

**CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES IN THE HOTEL
INDUSTRY IN KENYA**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULLFILLMENT OF THE
REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS
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DECLARATION

This research project is my original work and has not been presented for award of a degree in any other university.

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This management research report has been submitted for examination with my approval as the university supervisor

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DEDICATION

To the almighty God for you knew me even before i was born, To my Loving family Roseline, Son Kigen and Daughter Jelimo for letting me know that you are looking upto me as a role model, to my mum for believing in educating us despite all odds and to all those who knowingly and unknowingly contributed to the success of this noble course. May Gods favor always shine upon you.

ABSTRACT

With the increasing competition that businesses especially in hotels industry face today in order to survive, firms have to adjust their approach towards customer relationship management practices and come up with response strategies for dealing with the highly competitive environment. Traditionally hotels are more focused on the physical product and services. Hotels industry today is waking up to consumers who demand consistent delivery of the brand promise, changing needs and sensitivity to socio-political both locally and globally. This study sought to determine customer relationship management practices in the hotels industry in Kenya. The study was conducted through a cross sectional descriptive survey. The study used semi structured questionnaire as a primary data collection instrument. The questionnaires was administered thorough sales account managers of the 22 hotels comprising of 6 five star hotels, 8 four star hotels and 8 three star hotels in terms of rankings, which represents 10% of target population. Data collected was quantitative; analysis was by descriptive statistics and presented in form of charts. The study findings illustrates indeed there are several customers relationship management practices known in the hotel industry. However it is emerging that most of hotels are faced with challenges in effectively implementing all the known CRM practices which is mainly attributed to lack of technological skills, organizational goodwill, status quo and budgeting allocations towards successful implementation of the same. The study concludes that CRM Practices is an important component because of incremental impact it has to the market share. The CRM practices tracks customers interactions with the firm and allows employees to instantly draw information about the customers such as past sales, services, recalls, experiences, feedback and trends of universal problems. The study is recommended that managers and organizational heads should not only continuously strive to support CRM activities in the hotels, but also embrace all CRM practices that make the hotels more competitive to ever changing customer's trends.

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LIST OF ACCRONYMS

CRM- Customer Relationship Management

KAHC-Kenya Association of Hotel Caterers

KTB- Kenya Tourism Board

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Today many organizations are faced with significant challenges in the area of customer service and service delivery and retention both internally and externally. The constant change in demographics coupled with high customer expectations is making organizations rethink its customer relationship management practices (Harring and Akehurst, 2000).

Competition as increased therefore firms look to differentiate their products in the highly commoditized market through branding. Branding refers to any feature or quality that can differentiate a product or service from that of a competitor. The ultimate goals of branding were to create brand awareness and brand loyalty among consumers through building relationships of trust, familiarity, and reliability and to “make them (the customers) feel comfortable with the brand. According to (Peppers, 2004), brand awareness and loyalty will ultimately transform into a branded relationship with “ongoing dialogue” where customer needs influence the products or services. Because of the focus on the consumer-brand relationship, brand loyalty can be seen as a precursor to customer relationship management.

Customer service is the provision of services to customer before, during and after a purchase. According to Turban et al. (2002) customer service is a service of activities designed to enhance the level of customer satisfaction that is the feeling that a product or service has met the customer expectation. Customer service plays an important role in an organization ability to generate income and revenue (Seldon, 1998). From these perspective, customer service should be included as part of an overall approach to systematic improvements.

Customer care is a competitive weapon that can easily differentiate one supplier from another. The discipline is to adhere to a good customer service and operational practices. In order to create substantial rewards (Dall and Bailive, 2004). Following increased competition within the hospitality industry many hotels have tried to gain competitive advantage through customer care. In this regard the successful implementation of CRM strategy was of great benefit to the organizations adopting it, since such organizations can reap the benefit of increasing sales through better market segmentation, customizing products and service, obtaining higher quality products, gaining access to information and employee satisfaction,

and above all ensuring long lasting customer retention and loyalty. Despite the fact that CRM brings lasting benefits to organizations as a whole, some of them gain profits from implementing it more than others; CRM brings benefits to the organizations that generate a lot of information about customers (Winer, 2001).

Customer relationship management has evolved from the foundations of mass marketing and brand loyalty. The height of the industrial era brought with it mass production and a division of specialized corporate functions (Parvatiyar, 1995). The era was dominated by product innovation, and firms created competitive advantage by creating products that were better than those products of their competitors (Peppers, 2004). Firms focused on the amount of products that could be produced and since speed and efficiency were the top priorities, very little attention was given to customization and overall customer satisfaction. The marketing departments used mass advertising for their products in order to increase awareness and build market share. Since the firms were solely concentrated on persuading the customers to buy similar products, the marketing departments were often completely separated from direct consumer contact; no attempts were made to truly understand the customers or their purchasing behaviors.

1.1.1 Concept of Relationship Marketing

Relationship Marketing are activities that are aimed at developing, managing trusting and building long-term relationships with larger customers. In relationship marketing, customer profile, buying patterns, and history of contacts are maintained in a sales database, and an account executive is assigned to one or more major customers to fulfill their needs and maintain the relationship.

Relationship marketing is a strategy designed to foster customer loyalty, interaction and long-term engagement. This customer relationship management CRM approach focuses more on customer retention than customer acquisition. (Reinartz, 2004).

Relationship marketing is designed to develop strong connections with customers by providing them with information directly suited to their needs and interests and by promoting open communication. This approach often results in increased word-of-mouth activity, repeat business and a willingness on the customer's part to provide information to the organization. Relationship marketing contrasts with transactional marketing, an approach that focuses on

increasing the number of individual sales. Most organizations combine elements of both relationship and transaction marketing strategies.

Building relationships with customers and suppliers is necessary for a company during the past few years, concentrating their marketing with focusing on their important customers and suppliers, whom they must develop in order to build long-lasting relations. This is the only way that a company can obtain a permanent competitive advantage and as a result ensure its own survival and growth. It implies that relationship building is key factor to success.

