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## RESEARCH PAPER

### Impact of Customer Relationship Management on the Performance of Hotels of Quetta

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#### ABSTRACT

The paper examines the impact of Customer Relationship Management (CRM) on the performance of hotels of Quetta City. It is critical for businesses to understand the importance of CRM for sustainability and acquiring a competitive advantage in the industry. The hospitality industry is constantly focusing on CRM to properly understand the needs of their customers so that they can enhance their services. The paper uses a quantitative research approach by collecting information from customers of hotels of Quetta about their performance. A sample of 100 customers was used for the study with the help of a questionnaire. The data was collected and analyzed to assess the impact of CRM on Firm Performance of the hotels. It was determined that technology-based CRM is the most critical factor for improving performance, secondly customer orientation and finally knowledge management should be focused if hotels want to improve their financial performance in Quetta. The study helps the hotels of Quetta to assess their current firm's performance and understand the important strategic changes they will need to further improve their performance to satisfy their customers.

**KEYWORDS** Competitive Advantage, Customer Relationship Management, Firm Performance, Sustainability

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#### Introduction

Customer Relationship Management (CRM) is a major source of acquiring a strong competitive advantage for hotels in the hospitality industry. CRM is considered as a strong instrument for supporting organization decisions that are customer-oriented (Mohammad et al. 2014). Long term business survival is possible for many hotels by using the CRM strategies and best practices (Kasim & Minai, 2009). There is strong competition in the hotels sector in Quetta, so they are trying to use various strategies to attract the customers and ensure customer loyalty (Sigala, 2005). Wu & Lu (2012) argued that hotels try to improve their performance by trying to satisfy their customers and it is imperative for the hotels to use CRM to ensure that they can attract more customers and retain them.

It is important for hotels to collect the data that is most important related to their customers based on their CRM strategies, storing the data effectively, analyzing the data to understand customer preferences and then properly sharing it with the whole hotel so that customer satisfaction can be achieved by all the staff at the hotel (Rababah, 2012). Al-Momani & Noor, (2009) state that hotels use the right practices and most appropriate strategies for improving profitability along with the aim of providing a unique customer experience. There are limited studies that have been conducted on the hotels sector for

using CRM as an effective tool for achieving better performance and higher profitability (Ammari & Nusair, 2015). It is determined that there is limited empirical evidence on the effectiveness of CRM for improving hotels' performance in the field (Krasnikov et. al 2009; Kumar, 2008; Piskar & Faganel, 2009). There are inconsistent findings on the use of CRM technology and hotels performance, so it is critical that the relationship is analyzed further for understanding the process properly (Akroush et al., 2011).

The hotels sector in Quetta is experiencing similar issues that are faced by the hotel industry around the world such as globalization, strong competition, the changing needs of the customers and higher customer turnover. Hotels of Quetta must analyze the needs of the customers to understand the best possible strategy for improving their performance and enhancing the customer experience. This will be fruitful in the long term and allow the hotels to change their strategies to develop strong relationships with their customers (Ammari & Nusair, 2015). Once hotels can retain their customers and develop customer loyalty that will be beneficial in the long term and such hotels will be able to survive the strong competition present in the industry. Customers are seeking to find hotels that have a good environment, clean rooms, hygienic food, proper entertainment, safe location, and reasonable prices for the rooms. Such factors are considered by all hotels to differentiate themselves from the rest of the competition. It is important for the hotels to provide security and safety to satisfy their customers (Wu and Lu, 2012).

### **Literature Review**

It is critical for businesses to acquire a strong competitive advantage and they can do it by following CRM (Antonio, 2004). It is possible for hotels to differentiate themselves by focusing on CRM and achieving better business performance. It is crucial for hotels to focus on customer orientation, CRM, knowledge management (KM), CRM technology and customer loyalty to sustain their business performance.

It is imperative for hotels to train their employees to have customer-oriented behaviors to maintain a proper and good kind of relationship with all their customers (Brown et al. 2002). Employees have the inclination to meet the various customers' needs is improved with the help of having a customer-oriented behavior. It allows the employees of the hotel to treat the customers in the best possible manner and fulfill their needs properly. Improved long term success and satisfaction will lead to customer loyalty and that will be beneficial for the hotels to improve their performance (Kim, 2008). The study of Yilmaz et al. (2005) argues that customer orientation is critical for the hotel staff and management for understanding the needs of the customers in the best possible manner and ensuring satisfaction of the customers. Managers need to incorporate customer centered strategies that can modify or adjust to the cultural norms, focus on employee performance rewards and the overall organizational structures (Minghetti, 2003).

