

# Electronic Customer Relationship Management: Techniques Applied, Perceived Barriers, and Future Trends in Phuket Hotel Industry

## การจัดการลูกค้าสัมพันธ์ผ่านสื่ออิเล็กทรอนิกส์: วิธีการที่ถูกประยุกต์ใช้ อุปสรรค และแนวโน้มในอนาคต ของอุตสาหกรรมโรงแรม ในจังหวัดภูเก็ต

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### ABSTRACT

This research aims to study Electronic Customer Relationship Management (eCRM) techniques applied by hotels in Phuket, and perceived barriers and future trends of internet sales and eCRM in Phuket hotel industry. Hotel websites survey and semi-structured interview with hoteliers have been used as research methods. The study found that Hotels in Phuket implemented various components to support customers throughout phases of CRM; from acquisition phase to retention phase and extension phase. It indicates that majority of hotels in Phuket examined use the internet as a medium to provide customers with content-rich information and the opportunity to choose, plan, and often book rooms for their holidays or business trips online. The results indicate optimistically about the internet steadily becoming a competitor to the traditional travel agents in Phuket are partly confirmed by this research. However, there are barriers perceived by hotels in Phuket in applying eCRM techniques such as lack of skilled and knowledgeable staff to operate eCRM related functions, transparency of internet market that affect on applying strategic pricing, and price war in online market. For future trend, some of hotels in Phuket have planned their marketing programs according to online trends e.g. specific online promotion, database utilization for mass customized promotion, investment on interactive communication technology on hotel website, search engine optimization, and strategic plan linked to consumer generated medias. To emphasize on internet sales and eCRM, some hotels even planned to change in managerial level by establishing eBusiness Department in near future.

### บทคัดย่อ

งานวิจัยนี้มีจุดมุ่งหมายที่จะศึกษาวิธีการจัดการลูกค้าสัมพันธ์ผ่านสื่ออิเล็กทรอนิกส์ที่ได้ถูกประยุกต์ใช้โดยโรงแรมในจังหวัดภูเก็ต รวมถึงอุปสรรคที่เกิดขึ้น และแนวโน้มในอนาคต ของการขายผ่านอินเทอร์เน็ต และวิธีการจัดการลูกค้าสัมพันธ์ผ่านสื่ออิเล็กทรอนิกส์ วิธีการในการศึกษา คือ การสำรวจเว็บไซต์โรงแรม และการ

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สัมภาษณ์แบบกึ่งโครงสร้างกับผู้ประกอบการโรงแรม การศึกษาพบว่าโรงแรมในภูเก็ตได้ประยุกต์ใช้องค์ประกอบต่าง ๆ บนเว็บไซต์ในการช่วยเหลือลูกค้าในแต่ละช่วงของการจัดการลูกค้าสัมพันธ์ (ตั้งแต่การได้มาซึ่งลูกค้า การเก็บรักษาลูกค้า และการขยายขอบเขตลูกค้า) โรงแรมในภูเก็ตใช้อินเตอร์เน็ตเป็นสื่อในการจัดเตรียมข้อมูลซึ่งเต็มไปด้วยสาระสำคัญ และเปิดโอกาสให้ลูกค้าเลือก วางแผน และจองห้องพักออนไลน์ ผลการศึกษายืนยันได้บางส่วนว่าอินเตอร์เน็ตกำลังกลายเป็นคู่แข่งของบริษัทนำเที่ยวแบบดั้งเดิม อย่างไรก็ตามยังมีอุปสรรคที่เกิดขึ้นในการประยุกต์ใช้การจัดการลูกค้าสัมพันธ์ผ่านสื่ออิเล็กทรอนิกส์เช่นขาดแคลนบุคลากรที่มีทักษะและความรู้ในงานด้านนี้ ความโปร่งใสของอินเตอร์เน็ตมีผลกระทบต่อการจัดราคาในทางยุทธศาสตร์ และการแข่งขันตัดราคาในตลาดออนไลน์ สำหรับแนวโน้มในอนาคต บางโรงแรมในภูเก็ตได้วางแผนงานสอดคล้องกับทิศทางออนไลน์ เช่น การส่งเสริมการขายออนไลน์โดยเฉพาะ การใช้ฐานข้อมูลสำหรับการส่งเสริมการขายที่ปรับปรุงให้เหมาะสมกับลูกค้าส่วนใหญ่ การลงทุนด้านเทคโนโลยีการสื่อสารแบบปฏิสัมพันธ์ การใช้เครื่องมือสืบค้นให้เหมาะสม และแผนยุทธศาสตร์ที่เชื่อมโยงกับสื่อที่เกิดจากผู้บริโภค ยิ่งไปกว่านั้นบางโรงแรมยังวางแผน ที่จะเปลี่ยนแปลงในระดับการจัดการโดยการจัดตั้งแผนกธุรกิจผ่านสื่ออิเล็กทรอนิกส์ในอนาคตอันใกล้

