

Effectiveness of Customer Relationship Management in the Hotel Industry in Eldoret Town, Kenya

Rosemary Malonza¹, Jumah Lucy²

¹Kisii University, School of Business Management & Economics, P.O Box 6434-30100, Eldoret, Kenya

²University of Kabianga, School of Business & Economics, P.O Box 2030-20200 Kericho, Kenya

Abstract: *Customer relationship management (CRM) has become a necessity especially in hospitality industry. This has been attributed to globalization that has not only ensured liberalization in trade but also enhanced competition in hotel industries. This paper is an outcome of a study that was conducted in Eldoret town that focused on CRM in hotel industry. The purpose of this paper is to assess the effectiveness of customer relation management on hotels industry in Eldoret town, Kenya. The researcher employed mixed research design, simple. Questionnaires, informal discussion and interview guide were used to collect data. Descriptive statistics and narrations were used to analyze data, which were presented in tables, graphs, charts and narrations. The study found that hotel industries in Eldoret face several barriers in implementing CRM including; lack of training on CRM among members of staff, lack of awareness on CRM, lack of adequate funds and lack of leadership. This study further concludes that the hotel industry is facing customer service revolution, thus, customer relation management has a great impact to the performance of a hotel. Making follow ups on the services offered will also improve in overcoming some of the negative issues raised and will serve as improvement strategies in increasing customer relation management in the hotel industry. Additionally, management should put in place strict guidelines to be followed while dealing with customer complaints so as to eliminate negative word of mouth (feedback) from customers.*

Keywords: Effectiveness, Customer Relationship Management, Hotel Industry, Eldoret, Kenya

1. Introduction

Globally, businesses are in constant race to increase profits, keep current customers and poach new ones. One of the many sets of tools aimed at achieving this is a strategy of interaction between business and customer which is simplified as Customer Relationship Management methodologies. CRM is aimed at building strong long term relationships that keep customers coming back repeatedly. Hotel industries do not have guarantee that customers will always come back therefore it aims to help organizations build individual customer relationships in such a way that both the hotels and the customer get the most out of the exchange, providing both parties with long term benefits.

Customer relation management is a term developed in early 1990s as an information technology tool for customer data collection (Lassar et al. 2008). This term is multidimensional and can mean different things to different business environment. According to Rigby, Reichheld and Schefter, (2002) the aim of customer relationship management is to align customer strategies and business process for long term customer loyalty which results in profitability of companies.

Management of customer relations in the earlier days was not difficult as merchants knew their customers' taste. But as cities grew, companies became larger and people became more mobile, the close relationship between merchants and customers eroded. Nowadays, many companies are working hard to get closer relationships with their customers by capturing internal and external data and analyzing that data to find their customers' needs and preferences (Jobber, 2004). In the real world acquiring, building, retaining customers are top priority to any organization. In hotel

industry good customer relation is the most important concept because it will ensure that hotels attract suitable customers, generates profits and extends profits through customer retention. Service in this sector of the economy is intangible and is judged by the satisfaction of the customer.

Business competitiveness in the world dictates that quality and customer satisfaction is directly proportional to organization profit and sustained existence (Wadongo et al 2010). Poor customer relationship management leads to decline in the number of customers hence, reduction in profit which might lead to collapse of the industry. CRM initiatives have further resulted in greater efficiency and revenues for many of the organizations that have successfully implemented them (Chen, 2003).

Most scholars have argued that customer relation management is needed when the organization does not have a clear view of their customers and what their individual needs and desires are. Hotel industries for a long time have been handling customers as they come with no clear techniques of customer relations management which has adversely affected most of their performance in terms of profits and sustainability of business (Kamau and Waudo, 2012; and Wadongo et al. 2010). There is therefore, need for understanding the relevant techniques for customer relations in hotel industries, its effects on performance and challenges that hotelier's face in management of customers to ensure a control strategy for the same.

