EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM) AND MARKETING MANAGEMENT ON PERFORMANCE OF THREE STARS HOTEL IN EASTERN REGION OF THAILAND

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ABSTRACT

The main purpose of the study is to examine the impact of the customer relationship management and marketing management on performance of the three stars hotels in Thailand. The study has also examined the mediating role of marketing management in the relationship between the customer relationship management and performance of three stars hotel in Eastern region of Thailand. The study has employed the survey-based methodology and SEM-PLS is used for the data analysis. It has been observed by reviewing the previous researches that there is a lack of those studies which serve the perspectives of developing countries specially Thailand and are lagging behind in giving the relationship of CRM with the performance of marketing either from the perspective of corporate level or hotel industry covering three-star. No three-star hotels in Thailand is studied from the perspective of marketing performance and CRM, neither theoretically, nor practically. The main focus of the study is on the issue that is relevant to the “association of CRM in the three star hotels in Thailand with performance of marketing in particular with the market of Thailand ”.

Keywords: customer relationship management (CRM), marketing management, Hotels, Thailand

I. BACKGROUND

The term Customer Relationship Management (known as CRM) has emerged in the last years of the 90s, specifically for the researchers and professionals, since the concept of “Relationship Marketing” has become rational. Idea of CRM has brought forward many new dimensions for seeking the ways of building relationships with customers that how much it is crucial to maintain the direct approach with the customers, to retain the present customers, and to know the importance of establishment of relations in long-run, avoiding the transaction oriented marketing, to increase the sale figures and to make product more attractive (Vijayanand, 2020). For serving the purpose, firms have started to invest their attention and resources in CRM and their main focus in now getting to invest in advanced form of Information Technology (Vijayanand, 2020). It has been believed by many achievement of a better accomplishment of organization, CRM must be focused keenly (Daradoumis, Puig, & Arguedas, 2019). Most of the projects continued in global industries accept that CRM is having a great importance. For the process of dealing customers, sharing and spreading information, segmentation of market and improving the communication level with the customers, all these activities and strategies for effectiveness in this regard can be obtained by advancement in Information Technology. CRM, if is convenient in processing, can be more applicable in practical fields and beneficiaries could comprehend it better. Observing a practical example of De Paul University research study, it says that more than 60% corporations which had inclined sales and profit were likely to use customer relationship approach, whereas, more than 50% corporations admitted that the relations with their customers got better due to using CRM strategies. Moreover, more than 81% of the corporations which had not adopted CRM approach had declined profit and they were inclined towards using CRM strategies for moving towards the greater level of profit, whereas, the percentage remained 75% of those who admitted that they had better customer bondages. Overall, it is observed that the effectiveness of CRM depends upon the ease of operating with it. In accordance with the provided arguments, it can be deduced that due to the improvement in technology related to CRM would give predictions about an improved system of CRM, planning of resources, and can alter the cultural perspectives and dimensions of the organization. Ultimately, this would enable the teams to make greater sales and generate a higher profit and making the
organizations aware that these can be benefitted from them. The benefits from CRM can be achieved only when the system of CRM are simple and there is greater degree of learning the processes (Islam & Kabir, 2016).

Different researchers are searching about the effective techniques and strategies of CRM as it has emerged as an interesting topic in this present era. It has been recognized by the organizations that customers are now sensitive towards what an organization has to offer and how it would communicate with them. Due to this observance, organizations are more focused towards the terms with customers rather than the sole attention towards product or branding. However, there are some issues during the process which are needed to be discussed. Studies conducted on commercial markets have found out that, although, the laid foundations for CRM are strong, but there is a huge pile of challenges which an organization has to face in the process of its strategic implementation. According to the previous findings, it has been argued that in different case CRM has not helped the corporations at all and often lead them towards intensified losses (Gao, Yang, & Hafsi, 2019). The research frameworks studies earlier paid attention to CRM constituents in terms of its relationship with performance of the firm and satisfaction level (Briggs, Deretti, & Kato, 2020), sharing of the association of profit generation with loyalty of the customer (Haenlein, 2017), heterogeneity dimension of customer loyalty, along with the schemes relevant to loyalty of the customers. But, it has observed that the strategic point of view has been lacking in the previous researches. No research till yet gives the clarification of the drivers of CRM that could lead to the failure or success of the firm operations. Moreover, it has also not identified that what are those components of CRM which can lead to the successful CRM process. Few of the corporations consider CRM is all about updating software and adopting the latest technology which others perceive that CRM is about establishing relationships with the customers at an aggressive level. Additionally, CRM has been implemented to a higher degree by few firms as compared to others. In the light of these arguments, we need to observe that which type of strategy related to CRM would have an incremental effect on profitability and performance of the organization.

