

Customer Relationship Management (CRM) Practices in Indian Hospitality Industry: Issues and Challenges

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Abstract

The Indian hospitality industry is booming, thanks to economic expansion, rising disposable incomes, and greater tourism. Customer expectations are also changing, requiring tailored experiences and frictionless interactions. In this dynamic climate, efficient Customer Relationship Management (CRM) procedures are essential for hotels and restaurants to survive. This study evaluates the current state of CRM techniques in the Indian hospitality business, focusing on both accomplishments and drawbacks. It addresses the key concerns and challenges that firms experience while deploying and exploiting CRM efficiently. The study identifies several trends in CRM adoption in the Indian hotel industry, including increased use of technology, an emphasis on customization, and the expansion of loyalty programs. However, it notes several hurdles, including data integration issues, a shortage of competent workers, and conventional businesses' unwillingness to change. The report focuses light on the changing CRM landscape in the Indian hospitality industry, offering significant insights for firms looking to better their customer engagement and retention tactics. To ensure successful CRM deployment, it advocates taking a data-driven strategy, investing in employee training, and cultivating a customer-centric culture.

Keywords: Customer Relationship Management, Indian Hospitality Industry, Hotels, CRM Adoption

1. INTRODUCTION

The worldwide hospitality business is growing, with more consumers joining each year. The growing travel and tourist business contributes to the expansion of the hospitality sector. CRM is widely used in the hospitality business due to the importance of client information (Sigala, 2005). High client turnover, increasing acquisition costs, globalization, greater competition, and rising customer expectations are some of the problems that the Indian hotel sector is facing. A hotel's success and ability to compete hinge on its customer service. In the hotel industry, when comparing rooms of equal quality, clients value soft characteristics like personalization, one-on-one marketing, and attention from hospitality workers. Since customers are asked to provide their name, address, and in certain countries, even their passport information, among other private details, when they check in, the hotel business gains from easy data access. Furthermore, guests are inclined to divulge their individual preferences to hotel personnel to enhance their sojourn. By integrating this database with IT, the hotel can provide clients with an unparalleled experience.

They can develop a strong rapport with clients and flawlessly fulfil their requirements. To remain competitive in an extremely competitive market, a hotel must fulfil the requirements and expectations of each customer. Considering that the cost of selling to an existing customer is five to ten times lower than that of selling to a new customer, it is vital to understand the

components of business performance that drive customers to engage in behavioral loyalty and make repeat purchases. To optimize profitability, guest satisfaction, and loyalty, it is recommended that organizations, particularly hotels, prioritize the adoption of Customer Relationship Management (CRM) strategies. These strategies should seek, collect, and retain pertinent information, as well as verify and disseminate it across the entire organization (Goyal, 2011). According to Dominici and Guzzo (2010), achieving market success requires more than simply acquiring new customers; it is crucial to focus on retaining existing ones through the implementation of effective customer satisfaction and loyalty policies. Because of economic globalization, product differentiation has diminished, and competition has intensified, according to Appiah and Kingsley (2010). Since then, customer relationship management (CRM) has evolved into a fundamental principle for organizations. An increasing number of organizations are prioritizing customer relationship management as a strategic competency to attain market leadership and maximize profitability. According to the conceptual framework proposed by Parvatiyar and Sheth (2001), the two most critical processes of Customer Relationship Management are establishing collaborative relationships with the most valuable customers and engaging in proactive customer business development.

CRM is the management of consumer knowledge to improve comprehension and service. It is an overarching concept that establishes the consumer as the focal point of an enterprise. CRM primarily aims to improve customer service, but it also encompasses managing client relations across various touchpoints, company units, and target audiences. Among the many advantages that customer relationship management (CRM) systems may provide to hotels are higher profits, reduced expenses, happier and more loyal customers, and a lasting advantage over the competition. The goal of CRM is to satisfy customers by integrating technological improvements with corporate procedures. CRM is "an enterprise-wide integration of technologies and functions, including data warehouse, websites, intranet/extranet, telephone support system, accounting, sales, marketing, and production," according to the IT definition. In essence, CRM refers to a strategic approach adopted by organizations to retain their most valuable consumers while simultaneously minimizing expenses, enhancing interaction values, and ultimately optimizing profits.

