was performed relative to understanding what is customer relationship management (CRM); understanding the different framework for implementing and evaluating the effectiveness of CRM practices; CRM research in the hotel industry; CRM goals and implementing best CRM practice using CRM value chain.

Literature Review

What is customer relationship management (CRM)?

Prior to defining CRM, it is essential to know what a customer is. Customers can be broken down into four categories namely paying customers, employees, business associates and suppliers/ vendors (Greenberg, 2004). This definition gets complicated with respect to the different industry having different process to govern the way these industries perform their business functions. In CRM, both internal and external customers are included in the customer definition. Employees and suppliers/vendors are both referred to as internal customers (Gamble, Stone, & Woodcock, 1999). Internal customers (especially employees) play a critical role in ensuring organizations can meet and exceed customer satisfaction for external customers (Gronroos, 2000).

CRM has received enormous interest amongst academicians and practitioners touching on issues like managing CRM effectively (Reinartz et al., 2004); measuring CRM performance (Richards & Jones, 2008) and CRM domain and meaning (Parvatiyar & Sheth, 2001). Despite all this explosive interest and an increasing amount of practitioner oriented

published journals and articles, there is no common consensus on the definition of CRM. The meaning of CRM varies from individuals to individuals. To some, it is about creating marketing activities using knowledge about customer from a data warehouse. For others CRM is technologically oriented. This highly diverse definition of CRM is a major cause of failure to some CRM projects when an organization restricts their understanding of CRM solely to a technological perspective (Kale, 2004) or view CRM from an incomplete perspective.

Despite all the different descriptions, definitions and viewpoints about CRM, most definitions constitute two things, i.e. customer relationships and information technology. Payne and Frow (2005) use a continuum to define CRM from three perspectives, ranging from narrowly and tactically defined to broadly and strategically define. See Appendix A for the detailed CRM continuum.

The first perspective takes a narrow and tactical outlook where CRM is accomplished through a defined technology initiative project. CRM is described as using data to drive marketing activities (Kutner & Cripps, 1997). CRM is also look upon as a marketing promotional activities linked to marketing database (Bickert, 1992; Winer, 2001).

The second perspective view CRM as implementing a combination of customer-focused technology solutions. CRM is defined as using ecommerce to drive relationships with customer (Stone & Woodcock, 2001) and web-based methods and internet technology to drive organization to become more customer-centric (Gosney & Boehm, 2000).

The third and last perspective takes a broader and strategic approach where CRM applies a holistic or wholesome approach to customer relationships management and to develop value for shareholder. CRM applies 1-to1 relationship marketing to respond to customer requirement supported by what the customer says they prefer and other known information related to the customer (Peppers, Rogers, & Dorf, 1999). It employs process

oriented view by combining all the functions of an organization (Parvitiyar & Sheth, 2001) and uses an organized process by managing customer relationship touching on all customer touch points to develop value for the customer and profitability for the organization (Reinartz et al., 2004). For this paper, Buttle (2009) describe “CRM is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit (p. 14).”

Framework for implementing and evaluating the effectiveness of CRM practices

Researchers did many studies on CRM and CRM is also implemented across various organizations like manufacturing (Sidney, 2003); financial services (On, Pires, & Stanton, 2008); medical services (Chahal, 2010); retailing (Anderson, Jolly, & Fairhurst, 2007) and hotels (Lo et al., 2010). Yet there is no agreement regarding a common framework for the implementation and appraisal on how effective is the CRM practices. There are four such frameworks discussed in this paper:

- Payne and Frow (2005) five generic inter-related process steps
- Iriana and Buttle (2006) strategic, operational or analytical CRM
- Buttle (2009) CRM value chain
- Sigala (2005) an integrated managerial approach

Five generic inter-related process steps.

Payne and Frow (2005) uses interaction research and a combination of literature review and field communication with executives to arrive at a strategic multi functional process oriented CRM framework consisting of five generic processes including strategy development process; value creation process; multichannel integration process; information management process, and performance assessment process. The process begins from developing business and customer strategy (strategy development) and concluded with performance monitoring through qualitative and quantitative measurement and key

performance indicator. Data are collected throughout these four processes. Refer to Appendix B for the CRM framework consisting of five generic interrelated processes.

Strategic, operational or analytical CRM.

Another perception on CRM framework is the formulation of an idea that supports a multi-dimensional view of strategic, operational and analytical CRM. A 13-item survey questions were developed to understand an organization's orientation towards a strategic, operational or analytical form of CRM (Iriana & Buttle, 2006). How does this framework relate to the Payne and Frow framework? Strategic CRM covers the strategic development and value creation process answering questions related to business visions, customer choice, value proposition and assessment. Operational CRM is related to multichannel integration process focusing on the communication channels between customer and organization. Analytical CRM encompassed the process of managing information focusing on collecting and using customer data. See Appendix C for the interrelationships.

CRM Value Chain.

Buttle (2009) CRM value chain uses Porter (1985) competitive value chain system as a guide. The Buttle's CRM value chain includes five primary stages and four supporting conditions to aid the organization create customer value and organization profitability. The primary stages are customer portfolio analysis, customer intimacy, network development, value proposition development and manage the relationship. The supporting conditions consist of culture and leadership, procurement processes, human resource management process, IT/ data management process and organizational design. See Appendix D for the Buttle's CRM value chain.

An integrated managerial approach.

Sigala (2005) noted CRM has exaggerate the role of Information and Communication Technologies (ICT) in the hospitality industry but it is now globally acknowledged for CRM

to be successful, organization will need to align the function of ICT with operational activities. Successful CRM implementation is possible through an integrated managerial approach of combining ICT, internal and external relationship and knowledge management (Sigala, 2005).

In ICT management, data warehouse and data mining helps to gather, store, retrieve, access, and disseminate customer data and information. This can be done by aligning all the various systems that handle various customer touch points so that information about customer is integrated and useful. See Appendix E for a graphical model of the framework.

The role and aim of external marketing is to provide individualized services at every customer touch points with the help of various communication strategies or any guest loyalty program. To support the role of external marketing, organization creates a motivated and customer centric culture among the employees. This can be achieved through implementing new job descriptions, training employees to be part-time marketers, changes to the organizational cultures and structures to support this new paradigm where guest interactions demanded substantial skills from employees.

Knowledge management is not simply information only but knowledge is produced when information are examined carefully and methodically to arrive at some useful and strategic actions. Knowledge management involved three fundamental steps running in parallel: knowledge acquisition, knowledge sharing and knowledge utilization (Sigala, 2005). For knowledge management to be successful in the hospitality industry, hotel must display a behavior that reflects customer interaction as a learning experience culture and also creates opportunity to accumulate new information regarding the guest (Olsen & Connolly, 2000).

CRM research in the hotel industry

There are not many CRM research done at the property level for the hotel industry. A research conducted on 45 hotel managers in 17 Hong Kong hotels found that all 17 hotels

have guided practices managing customer relationships with evaluation and control being the most critical and important activities in the CRM value chain (Lo et al., 2010). In this same study, it was found that different tariff (high, medium and low) properties will implement different programs to meet the customers' requirements and hotel profitability.

In another research conducted through mail, email and telephone on 84 Greek hotels reveal ICT is not the only solution to a hotel CRM practice, although it was found to be more important to larger than smaller hotels (Sigala, 2005). Organizational structures and cultures, staff motivation, staff development, online and offline social and communication skills are all vital to achieve CRM's success. In this study, CRM in smaller hotels are found to follow the owners or managers personal style or aptitude but at larger properties CRM adopted a more formalized processes.

Successful CRM systems will have clear economic returns and able to sustain a highly satisfied customer base. But a poorly managed CRM system will invite trouble for the hotel. From Bang (2005) study, a well constructed CRM process, and not Informational Technology (IT), contributes to the productive execution of CRM system in a hotel industry. Critical success factor for an efficient CRM system includes "CRM Fit, Market Orientation and Market Knowledge Competence (p. ii)" and managers should understand the impact of each process stages to plan appropriate strategies to ensure highest level of customer satisfaction and commitment (Bang, 2005).

For any organization or hotel who wanted to survive long term and stay competitive within the industry, they must develop a bonding with some identified customer segments (Gronroos, 1994). Hotel or service industries are moving away from 'transactional exchange' into 'relational exchange' to achieve relationship that satisfies the customers. Jain and Jain (2006) sample 120 executives using 33 items developed by the researchers to evaluate CRM effectiveness in a hotel. These executives have experience staying in hotels. The business

objectives of hotels are to provide comfortable, pleasurable and safe staying experience to their guests and every guest has its value to the hotel. Every part of a hotel including hotel's facilities, infrastructure, technology gadget, operational processes and human touch points are all critical criteria to ensure an unforgettable stay experience for the guests. Hotels of all sizes put in every effort to accomplish this initiative and also to build long and lasting loyal relationship with the guest. This study reveals nine factors governing the effectiveness of the CRM programs in the hotel industry, including value proposition, recognition, customer orientation, reliability, relationship orientation, credibility, customization, personalization and gestures (Jain & Jain, 2006).

Another research conducted on 17 hotels in UK who are promoting the use of their hotel's website shows that on the Internet, hotels' objectives are to provide information to customer and not to collect or gather information about the customer (Luck & Lancaster, 2003). Through this research questionnaire, hotel organizations were found to be knowledgeable of the elements regarding E-CRM but hotels are not putting into practice the knowledge they acquire when they really implement E-CRM in their organization.

