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THE CUSTOMER RELATIONSHIP MANAGEMENT MODEL AT THE HOSPITALITY ENTERPRISE

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МОДЕЛЬ УПРАВЛІННЯ ВЗАЄМВІДНОСИНАМИ ІЗ СПОЖИВАЧАМИ НА ПІДПРИЄМСТВІ СФЕРИ ГОСТИННОСТІ

Formulation of the problem. Information and communication technologies crucially impact on travellers' knowledge, attitudes and behaviours. The increased online price and product transparency and the new business models enhance tourists' powers, which are becoming more prices sensitive, less brand loyal and more sophisticated. The hospitality industry is also experiencing increased globalization, competition, higher customer turnover, growing customer acquisition costs and rising customer expectations, meaning that hospitality performance and competitiveness is significantly dependent on their ability to satisfy customers efficiently and effectively. To enhance profitability and guest loyalty, the hospitality enterprises must focus on developing Customer Relationship Management (CRM) that aims to seek, gather and store the right information, validate and share it throughout the enterprise and then use it throughout all organizational levels for creating personalized, unique guests experiences.

Strengthening customer orientation requires Ukrainian hospitality enterprises to find effective tools for Customer Relationship Management. Implementation of CRM-systems allows using customer relationships as a resource that enables to increase the profitability of the hospitality enterprises.

Recent studies on the CRM selectively focus on some service sectors, such as banking, telecommunication, healthcare and contact center. Consequently, there is still a marked lack of research on CRM in the hospitality industry. Furthermore, several researches refer to the importance of making studies on CRM dimensions in the hospitality sector. As a result of that, it is reasonable to lead the conclusion that it is not only very little attention has been given to the CRM dimensions in the hospitality industry, but there is also plenty of opportunities for extending the methods about CRM dimensions and hospitality performance both theoretically and empirically.

Analysis of recent research and publications. The group of domestic and foreign scientists, such as R. A. Ajami, A. Brink, A. Berndt, N. Butenko, V. Gargeya, P. N. Ghauri, G. J. Goddard, B. J. Goldenberg, L. Hanushchak-Yefimenko, M. Khurana, L. Lishchynska, U. C. Mathur, D. Peppers, G. Raab, M. Rogers, R. R. Sinkovics and others made a significant contribution to the study of the issue of relationship management with clients, automation of work with customers, including using CRM-systems. However, the issue of forming a CRM-model for domestic hospitality enterprises with the aim of effective business development remains relevant.

Setting objectives. The purpose of the article is to systematize the approaches to defining the concept of "Customer Relationship Management" and to develop the CRM-model for the hospitality enterprise. To achieve this goal, the following tasks were solved: to study the genesis of the CRM category; to establish the peculiarities of the CRM-system at the hospitality enterprises; to outline the main advantages of the CRM-system; to identify the complementary components of the CRM-model.

Presentation of the main research material. Customer Relationship Management has its roots in relationship marketing inaugurated by the influential work by Berry and Christopher, Payne and Ballantyne. Relationship's marketing rational is to enhance long term profitability by moving from transaction-based marketing and its prominence in attracting new customers to consumer retention by means of effective management of customer relationships [1, p. 26].

Literature on CRM highlights the diffusion of relationship marketing practices for identifying, knowing and customizing services to individual customers into organization wide operations and customer touch

points. Kalakota R. and Robinson M. defined CRM as an integrated sales, marketing and service strategy that prevents "lone showmanship" and relies on coordinated actions, while Couldwell C. defined CRM as a combination of business processes and technology [2, p. 40; 3, p. 65].

Customer Relationship Management is defined as "a business strategy that integrates people, processes, and technology to maximise customer relationships" [4, p. 33].

Furthermore, Customer Relationship Management has been defined as "a management philosophy that is a complete orientation of the company toward existing and potential customer relationships" [5, p. 48].

Goldenberg B. describes the Customer Relationship Management aspect of business as highly dynamic, and convincingly argues that in order to remain competitive in their industries, businesses must take a proactive approach in developing relevant programmes and initiatives [6, p. 52].

Sinkovics R. and Ghauri P. attribute the need for customer relationship management to the high cost of direct sales, the global level of competition, and the need for information about various aspects of business in general, and consumer behaviour in particular, that can be used to increase sales levels [7, p. 64].

According to Peppers D. and Rogers M., there is a global trend in customer relationship management that is related to the transition from the transactional model to the relationship model. In other words, Peppers D. and Rogers M. argue that satisfying customer needs through on-time transactions is no longer sufficient to ensure the long-term growth of businesses [8, p. 50].

We consider that Customer Relationship Management is a complicated software for enterprises designed to automate customer relationship strategies, in particular, to increase sales, optimize marketing and improve customer service by storing information and the history of customer relationships, establishing and improving business processes, and further analysing the results.

