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APPLICATION OF RELATIONSHIP MARKETING TOOLS BY HOTEL COMPANIES

Key words: relationship marketing tools, marketing instruments, hotel companies, hotel industry.

ABSTRACT

The aim of the paper is to determine the importance of customer relationship marketing in today's hotel companies. The empirical research was conducted from January to June, 2010 in six randomly selected hotels from in the Opole Province in Poland. From each hotel, four members of staff, holding equivalent positions, were chosen to take part in the research (the total of 24 respondents). A diagnostic survey method was used with a survey questionnaire containing 25 questions. In all the surveyed companies, the respondents declared that their hotel made use of the relationship marketing concept, through building long-term bonds with their key customers. In most cases, the hotel company contacts their customers on a semi-annual basis. The most important relationship marketing tools indicated by the respondents were: creating and using customer databases, using special loyalty schemes, adopting a handling procedure for claims and complaints, analyzing customer value and evaluating customer satisfaction.

INTRODUCTION

In an increasing number of today's hotel companies, their marketing activities are not confined only to attracting new customers, but they also involve establishing long-term and effective relationships between a company and its specific customers. Loyal customers, making repeat purchases, are worth more than a customer who buys our service only once. Therefore, companies are forced to change their attitude to buyers of their services, as they have currently become the main focus of marketing activities and the most important business partners for a company [1]. According to Styś [19, pp. 168], "In addition to increasing buyer penetration and winning new groups of buyers, 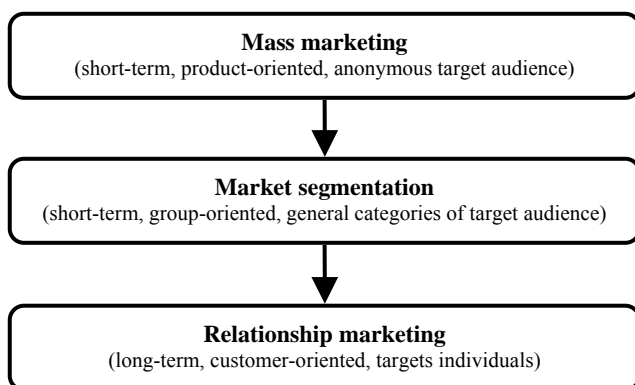increasing repeat business is an important way of boosting sales and profits". Therefore, a research problem which is vital from the application perspective is the application of the concept of relationship marketing, also referred to as partnership marketing, by hotel companies.

The aim of the paper is to define the importance of relationship marketing in today's hotel companies. The following research questions are reviewed in the paper:
1. Do the surveyed hotels apply the relationship marketing concept by establishing long-term relationships with their customers?
2. What is the average frequency of establishing such relationships?
3. Which relationship marketing instruments are most frequently used in hotel business?

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DEFINITION, ESSENCE AND ROLE
OF RELATIONSHIP MARKETING

Hotel companies operate in an extremely turbulent marketing environment. They show a high product differentiation, significant participation of international entities operating within a global range and increasing market fragmentation. As a result, we can observe shortening lifecycles of hotel products and their distribution channels; overlapping of activities carried out by hotel businesses, other entities in the tourist industry and other sectors of the national economy; and increasingly intense promotional efforts. The changes occurring in the business environment have contributed to the evolution of the mass marketing concept, through market segmentation to customer relationship marketing. This process is illustrated in Fig. 1.

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│            Mass marketing                │
│ (short-term, product-oriented, anonymous │
│            target audience)              │
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                    ▼
┌─────────────────────────────────────────┐
│          Market segmentation             │
│  (short-term, group-oriented, general    │
│    categories of target audience)        │
└─────────────────────────────────────────┘
                    │
                    ▼
┌─────────────────────────────────────────┐
│         Relationship marketing           │
│   (long-term, customer-oriented,         │
│         targets individuals)             │
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**Figure 1**. Evolution of marketing [modified from 1, 2]

The literature provides a number of definitions of customer relationship marketing, emphasizing various aspects of the relationship marketing concept. According to Grönroos [9, pp. 138] the purpose of customer relationship marketing is "to establish, maintain, and enhance relationships with customers and other partners so that the objectives of the parties are met, through a mutual exchange and fulfillment of promises". Cram [3, pp. 19] defines customer relationship marketing as "the consistent application of up-to-date knowledge of individual customers to product and service design, which is communicated interactively, in order to develop a continuous and long term relationship, which is mutually beneficial". Also Polish authors made their

contribution to the definition of relationship marketing. According to Fonfara [7, pp. 59], "The relationship marketing concept emphasizes the process of managing, i.e. establishing, developing and maintaining, relationships between a company and other entities". He stresses the direct, interactive, bi- or multi-lateral character of contacts between sellers, a buyer and other entities, in the process of creating and supplying products and services. In addition, he emphasizes the long-term nature of relationships between the partners participating in this exchange: "It takes time, effort and money to establish and maintain these relationships". Finally, Gummesson [11, pp. 234] claims that due to the high complexity of social phenomena and a dynamic market growth, there will never be any single definition of relationship marketing that is accurate enough.

