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Effectiveness of Knowledge Management on Customer Relationship Management in Hotel Business Performance

Sanjiv Kumar SRIVASTAVA
Hotel Management
BIT Mesra, Ranchi, India
sanjiv@bitmesra.ac.in

Bibhas CHANDRA
IIT (ISM), Dhanbad, India
Chandra_bibhas@yahoo.com

Anand Prasad SINHA
Department of Management, BIT Mesra, Ranchi, India
anand.pd.sinha@bitmesra.ac.in

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Abstract

Knowledge Management (KM) and Customer Relationship Management (CRM) have become indispensable strategic tool for the Hotel sector to gain competitive edge in the marketing environment. Hotels sustain and survive by exploiting customer knowledge for creating relationship to improve customer satisfaction, loyalty and thus, leading to better business performance. Hotel industries heavily rely on effective relationship management and CRM essentially depends upon effective and efficient utilization of knowledge resource. Therefore, effectiveness of customer relationship management depends upon effectiveness of Integration of knowledge management process with CRM process. Hotel managers are quick to realise the importance of CRM based marketing strategy to sustain and gain edge over the competitors. The paper presents a review study of literature regarding effectiveness of KM and CRM on hotel business performance with a proposal of an integrated conceptual framework between KM and CRM process.

Keywords: knowledge management; customer relationship management; business performance.

JelClassification: D83; L25; Z32; Z33.

Introduction

Hotel sector has emerged as the fastest growing sectors of the world economy in the 21st century. The growth of tourism and ultimately hotel sector has gained impetus due to ever ceasing development in technology and IT. This has resulted in a significant contribution towards growth and development of hotel industry. The information regarding hotel services and facilities is just a click away. The advanced transport and communication technology have facilitated frequent travelling of people around the world enabling parallel growth of hotel sector. As hotel sector being part of service industry, core focus is emphasised on customer hospitality with customised service. In the competitive market of hotel business, the companies must focus on knowledge management to sustain and to gain competitive edge (Salmador and Bueno 2007). Further, knowledge is treated and measured as essential resource of the organization and is gaining importance and interest in it (Alavi and Leidner 2001). Knowledge

management involves all forms of business relationship management including customers, shareholders, municipal agency, intellectual property management like knowledge and skill of employee, web content, media management (Jutla, Craig and Bodorik 2001). Thus, KM systematically acquires, organises and communicates knowledge to improve productivity and effectiveness in the business (Alavi and Leidner 1999). With the application of advanced information and communication technology, organisations try to come closer to the customer in order to create long and continuing relationships in hotel industry (Sevki and Rifat 2006). Extensive study of literature of several studies shows that KM plays a critical determinant role for CRM effectiveness (Gebert, Geib, Kolbe and Brenner 2003). Since firms heavily depend on the relationships with their customers, a strong and continuing customer relationship has surfaced out as crucial issue for business managers (Cheng *et al.* 2008). Therefore, organisation should create new values based on customer knowledge (Sheth *et al.* 2000).

1. Theoretical Background

1.1 Knowledge Management: Overview and Concept

Knowledge management is a systematic and structured approach of acquiring, organising, sharing and leveraging of knowledge by a well-defined organisations process to improve firm's efficiency in rendering products and services in the interest of their customer. The knowledge is an organisational asset and aligned with the business strategy. (Alavi and Leidner 1999) defined knowledge management as the "systemic and organizationally defined process for creating, organizing and sharing both tacit and explicit knowledge to improve firm's effectiveness and productivity". (McInerney 2002) differentiated between explicit knowledge and tacit knowledge. Explicit knowledge is those information or knowledge that can be documented, explained and recorded and Tacit knowledge is knowledge that is perceived, understood and stored in the minds of individual person. These knowledges are not explicit, cannot be documented or recorded but comes with experience. KM contributes and facilitates useful knowledge within organisation by creating opportunity to learn, communicate and share right knowledge. Knowledge is an essential factor for KM, if it is available with the organisation. It can achieve high quality, faster and cheaper results than its competitors. KM is an important tool for increasing business performance and efficiency in addition to providing competitive edge in the market (Mohseni and Seyedanesh 2014). According to (King 2009) KM process consists of creation, acquisition, refinement, storage, transfer, sharing and utilization of knowledge. The KM process will lead to organizational performance. (Rasula, Vuksic and Stemberger 2012) defined KM as a "process that involves Creating, accumulating, organising, and utilising of knowledge". It contributes to enhance organisational performance and achieve organisational objectives. Based on the concept of (King 2009 and Rasula *et al.* 2012), we propose KM process as Knowledge creation, knowledge acquisition, Knowledge organisation (includes refinement, organising and storage of knowledge), knowledge distribution (sharing and transfer of knowledge) and Knowledge utilization.