The real value of the CRM to the enterprise lies in the value it creates for the customers and in the value the consumers deliver back to the company. Accordingly, it is important to mark that the value does not lie in information and advanced technology. The values are in the customer knowledge and how the enterprise uses that knowledge to manage its customer relationships. Knowledge is the sole of CRM. Unfortunately, few companies are transforming the information to customer knowledge and therefore they miss the opportunity to provide value to their customers. However, CRM is the tool that contributes to a high profit level if it is applied in the right way. In the case the company is transforming the customer data into the knowledge and then uses that knowledge to build relationships – it will create loyalty, followed by profits. Hospitality enterprises can gain many benefits from CRM, as given below:

1. Lower cost of recruiting customers – the cost of recruiting customers will decrease since there are savings to be made on marketing, mailing, contact, follow-up, fulfilment, services, and so on.

2. No need to recruit so many customers to preserve a steady volume of business – the number of long-term customers will increase and consequently the need for recruiting many new customers decreases.

3. Reduced costs of sales – the costs regarding selling are reduced owing to that existing customers are usually more responsive. In addition, with better knowledge of channels and distributors the relationships become more effective, as well as the costs for marketing campaigns is reduced [9, p. 115].

4. Higher customer profitability – the customer profitability will get higher since the customer wallet-share increases, there is increase in up-selling, cross-selling and follow up sales, and more referrals comes with higher customer satisfaction among existing customers.

5. Increased customer retention and loyalty – the customer retention increases since customers stay longer, buy more and more frequently. The customer also takes the initiatives, which increases the bounding relationship, and as a result the customer loyalty increases as well.

6. Evaluation of customer profitability – the enterprise will get to know which customers are more profitable, the ones who never might become profitable, and which ones that might be profitable in the future. This is very important since the key to success in any business is to focus on acquiring customers who generate profit, and once you have found them, never let them go. All customers are not valuable; some may even pose danger to business. This occurs when the customers use the company's time, energy and resources without generating enough business to make them worth the effort.

Hence, a company should perform CRM efforts where they will get the best possible return, which means focusing on customers who already are or will become the enterprise's most profitable customers.

In modern economic conditions hospitality enterprises need to ensure successful functioning in accordance with the directions of global trends and interaction with consumers. Accordingly, the importance of Customer Relationship Management as an effective tool for the formation and development of key competencies of the hospitality enterprise is growing.

It should be mentioned that CRM in hospitality enterprise is a business strategy aimed at studying and understanding the needs of existing and potential customers. It involves building mutually beneficial relations with consumers of hospitality services. It is based on the use of advanced management and information technologies.

CRM-system includes a set of principles, methods and tools that are logically interconnected and integrated into a single corporate information environment of the hospitality enterprise in order to increase sales, optimize marketing and improve customer service, innovate business processes of the enterprise.

The goals of the CRM-system development and implementation at the enterprise of hospitality industry are:

- establishing mutually beneficial relationships with customers, aimed at increasing the efficiency and profitability of the enterprise by attracting and retaining profitable customers;
- cooperation with clients, prevention of their transition to competitors;
- prompt access to information in the process of the clients contact at the stage of sales and service;
- data general analysis characterizing the activities of both the client and the hospitality enterprise, obtaining new knowledge, conclusions, recommendations;
- formation of customer loyalty, control of consistency of employees functions.

The dominant features of CRM-system are: personal approach to each client, identification and maximum satisfaction of his needs and intentions. This proves that the basis of CRM-system is a set of values and consumer beliefs. According to J. Heskett and W. Sasser, the dominant values for the consumer are product, price and personalization [9, p. 153]. Taking into account this fact, it should be noted that while forming a CRM-system, the hospitality enterprise must ensure a high quality of the product with an appropriate price, a sufficient level of novelty and uniqueness and make every effort to satisfy customer preferences.

The main economic effect of the CRM-system at the hospitality enterprise is to increase the level of services sales due to their clearer positioning and the use of reliable and timely information. In order to benefit from the use of CRM-technology, the hospitality enterprise needs a comprehensive information system for managing customer relationships. The system allows:

- to receive a detailed information about each client, collected from all channels of interaction with him;
- to obtain the opportunity for consumers to be aware of the enterprise activities and development prospects.

It should be mentioned that CRM-system allows: to manage business processes and contacts, to maintain a database of orders and to form a knowledge base of the staff. Also, the system enables to plan and manage sales, including automatic performance of the document flow, management of the staff workload and getting the work results [10, p. 274].

