The Power of Customer Relationship Management – A New Marketing Trend for Hospitality in Globalization Context

(Case Study of Hanoi Old Quarter)

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Abstract

Customer Relationship Management is known as an effective method which helps administrations to solve many customers problems. Nowadays, every business which wants to survive and develop needs to improve its customer relationship management department. This research analyses the literature review of *Hospitality, Customer Relationship Management (CRM),* summarizes methodology to proceed and evaluates the reality of CRM for hospitality in Hanoi Old Quarter in Vietnam. Based on researching data result, author takes solutions to improve CRM for hospitality in Hanoi Old Quarter in Vietnam.

In the hospitality sector, especially for hotel business in the old city center of Hanoi, 90% of visitors are foreigners and mainly through online (OTA) sources. The booking process for foreign visitors traveling to Hanoi was presented in the study of Dr. Ha Nguyen Van (2015) "The power of online marketing for hospitality in Vietnam in globalization context" showed that before booking a room, they were able to find out the hotel by reading reviews of customers who had experienced the hotel through the channels such as tripadvisor, booking.com .... The Old Quarter hotel is primarily concerned with customer reviews, customer service to keep customers happy and satisfy about the hotel. And these good reviews are the most effective way to help hotels boost sales, boost hotel branding, and promote the image of the hotel.

This research has a scope of surveys which were done in Hanoi, Vietnam. Nevertheless, it serves as the grounds for all travel agencies and hotels doing business in Hanoi to re-examine their online marketing activities and consider the findings of this paper as reference for further research.

Keywords: CRM (customer relationship management), online marketing, hospitality

1. Introduction

As an economy develops, the living standards of the people improve, which in turn, makes the country more appealing to the world, and as it become more appealing, more and more tourists visit, especially as the country promotes itself. This causes the need for a tourism industry to develop, furthering the need for more hotels and other facilities to accommodate the tourists, causing the tourism industry to outpace the growth of the country's GDP.

In a recent report by UNIVERSTO (UNWTO), Vietnam stands in 6th place about developing tourism in the first half of 2017 worldwide. This is a result from the effort of every department which tries their best to make tourism become the key industry of Vietnam.

In 2017, Vietnam's tourism continued its impressive growth momentum, and in November of that year, the number of tourists who visited Vietnam reached nearly 1.2 million, up 14.4% over October. November was also the 8th month of that year in which the number of visitors exceeded 1 million. If this growth continues, it is projected that the number of tourists visiting Vietnam this year will exceed 13 million, up over 28% from the year before. This growth has contributed to the tourism revenue this year of nearly VND515 trillion, up 25.2% from the same period last year, or US $23 billion, contributing 7% to the GDP of the country.

The highlight of the tourism industry was in the beginning of 2017 when the Politburo issued Resolution No. 08

on tourism development which spearheaded this economic sector. The XIV National Assembly adopted a revised law on tourism, leading to two new visa policies for entering Vietnam and further extended visa exemption for tourists from five Western European countries. (France, Germany, England, Italy and Spain). These two new policies by the national government contributed to the high growth rate of tourists to Vietnam.

In the past, marketing was often understood as a way to sell goods and services immediately to consumers. In today's multi-dimensional world, if all relationships come from unilateral interests, it would be difficult to survive. Therefore, marketing today must be understood as a combination of activities that serve the needs of consumers and businesses alike.

The ultimate goal of marketing is to accurately understand what the consumer wants or needs, and equally important is to know who your competitors are. If your customers are pleased, psychology, they will return, but if they are not, they will find something else. Previously, and in many developing countries, the success of a business was only determined by the sales of one day. Now, the success of marketing is not only measured by the amount of sales that are made every day, but more importantly by the amount of loyalty that a business has from its customers. The success of the business does not stop with just one sale, but must maintain a loyal customer base. A recent report indicates that more than 90% of consumers looked for information from at least two different sources on the internet, leading to the assumption that consumers do change their minds. Therefore, CRM is an important factor that impacts how a customer chooses a hotel. How can companies and organizations promote their CRM strategy to bring about the best outcome?

