



Managing the “Intangibles”: Business and Entrepreneurship Perspectives in a Global Context

Coordinators

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Linking CRM and competitiveness in the hotel industry

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Abstract

In the hotel industry, customer relationship management (CRM) is a strategic factor to attract and increase the number and customer loyalty. (Sigala, 2005). This paper analyzes the relationship between CRM and competitiveness in 4 and 5 star and luxury class hotels in Guadalajara, Mexico. Theoretical concepts relating to the subject of the study were reviewed considering the relationship of management capability and innovation in marketing with CRM (independent variable), and with Competitiveness (dependent variable) financial performance, technology and costs.

Introduction

Hotel industry in Guadalajara, the second city in economic importance in Mexico, has a hotel capacity of over 16,000 rooms ranging from economy class to five-star and luxury class. The city is the most visited of Jalisco with an economic impact of \$ usd 25 millions, (SETUJAL, 2013). With regard to the offer of rooms available, nationwide Guadalajara Metropolitan Area (GMA) is located at No. 5, and is the most visited state, receiving 45.81% of the total tourists.

There are several studies on the importance of studying the dimensions of CRM in the hotel sector (Akroush et al, 2011, Sadek et al, 2011, Sin et al, 2005), that although the CRM can enable effective differentiation and improve customer loyalty and therefore the profitability of the company. As a hotel company is an economic agent aims to maximize its benefits from the management and exploitation of the resources are there to serve the needs and demands of the guests (Sigala, 2005).

With the implementation of CRM organizations can gain a great benefit, because they can get increase in their sales through better market segmentation, customization of products and services, obtaining higher quality products, access information and employee satisfaction, and above all ensure a long lasting customer retention and loyalty. (Alomtairi, 2009; Ozgener and Iraz, 2006, Stockdale, 2007, Verma and Chandhuri, 2009).

Theoretical framework

Using the CRM can be shown in the hospitality industry; through the collection of data on its guests a profile of each of them is created. Based on the profiles created, it is possible to know each every guest a special and personalized as the management and staff of the hotel will be familiar with the wants and needs of guests. When the hotel has enough information about your guests, you should classify and segment it to personalize the needs of each individual client or group of clients. (Ivanovic et al, 2011).

Implementation of CRM has been widely studied, from the financial sector (Akroush et al, 2011, Hussain et al, 2009, Sin, Tse and Yim 2005), even in health services (Bunthuwun et al, 2011; Hung et al, 2010), but has not done extensive research on CRM in the hospitality sector (Luck and Stephenson, 2009, Wu and Lu, 2012). Vogt (2011) mentions that although there is an increasing use of CRM in tourism is still limited number of studies of various industrial applications.

The hotel industry capture large amounts of data about customers, which can be transformed into better knowledge about them, which can be useful for the implementation of CRM, obtaining and improving efficiency, (Mguyen et al, 2007; Nasution y Mavondo, 2008; Dev y Olsen, 2000).

Although the hotel chains seek new ways to build relationships with your customers, (Hu et al., 2010), Zineldin (2000a, 2000b) mentions the importance of CRM in the hospitality industry, and argues that most of these organizations offer, even differentiated by number of stars, is very similar to their products and services, so make it different is a challenge for companies with more resources.

CRM in the tourism sector is at an early stage of development and needs time for companies to recognize the power and importance of its application in tourism. One of the limiting factors are the financial resources necessary for the implementation and use of these technologies, as we know that a large number of companies operating in this

sector breakeven or below breakeven. (Ivanovic et al, 2011).

The CRM according to Laudon & Laudon (2004) is a business and technology discipline for managing customer relationships in order to increase revenues, profitability, satisfaction and retention thereof.

CRM involves identifying and rethinking all strategic processes that take place between an enterprise and its customers (Payne & Frow, 2005). Being an outgrowth of sales force automation and with a focus on data-mining (Chen & Popovich, 2003) CRM finds a continuous challenge in making CRM relevant to service and to non-marketing employees.

Kotorov (2003) believes that for CRM to be successful, the most important is the understanding and the approach to it, and also considers a strategy and not a software solution or a software package.

CRM and Management capability

According to Blesa (2005), part of management capability are coordinated behavior of the various functions in the organization, which must be directed to seek and gather information from consumers, competition and environment for dissemination in the organization and design and implement a response with the aim of satisfying customers by providing superior value.