II. LITERATURE REVIEW

In order to define CRM, many practitioners face limitations as definition of CRM is dependent on the views of the manager or the researcher and on the level to which CRM has been implemented to a particular case. These are considered as the three possible levels of CRM; (1) Company-wide, (2) customer-facing and (3) functional. CRM process on customer-facing has been a main focus in the present study. Customer-facing dimension involves those activities which are customer centric and disseminating the customer related information to customer-facing operations. From the prior point of view, it is asserted that in order to manage good relations with the customers, timely coordination and through the appropriate contact channels with the customers is necessary. As taken of an example, a banking customer can approach banks through different contact sources if having a specific product to have a dealing with, just like complaint, expected to vary with the change in time. To know how it works can be explained in this way, that the CRM process would take record of the connection and would create a clear action with the help of varied functions from the perspective of customer-facing. The main query is that, how conceptualization of CRM is made at the level of customer-facing? In order to find its answer, we can consult the previous literature which identifies the four constructs explicated as:

1. Establishing the new and maintaining the current relationships with the customers serve marketing base-idea (Safari & Albaum, 2019),
2. recognition of different levels of relationship development (Ritter & Geersbro, 2018),
3. Every stage is important for firm-CRM (Davcik & Sharma, 2016), finally,
4. value distributing generated from relationships throughout the organization (Fang, Jiang, & Song, 2016; Suherna, 2021).

Relationship Marketing serves as a foundation for studying CRM processes. It has been mentioned in the literature that, it is a marketing concept when it is about establishing and maintaining the relations with the customers (Tzempelikos & Gounaris, 2017). Economic theory makes it understandable that how customer relationships are built from an economic point of view. Jeong and Oh (2017) put forward the transaction cost theory that how returns can be increased while investing a little in building new and maintaining the current customer relationships. The crux of the literature upon marketing is that, firm is always benefitted from better customer relations. Dibeesh (2016) has supported this view. Nevertheless, few studies designed empirically (Dessi & Floris, 2017; Ju & Ha, 2019) suggest that moderating impacts are also necessary. From this, it can be deduced that, right type of relationships are more important than the huge pile of new established relationships. It
has been actually stated that the performance of marketing ideas relevant to relationships depend upon certain factors which might involve; compensation programs, resources related to IT and organizational design. Another prospect is suggested as, different phases should be processed during CRM process (Ritter & Geersbro, 2018). Therefore, the relationships are said to be dependent on transaction-oriented activities. It can be said that CRM process encompasses process which is longitudinal. It is mandatory to understand that evolutionary process of relationships can be finished and ceased anytime due to different reasons such as; intention of the customer, service provision issues and competition reasons. Thirdly, it should be identified by the organization that the level of maintenance of relationships should be changed with the change in phase over time (Davcik & Sharma, 2016). To explain, Cambra, Melero, and Sese (2018) discussed that while in a declining and exploring stage, if transaction oriented investment is made in the relationship of retailer and manufacturer, its effect would be positive. The management of several functions is the basic aim of CRM. For instance, different corporations tend their customers to buy something additional (upselling) and selling them by persuading them for something extra to their existing customer (cross selling) to make a high sale (Briggs et al., 2020). To identify that it is heterogeneous to divide the value of relationships to the firm is the fourth perspective (Pellicano, Perano, & Casali, 2016). These results are due to the different accounting activities which have been practiced previously, for example activity based costing is the main reason behind these consequences. Companies can get benefit because of good terms with their customers as the product line is not the most crucial element and this profitability is because of the benefits of activity based costing system. Benefit of this system is that the organizations become capable to have an eye on resource distribution for the profitability margin generated from relationship between customer and the firm. A keen observation says that organization makes a mistake that its loyal customer does not get proper response and a marginal consumer gets an opportunity to be spent upon. The corporation makes sure to distribute its resources according to its levels of customers and their memberships for different segments and it relies heavily upon the economic perspectives of either the segment or that customer, it is considered as the core of CRM (Joseph, Son, & McCracken, 2019). Value for the customers is increased due to the CRM maintained activities at every phase and ultimately, the firm performance should be linked with it. Thus, CRM must be explained as the well-ordered and sequenced process at the phase of customer-facing, such that it manages the initiation of the relationship, its maintenance and till the stage of termination to provide a greater value to the customer record. It can be suggested that CRM is more about being energized and well-organized from the start to the ending of the relationship which moves across different levels and phases. With the help of CRM, it can be comprehended that generation of information gets facilitated by knowing about the needs and wants of the customer and how he is likely to behave with respect to life-cycle phase of the customer. This study incorporates a model of multiple levels to keep a grip on different variables which might include; Evaluation of the customer, stage of life-cycle and the element of interaction. Previous literature shows many models of multiple levels (Hapsari, Clemes, & Dean, 2016), similarly, the model incorporated in this study mentions that there are many other dimensions of the core processes of CRM which are initiation of relationship, its maintenance and its termination. Firstly, the sub-division of the basic dimension is Customer evaluation. Other divisions and dimensions are comprising of the initiation stage’s possession and retrieval, maintenance stage would encompass the withholding of the customer relation and its management and finally, the termination phase would include how to manage the quitting states. Above mentioned sub-divisions which are nine in number and form the foundation of CRM activities to run the process. This study explores these nine divisions and finds it explaining the linkages. We explicate that how different activities and processes involved in CRM can be practiced by the organization. It is assumed that the processes are crucial to understand in huge environments of business and customer relationships. Consistency of a firm is increased about practicing CRM through different channels, details of the customers and employees if the organization gives more inputs related to CRM activities. Formalization is not done in sense of rigidness but it is mainly concerned about the correspondence and conformity to a specified criteria. It can be taken as a situation as if an organization does not give an adequate return to its customers for loyalty and fails to recognize a best customer-Error I. The organizations are directed towards the over expenditure when it fails to categorize the groups of customer that whether it’s with low level or high level-Error II. Systematic dealing in these cases would decrease the chances of these erroneous mistakes. In order to contrast these with similar studies previously done like service profit chain given by Park and Tran (2018) is important which matches other studies like return on quality given by Leninkumar (2017), The management of assets of the customers given, and study on customer equity given by (Kim, Kim, & Hwang, 2020; Stadler, 2017). The knowledge about customers got from surveys etc. is important for the application as all of the four approaches are focused on customer specifically. While, those approaches which are relevant to service profit chain and quality return is based on the issues related to the quality. Besides, CRM, CAM and CE are those approaches which are mainly concerned about the right treatment of firms with the
customers and how to generate profit from them. The customer asset management and customer equity are those type of perspectives which involve typical techniques of marketing practices to utilize the assets of customers adequately. Unlike these two approaches which have been mentioned prior, CRM is different form them in terms of association of relationship activities with marketing techniques (just like cross-selling, to re-attract the customers who have gone) on the three primary phases of CRM. CRM is mainly concerned with management of the relationships which the two approaches (CAM and CE) are concerned with the dealing of customer assets. Therefore it is prominent that the present study expands the findings and conclusions given by previous studies. Moreover, it is also suggested that all the approaches mentioned above serve as the strong base for customer satisfaction (Irshad, Rahim, & Khan, 2017).