Relationship marketing would lead to greater marketing productivity by making it more effective and efficient. Building and maintaining relationships have considerable long term implication and have impact on strategic and long-range firms' planning marketing. In order to create relationship with both individual customers and business customers we should attract them, to develop this relationship we should make them satisfied and to maintain this relationship we should retain them and at last we will make more profit from them, so Building and Maintaining relationship with their customers, both individual customers or businesses, should be their main (Reichheld, 1996).

All relationship marketing activities are ultimately evaluated on the basis of the company's overall profitability. However, as a firm's profitability is influenced by number of variables largely independent of relationship marketing activities, it seems appropriate to conceptualize relationship marketing outcomes on more concrete level when investigating possible antecedents. Two constructs are referred to in the marketing literature as key relationship marketing outcomes: customer loyalty and (positive) customer word-of-mouth communication. Customer loyalty, as we conceptualize it, focuses on a customer's repeat purchase behavior that is triggered by a marketer's activities. Customer loyalty today is usually viewed as comprising both behavioral and attitudinal components (Day 1969).

1.1.2 Customer Relationship Management (CRM)

It is worth noting that the concept of CRM can be defined in different ways. It also means different things to different people; depending on the working environment it has been used in therefore, there is no single correct definition of CRM. (Brown 2000).

However to enrich the literature about CRM, this study will define it as “a strategic approach that enables organization to use internal resources (i.e. technology, People and Process) to manage the relationship with customers for the whole of their Lives cycle, in order to create a competitive advantage and improve organizations performance”

Customers in the current era are much more empowered today and selling to them requires a far more strategic approach which CRM hopes to fulfill. Organizations are not only attempting to interpret the needs of the customers based on their buying behavior, but are also predicting their future needs. CRM enables firms to customize offerings for customers and when offerings are customized, the perceived value gets enhanced. The perceived value is equated with perceived quality by customers, leading to enhancement of customer satisfaction. This emphasizes the need for integration along the value chain and aligning and integrating organizational processes back through the supply chain to enable better value delivery to the end customer.

CRM can be viewed as an application of one-to-one marketing and relationship marketing, responding to an individual customer on the basis of what the customer says and what else is known about that customer (Peppers, Rogers and Dorf, 1999). It is a management approach that enables organizations to identify, attract, and increase retention of profitable customers by managing relationships with them and further identifying strategically significant customers CRM is an IT enabled business strategy, the outcomes of which optimize profitability, revenue and customer satisfaction by organizing around customer segments fostering customer-satisfying behavior and implementing a customer-centric process.

Alignment of incentives and metrics, deployment of knowledge management systems, tracking customer defection and retention levels and customer service satisfaction levels are other contributions of CRM Technology. (Mehta, 2010)

Customer relationship management (CRM), also known as relationship marketing, has recently emerged as an integral marketing concept in the business world. In an attempt to

reach and connect with customers in an environment highly saturated with products, advertisements, and promotions, businesses are implementing a customer relationship management component in their marketing schemes. CRM practices enable marketers to build long lasting relationships with consumers at the individual level through the use and management of a number of different programs and key components CRM entails all aspects of interaction a company has with its customer, whether it is sales or service related. It even uses technology to streamline processes that impact customer loyalty, service delivery and quality management. Today, businesses are facing an aggressive competition and they have to make efforts to survive in a competitive and uncertain market place. People have realized that managing Customer relationships is a very important factor for their success. Customer relationship management (CRM) is strategy that can help them to build long-lasting relationships with their customers and increase their profits through the right management system and the application of customer-focused strategies. (Parvatiyar, 2001)

CRM has grown mainstream and is being implemented in a wide range of companies and organizations such as manufacturing, financial services, transportation and distribution, medical services and products, consumer package goods and others. This explosive growth of CRM reflects the intersection of genuine market need and enabling technology. And, in this growth period, the impetus for CRM is shifting from emphasis inefficiency, i.e., doing more things faster with less cost, to effectiveness, i.e., doing things better for increased revenue with a high "return on relationships (ROR)"

Customer relationship management is about more than simply managing customers and monitoring their behavior or attitude. CRM has the potential to change a customer's relations with a company and increase revenues in the bargain. Furthermore it helps to know the customers well-enough to decide whom to choose and who to lose. The objective of CRM (customer relationship management) is to recognize and treat each and every customer as an individual.

Customer relationship management is a relatively new field, but its importance is becoming even more evident as time passes. The paradigm shift from focusing on attracting new customers to retaining current ones is at the backbone of CRM (Winer 2001).

Reichheld's studies revealed that small increases in customer retention rates greatly increased profits, proving that long term customers can be more valuable. More revenue on average is

generated from repeat-purchase customers when compared to one time buyers (Reichheld 1996). With potential profit maximization in mind, businesses are turning to customer relationship management in order to better understand customers. Traditional marketing and mass advertising are proving to be ineffective in such a commoditized environment. With the number of similar products on the market increasing and competition among the firms escalating, companies must look toward capturing customers on some factor other than product quality, price, or convenience

1.1.3 Hospitality Industry in Kenya.

The hospitality industry is a broad category of fields within the service industry that includes lodging, event planning, theme parks, transportation, cruise line, and additional fields within the tourism industry. The hospitality industry is a several billion dollar industry that mostly depends on the availability of leisure time and disposable income. A hospitality unit such as a restaurant, hotel, or even an amusement park consists of multiple groups such as facility maintenance, direct operations (servers, housekeepers, porters, kitchen workers, bartenders, etc.), management, marketing, and human resources. (KAHC)

Hospitality sector is fast growing to the need for hospitality services in Kenya's tourism industry. It has been estimated that over 600 million international tourists travel to different parts of the world annually, and the need for hospitality services is ever increasing. Kenya is one of the countries that has adopted tourism as a major economic sector and the need for hospitality services is rapidly increasing. The industry has grown steadily over the years and, currently, tourism is a major foreign exchange earner for the country, and it contributes over 12% to the Gross Domestic Product (GDP). The development of Hospitality industry in different parts of the world has shown that the industry presents both opportunities for the economic growth particularly in the development, and generation of employment opportunities for local communities. In Kenya, the rapid development of tourism has presented many challenges to the hospitality sector in the provision of accommodation and food services. The challenges include provision of hospitality services to different interest groups from both within the country and from among the international tourists.(KAHC)

However the rapid development of tourism in Kenya has not been accompanied with increased human resource development and training in Hospitality sector, particularly at the tertiary level. There is a short fall of required tourism professionals capable of providing the

needed management skills in solving the challenges that are brought about by the development of tourism in different parts of the country, both in the private and public sector. Kariuki (2006).