Customer knowledge is also a key aspect for hotels to build a strong link with their customers and it can help in achieving a sustainable kind of competitive advantage (Shi & Yip, 2007; Croteau & Li, 2003). Successful CRM is based on the overall ability of hotels to properly transform customer information by processing it and changing it into customer knowledge (String fellow et al., 2004; Plessis & Boon, 2004). CRM is important for hotels to acquire a competitive advantage and improve business financial performance (Yim et al., 2005). It is significant for hotels to acquire information related to their different customers, try to discover, and further focus of the existing kind of knowledge and then share all that knowledge within their hotels for improving the customer experience (Sin et al., 2005).

Making sure that customers have a pleasant stay at their hotels is the priority of the manager and staff of the hotel (Akroush et al., 2011). Knowledge management helps hotels to improve their performance, so it is an important aspect that is focused by the hotel industry (Shaw & Williams, 2009; Hallin & Marnburg, 2008; Lo et al., 2010).

Hotels are considering CRM systems for ensuring customer satisfaction and improving their hotel performance (Moriarty et al. 2008). CRM will fail without the use of Information Technology, so it is imperative for hotels to implement their CRM strategy by integrating it with their information technology properly (Akroush et al. 2011). It is possible for hotels to obtain meaningful and the right information about the right person at the right time based on information communication technology (Mohammad et al. 2013). "ICT can help hotels to acquire sufficient information about the customers so that the business can acquire a competitive advantage in the long run (Sirirak et al. 2011).

### Research Hypotheses

H1: Customer Orientation has a positive impact on Hotel Performance

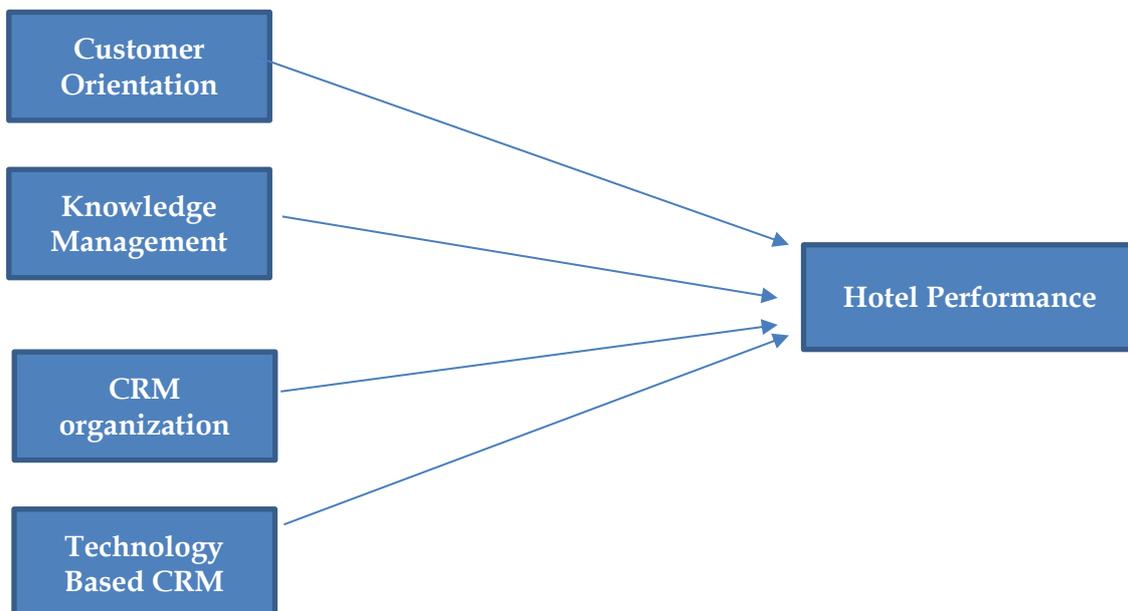
H2: Customer Organization has a positive impact on Hotel Performance

