Developing a CRM conceptual framework for the Mauritian Hotel Industry

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Abstract

In the last two decades, relationship marketing and its off-spring Customer Relationship Management (CRM) have gained much foothold in the management and marketing disciplines as being a revolutionary concept fostering a customer-driven business model. CRM, in particular has generated an unparalleled buzz for being the flavor of the season with many articles and books written on it. However, the last few years have shifted the concern from the theoretical concept of CRM to the way it is implemented and should be implemented in industries and organisations with due consideration given to the metrics. For some companies, CRM is only an IT-enabled sales and service function while for others, it goes a little further to communicating with customers regularly. CRM has an undeniable great potential contribution and must be positioned as the fundamental strategic process around which business activities are organized. Despite that, many CRM implementation projects fail to live up to expectations. This paper attempts to expand the effort on overcoming the CRM pitfalls by identifying and emphasizing on key success factors that may ensure a successful CRM implementation. The aim of this paper is to develop a CRM conceptual framework for the Mauritian Hotel Industry based on critical success factors such as top management commitment, technology, strategy, culture, people, knowledge management, change management, structure and process.

Key words: Customer Relationship Management (CRM), Critical Success factors (CSF), management commitment, culture, knowledge management, technology, strategy

Introduction

The world’s economic activity is today being dominated by the services sector. Mauritius, too, is continuing its progress towards a service-based economy as a result of its narrow resource base and with people constituting its most valuable asset. In recent years, many organisations have identified the need to become more customer-centric with increased global competition. As a consequence, customer relationship management (CRM) has risen to the agenda of many organisational strategies. The tourism industry in Mauritius is continuously growing. To enhance guest loyalty, hotels must focus on developing CRM strategies that aim to seek, gather, store and share guest information throughout the entire organisation for creating personalised and unique guests experiences.

According to Piccoli et al., (2003), CRM can help a hotel improve its performance as it increases customer satisfaction and loyalty and boosts profitability. It is to a hotel’s interest to engage in CRM activities and practices which comprises of understanding customers’ needs and wants, delivering services to create value for the customer and managing the customer lifecycle effectively and efficiently (Chen and Popovich, 2003). However, despite the benefits that a CRM project brings, it is noted that the failure rate of CRM projects is between 35% and 75% (Rigby et al, 2002; Zablah et al, 2004) and they not only fail in economic terms but also end up damaging the company’s relationship with valuable customers. A possible explanation for this failure can be the high dependence on IT for a
desirable CRM outcome (Kirby, 2001). Also, Rigby et al (2002) asserted that another reason could be that “companies are prone to making unquestioned assumptions and building on implicit beliefs”.

To overcome these barriers to effective CRM implementation, the CRM concept must be applied with an integrated approach of several critical success factors than just IT (Light, 2001). The point of this paper is to outline a systematic approach to CRM implementation which would suggest key elements to help hotel managers obtain good results from the CRM strategy. The paper defines CRM at the start for shaping the focus of the research. Then, other studies on Critical Success Factors (CSF) will be reviewed to identify the most common success factors for an effective CRM implementation. The CSF will then be discussed in details and consequently, taking into consideration the existing literature of several frameworks, the paper develops a conceptual framework with 9 variables for an effective CSR implementation. The aim of this paper is to deal with the role of CRM in the Mauritian Hotel sector and the need for an effective CRM implementation to enhance customer value (Light, 2003).

According to Payne & Frow (2005), Customer Relationship management is a strategy of integrated cross-functional processes, assisted by technology, influencing knowledge to improve long-term sustainable relationships with customers and shareholders. CRM is a marketing approach that works through relationships, networks, and interactions (Parvatiyar and Sheth, 2000) and is often supported by information technology (IT) that allows for increased interactivity between a firm and its customers. Many empirical studies have revealed that CRM brings benefits in terms of improved performance (Zablah et al, 2004). CRM is how to internally and externally manage customer relations comprehensively (Light, 2003). Parvatiyar and Sheth (2001) noted that managing customer relations efficiently requires the proper use of tools and techniques and an effective implementation of the CRM strategy. Issues in CRM, such as the effective implementation of the CRM strategy (Krafft & Hover, 2004) and measuring CRM performance (Richards & Jones, 2008), have been extensively debated by practitioners and academicians. Effective CRM implementation is the ability to capture valuable information about customers to be used on an ad-hoc basis at ‘touch points’ during interactions with customers (Newell, 2000).