1.2 Research Problem

With the increasing competition that companies are facing today, rewards will accrue to those who can read precisely what consumers want by continuously scanning the environment and delivering the greatest value to customers. Evans (1987) is of the view that as the operating environment changes; a more pronounced transformation of the business landscape lies ahead. As a result, businesses are faced with increased competition and thus register low profits and even losses. This could probably be attributed to lack of customers relationship management practices (Abdalla, 2001). According to Jin Zhao and Fing (2009), the competition in the hotel industry worldwide is reaching a level where it is so intense that almost the same package of services is offered and product differentiation becomes increasingly a fiasco.

Locally, Nyongesa (2006) studied the analysis of application of customer relationship marketing strategies by classified hotels in Kenya where it was established that hotels were losing customers because of the low quality of services offered in some of the hotels. In addition the customers complained of frequent internet breakdowns and power blackouts which interfered with their enjoyment.

Consumers have become complicated in terms of their needs and expectations. An attempt to satisfy their complicated needs and expectations is a cost driving move. Hotel guest expect variety of facilities and amenities such as exercise and recreational facilities, business centers and guest room innovations. The facilities to be provided will definitely increase cost of service and so they must be carefully selected to avoid non value added amenities that may appeal to most of the guest. Muthoni (2007).

From the studies cited above and the background challenges that have faced the hospitality industry in Kenya it is evident that Customer Relation Management is an emerging marketing activity or function which has gained prominence among academics and practitioners. However the adoption of customer relation management by most hotels fully is not only yet to be realized but also the benefits of it achieved, this is because there are no laid down guidelines on adoption, implementation and practices. Different hotels view and practice customer relationship management differently yet there is no doubt that an effective

and efficient practice of customer relationship management is crucial in success of a firm. The study will seek to answer the question: what are the customer relationship management practices in the hospitality industry in Kenya?

1.3 Research Objectives

1. To determine customer relationship management practices in the hospitality industry in Kenya.
2. To identify challenges faced by hotels in Kenya in the implementation of customer relationship management programs.

1.4 Value of the Study

The study will benefit the stakeholders and management within hospitality industry in Kenya in understanding customer relationship management practices and how they can effectively adopt and implement to improve customer service, retention and satisfaction.

To the academicians and researchers, the finding would contribute to professional extension of existing knowledge on customer relationship management practices. The study would provide useful basis upon which further research on customer relationship management practices can be undertaken. The study will also suggest area for further studies on which to research customer relationship management practices.

For the policy makers and government, the findings and recommendations of the study will serve as empirical information to the management of hotel in Kenya for their customer relationship policy formation. It will also inform KTB on the nature and level of customer relationship management practices in the hotel industry. This information was relevant to them because it is expected that effective customer relationship management in hotel industry will have positive effect on tourist attraction in the country.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This Chapter presents a review of the related literature on the subject under study as presented by various researchers, scholars, analysts and authors. This chapter will therefore review literature with respect to the research objectives on customer relationship management practices in the hospitality industry in Kenya.

2.2 Theoretical Models Customer Relationship Management

Various models and frameworks have been proposed to show how CRM can be effectively implemented and managed, and to illustrate the process Zablah *et al.*, (2004). Many of these stress the need for sound vision and strategy, followed by proper assessment and setting of business objectives and processes required, before any consideration of technology

They indicated that companies can minimize their risk of failure by first having a clear vision for their CRM target – application, infrastructure, or transformation – and then by understanding and addressing the issues typically associated with it.

Sin, Tse and Yim (2004) reported that that successful CRM depends on how four key components: strategy; people; technology; and processes are dealt with. Day (2003) observed that when all the four key areas are well addressed, a higher customer-relationship competence may emerge and that superior customer relationship capability was achieved when the four work in harmony or as a unit. In other words success in one of the key factors may not necessarily enhance effective and efficient CRM.

Yim, Anderson and Swaminathan (2004) in his own words observed that CRM implementations usually involve four specific ongoing strategic activities: focusing on key customers ,organizing around ,managing knowledge, and incorporating CRM based technology . Sin, Tse and Yim (2004) in the same vein, hypothesized that CRM is a multidimensional construct consisting of four broad behavioral components: key customer focus, CRM organization, knowledge management, and technology-based CRM.

They opined that for a business to maximize its long-term performance in such aspects as customer satisfaction, trust, return on sales, and return on investment, it must build, maintain, and enhance long-term and mutually beneficial relationships with its target buyers

2.2.1 Key Customer Focus

Ryals and Knox (2001) indicated that a customer-focused structure, culture, policy, and reward system should permeate any organization that strives to implement CRM successfully. They noted that the firm-wide CRM spotlight ought to replicate in all interactions with key customers. According to Yim, Anderson and Swaminathan (2004) the key customers are usually identified through customer lifetime value analysis. They asserted that the fundamental goal of key customer focus is to achieve a deep customer relationship that makes an organization a necessary partner to its most profitable customers.