The implementation of a CRM strategy involves changes both in the way a company is organized, as in their business processes (Sin, Tse and Yim, 2005), therefore it is necessary to include a variable that projects the importance and impact of administrative factors in the success of CRM. It is also essential to analyze the business objectives and organizational culture (Chalmers, 2006). An important factor of management capability is the leadership provided by the administration and its support will be a key requirement to establish the philosophy of customer orientation at the corporate level and to support the adoption of a CRM system throughout the organization (Alt and Puschnam, 2004).

For the success of a CRM project is necessary internal and marketing support, and that the initial strategy with the client should be supported with adequate internal corporate culture that reflects the philosophy of customer relationships, from the level of top management to front-of-house staff. (Haley and Watson, 2002).

CRM and Marketing Innovation

The effectiveness and efficiency of CRM are increasingly recognized as means for developing innovation capability and providing a lasting competitive advantage, also (CRM) implemented in manufacturing and industrial clients not only retains customers but also encourages them to offer important suggestions for improving products and services (Ramani and Kumar, 2008).

CRM helps firms refine their knowledge about customers' tastes and preferences. The effectiveness and efficiency of CRM are increasingly recognized as means for developing innovation capability and providing a lasting competitive advantage (Ramani and Kumar, 2008; Sahay and Ranjan, 2008).

Marketing innovation, it refers to market research, price-setting strategy, market segmentation, advertising promotions, retailing channels, and marketing information systems (Vorhies and Harker, 2000; Weerawardena, 2003).

Innovation is a key factor to improve competitiveness of enterprises; Swiss research on small tourism enterprises, shows that one of the main reasons for success in these hotels is the high level of innovation in the sector, coupled with a high level of research. (Blanke and Chiesa 2009; Chib and Cheong 2009).

Due to the importance of this factor, several studies have analyzed the impact of innovation on competitiveness of the company and have come to the conclusion that companies that invest in research and development and conduct innovative practices are more likely to remain market and increase their performance (Ahuja and Katila, 2004).

Competitiveness

The concept of competitiveness has been defined in various dimensions and time with inaccuracies (Budd and Hirmis 2004, Porter and Ketels 2003). It has also been determined by the level of research: approaches macro, meso and micro levels, which define it differently, and from the point of view of competitiveness in companies, which are mainly based on the low cost of production. (Buzzigoli and Viviani, 2009).

Gelei (2003) has used the definition of business competitiveness as "the ability to perceive basic changes in both the external and internal environment and the ability to adapt to these changes in a way that the flow of profit

generated to guarantee operation long-term business”, also competitiveness comprises a function of two factors first, is determined by the extent to which a company can identify the value dimensions that are important to your customers the second factor is the sum of the resources and capabilities that make a company is able to create and deliver value dimensions identified important customer.

Competitiveness and Financial Performance

Boulding et al (2005) mentions that competitive performance of CRM refers to managerial perceptions about competitive performance achieved through the process of CRM, it also through continuous "dual creation of value" for the customer is obtained and company. Therefore it is important to measure the performance of CRM from both perspectives.

The competitive advantage is directly reflected in the company’s capabilities to obtain a financial result than its competitors (Arend, 2003). Currently, there is a general indicator used to measure competitiveness, however, the trend is to use financial indicators such as profitability (Kim, et al., 2008).

Competitiveness and Costs

To gain a competitive edge in the business model, the combination of low cost, high frequency, "lower cost" becomes the key strategy presentation focused on customer value, as well as benefits (Williams, 2004).

Likewise Buzzigoli and Viviani (2009) mention that competitiveness is based on the principle of least-cost production.

Competitiveness and Technology

Competitiveness in markets makes the adoption of technology has become a need for businesses. Taking it to respond to the same concepts themselves, generating competitive advantages that improve the performance of their processes. (Daft, 2008)

Several studies have both highlighted a positive relationship between the company technological level and competitiveness, in addition found that firms with higher technological levels, increase productivity and are more likely to compete in more advanced environments (Koc and Bozdag, 2007, Baldwin and Sabourin, 2002).

Based on the literature review, the first objective of this study is to expand the conceptualization of CRM and determine their relationship to competitiveness, particularly looking at the role of each of the factors involved in the hotel industry, which is presents the theoretical construct. See figure 1.