**Key Words :** Electronic customer relationship management, Internet, Hotels, Phuket

**คำสำคัญ :** การจัดการลูกค้าสัมพันธ์ผ่านสื่ออิเล็กทรอนิกส์ อินเตอร์เน็ต โรงแรม ภูเก็ต

## Rationale and Background

Over the last two decades, the hospitality and tourism industries have experienced remarkable changes in their organizational structure due to use of the information and communication technologies. The emerging of the Internet, which creates increasing globalization and growing competition, has brought significant changes in the way information about travel and tourism products is distributed and delivered (Ruzic and Medic, 2003). Lodging industry has been also moving towards to this trend. Website becomes another main channel of distribution in some hotels.

However, as selling through hotel website reduces the importance of intermediaries, traditional intermediaries, such as the travel agents, complain about the 'new' competition from suppliers while web-based travel agencies make their way into the travel and tourism business aiming to compete on equal terms with service suppliers (Constantelou, 2002). Traditional travel agents, at the same time,

adapt themselves to extend their business by creating their own websites in order to cope with this changing. Although online demands are increasing, hotels still need to balance sales volume with travel agents because they have been a major source of bookings for a long time and have recognized as an existing trust source of information for non-online and online customers. Thus, it could be a major challenge for hotels to compete with other suppliers and also with all different distribution channels those operating in parallel.

Web agent's websites (or third-party websites) are like the publication channels, distribution channels and competitors at the same time. With high investment and expertise in eMarketing, many of third-party websites have strong brand recognition and then gain lots of customers. Even though hotels prefer to directly gain customers through their website, they need to be listed in these third-party websites in order to gain public awareness and secure bookings.

To practice beyond this situation, all websites, at the present, come up with Electronic Customer Relationship Management (eCRM) techniques those concerned to finding customers in electronic environment, providing them with products and services customized to their needs, retaining their loyalty, and attending to their needs for information and support in the use of these products and services.

CRM is an important issue in hospitality industry. In perspective of service, with CRM applied, it is easier to reach customer satisfaction. Satisfied customers are then prospects who could be returning or loyalty customers. Likewise, this creates promised business in the future and brings about lower use of resources to attract these customers rather than new customer to the firm. Additionally, to search for specific market, customer profiles are usually utilized to support promotional launching in hospitality industry.

eCRM in lodging industry, however, is concerned more before and after the customers are in the hotel. Constantelou (2002) discussed that eCRM provides new ways to recruit customers and retain their loyalty, to customizes services and provide personalized products and services, to identify emerging patterns of demand in style, and to enhance links with suppliers (hotels) to meet their demands. With the Internet and worldwide web, marketers can (in theory) reach out to a broad customer base, locate target customers, identify their needs, and communicate with them at a relatively low cost (Lau, et al., 2001). Buhalis (2003) also stated that increasingly ICTs play a critical role in Customer Relationship Management (CRM) as they enable organizations to interact with customers and continuously alter their product for meeting and

exceeding customer expectations. Managing customer relationships on a continuous (365/24) and global basis is of paramount importance for the successful tourism organization of the future.

Moving to Lodging industry in Phuket, which is a main tourism destination, there are many hotels and resorts both chain and independent properties. Most of them have their own websites and those websites have been using as marketing tools. This research, therefore, aims to study the eCRM techniques applied on website by hotels in Phuket and study problems in applying those techniques.

## Methodology

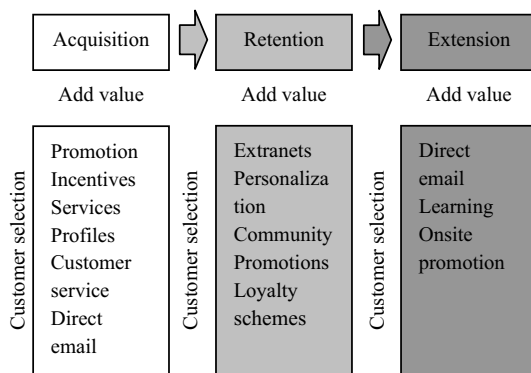
This study is conducted hotel website surveys and semi-structured interviews with hoteliers who in charge of internet sales.