Company-wide understanding and support for key customer focus motivate sales force to cultivate long-term customer relationships by offering more personalized products and services. Fichman and Goodman (1996) noted that because firms are engaged in numerous transactions with significantly diverse customers in terms of their needs and expectations, they consider CRM as quite challenging. To reduce the CRM challenges, most of the firms have resorted to formal customer relationship management (CRM) programs. CRM programs are generally classified as either database-driven (i.e., identifying profitable segments through statistical techniques) or customer-needs-driven (i.e., the use of database to supply information that aids in the development and maintenance of long-term relationships with key customers)

Dowling (2002) observed that customers-needs-driven CRM programs are common with firms that adopt business-to-business marketing strategies because customers-needs-driven CRM programs to boost inter-firm relationships. According to the CRM behavioural component model of Sin, Tse and Yim (2004), Key customer focus is a composition of dialog with customers on customizing their needs, customizing products, customer needs assessment, and implementation of customer needs information. Dowling,(2002). Observed that customer-needs-driven CRM strategy should be an important constituent of the overall business strategy of firms. Therefore, firms, as part of their CRM practices, ought to develop CRM strategies that are capable of delivering *both* economic and non-economic benefits to key customers.

2.2.2 Customer Relationship Management Organization

The CRM behavioral component model of Sin, Tse and Yim (2004) measures CRM organization around availability of sales and marketing experts, Employee training on customer relations, evaluation and rewarding of customer performance in customer relations, clear goals of CRM and CRM oriented organizational structure. Yim, Anderson and Swaminathan (2004) observed that with a strong focus on key customers deeply embedded throughout its CRM system, the entire company should be organized around cultivating these valuable relationships. The organizational structure needs to be flexible and, if necessary, reconstructed to generate customer-centric values and improve coordination of customer-focused, cross-functional teams.

The success of customer relationship management programs call for commitment of resources at all levels and functions of the firm. They noted that with concerted efforts by all organizational functions to continuously provide a stream of value-rich actions and customer outcomes the company and its sales force are assured that they can satisfy customers' needs and enhance customer relationships.

CRM, if practiced properly might lead to cross-selling and up selling of products and services. Cross-selling means selling the right product to the right customer. One other relevant and important attribute of CRM is its ability to help in the ego-mending of customers. This if practiced efficiently, soothes the customer's negative emotions he could have, due to the non-attainment of his expectations regarding the product or the service.

2.2.3 Knowledge Management

A firm cannot be customer focus without knowing the needs of customers. Customer –needs driven CRM strategies requires uncovering customer needs through the analysis of customer information. According to Yim, Anderson and Swaminathan (2004), asserted that effectively transforming customer information to customer knowledge is an indicator of successful CRM. In their own words, they noted that information about customers should be gathered through interactions or touch points across all functions or areas of the firm so that a 360-degree customer view is established, maintained, and continually updated.

Firms must become proficient at managing knowledge about their customers and knowledge that is useful to their customers in order to be customer focused. According to Zablah, Bellenger, and Johnston (2004). Such knowledge includes, but is not limited to, knowledge about one's company, industry, competitors, customers, the procedures and processes that allow firms to work well with partners, and the organizational structures that allow firms to be efficient and effective. They also indicated that every firm has a unique level of knowledge management proficiency. They added that knowledge management provides firms with market intelligence that can be used to maintain and build profitable portfolios of customer relationships. Consequently, it is asserted that a superior knowledge management capability is an important foundation and platform for building a sustainable competitive advantage.

Janz and Prasarnphanich (2003) identified three facets of knowledge management competence. They are; knowledge development, knowledge dissemination, and knowledge application. One important feature of knowledge development is the fact that knowledge is not found in the data base of any firm and can only be created from information that may be found in the data base or elsewhere. Knowledge in general is created in diverse ways. The value of knowledge is enhanced by its level of accessibility. The more accessible knowledge is, the more valuable it becomes Davenport and Prusak, (1998). Customer knowledge thereby generates needs to be shared and disseminated throughout the organization.

The ultimate outcome of knowledge management programs is the application of knowledge in a way that creates additional value for the firm and its customers. As Janz and Prasarnphanich (2003) stated, it is widely accepted that organizational performance depends more on the ability to turn knowledge into effective action than knowledge itself

2.2.4 Technology-Based Customer Relationship Management

Many CRM-oriented activities, such as knowledge management, cannot be optimized without leveraging the latest technology. Zablah, Bellenger, and Johnston (2004) described CRM technology as one of the organizational resources that serves as an input into the CRM process and is intended to enhance firms' ability to productively build and maintain a profit maximizing portfolio of customer relationships. Although the specific CRM tools individual firms choose to deploy are likely to vary significantly, CRM technology can be categorized according to the organizational function it is intended to support and by its functionality.

More specifically, CRM tools are designed to support sales (e.g. opportunity management), marketing (e.g. campaign management), and service and support tasks (e.g. case management), and serve to either enable the coordination of tasks within a process or across functions, automate routine tasks, provide detailed insight regarding organizational and individual employee performance, or standardize common tasks and processes. Zeblah, Bellenger, and Johnston, (2005).

No wonder, it is said that most CRM applications take great advantage of technology innovations, with their ability to collect and analyze data on customer patterns, develop prediction models, respond with timely and effective customized communications, and efficiently deliver personalized value offerings to individual customers Peppard,(2000). They noted that the expansion of sophisticated information management tools, such as database marketing, data warehousing, data mining, and push technology keep firms in a continuous search for the latest technology that could be built-in into their CRM systems. With the right CRM technology, firms are able to collect, analyze, and distribute information firm-wide.

Yim, Anderson and Swaminathan (2005) asserted that with appropriate CRM technology for data collection and distribution, firms was in the position to enhance Prospecting, improve communication and sales presentations, and able to customize their product configurations. Another advantage of CRM technology is that it aids cross referencing of customers of the various sections of a firm to identify trends of customer buying behaviour and this is a potential source of more sales opportunities.

They identified enhanced customer satisfaction, higher customer retention, and more profitable long-term customer relationships as the main expected outcomes of CRM-based technology. In summary, Yim, Anderson and Swaminathan (2005) uphold that successful CRM Implementations depends on combining the four aforementioned dimensions; focusing on key customers, organizing around CRM, managing knowledge, and incorporating CRM-based technology into an effective overall CRM strategy. They opined that deficiencies in any of these areas can render the firm's CRM endeavors in effective.

