CRM DEVELOPMENT IN HOSPITALITY COMPANIES FOR THE PURPOSE OF INCREASING THE COMPETITIVENESS IN THE TOURIST MARKET

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Abstract:

CRM as a trend in business and business philosophy consists of a series of complex and diverse business resources such as: modern technological resources, information resources, human resources and all other procedural resources which serve to improve services to end user and customer.

Tourism as a service industry which business is based on selling services, has found great benefits and advantages in using CRM. Different kinds of CRM applications and systems have become extremely popular in all sectors. Thus, in the tourism sector, CRM has become one of the most important strategy in attracting and increasing tourist arrivals, in filling the tourist facilities and in satisfying the needs of guests.

The main goals of CRM are to attract tourists, to meet a maximum of tourists (a new guarantee of return and achieve the most efficient promotion), increase the number of tourists and achieve customer loyalty. It enables more efficient marketing and sales and it improves the overall tourism industry and services aimed at tourists and their preferences. Implementation of CRM systems is very demanding and requires commitment at all levels of the company. Very big problem is the integration of CRM systems with existing information systems in the enterprise. It is often impossible to implement without the use of qualified personnel and software that has the task of bridging the gulf between the CRM and existing information systems to create an integrated system. It is desirable that the companies have been devoting increased funding for implementation of new technologies and that systems, in a short period of time, can realize a return on investment and greatly improve the business performance of enterprises. CRM gives the expected results only if it is fully integrated strategically and operationally in the business and in the information system of tourist enterprise. The fact is that this process and business philosophy will become important in the future, and it will continuously improve its processes and relationships within the company, all in order to reduce operating costs, creating a detailed segmentation of the market and meet the needs of guests.

Key words: CRM, tourism, information systems, new technologies.

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1. INTRODUCTION

CRM as a strategy of modern governance of relationships with consumers gains its meaning, and today is regarded as an indispensable component in the functioning of enterprises in the global market.

CRM is no longer an unknown in the business world, because it comes to his mature phase, and as such is adopted and becomes a widespread trend of modern marketing and business philosophy.

Although we can say and confirm that the CRM is business philosophy, the fact is that the development, strategy, methodology and the evolution of CRM is based on information technology to information technology. Development of CRM is directly linked with the development of new technologies in IT information technology. CRM is reflected in the wide use of sophisticated IT technology for automation activities of memorizing and processing data, the implementation of various analysis and making contact with customers through the available channels. With the rapid development of new technologies, it is made a framework for technological applications of CRM through the development of databases that allow storage of data about individual users, and software that enables the analysis and optimal use of these data.

Conventional perception and profiling of individual customers and customers' segments through a collection of classic customer information such as demographic, psychographic and behavioral elements, with the application of new technologies the data on frequency of purchase, quantity purchased and the time of purchase are added, so you can get a holistic picture of customers which is the source of the information required for successful managing of CRM activities.

Practical use of CRM can be demonstrated in the case of hotels or hotel chains, which actively collect the available data on its guests. All available information and data on hotel guests from the hotel's surroundings are stored in a separate database from which it performs analysis and creates a profile of each guest. Based on the created profile, it is possible to access to each guest in a special and personalized way, because the hotel management and staff are familiar with the wishes and needs of guests. When the hotel has gathered enough information about its guests, it will make classification and segmentation of individual guests or groups of guests, and it will customize the product needs of each individual customer or group of guests.

2. DEVELOPMENT AND USE OF CRM IN CATERING BUSINESSES

Establishing a CRM process is implemented on three levels::[2]
- the operating level - conducted through the operating functions of the company,
- analytical level - based on analyzing the behavior of tourists, the implementation of benchmarking and bussines intelligence,
- Cooperation and collaborative level - achieved through contact with visitors by phone, e-mail, fax, web, sms, mail, personal contact).