Geddie and DeFranco (2005) in their studies of 77 articles on topics related to Guanxi and relationship marketing found it is indeed useful to understand Guanxi while formulating a CRM program for the hospitality industry. Bonding, empathy, reciprocity and trust must be included in the CRM programs for customers to experience the excellent value added and positive passion from the service provider. Through this, customer will spread the positive experience of the service provided and increase their possibility of being a return guest. The authors acknowledge relationship marketing is beyond technology advances and massive customer database, rather it is a way to allow customer feel they are valued and being provided with personalized services. Guanxi refers to the idea of forming connection in return of securing personal favors (Luo, 2000). It is described as more than interpersonal

relationship since it requires interchangeable obligations for continual exchange of personal favors. The job as an hotelier hence is to find out what are customer's preferences to be able to form that emotional bond with the customer. Employees are trained to detect these preferences by talking to the customers while they are checking in; having breakfast at the breakfast lounge and at various customers touch points. Employees are encouraged to note these preferences in the database for further use to 'wow' the guest in their return stay at the hotel.

There are many articles on CRM in the hotel industry but most of them relate to the implementation of information communication technology rather than how the hotel takes a holistic view about CRM practices and implementation towards a CRM goal of managing customer relationships and creating value for shareholder (Ostrowski, 2005; Serlen, 2006; Adams, 2001; Holtmann, 2006).

CRM goals

CRM is not short of attention from all the various industry (hotel, manufacturing, financial services, medical services and retailing) and often time take center stage as a critical strategy development for the organization. Successful CRM systems will have clear economic returns and able to sustain a highly satisfied customer base. While a poorly managed CRM system will invite trouble for the organization. As such, it is valuable to develop CRM goals to guide the strategic initiatives. One basic CRM goals is to develop and maintain excellent relationships with identified customers (Bang, 2005).

The idea behind CRM can be as simple as what Finch (2002) described as "it costs less to keep a guest coming back than to attract a new one (p. 229)." Many large hotel chains are collecting huge number of customer information, allowing them to understand who their customers are, what their likes are, what their spending habits are and how much they spend at each encounter. With today's technology, information sharing is made easy to 'sister'

hotels to capture all the history of customers in one shared database. Hence Finch (2002) advocates the final goal of CRM is really to build customer loyalty to encourage returning business from customer.

From a research conducted on 45 hotel managers in 17 Hong Kong hotels, all except one indicate fostering 'repeat customers' as the CRM goal (Lo et al., 2010). Other goals include bonding with customers; focusing on the right targeted customer; identify areas for improving customer services; creating a feeling of coming back to a home and increase customer satisfaction. Improving organization profitability, developing new customers, influencing existing customer to remain are all effective goals of implementing CRM practices (Christopher et al., 1991; Heskett, et al., 1990; Reichheld, 1996).

Implementing CRM best practice using CRM value chain

Modified version of Buttle's CRM value chain.

For this study, a modified version of the Buttle's CRM value chain as discussed in Lo et al. (2010) is used. Buttle's model was chosen because other models took on a more strategic CRM focus or focus their attention on the role of ICT. Buttle's framework as shown in Appendix D provides a detailed value chain to understand the CRM practices at different operational level and activities. It also show how by getting all these activities together, a successful CRM practices is achievable. The best part of this framework is Buttle provides four supporting conditions to guide the CRM implementation at the property level.

The CRM goal is changed from Buttle's original customer profitability to customer value and retention. Creating value for the customer through the compensations receive in return for the price paid and sacrifices (Zeithaml, 1988), is an important byproduct of the 5 primary and 4 supporting conditions (Lo et al., 2010). Network development, consisting of developing a relationship between suppliers, employees, owners and investors, is considered not appropriate for creating value for the customers or meeting CRM objectives especially in

the hotel industry (Lo et al., 2010) and was removed from the modified framework. Along this line, Sigala (2005) did mention the importance of internal marketing (employees) to ensure successful CRM implementation. The employee relationship management portion will be mention in the supporting condition “people”. One last change is the additions of the evaluation and control stage in the modified framework. Evaluation and control is consider an important stage where actual performance is tracked against plan and feedback are channel to management to analyze result and provide appropriate corrective actions where necessary (Wheelen & Hunger, 2000). See Appendix F for the modified CRM framework.

Five primary stages.

Customer portfolio analysis.

Hotels are beginning to understand customers have different relationship value and hence it is not viable for them to meet or exceed each customer’s requirement and expectations even though they would like to give ‘unforgettable’ experiences and services to all customers (Zeithaml, Rust, & Lemon, 2001). Each customer have different contribution potential to the hotel, some have greater potential while others lesser. Customer portfolio analysis asked the question: “who are the hotel’s strategic customers?” Without the appropriate customer data, hotel cannot segment the customers to understand the projected contribution from individual segment. All hotels, in one way or another, collect customer data at the reservation counter during customer enquiries, at front desk when guest check in and out, and even during the stay when they request for services or eat in any of the hotels’ F&B outlets. Three types of customer information were collected including customer profile information, unconstrained information which the guest gives voluntarily and transactional information input by the employee whenever the guest make a transaction (Minghetti, 2003). The amount of details collected will be dependent on the invested system. In the 17 Hong Kong hotels studied by Lo et al. (2010), all hotels keyed in customer profile and transaction

information in the property maintenance system (PMS) and restaurant management systems (RMS). Customer must be segmented into their 'profitability' level for management to target the appropriate types of services or offerings to maximize profit for the hotels (Buttle, 2009).

Customer intimacy.

Most hotels have customer data and use such data in one way or another like geo-demographic, complaint, service recovery and preference data to service the guests when they stay in-house at the hotel or when they make reservations with the hotel. Therefore it is critical hotel must be efficient in acquiring, storing and distribute these data for different department or sister's hotel to use. Research has shown that communication with customer is an important element to improve customer intimacy (Lo et al., 2010). Customer intimacy refers to an idea where having the intimate information on individual customers helps to promote customer loyalty and develop a personalized experience that satisfy the individual customer's needs (Zeithaml, Bitner, & Gremler, 2009, p. 197). The challenge for most hotel at customer intimacy stage is to use the data to analyze all the question mark about customer service (who, what, how, and when to serve) so as to delight the customer (Buttle, 2009). If a hotel can perform data mining intelligently, the hotel will be in a better competitive landscape than the rest. This will also allows a more detailed customer portfolio analysis to be carried out by the hotel (Buttle, 2009). "Data mining is the process of extracting patterns from data. Data mining is becoming an increasingly important tool to transform this data into information. It is commonly used in a wide range of profiling practices, such as marketing, surveillance, fraud detection and scientific discovery" ("Data Mining," 2010, para.1)

Value proposition development.

At this stage, hotel will understand which customers to serve and starts to build customer experience that meets or exceeds customer expectations, using a value star showing all the sources of customer value to identify the correct competitive advantage for the hotel

(Buttle, 2009). Hotel is a long term business investment; hence hotels that can influence, satisfy and retain customers will survive better than those who cannot. In their research where they hand out questionnaires to travelers leaving the Hong Kong International Airport, Choi & Chu (2001) found that customer satisfaction and repeat purchase is highly correlated with employee's service quality level, quality of rooms and customer value being the most important factor to succeed.

In this respect, customized services and communications, guarantees of services and service recovery program are all important and critical value added CRM practices (Lo et al., 2010). Customization of services and communication requires hotel to provide certain level of adaptations and tailoring to meet individual customer's requirements (Shostack, 1977).

Service guarantees are often used to complement service recovery, serving as an efficient tool to complement the service recovery strategies (Zeithaml et. al., 2009, p. 235). Hotel need to ask the following questions before making service guarantee (Zeithaml et al., 2009, p. 239): what is the expected quality standard? Is the guarantee's cost sustainable by the hotel? Is customer's risk high? What is competitor doing, also offering a guarantee? Is this guarantee not in line with the hotel's culture?

Customer complaints are found to create opportunity for information gathering which are useful for modifying product to suit the customer, improving services to delight the customer and to design measures to prevent similar occurrences (McAlister & Erffmeyer, 2003). Most hotels agree service recovery is a critical task in the CRM value chain, have formal procedure to handle service recovery and require their employees to response to customer log-in complaints within 24 hours (Lo et al., 2010). Many hotels also agree that giving employees the opportunity to handle customer complaints is a way of empowering and motivate them.

In Lo et al. (2010) research, it shows different tariff hotels use different ways to distinguish themselves. Hotel with medium tariff distinguished themselves as offering a good deal to customer compared to the dollar paid; high tariff hotel concentrate on the quality of their services and still others offered highly personalized and superior services to the guests. Some hotels create opportunities for their employees to interact with the guests at various touch points like at the lobby area or at the main entrance area. Others have their sales manager taking turns to greet customers at the hotel lobby, ensuring the sales manager will have deeper relationships with the customer. As competition build up on meeting revenue and marketing return on investment (MROI), hotel sales person will be required to manage their time correctly to prioritize their responsibilities ranging from looking for prospective sales to CRM activities within the hotel (Beck & Knutson, 2006).

Managing customer lifecycle.

There are various ways to explain customer lifecycle but generally they all attempt to do the same thing, i.e. they try to describe the growth of relationship with a customer over time. There are three major activities in managing the customer lifecycle: acquiring new customers; retaining existing customers and developing customer value. Buttle (2009) suggested organization adopt a trio marketing plan (customer acquisition, retention and development plan) to manage the customer relationship. With available data mining technology, information is available to assist in acquiring new customer and for cross-selling to promote new products and services.