2.3 Customer Relationship Management Practices, Process and Strategic Models

Customer relationship management is viewed as a series of strategies and processes that support and execute a relationship, vision for the enterprise. It encompasses strategies, practices and processes that create new and mutual value for individual customers build preference for their organization and improve results over a lifetime of association with their customers.

CRM entails all aspects of interaction a company has with its customer, whether it is sales or service related. Today, businesses are facing an aggressive competition and they have to make Efforts to survive in a competitive and uncertain market place. Customer relationship management (CRM) is a strategy that can help them to build long-lasting relationships with their customers and increase their profits through the right management systems and the application of customer-focused strategies. Metha et al (2010)

2.3.1 Customer Relationship Management Practice

The identity of CRM has become intangible (you can feel it but you can't see it). The problem is worsening off by the volume of quite distinct definitions and perspectives of CRM in the books of marketing management. The definitions of CRM range from very narrow Interpretations to very broad ones with no two being the same Yim, Anderson and Swaminathan, (2004). They observed that —the lack of consensus on the meaning of CRM not only impedes academic discourse on the subject, but also adds to business practitioner skepticism and indecisiveness in establishing CRM systems. Consequently, generally accepted CRM process and practices are yet to be established.

However, many scholars have made great efforts to describe the CRM practices of firms and had interesting findings. Mehta et al (2010) found that customers select services base on CRM practices of the service provider. They identified amenities, comfort, timely services, supportive staff and trust as the most valuable CRM practices in the transport business .They observed that technology-based CRM is prominent in service firms. Pathak and Modi (2004) observed that quality of service is one practice of CRM that customers give much attention. Vijayadrai (2008) identified service delivery, reliability, assurance and responsiveness as factors that influence customer's perception of service quality. They found that customers give high ranks to value preposition and low ranks to personalization from a list of seven variables related to customer satisfaction (value preposition, recognition, customer

orientation, reliability, relationship oriented, credibility, personalization and gestures). Bennett, (1996) identified openness, genuine concern for delivery of high quality services, responsiveness to customer suggestions, fair dealings and willingness to sacrifice short-term advantage for long-term gains as the characteristics of CRM strategy and practices.

Reinartz et al, (2004) described CRM as systematic process which encompasses managing customer relationship initiatives (maintenance, and termination across all customer contact points) in order to maximize the value of the relationship portfolio.

In the same vein, Schneider and Bowen (1999) indicated that retaining customers and achieving profitability largely depends on practices such as building reciprocal relationships founded on safeguarding and affirming customer security, fairness and self esteem. It is also observed that maintaining lifelong relationships has its roots in values and practices such as mutual exchange, fulfillment of promises, ethical business practices, effective communication and emotional bonding Bejou et al., (1998)

Lindgreen, (2001). Noted that Successful implementation of CRM programs require a strategic approach in carrying out activities such as developing customer centric process, selecting and implementing technology solutions, employee empowerment, customer information and knowledge generation capabilities to differentiate them, and the ability to learn from the best practices

2.3.2 Customer Relationship Management process

Since the CRM process requires a vast amount of customer information, privacy issues remain an important and sensitive issue with firms and customers alike. In order to customize products and services for individual customers, personal information is collected and stored in CRM databases. There is a fine line, however, between collecting and capitalizing on information and stepping over customer privacy boundaries. According to Forrester Research, individuals have reported feelings of irritation and violation and some have admitted that they are fearful about internet usage tracking (Stanley 2000). When firms violate customer privacy by sending unwanted e-mails and mailings or by sharing private information, customers can backlash and boycott the firms. Some privacy issues can be resolved by an “opt-in” option in which the customer must explicitly give consent to personal data collection or by an “opt-out” option in which customers must forbid the use of data

(Winer 2001). As more firms adopt and develop CRM processes, privacy issues should be addressed in order to ensure that consumers feel comfortable and confident with the firms and with the data those firms are collecting and using.

Although there are many advocates for the adoption of customer relationship management, many skeptics criticize the practice for a number of reasons. The initial criticism attacks the fact that no top marketers, or executives of the same firm for that matter, can agree on a single definition of CRM; this lack of consistency makes it difficult for an organization to create a united front regarding CRM objectives and programs (Newell, 2003). This lack of definition may not be critical, however, if the firms are able to successfully implement their own individual working systems. Other critics believe that CRM is failing to meet customer needs; CRM practitioners are too focused on managing the customer and not enough on satisfying the customer. Finally, marketing executives often view technology as the most important part of CRM, but many see technology as the only requirement for CRM implementation. Technology does not build relationships, and critics argue that the process of CRM puts too much emphasis on databases and not enough on personal interactions (Newell 2003).

The concept of process approach of CRM maintains that relationships evolve over distinct phases, which require different levels of interactions and actions between customers and organizations. The process perspective of Reinartz *et al.*, (2004) is noted as the only perspective of CRM that acknowledge the lifecycle aspect of the relationship, and has been examined at two levels – one is managing interactions with the customer, the other at a broader macro level incorporating a wider range of activities. One of the notable contributions in this respect is the CRM process framework model

Parvatiyar and Sheth (2001), they designed a four-stage process frame work for the formation, maintenance and promotion of effective and efficient CRM. The four processes of the model are designated as: Customer relationship formation process, relationship management and governance process, relationship performance and evaluation process, CRM and evaluation enhancement process. The model portrays the above processes as sequential and less interactive.

However it must be noted that the processes of the model should be interactive and circular in design rather than sequential. Payne and Frow (2004) identified five important cross-functional processes of CRM and they include strategy development, value creation, multi-channel integration, information management, and performance assessment.

