THE IMPACT OF CRM PRACTICES ON CUSTOMER RETENTION IN HOTEL INDUSTRY: KERALA

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Abstract: Customer Retention is one main key factor in hotel industry and it is having high importance for the survival of today's competitive environment. The customer revisit behavior and referencing is purely on the basis of the quality of the service offered and CRM practices followed by the hotels. Customer relationship management (CRM) has currently become one of the most reliable tool and is considered by many marketers as a focal-center in the hotel industry. To derive profitability along with returns, customer satisfaction and retention, the hotel organizations should focus on implementing Customer Relationship Management (CRM) strategies that aim to seek, gather and store the right and reliable information, authenticate and distribute it throughout the organization. The current study evaluates the impact of CRM practices on Customer Retention in hotels of Kerala through correlation and ANOVA techniques.

Index Terms - **Customer Relationship Management, Customer Retention, Hotels in Kerala**

INTRODUCTION:

To enhance profitability and guest satisfaction and retentions, the organizations (hotels) should focus on implementing Customer Relationship Management (CRM) strategies that aim to seek, gather and store the right information, validate and share it throughout the organization . Hotel industry is a highly flourishing, lucrative and competitive market. To compete in such a market, the hotels should focus on maintaining good relations with the customers and satisfying the customers. Increasingly, the organizations are using Customer Relationship Management (CRM) to help boost sales and revenues by focusing on customer retention and customer loyalty (Luck D, Lancaster G, 2003). The purpose of this study was to determine the impact of Customer Relationship Management (CRM) practices on cussmer retentions in the hotel industry, Kerala. The study was conducted at Various selected hotels in Kerala. The objectives of the study were to determine if (CRM) has an impact on customer retention, to determine if the practice of effective CRM in organizations leads to a long or short term financial impact, to find out the extent or degree to

which effective CRM leads to customer satisfaction and to assess if the services provided by the hotel meets the needs and wants of customers (Kasim A, Minai B, 2009).

Customer retention refers to the ability of a hotel to retain its customers over some specified period as per hotel management requirement. High customer retention means customers of the product or business tend to return to, continue to visit for increased number of times. Customer retention occurs when a customer is loyal to a hotel, brand, or to a specific product or service, expressing long-term commitment and refusing to purchase from competitors. In the past, many Organizations took their customers for granted (Katherine N. Lemon, Tiffany Barnett White, Russell S. Winer, 2002). Customers often did not have any substitute suppliers, or the other supplies were just as poor in a quality of services, or the market was growing so fast that the company did not worry about fully satisfying its customers as per customer expectation. A company could lose 100 customers in a week, but gain another 200 customers and consider generally, its sales to be satisfactory. Such a company or firm, operating on a 'leaky bucket' assumption of business, believes that there will always be enough customers to replace the existing ones. The customer retention is how loyal your customer is for your product or service, which organizations are offering. There always has been a direct relationship between customer retention and satisfaction. This relation is not a linear one and the behavior of every customer depends on his attitude towards the service provided. Managers around the world were always looking for ways to measure customer satisfaction along with customer retention but this was a valuable pursuit from all marketing communities in various hotel segments (Verhoef, P, 2003).

In terms of customer retention, the most appropriate data capture along with access, and analysis system enables a company to determine which customers it is most interested in retaining. Campaign management software enables the firm to focus these customers and manage a variety of offers to encourage the customers to remain with the firm for longer period. A sales force tool or customer service system can identify high-profitable customers to sales and service forces so these customers will benefit from individualized retention activities. Customer satisfaction and retention is important to any business and is shown through clients continually coming back to you due to your service. This can only achieved when you are providing excellent Customer Service, which then turns into Customer retention. There is another research study says, "Customer retention has been shown to be a one of the important goal in various organizations that practice relationship marketing. The specific meaning and measurement of customer retention and loyalty can vary between industries and a firm there appears to be a general consensus that focusing on customer retention can yield several economic benefits" (Ang L and Buttle F A, 2006).

RESEARCH OBJECTIVES:

The investigator has framed three main objectives for the study as follows;

- To analyse the influence of modern facilities provided by the hotel on customer retention
- To explore the efficiency of complaint handling on customer retention in hotel
- To evaluate the Extrinsic Appearance on customer retention

ASSUMPTION OF HYPOTHESIS:

HO1: there is no significant relationship between modern facilities provided by the hotel on customer retention.

