

## Chapter 72

# Analyzing the Influence of Customer Relationship Management on Firm Performance: A Study of Hotel Industry in India

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### ABSTRACT

*Today, companies have come to realize that customers are the foundation of a business and effective relationship management is indispensable for the success of an organisation. Hence, one of the most important objectives of a company is to satisfy its customers as they are the backbone and keep a business running. Moreover, it is being witnessed that customer's needs and buying behaviour have changed considerably. In order to meet ever changing demands, organisations need to adopt customer oriented marketing strategies to gain competitive advantage. Since customers nowadays are becoming more price sensitive and shift loyalty frequently in terms of selecting products and services of any company, it has become very difficult to retain them. As a result, emphasis on long term relationships with customers has gained momentum in businesses. The goal of the present study is to expand the study of customer relationship management (CRM) by investigating the association of dimensions of CRM and organizational performance. The study extends customer relationship management to the hotel industry context. It explores a set of CRM dimensions or constructs that are important for implementing CRM in hotel industry in Indian perspective.*

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## **INTRODUCTION**

Major shift in marketing concept has been experienced from pre 1990s to post 2000s. Product was the main focus area in early 1900s which was followed by sales in 1950s. In 1980s, marketers shifted from product orientation to marketing dominance with focus on marketing mix with competitor orientation. The post 2000 period shift was being registered in services; with main focus on relationship aspects (Christopher et al., 1991; Ambler, 2004).

Berry (1983) coined the term Relationship Marketing and defined it as activities of a firm to build, maintain and develop customer relationship. Since then, researchers, scholars, practitioners have contributed in the literature of relationship marketing on many aspects. Several researchers have focused on retaining customers as part of relationship marketing (Berry & Parasurman, 1991; Gummesson, 1994; Parvatiyar & Seth, 2001; Rigby et al., 2002; Sin et al., 2005).

Relatively new perspective in marketing, the function of relationship management is to develop and flourish relationships among organization and its customers, suppliers, and other stakeholders (Christopher et al., 1991; Morgan and Hunt, 1994; Parvatiyar & Sheth, 1994). Relationship marketing has been viewed as building, maintaining, extending relationship with customer in longer period of time (Matthyssens & Van den bulte, 1994; Gronroos, 1990; Cravens, 1995; Takala & Uusitalo, 1996; O' Malley et al, 1997; Harker, 1999). Gronroos (1990) has proposed relationship management as a major focus area of marketing activities. He stated that Marketing is to establish, maintain and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises. The gist is that relationship is the key element of marketing activities for any firm.

Relationship marketing is concrete strategy which aims for long term relationship with customers to have profitable partnership, integrating technology and all business activities around customers (Anton, 1996; Jolson, 1997; Morris et al., 1998; Brown, 2000; Parvatiyar & Sheth, 2001; Kotorov, 2003; Lambert, 2004; Sin et al., 2005; Lancaster & Massingham, 2012). CRM strategy must add the value to the customers in terms of relationship management, innovation, loyalty programs etc. (Sen & Sinha, 2011)

Relationship marketing (RM) and customer relationship management (CRM) is used almost interchangeably in literature but there exist some difference as given by Sin et al., (2005). RM is viewed as a strategy while CRM is used in a tactical sense. RM is more emotional, encompasses in building relationship with stakeholders, while CRM is tactical, managerial approach, builds relationship with key customers. Finally, sin et al., (2005) have defined CRM as “a comprehensive strategy and process that enables an organization to identify, acquire, retain, and nurture profitable customers by building and maintaining long-term relationship with them” (p. 1266).

CRM is viewed as a strategy and also a technology initiative. Parvatiyar & Sheth (2001) defined CRM as a “Comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customers. It involves the integration of marketing, sales, customer service and the supply chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value”(p. 5).

Customer who has developed a relationship with seller expects core services. Apart from core benefits of products and services, a customer also expects to have social, psychological and economic benefits. This will increase trust, commitment, and loyalty in customers. Service providers pay attention to their regular customers as they can provide tailor made service to them and even in some cases, some custom-

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