As a result of empirical research and theoretical studies, four relationship marketing models have been developed: six markets model (Payne, Ballantyne and Christopher), relationship exchange model (Morgan and Hunt), partnership model (Doyle), and Gummesson's model (Gummesson). The authors of the six markets model offered a comprehensive definition of relationship marketing, based on the following assumptions [16]:

1. Companies change their perception of relationships with the environment, and currently the key task for marketing activities is establishing long-term relationships with a customer.

2. Companies begin to notice other areas of their operations and, in addition to meeting their customers' needs, they also start establishing and maintaining long-term relationships with other external markets, mainly suppliers, potential employees, intermediaries or important institutions.

3. Quality, customer service and marketing are closely connected, and a task of relationship marketing is to integrate these areas, in order to benefit from a synergy effect.

The first and the second assumptions are explained using a model which is a graphic interpretation of the aim, scope and nature of relationship marketing. It identifies six market areas where a company may conduct their marketing activities. Each area requires specific activities, based on appropriate plans, and establishing good relationships with organisations which may contribute to an increase
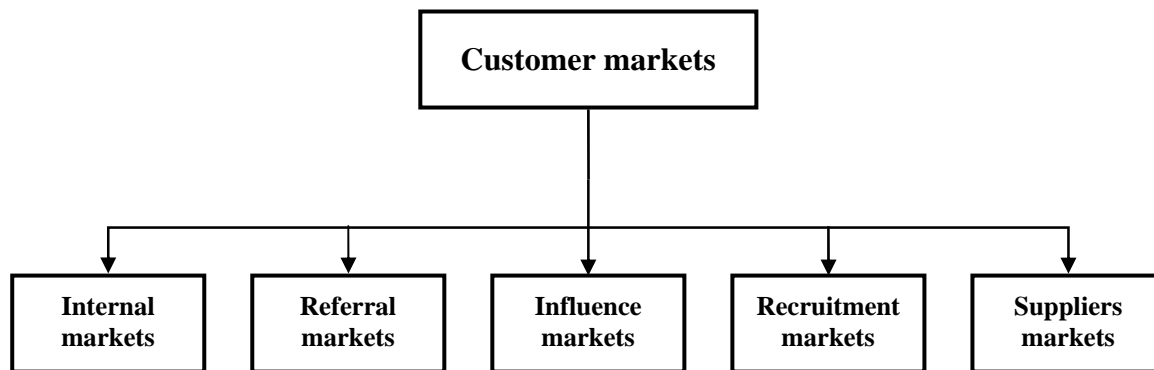
Figure 2. Six markets model [modified from 11]

in a company's marketing effectiveness [14]. In the six markets model, a customer is in focus, as presented in Fig. 2.

In compliance with the relationship exchange model [12], relationship marketing includes all activities aimed at establishing, developing and maintaining relationships. According to the authors, the essence of the concept is establishing relationships and building trust between the seller and the buyer. The areas where the relationships are exchanged include suppliers, intermediaries, customers and internal customers (from inside a company), which make the central subject of the relationship exchange [14].

The partnership model [5] describes four types of a company's relationships with other entities in the market. Under the concept, the partnership with suppliers and customers is referred to as 'supply channels' and covers relationships with suppliers of raw materials, components and services as well as ultimate buyers. The other two types of relationships are located outside 'supply channels' and cover external relationships, related to the market, competition and strategic alliances, and internal relationships, related to relationships with employees, functional departments and other strategic business units [14].