### *Hotel Website Survey*

There were 611 accommodations in Phuket (TAT, 2007). Referring to Smith Travel Research (1993; as cited in Chon and Sparrowe, 2000), a general classification system called market price levels was created. This system was widely used to slot lodging properties in to luxury, upscale, mid-price, economy, and budget categories based on room rate. From population of hotels in Phuket, the researcher would like to survey the hotels in luxury range, which refers to properties with actual room rates above the 85th percentile in their geographic market. Therefore, there were 92 luxury hotels in Phuket regarding to market price levels of Smith Travel Research. Target sample size was calculated by using the sample size method of Taro Yamane (1967). Then total of 74 hotel websites were surveyed. Of them, 51 hotels were independent

property while the rest of 23 hotels were chains.

Web survey checklist was developed according to phases of CRM and simple online buying process by Chaffey (2004). The survey form contains website component check list that the hotels applied according to acquisition phase, retention phase, and extension phase.



**Figure 1** Three phases of customer relationship management

### *Semi-structured Interview*

The semi-structured interview sample in Phuket lodging industry contained 11 luxury hotels those were selected using convenience sampling method on the basis that they fulfilled all of the following criteria;

1. They have an informative website
2. They are certified as a four or five-star hotel by at least one reliable organization
3. They have introduced e-business methods including online reservation and/or online payment for their services

## **Findings**

### *Findings from Hotel Website Survey*

In acquisition phase, hotels in Phuket implemented components to support customers since they enter to hotel websites from information evaluation stage throughout post-purchase stage.

Apart from basic website components of in-depth information and images of property, other specialized services found available on hotel websites include:

- Special offers and promotions (90.5 percent)
- Instantaneous price tuning through customer identification (56.7 percent)
- Multilingual capability (51.3)
- Online availability check for accommodation and online reservation system with/without online payment (95.9 percent)
- Online help desk and access to Frequently Asked Questions-FAQ (27.0 percent)
- Interactive points of communication (64.9 percent)
- Best rate guaranteed with claiming service (25.7 percent)
- Possibility to amend or cancel booking (56.7 percent)

In retention phase, hotels in Phuket applied many techniques to obtain repeats of visit and purchase from the customers. The services available on hotel websites that related to this phase include:

- Website registration which create chance of personalization (20.3 percent)
- Loyalty program application (21.6 percent)
- Possibility to modify customer profile online (31.1 percent)
- Customerfeedback/suggestion submission permitting customers to report inefficiencies in service offered (45.9 percent)
- Web community creation permitting customers to share electronic medias (17.6 percent)

In extension phase, there are various techniques applied through website components which include;

- Registration to mailing lists in order to receive email alerts on news and special promotions (40.5 percent)
- RSS feed permitting customers to obtain news and special promotions immediately when they are updated on the websites (10.8 percent)
- Online reservation and purchase of other services and hotel products (18.9 and 9.4 percent respectively)
- Access to additional services and sales channels beyond hotel products and services e.g. flight availability check and ticket purchase (6.8 percent)
- Mobile web content enabling customers to search and check room availability via mobile phone (4.1 percent)
- Complimentary corporate group webpage permitting group customers to publicize their events online and permitting delegates to book their accommodation (2.7 percent)

### ***Findings from Semi-structured Interview***

#### Internet impact on sales performance

With eBusiness implementation, all interviewed hotels found increasing of online sales and some of them (4 out of 11 hotels) found decreasing of sales through wholesales. This indicates initiative changing in hotel business mixed in Phuket. However, most hotels (6 out of 11 hotels) presently generate online sales less than 15 percent on their total revenue and they still need to keep relationship with wholesales, which are major sources of business. Although the hotels have to balance relationship with direct customers (B2C) and their business partners (B2B), online sales tend to be increasing in near future.

#### eCRM techniques through strategic pricing and promotion

It is found that some of hotels in Phuket have applied strategic pricing in order to keep customers to book room through their websites rather than web agents or third-party websites. The first technique is called “best rate guaranteed” or “lowest rate guaranteed”. By this technique, the hotels try to convince customers that they can book at lowest price through hotel websites. Another technique is called rate parity. By this technique, the hotels try to control rate over internet channel to be equal or at least same level. Most of hotels in Phuket (9 out of 11 hotels) believe that if rate parity succeeded, customers tend to book via hotel websites rather than web agents’ sites.

