An Exploratory Study Assessing the Implementation of Customer Relationship Management in Boutique Hotels

Praew Treejakhajohn

Service Innovation, College of Innovation Thammasat University
E-mail: praew_tr@yahoo.com

Abstract

The researcher’s purpose in this independent study is to better understand service innovation by studying a particular issue in detail. The researcher chose to examine the role of Customer Relations Management (CRM) in understanding customers' needs and expectations in boutique hotels in Pattaya, Thailand. The paper has examined how boutique hotels collect data from their customers and use that information in various aspects of CRM. It became clear to the researcher that there is a significant gap between the actual CRM implementation in boutique hotels and what is put forward in the academic literature. The independent study identifies how the gaps can be dealt with by instituting realistic and sustainable CRM management practices in part by employing innovative thinking process.

1. Introduction

Tourism is an important sector of Thailand’s service industry. In 2009, Thailand generated money more than 5 million baht from international tourist, which accounted for 5.8% of Thailand’s GDP in 2009 [1]. The Thailand National Tourism Plan states that tourists prefer unique experiences when they travel. The tourism industry which comprises hotels, restaurants, tour operator, airline, transportation businesses, etc. plays a major role in Thailand’s economy.

There are several types of tourism related accommodation provided in Thailand. One quickly developing sector of the accommodation sector is boutique hotel. A boutique hotel is a small non-chain operated property which provides superior service and unique experiences with flexible elements of service. Boutique hotels attempt to respond to changing consumer behavior and preferences by differentiating themselves by the level of experience that they provide. A boutique hotel has the potential to provide a special unique experience for the tourist through specific characteristics such as unique decoration, historical sense of place, superior service, friendly staff etc [2-5].

Furthermore from an SME perspective, boutique hotels provide opportunities to get involved in the accommodation sector with more modest levels of capital. With limited resources, most boutique hotels operate in a highly competitive environment. Therefore, they need concrete strategies to help them survive.
Boutique hotels do not only compete in the boutique hotel market, but with many other types of accommodation, such as chain-hotels or home stays. To help them compete, Customer Relationship Management (CRM) is one of the tools available to a boutique hotel to survive in a highly competitive environment. CRM is based on a customer-centric approach which seeks to understand the customer’s needs and satisfy them [6]. In order to do this, many firms collect and analyze customer data and feedback.

Customer Relationship Management (CRM) is a management tool which collects customer information, validates and shares it through all the company for various purposes [7]. CRM integrates data from past, current and potential customers [8]. CRM is a concept which integrates processes, people and technology to create a long-term relationship with the customer [8-9].

There are some obstacles to overcome implementation of CRM in boutique hotels, e.g. budgets, organizational culture, etc. Most of CRM implementation is highly involved with Information Technology (IT) but many boutique hotels have not adopted technology [10]. However, boutique hotels have their own methods to collect customer information and feedback based on their small size. It is easier for staff to observe customers or have a face-to-face conversation with a guest. The main objective of this study is to explore how boutique hotels employ CRM, especially under the limitations of resources faced by boutique hotels. As discussed earlier, most of the boutique hotels have limitations in size and budget, therefore, how boutique hotels operate with the constraint is interesting.

2. Objective and Methodology

Based on the problem definition, this study has main 3 objectives as follows;

1. To understand how boutique hotels use the information in various aspects of CRM, such as improving service quality, developing marketing strategies, making customized offers etc.
2. To determine how boutique hotels manage the customer’s data to implement CRM.
3. To understand the problem of CRM implementation in boutique hotels. Grasping this problem can lead to the improvement of CRM implementation in boutique hotels.

This paper is a qualitative study using both secondary data and primary data. The literature review covered Boutique hotels, Customer Relationship Management, Database Management, and Knowledge Management. The literature review helped the researcher to understand the complete conceptual framework and develop framework. Interviews were carried out with experts in the industry and sample boutique hotel operators in Jomtien, Na-klua, and main area of Pattaya. Based on the literature search, there are 4 criteria that define the nature of boutique hotel; Uniqueness in design and theme of accommodation, a low of room number (less than 100 rooms), a high level of service, and non-chain operated.
3. Findings: Gaps between Ideal and Actual CRM implementation

The researcher used multiple sources of information to study CRM implementation in boutique hotels: literature review, talking with the experts in the hotel industry and having in-depth interviews with boutique hotels’ owners. Findings come from the analysis of all information from these various sources.