In designing a customer acquisition plan, these are the questions to be answered: which prospective new customers to target; how to approach these potential new customers; and what offer to be made to these new customers (Buttle, 2009). Some important questions to be considered when putting the customer retention plan together are: which customers are to be retained; what strategies are used to retain these customers; and how to measure the

success of the customer retention performance (Buttle, 2009). Lastly customer development plan is the process of multiplying the value of retained customers. Companies can opt to cross-sell (selling extra supplementary products or services to existing customer) or up-sell (selling greater value or higher profit products or services to existing customers) (Buttle, 2009).

Strategies which organization use can be either negative or positive retention method (Buttle, 2009). In negative retention, customers are imposed with a switching cost if they chose to deviate. For positive retention, loyalty programs and customer clubs can be used. Frequent customer programs are general marketing strategies use to acquire and retain customers. Most of the hotels researched have some kind of programs to acknowledge and compensate their frequent guests (Lo et al., 2010). Developing customer loyalty rather than only encourage repeat patronage must be the goals for some of these loyalty program (Hallberg, 2004). Some of these program although meet the objectives of improving customer loyalty to hotel but they are rather costly to implement (McClearly & Weaver, 1991).

Evaluation and control.

Lo et al. (2010) study found evaluation and control is perceived as a critical activity in this CRM value chain. Tracking the performance of the different department in a hotel and monitoring customer evaluation of their services experiences are two important steps in evaluation and control. Most of the hotels have customer survey form distributed to the guests upon their check out or after a meal at the restaurant. Some hotels gave incentives to encourage participation from customers and they used these survey forms to continuously improve their services to the customers.

Four secondary supporting activities.

Leadership and culture.

The role of leadership in this CRM value chain includes allocate resources and financials to the program; prioritize and push for the CRM programs within the organization; supervise the whole project and remove any hindrances from cross functional department (Buttle, 2009).

Sometime the background of management provides a guide on to what CRM programs and practices to implement in the hotel. Market-orientation, which is the organizational cultures and behavior that create an atmosphere to drive the necessary attitude to develop high value for customers and efficient organizational performance, varies across different hotels (Narver & Slater, 1990).

Some hotels adopt a customer focus culture where employees have strong ownership responsibility to satisfy the customer. Customer orientation happens when customers can feel the hotel is sincerely caring about them and takes extra pride in reflecting their actions into practices. Highly delightful customers will remain loyal, increase return possibility and share their good experiences with others. The goal of all hotels services is to increase the customer's opinion of the service provided (Jain & Jain, 2006).

Managers play an active role giving guidance to employees on how to make customer happy although some employees are empowered to do so. There are many definition of empowerment. Conger & Kanungo (1988) define empowerment as: "a process of enhancing feelings of self-efficacy among organizational members through the identification of conditions that foster powerlessness and through their removal by both formal organizational practices and informal techniques of providing efficacy information (p. 471)." Others describe empowerment as the reallocation of power regarding decision-making from a senior group to another junior group (Baldacchino, 1995). Appropriate training must be given to employees before managers empowered them. Customer compliant handling must be timely

and the process of service recovery is important in influencing the perception of the experience and satisfaction (Spreng, Harrell, & Mackoy, 1995).

People.

People are involved in developing CRM strategy, choosing and implementing the IT strategy, hence people must be able to work cross functionally to ensure CRM meets its goals of customer satisfaction and retention by creating and maintain customer database to design appropriate marketing programs for the appropriate segments of customers (Buttle, 2009).

Employees have an important and critical role in delivering the CRM practices. Even managers from technologically strong hotel would agree highly motivated and passionate employees are required to deliver the CRM practices. Resources to recruit, train and retain employees are essentials for the success of CRM practices. Sigala (2005) did mention the importance of internal marketing (employees) to ensure successful CRM implementation.

Information technology (IT).

Business operations need data in the daily operations like processing of orders, handling of enquiries and even customer analysis (customer portfolio analysis). For Buttle's five primary stages to work, data must be available to support each and every stage and hence need to be highly accurate and precise (Buttle, 2009). IT consists of the applications from front and back office that linked to allow proficient analysis of data (Greenberg, 2004). Having the right technological tool will certainly assist the hotel manager in managing the CRM program more effectively (Lo et al., 2010).

Processes.

Process is how operations are completed within an organization which leads to the importance of developing processes and implementing it across all functions so as to create value for the customer and meet the CRM goals and objectives. Processes includes the front office where customer communications happens and back of the house where all department

work together to deliver excellent services to the different guests. Hotels should be proactive in finding out the preference of the customers prior to providing the actual services.

Conclusion to Literature Review

Despite all the interest from academicians and practitioners, there is still no consensus on what CRM is. CRM means different thing to different people. To some, it is about creating marketing activities using knowledge about customer from a data warehouse. For others CRM is technologically oriented. Despite all the different descriptions, definitions and viewpoints about CRM, most definitions constitute two things, i.e. customer relationships and information technology. Using the Payne and Frow (2005) CRM continuum, CRM is define from three perspectives, ranging from narrowly and tactically defined (CRM is all about putting in practice technological solution) to broadly and strategically define (CRM is about applying a holistic approach to customer relationship management to create value for the customer).

Researchers did many studies on CRM and CRM is also implemented across various organizations like manufacturing, financial services, medical services, retailing and hotels. But there is no consensus regarding a common framework for the implementation and appraisal on how effective is the CRM practices. For the purpose of this study, the author adopts a modified version of Buttle's CRM value chain model.

Modified version of Buttle's value chain was chosen because other models took on a more strategic CRM focus or focus their attention on the role of ICT. This framework as shown in Appendix F provides a detailed value chain to understand the CRM practices at different operational level and activities. It also show how by getting all these activities together, a successful CRM practices is achievable. The best part of this framework is there are four supporting conditions to guide the CRM implementation at the property level

Focusing on CRM goals to produce customer value and retention, Buttle's five primary activities and four supporting conditions is most capable to create the best CRM practice within the hotel industry in Singapore. This is holistic approach as every customer touch points are reviewed in details. IT alone is insufficient to create a customer experience that leads to customer value and retention.

PART THREE

Introduction

Part Three consist of the result from the personal communications with executives from three prestigious properties in Singapore. A proposed best CRM practice is developed for the Singapore hotel industry followed by recommendations and conclusion for the study.

Methodology

The methodology used consists of personal communications with 3 industry CRM practitioner in the Singapore hotel and service residence industry based mostly on their experiences and personal judgments. These 3 executives would like to remain anonymous. Using the modified version of Buttle's CRM value chain, the author's communications with the 3 individuals focus on CRM questions related to the 5 primary stages and 4 supporting conditions. The findings from these 3 individuals and the academic journals and articles on topics related to CRM are used to form a proposed best CRM practice for the Singapore hotel industry.

Result

The characteristic of the property from the three individuals is shown in Appendix G, ranging from an independent to chain hotel to a service residence. Three individuals from three different departments (operations, housekeeping and marketing) gave their views about CRM in their property. All 3 individuals indicate the most important goals for their property CRM practices are related to increasing service performance, creating customer value and increasing repeat customers. Other minor goals include helping property to focus on the right targeted customer; identify areas for improving customer services; creating a feeling of coming back to a home and increase customer satisfaction. The result of the personal communication with the 3 individuals on their property's CRM practices is recorded in Appendix H and I.

Develop a best CRM practice used at hotel property level

From the literature review of the 4 framework for implementing and evaluating the effectiveness of CRM practices, the modified version of Buttle's CRM value chain is most suitable and appropriate to design a CRM practices at the property level. The simple and easy to understand value chain systematically map out the stages and conditions to consider when designing a CRM practice for the hotel industry. Start by identifying the CRM goal, follow by putting the primary stages (customer portfolio analysis; customer intimacy; value proposition development; managing customer lifecycle and evaluation and control) into practice. Without the supporting conditions from leadership and culture, people, information technology and process, the CRM practices will not be successful. Appendix J shows the CRM practices in a pictorial format. Beside all the best practice captured from the personal communications with 3 industry CRM practitioner in the Singapore hotel and service residence industry, Appendix K are additional recommended customer centric practices, strategies and programs, tools and techniques to build a strong co-operative and partnering relationship with customers.

CRM goal.

A successful CRM requires CRM vision and goal to build strategy and hence put in place the respective infrastructure to guide and lead the organization towards customer value and retention. Suggest hotels have goals like improving customer value, increasing customer loyalty and improving organization profitability. CRM goal is a critical success factor for CRM implementations.

Customer portfolio analysis.

Hotel can start by collecting detail information about the customer at different strategic customer touch points to ensure a meaningful customer portfolio analysis. Data collected include guest profile, data provided voluntarily by guest and transactional data. See

Appendix L for types of information collected. Data collected but not fully utilized to analyze the customer profitability defeat the purpose of painstakingly scouting for this information. To help hotel crunch the huge amount of customer data, hotel can use the 80/20 rule where 20% of customer produces 80% of sales or profit. Plot these 20% customer into a graphical representation characterized by their profit contribution. See Appendix M on characterization of customer profitability and customer analysis. After understanding the profitability of the customer, it is only appropriate to segment the customer into 4 basic groups like sack, invest, re-engineer and nurture. Appropriate strategies can be designed for the different customer segments. Another point to note is to provide a 'single view customer database' for employees to facilitate customer portfolio analysis.

Customer intimacy.