H1: Customer Relationship Management (CRM) has significant impact on the performance of three stars hotel in Eastern region of Thailand.

H2: Marketing management (MRKM) has significant impact on the performance of three stars hotel in Eastern region of Thailand.

H3: CRM (CRM) has significant impact on the marketing management of three stars hotel in Eastern region of Thailand.

H4: Marketing management mediates the relationship between the CRM and the performance of three stars hotel in Eastern region of Thailand.

III. METHODOLOGY

A survey process was conducted for this study by distributing 234 questionnaires. Through oversampling, sampling error and non-response bias can be minimized (Hair, Matthews, Matthews, & Sarstedt, 2017). Therefore, oversampling is done as the chances of accurate results improve when sample size is large. According to Ong and Puteh (2017), 50% response rate is the minimum acceptable level for the research survey. After the completion of data collection, combination of both descriptive and inferential statistics was employed as the methods for data analysis in this study. The PLS SEM approach was employed for the inferential analysis. PLS-SEM technique, also known as the second-generation structural equation modeling (Hair, Hult, & Ringle, 2016), because it smoothly operates and provides reliable outcomes when combined with structural equation models involving latent variables and a series of cause-and-effect relationships (Ong & Puteh, 2017). As suggested by Ringle, Sarstedt, and Mitchell (2018), PLS-SEM is a key tool which can be helpful in building models and predicting relationships. Smart-PLS path modelling was adopted in this study for estimating the measurement and structural models. In measurement model, the constructs’ reliability and validity are assessed, while in structural model, bivariate correlation analysis and simultaneous regressions analyses are performed to determine the existing correlations, and relationship effects among the constructs.