The researcher found some of significant gaps between the actual CRM implementation in boutique hotel from the surveys and what is put forward in the academic literature. However, the gaps can be dealt with by instituting realistic and sustainable CRM management practices in part by employing innovative thinking processes. The findings will be discussed below.

3.1 Use of Data

The result from the survey showed that most of sample hotels only used the data to create customized offers, improve overall service and to send promotions to customers who are in the database. But as discussed in literature reviews, CRM enables firm to create long-term relationship with customers by many approaches such as personalize product, service or promotion, cross selling, up selling, identifying the most valuable market segments though CRM measurement processes, etc.

3.2 Gaps of CRM implementation

3.2.1 Data acquisition

The result from survey identified that boutique hotels rely more on informal sources of information. The online channels or internet have become popular for getting feedback from customer. Boutique hotels give precedence to online comments because it is public and can affect the hotel’s image. Hence if boutique hotel can manage those comments, they can be a low-cost media to promote the hotel as well.

3.2.2 Database management (storage and sharing)

Boutique hotels do not invest in expensive database software rather they use local computer programs or Microsoft Excel to create a database. This is because of the small size of boutique hotels with a small number of customers and small quantity of data that they want to collect and share. For short term period, there are many tools to help boutique hotels in data collecting and sharing such as log book, meeting, email, board and directed message.

In conclusion, every tool should be integrated to achieve information utilization. Each tool has its own pros and cons. Hence, boutique hotels have to choose the tools which match with their objectives and limitations.

3.2.3 Problem in CRM implementation

The big concern of sample hotel about CRM implementation is not about technology but human resource management. Good tools and techniques can support staff to provide excellent
service to their customers. Hotels should use the most appropriate tools that match with their staff or improve the potential of staff by some kind of training.

Staff is the center of CRM activities. Staff has to collect the data, input data into a database system, share data with other staff, access the data from the system, take action to respond with the complaint or feedback, and deliver the good service for customers. For effective CRM implementing, there are various kinds of skills which boutique hotels’ staff need to acquire such as language, computers, and analysis etc.

In conclusion, CRM is an integration of people, process and technology. Technology is an important part of the CRM implementation. Most five-star hotels invest a lot of money in a database computer system. But technology is not all of CRM. Technologies support the process and people to work more efficiently. Especially in boutique hotels, people are the most valuable asset in CRM implementation.

Therefore, to retain the customer and be competitive, boutique hotels need to retain service minded talent, provide them with a service oriented culture and maintain good relationships with hotel staff. At the same time, the proper process and technology need to be implemented to support the staff.

4. Recommendations

Figure 1: CRM implementation aspects to improve

CRM implementation in boutique hotels should give attention to day-to-day management of relationships. To improve CRM in boutique hotels, there are three aspects as can be seen in Figure 1 which are human resource, process, and technology which needed to be considered.
4.1 Human Resource Management

Staff is at the center of CRM activities. Hence, good human resource management is needed. There are 6 issues to be concerned which are staff recruitment, training, empowerment, incentives and reward systems, CRM intended organization culture, and the staff’s self esteem.

4.2 Process Improvement

In addition to staff skill improvement, process improvement is an issue that is needed to be examined. Good CRM implementation processes should create a service which is flexible, accessible, and timely by using appropriate technology/technique. Boutique hotels can select the appropriate tools and techniques to support CRM process around their resource limitations.

4.3 Technology Improvement

Besides the process, technology is one factor that supports staff to implement CRM in boutique hotels. Boutique hotels have to learn each tool advantages and limitations. Boutique hotels have to determine the appropriate composition of technologies/tools to create excellent service under the limitation of boutique hotels. Thus, the CRM technology in boutique hotel has to be inexpensive, user friendly, easy to access and understand.

In conclusion, this study allowed the researcher to better understand service innovation in a particular industry by narrowing down the gap by service innovation thinking processes. Innovative CRM implementation can be achieved by understanding the internal factors (limitations and strengths of being boutique hotels, CRM process in the boutique hotel) and search for the opportunities (technologies, tools, process, government policy, etc.). Therefore, understanding the context and trying to find alternative approaches will enable boutique hotels to implement the innovative CRM.

References