Sigala (2005) asserted that CRM in the hospitality industry is a strategic imperative for attracting and increasing guests' patronage. However, it is believed that several researchers have found hospitality firms to be unlikely to develop strong loyalty or relationships by merely providing high levels of service quality (Bowen & Shoemaker, 1998). In this paper, CRM implementation is regarded as a means to increase customer loyalty and subsequently, increasing hotels' profitability. For the purpose of this research, the main focus will be on the critical success factors needed for successful CRM implementation. Therefore, the effective CRM implementation lies in the scope of managing, integrating and controlling each of the critical success factors identified in this study.

**Critical Success factors for CRM implementation**

Critical success factors are the key elements or variable for a CRM strategy to yield desired outcomes or results. There is a general acceptance among researchers on the categorization of critical success factors for an effective CRM implementation. These critical success factors can help to avoid causes which can hinder a successful CRM implementation (Payne, 2004). The contribution of each success factor varies according to the level of CRM implementation.

To develop the conceptual framework, several studies were reviewed to identify the critical success factors. Below is a summary of the previous studies on CRM success factors:
<table>
<thead>
<tr>
<th>Authors</th>
<th>Included success factors</th>
</tr>
</thead>
</table>
| Chen and Ching (2004) | - IT intensity  
- Absorptive capacity  
- Market orientation  
- Customer service                                                    |
| Chang et.al (2005)   | - CRM technology  
- Organisational support  
- CRM technology  
- Environmental pressure                                                    |
| Sin et.al (2005)     | - Key customer focus; CRM organisation  
- Knowledge Management ; Technology-based CRM                                              |
| Eid (2007)           | - CRM enablers: strategic, tactical and operational factors  
- CRM effectiveness: relationship quality, transactional quality and cost reduction |
| Shum et.al (2008)    | - Organisational culture ; Facilitative leadership  
- Cross-functional integration ; Training  
- Communication ; Technology                                                  |
| Keramata et.al (2008)| - Organisational CRM resources: Human CRM resources  
- Technological CRM resources                                                                                                     |
| Sunnornpithuget.al (2010)| - Top management commitment toward CRM  
- Employee empowerment: Customer intelligence                                         |
| Lo et.al (2010)      | - Leadership and culture ; People (employee involvement)  
- Information technology ; Processes                                                      |
| Coltman et.al (2011) | - Human knowledge; IT infrastructure; Business infrastructure                                |
| King and Burgess (2007)| - Top management support; Communication of CRM strategy  
- Knowledge management capabilities  
- Willingness to share data; willingness to change processes  
- Technological readiness; Culture change; Process change  
- System integration                                                            |
| Chalmeta (2005)      | - Awareness among management  
- Defining vision and objectives; Creation of committee  
- Official appointment of coordinates  
- Development and approval of the project plan  
- Monitoring to control time slippage  
- Prevent resistance to change; Motivate staff  
- Measure the degree of participation/ assess the results                           |
| Da Silva and Rahimi (2007)| - CRM philosophy; Project mission  
- Top management commitment; Project schedule and plan  
- Client consultation; Connectivity; Skillful personnel  
- Technical tasks; Client acceptance; Monitoring and feedback  
- Communication; Troubleshooting; BPS and software configuration |
| Mendoza et al (2006) | - Senior management commitment; Creating of multi-disciplinary team  
- Objective definition; Inter-departmental integration  
- Communication the CRM strategy to the staff; Staff commitment; Customer information management  
- Customer service; Sales automation  
- Marketing automation; Support for operational management  
- Customer contact management; Information systems integration                     |
| Chen and Chen (2004) | - Champion leadership and internal marketing  
- Business-IT alignment; System integration  
- KM; Culture/structure change                                                  |
| Pan and Baik (2007)  | - Evolution path; Timeframe; Reorganisation  
- Minimise customization; Time and budget management  
- Customer involvement; No culture conflict  
- Use of the CRM system managers; Measurement  
- Management involvement                                                          |
| Alt and Puschmann (2006)| - Evolution Path; Timeframe; Organisational redesign  
- System architecture; Change management  
- Top management support                                                        |
| Salomon et al (2005) | - Top management commitment; Change in corporate culture  
- Significant customer data; Clearly defined CRM processes  
- Sufficient resources; Understanding of customer behavior  
- Extensive IT support                                                            |
| Mankoff (2001)       | - Establish measurable business goals; Align business and IT operations; Get |
Selection of critical success factors