Most of the hotels do well in communicating with customers. The challenge is to further perform a more detailed customer portfolio analysis to understand what to serve, how to serve and when to serve the customer. Investing time and resources in data mining intelligently will be a good competitive footage for the hotel. See Appendix N on how this can be done.

Value proposition development.

At this stage hotel is ready to build customer experience that will meet or exceed customer expectations. Use a value star to identify sources of customer value to identify the correct competitive advantage for the hotel. See Appendix O for an example of a value star for hotel industry.

Customized services and communications, guarantees of services and service recovery program are all important and critical value added CRM practices. Service recovery as a critical value added CRM practices is a combinations of various strategies working together to deliver recoveries that will delight disappointed customers. Hotel while designing

their service recovery strategies should include the following (Zeithaml et al., 2009, p. 227): consider an error free service; promote complaints tracking; don't wait act promptly; give customer sufficient explanations for the service failure; show no bias to customer; nurture customer relationships; take note of all lessons learn from service failure/ recovery and lost customers. See Appendix P below for the service recovery strategies.

Manage customer lifecycle.

Organization relationship with customer evolves overtime, from strangers to acquaintances to friends to partners. At each stage, different marketing goals, strategies and services are used to satisfy the customer. Hence it is critical for organization to understand the different issues applicable to each different level of customer relationships and hence able to manage the customer lifecycle efficiently (Johnson & Selnes, 2004). See Appendix Q for the evolution of customer relationships and the respective marketing goals and product offered.

It is a good practice to have customer acquisition, retention plan and development plan. Be cautions not to focus only on returning guest. In this way first time guest may not be enjoying the 'wow' factor to turn them into a loyal and returning customers.

Evaluation and control.

It is a good practice to evaluate not only guest satisfaction but also to evaluate the performance of employees who are providing the services. Results of surveys are used to further improve the quality of the services and products. It is recommended to enlist a third party to perform guest evaluation after the guest has checked out. Last but not least design a CRM dashboard. Make it simple and eye catching to provide a bird's eye view of where the organization stands in terms of meeting the CRM goal.

Identify how CRM practices can be effectively administered

Leadership and culture, people, information technology and process are critical supporting block to ensure the CRM practices can be effectively administered within an organization. Appendix I captures the good practices from the personal communications with 3 industry CRM practitioner in the Singapore hotel and service apartment industry. See Appendix R on a summary of how CRM practices can be effectively administered.

Identify the gaps existed in one service residence in Singapore

From the personal communication and a comparison against one service residence where the author has experience working in, there seem to be a huge CRM practice gap between Singapore hotel and service residence. There are plenty on CRM practices where service residence can learn and implement to the property. A summarized view of the gap analysis is shown in Appendix S.

Conclusion

As mention in Part one, this paper has three objectives. The objectives are develop a best CRM practice used at hotel property level; identify how CRM practices can be effectively administered and identify the gaps existed in one service residence in Singapore.

CRM is not all about technology alone. Technology is an enabler and not an end to CRM. This study highlights 4 different frameworks for implementing and evaluating the effectiveness of CRM practices in a hotel environment. Buttle's modified value chain framework is best suited for this study because the value chain framework makes it easy to single out all the necessary process that must be implemented to ensure an effective CRM practices for the hotel industry.

Buttle's five primary stages (customer analysis portfolio, customer intimacy, value proposition development, managing customer lifecycle and evaluation and control) and four supporting conditions (leadership and culture, people, information technology and process)

are necessary components for customer value creation and ensuring profitability for the organization. Hence, this model is strongly recommended to the hotel industry when they are reviewing their CRM practices.

Recommendation

It is recommended that this framework be put to a real test in the Singapore hotel and service residence context. More study and survey need to be conducted in the hotels and service residence environment to verify the modified Buttle's CRM value chain in the Singapore context. Study should be done across one to two years to see the real result of the hotel's CRM practices. Lastly, it is highly recommended the management from service residence should learn from the hotel management on best CRM practices.

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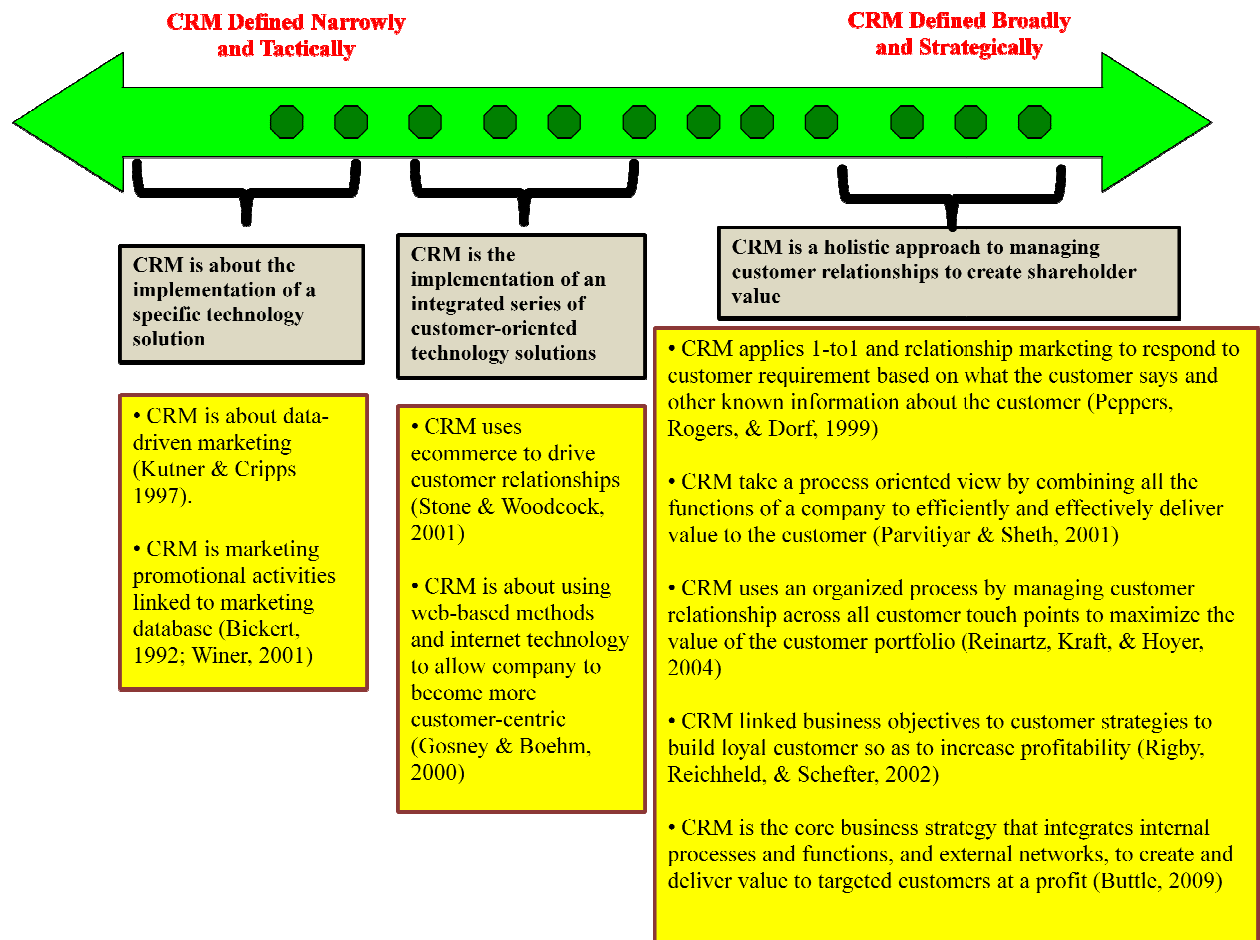
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Appendix A