CRM is applied software for organizations designed to automate customer relationship strategies. It enables to increase sales, optimize marketing and improve customer service by storing information about customers and the history of relationships with them, establishing and improving business procedures, and further analyzing the results. CRM is an interaction model that determines the customer as the center of the entire business philosophy. In this case the main activities are measures to support effective marketing, sales, and customer service.

It follows that CRM-system is a client-oriented strategy. On the one hand, it enables the margin formation “above the market” by providing individual service to each client. On the other hand – it focuses on the long-term relationships, including the detriment of short-term economic objectives. Both sides of the CRM-system require the creation and maintenance of long-term relationships with customers at a qualitatively higher level than the simple declaration “the customer is always right”. The purpose of CRM-systems is not just to increase sales. Its aim is to form a profitable relationship between customer needs the enterprise capabilities that require a joint teamwork of different functional units of the hospitality enterprise.

The main components of the CRM-system are [11, p. 90]:

- the front part that provides customer service with autonomous, distributed or centralized information processing;
- the operational part, which provides authorization of transactions and operational reporting;
- data storage;
- analytical subsystem;
- distributed sales support system.

The stormy, volatile and highly competitive business climate in emerging and developed economies are traceable to economic evolution, advanced technologies, and consumer sensitivity to change in taste and fashion. Customer’s alignment, satisfaction, and retention are the central theory of business. Effective and efficient customer relationship management increases customer satisfaction and the overall performance of hospitality businesses.

Recently the CRM-model is identified as a pivotal tool in business performance. The model gives the possibility to increase customer satisfaction, loyalty, shareholders’ value, along with the ease of doing business while diminishing business operational costs. CRM is a customer-centric business strategy developed to modernize operational practices of hospitality enterprise, managed customer expectations and information to offer quality customized products and services.

In accordance with the above statements, we have developed the Customer Relationship Management model of the hospitality enterprise (fig. 1).