The critical success factors the CSF for the conceptual framework were chosen on their degree of acceptance and occurrence in the literature. Many researchers published on the CRM field and its success factors. Figure (1) and Table (2) diagrammatically represent the occurrence of the critical success factors in the literature. The proposed conceptual framework includes those CSF which have a higher degree of recognition in the literature and they are as follows:

- Top management commitment; Technology; Strategy ; CulturePeople
- Knowledge management ; Change management ; Structure; Process

### TABLE 2. JUSTIFICATION FOR SELECTED CRM SUCCESS FACTORS

<table>
<thead>
<tr>
<th>Reason for selection</th>
<th>Percentage in the Literature (occurrence in the literature)</th>
<th>Success Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Received wide acceptance by literature</td>
<td>80 %</td>
<td>1. Top Management Commitment</td>
</tr>
<tr>
<td>▪ Associated with CRM failure causes: Lack of top management commitment (Sherif and Newby, 2007; Chalmeta, 2006)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Received wide acceptance by literature</td>
<td>67%</td>
<td>2. IT systems management/integration</td>
</tr>
<tr>
<td>▪ Associated with CRM failure causes: Poor IT management/integration (Brink, 2005; Meyer and Kolbe, 2005)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Received a relatively common acceptance by the literature</td>
<td>47 %</td>
<td>3. CRM strategy (clear development/communication)</td>
</tr>
<tr>
<td>▪ Associated with CRM failure causes: Lack of clear CRM strategy and vision (Sherif and Newby, 2007; Chalmeta, 2006)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Received a relatively common acceptance by the literature</td>
<td>47 %</td>
<td>4. Culture change</td>
</tr>
<tr>
<td>▪ Associated with CRM failure causes: Lack of managing culture change (Chalmeta, 2006; King and Burgess, 2007)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Received a relatively common acceptance by the literature</td>
<td>40 %</td>
<td>5. Skilful, motivated and trained staff - People</td>
</tr>
<tr>
<td>▪ Associated with CRM failure causes: Lack of</td>
<td></td>
<td></td>
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</tbody>
</table>
Top management commitment

According to Goldenberg (2004) the critical success factors of gaining top management is crucial to the successful implementation of CRM and largely focuses on CRM from a stakeholder perspective under the overarching idea of ‘shared understanding’. Many researchers believe that top management involvement is the most crucial factor to success in any CRM strategy and they must work hard to support it in a way to encourage common understanding and commitment amongst the workers in the company (Mendoza, 2007; Hedlund et al, 2010; Salojarvi et al., 2010; Arab, 2010). King & Burgess (2007), Mendoza, Marius, Pérez & Grimán (2007), Alshawi, Missi & Irani (2010) and Eid (2007) noted that ‘senior management commitment’ should guarantee presence of dedicated top-level management, which would effectively and efficiently contribute in the CRM implementation project.

Technology

ICT has been recognised as one of the major catalyst factors for developing one-to-one experiences and implementing CRM strategies. CRM technological systems should be seen as a key component in implementing this type of strategy (Hansotia, 2002; Mendoza et al., 2007). As Sin et al. (2005) note, CRM software systems enable firms to offer a customized service with higher quality but at lower cost, so many customer-centric activities would be impossible without the right technology. Consequently, technology is a fundamental resource to implement CRM successfully. (Chalmeta, 2006) argues that CRM technological systems offer numerous benefits to firms, since they provide a single view of the customers, manage the relationships with customers in an integrated way regardless of the communication channel used, and help the firm improve the efficiency and effectiveness of the processes involved in customer relationships.