It is often not clear to companies that all embracing customer focused business process re-engineering is necessary when implementing CRM. They add that CRM is a “continuous effort” which should begin with a customer centric view taking customer feedback into consideration and thus making sure marketing and other business processes are integrated and organized in a manner that best serves the customers according to their individual needs and values. Also recognize the need for firms to become more customer centric and that this could be achieved through the linkage between CRM and business process re-engineering.

(Peppard,2000) states that implementing CRM means changes throughout the whole organization which is in accordance with integrating all business processes their view also supports the idea that CRM requires everyone within the organization to be committed to building strong customer relationships This, again, means changes in the way firms are organized.

According to Payne, (2005) the organizational structural designs best suited for building strong customer relationships are the ones based on inter-functional cooperation and integration. Highlights the importance of a cross functional approach to customer relationships, reminding.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology. It explains the research design that was used for the study, the population that formed part of the study, sample design, the methods that were used in collecting data and how the results data was analyzed.

3.2 Research Design

The research design used in the study was a cross sectional descriptive survey. This design entails the collection of data of more than one case and at a single point in time in order to collect a body of qualitative and quantitative data in connection with several variables which are then examined to detect the patterns of association (Lindgreen, 2001).

This design is appropriate because it enables the researcher to get more details from a large number of subjects. The design is also appropriate as it enables the research to collect cross sectional data that is essential for corporate studies.

3.3 Target Population

The population of this study will consist of 220 hotels fully registered under umbrella body of Kenya Association of Hotels and Caterers (KAHC) a professional body fully recognized by the government of Kenya and K.T.B this is according to KAHC,2014.

3.4 Sample Design

A sample size of 110 hotels which is 50% of target population was used. Stratified random sampling was used in selecting the hotels which form part of the sampling from the three hotel rankings categories that constitute five stars, four stars, and three star hotels. This was the population strata. From each stratum the proportional stratified sampling was used to determine the number of hotels to be selected per stratum. The computation is presented in Table 3.1

Table 3.1: Sample selection

Hotel ranks/Stratum	Total No of Hotels	Sample size (10% of population)
Five star	60	6
Four star	80	8
Three star	80	8
Total	220	22

(Source: KAHC,2014)

The number of each stratum was established then a simple random sampling method was used to select the specific members of the stratum which will constitute sample population.

3.4 Data Collection

Primary data was used to obtain information of the study. The respondents were employees from 22 hotels mainly head of marketing department and account managers. The main instrument for data collection was semi structure questionnaire. The questionnaire was divided into two sections. Section one was designed to obtain general information on personal profile of employees in the hotel. Section two consisted of questions on CRM practices in hospitably industry in Kenya. The question was administered through “drop and pick later method”.

3.5 Data Analysis

Data was analyzed using Microsoft Excel Spreadsheets and Statistical Package for social science (SPSS). Quantitative data was analyzed through the use of descriptive statistics where the frequencies, percentages, mean and standard deviation of the responses was established and the results then presented in form of tables/figures.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents the results and interpretation of the data collected. The data was sought to fulfill the study objectives, which were to establish the customer relationship management practices in the hotels industry in Kenya. And to identify challenges faced by hotels in the implementation of customer relationship management programs

4.2 Response Rate

A total of 22 questionnaires were randomly distributed to each of the 22 hotels. All questionnaires were directed to sales, marketing and customer care department.

All questionnaires issued were returned and this is what the researcher used. 77% of the respondents who participated in the study were males and 23% were females. This indicates that more males than females were the study respondents.

Table 4.1: Age of the respondents

Years	Frequency	Percentage
Below 20	0	0
21-30	7	32
31-40	14	64
Above 41	1	4
	22	100

(Source; Researcher, 2014)

The results as shown in the Table 4.1, shows that 32% of the respondent who participated in the study were between ages of 21 to 30, while 64% were between 31-40 years and 4% were above 41 years. This shows that the respondents are still within the productive age

The respondents were also asked to indicate the years of service in their respective firms. The results are shown in the table below

Table 4.2: Years of service in respective firms

Years of Service	Frequency	Percentage
0 to 5	4	18
6 to 10	10	46
11 to 15	8	36
16 to 20	0	0
Over to 20	0	0
Total	22	100

(Source; Researcher, 2014)

From Table 4.2, the majority 46% of respondent's shows that they have been in the service for between 6 to 10 years, while 36% have been in the service for between 11 to 15 years, the minority 18% had been in the firms between 0 to 5 years. The results show that the hotels are all established brands in the industry.

The respondents were also asked to indicate the level of education. The results are shown in the Table 4.3.

Table 1.3: level of education

Level of Education	Frequency	Percentage
Certificate	0	0
Diploma	10	46
Undergraduate	12	54
Masters	0	0
Others	0	0
Total	22	100

(Source; Researcher, 2014)

Table 4.3, shows that the majority 54% of respondents are undergraduate while 45% have diploma. The results shows that the hotels have educated personnel.

4.3 Structures and organizational support to customer relationship management

Table 4.4: Frequency of review of customer relationship policies

	Frequency	Percentage
Daily	0	0
Weekly	4	18
Monthly	10	45
Yearly	8	37
Total	22	100

(Source; Researcher, 2014)

From Table 4.4 above, 45% of the respondents agreed that their hotels review their CRM policies monthly while 37% review yearly and 18% review weekly. Overall Majority the respondents agreed that their firms do have customer relationship management policy and agreed that their firms do review their policies

Table 4.5: Budget allocated for customer relationship management

	Frequency	Percentage
Poor	7	32
Fair	3	14
Moderate	4	18
Good	8	36
Total	22	100

(Source; Researcher, 2014)

From the results in the Table 4.5, 36% of the respondents felt that the budget allocated is good 32% felt that it is poor, 18% felt that the budget was moderate and 14% felt it was fair. However majority of the respondents had a low opinion on the budgetary allocation in their respective organization

4.4 Customer relationship management practices in the hotel industry in Kenya

The respondents were asked which customer relationship management practices that they were aware of within the hotel industry in Kenya, the response was; one on one interaction, actively seeking customer feedback, customer follow ups, loyalty schemes, research on customer tastes and preferences, and keeping client data base