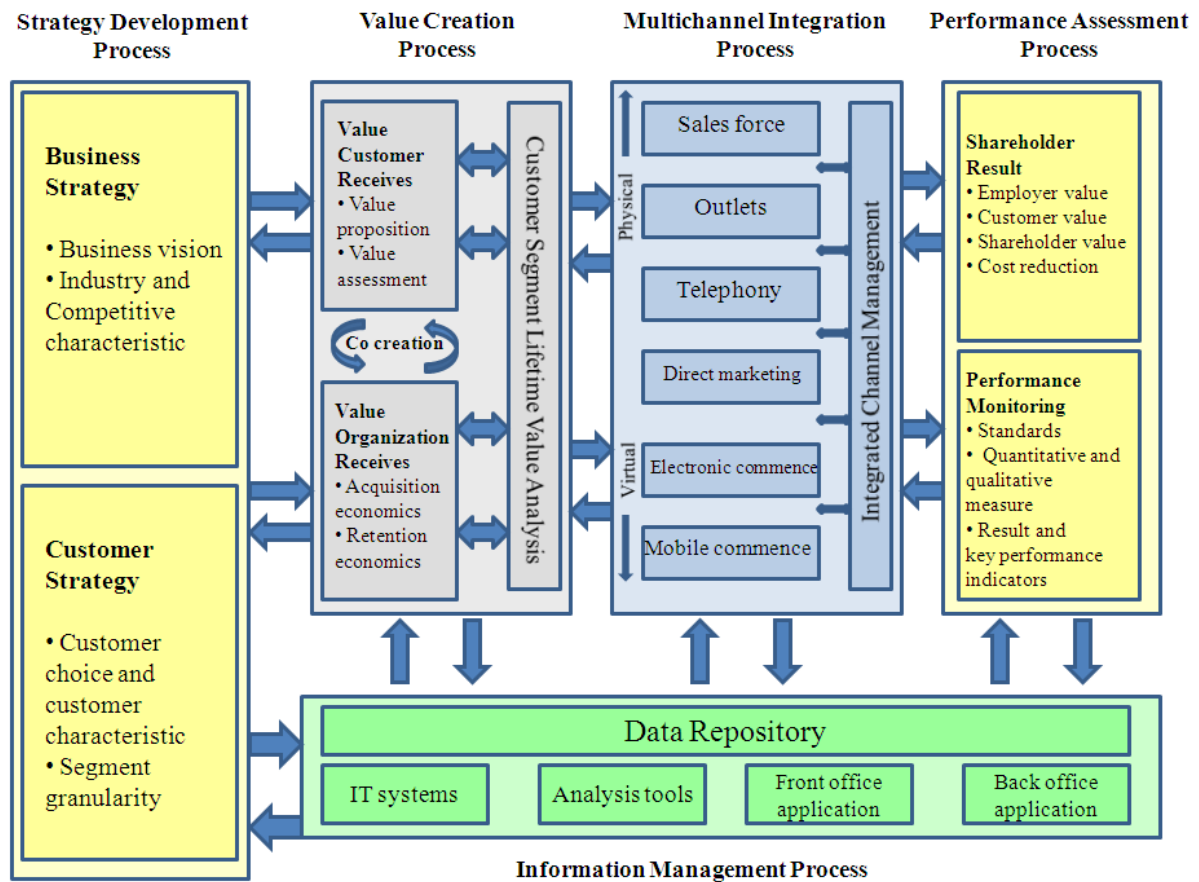
The CRM Continuum



Source: Payne, A., & Frow, P., (2005). A strategic framework for customer relationship management. *Journal of Marketing*, 69(4), 168

Appendix B

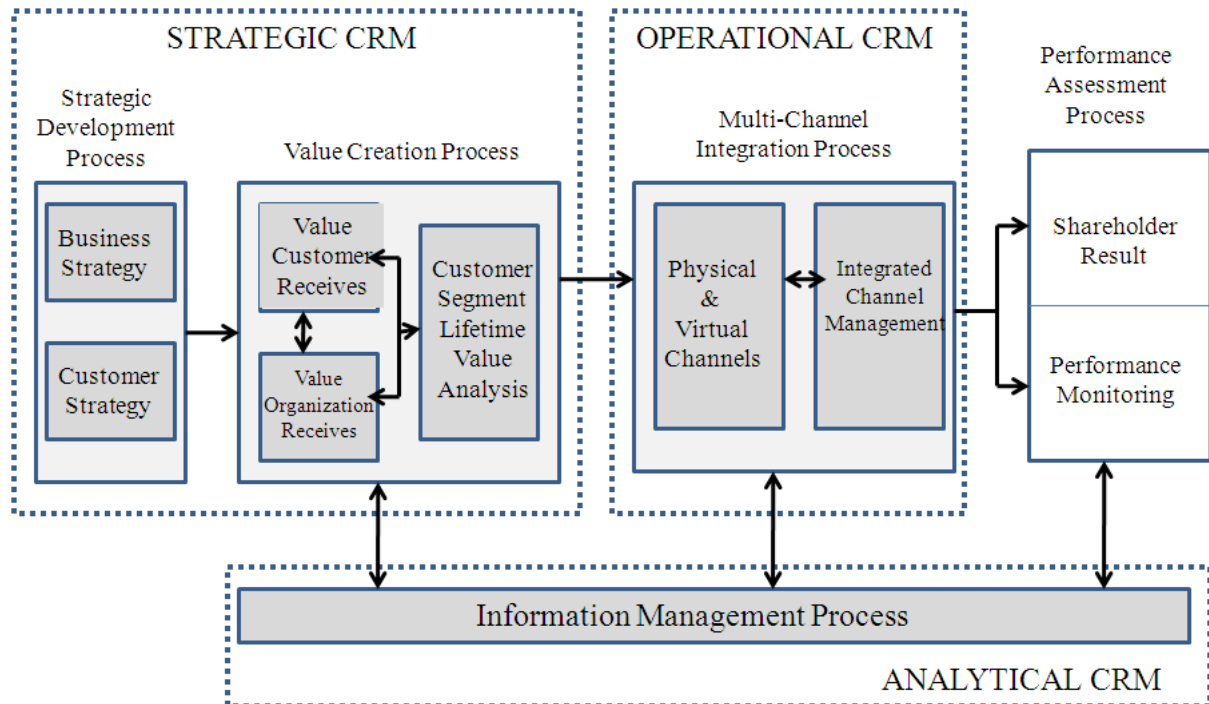
Five generic inter-related process steps



Source: Payne, A., & Frow, P., (2005). A strategic framework for customer relationship management. *Journal of Marketing*, 69(4), 171

Appendix C

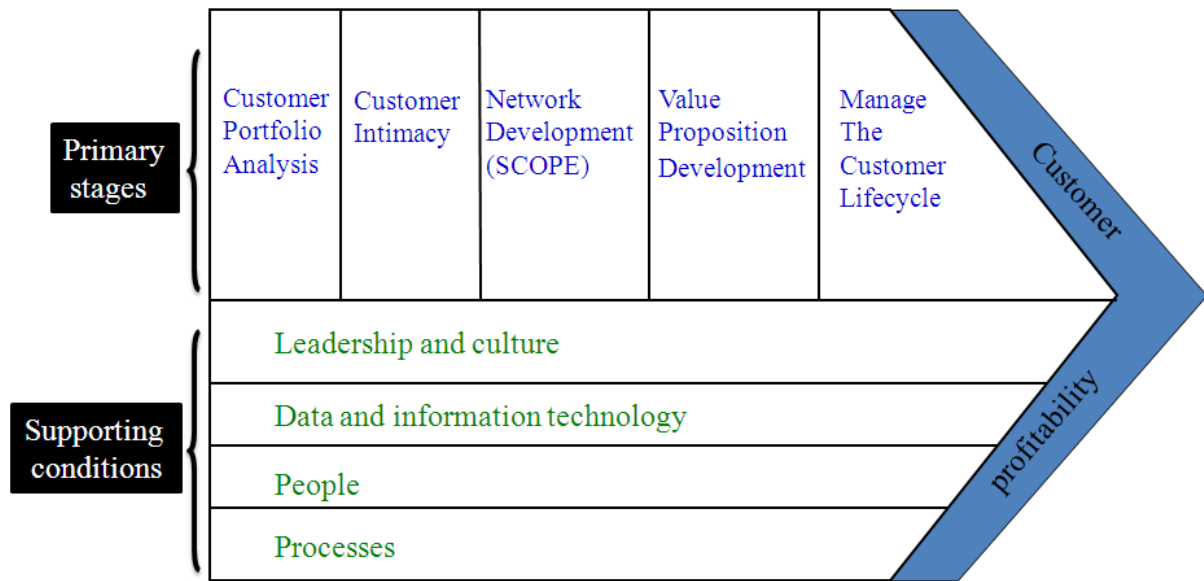
Strategic, operational or analytical CRM



Iriana, R., & Buttle, F., (2006), Strategic, operational and analytical customer relationship management: attributes and measures. *Journal of Relationship Marketing*, 5(4), 25

Appendix D

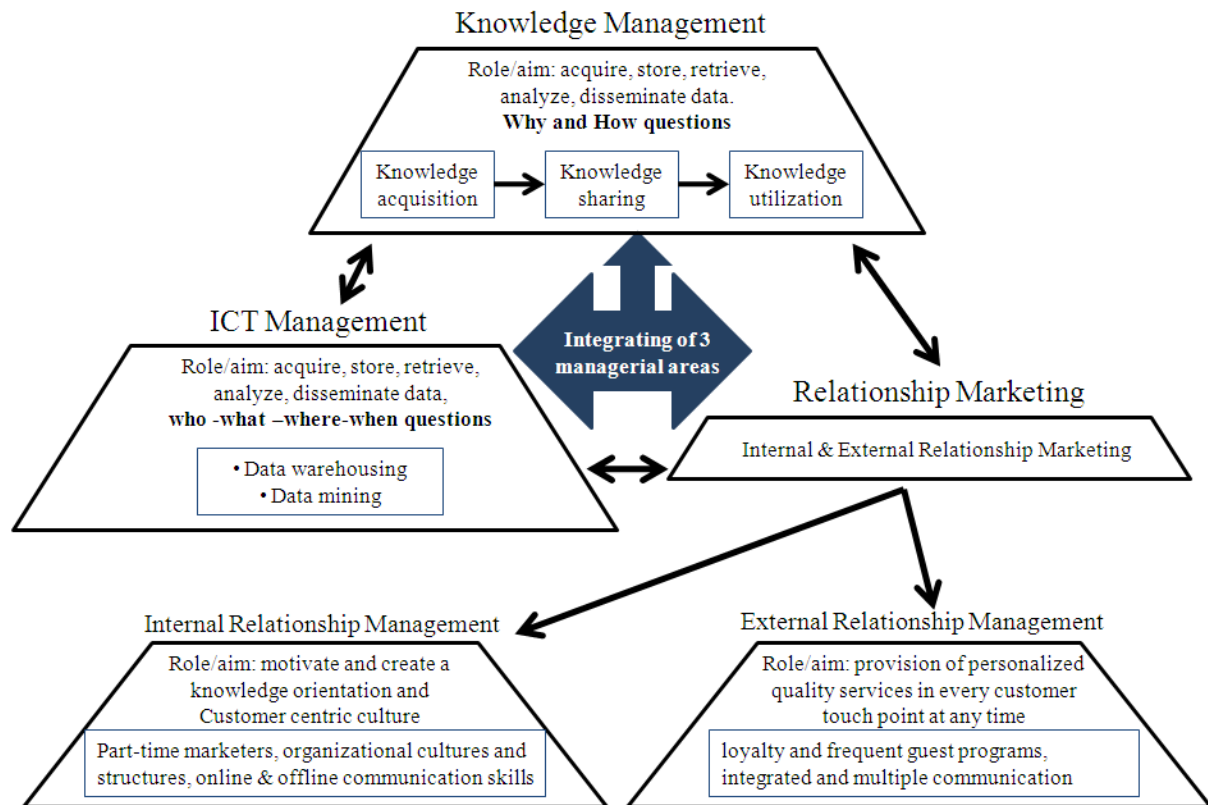
Buttle's CRM Value Chain



Buttle, F., (2009). *Customer relationship management: Concepts and technologies*, (pp. 20).
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Appendix E