Apart from alternatives of promotion available on hotel websites, hotels in Phuket also launch some promotions on their websites to attract internet market specifically. For example, early booking promotion (or advance purchase rate) is a technique to attract planned customers while last-minute promotion is launched to attract last-minute bookers. However, the hotels also participate in last-minute websites because they believe that last-minute bookers usually visit those last-minute websites when they want to book room. Database and statistic utilization

It is found that hotels in Phuket have obtained customer profiles online and collected them as database. Some of them (9 out of 11 hotels) have analyzed the database for specific promotion launching. Furthermore, some hotels send online promotion to the customers through eNewsletter (applied by 9 out of 11 hotels) and have eNewsletter subscription components on their websites (applied by 6 out of 11 hotels).

The most common statistic the hotels track from their websites is production report which generally included room night sold, number of booking, revenue, average room rate, and average length of stay (tracked by all of interviewed hotels). Besides, some of them also track production by rate type, turn away report, hit statistic for each web page, book per visit ratio, and web crawling (applied by 6, 5, 3, 2, and 1 out of 11 hotels respectively).

#### Presence of CGM

Consumer generated media (CGM) has been mentioned by hoteliers in Phuket. Most of them (6 out of 11 hotels) view CGM as an opportunity to publicize hotel awareness, listen to what customers are saying, and establish interactive relationships with the customers via their own websites. However, one hotel viewed it as a threat because there might be persons with bad intention or competitors posted negative contents about the hotel.

#### Key drivers of eCRM

It is found that the key driver for internet marketing and eCRM application in hotels is generating more revenue. It is expected the hotels can obtain higher average room rate by reducing cost of intermediaries. Moreover, with internet, they can gain market share from worldwide internet market and expend new group of customers. In term of customer relations, most of interviewed hoteliers (8 out of 11 hotels) believe that eCRM helps improving on customer satisfaction and some of them (6 out of 11 hotels) also believe that it helps improving on customer retention.

## **Discussion and Recommendations**

### ***Perceived Barriers in Applying eCRM***

#### Lack of skilled and knowledgeable staffs

eCRM needs skilled and knowledgeable staffs to operate. However, hoteliers in Phuket mentioned that it is difficult to find staffs that have both hotel operation knowledge and IT knowledge. Some of existing staffs find difficulty in adapting themselves toward internet and IT. The hotels should have training course to improve their staffs' knowledge and skill.

#### Transparency of internet market

The important issues about pricing and promotion discussed by interviewed hoteliers are best rate guaranteed and rate parity. Traditional wholesales have transformed themselves to open sales channels on internet. There are many web agents emerged and most of them compete in the market by buying rates from large wholesales and then marked-up a little bit before sell on their sites. Large-wholesales normally have very good contracted rate with hotels because they generated a lot of businesses to hotels. Therefore, the final prices sold on web agents' websites are sometimes cheaper than best available rates on hotel websites. This price cutting directly affects to best rate guaranteed and rate parity policies of the hotel. The beginning cause of problem is from the cheap contracted rates of wholesales. Increasing wholesales contracted is considered as a solution. However, the contracted rate is normally agreed a year in advance. Therefore, this problem cannot be solved overnight. Moreover, increasing large wholesale contracted rate or identifying mark-up percentage for internet sales in the contract may bring about more troubles in consequence as wholesales are still major sources of businesses. Some hotels indicate that increasing

rate or set restriction with large-wholesales will bring about reducing of production. As long as the hotels do not have strong backup of other sources of business, it is too risky to do this. Some hotels tried to have rate agreement with those web agents but they finally sold all rates they have and the problem was not solved. This situation would influence hotel rate structure changing in the future. To adapt toward this situation, the hotels that would like gain more revenue on their websites with best rate guaranteed technique should review and revise their rate structures and make slightly changing on rate each year when they sign contracts. However, this depends on the hotels' target markets and strategies.

#### Price war in online market

It is found that the price war is really happened in online market for Phuket hotel industry. Hotels sometimes reduce price to make it competitive when compare to competitors. However, more concerned is on price war that made by web agents. It is difficult to stop web agents to stop reducing price, as they do not even worry to obtain less profit. Apart from revising rate when sign new contracts, the hotels should emphasize more on the variety of promotion and package offer on their websites. The hotel can make those promotions and packages attractive by various techniques without direct reducing on price. For example, the hotels may attempt to attract customers to stay more night to get discount. The discounted price should come up with restriction of full pre-payment and limit of room available. Hotel package normally composed of other elements beside room and it is sold in opaque basis, which the customers do not know exactly about the cost of each element. The hotels can make it attractive in

terms of package component and price without just directly reducing on room rate, which would be detrimental to the image of luxury hotels.