The research did a questionaire in Hanoi so as to collect opinions of foreign tourists in Hanoi, specialy in The Old Quarter. Authors will show the statistics of the surveys in order to proof the role of CRM to hospitality in Hanoi. Therefore, we will propose some solutions for travel agencies, hotels to develop their CRM and serve the customers better.

2. Literature Review

2.1 Hospitality

2.1.1 Definition

- Hotel: A hotel is an establishment that provides lodging for consumers as well as meals, entertainment, and other guest services appropriate for the purpose of the trip.

- Customer Relationship Management: Swift (2000) defined CRM as a method of understanding the customer behavior through intense communication to improve the performance which is represented in attracting the customer, keeping and increasing loyalty and profitability. It can be noticed that this definition regards CRM as mere communication on the part of the organization to understand the customer's behavior. Stone & Findlay (2001) defined CRM as the organization carrying out a lot of information about the customer from various resources and keeping it in order to divide the territories, analyze and reuse. This definition regards CRM as only collecting and recording information about the customer.

- Payne & Frow (2005) demonstrated that there are various points of view related to the concept of CRM. Whereas, some points of view were in favor of regarding CRM as correspondence in direct mail, a diagram for customer loyalty programs or databases, other points of view regarded it as an assistant office work or a call center. Still, some considered it data storage or taking care of data search and processing. Finally, some considered it gaining the systems that make it able to perform ecommerce. According to Payne & Frowb (2005), the obvious lack of accepted and appropriate definition of CRM may lead to the failure of the project of CRM, particularly if organizations adopt the limited point of view, which is related to specific technology (the technological dimension).

According to the conceptual framework proposed by Faed (2010), customer relationship management amplifies the relationships of customers and competitors in a firm to increase the share of the organization in marketplace by integrating technology, procedures and people. In fact, the aim of CRM is to maintain the customer and increase customer loyalty and organization profit result in strategies and business function transformation. Customer satisfaction and pleasing are two main elements in a successful CRM implementation for retaining customer's loyalty to a firm

Customer Relationship Management is a technology for managing all your company's relationships and interactions with customers and potential customers. The goal is simple: Improve business relationships. A CRM system helps companies stay connected to customers, streamline processes, and improve profitability.

When talking about CRM, it is usually referred to a CRM system, a system that helps with contact management,

sales management, productivity, and more.

A CRM solution helps the business focus on their organization's relationships with customers, service users, colleagues, or suppliers, including finding new customers, winning their business, and providing support and additional services throughout the relationship.

- Service marketing offers different types of marketing for the purpose of helping clients advertise and develop products that bring benefits to their customers and for their businesses.

2.1.2 Hotel Reservation

The way in which the hotel introduces themselves to visitors and sells rooms:

- Introduce and sell rooms directly on the hotel's website

- Introduce and sell rooms through worldwide booking pages: Booking.com, Agoda.com, Expedia, Hostel world, etc.

- Use other tools: Facebook, Twitter, Google+, etc.

- Website: not only hotels but also most enterprises decide to build their own website. Websites are the face of the businesses as well as an advertising medium providing adequate information. Technology advancement has helped customers to make reservations on websites for their hotels.

- Online booking sites (OTAs): Booking, Agoda, Expedia, Hostel World, etc. are well-known sites providing lists of hotels around the world for customers to choose from.

2.2 Customer Relationship Management (CRM)

2.2.1 The movement From Mass – Marketing to CRM

Table 1. The movement from mass – marketing to CRM

Mass-marketing	**CRM**
Anonymous customer	Identified customer
Standard products	Personalized service
Mass production	Make – to - order
Mass message	Personal message
One – way communication	Interactive media
Market share	Share of customer
Key market policies	Lucrative customer policy
Product management	Customer management
Product differentiation strategy	Customer differentiation strategy
Sell products to customers	Cooperate with customers
Find new customers	Find new deals from existing customers
Rate of return on sales	Rate of return on customers

Source: author synthetics from CRM

2.2.2 Customer Behavior

• Demand: Demand is the want of individuals, groups or organizations, which can be tangible or intangible. When the customers have a strong demand, they will look for relevant information about the products or services.