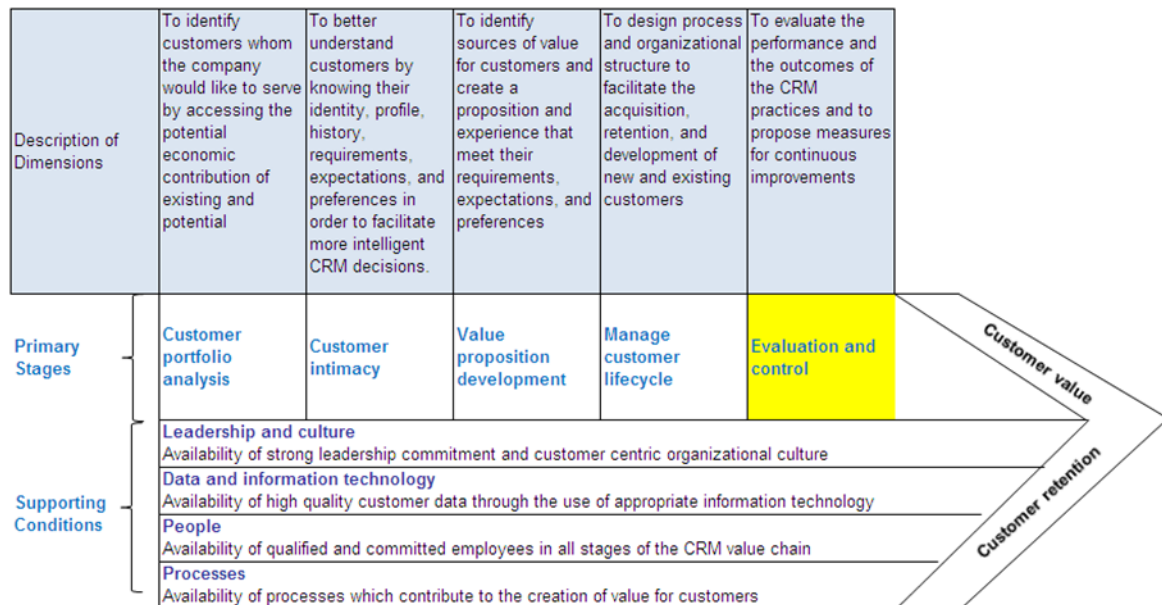
Integrated managerial approach



Sigala, M. (2005). Integrating customer relationship management in hotel operations: managerial and operational implications. *International Journal of Hospitality Management*, 24(3), 399

Appendix F

Modified CRM Value Chain



Lo, A. S., Stalcup, L. D., & Lee, A., (2010). Customer relationship management for hotels in Hong Kong. *International Journal of Contemporary Hospitality Management*, 22(2), 142.

Appendix G

Characteristic of the property from the personal communication

Characteristic	Property A	Property B	Property C
Person communicated	Operations Director	Housekeeping Director	Marketing Director
Type of property	5 star hotel, Independent hotel	Luxury service residence	5 star hotel, Chain hotel
No. of properties in Singapore	1	2	1
No. of guest rooms	511	412	749
No. of F&B outlets	2	0	6
No. of employees	700	200	1000
No. of employees per room	1.37	0.49	1.34

Appendix H

Result of personal communication (5 primary stages)

Customer portfolio analysis
All 3 properties scouted information about their customers at different touch-points: at reservation; during check in; when check out and during stay
All 3 properties collect the following information about customers: guest profile data; information voluntarily provided by the guest and guest transactional information (input by staff into the system)
None of the properties use the information collected to segment their customer by profitability. All 3 properties segment by purpose of stay
None of the properties provide a 'single view customer database' for their employees

Customer intimacy
All 3 properties agree understanding the need of customer is the route to a successful CRM decisions
All 3 properties uses data collected about customer (e.g., preferences, special requests, complains) to service the guests while they are in house
All 3 properties use a computer based systems to help store customer's information. One as simple as an excel spreadsheet
All 3 properties encouraged their employees to continuously collect customer's information and input them religiously and diligently into the system
All 3 properties make it a point to ensure customer's information are made available only to employees who are involved in operations, sales, service and marketing to protect customer' privacy
All 3 properties agree communication with customers (e.g., through e-marketing) is an important component of enhancing customer intimacy
All 3 properties agree that insufficient staff to interact with customers and perform data crunching is a main hindrance to customer intimacy

Value proposition development
<p>2 properties in the 5-star hotel category differentiate themselves by providing excellent products and customized or personalized services.</p> <p>One property concentrate more on quality of products (e.g. rooms and location)</p> <p>One property even has a separate reservation line to handle restaurant reservations</p> <p>None of these properties provide a service guarantee statement in their hotel's websites</p> <p>All 3 properties have well-designed procedures to handle complaints</p> <p>Only 2 properties empowered their ground employees to take ownership to handle complaints</p> <p>All 3 properties agree service recovery is important</p>

Manage customer lifecycle
<p>All 3 properties have some form of loyalty program or guest recognition program to recognize and award repeat customer to come again and again</p> <p>One property has loyalty program to recognize not only travelers but bookers</p> <p>One property even have their guest relations staff to act as internal sales managers focusing on building relationships, identifying guests' needs, and servicing of in-house guests</p> <p>All 3 properties appeared to concentrate primarily on returning guests. First time guest may not be enjoying the 'wow' factor to turn them into a loyal customer</p>

Evaluation and control
<p>All 3 properties tracked the performance of their employees and customers' evaluations of the experience at the property</p> <p>All 3 properties provide guest comment card in the rooms</p> <p>One property randomly survey in house guest at different location of property</p> <p>One property uses a third party to perform guest evaluations after the guest has checked out</p> <p>All 3 properties used this information to monitor their performances and improve their services</p> <p>2 properties were required to share this information with their sister properties</p>

Appendix I

Result of personal communication (4 supporting conditions)

Leadership and culture
All 3 properties have strong customer and relationship oriented cultures
All 3 properties have their customer and relationship oriented cultures communicated to all employees at orientation programs and on other training occasions
All 3 properties have identified certain managers or departments to be responsible in executing and managing the CRM process. It is a joint effort from all department and not a silo department only
2 properties empowered their employee to handle customer's issues with management providing the guidance

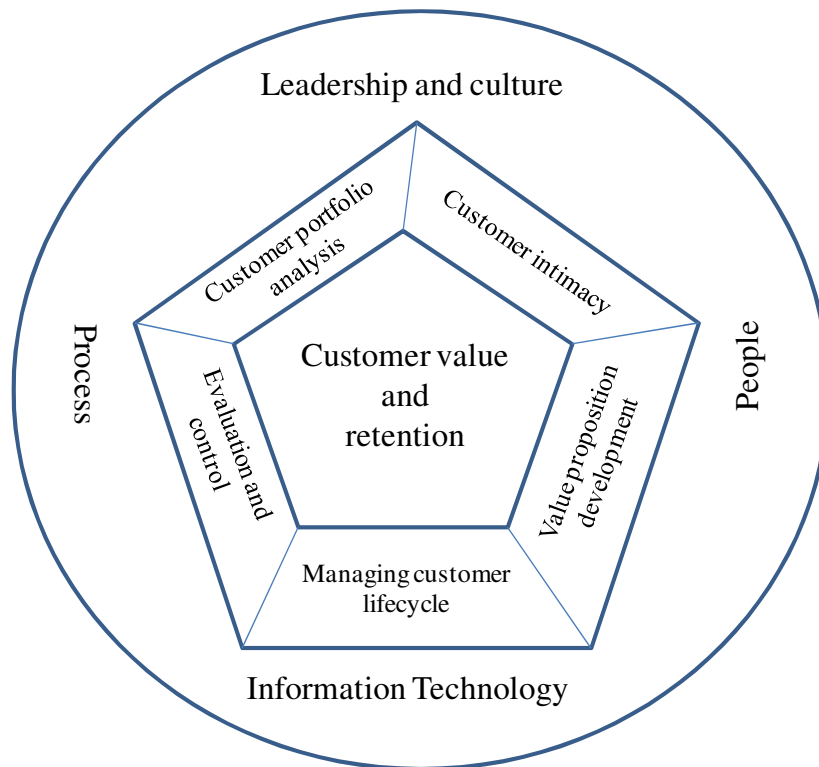
People
All 3 properties emphasized that their CRM practices were sustainable only with capable and passionate employees
All 3 properties believe in investing resources for recruiting new employees, for training employees and for retaining them.
All 3 properties have minimal employee turnover contributing to the success of CRM