CRM is a term used in the information industry to describe "an all-embracing approach, which seamlessly integrates sales, customer service, marketing, field support and other functions that touch customers" or "an enterprise's ability to manage customer relationships in an organized way" (Xu et al, 2002). A company's real worth is derived from the value it provides to its customers and the value those consumers return to it. A company's value is proportional to its client knowledge and the quality of its relationship management. CRM is knowledge-based alone. Companies miss out on chances to provide value to customers because they don't convert data into customer knowledge. Enhanced profitability is a possible outcome of properly using CRM. Loyalty and income can be enhanced through the transformation of customer data into information and the development of relationships. CRM provides a plethora of benefits to companies, such as reduced costs associated with acquiring customers, sales expenses, customer profitability, customer loyalty and retention, and profitability evaluation. This data will show the company which clients are profitable, which ones aren't going to be successful, and which ones aren't making money right now. This is crucial since gaining lucrative clients

is the lifeblood of any company; once you find them, you can't let them slip your mind (McKim, 2002).

1.1 Operational CRM

CRM is also known as "front office" CRM. Touch points are defined as specific locations where immediate consumer interaction occurs. A customer support inquiry via the organization's switchboard is an instance of an incoming contact. An email promotion or an in-person sales call are examples of outbound contacts.

Alternatively stated, the operational CRM is utilized to collect customer information. In addition to facilitating and streamlining customer communications, an operational CRM does not inherently equate to service optimization. The mere act of a banking consumer accessing their account balance via a website does not definitively indicate a lack of preference for conducting transactions in a branch location (Dyche', 2002). The different tiers of operational CRM are marked in Figure 1.

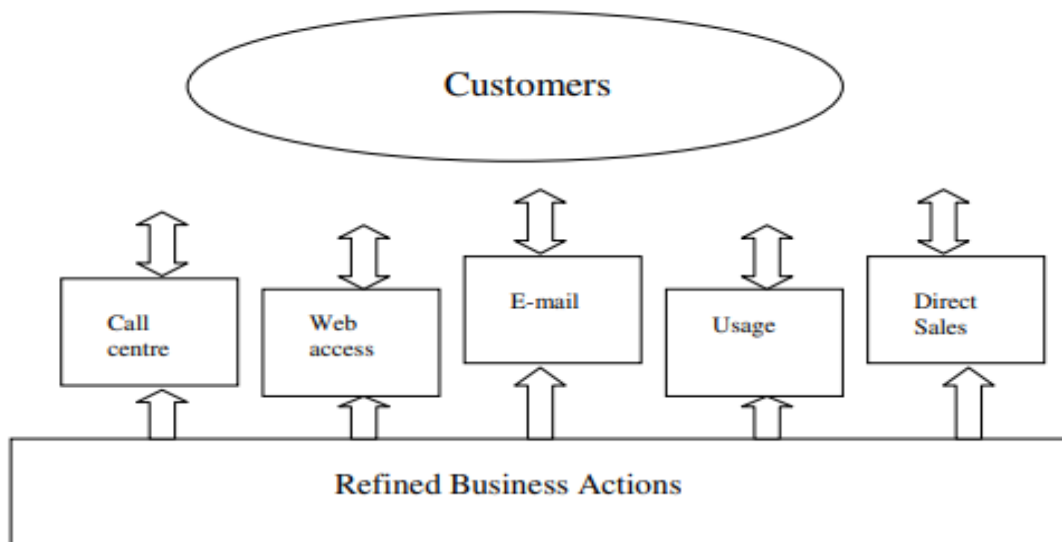


Figure 1: Operational CRM: Touching the Customer, *Source:* (Dyche', 2002)

1.2 Analytical CRM

CRM is also known as "back office" or "strategic" CRM. It entails comprehending the activities of front desk customers that took place. The analytical customer relationship management (CRM) necessitates the implementation of novel business processes and technology (to optimize customer-facing practices for enhanced profitability and data consolidation). Most modern CRM vendors are developing analytical CRM functionalities or forming partnerships with business intelligence (BI) vendors in order to integrate analysis into their products, in response to demands from analysts and industry professionals (Dyche', 2002).