Developed nations have better customer relation strategies: among them is the use of technology such as interactive voice response technology. This is e-business that can mimic most actions of live agents such as identifying customers by

name, asking for identification verification, speaking in any languages, or connecting to a live agent when appropriate. This new technology can even allow call centers to contact their customers more frequently to offer new services and improve the relationship between the companies and their customer (Lubben, 2006). Based on the stored information, CRM can also be automated to respond to customers in terms of offering special discounts according to the customers' needs.

Malinga (2004) reported that in Kenya the general growth in the economy and steady increase in tourism earnings is attributed to CRM strategies. In 2007 the Kenyan economy grew from US\$286,000 in 2002 to US\$855 million in 2007 due to expansion and new investments in hotels in the country. However the effectiveness of CRM varies from town to town with capital cities enjoying more benefits than smaller cities and towns within the country. According to Waal 2007, Nairobi the capital of Kenya has enjoyed innovations in terms of CRM strategies but little innovations are being adopted by hotel industries away from capital cities.

Despite the high quality and good facilities of Kenyan Hotels, Competition for resources and market share in the Hotel in Kenya and Eldoret in particular is becoming extremely high. Companies operating in the Hotel industry are facing higher competition in the market for skilled labor in the Hospitality profession and for market share. Customers' expectation and preferences are also increasing from time to time. Because of these and other globalization factors, companies are revising their management and operation strategies (Roodurmun & Juwaheer, 2010).

The impact of the current hyper competition, high costs of materials, enlightened society, and environmental issues, growing of technological innovations and globalization in general is also influencing companies in their business operation. Because of such changing factors in the dynamic environment, hotels are required to formulate high techniques in managing and retaining customers. Unfortunately most hotel industries in Eldoret have concentrated more on monitoring competitiveness and financial performance than retention and management of their customer. There are poor systems on customer information among hotels, thus hotels spend a lot of money marketing themselves to new customers than retaining the ones they already have. It is against this background that this study focused on effectiveness of customer relation management on hotel performance in Eldoret town.

2. Methodology

The study employed mixed design in which qualitative and quantitative methods were used. Data was collected using questionnaires, interviews and Informal discussion. Hotel employees from 10 selected hotels formed target group for the study. Simple random sampling was used to select 15 employees who were given questioners to fill. Convenience sampling was used to select 3 customers per hotel for an interview. Data was analyzed descriptively and presented using tables while qualitative data was organized.

Qualitative data was analyzed using narration of relevant themes found within the study.

3. Results and Discussion

3.1 Level of Awareness on Customer Relation Management (CRM)

Customer relationship management has become a necessity especially in hospitality industry. The researchers were interested in establishing the level of awareness of respondents on customer relation management. The findings are summarized in Figure 1.0 below.

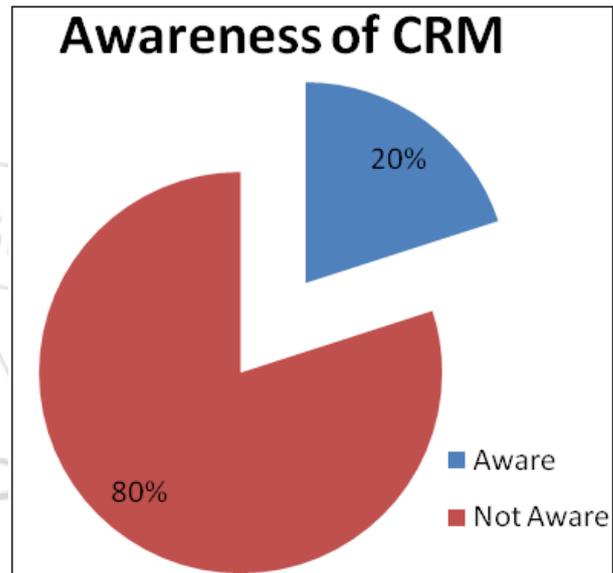


Figure 1: Level of awareness of Customer Relation Management

Analysis from figure 1.0 above gives a clear indication that majority 80% of the respondents were either not aware or partially aware of Customer relation management with a minority 20% being aware of CRM within their hotel practices. During an interview discussion with some participants, the researchers found that they lacked understanding of the complexities and nuances of customer relation management. These findings suggest that hotel industries were not keen and specific in their practice of CRM.