Strategy

This factor focuses on the clear definition of CRM strategy and its alignment to the organisation’s general strategy. According to Moreno & Melendez (2011), CRM is a business strategy which establishes and develops value-creating relationships with customers. Companies have to redesign or improve their CRM strategies by offering superior products than competitors and deliver high quality services (Zineldin, 2006). A strategic view of CRM
highlights the fit of the CRM strategy into context of the overall corporate strategy and the evaluation of how companies capitalize on their existing resources and CRM capabilities to deliver higher value to customers (Becker et al., 2009 and Nguyen et al., 2007). According to Hansotia (2002), CRM intends to make customers’ interaction equally beneficial. Several CRM projects failed mid-way because companies due to the absence of a holistic and coherent CRM strategy (Cuthbertson and Laine 2004; Pries and Stone, 2004).

Culture

A CRM initiative will require a thorough understanding of peoples” values, perceptions, feelings and motivations in order to accept the changes of the system. Approximately 72 percent of all CRM programs fail due to resistance to change. Iriana et al. (2013) believe that organisations having an appropriate organisational culture tend to experience financially desirable CRM results than those with no stability in their cultural fit. Employee empowerment and job security are important to gain CRM success as noted by Reinartz and Chugh (2003). Galbreath and Rogers (1999) argue that an organizational culture that promotes an atmosphere of risk-taking can create a climate of confidence in which employees feel empowered to act in the best interests of customers. An innovative and entrepreneurial culture is associated with excellent business performance (Deshpandé 1999). Cameron and Quinn (1999) however stress that the key to culture change is individual behavioral change which can contribute positively to a CRM project.

People

For a CRM project, companies need experts in functional areas such as sales, marketing, finance, production to coordinate with partners and to create a system which meets organisational needs as Information Technology can single handedly account for a successful CRM implementation ((Davenport and Short, 1990; Porter, 1987). Human factor in a CRM strategy is actually very important for the organisation, employees and also customers (Mendoza et al., 2007, Shahin and Nikneshan, 2008 and Da Silva and Rahimi, 2007). Torkzadeh et al. (2006) argued that customer dissatisfaction is mainly due to the unwillingness and inability on part of employees to correct service failures. Hence, CRM needs a committed workforce to support the shared values of a customer centric culture (Ozgener and Iraz, 2006).

Knowledge Management

Knowledge management as information strategy have been defined in different ways by different authors, but essentially it is a means with which companies capture, organize, manipulate, and share implicit and explicit data with both internal and external users (David and Wendy, 2009; Eid, 2007; Sin et al, 2005). It is clearly understood that information about customers can be gathered through direct interactions with them or from different touch points within the same organisations. Brohman et al. (2009) further states that the principle for deciding whether CRM is booming or not is to successfully transforms customer information into customer knowledge. For instance, as Andulateef et al (2010) point out an organisation can greatly success in building customer relationship through an effective management of knowledge therefore resulting in a positive outcome on the same organisation performance. As Sigala (2005) argues, it should be therefore understood that the success of customer relationship management depends heavily on the collection and analysis of customer’s information since this information is used for developing highly personalized offerings.

Change Management
Due to a high rate of CRM failure in the implementation phase (Dragoon, cited in Adidam & Sindhav, 2001, Crosby and Johnson, cited in Adidam & Sindhav, 2001, Dyche, 2002), and the importance of change management initiatives in the success of CRM implementation (Kale, 2005, Adidam and Sindhav, 2001, Price, 2002), a company should be careful about how to manage this CSF. Kale (2005) and Corner & Rogers, (2004) talked about how change management in terms of the most appropriate business management strategy helps to serve as a guideline in the implementation phase. Change management has been called as the "defining factor between success and failure in CRM projects" by Kale (2005) and Kostka and Mönch (cited in Pries & Stone, 2004) refer to change management as the "process of continuous planning and realization of profound changes", necessary for an effective CRM implementation.

