Chapter 94

Key Issues in the Implementation of Electronic Customer Relationship Management in the Australian Hospitality and Tourism Sector

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ABSTRACT

The hospitality and tourism sector is one of fastest growing sectors in Australia and in the world. In order to become more efficient and effective in delivering products and services to customers via the use of ICT, hospitality and tourism organizations have to rethink the ways in which they build relationships with their customers by initiating electronic customer relationship management (eCRM) projects. Inappropriate eCRM decision-making and implementation can result in multi-million dollar losses, which can translate into a loss of competitiveness. Therefore, the case study approach was conducted to: (1) identify potential ICT costs and risk factors involved in eCRM initiatives in general; and (2) identify and examine key issues in the implementation of eCRM in the Australian hospitality and tourism sector. The contribution of this book chapter is two-fold. First, it offers hospitality and tourism executives with a more realistic insight about the impact of their eCRM investments on their business. Second, potential key issues, costs and risk factors associated with eCRM implementation are presented to assist these organizations in dealing with these challenges.

INTRODUCTION

The hospitality and tourism sector is one of fastest growing sectors in Australia and in the world. However, global information and communication technology (ICT) spending as a percentage of total

organizational expenses by hospitality and tourism organizations has been predicted by Gartner Research to increase only marginally from 3.9% in 2009 to 4.4% in 2010 (Potter et al., 2010). In order to become more efficient and effective in delivering products and services to customers via the use of ICT, many hospitality and tourism organizations have started to rethink the ways in

which they build relationships with their customers by initiating electronic customer relationship management (eCRM) projects (Jang et al., 2006; Singala, 2008). According to Karakostas et al. (2005), a 5% increase in customer retention can result in an 18% reduction in operating costs.

Although there have been widespread agreement that CRM/eCRM has a direct and indirect impact on customer satisfaction, loyalty, sales and profit, key issues in the implementation of eCRM have not been well researched (Feinberg et al., 2002). It has been reported that stalled or failed CRM projects are often the result of organizations lacking a thorough understanding of what CRM initiatives and implementation entail (Chen and Popovich, 2003; Hendricks et al., 2007; Krigsman, 2009). Moreover, many studies reported that CRM implementations do not return the expected ROI (Foley, 2002). For example, CRM failure rates conducted by various research institutions (e.g. Gartner, Bulter, AMR, Forrester Research) between 2001 and 2009 varied widely, ranging from 18% to 70% (Krigsman, 2009). CRM ranked in the bottom three categories among 25 popular tools evaluated for customer satisfaction in a Bain & Company survey of 451 senior executives in 2001 (Mello, 2002).

The high eCRM/CRM failure rate might be due to the fact that senior management tends to be myopic when considering their ICT decisions (Ernst and Young, 1999). Needless to say, providing good pre-decision information to senior managers becomes critical as inaccurate evaluation processes may reward and encourage suboptimal ICT investment projects (Rose et al., 2004). Thus, there is a need to identify potential risk factors and key issues for the implementation of eCRM so as to offer management with a more realistic insight about the impact of their investment on their business. Therefore, case study was conducted to: (1) identify potential ICT costs and risk factors involved in eCRM initiatives in general; and (2) identify and examine key issues in the implementation of eCRM in the Australian hospitality and tourism sector.

This chapter first reviews relevant literature with respect to history and characteristics of CRM/eCRM. The literature review section also presents some important factors to consider before implementing eCRM as well as difficulties and challenges in identifying relevant eCRM costs and risk factors. Key findings and issues from the case studies are then presented. The chapter examines these findings and issues in light of these hospitality and tourism organizations' eCRM implementation and management practices, and concludes by a section of discussion and conclusions.

CUSTOMER RELATIONSHIP MANAGEMENT

Customer relationship management (CRM) is a comprehensive business and marketing strategy that integrates technology, process and business activities around the customer (Anton & Hoeck, 2002). The objectives of a CRM process are to shape customers' perceptions of the organization and its products through identifying customers, creating customer knowledge and building committed customer relationships (Ragins & Greco, 2003). A well-designed and well-resourced CRM could be used to flag up potential problems and assist in resolving them (Easton & Araujo, 2003). It is a broad term that has evolved from systems such as Marketing Information Systems, Database Marketing, Decision Support Systems, Call Centre Management, and Transaction Support Systems and can cover a wide array of technologies and business processes (Woodcock & Starky, 2001). CRM is also a term for methodologies, processes, systems and software that help an organization to manage customer relationships in an organized and effective manner (Bernett & Kuhn, 2002). The aim is to create loyal customers so that the relationship can flourish over a long period of time (Kohli et al., 2001).

CRM software vendors seem to use the word indiscriminately to refer to any system that fa-

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