Customer Relationship Management as a Competitive Factor in the Hospitality Industry in Guadalajara, Mexico

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EXECUTIVE SUMMARY

This study focuses on 4 and 5 star hotels in Guadalajara, Mexico, with the aim of analyzing the interrelation between CRM and competitiveness. For this research, 418 surveys were given to higher and senior managers and the relationship of administrative capacity and marketing innovation with CRM (independent variable), and for the Competitiveness (dependent variable) the financial performance, costs reduction and technology use was considered.

Keywords: Customer Relationship Management, Competitiveness, Hospitality industry

INTRODUCTION

There are several studies on the importance of studying the dimensions of CRM in the hotel sector (Akroush et al., 2011, Sadek et al., 2011, Sin et al., 2005), that whether CRM can enable effective differentiation and improve customer loyalty and therefore the profitability of the company. As a hotel company is an economic agent aims to maximize its benefits from the management and exploitation of the resources are there to serve the needs and demands of the guests (Sigala, 2005).

With the implementation of CRM, organizations can gain a great benefit, because they can increase their sales through better market segmentation, customization of products and services, higher quality products, access information and employee satisfaction, and above all ensure long lasting customer retention and loyalty. (Alomtairi, 2009; Ozgener & Iraz, 2006; Stockdale, 2007; Verma & Chandhuri, 2009).

THEORETICAL FRAMEWORK

Recent CRM recent studies have focused on selective service sectors, such as banking (Akroush et al., 2011; Becker, Greve, & Albers 2009; Eid, 2007; Hussain et al., 2009; Krasnikov et al., 2009; Sin, Tse, & Yim 2005), telecommunications (Almotairi, 2009; Beldi et al., 2010), health (e.g. Bunthuwun et al., 2011; Hung et al., 2010), but not yet thoroughly researched CRM in the hospitality sector (Luck & Stephenson, 2009; Wu & Lu, 2012). Therefore, Vogt (2011) states that although there is increasing use of CRM in tourism, even limited research studying the various applications in the industry.

CRM, according to Laudon and Laudon (2004), is a business and technology discipline for managing customer relationships in order to increase revenues, profitability, satisfaction and retention thereof.

CRM and Administrative Capacity

According to Blesa (2005), part of administrative capacity is the coordinated behavior of the various functions in the organization, which must be directed to seek and gather information from consumers, competition and environment for dissemination in the organization and to design and implement a response with the aim of satisfying customers by providing

superior value. The implementation of a CRM strategy involves changes both in the way a company is organized, as in their business processes (Sin, Tse, & Yim, 2005), therefore, it is necessary to include a variable that projects the importance and impact of administrative factors in the success of CRM. It is also essential to analyze the business objectives and organizational culture (Chalmeta, 2006). An important factor of administrative capacity is the leadership provided by management and that their support will be a key requirement to establish the philosophy of customer orientation at the corporate level and to support the adoption of a CRM system throughout the organization (Alt & Puschnam, 2004).

CRM and Marketing Innovation

The effectiveness and efficiency of CRM are increasingly recognized as means for developing innovation capability and providing a lasting competitive advantage (Ramani & Kumar, 2008; Sahay & Ranjan, 2008). Marketing innovation, it refers to market research, price-setting strategy, market segmentation, advertising promotions, retailing channels, and marketing information systems (Vorhies & Harker, 2000; Weerawardena, 2003).

Due to the importance of this factor, several studies have analyzed the impact of innovation on competitiveness of the company and have come to the conclusion that companies that invest in research and development and conduct innovative practices are more likely to remain market and increase their performance (Ahuja & Katila, 2004).

Competitiveness

The concept of competitiveness has been defined in various dimensions and time with inaccuracies (Budd & Hirmis 2004; Porter & Ketels 2003). It has also been determined by the level of research: approaches macro, meso and micro levels, which define it differently, and from the point of view of competitiveness in companies, which are mainly based on the low cost of production (Buzzigoli & Viviani, 2009).

Competitiveness and Financial Performance

The competitive advantage is directly reflected in the company´s capabilities to obtain a financial result than its competitors (Arend, 2003). Currently, there is a general indicator used to measure competitiveness, however, the trend is to use financial indicators such as profitability (Kim et al., 2008)