Figure 1. Proposed Knowledge Management Process

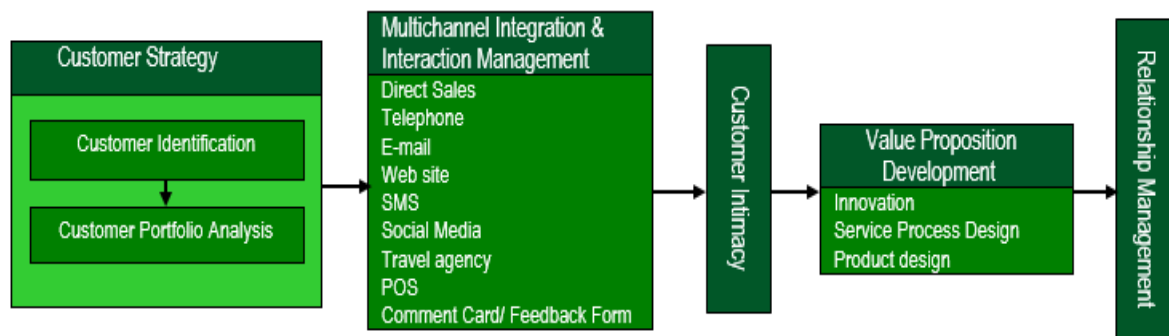


1.2 Customer Relationship Management: Overview and Concept

The concept of CRM is based on relationship marketing emphasising more on technology to manage and retain customer. The application of technology helps to focus on individual, creating relationship one to one with an objective of developing customer loyalty. It is an organisational strategy to attract, acquire, manage and retain potential customer to create superior value for both customer and company. CRM is a way to handle and apply customer knowledge to understand and provide better service (Beijerse 1999). CRM can be defined as marketing strategy for identifying, attracting, developing and maintaining profitable customer in a long-term relationship. It is an approach that enables a firm to identify, attract, and increase retention of profitable customers by managing relationship with them (Hobby 1999). CRM is defined as "a managerial philosophy that calls for the use of information technology (IT) to capture, store, manipulate and distribute substantial information about customers." (Piccoli, Connor, Capaccioli and Alvarez 2003). It is a holistic approach that involves acquisition, selection, retention to facilitate selective retention of customers and manage relationship to enhance loyalty and profitability for both company and customer. (Kandell 2000; Parvatiyar and Sheth 2001; Swift 2001). CRM process is the

integration of People, process and technology. According to Faed, Ashouri and Wu (2010) CRM is a marketing strategy applied to improve customer intimacy, increase customer retention and build customer equity. Kracklauer et al. (2004) proposed four dimensions of CRM as customer identification, attraction, retention, and development. These four dimensions of CRM are achieved through application of all the three types of CRM, Operational CRM used to collect tacit customer data, analysed by Analytical CRM, integrating them with other existing data in the organization followed by Collaborative CRM that facilitates customised service by differentiating behaviour pattern and preferences from individual to individual. The primary objective of the adoption and implementation of three types of integrated CRM is a way is to streamline and optimize business processes. We would like to propose an effective CRM process framework based on IDIC model (Peppers and Rogers 2004), CRM Value Chain (Buttle 2004) and Payne's Five Forces model (Payne 2005).

Figure 2. Proposed CRM process Model.



Customer strategy includes customer identification and Customer portfolio analysis. This process identifies the potential customer who can be associated with the organisation for the future for mutual benefit. Customer portfolio analysis is the process of classifying customers on the basis of profit potential. Multichannel integration and interaction management is the process through the hotel organisation interact with the customer and move closer with better understanding of customer behaviour their tastes and preferences. The different channels of communication are integrated to create a platform of customer database. This process leads to development of intimacy which is foundation of relationship management. Value proposition development is the process of offering tailored, well designed, customised products and service to match the expectation of customer. The customer intimacy leads to in-depth understanding of customer. This intimacy gives an opportunity for the service provider to develop new ways to serve their customer through innovation, new service process and product design to offer superior values to the customer and simultaneously profit for the organisation. Customers like to enjoy different experience. Innovation also gives competitive advantage in the market and hence profitability. The finally, value proposition development lays foundation for relationship management.