H3: Technology-based CRM has a positive impact on Hotel Performance

H4: Knowledge Management has a positive impact on Hotel Performance

### Material and Methods

#### Theoretical Framework



The research analyzes the impact of CRM on the firm Performance of hotels in Quetta City. The independent variable in the study is CRM and, in the study, the dependent variable is hotel performance. These are important according to the resource-based view of acquiring a competitive advantage based on which the study is using the model considered most appropriate according to researchers (Ammari, & Nusair, 2015;

Mohammed, & Rashid, 2012). The research uses a quantitative approach and data from 100 customers of hotels in Quetta will be analyzed to understand the role of CRM in enhancing performance.

### Research Analysis

The research is analyzed using Statistical Package for Social Sciences (SPSS). The questionnaires will be based on likert scale 1-5 from Strongly Disagree, Disagree, Neutral, Agree to Strongly Agree. The analysis will help in understanding the strategies of CRM that are critical for improving the hotel performance. This will be beneficial for improving the strategies of the hotels and suggesting appropriate techniques to retain their customers. The reliability and the validity of the research instrument will be analyzed. The ethical considerations of the research will be followed.

### Results and Discussion

The data was properly collected from the customers of the various hotels of Quetta and a lot of crucial information was received that would help in improving the overall financial performance of the different hotels in Quetta.

### Descriptive Analysis

The descriptive analysis of the data collected from the questionnaire was completed and the following table shows the details of the information that was collected from the participants of the research study. The skewness and kurtosis are both within the range from -2 to +2 so the data is normal and further analysis can be done for achieving more crucial results that would help hotels to improve their strategies and achieve good performance.

**Table 1**  
**Descriptive Statistics**

Statistic	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
						Std. Error	Statistic	Std. Error	Statistic
Gender	100	1.00	1.00	1.0000	.00000	.	.	.	.
Age	100	2.00	5.00	3.2400	.79290	.285	.241	-.245	.478
Customer Orientation	100	1.57	4.29	3.1329	.53539	-.275	.241	.006	.478
Customer Organization	100	2.00	4.29	3.2700	.48980	-.024	.241	-.686	.478
Technology CRM	100	1.60	4.20	3.0280	.60970	-.177	.241	-.165	.478
Knowledge Management	100	1.89	4.44	3.2211	.57929	-.045	.241	-.619	.478
Hotel Performance	100	2.15	4.15	3.1110	.41818	.111	.241	-.528	.478
Valid N (listwise)	100								

### Reliability of the data

The complete analysis of the reliability of the data was done to ensure that the information was authentic and clear that would serve well in improving the CRM strategies of the hotels of Pakistan and ensuring that the hotels are highly successful with the passage of time. The four independent variables that include Customer Organization, Customer orientation, KM, Technology-based CRM, and the Hotel Performance is the dependent variable. The table shows the reliability of each construct that is focused for the study.

**Table 2**  
**Cronbach's Alpha Reliability Test**

Variable	Cronbach's Alpha	Number of items
Customer orientation	0.503	7
Customer Organization	0.325	7
Technology-based CRM	0.459	5
Knowledge Management	0.658	4
Hotel Performance	0.490	18
Complete Questionnaire	0.733	41

The reliability of the questionnaire is good as the questionnaire was adopted from Muhammad and Rashid, 2012 so it was helpful in collecting and then analyzing the overall data. The construct reliability for the different variables was checked and they are having a proper Cronbach's Alpha score of 0.733 with 41 questions.

### Correlation

Correlation is important as it shows the nature and strength of the overall relationship among two or more variables. The data that was analyzed for checking the correlation between the variables. Correlation among the variables is sufficient and it is okay. The variables have some correlation with each other. If the correlation is higher than 0.50 then they are highly correlated but, in this case, they have some correlation so further analysis of the data can be done to determine the impact of the independent variables on hotel performance.