They were further asked to rate how CRM practices were applied in their respective hotels using four point scale where 1 meant Rarely and 4 Very Much

Table 4.6: Customer relationship management practices in the hotels in Kenya

	Mean	Standard Deviation
One on one interaction	3.36	0.60
Actively seeking customer feedback	3.09	0.53
Customer follow ups	3.31	0.59
Loyalty schemes	2.63	0.48
Research on customer tastes and preference	2.72	0.48
Keeping client database	2.72	0.80

(Source; Researcher, 2014)

On one on one interaction as a CRM practice the respondents agreed to average extend as indicated by mean score of 3.36. On actively seeking customer feedback the respondents agreed to average extend as indicated by mean score of 3.09. On Customer follow ups the respondents agreed to average extend of 3.32. On loyal schemes the respondents agreed to average extend as indicated by the mean score of 2.64. On research on customer tastes and preference the respondents agreed to average extend as indicated by the mean score of 2.73. On keeping client database the respondents agreed to average extend as indicated by the mean score of 2.73.

4.5 Challenges faced by hotels in implementation of CRM Practices

The respondents were asked what challenges faced by their hotel in implementation of CRM practices are they aware of, the response was; lack of information about how to innovate, status Quo satisfied with current situation, lack of knowledge on importance of CRM, Technological skills, lack of budget, and organizational good will.

They were further asked to rate the challenges faced by their respective hotels in implementation of CRM practices using four point scale where 1 meant Rarely and 4 Very Much

Table 4.7: Challenges faced by hotels in implementation of CRM Practices

	Mean	Standard Deviation
Lack of information about how to innovate	2.45	0.47
Status Quo Satisfied with current situation	3.00	0.52
Lack of knowledge on importance of CRM	2.81	0.49
Technological Skills	3.09	0.53
Lack of budget	3.40	0.61
Organization good will	3.00	0.52

(Source; Researcher, 2014)

On lack of information about how to innovate as a challenge of implementing CRM practice the respondents agreed to average extend as indicated by mean score of 2.45. On status quo satisfied with current situation the respondents agreed to average extend as indicated by mean score of 3. On lack of knowledge on importance of CRM the respondents agreed to average extend as indicated by the mean score of 2.82. On technological skill the respondents agreed to average extend as indicated by the mean score of 3.09. On lack of budget the respondents agreed to average extend as indicated by the mean score of 3.41. On organization good will the respondents agreed to average extend as indicated by the mean score of 3.

CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the conclusion and recommendation that the researcher arrived at based on the findings of the research process. This chapter is divided into the following sections: summary of the findings, the conclusions, recommendations for policy and practice, limitations of the study and the suggestions for further research.

5.2 Summary of findings

Form the research findings it was found that indeed there are several customers related management practices known in the hotel industry. This can be considered through research carried out on employees of randomly selected hotels. However it is emerging that most of hotels are faced with challenges in effectively implementing all the known CRM practices which is mainly attributed to lack of technological skills, organizational goodwill, status quo and budgeting allocations towards successful implementation of the same.

The future of CRM is bright if companies are willing to invest money and improve their current practices. Currently, CRM implementation is relatively weak among firms; the future of CRM will be determined by how well these firms adapt to its practices. According to (Winer, 2001). Technology and database functions will continue to improve, but companies will have to become more effective in analyzing customer behavior and information Firms must continue to build company and brand communities to encourage communication and increase loyalty levels among current and potential customers (Reinartz 2006). A popular trend in improving CRM involves the splitting of the marketing manager job into two separate positions. One position would be responsible for customer acquisition and the other for customer retention, allowing for the managers to solely focus on one's responsibilities and objectives (Winer 2001). Customer experience management (CEM) is another marketing movement that is an offshoot of CRM, and it focuses on the customer experience at every touch point between the firm and the customer. If CEM proves to be a valuable and effective practice, then it is likely that CRM will evolve to include CEM techniques (Winer 2001).

Customer relationship management has become the new wave of marketing in an attempt to build loyalty, strengthen customer relationships and increase profits. Using software technology and advanced databases, CRM aims to reach out to customers to meet their individual needs and exceed their expectations. Firms implement relationship programs, such as community-building websites and loyalty card programs, to develop a trusting relationship among consumers to gain their confidence and increase repeat purchases. CRM will continue to be a dominant marketing technique that will contribute to ongoing customer relationships and bottom line profits.

CRM practices denote a companywide business strategy embracing all client facing departments and even beyond. When an implementation is effective, people, processes and technology work in synergy to increase profitability and market share. From the results of research it was established that the goal of CRM practices is to manage all aspects of customer interactions in a manner that enables firms to maximize profitability from any customer.

Increasing competition and technological innovation have all contributed to the increase in customer power. Customers faced with increasing array of products and services therefore they are expecting more from firms in terms of customized offerings, attractive packages, value for money, ease of access and transparency in dealings. This study found that retaining customers is of more concern for hotels which underscores the importance of CRM practises.

The adoption of CRM in the hotel industry has been impeded by a number of factors. These include the persistently fragmented nature of the hotel industry, the disparate proprietary and relatively immature nature of IT systems, and the additional complexity associated with managing perishable product that is sold through a variety of distribution channels

It is also emerging that CRM practices do increase revenues, profits, and customer service. and that the ultimate reason for CRM practices is to achieve a greater profitability by reducing customer acquisition costs, increasing repeat purchases, and charging relatively higher prices. The rapid growth of CRM can be attributed, fierce business competition for valuable customers, economics of customer retention (i.e. life-time value) and technological advances. In the same vein, evidence emerging for use of CRM in hotels are: increased customer satisfaction, reduced costs of sales, service and marketing, increased sales

revenues, reduced costs of other operations, increased profit per customer; and increased customer retention.

