Relationship between Customer Relationship Management and Customer Retention: A case study of Five Star Hotels in NCR

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Abstract

Objective: The study aims at investigating the relationship between customer relationship management and customer retention.

Research Methodology: The primary data was collected from guests visiting five star and five star deluxe hotel in NCR through a structured questionnaire and regression analysis was applied to examine the relationship.

Findings: The study found that there exist a positive and strong relationship between customer relationship management and customer retention in line with previous review.

Proposed Utility: The study will help the hotels to understand the significance of the relationship between these two variables as customer retention is the ultimate objective of every firm and Hospitality Industry is investing in CRM.

Key Words: CRM, Customer Retention, Hospitality Industry

Introduction

Success and profitability in Hospitality Industry is completely dependent on the competency of the Hotels to acquire, satisfy and retain the profitable customers and ensure that the profitable customers remain their loyal customers for life. It largely depends on the ability of the Hotels to deeply understand the needs and specific preferences of the customers so as to deliver the service in a personalized way. One of the ways to do this is to establish and maintain long term relationships with the customers which creates a connectivity between the hotel and the guest. Maintaining good and long term relationships is not an easy task as businesses particularly need to identify what makes the customers happy as an unhappy and a complaining customer is just very risky for the business. Therefore, hotels have started constantly investing in customer relationship management.

The customer service departments or the front line employees of Hotels have to deal with different types of customers including rude, fussy and demanding customers, have to handle and manage all types of complaints

because the marketing philosophy followed today is "customer   is the king". So, CRM as a business strategy is inevitable specially in service industry.

Moreover , Harvard Business School of Harvard University in 2014 in a data revealed that customer retention is directly related to profitability. A 5% increase in customer retention can lead to 25-95% increase in profitability. So, the critical significance of these two variables motivated the researcher to conduct a study to examine the relationship between the above discussed variables

Review of Literature

Boris in early 2012 through his study propagated that the marketing philosophy which holds true today is that customer is the king. He should be put in the centre and all the business strategies should revolve around him and CRM is such one sound business strategy

Abdul Alem et al. (2013) in a study in Malaysia made an attempt to identify the relationship between dimensions of CRM and organization's performance and found that various factors like knowledge management, customer centricity, CRM organization and effective use of technology while implementing CRM has a notable and positive impact on the Hotels' performance.

According to Micheal et al.(1996) if customer relationship management is implemented effectively it helps in understanding specific needs of customers , handling their complaints, connecting with them through affection and personal treatment and in turn building a trust. Complaint Handling is a very significant factor which explains how to patiently listen to the customer complaints and solve them logically

It is also apparent in market place that companies are concentrating on customer share and customer retention. Even the Banking Industry has made huge investments in CRM to establish and nurture long term and profitable relationship with customers. (**Uppal,** 2008)

Rosenberg &Czepiel (1984) in their study also realized that it is less costly to retain customers as compared to competing for new ones

In2007 **Symonds, Wright and Ott** in their study on banking industry declared that it is very important for banks to excel in acquiring and retaining loyal customers if they want to create an edge over the competitors and want to increase their returns. This article also established that profitability and long term growth of an

organization largely depends on its ability to attract and retain loyal customers and CRM helps in achieving this objective.

Anderson, Sweeney and Williams in 2003 in their study also argued that CRM if effectively implemented leads to greater customer loyalty as it can reap the benefits of personal and efficient service, the sales process can also be managed in a better way and it also alleviates the success rate of marketing campaigns as customers can be targeted in a better way.

Makasi and Saruchera in 2014 conducted a study on the telephone industry in Zimbabwe and declared in their research that the operational CRM helps in improving the organizational performance which further results in enhanced customer loyalty and competitiveness.

Jayakumar and Sathiya in 2010 in their research presented that CRM helps in attaining higher customer revenues and profits over costs by matching and coping effectively with customer expectations to satisfy them. For long term sustainability in any business retaining the profitable customers is very important as the cost of acquiring new customers is increasing day by day. For retaining customers establishing and maintaining strong and long term relationship with customers is required as it helps in better understanding of customers' needs and expectations from the product.

S. Lo, Stalcup and Lee conducted a study on hotels in Hong Kong in 2009 and they found that CRM aims at giving special treatment to customers, first reaching the right customers then effectively communicating so as to connect with them and delighting them by exceeding their expectations. The study also found that the main and the most common cited goal of CRM is gaining customer loyalty and customer retention.