Gummesson in his model [10], however, advocates a shift in the perception of key elements of the marketing concept. The instruments of the 4P policy, although continue to be necessary, need to be re-defined. A leading role that a company has formerly played in its marketing activities belongs to the past, and now the key area for such activities is the creation of relationships and market

interactions by the company, as well as processes focusing on customer service, quality and long-term cooperation. The essence of Gummesson's concept is the identification of 30 types of relationships which companies may establish on the market. They are aggregated into four groups: classic market relationships, special market relationships, mega relationships and nano relationships. The first two groups are market-related and they comprise contacts with suppliers, customers, competitors and other entities which function on the market. The remaining two categories are non-market relations, which may indirectly affect the effectiveness of market relationships. Nano relationships are internally controlled and support market relationships. Mega relationships, in turn, concern relationships above the actual market level. The latter group contains mega alliances, mega marketing, social networks and mass media relationships [14].

SELECTED ELEMENTS OF RELATIONSHIP MARKETING IN HOTEL COMPANIES

The framework of this paper does not allow the authors to present a detailed description of the specific instruments used in relationship marketing. Therefore, it only provides the description of the elements commonly used in hotel business, which is confirmed by the results of the empirical research, presented in the following chapter. The research includes: a satisfaction survey and a customer value analysis, creating a customer database, handling claims and complaints – as an

element of a customer service system – and loyalty schemes.

Analytic work constitutes a vital area of marketing activities carried out by a hotel company. The reliability of this work determines the quality of a marketing strategy to be formulated and, as a consequence, the success of an entire business venture. The analysis, first of all, covers such aspects of hotel operation as customer satisfaction with services offered and customer profitability. The literature gives two types of consumer satisfaction: transaction specific satisfaction and cumulative satisfaction. Transaction specific satisfaction is connected with short-term customer experiences with a hotel product, in the period from transaction to transaction. The main determinants of such satisfaction with a provided service are emotions, while a customer's own experiences are of marginal importance. A customer's experience, however, makes the most significant attribute of cumulative satisfaction, which is long-term in its nature. Both types of satisfaction affect a customer's overall contentment with a delivered hotel product [13]. The impact of the specific aspects of satisfaction is a personal thing and it depends on the category of a product offered. Transaction specific satisfaction, for example, will play a leading role in contentment with hotel services in the case of tourists whose main reason for staying in a destination is cognition. Cumulative satisfaction will be more important for business visitors who perform their professional tasks at a hotel and stay there regularly. The most popular methods for evaluating customer satisfaction in hotel organisations include [4]:

1. Monitoring sales levels belongs to the simplest methods of customer satisfaction evaluation. One should remember, however, that the data obtained with this method cannot be interpreted unequivocally. A change in sales levels may, however, result from other factors, such as a downturn on the tourist market, fads or seasonal fluctuations in tourism demand. Therefore, products and customers should be analyzed cross-sectionally and the only conclusions that may be drawn are the ones about certain symptoms and trends.

2. An analysis of complaints, claims and grievances cannot be the only tool used to analyze customer satisfaction either, as a complaint submission process itself may affect the number of complaints. Paradoxically, a small number of complaints should make a reason for concern for the hotel management, as high competition on the hotel market or the system errors mentioned above may cause some customers to decide not to submit any complaints but to move to another facility instead. Nevertheless, the analysis may be used as a tool: to give an early warning about any potential inaccuracies, to identify some unobstructed channels for feedback information and to improve the dialogue between the hotel staff and their customers.

3. A customer loss analysis is also indirect since the fact that a customer leaves a hotel may but does have to be a consequence of his or her dissatisfaction with the services provided by the hotel. Certain conclusions, however, should be drawn from every situation of this kind and some corrective and preventive actions should be taken.

An important feature of the marketing approach is an individual approach to every customer, which is reflected by a unique operational concept based on an assumption that buyers are not a homogenous group and they have diverse needs and preferences. This approach has found its practical manifestations in the segmentation of the buyers' market, i.e. "the division of buyers, according to specific criteria, into relatively homogeneous groups, which mark the area for a company's activities" [8, pp. 153]. This process is clearly visible in the hotel services market, which comprises: holiday, convention, business, residential or spa hotels. The actions based on an individual customer approach have to be preceded by a customer value analysis. In business practice, three methods are most frequently used to carry out such analysis [4]:

1. A customer financial analysis (e.g. a breakeven analysis, a profitability analysis based on costs) is carried out using a company's financial statements (e.g. a profit and loss account), as well as financial ratios or breakeven points calculated on their basis.