5.3 Conclusion

Analysis of the changing customer tastes, trends and preferences are critical step to understand how best to bridge customer's acquisition and retention with key focus on relationship management efforts. Customers move across continuum of problem identification, need identification and evaluation of purchase before making a choice. Hotels in Kenya have huge potential in maximizing customers traffic and revenue. Hence CRM practices are an important strategy in fostering a sustainable competitive advantage in business. The market place will continue to have new products and services competing for same customers.

CRM Practices is an important component because of incremental impact it has to the market share. According to research findings CRM practices tracks customers interactions with the firm and allows employees to instantly draw information about the customers such as past sales, services, recalls, experiences, feedback and trends of universal problems in order to reposition the firm effectively in the market.

Therefore managers and organizational heads should continuously strive to support CRM activities in the hotels while embracing all CRM practices in order to achieve a more competitive edge over the ever changing customer's trends. This means hotels should have a strong customer focus personnel, responsive organizational structure with organizational goodwill and muscle to implement CRM practices since the success of the firm rests on it.

5.4 Recommendation for policy and practice

The management and organizational heads of hotel industry in Kenya should use the findings of this study in understanding CRM practices and ways of dealing with challenges of implementing these CRM practices in order to achieve highest level of customer satisfaction hence competitive advantage.

The policy makers and government should use the findings of this study in formulating of policies and guidelines on CRM practices and customer service delivery. The policy design will serve as guidelines in assisting the management of hotels in Kenya what the procedures and policies to follow when deciding to employ CRM, practices.

Researchers and academicians should make use of this study as a basis upon which further studies on CRM could be researched. The findings should contribute to professional extension of existing knowledge on CRM practices by providing literature on customer service management.

5.5 Limitation of the Study

The study was limited by the fact that the researcher only administered the questionnaires to the departmental heads and key account managers. Therefore only the management perspective informed the findings of the study while the perspective of below management employees was not factual.

Another limitation had to do with access to data especially where the manager concerned was away on leave or had a tight work schedule. It took a bit too long to get some of the data that was available but needed higher level authorization to be accessed. In most instances, the concerned managers were so engrossed in day to day operations and did not pay much attention to the formalities that go with the questionnaire like acknowledging the introduction letter through a formal response

5.6 Recommendation for further research

The study explored customer relationship management practices in the hotels industry in Kenya, however, this comprises of only a segment within the large hospitality industry which includes tours, travel, cruise ship lodges among others. It will be interesting to see the CRM practices in this other segments and probably see how they compare in order to have a clear scope of CRM practices in hospitality industry as a whole.

The researcher further recommends that study should be done on the effectiveness of the above practices as a tool in winning hotels' competitive advantage.

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APPENDICES

APPENDEIX 1: QUESTIONNAIRE

Thank you for taking your time to help me carry out this research by filling the following questionnaire. I assure you that the information that you provide was treated with utmost confidentiality and your identity will not be revealed. Kindly read instruction before filling the questionnaire

SECTION 1: GENERAL INFORMATION

I. Gender

- Male male

II. Job Level/position

.....

III. Age bracket (yrs)

- Below 20 20 -30
- 31-40 Above 41

IV. Years of firms /hotels existence

.....

V. Level of Education

- Certificate
- Diploma
- Under graduate
- Masters
- Others specify.....

SECTION 11: How hotels in Kenya are structured and organized to support customer relationship management.

VI. a.) Does your organization have customer relationship management policy?

- Yes No

If yes;

Does your organization review its customer relationship management policies?

Please specify.....

b. How often does your firm review customer relationship policies?

- Daily
- Weekly
- Monthly
- Yearly

C Does your organization have fully empowered customer relationship management department with standard operating procedures

Yes N

Others specify.....

VII. How would you rate the budget allocated for customer relationship management by the organization? (Rate 1 to 5, where 1 is Poor, 2 Fair, 3 Moderate, 4 good, 5 Excellent)

- Poor
- Fair
- Moderate
- Good
- Excellent

SECTION 111: The customer relationship management practices in hospitality industry in Kenya.

VIII. a) Which customer relationship practices are you aware of?

.....

b) How would rank the same in order of application in your Hotel

(Rate 1 to 4, where 1 is Rare, 2 Not Very Much, 3 averagely, 4 Very Much)

	Rarely	Not Very Much	Averagely	Very Much
	1	2	3	4
One- on –one interaction				
Actively seek customer feedback and complains				
Customer follow-ups				
Loyalty schemes				
Research on consumer taste and preferences				
Keeping clients data base records				

SECTION IV: The challenges faced by hotels in Kenya in the implementation of customer relationship management practices

VIII. a) what challenges faced by your organization in implementation of customer relationship management practices are you aware of?

b) How would you rank the above challenges as per your organization?

(Rate 1 to 4, where 1 is Rare, 2 Not Very Much, 3 averagely, 4 Very Much)

	Rarely	Not Very Much	Averagely	Very Much
	1	2	3	4
Lack of information about how to innovate				
Status Quo satisfied with current situation				
Lack of knowledge on customer relationship management				
Technological skills				
Lack of budget				
Organizations good will				

APPENDEX 11: LIST OF HOTELS

1. Tribe Hotel- Five Star
2. Safari Park Hotel –Five Star
3. Mombasa Inter Continental Hotel –Five Star
4. Boma Hotel – Five Star
5. Eka Hotel – Five Star
6. Stanley Hotel - Five Star
7. Panafric Hotel – Four Star
8. Silver Springs Hotels- Four Star
9. Upper Hill Hotel –Four Star
10. Jacaranda Hotel- Four Star
11. Merica Hotel –Four Star
12. Heron Court Hotel- Four Star
13. Travelers Beach Hotel – Four Star
14. Cathay Hotel -Four Star
15. Bontana Hotel –Three Star
16. Jarika Hotel –Three Star
17. Jumuia Resorts –Three Star
18. Methodist Hotel –Three Star
19. Hill Park Hotel –Three Star
20. Sports View Hotel –Three Star
21. Royal City Hotel =Three Star
22. Le Savanah Hotel- Three Star