It can be concluded that the hospitality and tourism sector, unlike others has a positive attitude regarding the implementation of CRM in the business. Also, special care is taken to the link between CRM and new product development where the
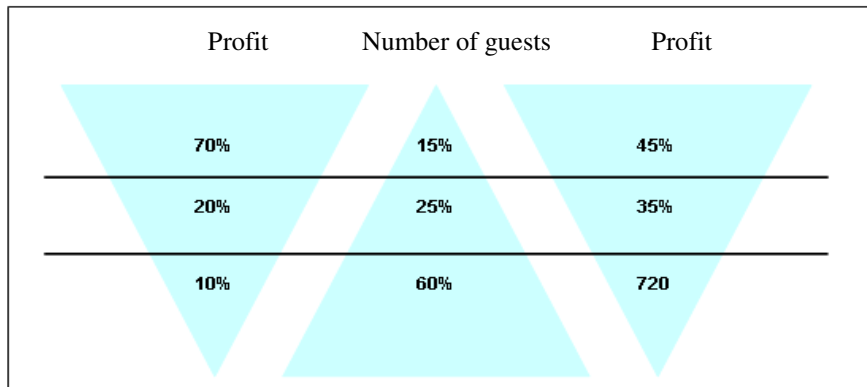
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[2] Stipanović, *Koncepcija i strategija razvoja u turizmu: Sustav i poslovna politika*, 222.

catering company is aware of and recognizes the importance of CRM to create new products and services. Why catering companies and other companies dealing with service activities recognize the importance of CRM, can be represented by the following facts and reasons:

- only 4% of dissatisfied guests will complain to the company that sold him a product or service,
- more than 90% of dissatisfied guests do not want to do business with a company that sold him a product or service,
- satisfied guests do not consider price as a decisive factor, and are willing to pay more for a product or service, if it is on a certain level of quality and if you meet the expectations of the customer,
- reasons for the loss of clients are different, so 3% of clients naturally leaves the market, 5% of customers leave because of the loss of loyalty to the company that sold him a product or service, 9% are leaving from competitive reasons, 14% are leaving due to dissatisfaction with the product or service, a most of the guests, are leaving - 68% because of bad relations between employees and the bad experience in the catering business
- only 15% of guests generates 45% revenue and 70% of profit

To improve their relationships with the guests, for catering business is very important to gather well and carefully information that will be the basis for making business decisions in order to meet the needs of guests. Systematic collection of data and information, and their analysis, will contribute to better understanding, adapting and meeting the needs of guests who will have a positive impact on increasing income and company profits.

Figure 1. The necessity for adaptation needs and priorities of the customer

Profit	Number of guests	Profit
70%	15%	45%
20%	25%	35%
10%	60%	720

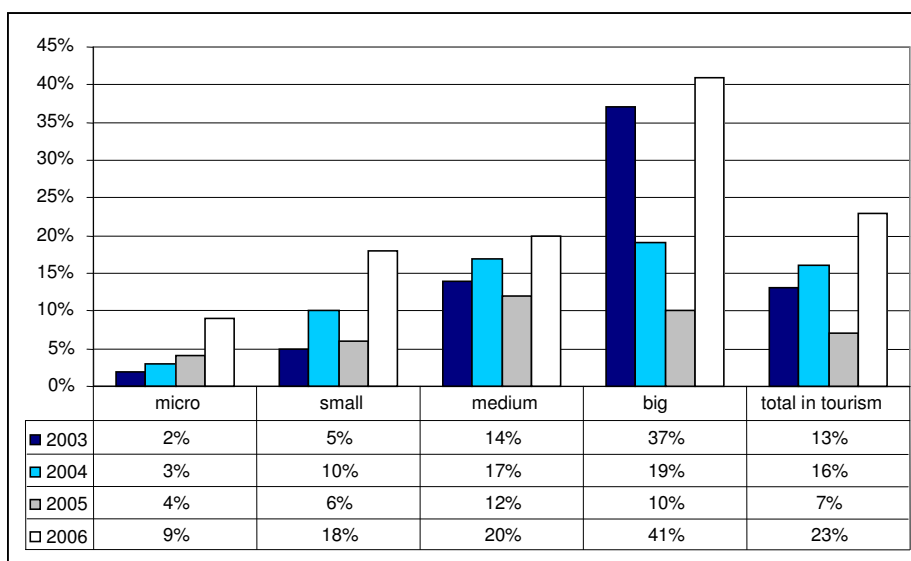*Source: http://www.atosorigin.com/en-us/services/solutions/default.htm*

