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Integrating customer relationship management in hotel operations: managerial and operational implications

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Abstract

As travelers are becoming more price sensitive, less brand loyal and more sophisticated, Customer Relationship Management (CRM) becomes a strategic necessity for attracting and increasing guests' patronage. Although CRM in hospitality has overstated the importance of ICT, it is now widely recognised that successful CRM implementation should effectively combine and align ICT functionality with business operations. Given the lack of a widely accepted framework for CRM implementation, this paper proposed a model for managing and integrating ICT capabilities into CRM strategies and business processes. The model argues that successful CRM implementation requires the management and alignment of three managerial processes: ICT, relationship (internal and external) and knowledge management. The model is tested by gathering data from Greek hotels, while findings provide useful practical implications and suggestions for future research.

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1. Introduction

Information and Communication Technologies (ICT) crucially impact on travellers' knowledge, attitudes and behaviour. The increased online price/product

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transparency and the new e-business models (e.g. online auctions) enhance tourists' purchasing power, who are becoming more price sensitive, less brand loyal, more sophisticated and experience seekers (Gilmore and Pine, 1997; Sigala and Christou, 2002; Sigala, 2003a; Christou, 2003a; Christou and Kassianidis, 2003). The hotel industry is also experiencing increased globalisation, competition, higher customer turnover, growing customer acquisition costs and rising customer expectations, meaning that hotels' performance and competitiveness is significantly dependent on their ability to satisfy customers efficiently and effectively (e.g. Olsen and Connolly, 2000; Gilmore and Pine, 1997). To enhance profitability and guest loyalty, hotels must nowadays focus on implementing Customer Relationship Management (CRM) strategies that aim to seek, gather and store the right information, validate and share it throughout the entire organisation and then use it throughout all organisational levels for creating personalised, unique guests' experiences (Sigala and Connolly, 2004; Olsen and Connolly, 2000; Sigauw and Enz, 1999).

Since ICT are a major catalyst for developing one-to-one experiences and implementing CRM strategies, CRM in the hospitality industry has been primarily defined by the myriad of ICT suppliers that overstate ICT's role. Consequently, many hotels have difficulty in implementing effective CRM strategies, because they allow software vendors to drive their approach to CRM, or retrofit a CRM strategy to match the CRM technology they have purchased. However, CRM is not a technology problem but a business problem that requires ICT tools and functionality to be aligned, designed and effectively co-ordinated along with the business operations and strategy. Indeed, several CRM projects have failed due to the lack of robust implementation approaches and measurement tools, the bad exploitation and integration of ICT tools with processes, people and business strategies as well as the inappropriate ICT and business re-engineering and management practices (Rigby et al., 2002; Corner and Hinton, 2002; Rheault and Sheridan, 2002). In the lack of a widely accepted framework for effective CRM implementation (Adebanjo, 2003), this paper aims to develop a model for managing and integrating ICT capabilities into CRM strategies and business operations. To that end the concept, aims and crucial factors for implementing CRM in general as well as in the hotel industry are analysed and summarised into a model that integrates three crucial managerial processes: knowledge, relationships and ICT management. The model's usefulness and applicability in the hospitality sector are illustrated by gathering data from Greek hotels. Managerial implications, suggestions for improving CRM strategies and directions for future research are also provided.

2. CRM: concept and implementation

CRM has its roots in relationship marketing inaugurated by the influential work by Berry (1983) and Christopher et al. (1991). Relationship's marketing rationale is to enhance long-term profitability by moving from transaction-based marketing and its prominence in attracting new customers, to customer retention by means of effective management of customer relationships (Christopher et al., 1991; Heskett et al., 1990;

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