Results

This study employed a two-step process for the evaluation and reporting of the PLS-SEM results, (Henseler, Hubona, & Ray, 2016). These two steps comprise of i) assessing the measurement model, and ii) assessing the structural model. Assessing a measurement model means the individual item reliability, internal consistency reliability, content validity and convergent and discriminant validities are determined (Hair et al., 2016; Hair et al., 2019; Henseler et al., 2015).
To ensure the reliability of each individual item, each measure’s outer loadings are observed (Hair et al., 2017; Henseler et al., 2016; Ong & Puteh, 2017). Thus, following a rule of thumb, i.e., all items which have loadings ranging between 0.70 and 0.99 were retained in this study (Shuhaiber, 2018).

<table>
<thead>
<tr>
<th>CRM2</th>
<th>CRM3</th>
<th>CRM4</th>
<th>CRM5</th>
<th>CRM6</th>
<th>CRM7</th>
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<tbody>
<tr>
<td>0.887</td>
<td>0.893</td>
<td>0.877</td>
<td>0.916</td>
<td>0.877</td>
<td>0.880</td>
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From the Table 2, it is ascertained that convergent validity is achieved in this study, as all the AVE calculation and coefficients fall within 0.50-0.86. The result of the convergent validity signifies that satisfactory results are obtained for the item loadings, composite reliability, and AVE coefficients for the individual indicators, and explains that items truly represent their latent constructs.

Table 2: Reliability

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<th>CRM1</th>
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<th>MRKM2</th>
<th>MRKM3</th>
<th>MRKM4</th>
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<td>0.887</td>
<td>0.893</td>
<td>0.877</td>
<td>0.916</td>
<td>0.877</td>
<td>0.880</td>
<td>0.843</td>
<td>0.906</td>
<td>0.893</td>
<td>0.912</td>
<td>0.859</td>
<td>0.821</td>
<td>0.869</td>
<td>0.880</td>
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<td>0.895</td>
<td>0.895</td>
<td>0.732</td>
<td>0.774</td>
<td>0.862</td>
<td>0.874</td>
<td>0.883</td>
<td>0.807</td>
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To confirm discriminant validity of a construct, the square root for each AVE for individual constructs were computed (Ramayah et al., 2018). Square root values of AVE coefficients are then positioned diagonally in the correlation matrix. For discriminant validity to be sufficient, the AVE square root should be greater than the squared correlation estimates (Hair et al., 2016). More specifically, to establish sufficient discriminant validity, it is important that the diagonal elements must be greater than the off-diagonal elements in the rows and columns.

Table 3: Validity

<table>
<thead>
<tr>
<th></th>
<th>CRM</th>
<th>MARK</th>
<th>P</th>
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<tbody>
<tr>
<td>CRM</td>
<td>0.888</td>
<td></td>
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<tr>
<td>MARK</td>
<td></td>
<td>0.874</td>
<td></td>
</tr>
<tr>
<td>P</td>
<td>0.730</td>
<td>0.787</td>
<td>0.850</td>
</tr>
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</table>

After measurement model is assessed, the present study then ascertained the structural model. In present study, we applied a bootstrapping method by using a benchmark of 5000 bootstrap samples for examining the significance of path coefficients (Akter et al., 2017; Hair et al., 2017; Naala et al., 2017).

Table 4: Direct Relationships

<table>
<thead>
<tr>
<th>(O)</th>
<th>(M)</th>
<th>(STDEV)</th>
<th>(O/STDEV)</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM -&gt; MARK</td>
<td>0.937</td>
<td>0.937</td>
<td>0.011</td>
<td>82.759</td>
</tr>
<tr>
<td>CRM -&gt; P</td>
<td>0.530</td>
<td>0.535</td>
<td>0.072</td>
<td>7.365</td>
</tr>
<tr>
<td>MARK -&gt; P</td>
<td>0.740</td>
<td>0.723</td>
<td>0.151</td>
<td>4.913</td>
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Table 5: Mediations

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<th>(O)</th>
<th>(M)</th>
<th>(STDEV)</th>
<th>(O/STDEV)</th>
<th>P Values</th>
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</thead>
<tbody>
<tr>
<td>CRM -&gt; MARK -&gt; P</td>
<td>0.694</td>
<td>0.677</td>
<td>0.141</td>
<td>4.911</td>
</tr>
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</table>

Another important criterion for examining the PLS-SEM structural model is the R-square value, also called by the name coefficient of determination (Hair et al., 2017; Henseler et al., 2016; Richter, Cepeda, & Roldán, 2016). R-square value provides share of variation in the model’s dependent variable that may be explainable by the model’s predicting variables (one or more) (Akter et al., 2017; Hair et al., 2017; Ong & Puteh, 2017).