HO2: there is a no significant relationship between complaint handling and Customer retention.

HO3: there is no significant difference between Customer retention with extrinsic appearance in hotel.

METHODOLOGY:

The research is emphasising on customer retention in hotel industry and the study area of this research is selected hotels in kerala. The main source of data collection was questionnaire. The investigator has used both primary and secondary data for the research. 22 questions were asked to the guests for this research. The questionnaires were divided in to 2 sections. Section A includes demographic factors and section B tested the independent variables (Modern facilities, customer handling and extrinsic appearance) and dependent variable customer retention. Respondents were asked to tick the answers in 7 point scale. The population, who were selected for survey, collected the data required for this survey through filling the questionnaire. Convenience sampling method is used to select sample. Total number of sample was 40. In this research, SPSS (Statistical Package for Social Sciences) was used as statistical software. Crosstab, ANOVA, correlation, were used as statistical tools. The responses were measured by using 7 point scale. The seven-point scale assigned points 1to 7 in terms of very high, high, above average, average, below average, poor, very poor.

Model of the study:
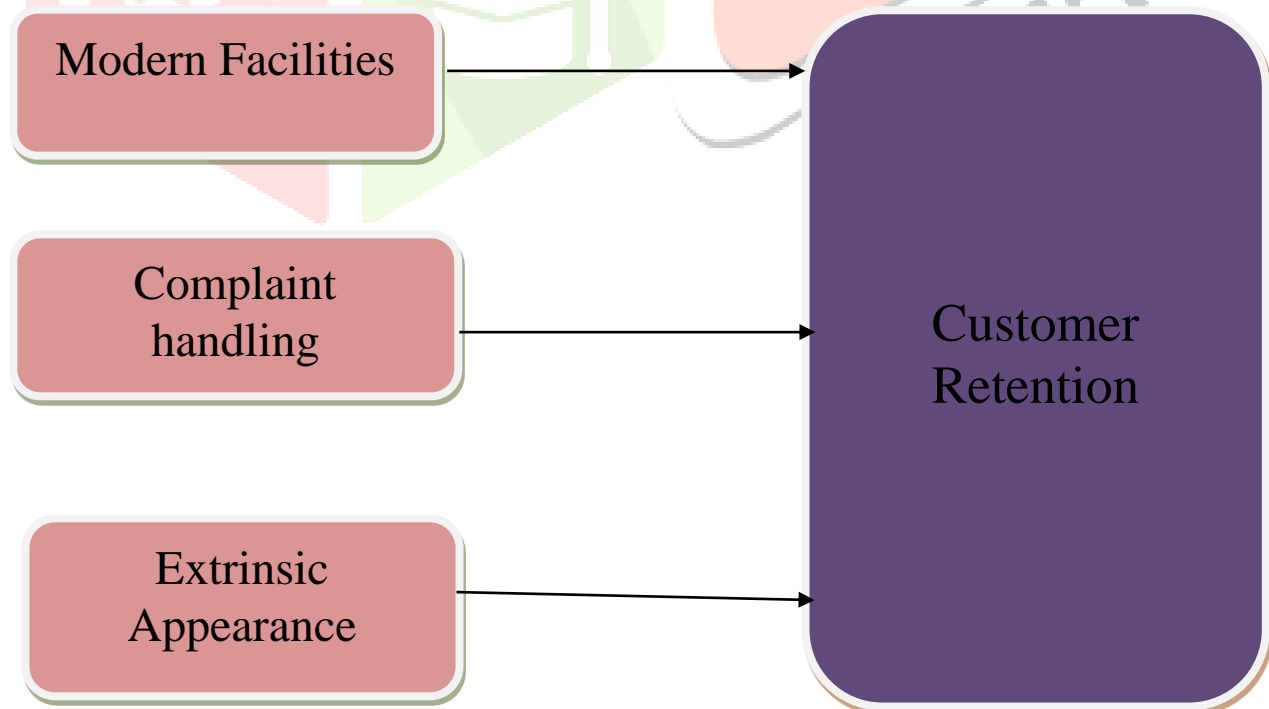
VARIABLES OF THE STUDY

The scholar has recognized four main variables for the study. Customer retention is the dependent variable and customer relationship management practices like Modern facilities, complaint handling and Extrinsic Appearance are the independent variables in the study.

DATA ANALYSIS

The researcher has used Karl Pearson's Correlation Analysis as a tool to find the relationship between the variables under the study.