Information Technology
2 properties committed more resources to adopting technology as part of the CRM process
None of the properties provide a 'single view customer database for their employees
All 3 properties agree the information system is a tool to assist the employee in their role and not meant to be a substitute

Process
All 3 properties took a proactive stand in serving the customers by getting the customer preference information prior to their arrival
All 3 properties did not provides a 'single view customer database' to ease the analysis purpose
Only 2 properties are proactive in sharing customer database with sister properties

Appendix J

Recommended best CRM practice for hotel in Singapore



Appendix K

Customer centric practices

Primary stages	Key points
Customer portfolio analysis	<ul style="list-style-type: none">- Ask the question “Who are the strategic customers?”- To answer this, customer data are required (guest profile, spontaneous data and transactional data)- Customer portfolio are analyzed and segment by profitability- Provide ‘single view customer database’- Sack unprofitable customers
Customer intimacy	<ul style="list-style-type: none">- Communication with customer- Data mining
Value proposition development	<ul style="list-style-type: none">- Customized services and communication- Guarantee of services- Service recovery program
Managing customer lifecycle	<ul style="list-style-type: none">- Customer acquisition plan- Customer retention plan- Customer development plan
Evaluation and control	<ul style="list-style-type: none">-Evaluate employees- Use result of surveys intelligently

Appendix L

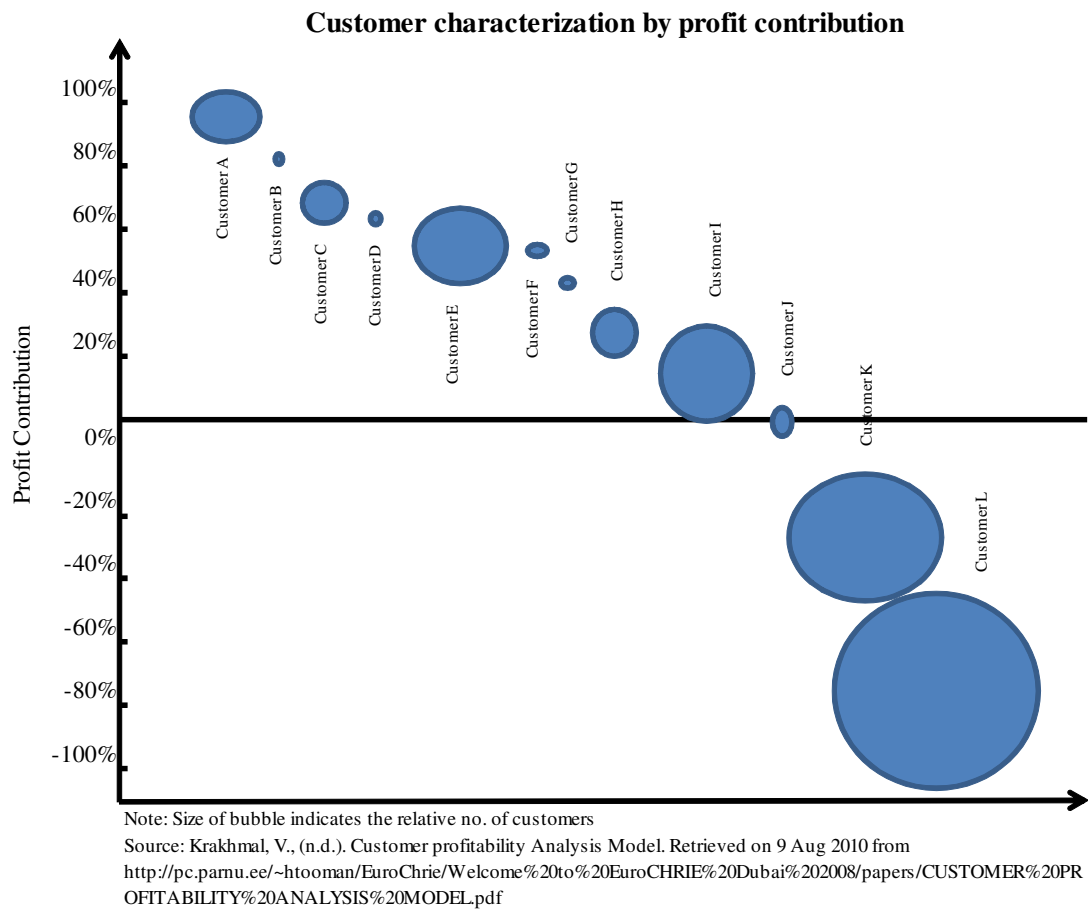
Customer information matrix

	Front Line Data	Spontaneous Data	Behavioral Data
Personal information	Name, gender, home address, birthdates, contacts, nationality, credit information, business name and address if applicable, etc	Special wants and preferences (food dietary preferences, associated allergies, favorite newspaper, handicap, etc.)	Language efficiency; Types of guests (e.g., fuzzy, demanding, easy-going, etc.)
Information on all aspect of the hotel stay	Reservation channel and source; Arrangement of rooms (like room types, kind of beds preferred etc); Length of stay; Room rates (e.g. best available rate, corporate rate etc); Accompanying people (number of people accompany, their names and relationships etc); F&B expenditures.	Additional request for furniture and additional amenities (e.g. hard pillow, work table etc); Request for external services like taxi, baby sitter, car rental etc.)	Usage of the hotel amenities and facilities (e.g., F&B, shuttle bus, meeting rooms, business center, etc.)
Guest complaints and opinions		Direct complaints, customer satisfaction forms	

Source: Minghetti, V. (2003). Building customer value in the hospitality industry: Towards the definition of a customer-centric information system. *Information Technology & Tourism*, 6(2), 141-52

Appendix M

Customer characterization and Customer analysis



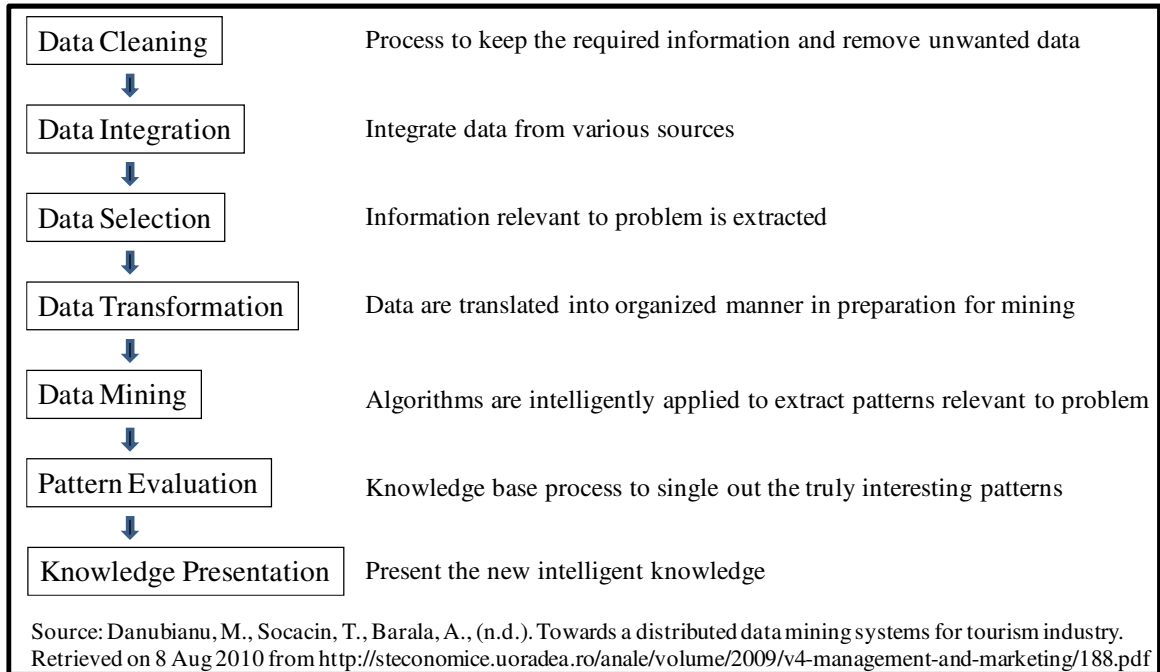
Customer Analysis

C U R R E N T	P R O F I T A B L E	Nurture: Currently profitable but have no future potential	Invest: Both current profitable and future profit potential
	U N P R O F I T A B L E	Sack: No current and future profit potential	Re-engineer: Not currently profitable but will be profitable after some relationship were re-engineered
		UNPROFITABLE	PROFITABLE
FUTURE CUSTOMER			

