



## Relationship Management in Hospitality Industry: The case of Hotels in Ghana

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### Abstract

Customer relationship management (CRM) has become one of the hottest topics of interest in both the academic and practical across multiple disciplines. The current economic climate, increase in population, the emergence of businesses and the arrival of the internet have all made business environment very competitive and CRM very crucial to organizational performance in public, private, and nonprofit sectors. There have been several studies exploring CRM in various industries in developed countries. Much has not been in developing countries, particularly, those in sub-Saharan Africa and Ghana in particular. More importantly, limited literature has examined the CRM in the context of hospitality management. Studies that examine CRM and hotel performance found a strong relationship between CRM and hotel performance. In this study, we examine CRM in the hospitality industry in Ghana using a conceptual model that explains how the hospitality industry can make good use of CRM to improve hotel performance. This study further demonstrates how CRM dimension can be developed using various marketing tools in the hospitality industry.

**Keywords:** CRM, Hospitality Industry, Hotel Management, Marketing

### Introduction

There has been growing interest in CRM in recent years in business and other fields of study and practice (Balaram and Adhikari, 2010; Becker et al., 2009; Dimitriadis and Steven, 2008; Ozgener and Iraz, 2006). The concept of CRM has grown over the years in explaining loyalty of customers to a particular business. Various studies on CRM have established that the establishment of a good relationship with clients is the mainstay of having loyal customers that bring much business than non-loyal customers (Dowling, 2002).

The Hospitality industry is one of the potentials Social CRM because of its two primary drivers, mainly, Segmentation and Uniqueness (Becker et al., 2009). The identity of the hotel and the personality of the staff matters as well as the customer satisfaction. Hotels offer similar incentives, as such, to make a difference, building of trust and having customer loyalty leads to prolonged profitability and viability of the business.

Technology has offered several options to business regarding how to keep in touch with clients and make them loyal. However, this goes with cost. Every business, including the hospitality industry, spends so much on an advertisement, to enhance its customer service and customer experience. Companies engage the services of various marketing tools as a way to enhance customer experience. Among these tools include promotions and other different forms of loyalty programs. The use of CRM mechanism is found to reduce cost and decrease the hassles in reaching out to customers especially through the use of social media.

Consequently, having a successful implementation of CRM strategy benefits organizations. More importantly, adopting CRM within an organization can increase sales through better “market segmentation, customizing products and services, obtaining higher quality products, gaining access to information and employee satisfaction” and will ensure greater retention of customers as well as their loyalty (Alomtairi, 2009; Ozgener and Iraz, 2006; Stockdale, 2007; Verma and Chandhuri, 2009).

Studies on CRM primarily focus on specific service sectors, such as banking and the insurance industry (Akroush et al., 2011; Becker, Greve, and Albers 2009; Eid, 2007; Hussain et al., 2009; Krasnikov et al., 2009; Sin, Tse and Yim 2005), technology and telecommunication (Almotairi, 2009; Beldi et al., 2010), and healthcare delivery (Bunthuwun et al., 2011; Hung et al., 2010). The literature on CRM in the hospitality industry is lacking, in that, much studies have not explored the concept and its appropriate use in the hospital industry (Luck and Stephenson, 2009; Wu and Lu, 2012). More particular, the concept is still at infant stages in developing countries and Africa in particular.

Several studies documented the importance of CRM in the hotel and hospitality industry (Akroush et al., 2011; Sadek et al., 2011; Sin et al., 2005). Hence, it is important also to explore how CRM is used in developing countries in sub-Saharan African and how the hospitality industry can harness the concept to its advantage. Extending the CRM concept to the hospitality industry for hotel performance is relevant both in theoretical perspective and empirical perspective.

### The Hospitality Industry in Ghana

The hospitality industry in Ghana is of age and dated back to the colonial era. Though the hospitality has been in existence for a very long time, service quality compared to international standards is still at the infant stage. There have been several efforts to improve the norm within the sector; however, the industry faces many significant challenges. These challenges range from human resources through financial to technological equipment.

The Ghana Tourist Board, the government agency responsible for providing oversight responsibility over the hospitality industry have over the years, came up with various legislations to help address the many challenges facing the sector. These legislations, though passed through the national assembly are still on the shelves, yet to be implemented. Ghana has over 1,838 hotels registered with Ghana Tourism Authority. A recent survey by the Ghana Hotels Association indicates that the various services provided by the hotels in Ghana mainly failed to meet the required standards set by the

Ghana Tourism Authority. Aside the 5 and 4 Star hotels that are meeting the standards, the budget, and lower class hotels are providing lower and sub-standard services that fall below the standards set by the Ghana Tourism Authority. Among the revelations include poor customer service, poor staff looks and appearance, poor food and poor sanitation. Also, lack of trained chefs and inadequate infrastructure and safety of the guests were among the many challenges. This plethora of difficulties has resulted in low patronage in the lower grade and budget hotels. Most of these hotels record occupancy rates of between 40 and 50 in hotels located in cities and 20 and 25 for hotels located in districts and towns. These results make the hotel industry and the hospitality industry not attractive and make their ranking falls below the international standards. Various nonprofit organizations have made conscious efforts to develop different forms of customer service and various standards as well as training for some selected hotels to improve their services. However, this has yielded limited impact on their performance in general.