2. The Pareto analysis is based on the so-called 20/80 rule which means, in this case, that 20% of a hotel company's customers generate 80% of the hotel's revenues. A graphic interpretation of this method is a two-axis diagram: the horizontal axis (customer list) and the vertical axis (with customers' revenues on one side, and their share in the total revenues on the other

side). Bar graphs are written into such a system of coordinates. The Pareto diagrams help a hotel company to identify its key customers and their share in the turnover, allowing the company to focus on the key buyers and on the individual approach to every service recipient. The Pareto analysis is fractional in its nature (it just concerns the turnover), therefore it should be supplemented with other types of analyses, referring to other aspects of a guest – hotelier relationship, as well as the entire market.

3. The ABC method is an instrument used to identify the most important tasks of a hotel company. It involves the comparison between volume and value, as a relatively small volume (customer group) creates a big value (turnover). The criteria for buyer classification may be quantitative (e.g. turnover) and qualitative (e.g. customer loyalty). In such an analysis, a key customer is not synonymous with a big customer. A buyer may be considered as a key one, if they have big growth potential, enjoy prestige, or a high profit margin is charged on them. The results of the analysis may be presented in the form of a four-field matrix, where the horizontal plane is the customer's importance and the vertical plane is the customer's size (turnover). The key customers are important buyers who purchase a big volume of services, marked as group A. Group B comprises important buyers with a low turnover and less important buyers with a higher turnover. Group C buyers are less important and do not buy much and they are often omitted in numerous companies' strategies. Some holiday hotels sell all their rooms to institutional customers (e.g. travel agencies) and do not serve any individual customers, due to high costs and poor financial effects.

In order to implement the partnership marketing concept in a hotel, customer information has to be properly managed. To do this, databases need to be created to form the foundation for establishing relationships between a service provider and a service recipient. Such databases can be internal, i.e. created by the hotel staff, or external, i.e. purchased or borrowed from another business entity. Internal databases are the most favourable ones as staff have the best knowledge of products offered by their companies. The most important features of databases, irrespective of their source, are completeness and reliability. Only such information may serve as the basis for effective marketing activities [15]. The CRM system is usually composed of the following elements [14]: basic customer details, financial data, business cooperation, indicators, customer's main objectives, outline of the service provider's strategy towards a customer, customer team and marketing activities.

A key issue of relationship marketing is customer service. Nevertheless, hotel companies, striving to boost customer satisfaction with services offered, are not able to avoid mistakes, which may lead to buyers' dissatisfaction, expressed in their claims or complaints. In order to enable a buyer to submit their comments, one should [4] develop a procedure for submission and handling of claims and complaints, train staff, make staff and customers aware of the positive aspects connected with the submission of complaints, introduce various forms of communication with customers, allow a buyer to submit their complaint in person, get in touch with customers who do not respond to questionnaires (a risk of losing them) and collect customers' remarks. An effective process of complaint submission and handling involves [18] thanking customers for the submission of their claim or complaint and showing that the company appreciates their efforts, apologising for mistakes and ensuring that appropriate actions have been, or will be, taken, asking for necessary details about the subject matter of the claim or complaint, correcting mistakes, compensating for mistakes, checking the customer satisfaction level and preventing the system from similar mistakes in the future.

The most typical attribute of relationship marketing is long-term cooperation, based on a company's links with its key customers. Consequently, hotels should continuously take care of their best buyers, trying to maintain their loyalty for as long as possible. This requires taking specific actions and preparing special loyalty schemes for key customers. These schemes are aimed at rewarding selected regular service recipients by means of a special, attractive offer [14]. Such schemes should be designed in such a way as to contribute to the enhancement of the hotel product, and a system for rewarding buyers should motivate them to make repeated purchases. Before planning such actions, one should run a careful analysis of the situation on the market. The most common loyalty schemes include [14]:

1. Loyalty cards – authorizing the buyer to take advantage of various types of discounts.
2. Company magazines for customers – including information about the company's products and the company itself.
3. Letters written by the company's representatives to the buyer – aiming to communicate important information to the customer.
4. Telephone hotlines – a convenient way of direct communication with the buyer.
5. Advisor clubs – they make customers feel appreciated as they act as advisors for products offered by the company.
6. Customer clubs – they offer special privileges to their members.
7. Special joint events – they are extraordinary events contributing to the strengthening of the bond between the company and their customer.

APPLICATION OF RELATIONSHIP MARKETING TOOLS IN HOTEL COMPANIES, BASED ON EMPIRICAL RESEARCH

The empirical research for this paper was carried out from January to June, 2010, in six randomly selected hotels from the Opole Province in Poland. The sample accounted for 24% of all the hotels in the province. In each hotel, four members of staff, holding equivalent positions, were selected to take part in the research, so the total number of respondents was 24 people. The diagnostic survey method was used with a survey questionnaire containing 25 close, semi-open and open questions. In some questions, the respondents were allowed to give several answers, therefore, in some cases the total percentages exceeded 100%. The questionnaire was subject to a pilot survey and, consequently, all the disclosed gaps and errors could be removed.