3.2 Training on CRM among Respondents

To establish whether or not respondents had attended any form of training on CRM, the researchers were interested to find out whether effectiveness of CRM is determined by training hotel staff on CRM. The findings of the analysis were documented as shown in the Table 1.0 below:

Table 1: Distribution of Respondents According to Training

| Training | Frequency | Percentage (%) |
|-------------|-----------|----------------|
| Trained | 113 | 75% |
| Not trained | 37 | 25% |
| Total | 150 | 100% |

Results from table 1.0 above indicated that majority 75% of respondents had not received any form of training on

Customers relation management RM while a minority 25% had been trained on CRM. During an informal interview with the employees, the researcher found out that most of the trained employees had done CRM as a unit in their studies and none of the trainings were done by the hotel. This finding therefore, implies that there is little investments by hotel industries in this area in terms of CRM trainings.

3.3 Techniques Used to Enhance Customer Relationship Management

The study sought to identify techniques used to maintain customers in the selected hotels. Respondents were asked to state customer relation management practices used in their hotel. Results from the field was analyzed and presented in table 1.1 below.

Table 1.1: Techniques Used to Enhance Customer Relation Management

| Technique | Good | Fair | Poor |
|-------------------------------|------|------|------|
| Quality customer service | 100 | 30 | 20 |
| Physical attractiveness | 80 | 40 | 50 |
| Staff training | 10 | 30 | 120 |
| Security and safety | 75 | 20 | 55 |
| Unique product features | 5 | 75 | 70 |
| Information and technology | 55 | 45 | 50 |
| Pricing of goods and services | 65 | 55 | 30 |
| Cultural symbolism | 110 | 30 | 10 |
| Word of mouth | 50 | 70 | 30 |
| Strategic alliances | 23 | 30 | 97 |
| Complaints handling | 40 | 30 | 80 |

Analysis in Table 1.1 above shows that cultural symbolism as the highest among customer relation management strategies of hotels in Eldoret town. This is closely followed by provision of quality service which was rated "Good" by 100 respondents. This result implies that hotels in Eldoret use quality service as a strategy to retain their customers and win loyalties. This approach is important as hotels in Eldoret town can easily lock in customers using quality customer services. It allows hotels to understand customer needs and competing with exceeded expectations. These findings also show that people consider quality of services sold to them and link the quality to the price to determine if they will be steadfast to a hotel or not.

Staff training, complaints handling and strategic alliances has been rated as the poorest CRM strategies among the hotels in Eldoret. Results from the above table further shows that information and technology was also utilized in enhancing customer relations. The researchers observed that knowledge is the only meaningful resource and the only real competitive differentiator. For instance, informal discussions with respondents from the surveyed hotels identified free wifi (*for internet access*), presence of modern television and satellite gadgets as key investments in technology by the hotels in Eldoret town.

Results from the table shows that there was little done on database of customers in the selected hotels. Xu & Yen et al. (2002) show that successful companies will use customer information systems to build relationships on the levels that customers want them, and by organizing the information about each customer a singular view can be made of each

client throughout the company no matter how many customers they have. Effective modes of communications have shaped the market place enabling consumers to present their preferences and standards to organizations that are poised to listen and respond (Adele, 2013).

According to table 1.1 the hotels were using pricing to manage their customers and this was rated fair by majority of the respondents. Danubianu (2012) observed that pricing of goods and services did not have a greater impact in creating customer relation. Measuring constantly and fine-tune strategies helps facilitate better business decisions with regards to CRM. By keeping thorough contact history for each customer and tracking when, how and what their response was for each communication they can take advantage of CRM (Holm, 2003).