Table 6: R-Square
The acceptable value for $R^2$ depends largely upon the context of conducted research (Hair et al., 2016). However, Henseler et al. (2016) posited that $R$-squared value of 0.10 is a minimum acceptable level. Furthermore, Ong and Puteh (2017), asserted that 0.67, 0.33, and 0.19 $R^2$ value in can be regarded as substantial, moderate, and weak, respectively.

This study also performed the Stone-Geisser test of predictive relevance by using blindfolding procedures (Hair et al., 2016; Henseler et al., 2016; Ramayah et al., 2018). In PLS-SEM, it is used as an additional assessment of goodness-of-fit. It is represented by the $Q^2$ value. The $Q^2$ value must be above 0 to confirm that the model as predictive relevance.

<table>
<thead>
<tr>
<th></th>
<th>R Square</th>
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<tbody>
<tr>
<td>MARK</td>
<td>0.878</td>
</tr>
<tr>
<td>P</td>
<td>0.348</td>
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IV. CONCLUSION

There are different variations in defining CRM according to different writers. These variations come up due to the different perspectives of studies of different researchers. First, we discuss the study of Debnath, Datta, and Mukhopadhyay (2016) who gave a direction to CRM as a process and technique to comprehend the behavior and thought process of a customer with the help of in-depth communication and retaining the customer by giving some attractions which would lead to better performance. This definition is focused on the sole element of communication with customer in order to understand him. Moreover, Mazida (2020) studied CRM and put forwards its understanding as it is a way to keep the information and data of the customers so that it may be exploited to divide them in segments. Their work is mainly focusing importance of gathering the data of the customers and recording it in an organized way. As far as the study of Marolt, Zimmermann, and Pucihar (2020) is concerned, they worked on the concept of customer relationships as CRM is the competency of an organization to manage customer relationships through electronic commerce, conducting several researches and utilization of IT. The main focus of this definition was on utilization of technology for building relationships with the customers. Moving further, the study say that CRM is all about the detailed strategic move associated with getting more customers and cooperating with them to get generate value for the customer and the organization itself. Strategy in these terms is the consolidation of marketing, service provision to customer, sales and chain exposition in order to get more efficiency to generate more and more value. This definition has its main focus on the productivity of market in order to create more value. Furthermore, Aljawarneh and Omari (2018) suggested that CRM can be seen through different dimensions. Some dimensions covered it in the sense of regular mailing.
to customer and schemes built on the base of loyalty of customer and other dimensions explored it in the sense of administration and connecting them through call centers. Although, some studies still refer it to the gathering of data and utilizing that customer knowledge in some process. Ultimately, it is now considered as the system of making a firm capable of doing electronic commerce. The research study of Aljawarneh and Omari (2018) argues that if a firm in not able to comprehend the actual meaning of the CRM, it may fail badly in the process. Due to this need these researchers tried to come up with a detailed definition of CRM which would encompass a strategic view. In order to achieve a desired outcome, CRM was defined comprehensively, that it is a strategic process which differentiates the best customer and marginal customer with different segments indulging technology and techniques of marketing to create good and long-term benefitted relationships with the customers. Value generation is done through gathering data and with the help of it knowing the behavior of customers for value provision to them. To fulfil this requirement, an organization needs to indulge technological element along with the information for the consolidation of customers and market competencies. Moreover, if we observe coincides their findings with the comprehensive definition explained above that CRM is solely about strategic handling as it is utilized to segregate beneficial customers for the company for the sake of goal attainment and value generation for both the entities. Contrasting with all the definitions mentioned above, Ellis and Iwasaki (2018) say that CRM is the holding employment view as well as it is the phenomena to approach the customer by the organization itself through the utilization of marketing activities in order to generate customer responses in order to increase the profit generation level of a company. From the perspective of these defined words it is concluded that CRM is about short-run consequences and not about long-run plans. Additionally, the study of views CRM as a marketing tool such that the organization makes up the mind of customer to promote their products by utilizing the customer relationships. To have an incremental effect over the performance of marketing and to serve social responsibilities; these are the core objectives of CRM. Udunuwara (2020) tried to explain CRM briefly that the discussed CRM’s five essential elements. Process, philosophy, strategy, technology and competency are the five main elementsUdunuwara (2020). There is not a single point where the researchers are agreed to each other as CRM is sharing various perspectives. This study adopts the most suitable definition mentioned above which provides a comprehensive view of CRM. Most suitable explanation could be discussed as; CRM is that action of the organization which is centered to the customers owned by that firm; it related to the management of information and improves the efficiency of the organization, it also assists making right and effective decisions in terms of the customers which would take the organization towards better performance through improvement in the marketing performance.

REFERENCES