• Information searching: Searching for the supply chain or the procedure to meet the demand. The customer can opt for these following basic sources:

- From individuals: family, friends, neighbors, etc.

- Commercialized information: trade events, exhibitions, advertising, sales staff, etc.

- Public information: advertising materials, public opinion, etc.

- Experience, sampling, testing, etc.

The degree of impact of the above information sources changes depending on the type of product and customer characteristics. The result of gathering information is that the client obtains a "brand collection" of products. The marketers' aim is to provide information to sustain attention and respond to consumers' needs so that afterwards their hotel will be included in the assessment group.

• Assessing alternatives: any field of business consists of various suppliers; therefore, it is a benefit for consumers to have a choice. Customers mostly have their own criteria and requirements while searching for a supplier. When evaluating relatively competitive brands, the consumer's point of view can be based on some basic tendencies.

- Based on the product attributes

- Classification of level of importance of the attributes

- Building trust associated with the brand

According to Butterworth and the other authors in "Marketing in travel and tourism" (2009), the factors affecting demand and the decision on the hotel of the tourists include:

✓ Economic factors and price

✓ Demographic characteristics of visitors

✓ Geographic factors

✓ Social - cultural factors of the destination

✓ Infrastructure of the destination and neighboring attractions

✓ Media

✓ Information technology and techniques

• Buying decision: At the end of an evaluation period of alternatives, the consumer can gather groups of suppliers sorted by criteria. The intention to buy is not always reliable because the buying decision is also subject to constraining factors.

• Post-purchase evaluation: post-purchase satisfaction or dissatisfaction will affect the following buying behavior of the consumer. High satisfaction happens when the product meets the expectation and desires of the consumer. Satisfaction or dissatisfaction of consumers will influence their attitude when there is a demand for repeating purchases and dissemination of the product's information.

2.2.3 The Stages of CRM

Before the relationship

⇩

Create a relationship

⇩

Maintain the relationship

⇩

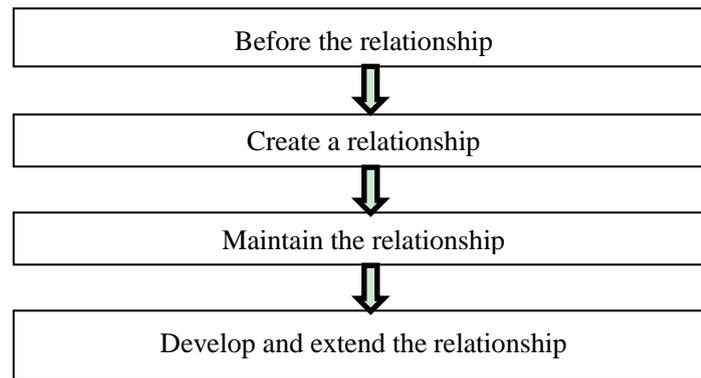| Develop and extend the relationship |
| :---: |

Diagram 1. The stage of CRM

Source: author synthetics

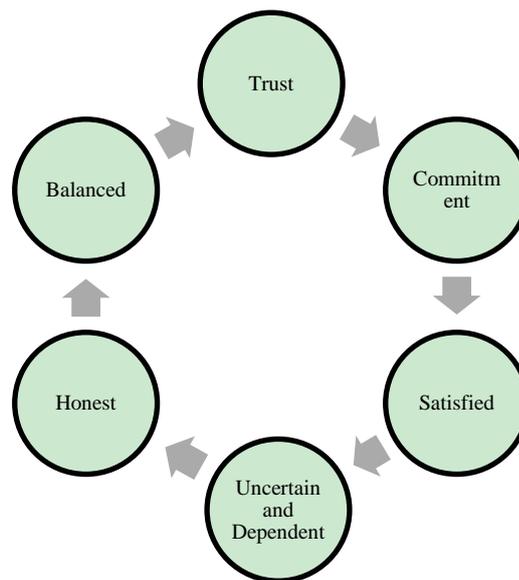2.2.4 The Elements That Make up a Relationship