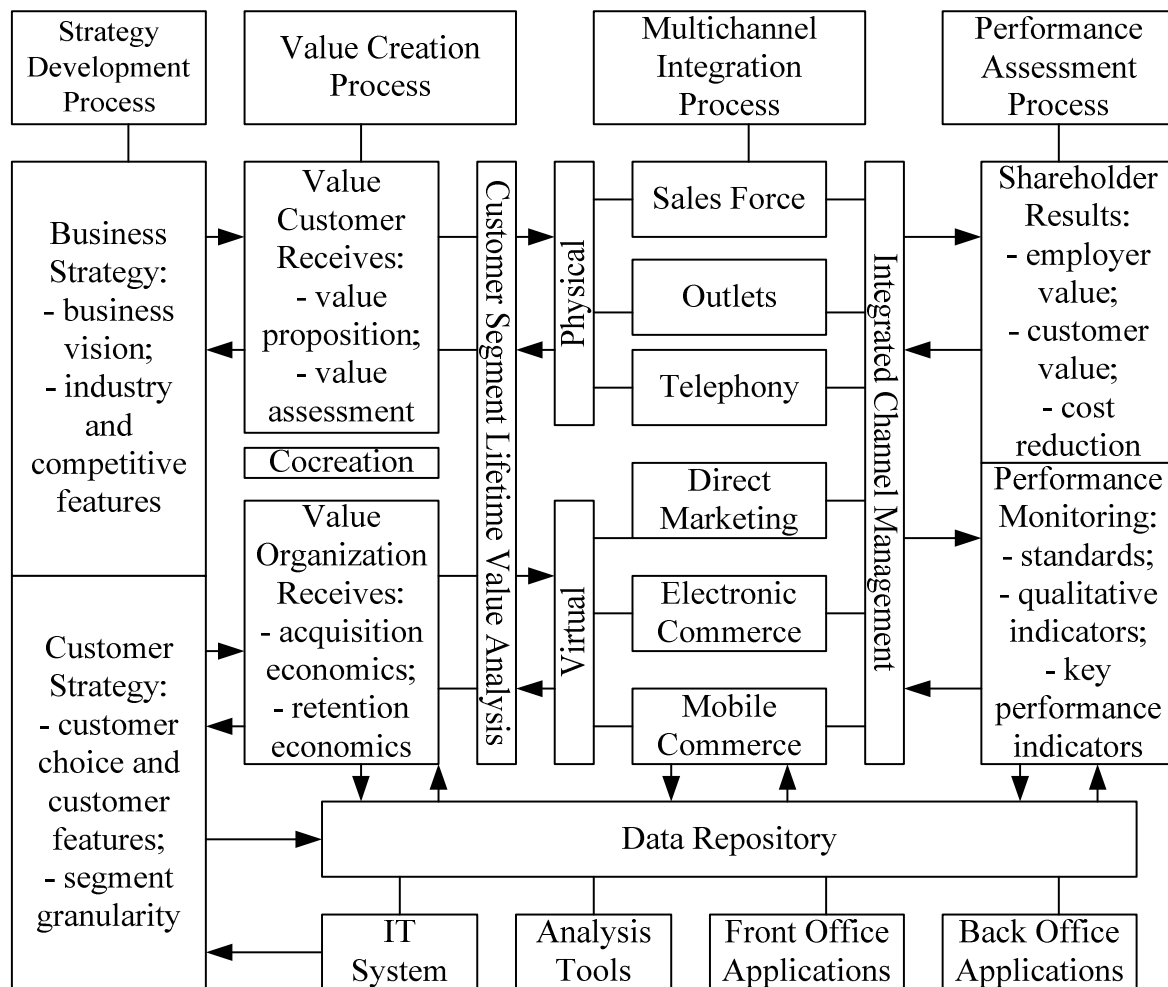


Fig. 1. The Customer Relationship Management Model at the Hospitality Enterprise

Source: created by the author

The proposed model enables to improve comprehensively the processes of formation, use and development of CRM in professional, social and competitive aspects. The practical application of the proposed approach will allow forming an effective CRM system at the hospitality enterprise in order to ensure its highest competitiveness and customer focus in the international and domestic tourism market.

The main goal of the CRM-model implementation is increase the degree of customer satisfaction by analysing the accumulated information about customer behavior, adjusting tariff policy, and customizing marketing tools. Due to the use of automated centralized data processing, it is possible to take into account the individual needs of customers along with identifying the potential risks and opportunities preventively.

It should be mentioned that despite all advantages the CRM-model has some drawbacks. To be truly effective, the hospitality enterprise must convince its employees that such changes will be useful. Then it is necessary to analyse business processes in order to decide which ones should be linked to the CRM-system. The next step is to determine the information relevance and how it will be used. Finally, a team of carefully selected specialists must choose the right technology for automation.

Recently, the demand for integration solutions that extend the functionality of CRM-systems has increased. These include:

- integration with telephony – allows to receive real data on calls that that have taken place, not those left in the CRM-system by employees;
- integration with the mailing list service – enables marketers to create samples, send campaigns and, most importantly, receive data on the status of delivery, opening, reading and response for each specific email (client);
- integration with social networks – today many companies are skillful in communicating with customers on social networks. This allows to correlate a social media user and a company’s customer with their order history, contact history, and complaint history.

In our opinion, the formation of the CRM-model of the hospitality enterprise should consist of 5 stages that are mutually consistent and complementary.

1. Analysis of the organizational and functional management approach, functional interaction, and functional responsibilities of the staff. This set of knowledge about the internal structure of the hospitality enterprise allows to identify the necessary the competencies required by employees.

2. Analysis of the limits of staff responsibility. At this stage, we analyse the peculiarities of staff interaction in work processes, assess the degree of “freedom” in decision-making by employees of different levels, and evaluate conflict areas.

3. Gathering information about the organization of staff interaction with customers. At this stage a list of technical and information tools and a set of competencies required for the successful implementation of a CRM system at the hospitality enterprise is compiled.

4. Assessment of the organization’s corporate values. This stage allows to supplement the set of corporate competencies of the hospitality enterprise.

5. Development of the CRM-system in accordance with the enterprise’s key competencies.

In summary, it should be mentioned that the proposed CRM-model allows considering the hospitality enterprise as an integral system, the purpose of which is mutually beneficial cooperation with consumers due to the distinctive advantages of the hospitality products. Achieving this goal ensures a sustainable development level of the hospitality enterprise competitiveness in the face of rapid global economic changes and information pressure.

Conclusions from the conducted research. The scientific provisions, conclusions and practical recommendations substantiated in the article are the important basis for solving problematic issues of CRM implementing at the hospitality enterprise. It is substantiated that CRM is an integrated approach to identifying, acquiring and retaining customers. By enabling enterprise to manage and coordinate customer interactions across multiple channels, departments, lines of business and geographies, CRM helps enterprises to maximize the value of every customer interaction and drive superior corporate performance. CRM-strategy at hospitality enterprises leverages marketing, operations, sales, customer service, human resources, R&D and finance, as well as information technology and the Internet to maximize profitability of customer interactions.

The Customer Relationship Management model of the hospitality enterprise is formed. The CRM-model makes it possible to convert employee knowledge and information about customer needs into new key competencies of the hospitality enterprise. It also creates opportunities for sustainable economic growth and increased competitiveness of the hospitality enterprise in the domestic and international markets.

The presented results can serve as a basis for further theoretical and methodological studies related to CRM and be a foundation for the formation of CRM-strategy, improvement of practical tools for making relevant management decisions in the field of CRM at different management levels.

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