1.3 CRM in Hotel Industry

CRM is ideal marketing philosophy for the hotel industry as the survival of hotel business depends upon customer satisfaction. The core of hotel business is based on hospitality; hence customers are treated as 'guest'. Customer knowledge is essential for developing intimacy and provide superior value through personalised service. (Gronroos 2004) stated that service organizations where production and consumption occur simultaneously and are inseparable component makes it imperative to build relationships with customers. Hotel industry continuously interact with customers through various point of sale it receives large amount of customer data these data can be converted in useful and productive knowledge (Dev and Olsen 2000, Kotler 2000) which can be very useful in competitive market and provide edge over others. CRM implementation gains more importance in Hotel sector as it is customer information-intensive and personalised service holds the priority than in other industries (Piccoli, O'Connor, Capaccioli, and Alvarez 2003). Al-Azzam (2016) proposed that customer orientation which is an important dimension of CRM, is an important source to improve customer satisfaction and business profits. CRM is the most used strategic business tools in hotels (Senturk 2012).

1.4 Knowledge Management and CRM

Knowledge management (KM) is a significant in increasing productivity and performance of the organization. It contributes significantly to the organisation for becoming customer-oriented organization. It facilitates ground to

improve relationship between Hotel, which leads to build on long term relationship to improve customer satisfaction and loyalty for future transaction. KM integrated with CRM system will enable to interact, identify and customize information to design better service. Integration enables organizations to identify opportunities in the market and make best use to gain competitive advantage (Madhoushi *et al.* 2011). The knowledge gained through KM system is utilised by CRM strategy to market one to one, differentiate customer on the basis of preference, taste, likes and dislikes and behaviour. When KM capabilities are integrated properly with organizational technologies, it ensures success of CRM (Anand and Renganathan 2013). KM is the core processor of CRM as it makes CRM effective for organization by customer knowledge management developed by companies (Zabala *et al.* 2004). Integrating KM and CRM reduces the risk of business operation, improves better decision making, gaining competitive advantage through better customer insight by creating customer profile, transfer of knowledge to customer leading to higher customer satisfaction and loyalty and thus increase in more revenues through Customer retention (Allameh, Shahin and Tabanifar 2012). Accumulating and analysing information about customers is a fundamental way of KM activity in the domain of CRM (Reichheld and Schefter 2000). It is evident that organization's KM capability of organization play significant role in the success of CRM (Croteau and Li 2003).

Previous studies on Knowledge Management (KM) & Customer Relationship management (CRM) by some Research Scholar are presented in the table below:

Table 1. Findings of Research Work by Some Eminent Scholars

No.	Year	Author's Name	Title	Journal Name	Conclusion
1.	2017	Gonzalez and Martins	Knowledge Management Process: a theoretical-conceptual research.	Gestão & Produção	The paper concluded that Knowledge Management process involves two component Soft track and Hard track. Soft track is concerned with organizational development regarding culture, work, skill development and hard track is concerned with IT tools to facilitate storage and distribution of knowledge.
2.	2016	Trejoa, Gutiérrez, and Guzman	The customer knowledge management and innovation.	Contaduría y Administración	The paper identifies four variables of Customer Knowledge Management which are significantly related to innovation. They are CKM as driver of innovation, CKM as a support of knowledge, CKM as a tool for other source of knowledge and CKM, satisfaction, experience and performance.
3.	2016	Mahawrah, Shehabat, and Abu-Shanab	The impact of knowledge management on customer relationship management: a case from the fast food industry in Jordan.	International Journal of Electronic Customer Relationship Management	Knowledge Management needs to be integrated to CRM to improve Customer satisfaction that leads to Customer Retention.
4.	2016	Shu-Mei Tseng	Knowledge management capability, customer relationship management, and service quality.	Journal of Enterprise Information Management	Knowledge Management capabilities has positive influence on CRM and service quality and CRM has influence on service quality.
5.	2015	Garrido-Moreno, Lockett and Garcia-Morales.	Exploring the role of knowledge management practices in fostering customer relationship management as a catalyst of marketing innovation.	Baltic Journal of Management.	Findings show that there is real impact of KM process on CRM performance and technological and organizational readiness are key drivers of KM. The findings also conclude that social media tools have no significant relation with KM