Challenges Facing Hotels in Implementing of Customer Relationship Management

The study also wanted to identify some of the challenges hotels face in managing customer relations. Data obtained indicates that lack of awareness on the importance of CRM, lack of information to customer needs, lack of budget, poor payment, lack of organization support and lack of leadership from management were identified by many responds as barriers to effective CRM implementation. Other challenges identified were lack of technologically skilled staff and high employee's turn-over rate. From these results it implies that there is little adoption of CRM strategy in hotels in Eldoret. An informal discussion with some staff revealed that they are also not very keen on service delivery because they are not paid well and working conditions were poor.

4. Conclusion and Recommendation

Achieving full potential of CRM is a major objective of each hotel in hotel industry. This is because it helps the hotels to improve profitability, reduce advertising costs, gain competitive advantage and retain more customers. However, hotel industries in Eldoret face several barriers in implementation of CRM. These barriers include lack of training on CRM among members of staff, lack of awareness on CRM, lack of adequate funds and lack of leadership. This study further concludes that the hotel industry is facing customer service revolution hence customer relation management has a great impact to the performance a hotel. Hotel industry being a customer driven entity, it must then invest much in customer relationship management to enhance its performance. Good customer relation management will probably enhance purchase intentions, customer retention and provide a good predictor of future business performance.

Following this finding the study then recommends an introduction of customer management training for service delivery staff. There is also a need for the hotel sector in Eldoret to visualize what is unique to offer its customers. The hotel managers can strive to provide unparalleled customer service through focusing on the needs, concerns and experiences of each customer. There is need for personalized service provisions, which can be achieved by ensuring that employees stand up to the customers'

expectation. There is need for hotels to consult their loyal customers while designing customer care service policies. This will ensure that quite a number of customer complaints and areas of new interests are put in to consideration. Making follow ups on the services offered will also improve in overcoming some of the negative issues raised and will serve as improvement strategies in increasing customer relation management in the hotel industry. Management should put in place strict guidelines to be followed while dealing with customer complaints so as to eliminate negative word of mouth (feedback) from customers.

References

- [1] Ayele, G. A., (2012). Positioning Strategies Adopted by Five Star Hotels in Nairobi, Kenya, University of Nairobi.
- [2] Bichage M. (2013). Effect of Revenue Management Practice on Customer Relationship In 5- Star Hotels in Nairobi's Central Business District in Kenya.
- [3] Kevin Elliot and Meng Juan Gloria (2011). Hotel construction and customer satisfaction; *International journal of business strategy*, 11(1).
- [4] Kamau, W. S., & Waudu, J. (2012). Hospitality Industry, Employers' Expectation of Employees' Competence in Nairobi Hotels. *Journal of Hospitality Management and Tourism*, 3 (4), 55-63.
- [5] Mishenga, M . P., & Owour , G. (2010). Opportunities for micro and small scale business in Tourism Sector: The case of the Kenya coast, *KCA Journal of Business Management*, 2(2).
- [6] Koskei A.K. (2014). Customer relationship management practices in the hotel industry in Kenya Nairobi University.
- [7] Lubben M. (2006). Ringing dow cost factiva database by primedia business magazine and media Chicago June 2006.
- [8] Malik, F., Yaqoob, S. & Aslam, A. S. (2012). The impact of price perception, service quality, and brand image on customer loyalty (study of hospitality industry in Pakistan). *Interdisciplinary Journal of Contemporary Research in Business*, 4(5), 487-505
- [9] Malinga.E. (2004). Human resources system and competitive strategies in hospitality Organization Performance in Kenya. Maseno University Kisumu.
- [10] Roodurmun, J., & Juwaheer, T. D., (2010). The benefits of applying service recovery principles in Mauritian service organizations: An exploratory approach. *International Research Symposium in Service Management, Mauritius* (1): 1-23).