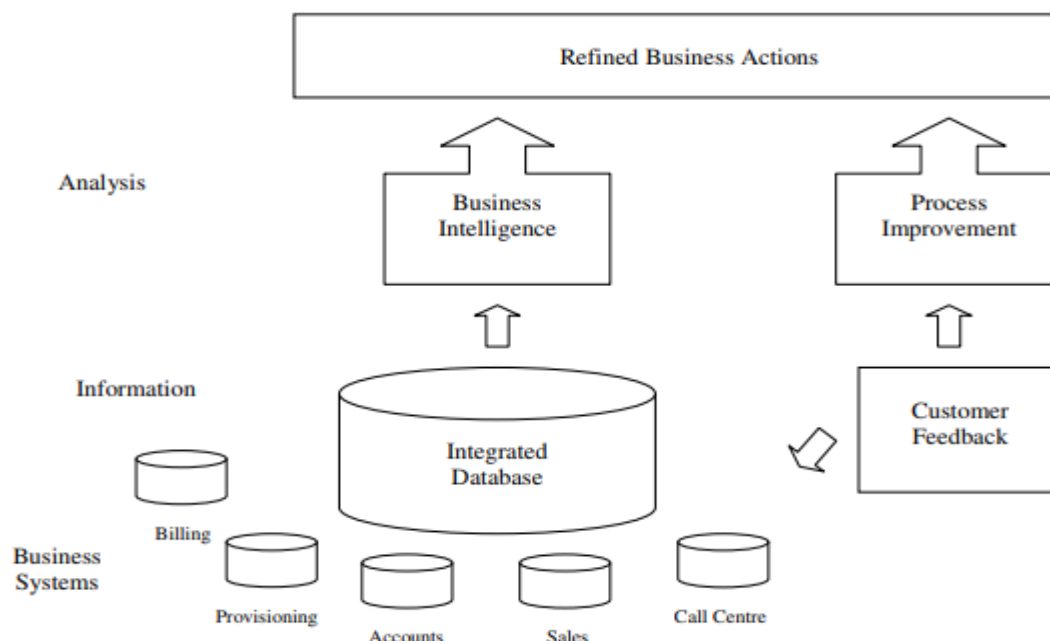


Figure 2: Analytical CRM: Understanding the Customer, *Source:* (Dyche', 2002)

2. LITERATURE REVIEW

Kumar (2024) the hospitality industry is heavily reliant on digital technology, which fosters strong consumer relationships and provides hands-on experience. Incorporating various online digital marketing platforms and strategies (e.g., content creation, social media marketing, pay-per-click), email marketing, and online marketing—into the mix. In the past, hotel and restaurant proprietors relied exclusively on print and word-of-mouth advertising to attract patrons. However, in recent times, digital media has emerged as the predominant method of enticing visitors; its content is more captivating and establishes a strong correlation with online platforms. The hotel industry can establish global connections with visitors and target diverse demographics via online digital marketing. Digital marketing ensures that consumers have noteworthy experiences during their stays in hotels, meals at restaurants, and attendance at mega-events. Consumers consistently encounter evaluations, remarks, and rankings of hotels and restaurants on social media platforms. These factors significantly influence their patronage decisions, particularly in the hospitality industry, where digital networks are integral to promotional endeavors.

Afaq et al., (2023) investigated the moderating effect of COVID-19 (EC) on the relationship between customer engagement (CE), enhanced customer service (ICS), and trust (TR) [CE and ICS]. This study presents the development and evaluation of the SCRMM model through the application of structural equation modeling to 214 responses. The online distribution of the questionnaire occurred among customers of five pre-selected prominent hotel corporations. The selection of participants was predicated on whether or not they addressed customer service issues via Twitter using the hashtag # (hashtag) associated with the hotel. The findings indicate

that CE significantly influences ICS. Additionally, TR was found to be significantly impacted by CE. It was also determined that the moderating EC was significant, but its impact was negligible. Despite initial reluctance on the part of customers to visit hotels due to the severe damage caused by the pandemic, SCRM proved to be an effective instrument for establishing CL and regaining customer trust (CT) by removing the shadow cast by COVID-19.

Setiadi (2023) proposes to improve the marketing effectiveness of budget hotels in West Java, Indonesia, by creating a bespoke CRM model that incorporates social media marketing. Using a simple random sample technique, 115 respondents were chosen, comprising general managers and marketing managers from budget hotels in West Java. The researchers ascertained, through the application of Structural Equation Modeling (SEM), that the integration of customer database management and social media marketing significantly influences the process of CRM customization.

Al-Gasawneh et al., (2022) utilized resource-based view theory and contingency theory to examine the mediating role of service quality between Jordanian hotels' marketing performance and customer relationship management (CRM) performance dimensions. The findings were compiled from a self-administered survey of 162 hotel general managers in Jordan. For the analysis of the data, structural equation modeling with partial least squares was applied. The study's findings indicated that service quality mediated the relationship between the marketing performance of Jordanian hotels and the CRM performance dimensions (customer relationship management, CRM organization, knowledge management, and CRM-based technology). This investigation provides substantial contributions to both the field of theory and practical application.