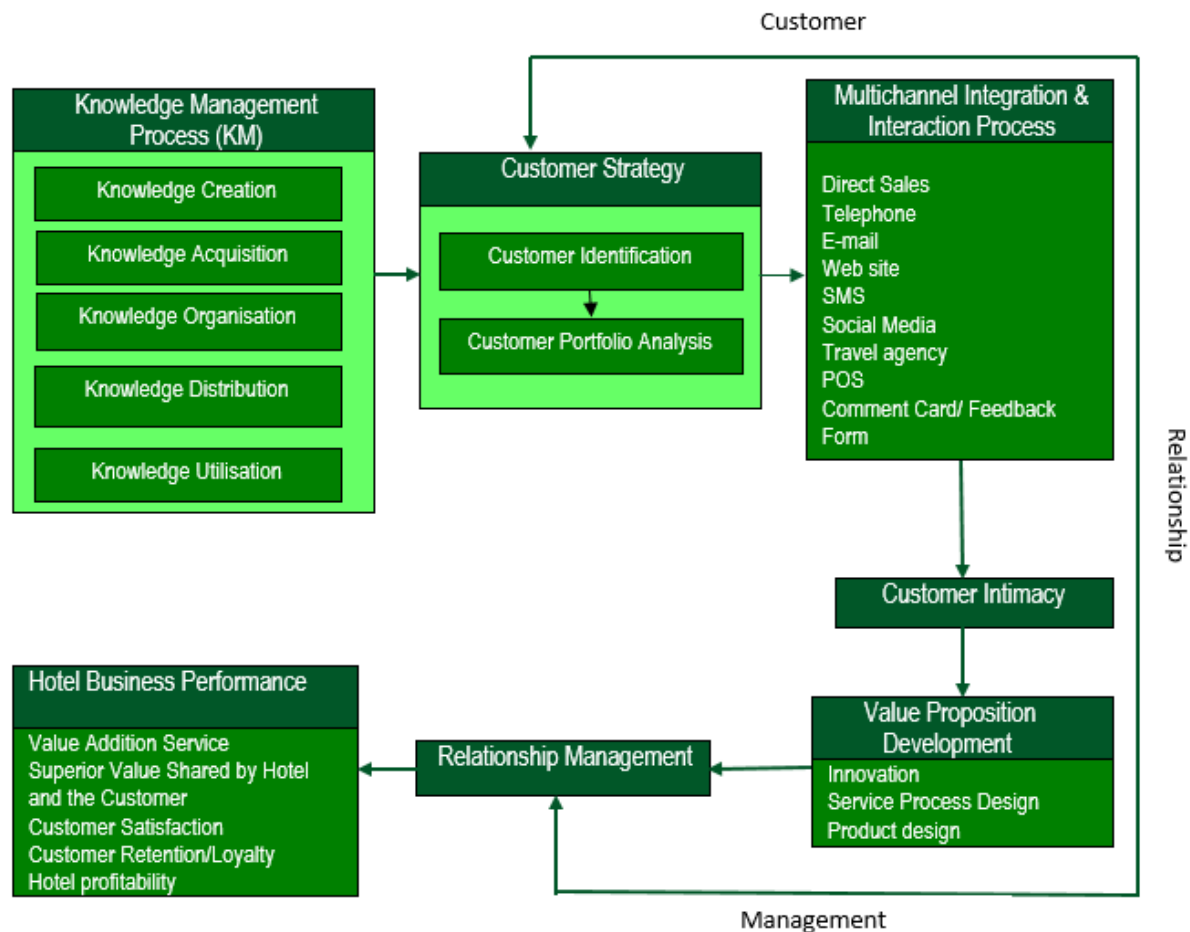
No.	Year	Author's Name	Title	Journal Name	Conclusion
6.	2015	Velu	Knowledge management capabilities of lead firms in innovation ecosystems	Academy of Marketing Science.	The paper highlights KM capabilities in lead firms in three situations autonomy-control, consent-dissent & uncertainty-certainty. Managing these situations through KM capabilities by increasing rate of innovations according to the needs marketing environment.
7.	2014	Tseng, and Wu	The impact of customer knowledge and customer relationship management on service quality.	International Journal of Quality and Service Sciences.	Customer knowledge has positive influence on CRM and service quality. Customer knowledge enhances CRM, which in turn improves service quality.
8.	2014	Salem	Toward better understanding of knowledge management: Correlation to hotel performance and innovation in five-star chain hotels in Egypt.	Tourism and Hospitality Research.	Findings conclude that KM has strong and positive relation with hotel performance and it has significant impact on innovation.
9.	2014	Garnida, Tjakraatmadja, Nasution and Purwanegara	Restructuring knowledge of organic customer profile within KM-CRM framework.	International Food Research Journal.	The findings proposed KM-CRM model to be more effective in targeting organic customer through data mining and analysis, creating knowledge about customer. It also proposed application of integrated KM-CRM framework for environment friendly products.
10.	2013	Maroofi and Deghani	Effect of knowledge management on CRM prosperity.	International Journal of Research in Social Sciences	KM plays an essential role and is proved to be integral component for CRM effectiveness and prosperity.
11.	2013	Hasanzadeh, and Mahaleh	Effect of Knowledge Management on Success of Customer Relationship Management in Eghtesad Novin Bank of Tehran	International Journal of Business Management & Economic Research	Knowledge Management is positively related to CRM and is important factor for the successful implementation of CRM.
12.	2003	Bose and Sugumaran	Application of knowledge Management Technology in Customer Relationship Management.	Knowledge and Process Management	KM manages organisation's knowledge to enhance performance and create value. True CRM is possible by integrating it with KM to create knowledge enabled CRM process.
CRM and Business Performance					
13.	2018	Anshari, Almunawar, Lim, and Al-Mudimigh	Customer relationship management and big data enabled: Personalization & customization of services	Applied Computing and Informatics.	CRM supported with Big data will make better strategy to understand and offer customised and personalised service to each and every customer. It enables better understanding of customer habits and patterns. It helps in customer profiling leading to value creation.
14.	2017	Santouridis, and Veraki	Customer relationship management and customer satisfaction: the mediating role of relationship quality.	Total Quality Management & Business Excellence.	The paper examined the relationship among CRM, relationship quality and customer satisfaction. It concluded with