As shown by the research, the elements of the relationship marketing concept find their application in the surveyed hotels. This is also confirmed by the fact that all the respondents declared that the hotels they worked for were establishing long-term relationships with their customers. Almost 60% of them described such activities as definite (Fig. 3). This regularity was also confirmed in the question about the frequency of company-customer decisions. The majority of the respondents (58.33%) claimed that the hotels
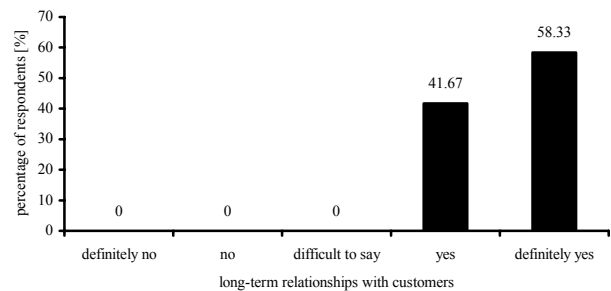
Figure 3. Establishing long-term relationships with hotel customers
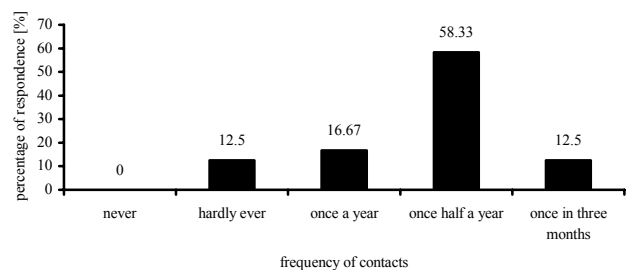
Figure 4. Frequency of contacts with customers

Figure 5. Relationship marketing tools used by hotels

contacted their customers, on average, on a semi-annual basis; one in six respondents (16.67%) indicated a once-a-year frequency; and one in eight (12.5%) declared that such relationships occurred very seldom or once in three months. None of the respondents confirmed that there were no such contacts (Fig. 4). Another question was an open one and it concerned the most popular relationship marketing instruments used in the hotels under study. The relationship marketing tools which are used most frequently include customer databases