In their study of Kashmir's hospitality sector, **Sofi et al. (2020)** looked at how four CRM characteristics affected customers' happiness. Four factors were considered: CRM-based technology, knowledge management, customer relationship management (CRM) organization, and customer orientation. To uncover the hidden links between the independent and dependent variables, 176 responses were analyzed using exploratory factor and regression analyses. The responses were gathered using systematic random sampling. The results showed that CRM dimensions—more especially CRM organization, knowledge management, and customer orientation—were positively and statistically correlated with customer satisfaction. The results do show that customer relationship management (CRM) software improves customer happiness, but only to a very little degree.

Rahimi et al., (2017) sought to conduct a comprehensive analysis of the progression of CRM research within the domain of hospitality and tourism (H&T). The research team performed an exhaustive systematic evaluation of the literature by gathering articles from fourteen preeminent journals in the fields of tourism and hospitality. A historical overview and definitional study of CRM is the first section of the literature review. Following this, we looked for relevant CRM studies in the literature and analyzed their timelines and themes in relation to H&T. The literature review provided an in-depth understanding of CRM's evolution based

on the chosen subjects and suggested a new research agenda for academics, professionals, and graduate students.

Hardjono (2017) examined the impact of CRM implementation on customer loyalty in the hospitality sector. The findings ought to aid marketers in identifying the critical dimensions and determinants of CRM that contribute to the development of consumer loyalty in the hospitality sector. Fifteen respondents from all rated hotels in Malacca, Malaysia participated in a purposive survey. There is a strong relationship between customer loyalty and CRM structure, knowledge management, and customer orientation. Statistical analysis, however, did not reveal that the CRM factor based on technology had any discernible effect on this study.

Rashid & Tahir (2013) examined the correlation between different dimensions of CRM, including customer orientation, CRM organization, knowledge management, and technology-based CRM, and a range of organizational performance indicators in Malaysian hotels. The managers of 152 Malaysian hotels ranging in star rating from three to five stars participated in this quantitative research. In accordance with the study's stated objectives, correlation and regression analyses were performed on the collected data. The results of this study show that all parts of customer relationship management—customer orientation, CRM organization, knowledge management, and technology-based CRM—have a positive and statistically significant impact on different parts of hotel performance. However, from a learning and development standpoint, hotel performance was not significantly correlated with CRM technology.

3. CRM IN HOSPITALITY INDUSTRY (OBJECTIVES AND BENEFITS)

In the ever-competitive realm of hospitality, where personalized experiences reign supreme, Customer Relationship Management (CRM) has become an indispensable tool. By fostering stronger guest relationships, CRM empowers businesses to not only attract new customers but also cultivate loyal advocates who drive repeat business and positive word-of-mouth.

3.1 Objectives of CRM in Hospitality

- **Enhanced Guest Experience:** CRM helps gather and analyze guest data, enabling businesses to tailor offerings and anticipate needs, resulting in personalized experiences that leave a lasting impression.
- **Streamlined Operations:** From reservation management and communication to targeted marketing campaigns, CRM automates tasks, saving time and resources while improving operational efficiency.

- **Boosted Revenue:** By nurturing guest relationships and driving loyalty, CRM unlocks upsell and cross-sell opportunities, increasing revenue per guest and overall profitability.
- **Improved Brand Reputation:** Positive guest experiences translate into positive online reviews and recommendations, strengthening brand reputation and attracting new customers.

3.2 Benefits of Implementing CRM in Hospitality

- **Deeper Guest Insights:** CRM consolidates guest data from various touchpoints, providing a 360-degree view of preferences, behaviors, and purchase history. This invaluable knowledge empowers businesses to personalize interactions and cater to individual needs.
- **Personalized Marketing:** Leveraging guest data, CRM enables targeted marketing campaigns that resonate with specific segments, increasing campaign effectiveness and ROI.
- **Enhanced Guest Engagement:** CRM facilitates proactive communication, allowing businesses to stay connected with guests before, during, and after their stay, fostering stronger relationships and brand loyalty.
- **Streamlined Decision-Making:** Data-driven insights from CRM empower informed decision-making, enabling businesses to optimize pricing strategies, resource allocation, and marketing efforts.