No.	Year	Author's Name	Title	Journal Name	Conclusion
					findings that CRM dimensions have positive association with customer satisfaction and relationship quality was also having significant positive correlation with customer satisfaction.
15.	2017	Rahimi, Koseoglu, Ersoy and Okumus	Customer relationship management research in tourism and hospitality: a state-of-the-art.	Tourism Review.	The research was conducted by extracting articles from fourteen leading Hotel & Tourism journals. The review paper concluded that CRM plays a significant role in business performance especially in service and hospitality sector. CRM also contribute to customer satisfaction and retention.
16.	2015	Hassana, Nawaz, Lashari and (Dr.) Zafar	Effect of Customer Relationship Management on Customer Satisfaction.	Procedia Economics and Finance.	The study revealed that CRM is contributing significantly in increasing the market share, enhancing productivity, keeping high employee's morale along with improving in depth customer knowledge leading to higher customer satisfaction and loyalty as the organisation has clear information about their customers, their needs, and what will make them more satisfied.
17.	2014	Jui-Ho Chen, and Shwu-Ing Wu	The impact of customer relationship management and internal marketing on business performance: a comparison of lodging industries.	Total Quality Management & Business Excellence	Investigation was made in 231 Bed and Breakfast (B&B) property, 240 hotels and 114 motels. The study revealed that CRM and internal marketing has impact on relationship management and indirect impact on business performance. CRM has direct impact on both financial and non-financial in B&B establishment and Hotels.
18.	2014	Padilla-Melendez, and Garrido-Moreno	Customer relationship management in hotels: examining critical success factors.	Current Issues in Tourism.	The research paper proposed CRM as strategic tool especially for the hotel sector to sustain competitive advantage and offer personalised service to improve customer satisfaction and retention. The keys to success is employee training, organisation structure, motivation and finally management support.
19.	2013	Mohammad, Rashid and Tahir	Assessing the influence of customer relationship management (CRM) dimensions on organization performance: An empirical study in the hotel industry	Journal of Hospitality and Tourism Technology	The research findings concluded that four dimensions of CRM (customer orientation, CRM organization, knowledge management and technology-based CRM) has positive influence on Hotel business performance but technology-based CRM dimension is not significantly related to the