To analyze the influence of modern facilities provide by the hotel on customer retention in hotel.

Table1: Correlation between modern facilities provide by hotel on Customer retention

Correlations		Customer retention	Modern facilities provided by hotel
Customer retention	Pearson Correlation	1	.565**
	Sig. (2-tailed)		.001
Modern facilities provided by hotel	Pearson Correlation	.565**	1
	Sig. (2-tailed)	.001	

**. Correlation is significant at the 0.01 level (2-tailed).

Analysis of correlation indicates that the modern facilities provided by the hotel and customer retention were very strongly correlated. Because the table shows that there is a positive significant correlation between variable modern facilities and customer retention. Here the significant value is .001 it is significant at 0.01 levels. This means when the standard modern facilities provided by hotel increases the customer retention increases and vice versa. For further conformation ANOVA also is done.

Table2: ANOVA table between modern facilities on Customer retention

ANOVA					
Customer retention					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	3.506	1	3.506	13.160	.001

From the ANOVA table above it is clear that the customer retention is different based on their perception of modern facilities provided by the hotel. The p value is .001 it is significant at 0.01 levels. This means the customer retention and modern facilities provided by the hotels are statistically significant.

To explore the efficiency of complaint handling on customer retention in hotel

Table5: Correlation between Complaint handling on customer retention

Correlations

		Customer retention	Complaint handling
Customer retention	Pearson Correlation	1	.454[*]
	Sig. (2-tailed)		.012
Complaint handling	Pearson Correlation	.454[*]	1
	Sig. (2-tailed)	.012	

*. Correlation is significant at the 0.05 level (2-tailed).

Analysis of correlation indicates that the complaint handling process arranged by the hotel and customer retention both very strongly correlated. Here the significant value is .012 it is significant at 0.05 levels. This means when the complaint handling process arranged by the hotel increases customer retention will increases and vice versa. For further conformation ANOVA also is done.

Table6: ANOVA table between Complaint handling on customer retention

ANOVA				
Customer retention				
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.406	2	3.406	10.882	.012

From the ANOVA table above it is clear that the customer retention is different based on their perception of complaint handling process implemented by the hotel. The p value is .012 it is significant at 0.05 levels. This means the customer retention and complaint handling process arranged by the hotel are statistically significant.

To evaluate the Extrinsic Appearance arranged by the hotel on customer retention

Table9: Correlation between Extrinsic Appearance on customer retention

Correlations

		Customer retention	Extrinsic Appearance
Customer retention	Pearson Correlation	1	.398[*]
	Sig. (2-tailed)		.029
Extrinsic Appearance	Pearson Correlation	.398[*]	1
	Sig. (2-tailed)	.029	

*. Correlation is significant at the 0.05 level (2-tailed).

Analysis of correlation indicates that the extrinsic appearances arranged by the hotel and customer retention were very strongly correlated. Here the significant value is .029 it is significant at 0.05 levels. This means when the extrinsic appearance arranged by the hotel increases the customer retention will increases and vice versa. For further conformation ANOVA also is done.

Table10: ANOVA table between Extrinsic Appearance on customer retention

ANOVA					
Customer retention					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.864	2	1.432	4.772	.017

From the ANOVA table above it is clear that customer retention is different based on their perception of extrinsic appearance arranged by the hotel, The p value is .017 it is significant at 0.05 levels. This means the customer retention of the guest and extrinsic appearance arranged by the hotel are statistically significant.

CONCLUSION AND SUGGESTIONS:

This study tried to find out the impact CRM practice followed by the hotels customer retention. Some of the findings which derived from the research study are noted here under. This finding will help the hotels in kerala to make modifications in their policies. From this study we can understand that when the modern facilities, complaints handling process and Extrinsic appearance arranged by the hotel increases the customer retention will increases and vice versa. Each factor is important for positive customer retention and Poor facilities and services will negatively affect the revisit behavior of the guests.

Extrinsic appearance has a strong influence on customer retention. Factors like visually appealing broaches, the image of the hotels, excellent interior and exterior decorations, designated smoking area, the

professional approach of staff and hotel location etc. positively influence on guest retention. Delay in room service and pick up from airport is the main complaints from the guest so hotel management should implement some procedure to solve these complaints. By adopting and executing suitable customer relationship management practices in the hotels of kerala will result in creating a revisit pattern and customer reference business which eventually results in growth of hotel industry.

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