4. ISSUES AND CHALLENGES IN CRM

While the success stories showcase the transformative potential of CRM in Indian hospitality, implementing and optimizing these systems still presents a unique set of challenges. Here are some key issues and hurdles that your research paper can explore:

1. Lack of Clear Objectives and Strategy

- Many businesses lack a well-defined vision for how CRM will contribute to their overall goals, leading to inconsistent implementation and limited impact.
- Difficulty in aligning CRM strategies with diverse guest segments and their specific needs within the Indian market.

2. Data Quality and Integration Challenges

- Inconsistent data entry, outdated information, and siloed systems across departments can hamper the effectiveness of CRM analysis and personalization efforts.
- Integrating legacy systems with modern CRM platforms can be complex and expensive, hindering data accessibility and smooth operations.

3. Resistance to Change and Employee Training

- Traditional work styles and reluctance to embrace new technology can lead to resistance among staff, hindering CRM adoption and utilization.
- Effectively training employees on CRM features and best practices is crucial for ensuring data accuracy and maximizing system effectiveness.

4. Cultural Nuances and Privacy Concerns

- Understanding and respecting diverse cultural sensitivities in guest communication and data collection is essential in the Indian context.
- Navigating privacy regulations and ensuring data security can be a complex challenge for hospitality businesses, requiring careful compliance strategies.

5. Budgetary Constraints and Resource Limitations

- Investing in robust CRM systems and ongoing maintenance can be a significant expense for smaller Indian hospitality businesses.
- Lack of dedicated IT personnel or expertise can hinder efficient system implementation and optimization.

6. Measuring the ROI of CRM

- Demonstrating the tangible impact of CRM on guest satisfaction, loyalty, and revenue can be challenging, making it difficult to secure buy-in and justify ongoing investment.
- Developing effective metrics and tracking systems specific to the Indian hospitality landscape is crucial for measuring the ROI of CRM initiatives.

7. Competition and Market Dynamics

- The fiercely competitive nature of the Indian hospitality industry necessitates continuous innovation and differentiation in CRM strategies.

- Keeping pace with evolving guest expectations and adapting CRM practices to emerging trends in the market is essential for long-term success.

By delving into these issues and challenges, your research can offer valuable insights and recommendations for Indian hospitality businesses seeking to overcome these hurdles and leverage the power of CRM for success. Additionally, consider exploring potential solutions and best practices for each challenge, such as:

- Utilizing user-friendly CRM interfaces and gamified training programs to enhance employee adoption.
- Partnering with data analytics companies to ensure data quality and secure integration.
- Implementing targeted communication strategies that respect cultural sensitivities and address privacy concerns.
- Developing ROI-focused metrics and dashboards to track the impact of CRM initiatives.
- Utilizing data-driven insights to personalize guest experiences and stay ahead of market trends.

CONCLUSION

This study investigated the complex landscape of Customer Relationship Management (CRM) in the Indian hotel industry. While success examples demonstrate the promise for personalizing visitor experiences, driving loyalty, and increasing revenue, major hurdles remain in deploying and managing these systems. Cultural differences, data privacy issues, technological restrictions, and budget limits all contribute to a difficult environment for CRM adoption.

Despite these challenges, the Indian hospitality industry is at a crossroads. Embracing data-driven techniques, investing in user-friendly technology, and emphasizing employee training can help overcome these obstacles. Businesses can utilize CRM to differentiate themselves in a competitive market by adopting ROI-focused strategies and adjusting to changing guest expectations. CRM has the potential to alter the Indian hospitality sector if implemented correctly and with concentration. Personalized experiences, increased guest loyalty, and higher revenue potential all point to a bright future for those who embrace this disruptive technology.

While this study investigated the prospects and problems of CRM in the Indian hospitality business, it acknowledges its limits. One significant limitation is the emphasis on unique success stories, which may not accurately reflect the overall experiences of enterprises in this diverse sector. Furthermore, the study might benefit from a more in-depth evaluation of regional differences in CRM adoption and obstacles. Furthermore, the study focused mostly on established firms, leaving smaller hospitality enterprises and specialty niches underrepresented.

Given these constraints, various directions for further research arise. Exploring CRM adoption and obstacles across smaller hotels, boutique accommodations, and regional players would provide a more complete picture. Further research into the impact of cultural diversity on CRM strategies and communication styles could provide useful insights for tailoring visitor experiences. Furthermore, study on the integration of emerging technologies such as artificial intelligence and chatbots into Indian hospitality CRM strategy may give light on future trends and breakthroughs. Finally, longitudinal studies that examine the long-term impact of CRM on visitor loyalty, repeat business, and total profitability would give persuasive evidence of its concrete advantages to the industry.

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