No.	Year	Author's Name	Title	Journal Name	Conclusion
					learning and growth perspective of hotel performance.
20.	2012	Adalikwu	Customer relationship management and customer Satisfaction.	African Journal of Business Management.	The research revealed that implementing CRM is associated with customer satisfaction, and there is significant correlation amongst Information technology (IT) capability, contact frequency and recovery management with customer satisfaction.
21.	2012	Wang, and Feng	Customer relationship management capabilities Measurement, antecedents and consequences.	Management Decision.	The result revealed that CRM capabilities has positive influence on business performance that includes market share, sales growth, profitability and customer satisfaction.
22.	2010	Reimann, Schilke, and Thomas	Customer relationship management and firm performance: the mediating role of business strategy.	Academy of Marketing Science.	The findings of the paper concluded that business strategy of differentiation and cost leadership as mediating variable has significant effect on CRM performance outcome. Further industry commodization play an important moderating role between CRM and differentiation. CRM-differentiation relationship is strong at high levels of industry commoditization and weak at Low levels.

1.4.1 Based on the review literature and theoretical background regarding the concept of KM and CRM and effect of CRM in hotel business performance, we propose a suitable conceptual framework.

Figure 3. Proposed integrated KM-CRM-Hotel Business Performance conceptual framework



2. Discussion

Tourism sector is playing a key role in economy growth of any nation. Gradually, it is becoming economic accelerator not only in terms of revenue generation but also in employment generation. Growth of tourism industry is significantly supported by hotel industry. It can be realised that hotels are indispensable component of tourism growth. In the era of competitive market, it is imperative to understand the underlying factors that initiates a customer to make their choice, satisfaction they derive by making decisions for opting any hotel. The purpose is to understand customer behaviour, customer satisfaction and their management (Bramwell 1998, Witt and Witt 1995). Knowledge management through data mining process plays a crucial role in understanding the pattern of behaviour of customer and their expectation. Organisations usually acquire knowledge about their customer through interaction and observation and by applying corporate data and information to understand and forecast customer behaviour (Wayland and Cole 1997).

Application of KM helps in creating intimate relationship with the customer. A CRM to be effective it must be integrated with KM technology to create KM enabled CRM process that facilitate organisations to achieve their objectives like customer profitability, satisfaction and loyalty and finally their business decisions (Reichheld and Scheffer 2000; Winer 2001; Fahey 2001). KM integrated with CRM provides opportunity for innovation, customised service through service process design to meet the changing needs of customers. As the hotel industry is service industry, characterised by intangibility, perishability, and non-transferability of its product and services, understanding the customer is part of business and marketing strategy. Management strive to develop a culture of hospitality, friendship and build relationship, through the effective use of technology and IT (Piccoli, Connor and Capaccioli 2003).

While the business establishment coming closer to their customer and development of intimacy challenges are also encountered. Privacy and security of the customer is of paramount concern. The information about the

customers is at risk to be leaked and misused. Management should take responsibility to safeguard the customer data and apply only for providing superior value to its customer and business for itself without causing any inconvenience to its customer.

Conclusion

Customer Relationship Management is an indispensable marketing strategy to sustain and gain competitive advantage in the present competitive market. It is also important that for the effectiveness of CRM capability, it must be integrated with knowledge management infrastructure of the organisation. The effect of knowledge enabled CRM will be significant for both customers and the service provider establishment. Knowledge enabled CRM facilitates innovation in service process design, new product design, improved service quality to meet the ever-changing needs and demands of the customer, ultimately leading to better customer satisfaction, customer retention and loyalty and improved business performance. Hotel industry being highly specialised service sector, where major emphasis is on customer satisfaction by virtue of its inherited features, organisations effort should be to create customer centric culture and develop customised marketing strategy for each individual customer, which is fundamental basis of one to one marketing in CRM. Hotel organisations should make effort to come closer to their customer through various modes of interaction in order to learn and understand the pattern of behaviour of their potential customer and customised their service.

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