Competitiveness and Costs

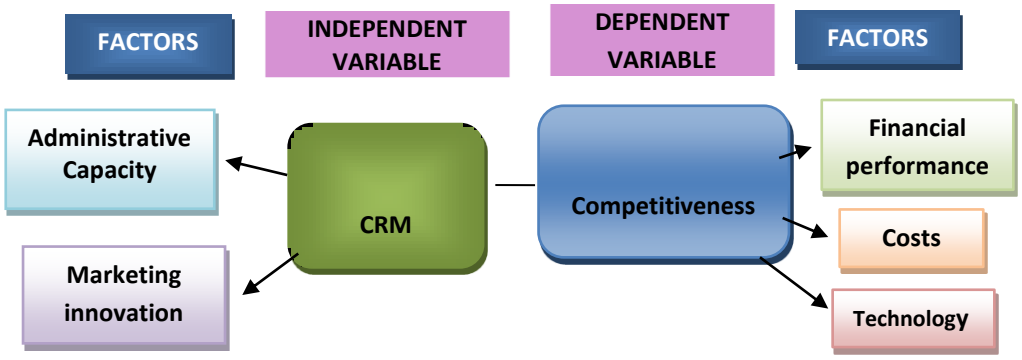
To gain a competitive edge in the business model, the combination of low cost, high frequency, "lower cost" becomes the key strategy presentation focused on customer value, as well as benefits (Williams, 2004).

Competitiveness and Technology

Several studies have both highlighted a positive relationship between the company technological level and competitiveness, in addition found that firms with higher technological levels, increase productivity and are more likely to compete in more advanced environments (Koc & Bozdag, 2007, Baldwin & Sabourin, 2002).

Based on the literature review, the first objective of this study is to expand the conceptualization of CRM and determine their relationship to competitiveness, particularly looking at the role of each of the factors involved in the hotel industry, which is presents the theoretical construct. See figure 1.

FIGURE 1
Theoretical Model of the Relation between CRM and Competitiveness



Source: authors

Methodology

The survey was applied to 418 middle and senior managers in the hotels of four and five stars in Guadalajara, used for processing information from the multivariate analysis and structural equation modeling, implemented via software (SPSS) Statistical Package for the Social Sciences, and (EQS 6.1) Structural Equation Modeling Software.

The questionnaire was designed based on the literature review, comprising a first block on CRM variable, consisting of 9 questions for the application of administrative capacity factors and marketing innovation, and a second block consisting of 18 questions which are based on the dependent variable competitiveness, and includes financial performance factors, technology and costs, all evaluated using a scale from 1 to 5 indicating strongly disagree or totally agree.
Based on the above theoretical model, it was possible to make the following hypothesis.

Hypothesis:

- H1: A greater administrative capacity, most CRM.
- H2: A greater marketing innovation, most CRM.
- H3: The greater the CRM, higher level of competitiveness.

ANALYSIS AND DISCUSSION

The results of reliability analysis of five factors: administrative capacity, marketing innovation, financial performance, technology and costs, using the Cronbach's alpha was satisfactory, because the five factors meet the minimum acceptance value of 0.70. The highest alpha value factors found was that of the variable costs, with 0.935, while the lowest value of the five factors found was the variable marketing innovation with alpha value of 0.775.

With Confirmatory Factor Analysis (CFA), was valued reliability and validity using the method of maximum likelihood. The results of applying Confirmatory Factor Analysis (CFA) are shown below in Tables 1 and 2.

Table 1 shows that the model provides a good fit of the data (S-BX2 = 303.1404, df = 109, p = 0.000; NFI = 0.925; NNFI = 0.938; CFI = 0.950, and RMSEA = 0.065) all data are satisfactory and acceptable.

TABLE 1
Internal Consistency and Convergent Validity of the Theoretical Model

Variable	Indicator	Factorial Loading	Robust Valor-t	Cronbach's Alpha	CRI	VEI
Administrative capacity	CRM1	0.600***	1.000*	0.820	**0.838**	**0.569**
	CRM3	0.855***	11.683			
	CRM4	0.848***	11.897			
	CRM5	0.685***	10.391			
Marketing innovation	CRI1	0.688***	1.000*	0.775	**0.786**	**0.551**
	CRI3	0.783***	15.283			
	CRI4	0.754***	13.219			
Financial performance	FP3	0.762***	1.000*	0.884	**0.886**	**0.661**
	FP4	0.861***	16.938			
	FP5	0.883***	16.472			
	FP6	0.740***	13.929			
Costs	PC3	0.922***	1.000*	0.935	**0.933**	**0.784**
	PC4	0.964***	42.198			
	PC5	0.871***	27.602			
	PC6	0.774***	19.713			
Technology	TE3	0.919***	1.000*	0.817	**0.825**	**0.704**
	TE4	0.752***	9.636			
$S\text{-}BX^2$ (df = 109) = 303.1404 (p < 0.0000); NFI = 0.925; NNFI = 0.938; CFI = 0.950; RMSEA = 0.065						

* = Parameters in the identification process

*** = p < 0.001

Table 1 shows the values of Cronbach's alpha, the composite reliability index (CRI) and the variance extracted index (VEI). Alpha values are above 0.70, while the CRI and VEI values are superior to 0.7 and 0.5 respectively, which is satisfactory. As evidence of convergent validity, Cronbach's alpha results indicate that all items related factors are significant (p <0.001) and size of all standardized factor loadings are greater than 0.60 (Bagozzi & Yi, 1988).