For the catering company the greatest loss is losing the trust of the customer. A guest who had lost confidence in the catering company is a guest who will never return. Researches show that attracting a new customer is on average six times more expensive than to maintain good relationships and sell products and services to existing guests. World researches of CRM has shown that the customer dissatisfaction with product and service will transfer to their friends and acquaintances, which causes a chain

reaction of negative experiences of acquaintances who have not consumed any particular product or service. The average probability of selling to an existing customer 50%, a new less than 15%, while 80% of the profits the company makes 20% of key customers. 70% of dissatisfied customers will do business again with the company if the source of dissatisfaction is quickly removed.

Analysing the development and implementation of CRM system through the size of catering companies of the EU level, it can be concluded that medium and large enterprises are practicing greater use of CRM, while small enterprises, only recognize the real benefit of the system.

Figure 2. Using CRM in tourism, the comparison by company size

	micro	small	medium	big	total in tourism
■ 2003	2%	5%	14%	37%	13%
■ 2004	3%	10%	17%	19%	16%
▨ 2005	4%	6%	12%	10%	7%
□ 2006	9%	18%	20%	41%	23%

Source: ICT and Electronic Business in the Tourism Industry, ICT adoption and e-business activity in 2005, Sector Report No. 09 (September 2005), The European e-Business Market Watch, str. 54.

Application of CRM in the tourism sector is in its infancy of development and requires a certain period of time in which the companies will recognize the power and importance of its application in tourism. One of the limiting factors are the financial resources needed to deploy and use these technologies, because we know that a large number of catering companies operating at the threshold of profitability or below the threshold of profitability.

Also, another limiting factor of poor representation of CRM systems in the tourism and hospitality is a bad computer equipment of the hotels and the lack of specific, additional services such as wellness and spa facilities, sports facilities and other additional facilities that will serve as a basis for monitoring the behavior and needs of guests. Information systems used to support management is rarely used and often are not aligned within the Department of catering enterprises. CRM systems which are used for support in managing the catering company, are minimum level of the tourism sector, and are rarely applied, mainly in luxurious hotels which have foreign owners.

For other smaller hotels and hotels in the lower categories CRM is not used as a complete software solution, but mostly focus on keeping the data reviews of old guests.

Use of CRM systems in hotels and catering businesses that are owned by foreign hotel chains, it is logical, because the same company took over the business practices and policies, and complete technology solutions and systems from existing business networks and practices. Similarly, policies of these companies, their experience and access to the customer confirm that they understand management processes with guests who are extremely important for business.

The level of CRM in Croatian companies is at a very low level of development. 55% of the interviewed managers of information technology consider that their companies have adequate CRM and that do not possess adequate CRM information systems. Similarly, 51% of the company has no information about the history of relations and interactions with customers in electronic form, less than 15% of companies have a partial solution of CRM software (banking, telecommunications, insurance, information technology and pharmaceuticals), and only 10% of companies have a budget more than 100 000 EUR for CRM. Lack of adequate support for CRM in Croatian companies is a problem because 82% of employees within companies do not have complete information on clients due to the lack of an integrated CRM system, and only 22% of companies have call center for its customers. Managers of IT who are employed in businesses that have no CRM system, 74% of them consider that they should enter into the implementation of CRM. Following the investigations and allegations, GFK poll confirms that Croatian consumers are considered to be international companies on the Croatian market struggling around them as clients as opposed to domestic enterprises.

