



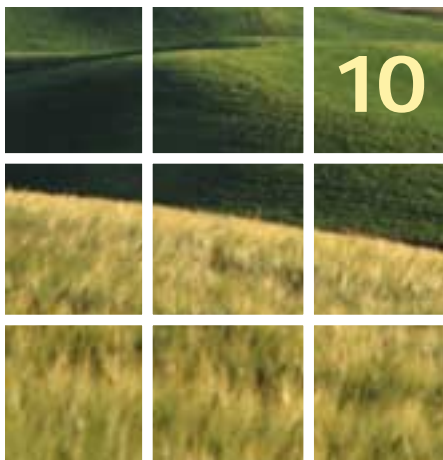
As the networked world around us changes by the day and internet-based e-commerce affords businesses ever-greater opportunities to engage in one-to-one marketing, the question arises as to how prepared is the hospitality industry to respond to the opportunities

give a far from comprehensive (or even realistic) view of the real value of the customer asset. In particular, they do not take into account all of the customers' value drivers. Similarly, loyalty program databases are often inaccurate because they tend not to include the most

The Opportunities in Customer Relationship Management

Can the hospitality industry respond?

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afforded by the new technologies? A useful catchall phrase for the area of marketing that embraces these opportunities is "Customer Relationship Management" or "CRM".

For CRM to be successful in a hospitality enterprise, one thing is certain, it requires visionary management and a commitment to invest in that most important of intangible assets – the customer relationship. CRM can generate substantial profits, but it does require large volumes of easily accessed and analyzed information. And while some hospitality businesses are creating customer databases, the use of customer information is frequently intermittent, delayed and disintegrated.

Most hospitality managers tend to rely on property-based occupancy, rate and financial data to benchmark against competitors and industry trends. And they generate information to measure customer satisfaction and use loyalty program databases to determine their most valuable customers. But these data and the analyses that surround them are frequently badly flawed because they

profitable, or sometimes even the most loyal, customers.

A CRM System (CRMS) should thus aim at identifying the customer value drivers, modify customer behavior toward greater profitability, increase delivery efficiency, and decrease fraud and transaction errors. Such a system should also eliminate waste caused by over-providing to some customers and filling in the gaps where the needs of other customers are not being met. Finally, a CRMS should generate greater profitability by making it possible to evaluate the net economic benefit of different customer segments and support development of a strategy that uses that information to greatest effect. For example, a key customer segment might be small in size, but represent significant per capita revenue with lower costs than a larger group with low per capita revenues and higher per capita costs. With such information, hospitality managers can reallocate their marketing resources accordingly.

Using technology, automated sales and marketing systems speed the process of



going to market and improve campaign cycle times. “Longitudinal marketing” (for example a sequence of offerings driven by time or customer behavior) and “trigger-based,” multi-stepped sales campaigns (e.g. those that are triggered by certain customer actions) are facilitated, while the cost of customer acquisition, sales, and marketing service support is reduced.

An integrated CRMS automates information searches with accessible and easy to manipulate end-user interfaces, which may be structured as Intranet browser-based solutions. The objective is to capture a single view of the customer that brings together a wealth of information from a wide variety of sources and places it into actionable formats that support management decisions.

Customers touch hospitality businesses in a variety of different places. They connect with the company through the Internet and direct mail. They speak with sales people by phone and in person, with operators at the central reservation system, with receptionists upon check-in at the hotel, with service staff during their stay, and with cashiers upon their check-out.

At each of these so-called “touch-points,” hospitality companies can gather and integrate information into a system that provides a comprehensive singular view of the customer. The system can then be supplemented with additional information gleaned from subsequent interactions and can be enhanced by appending externally generated data such as demographic and attitudinal data.

There are, of course, significant hurdles in establishing a fully integrated CRM system. The quality of customer information in many hospitality organizations is often poor, the potential volume overwhelming, integration complex and accessibility frequently difficult at best. But for those companies committed to a singular focus around the customer – an

orientation now well understood as a key driver to success – the investment in sophisticated IT solutions to Customer Relationship Management will make all the difference.

But is the hospitality industry ready to grasp the opportunities in CRM afforded by the new technologies? This is not immediately apparent, at least on the basis of some recent research led by Arthur Andersen in co-sponsorship with New York University and HFTP. In the

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recently published report, “Hospitality 2000: The Technology”, it is reported that only 35 percent of respondents to the global industry survey report the existence of a data warehouse within their organization. But of those without one, close to one-half indicate their companies have plans to install a data warehouse, mostly within the next three years. And yet for those with a data warehouse in place, only 32 percent report it being linked to an Executive Information System. This suggests that for senior sales and marketing management, access is intermittent and may be inhibited by the need for technical help.

As hospitality companies devote more attention to knowing their customers, they are also considering the integration of not only PMS and CRS but also Data Warehouses into fully integrated “Customer Information” systems (“CIS”). But like the adoption of technology elsewhere in the industry, the pace is slow. Approxi-

mately 13 percent of respondents report such a CIS system in place with most having been introduced over the last several years. Another 11 percent have a plan for a CIS and the capital allocated (mostly for completion within the next three years), while an additional one-half of respondents report having considered the development of a CIS and the possibility of putting a plan together.

For the international hospitality industry, capitalizing on the opportunities

in Customer Relationship Management will clearly require some changes in marketing mindset and strategy. The hospitality company of the early 21st century must respond to the global economy by becoming global itself — at least in its customer access — to compete most effectively and avoid the disintermediation of its customer relationships. It must also acquire the latest technologies to gain access to customers and capitalize on those relationships.

With an effective CRM strategy in place, the successful hospitality company of the future will be in a position to successfully introduce new products and services in order to remain relevant. Management will have access to current, integrated and accurate measures of the customer asset base. And such information can then be easily integrated into every day business decisions, driving operations as well as capital and resource allocations.



Clearly, with the dramatic changes wrought by the newest industry trends, the Information Age and the global economy, hospitality companies must successfully leverage their customer assets if they are going to thrive. Whether it is upgrading to a uniform technology platform or adopting a new company-wide customer focus, the CRM tools and strategy process will greatly help hospitality companies manage and leverage their customer assets and customer equity to claim greater market share.



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Hospitality 2000: The Technology

This article makes reference to the just-completed global study — Hospitality 2000 —The Technology. It is the third in a series in the Hospitality 2000 initiative, which has been designed to define critical issues that the industry will face in the next millennium. Hospitality 2000 — A View to the Next Millennium identified major trends and strategic issues focused around market, product, organization, technology and capital. Hospitality 2000 — The People addressed organization and strategy, recruitment and staffing, training and development, performance, reward and recognition. Now, Hospitality 2000 — The Technology, completed this year, addresses strategy, organization, sales and marketing, customer information and operations — as they relate to technology and its future role in the industry.