Diagram 2. The elements that make up a relationship

Source: author synthetics

2.3 Methodology

• The research was conducted over 2 phases. During the first stage, the author carried out preliminary interviews about demand for traveling as well as accommodation of inbound tourists, and the evolving issues around their traveling habits to foreign countries, especially to Vietnam. The central concern was the chosen accommodation in the desired destination. What determines the choice of guest accommodation, the issues, or elements revolve around the accommodation. This preliminary interview process supported the author in completing the quantitative survey in the second stage. During the latter phase, the author performed in-depth interviews with questions designed and edited based on the preliminary interviews. The target number of participants was 225 people. The samples were taken according to a convenient sampling method, with 100% of total samples from tourists traveling in Vietnam (in particular: Hanoi), staying in hotels in Hoan Kiem District area, and finding a hotel for the next destinations after leaving Hanoi.

- Researching about the demand of travelers will help the administrations improve and develop their CRM department and understand more about their customers.

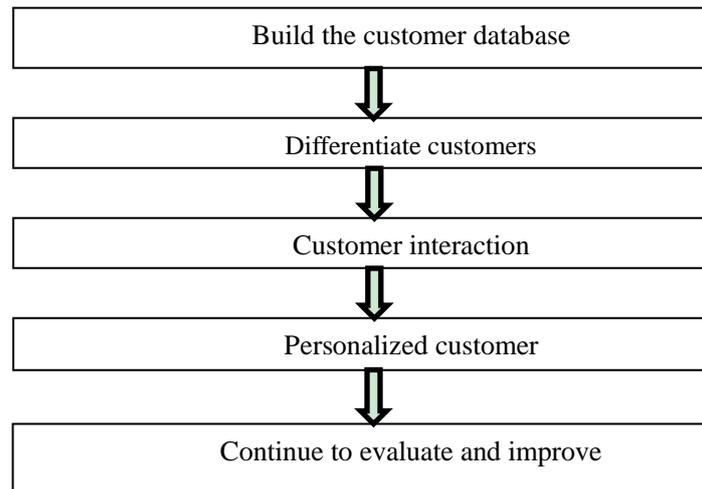*2.4 The Research Findings*

The process of CRM (*Bodenberg, 2001*)

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┌─────────────────────────────────────┐
│      Build the customer database     │
└─────────────────────────────────────┘
                  ⇩
┌─────────────────────────────────────┐
│        Differentiate customers       │
└─────────────────────────────────────┘
                  ⇩
┌─────────────────────────────────────┐
│         Customer interaction         │
└─────────────────────────────────────┘
                  ⇩
┌─────────────────────────────────────┐
│         Personalized customer        │
└─────────────────────────────────────┘
                  ⇩
┌─────────────────────────────────────┐
│      Continue to evaluate and improve │
└─────────────────────────────────────┘
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Diagram 3. The process of CRM

Source: Bodenberg, 2001

3. The Reality of CRM for Hospitality in Hanoi Old Quarter in Vietnam

3.1 The Advantages

- Initially, most hotels have made significant achievements through the simple ways to manage their customer relationship such as live conversation, staff – customer engagement events which create a distinctive and beautiful image for these hotels.

- In response to customers' feedback, the staff also gained the lessons and experience to develop the hotel better. Typically, the hotels receive both good and bad feedback and always give the sincerest respect for the customers.

- There is a fundamental awareness of the importance of customer relationship management in the hospitality, travel and service industries. Although there are no clear, specific and long-term strategies, this is also an important factor contributing to the development of future plans.

- Based on the results of some questionnaires which obtained some positive results:

- Questions and complaints from customers are answered promptly: 4.1% disagree; 8.2% neutral; 87.7% agree with this opinion.

- Customers are concerned, flexible for the legitimate requirements: 3.1% disagree; 5.1% neutral; 91,8% agree.