TABLE 2
Discriminating Validity of the Theoretical Model Measurement

Variables	Administrative capacity	Marketing Innovation	Financial performance	Costs	Technology
Administrative capacity	**0.569**	0.554	0.244	0.277	0.405
Marketing Innovation	0.418 , 0.690	**0.551**	0.275	0.310	0.397
Financial performance	0.160 , 0.328	0.177 , 0.373	**0.661**	0.040	0.103
Costs	0.165 , 0.389	0.180 , 0.440	0.066 , 0.146	**0.784**	0.132
Technology	0.277 , 0.533	0.255 , 0.539	0.009 , 0.215	0.026 , 0.290	**0.704**

The diagonal represents the variance extracted index (VEI), while above the diagonal shows the variance (the correlation squared). Below the diagonal, is presented to estimate of the correlation factors with a confidence interval of 90%.

Table 2 shows the measurement provided in two ways. First presents the estimate of the correlation factors with a confidence interval of 90%. Secondly extracted variance between the pair of constructs must be greater than the variance extracted index (VEI).

Based on the above two criteria, there is sufficient evidence of reliability and convergent and discriminant validity of the model.

Table 3 shows the results of the hypothesis test of the theoretical model is obtained by performing a structural equation model (SEM)

- H1: A greater administrative capacity, most CRM.
- H2: A greater marketing innovation, most CRM.
- H3: The greater the CRM, higher level of competitiveness.

TABLE 3
SEM Results of the Theoretical Model

Hypothesis	Structural Relationship	Standardized Coefficient (β)	Robust t-value	Fit Indices Measure
H1: A greater administrative capacity, most CRM	Management capacity ⟶ CRM	0.415***	11.323	$S\text{-}BX^2_{(101)}$= 280.8916 p = 0.000
H2: A greater marketing innovation, most CRM.	Marketing innovation ⟶ CRM	0.479***	14.151	NFI = 0.930 NNFI = 0.938
H3: The greater the CRM, higher level of competitiveness.	CRM ⟶ Competitiveness	0.531***	22.355	CFI = 0. 954 RMSEA = 0.065

*** = p < 0.001

Table 3 shows the standardized coefficients, the t-robust and fit indices. According to Romero and Zunica (2005), the beta coefficients (β) or allow standardized coefficients determine the explanatory variable is strongest for the explanation, that is, allow us to evaluate the relative importance of each independent variable in the equation. Moreover, Wooldridge (2009) explains that robust statistics is an alternative approach to classical statistical methods. The object is to produce estimates that are not affected by small variations from the assumptions of the models. A robust t-statistic must be greater than 10.

Also, regarding the hypothesis **H1** the results were (β = 0.415, p <0.001) which indicate that explains administrative capacity by 41% the CRM. For hypothesis **H2** the results were (β = 0.479, p <0.001) and indicate that marketing innovation has greater weight and importance as it explains 47% CRM independent variable. Finally for **H3** results obtained were (β = 0.531, p <0.001) indicate that the CRM has significant positive effects on competitiveness. As far as administrative capacity increased marketing and innovation together, there is higher level of competitiveness.

LIMITATIONS

Although the universe selected for this study were the hotels located in Guadalajara, but were chosen category 4 and 5 stars, however, for future research, it is important to hotels in other categories, since they have an important role in customer care for various reasons use their services.

CONCLUSION

Note that the five factors that emerged from the study variables meet the minimum acceptance value, however for the hotel sector, competitiveness depends mainly on cost management and a lower proportion of customer relationships depend on the marketing innovation.

It is noteworthy that this research, the most important element in the CRM is the administrative capacity, which in the hotel sector is essential, as there must be a culture of customer-oriented company, where all departments should have as priority to meeting the needs of those to create loyalty.

The costs and competitiveness keep a close relationship, with costs greater weight element in competitiveness. Hotel companies must therefore deliver services in time, place and manner preferred by customers at better prices than those offered by competitors, covering at least the opportunity cost of the resources used.

The purpose of business is to earn profit hotel, offering high quality and are competitive, in order to participate in a dynamic market. Hotels must consider the global implications to be prepared to address the issues that arise in a world and changing environment.

For all of the above, it is considered to analyze and measure the initiative and implementation of CRM in hotel enterprises of Guadalajara is helpful because by building lasting relationships by understanding the wants and needs of each client in particular, adds value to the company and the customer and therefore competitiveness levels rise.

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