Hotels in the cities are experiencing increased in competition, higher customer turnover, and rising customer expectations. For this reason, the performance of hotels in the towns is significantly dependent upon the ability to satisfy customers through effective and efficient delivery of services. One of the regulations in place in Ghana is the requirement for all hotels to register guests who patronize their services. For this reason, all hotels have guest books as a way to the database for all those who visit for their services. This database can be useful in the establishment of close customer relationship with clients and visitors to get feedback to meet their expected needs. Since competition is very keen in the industry, to remain in good business, hotels must satisfy the needs of every customer and their expectations. Accomplishing this goal will involve the understanding of business aspects that persuade customers to be loyal and patronize the services for their next visits. Studies have shown that it costs between 5 and 10 to sell to a new customer than an existing customer. Hence, customer satisfaction, profitability, and loyalty are important factors that the hospitality industry must focus. These factors can best be achieved through the proper implementation of CRM strategies.

### **Customer Relationship Management (CRM)**

The CRM as a concept has different meanings, depending on the circumstances. For example, the concept has different meaning depending on the working environment (Baran et al., 2008; Dimitriadis and Steven, 2008; Piskar and Faganel, 2009). However, in this study, we adopt the definition offered by Mohammed and Rashid (2012). Mohammed and Rashid (2012) define CRM as " a strategic approach that enables organizations to use internal resources (i.e. Technology, people, and process) to manage the relationship with customers for the whole of their lives cycles, in order to create a competitive advantage and improve an organization's performance" (p. 221).

The CRM concept is the ability to manage a customer's knowledge to understand better and serve them. CRM is one of the concepts that places the customer at the center of an organization and sees the client as a pillar of the organization. Customer service is the most important part of CRM. For this reason, the concept is very relevant to the hospitality industry, in that, customer satisfaction and loyalty. Customer satisfaction and loyalty are the two essential components of the increase in revenues and financial performance of organizations.

CRM also integrates the use of information and communication technology and other business processes as a means to satisfy customer needs. In this scenario, CRM is defined as the integration of technologies such as website, social media, accounting programs, marketing programs for the improvement in customer relations. Thus, CRM is the ability to keep customers and make them become loyal customers through the use of various tools that will lead to the accomplishment of these objectives. Anything that has to do with helping an organization manages and maintain clients can be considered as CRM. The key to the success of any organization is the ability to support customers, generate profit and making customers loyal (Mc Kim, 2002). For this reason, CRM is a crucial tool for the hospitality industry, particularly, those hotels that are struggling to maintain customers because it is harder to get a new customer than to maintain an existing one.

### **CRM and Hotel industry in Ghana**

There is substantial evidence in the literature that suggests that CRM is critical to organizations in the profit, public and nonprofit sectors. Organizations that implement the CRM concept in any of its forms reap its substantial benefits. CRM help organizations generate information about customers that in a way help them manage their relationship with the client (Bose, 2000; Kotler, 2002; Mgyuen et al., 2007). Gronroos (2004) also found that because of the intrinsic characteristics of the production and consumption of service organizations, it is necessary for these types of organizations to build relationships with customers. These go to confirm how important CRM is to the hospitality industry because of its nature of service oriented.

It is the requirement for all hotels in Ghana to collect data on customers. For this reason, Kotler (2002) posits that data gathered from clients can be transformed into useful knowledge about customers (Lin and Su, 2003; Mgyuen et al., 2007; Nasution and Mavondo, 2008; Dev and Olsen, 2000). For hotels in Ghana to do well, they must be highly competitive in the business environment. Consequently, the behavior of continuously purchase and re-purchase services improves customer retention and loyalty. This can only be achieved through the implementation of CRM which will lead to the establishment of a relationship between hotels and their clients (Papastathopoulou et al., 2007; Verdugo et al., 2009). As reported by Mylonakis (2009) and Sigala (2005), CRM is one of the most effective and efficient ways to improve customer base that will, in the end, improve organization financial performance.

### **Managing the Hospitality Industry with CRM in Ghana**

The hospitality industry in Ghana is fallen steadily and the need to develop strategic measures to rescue the sector needs urgent attention. CRM as a concept has different dimensions of implementation. The aspect most important to the Ghanaian hospitality industry is the behavioral dimension. The behavioral dimension has to do with customer focus and Knowledge Management. Several studies have found CRM to be one of the practical solutions to any old service industry. In Ghana,

the hospitality industry is in sharp decline and the need to improve the use of CRM in the management of the sector is necessary.

The two behavioral dimensions indicated above are required for the improvement of the hospitality industry in Ghana. It is important to consider these two facets of the behavioral dimension for its systematic implementation within the organization. Sin et al. (2005) and Yim et al. (2005P) posit that all the dimensions are necessary for improved organizational performance. Hence, it is necessary for the hospitality service sector in Ghana to adopt CRM as a measure to rescue the industry from total collapse. In support of this, Abdullateef et al. (2010) in their study of call centers in Malaysia found that customer orientation is one of the important dimensions of CRM. The authors indicate that service organizations must comprehensively focus on the primary customer focus. Various studies also share similar views. In that, customer orientation is found to be one of the important dimensions of CRM (Sadek et al., 2011; Wang, Huang, Chen, and Lin, 2010).

This study is conceptual and has limitations. As a result, a further study is necessary to examine the use of CRM in the hospitality industry in Ghana. A qualitative approach is recommended as the first step towards the understanding of the concept in Ghana and how the service industry such as the hospitality industry is adopting the use of CRM. We recommend the use of qualitative case study, in that this will enable the in-depth and thick description of the phenomenon of the study. This will also allow for much data collection through observation and document analysis. The qualitative methodology will aid in the use of quantitative research on the topic. A detail empirical research is necessary on the topic, in that, this will enhance the scholar understanding of the concept in Ghana and how the hospitality industry can help address the challenges facing the industry using CRM. The concept, though, prevalent in the developed world, it is yet to become a useful tool in many developing countries. In developed countries, various technologies, such as CRM software are in use in many services oriented organizations. Social media has also dominated the technology industry. A critical examination of the use of social media in CRM in Ghana will also be an interesting area of study.

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