(75%), loyalty schemes (66.67%), procedures for receiving and handling claims and complaints (50%), value analyses (40%) and customer satisfaction surveys (37.5%). Almost half of the respondents (45.83%) indicated other, different instruments (Fig. 5).
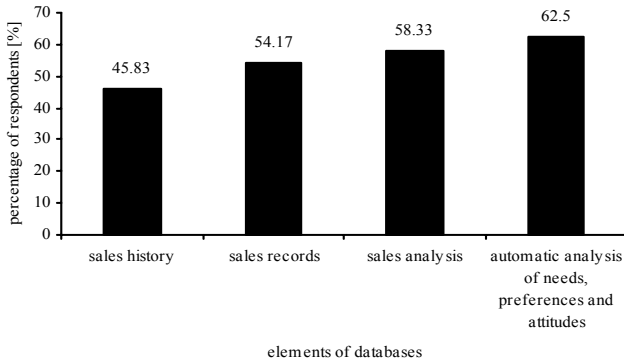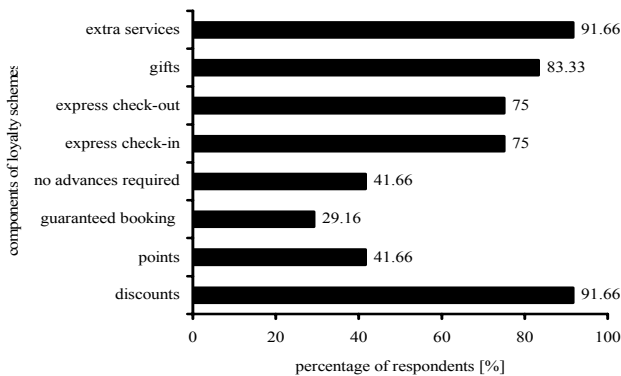
The main components of customer databases maintained by the hotels were an automatic analysis of needs, attitudes and preferences (62.5%), sales analysis (58.33%), sales records (54.17%) and sales history (45.83%) (Fig. 6). According to the respondents, the key elements of the loyalty schemes were extra services and discounts (91.66% each), gifts (83.33%), express check-out and check-in services (75% each), no advances required and awarding of points (41.66% each), and guaranteed bookings (29.16%) (Fig. 7). The majority of the respondents declared that it took approximately one week for their hotel to handle a claim or a complaint (54.17%). Every third respondent wrote that this process lasted one day, one in every twelve respondents answered that it took one month, and one in every twenty four respondents that it took more than one month (Fig. 8). According to almost 80% of the respondents, dissatisfied customers were offered various forms of compensation, and 20% had no opinion in this matter (Fig. 9). The most popular method for analyzing a hotel customer value is, according to 62.5% of the respondents, the ABC method. Both the Pareto analysis and the breakeven analysis, however, were indicated by 58.33% of the respondents (Fig. 10). The respondents believed that the most popular method for evaluating customer satisfaction was sales monitoring (91.67%). The analysis of claims and complaints was declared by 58.33% of the respondents and the customer loss analysis by 45.83%. Other methods were indicated by every fourth of the hotel employees surveyed (Fig. 11).
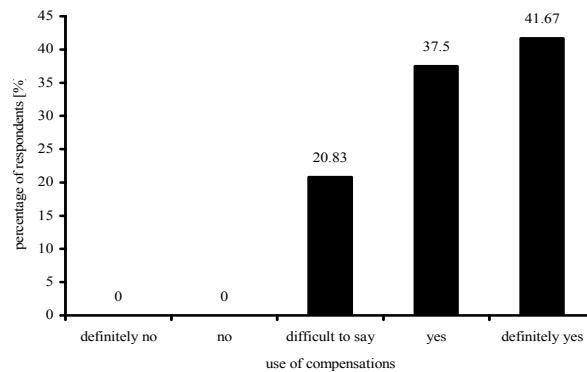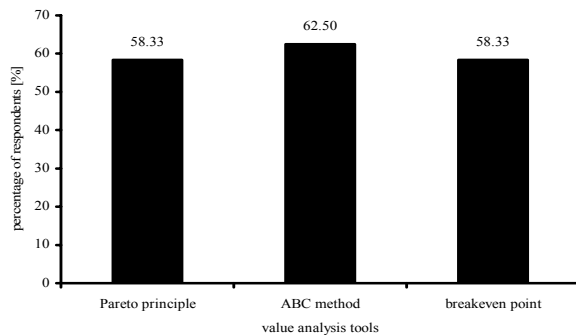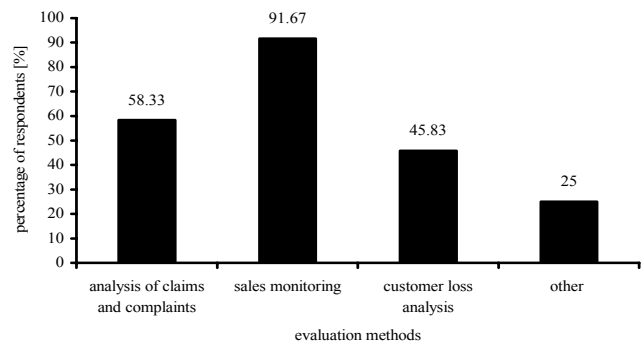

Figure 6. Elements of hotel customer databases

Figure 7. Elements of loyalty schemes used by hotels

Figure 8. Average time for handling claims and complaints submitted by dissatisfied hotel customers

Figure 9. Granting compensations to dissatisfied hotel customers

Figure 10. Customer value analysis tools used by hotels

Figure 11. Methods for customer satisfaction surveys in hotels

SUMMARY

As confirmed by the results of the empirical research presented in this paper, the analyzed hotel companies are trying to establish long-term relationships with their most valuable customers. To do this, they primarily use customer databases, loyalty schemes, procedures for submission of claims and complaints, a customer value analysis and a customer satisfaction survey. Based on the research findings and the observation of the trends existing on the tourist market, it may be implied that an increase in repeat business in the area of hotel services will, in the future, make one of the key strategic objectives for providers of such services. Having the biggest number of loyal customers, who bring specific economic benefits, is likely to constitute a key attribute for a company when competing against its rivals. Therefore, the relationship marketing tools are going to become increasingly commonly used, and new tools of this type will certainly be developed. That is why the performance of further empirical research, which would cover a bigger group of hotel companies, differentiated according to numerous criteria, such as size, category or location, should be regarded as important from the theoretical and practical points of view.

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