3. IMPLEMENTATION OF CRM IN CATERING ENTERPRISES

Implementation of CRM systems is very demanding and requires commitment at all levels of the company. Very big problem is the integration of CRM systems with existing information systems in the enterprise. It is often impossible to implement without the use of qualified personnel and software that has the task of bridging the gulf between the CRM and existing information systems to create an integrated system. For enforcement and implementation of CRM systems in the enterprise, it is necessary at the outset of the project to train staff, improve their skills through training and familiarize them with the introduction of new technology and work organization. Human resources are the most important factor in the implementation of CRM because they are in direct contact with tourists, and may disclose all of their desires, needs and expectations. Disposal of the necessary information, the company can analyze the thinking and behavior of tourists and assess the level of satisfaction. Implementation of CRM system requires large financial expenditures, and before deployment, and before selecting a very important decision to make a business plan for the implementation of CRM systems. In order to implement CRM system formed a special team tasked with monitoring and coordinating all activities related to implementation of CRM systems. Implementation Team usually consists of: business sponsors, committee for managing the CRM project, the project owner, project manager of implementation, technical manager of implementation, integration expert, head of business department, specialists or managers of information technology, key users, consultants and software suppliers.

Key factors for successful implementation of CRM are:

- setting goals that are measurable, achievable, and guided solely with company's business strategy,
- confirmation of strategic management in setting and achieving goals in which the executive managers are major providers and responsible persons in the project implementation of CRM,
- members who participate in the project implementation, and resulting from all company business processes in order to participate in the organization, creating and collecting all useful information on creating new business processes,
- clearly defined limits with clear partial and measurable indicators and targets, based on which we can clearly conclude the phase in the project implementation,
- provide training and professional development for all staff involved in implementing the new processes and programs.

No single project or business process of CRM will not be successfully derived and implemented if they do not define goals and strategies of CRM. The success or failure of CRM systems depends on the objectives and strategies which must be clearly posted. In order to set realistic goals and strategies of CRM, it must consider the following questions on which a company must have clear answers:

- why we need the implementation of CRM system,
- what are the causes of poor functioning or not functioning of the current system or process,
- what are the most critical point in the process or system,
- where is possible to save time, money and other resources,
- what are the specific tasks that we want to automate
- sectors within the firm will first feel the strength and success of the implemented system,
- which existing processes and sectors will be integrated into the CRM system and strategy, and
- which external processes and sectors will be involved in the development of CRM systems and strategies

Despite these problems of the system, CRM represents imperative for the development policy of catering companies that wish to actively create the future, to follow and be ahead of the preferences of tourists, and implement a new bid in order to achieve competitiveness in the tourist market.

It is necessary to continually improve the CRM model in order to redefine development strategies and business objectives. In order to successfully implementing a CRM system, Peter M. Dascalos defined seven critical steps for successful implementation of CRM, which is divided into two phases:[3]

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[3] www.crmodyssey.com

Phase I – Analysis and strategy
- strategy - set up a clear business strategy of catering company
- evaluation - assessment of methods for quality evaluation of project implementation
- improvement - establishing process of improvement within a catering company
- Report - documenting business and project requirements and selection of suppliers of CRM business package