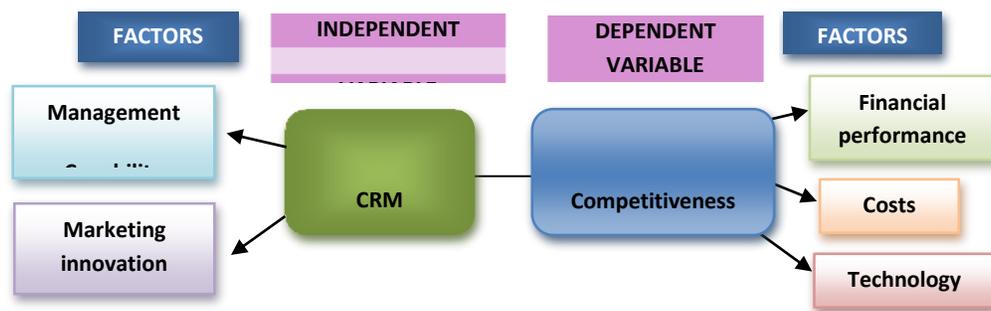


FIG. 1: THEORETICAL MODEL OF THE RELATION BETWEEN CRM AND COMPETITIVENESS
Source: Own elaboration

Methodology

The survey was applied to 418 middle and senior managers in the hotels of four and five stars in Guadalajara, used for processing information from the multivariate analysis and structural equation modeling, implemented via software (SPSS) Statistical Package for the Social Sciences, and (EQS 6.1) Structural Equation Modeling Software.

The questionnaire was designed based on the literature review, comprising a first block on CRM variable, consisting of 9 questions for the application of management capability factors and marketing innovation, and a second

block consisting of 18 questions which are based on the dependent variable competitiveness, and includes financial performance factors, technology and costs, all evaluated using a scale from 1 to 5 indicating strongly disagree or totally agree.

Based on the above theoretical model, we propose the following hypothesis:

Hypothesis:

- H1: A greater management capability, most CRM.
- H2: A greater marketing innovation, most CRM.
- H3: The greater the CRM, higher level of competitiveness.

Analysis and Discussion

The results of reliability analysis of five factors: management capability, marketing innovation, financial performance, technology and costs, using the Cronbach's alpha was satisfactory, because the five factors meet the minimum acceptance value of 0.70. The highest alpha value factors found was that of the variable costs, with 0.935, while the lowest value of the five factors found was the variable marketing innovation with alpha value of 0.775.

With Confirmatory Factor Analysis (CFA), was valued reliability and validity using the method of maximum likelihood. The results of applying Confirmatory Factor Analysis (CFA) are shown below in Tables 1 and 2.

Table 1 shows that the model provides a good fit of the data (S-BX² = 303.1404, df = 109, p = 0.000; NFI = 0.925; NNFI = 0.938; CFI = 0.950, and RMSEA = 0.065) all data are satisfactory and acceptable.

TABLE 1: INTERNAL CONSISTENCY AND CONVERGENT VALIDITY OF THE THEORETICAL MODEL

Variable	Indicator	Factorial Loading	Robust Valor-t	Cronbach's Alpha	CRI	VEI
Management capability	CRM1	0.600***	1.000*	0.820	0.838	0.569
	CRM3	0.855***	11.683			
	CRM4	0.848***	11.897			
	CRM5	0.685***	10.391			
Marketing innovation	CRI1	0.688***	1.000*	0.775	0.786	0.551
	CRI3	0.783***	15.283			
	CRI4	0.754***	13.219			
Financial performance	FP3	0.762***	1.000*	0.884	0.886	0.661
	FP4	0.861***	16.938			
	FP5	0.883***	16.472			
	FP6	0.740***	13.929			
Costs	PC3	0.922***	1.000*	0.935	0.933	0.784
	PC4	0.964***	42.198			
	PC5	0.871***	27.602			
	PC6	0.774***	19.713			
Technology	TE3	0.919***	1.000*	0.817	0.825	0.704
	TE4	0.752***	9.636			
S-BX ² (df = 109) = 303.1404 (p < 0.0000); NFI = 0.925; NNFI = 0.938; CFI = 0.950; RMSEA = 0.065						

* = Parameters in the identification process

*** = p < 0.001

Table 1 shows the values of Cronbach's alpha, the composite reliability index (CRI) and the variance extracted index (VEI). Alpha values are above 0.70, while the CRI and VEI values are superior to 0.7 and 0.5 respectively, which is satisfactory. As evidence of convergent validity, Cronbach's alpha results indicate that all items related factors are significant (p < 0.001) and size of all standardized factor loadings are greater than 0.60 (Bagozzi & Yi, 1988).