The above review of literature shows that the utmost objective of adopting customer relationship management strategies is customer retention. So, in this study an attempt has been made to examine the relationship between these two variables.

RESEARCH METHODOLOGY
OBJECTIVE

The main objective of the study is to examine the relationship that exists between customer relationship management and customer retention.

DATA COLLECTION

PRIMARY DATA

For collection of primary data a structured questionnaire was developed which was pre tested. To achieve the objectives of the study the questionnaire has been divided into three parts. The first Part A has been made to collect the diverse demographic details of the respondents. Part B of the questionnaire comprises of the questions related to customer relationship management. Part C of the questionnaire consists of questions related to retention.

SURVEY SAMPLE OF THE STUDY

The survey sample includes the guests visiting five star and five star deluxe hotels in Delhi, Gurgaon, Noida and Faridabad. A total of 700 questionnaires were sent to five star and five star deluxe properties in NCR and we got back 600 questionnaires out which 525 were complete and worth using for analysis.

HYPOTHESIS

The objective of this study is to identify the relationships that exist between customer relationship management and customer retention in the hotel industry. To this end, two hypotheses have been developed:

H_01: There is no significant relationship between customer relationship management and customer retention.

H1: There is a significant relationship between customer relationship management and customer retention.

RELIABLILITY ANALYSIS

To determine the reliability of structured questionnaire Cronbach's Alpha test is used. The high value of Cronbach's Alpha (0.958) is suggesting the high reliability of the scale.

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.958	.958	35

SCALE USED TO ASSESS THE VARIABLES OF THE STUDY

Scale to assess the variable customer relationship management and customer retention

The scale which has been used to assess the customer relationship management consists of twenty nine questions. Four items are there to examine the parameter employees of the hotel/ people, six items are there in the scale are related to customer treatment/ personalized treatment ,six items are there pertaining to complaint handling/ complaint management system, seven items are there in the scale to assess the variable- regular communication with the customer/ updating the customer about new schemes and six items are there in the

scale associated with understanding the needs of customer/ customized services. The scale used is a five point Likert scale with response categories – strongly disagree, disagree, indifferent, agree and strongly agree.

Second part of the questionnaire deals with six items to assess customer retention with the same likert type scale.

DATA ANALYSIS AND DISCUSSION

REGRESSION BETWEEN CRM AND CUSTOMER RETENTION

Further to test the hypothesis of the study and meet the objective (to investigate the relationship between customer relationship management and customer retention regression analysis is applied.

TABLE: 1

MODAL SUMMARY OF REGRESSION BETWEEN CRM AND CUSTOMER RETENTION				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
dimension0 1	.744	.553	.552	.52845
a. Predictors: (Constant), Customer Relationship Management				
b. Dependent Variable: Customer Retention				

Higher value of R indicates a positive and a strong relationship between customer relationship management and customer retention. R square value indicates that 55% variance in dependent variable accounts to the independent variable. If customer relationship management is implemented successfully 55% chances of variance in customer retention can be expected.

TABLE: 2

ANOVA TABLE OF REGRESSION BETWEEN CRM AND CUSTOMER RETENTION						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	180.676	1	180.676	646.983	.000[b]
	Residual	146.052	523	.279		
	Total	326.728	524			
a. Dependent Variable: Customer Retention						
b. Predictors: (Constant), Customer Relationship Management						

The higher value of F 646.983 and the associated p value indicate the strength of relationship between customer relationship management and customer retention. This proves that customer retention is dependent on effective implementation of customer relationship management.

TABLE: 3

VALUE OF ANNOVA COEFFICIENT REGRESSION BETWEEN CRM AND CUSTOMER RETENTION					
	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
1 (Constant)	-.021	.151		-.142	.887
Customer Relationship Management	.985	.039	.744	25.436	.000
a. Dependent Variable: Customer Retention					

The regression equation is having a constant value -0.21, customer relationship management coefficient of .833. The regression equation is **Customer Retention = -0.21+ .985(CRM)**

Status of Hypothesis

So, the results of regression above prove that there is a positive relationship between customer relationship management and customer retention. The null hypothesis h01 is rejected and the alternate hypothesis H1 is accepted.

Conclusion

The study concludes as found in the previous review that customer relationship management leads to customer retention as there is a positive and a strong relationship between the two variables. So, the hotels should concentrate on implementing customer relationship management strategies effectively and further strengthening these strategies as it helps in retaining the customers which is the utmost objective of every firm. Customer retention helps in increasing profitability also and creates a positive brand image in the market.

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