Appendix N

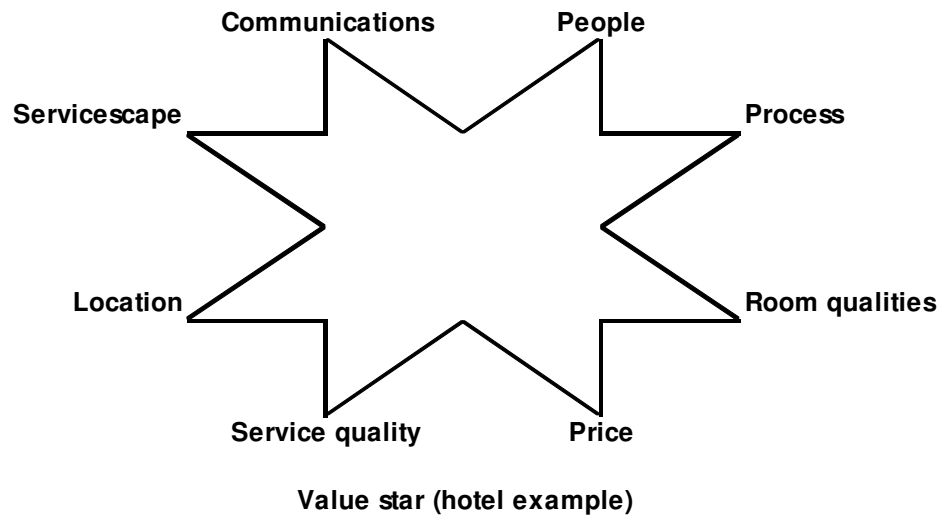
Data mining steps and tools

Data mining steps



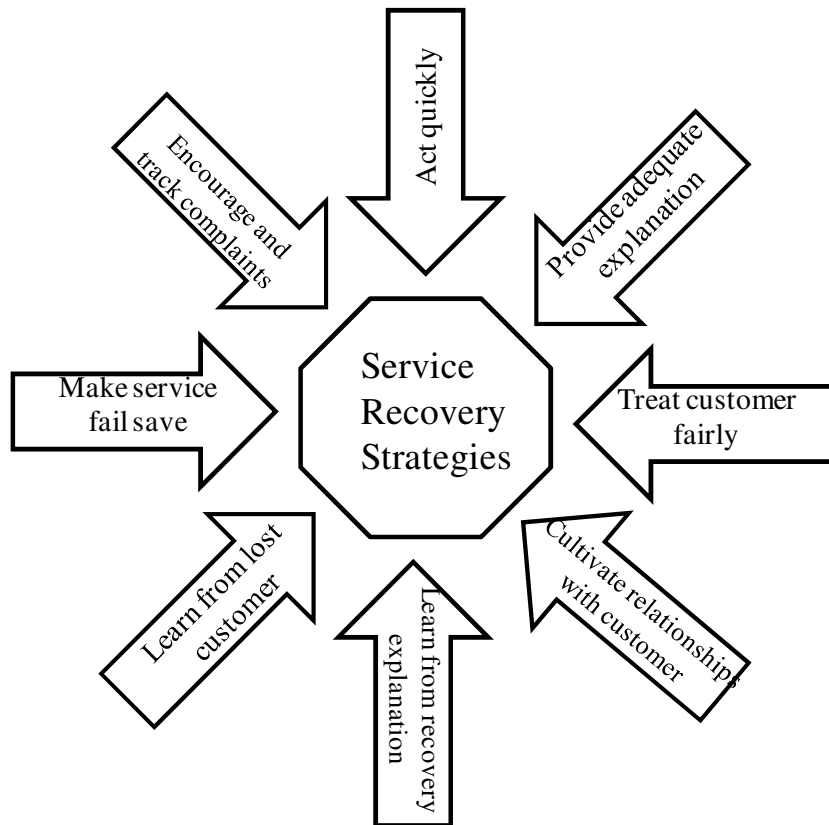
Appendix O

Value star



Appendix P

Service recovery strategy

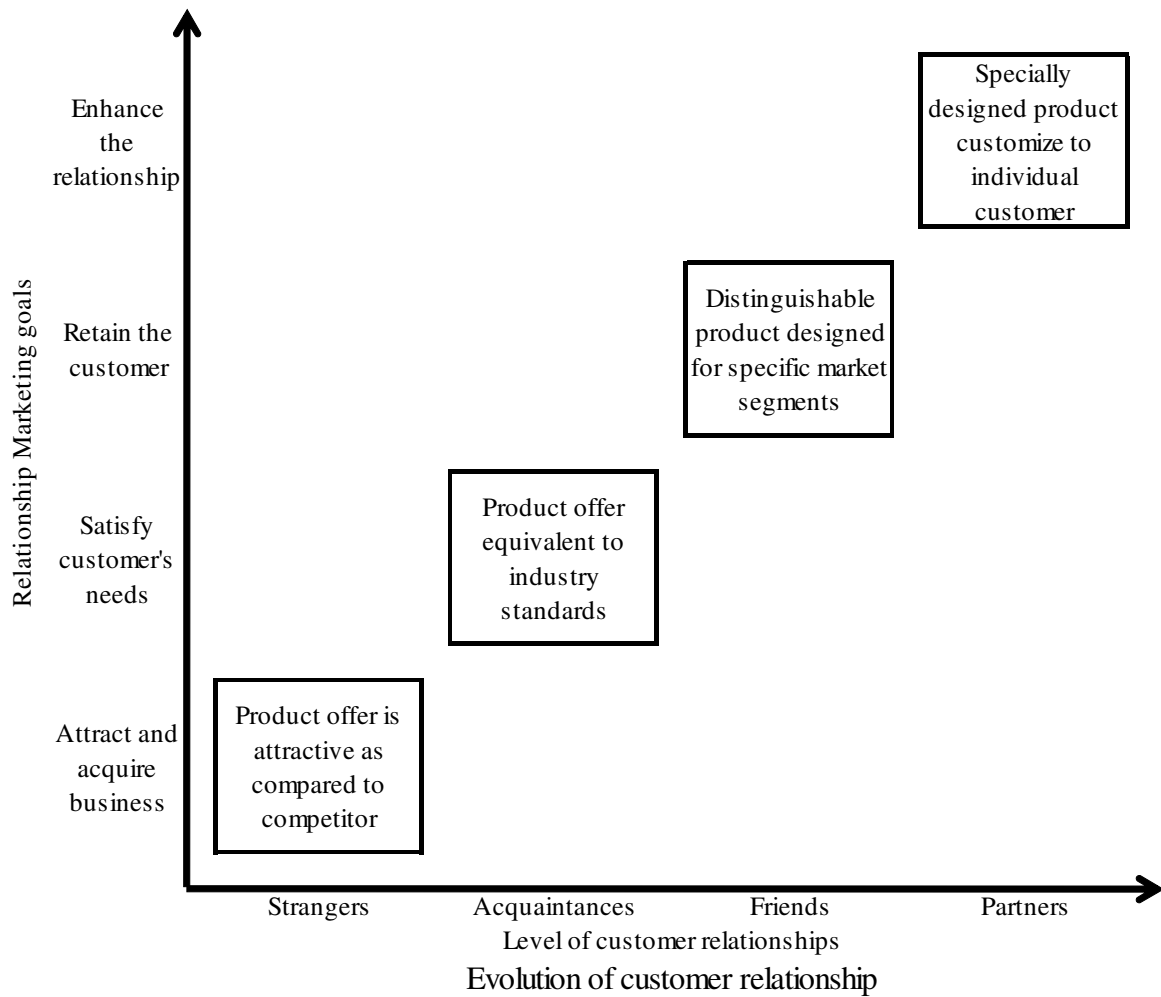


Source: Zeithaml, V. A., Bitner, J. M., & Gremler, D. D. (2009).

Services marketing: Integrating customer focus across the firm (pp.227). Singapore: McGraw-Hill

Appendix Q

Evolution of customer relationship



Appendix R

Ways to effectively administer CRM practices

Conditions	What is required
Leadership and culture	<ul style="list-style-type: none"> - Role of leadership include allocate resources and finance for the program; prioritize and push for the CRM programs; oversee the whole project and remove any blockages from cross functional department - Build strong customer and relationship cultures - Communicate customer and relationship cultures to all employees during employee orientation training program - All departments in a hotel are responsible for CRM - Empower employees to handle customer issues with management providing the guidance - Customer compliant handling must be timely and the process of service recovery is important in influencing the perception of the experience and satisfaction
People	<ul style="list-style-type: none"> - Create an environment conducive for cross functional team work - Build capable and passionate employees to sustain any CRM program - Invest resources in recruiting, training and retaining employees - Low employee turnover will contribute to the success of CRM practices.
Information technology (IT)	<ul style="list-style-type: none"> - Data need to be highly accurate and precise (Garbage in garbage out) - Deviate spending on organization CRM technology infrastructure to CRM innovation effort. - Commit people resources to manage the technology - Provide a 'single view customer database' to ease the information finding for the employees - IT is a tool and not an end in CRM practices - Bear in mind CRM is not a technology but rather a business strategy
Process	<ul style="list-style-type: none"> - Processes includes the front office where customer communications happens and back of the house where all department work together to deliver excellent services to the different guests - Adopt a proactive approach in serving the customers by getting the customer preference information prior to their arrival - Be proactive in sharing customer database with sister properties - Process must be properly documented and file to ensure repeatability in service level - Remember being customer centric is actually really a continuous process

Appendix S

Gap analysis

Stages or conditions	Gaps
CRM goal	- CRM goal is clearly not available
Customer portfolio analysis	- Customers are segment by purpose of stay rather than profitability
Customer intimacy	- Generally lacks communication with customer to improve customer intimacy. - Even if data are collected about customer but employee lacks the discipline to enter the information into the database - Customer database are not shared among sister properties
Value proposition development	- Lack of service recovery program. - Current program is very standard like fruit or chocolate basket
Managing customer lifecycle	- No gaps noticed
Evaluation and control	- No gaps noticed
Leadership and culture	- Lack of strong customer and relationship cultures - Employees are not empower or train to handle customer issues appropriately
People	- Lacking in investing resources in recruitment, training and retaining employees
Information technology (IT)	- Customer data are not kept systematically and in 'single view customer database'.
Process	- Lack the pro-activeness in getting customer preference information prior to customer arrival - Some of the process are not properly documented and file