- The staff provide information and listen to the feedback from customers: 1.5% disagree; 2.2% neutral; 96.3% of customers agree with this opinion.

- Hotel provides services tailored to customer needs: 2.5% of customers disagree; 7.5% neutral; remaining 90% of customers agree.

- Our hotel system understands the needs of customers: 2.8% of customers disagree; 8.5% of neutral; remaining 88.7% of customers agree.

- There are many attractive promotions: 4.7% of customers disagree; 3.5% rated neutral; remaining 91.8% of customers agree with comments

- The hotel is interested in giving gifts on holidays: 34% of customers disagree; 23% rated neutral; remaining 43% of customers agree.

3.2 Difficulty

- There is no synchronization between working shifts and the coordination between employees is not really identical. Employees sometimes do not really know the customer or customer information, causing difficulties in understanding the needs of customers.

- Language barrier is also one of the factors affecting the quality of customer service of the hotel. English is still the main language. However, due to the particularity of the hotel model with guests from many countries such as France, Korea, China, Japan, ... These are typical customers and requires the staff to learn and improve their skills to serve these groups.

3.3 Reasons for Difficulty

- There is lack of attention and investment in CRM, no clear plan for long-term strategies as well as the management and supervision of this work is still lacking, and no uniformity between staff levels exist.

- There is no team or department in charge of customer relationship management. It is mostly taken care of by sales staff who also have the responsibility for customer care, making holes in the organization because the sales staff cannot work professionally on both at the same time and bring the highest efficiency.

4. Solutions to Improve CRM for Hospitality in Hanoi Old Quarter in Vietnam

4.1 Complete Customer Database

- Diversify customer contact channels: enhance live communications, organize customer conferences to collect ideas of customers, make surveys via poll, mail, fax, phone, internet ... to collect more information about customers.

- Collecting customer information across the whole department of the hotel and encourage staff to have more information when providing services to customers.

4.2 Improve Customer Interaction

- The staff should advise and respond adequately and promptly to inquiries or complaints from customers. If the scope of the complaint has not been resolved, then the staff must promptly notify and consult with management. If these customer requirements can be flexibly implemented, they should be solved immediately.

- Procedures, notices, and transactions need to be processed as quickly as possible so as not to waste the time of the customers.

- The system should immediately provide the cost of the room so that customers can easily make a decision. Once a reservation has been made, acknowledgement from the hotel is an important step to further interaction between the hotel and the customer.

- Diversify forms of communication such as email, SMS, telephone, internet ... to inform customers of the policies and services offered by the hotel in a timely manner. Focus should be placed on the most popular information channels, such as messages, posters, and advertisements on the Internet.

- Build a marketing department that is proactive in communication.

- Develop marketing and communication tools appropriate to each type of customer. Marketing messages and communication should be simple, understandable and receptive.

- Evaluate the effectiveness of each interaction, and make appropriate adjustments if needed.

4.3 Attracting Potential Customers

- For customers who have not yet known the hotel: the purpose is to make an identity for the customer, the author proposed solutions:

  - Use advertising tools such as newspapers, websites, or banners.

  - Hold meetings to reach customers.

- Use direct marketing tools to create your initial link between company and customer such as letters, price list, remuneration, promotional program by email. Make a phone call to the sales rep, the customer directly, or meet customers directly at the hotel or at the customer's company to consult, create closeness, and trust.

• For customers who are already acquainted with the hotel and the services offered: for the purpose of making customers aware of the services of the hotel, the author proposes:

- Send gifts to guests who regularly use the hotel's services on international celebrations (Thanksgiving, Christmas). Marketing those gifts as a way to encourage consumption for other customers.

- It is possible to set policies that specify: For loyal customers who regularly use hotel services, make membership cards and provide promotional policies. For those who successfully recommend the hotel to friends and relatives, give them vouchers and coupons to use the services of the hotel on their next visit.

4.4 Evaluate the Effect of CRM

• Evaluating plan completion: monthly, customer relationship department will record sales and compare it to the forecasted budget to evaluate the effect of sales.