**Table 3**  
**Correlations**

	Customer Orientation	Customer Organization	Technology CRM	Knowledge Management	Hotel Performance	
<b>Customer Orientation</b>	Pearson Correlation	1				
	Sig. (2-tailed)					
<b>Customer Organization</b>	Pearson Correlation	.159	1			
	Sig. (2-tailed)	.114				
<b>Technology CRM</b>	Pearson Correlation	.217*	.382**	1		
	Sig. (2-tailed)	.030	.000			
<b>Knowledge Management</b>	Pearson Correlation	.222*	.164	-.037	1	
	Sig. (2-tailed)	.027	.103	.716		
<b>Hotel Performance</b>	Pearson Correlation	.395**	.185	.355**	.314**	1
	Sig. (2-tailed)	.000	.066	.000	.001	

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\* Correlation is significant at the 0.01 level (2-tailed).

### Regression Analysis

The relationship between variables is reviewed and checked. The impact of these independent variables on the hotel performance, which is the dependent variable, is assessed. It is important to understand the impact of customer orientation, technology-based CRM, KM and customer organization on the hotel performance.

**Table 4**  
**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
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1	.547 <sup>a</sup>	.300	.269	.35749	1.833
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a. Predictors: (Constant), KM, Technology CRM, Customer Orientation, Customer Organization  
b. Dependent Variable: Hotel Performance

It was determined that the R value is 0.547 and R square value is 0.300 which shows that these variables are explaining around 60% change according to the R value in the dependent variable and if we consider the R square value, they are explaining 30% change in hotel performance. This is sufficient change that is explained by these variables which means technology-based CRM, customer orientation, customer organization, and KM are important for improving the hotel performance. The Durbin Watson value is also below 2 which is okay.

**Table 5**  
ANOVA<sup>a</sup>

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.171	4	1.293	10.115	.000 <sup>b</sup>
	Residual	12.141	95	.128		
	Total	17.312	99			

a. Dependent Variable: Hotel Performance

b. Predictors: (Constant), Knowledge Management, Technology CRM, Customer Orientation, Customer Organization

The analysis of the variance is shown and the regression value for sum of squares is 5.171 with residual 12.141. the model is fit with significance value less than 0.05.

**Table 6**  
Coefficients<sup>a</sup>

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Customer Orientation	.212	.071	.271	2.990	.004
	Customer Organization	-.019	.081	-.022	-.235	.814
	Technology CRM	.215	.065	.314	3.290	.001
	Knowledge Management	.194	.065	.269	2.991	.004

a. Dependent Variable: Hotel Performance

The coefficients show the beta values for the variables. There are three variables that had a significant relationship with p value less than 0.05 and one that is customer organization did not have a significant sort of relationship with the hotel performance the dependent variable that is hotel performance. First, third and fourth Hypothesis are confirmed as their significance is less than 0.05 so second hypothesis about customer organization's impact on hotel performance is not significant. Technology-based CRM had 0.314 beta value which shows that it has the most impact on hotel performance as businesses that use technology for recording customer information and developing effective systems and mechanisms for the sake of achieving progress are more successful. The second variable that had a high impact was customer orientation with a beta value of

0.271 which means that the hotels that are focused on customers and their needs are also successful in the long run. Finally, the Knowledge management aspect of hotels played a vital role in improving the hotel performance. The regression equation for the research is given below.

$$Y = \text{Constant} + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + \text{Error}$$

$$Y = 1.233 + 0.314 \text{ Technology-based CRM} + 0.271 \text{ Customer Orientation} + 0.269 \text{ Knowledge Management} - 0.022 \text{ customer organization}$$

$$Y = 1.233 + 0.314 \text{ TECHCRM} + 0.271 \text{ CO} + 0.269 \text{ KM} - 0.022 \text{ CORG}$$

### **Conclusion**

It was determined that hotels need to take good care of their customers by focusing on their various needs and providing them all the facilities that are needed for making their experience comfortable and memorable. The research study had a sample size of 100 participants who shared their views with the help of a questionnaire about the impact of customer orientation, technology-based CRM, customer organization and KM which were the independent variables on the hotel performance. From the results it was determined that technology-based CRM is the most important aspect for hotels in Quetta to attract and retain more customers which is crucial for the progress of the hotels. The next variable that was important for customers was the need for hotels to have customer orientation to be more successful. It was also found that the hotels that were having the ability to take advantage of KM were also able to improve their hotel performance in the long run. The study is important for hotels of Quetta to improve their performance and enhance their CRM process. Further research can be done to highlight other key success factors for hotels and things that are necessary for CRM for the hotels to achieve success.

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