#### ***Future trends***

##### Selective online promotions

The hotels tend to offer more alternatives of promotion on their websites. Furthermore, in order to capture internet market, they tend to create specific promotion that will be available only on their websites. For example, some hotels create early purchase promotion to be available on their hotel website channel only. The planned customers can get 10 percent discount off best available rate but they are forced to book through hotel website only. With strengths of speed of internet, last-minute booking promotion will be practiced more in order to yield revenue per available rooms and fill-up last rooms availability in short period. According to TAT (2006 and 2007), average length of stay of tourists in Phuket is 3.64 days in 2006 and 4.40 days in first quarter 2007. Therefore, long stay promotion would be another promotion to be emphasized online and this would be practiced more as one of long term strategy.

##### Mass customization through database utilization

Hoteliers mentioned that they plan to study more in their database management and utilization. Information from database will be also analyzed to find specific groups of customers with similar interests. The hotels then can customize specific promotion to attract them. For example, the hotel can search for customer profiles that booked golf package, booked golf when stayed at the hotel, or mentioned golf as their interest in their profile. If the hotel finds that there are a lot of golf players stay in the hotel, then it can deal with its golf



business partner to launch specific promotion for this group of customer. In fact, chain hotels can utilize customer profile database further than that for seasonal long run. It should be database sharing among hotels in order to extend scope of customers when they create promotion.

#### Interactive communication on hotel websites

Apart from contact details (email, postal address, telephone number, and fax number) to be displayed on hotel websites, the hotels plan to improve communication through their websites to be more interactive. Some hotels have put online enquiry submission on their website. Several hotels have applied “voice over IP technology” (VoIP), call back service, and mobile content. However, applying these techniques required more cost of investment. New types of communication technology may not necessary to apply but the hotels should keep eyes on the trend of this kind of technology as they may finally become useful tool in the future.

#### Search Engine Optimization (SEO)

Search engine optimization is the technique mentioned mostly by hoteliers in doing web marketing. The hoteliers believe that customers usually visit search engine sites when they search information online. However, it is high competition to be listed on first page of popular search engine site like Google. At the present, when search the words “Phuket hotel”; most of websites listed on first page of Google are web agents’ sites. The hotels should at least ensure that when customers search their hotel names, hotel websites would be displayed at first several positions.

#### Booking engine

From hotel website survey, 96 percent of survey hotels had online reservation components on their website but only 73 percent had online

payment capability. Online payment capability is necessary if the hotels want to sell their rooms online as it can secure booking made online by credit card number. For customers, they can rest assure they have hotel room booked with instant confirmation. The hotel should ensure their websites have user-friendly interface when customers book. Additionally, the hotels should concern on trust issue on booking engine. Security information of booking engine and privacy policy according to customers’ information can be provided on the website.

#### eBusiness Department

Some hotels in Phuket have established eBusiness Department but some have not but plan to. To increase revenue on hotel own websites, it should be responsible section assigned at hotel or at corporate office. However, some hotels may not ready to establish another department. The hotels can distribute each function according to internet sales to each existing department such as Sales & Marketing Department, Reservation Department, and IT Department. In the near future, more internet sales related tasks would be assigned to specific existing department. However, the hotels that consider internet as an important channel of distribution should establish eBusiness Department in order to implement their long term internet strategy efficiently.

#### Strategic CGM

No matter how hotels consider consumer generated medias (as opportunity or threat), it is unavoidable to have hotel reviews on the internet. Therefore, the hotels should try to use CGM to their benefit. They can use CGM to listen to what customers are saying and immediately address any issues and act appropriately. The hotels can apply CGM component on their websites and nurture



satisfied customers to post comments. The hotels can utilize the various types and formats of CGM to promote their properties. For example, TripAdvisor now accepts display ads, and many discussion boards accept sponsorship and advertising (Starkov and Price, 2006). However, this also depends on the budget of each hotel. The hotels should identify CGM sites that they should monitor e.g. TripAdvisor, HotelChatter.com, and Yahoo Trip Planner. Additionally, they can place various formats of media on popular CGM sites e.g. YouTube, and Flickr. CGM would be criticized more by hoteliers in the near future but it would influence the customer's decision in long term.

## Conclusion

Internet will only be the rising trend worldwide. In Phuket, the results of this study indicate optimistically about the internet steadily becoming a competitor to the traditional travel agents in Phuket which is partly confirmed by this research. The hotels then should take note on their sales & marketing strategy with regard to eMarketing and the eCRM related issues in order to practice and improve more on their techniques. This study is to identify current techniques, perceived barriers, and issues for future trend, which can be used as a guideline by the hotels with the hope of increasing of their internet sales, maintain their competitiveness, and success in maintaining customer relationship through electronic medium.

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