TABLE 2: DISCRIMINATING VALIDITY OF THE THEORETICAL MODEL MEASUREMENT

Variables	Management capability	Marketing Innovation	Financial performance	Costs	Technology
Management capability	0.569	0.554	0.244	0.277	0.405
Marketing Innovation	0.418 , 0.690	0.551	0.275	0.310	0.397
Financial performance	0.160 , 0.328	0.177 , 0.373	0.661	0.040	0.103
Costs	0.165 , 0.389	0.180 , 0.440	0.066 , 0.146	0.784	0.132
Technology	0.277 , 0.533	0.255 , 0.539	0.009 , 0.215	0.026 , 0.290	0.704

The diagonal represents the variance extracted index (VEI), while above the diagonal shows the variance (the correlation squared). Below the diagonal, is presented to estimate of the correlation factors with a confidence interval of 90%.

Table 2 shows the measurement provided in two ways. First presents the estimate of the correlation factors with a confidence interval of 90%. Secondly extracted variance between the pair of constructs must be greater than the variance extracted index (VEI).

Based on the above two criteria, there is sufficient evidence of reliability and convergent and discriminant validity of the model.

Table 3 shows the results of the hypothesis test of the theoretical model is obtained by performing a structural equation model (SEM)

- H1: A greater management capability, most CRM.
- H2: A greater marketing innovation, most CRM.
- H3: The greater the CRM, higher level of competitiveness.

TABLE 3: SEM RESULTS OF THE THEORETICAL MODEL

Hypothesis	Structural Relationship	Standardized Coefficient (β)	Robust t-value	Fit Indices Measure
H1: A greater management capability, most CRM	Management capability → CRM	0.415***	11.323	$S-BX^2_{(101)} = 280.8916$ p = 0.000
H2: A greater marketing innovation, most CRM.	Marketing innovation → CRM	0.479***	14.151	NFI = 0.930 NNFI = 0.938
H3: The greater the CRM, higher level of competitiveness.	CRM → Competitiveness	0.531***	22.355	CFI = 0.954 RMSEA = 0.065

*** = p < 0.001

Table 3 shows the standardized coefficients, the t-robust and fit indices. According to Romero & Zunica (2005), the beta coefficients (β) or allow standardized coefficients determine the explanatory variable is strongest for the explanation, that is, allow us to evaluate the relative importance of each independent variable in the equation. Moreover, Wooldridge (2009) explains that robust statistics is an alternative approach to classical statistical methods. The object is to produce estimates that are not affected by small variations from the assumptions of the models. A robust t-statistic must be greater than 10.

Also, regarding the hypothesis **H1** the results were ($\beta = 0.415$, $p < 0.001$) which indicate that explains management capability y 41% the CRM. For hypothesis **H2** the results were ($\beta = 0.479$, $p < 0.001$) and indicate that marketing innovation has greater weight and importance as it explains 47% CRM independent variable. Finally for **H3** results obtained were ($\beta = 0.531$, $p < 0.001$) indicate that the CRM has significant positive effects on competitiveness. As far as management capability increased marketing and innovation together, there is higher level of competitiveness.

Limitations

Although the universe selected for this study were the hotel category 4 and 5 stars and luxury class, is intended to include for future research known as boutique hotels, as this kind of establishment is showing strong growth in the Guadalajara metropolitan area for a market segment with very distinctive features including personalized service stands out.

Conclusions

Note that the five factors that emerged from the study variables meet the minimum acceptance value, however for the hotel sector, competitiveness depends mainly on cost management and a lower proportion of customer relationships depend on the marketing innovation.

It is noteworthy that this research, the most important element in the CRM is the management capability, which in the hotel sector is essential, as there must be a culture of customer-oriented company, where all departments should have as priority to meeting the needs of those to create loyalty.

The costs and competitiveness keep a close relationship, with costs greater weight element in competitiveness. Hotel companies must therefore deliver services in time, place and manner preferred by customers at better prices than those offered by competitors, covering at least the opportunity cost of the resources used.

The purpose of business is to earn profit hotel, offering high quality and are competitive, in order to participate in a dynamic market. Hotels must consider the global implications to be prepared to address the issues that arise in a world and changing environment.

For all of the above, it is considered to analyze and measure the initiative and implementation of CRM in hotel enterprises of Guadalajara is helpful because by building lasting relationships by understanding the wants and needs of each client in particular, adds value to the company and the customer and therefore competitiveness levels rise.

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