**Structure**

According to Brown & Gulycz (2002), organisation is one of the critical factor to success of CRM. CRM friendly organisational structure builds the foundation for the integration of business functions and CRM technologies. Roberts (2007) defined organisational design as a continuous process which integrate the business environment, the strategy and the organisation as a whole. Maintaining market and competition advantage needs to be improved through changes such as organisational structure (Kashani et al., 2009). CRM goals could be achieved by using the appropriate management structure (Bahadori et al., 2009). Kaplan and Norton (2001) outline a process approach organised around a small number of cross-functional processes instead of the traditional functions such as marketing, sales and operations. Ryals and Knox (2001) recognise that CRM requires involvement from the whole organisation not just the marketing department, thus emphasising a cross-functional approach.

**Process**

CRM is said to be a strategy within the organisation that widely applied for managing and promoting a company’s interactions with clients and sales prospects. Arab (2010) states that the CRM implementation process for an organisation should start from operational CRM to analytical CRM and then to cooperative CRM and before implementing a CRM, the organisation should be reorganized based on the goals that the business pursues. Some researchers viewed ‘process’ as the most CSF in terms of integration of departmental activities and cross-functional processes (Wilson et al., 2002; Kale, 2004; Meyer & Kolbe, 2005). Chen and Popovich (2003) asserted that CRM is an on-going process that comprises redesigning core business processes. This will help the whole organisation to move to a customer perspective and also helps gain staff commitment in the strategy (Osarenkhoe and Bennani, 2007). Hence, analyzing the core processes such as marketing, sales and services that include customer interaction is a crucial factor in implementing a CRM project successfully (Mendoza et al., 2007).

**Conceptual Framework**

The proposed framework of this study conceptualizes the relationship among CRM dimensions important for successful implementation of the CRM strategy and hotel performance. The research proposes the framework based on common sense, previous studies and frameworks and experience. This model involves nine dimensions of CRM which include management commitment, change management, culture, structure, technology, people, knowledge management, process and strategy. These nine variables have been identified from previous frameworks and studies. These factors are varied in their scope (strategic-technical) and in their nature (human, organisational, and technological) in the literature. The purpose of addressing these success factors is to enhance the knowledge
on CRM success from previous studies in order to identify the most accepted factors by literature to integrate them within a conceptual framework.

The framework consists of three major parts: CRM critical success factors for implementation, CRM implementation and marketing effectiveness. The nine variables for the CRM implementation must be integrated to achieve a successful result which would in turn increase the marketing effectiveness of the hotel. Top management and appropriate technology must be involved in drafting the most suitable CRM strategy which will be communicated and aligned to all staff. The arrows reflect the flow of the process implementation. Hence, the CRM strategy should involve the nine factors and these factors must be equally present during the implementation phase for a desired CRM outcome. This will in turn affect the marketing effectiveness of the hotels in terms of higher customer profitability; enhance customer satisfaction and loyalty and creation of customer lifetime value.

**FIGURE 1. Proposed Model illustrating critical success factors for CRM implementation in the Hotel Industry.**
The conceptual framework can form the basis for future implementation of CRM projects in the Mauritian hospitality environment.

Discussion

The proposed conceptual framework developed for this study is intended to prove feasible implementation in the hospitality industry and to provide a helpful guidance for effective implementation of CRM projects. The main aim of this paper is to match the gap in the literature which omits the framework of a successful CRM implementation in developing countries. This modest contribution has identified and analyzed some critical success factors for a successful implementation of a CRM strategy. The study is an interesting example for the hotel industry which has to maintain customer loyalty as all hotels are fighting for their market share. Also, it holds true that Mauritius is a small island with an increasing arrival of travelers over the years. The conceptual framework may help Mauritian hotels to attract most tourists and to implement sustainable CRM strategy. The impact of CRM is genuine and so are the problems that a company faces during its implementation. This can be a hindrance to the smooth running of the business as there are many factors and issues which must be addressed such as an inappropriate time frame to react to these issues. Thus, this study acts as a support and is an ongoing research and intends to develop and expand on the issues raised by conducting more empirical studies on the Mauritian hospitality industry.

Through this framework, hypotheses could be developed and tested to determine the degree of association between variables. The theoretical rationale for the inclusion and exclusion of constructs has been proposed. In future, some excluded variables could be included in the framework at a later stage if further analysis identifies them to be helpful. For future study, a pilot study could be added to reassess the validity of the variables. The proposed framework in this conceptual article could provide a starting point for the development of an effective CRM implementation in the Mauritian hospitality industry.

References