• Evaluating the quality of customer service: the department is responsible for statistically evaluating the information from the data of customer feedback on the quality of products and services.

• The level of trust of the customer about brand, products, services ...

• Rate of satisfaction of customers using products and services.

• Assess customer loyalty and customer knowledge.

• In order to have customer reviews, the hotel may use questionnaire surveys, data collected from business results, leverage relationships, communication from customers ... then analyze the results.

• In order to obtain honest evaluation results, the hotel needs to develop a relationship management department to conduct the assessment from the customers and employees. In addition, in order to assess and guide the completion of customer relationship management, it is necessary to gather additional sources of information from competitors. If the information is collected, customer relationship management will have an informative report on the practical solutions to help companies improve customer relationship management.

5. CRM Is a New Marketing Trend for Hospitality

✓ Valuable channels which attract the most customers to your business: statistical software, tracking the rate of customers who register/use services through sales channels such as websites, telesales, live sales, Facebook, etc. This in turn helps businesses focus on promoting the most effective sales channels, increasing the conversion rate of consumption.

✓ Increase levels of assurance and deeper relationships with customers: through tight customer information management, optimal customer care, customer appointment reminders, and sales effectiveness reports.

✓ Increase website accession, conversion rates, and increase search rankings: In CRM software, you can report on article rankings and online products over time and evaluate quality scores. Increases or decreases in the article's position from which the marketing staff takes appropriate action to promote the article's marketing campaign is essential, increasing search and click rates.

✓ Engage potential customers: classify customer groups, link customer needs with appropriate services, messaging/email to customers according to business-building campaigns.

✓ Use a more effective marketing budget for each specific customer.

✓ Build a faster marketing strategy with better targeting.

✓ Develop "word of mouth" effect which brings the image of hotels further.

➢ CRM is an optimal strategy for the sustainable marketing development of the business. Storing all customer information in the same system helps managers capture all activities within the hotel which will enable the hotel to make changes and decide future goals and appropriate policies to help them improve.

6. Conclusion

The benefits in commercial transactions must be directed to both the buyer and the seller. Therefore, a successful marketing effort is to make the customers and businesses feel satisfied.

In fact, CRM is an optimal strategy for the long-term development of the business. The systematic storage of customer data in a systematic way that helps the enterprise to obtain the optimal data source for the research and analysis of consumer behavior and to make precise predictions about future consumption trends, and that is the competitive advantage of the business.

CRM provides particularly useful tools for a wide range of marketing requirements, from managing marketing campaigns, E-mail Marketing, gathering clues online, building marketing databases to Strategic marketing campaign of the business. CRM also helps sales force collect, screen, care for business clues, identify and target the best clues. The marketing management function of the CRM allows management and measurement of the effectiveness of marketing campaigns by email, correspondence and direct marketing management of the list of potential customers and marketing resources internally.

Customer service is an important difference between businesses, CRM allows to record, track and manage service activities, timely customer support, help businesses improve customer service experience. Through the customer service portal, the customer service requests are sent to the system and answered by the customer care staff. The system also offers the option to create a basic knowledge which base from the problems that have been resolved into common questioning situations so that customers can look it up when needed, without the need for time to solve the problem. This offer with new customers and the level of customer support is enhanced to the professional level

With the purpose of identifying factors that influence the demand of tourists coming to Vietnam, especially to Hanoi, the importance of tangible elements, the elements that create the value added for the hotel will affect the customers' decision.

The research results and statistics stated the role and benefits of effective CRM. Much research has showed effective CRM tools such as building the connection among social networks, email marketing, advertisement… all help increase the influencing effects of hotels as well as increase the reservation numbers. However, the critical point is how to manage, apply, and use those tools to make a united and focusing result, and to make the most effective business and minimize the budget. In addition, each hotel should understand clearly its own strengths and weaknesses in services, thus can build up its own business strategies. Understanding tangible and intangible values that the customers care about is a competitive advantage for each hotel in order to know what to do and how to survive and grow in a competitive business environment while the context of economic crisis can still affect the current situation.

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