Phase II – Implementation and development
- infrastructure - establishing the necessary infrastructure
- implementation – implementation of CRM business system within the catering company
- training - ensure and provide specially designed training for staff of catering companies, implement CRM business system within the catering company (department reception, restaurant, housekeeping, department of technical services and maintenance, sales department, marketing department, purchasing department, entertainment department, department of spa-wellness and others).
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Implementing of CRM is a complex task for the company, even for a company that has the necessary knowledge, skills, experience and resources already implemented system which is constantly upgraded. Causes of failure in implementation of CRM are different, but mostly they are caused by poor quality of organizational changes, the wrong policies of the company, the incomprehension of the CRM system, poor planning, etc. Through these facts, the key reasons for failure can be:
- incorrectly defined strategy - the causes are: not clearly defined strategy and close to all the employees, the strategy which does not follow current trends in the tourist market, has not achieved the quality of communication with tourists, are not set indicators and measurement process control, implementation of CRM before creating a strategy for quality approaches with tourists, using the system prior to the reorganization of work processes in an enterprise,
- incorrect implementation - all tourists are not monitored and their overall requirements were not analyzed, the process is not enough optimized and improved, the assumptions of companies that continually upgrading CRM's technology guarantees a secure success, the practice do not confirm.
- inadequately trained staff - in the process all staff in contact with tourists must be actively engaged, and adjust their own activity with new preferences of tourists, one can not expect the staff's positive effects if the company still has not been pre-set tasks and goals to achieve.

One of the biggest causes of failed CRM implementation is management thinking that the CRM system is based and driven by technology. The vast majority of entrepreneurs or managers are thinking in a way that is most important to find a supplier of software and technological CRM solutions, whose services will not significantly affect the finance company, and would thus remove most of the

deficiencies within the company. Unfortunately, this is the worst option you can choose. CRM initiatives and implementation must be guided by business goals, using a strategy of selecting the most important products or services on the basis of which will achieve the best results. Although the goals and strategies of the company are considered essential, however, most failed attempts at implementing a CRM orientation occurs due solely to the IT technological process in which key factors are absent - such as human resources, set goals and strategies in satisfying consumers. Faults that may arise in the implementation and application of CRM system:

- implementation of the system requires significant time and effort of the entire enterprise,
- as much as the implementation process is longer, the costs are increasing and the probability of failure is higher,
- it can increase the accumulation of backlog which will negatively affect the reputation and the organization of the company, and customer dissatisfaction,
- expectations that the implementation of the system in company will immediately achieve competitive advantage over competition

Failure to implement CRM for the company represents a huge loss in financial terms and time, and it affects negatively on human and organizational resources that they have lost confidence in management and business. It can be concluded that in the implementation of CRM system most of the problems are caused by lack of organizational nature, and very rarely causes may be technical. Organizational problems are related to the lack of support of management, managers and heads of various departments within the enterprise, and insufficient knowledge of modern technology business.

Graph 2: Causes of unsuccessful implementation of CRM system

Source: http://nucleusresearch.com/library/microsoft-roi/f9.pdf
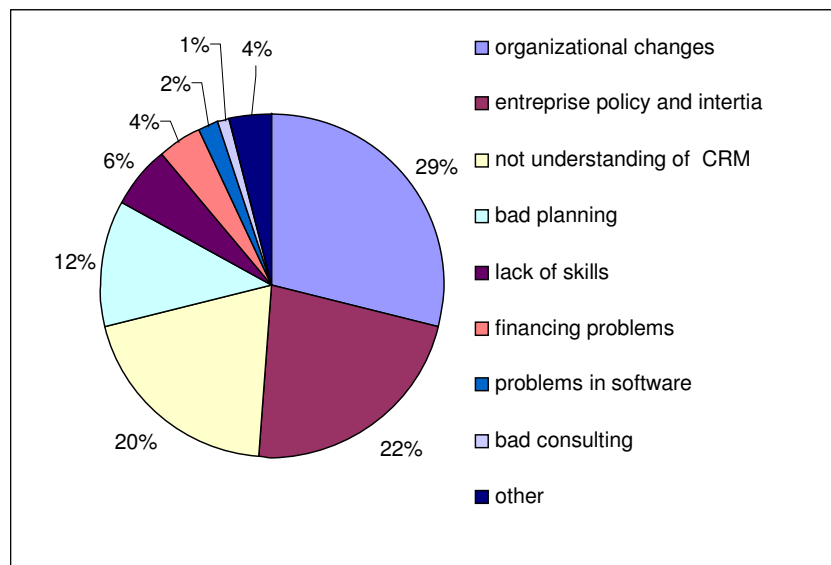
Also, from the perspective of entrepreneurial businesses in tourism, there is a potential problem in the implementation of CRM and the use of obtained information since in the business relationship there are three interested parties who have different interests in collecting and processing information, namely: the owner, manager and franchisor. The potential conflict between these parties may be a limiting factor in the overall approach to implementation of CRM.[4] It is desirable to business and professional implementation of policies the use of data and information about the guests who have to be solely in a function of satisfying their needs in creating a good long term business practices of catering company.

Benefits of CRM in a hotel company is that at the center of the business process puts the customer who has become an indispensable part of ''living'' processes through which the company achieves a great competitive advantage. CRM provides efficient and measurable attracting new guests and promotes loyalty and satisfaction of existing reviews. In addition to increasing customer satisfaction and retention of their CRM implementation, the most common benefits of the introduction of CRM systems in the hospitality businesses are:

- integration of marketing and processes in tourism and hotel business,
- planning and organization of targeted campaigns,
- attract new guests and keep the old, loyal guests,
- transparent reporting,
- improving efficiency on the basis of relationship marketing and sales,
- reducing the cost of sales and marketing,
- improving business processes and productivity,
- recording of all contacts with tourist- guest in any segment,
- the ability to define the type and segment contacts, and tourist-guest,
- historical records of interactions with each guest,
- open access and consistent information sharing in the company,
- analysis of competition and entering in new markets.

Catering companies in certain tourist destinations would have soon to adopt the practice of successful international companies that have recognized the importance and benefits of CRM as a key strategy in achieving success and the foundation for building a sustainable competitive advantage. Also, it is desirable that the companies have been devoting increased funding for implementation of new technologies and systems in a short period of time can realize a return on investment and greatly improve the business performance of enterprises. CRM gives the expected results only if it is fully integrated strategically and operationally in the business and information system of catering company. The fact is that this process and business philosophy will in the future become more significant, and that it will continuously improve its processes and relationships within the company, all in order to reduce operating costs, creating a detailed segmentation of the market and meet the needs of guests.

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[4] Piccoli and others, »Customer Relationship Management – A Driver for change in the Structure of the US Lodging Industry.«

CONCLUSION

With rapid development of new technologies, framework for technological applications of CRM are developed through the development of databases that allow storage of data about individual users, and software that enable the analysis and optimal use of these data.

It can be concluded that the hospitality and tourism sector, unlike other has a positive attitude regarding the implementation of CRM in the business. Also, special care is taken to the link between CRM and new product development where the catering company is aware of and recognizes the importance of CRM to create new products and services.

Human resources are the most important factor in the implementation of CRM because they are in direct contact with tourists, and may disclose all of their desires, needs and expectations. With disposal of the necessary information, the company can analyze the thinking and behavior of tourists and it can assess the level of satisfaction. Implementation of CRM system requires large financial expenditures, and before deployment, and before selecting the solution it is very important to make a business plan for the implementation of CRM systems. In order to implement CRM system a special teams are formed which are tasked with monitoring and coordinating all activities related to implementation of CRM systems. Implementation Team usually consists of: business sponsors, committee for managing the CRM project, the project owner, project manager of implementation, technical manager of implementation, integration expert, head of business department, specialists or managers of information technology, key users, consultants and software suppliers.

Implementation of CRM is a complex task for the company, even for a company that has the necessary knowledge, skills, experience and resources already implemented system which is constantly upgraded. Causes of failure in implementation of CRM are different, but mostly they are caused by poor quality of organizational changes, the wrong policies of the company, the incomprehension of the CRM system, poor planning, etc.

CRM gives the expected results only if it is fully integrated strategically and operationally in the business and information system catering company.

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