



Building an eCRM Strategy in Hospitality: How to Establish Mutually Beneficial Interactive Relationships with Your Customers

By Max Starkov and Jason Price

The Internet has transformed Customer Relationship Management (CRM) in hospitality. A large majority of your customers are planning and booking their hotel stay online. In fact more than two-thirds of them will do that this year: 1/3 of all bookings in hospitality in North America will be generated from the Internet (30% in 2006), and at least another 1/3 will be directly influenced by online travel planning. How do you nurture, grow and retain your customer base when the competition is just a click away? How do you prepare for the future in this very dynamic and transparent online environment? How do you beat the competition for the most lucrative customer segments? By building a comprehensive eCRM strategy and creating interactive mutually beneficial relationships with your customer, any hotel company can ensure its survival in this new environment.

Background:

Evolving from a simple face-to-face handshake, eCRM has become a science, often requiring large expenditures in manpower and technology. In our people-oriented service industry eCRM has become a must have for any hotel company. More often than not, the results of eCRM program implementations have been disappointing, according to a published study by IBM Business Consulting Services, called “Doing eCRM right: What it takes to be successful with CRM”. The study finds that just 15% of the companies it surveyed—both small and large—felt fully successful with their CRM programs. Only 15%!

In reality, eCRM means different things to different people especially in the hospitality and travel verticals. From a working definition, CRM and its online application, eCRM is a business strategy aiming to engage the customer in a mutually beneficial relationship. Within this context here is the best description that describes eCRM that is universal for any travel supplier or intermediary:

Electronic customer relationship management (eCRM), in the context of Internet distribution and marketing in the hospitality and travel verticals, is a business strategy supported by Web technologies, allowing travel services suppliers to engage customers in strong, personalized and mutually beneficial interactive relationships, increase conversions and sell more efficiently.

A Crash Course on eCRM

Establishing mutually beneficial interactive relationships with your customers is the ultimate goal of any eCRM initiative. Here are the main components of an eCRM strategy in travel and hospitality:

- Know Your Customer
- Customer Service
- Personalization
- More Efficient Marketing
- Build Customer Loyalty

Two key questions challenge hoteliers and travel suppliers today:

1. Who owns the customer in this new online environment? The online intermediary, which made the booking, or the hotel where the guest stayed or the airline that provided the service?
2. How can travel suppliers and hoteliers establish mutually beneficial interactive relationships with their customers in order to increase repeat business, boost revenues, and retain loyalty?

Know your Customers

Knowing who your customers, hotel guests and website visitors are is an extremely important consideration when conceptualizing and designing your eCRM strategy and Internet presence.

How do you broaden your knowledge of your customer base and how do you expand your CRM data? It is crucial to understand that customers are a) very sensitive about privacy and sharing data, and b) willing to share data if there is a fair payoff. Therefore, customer data has to be obtained and expanded slowly and over time, in small pieces and at a “fair” price for both sides.

A very important concern in hospitality is the creation of a Single View Customer Database. Is your guest data from POS, PMS, CRS, call center and the Web channeled into a single database? Many major brands have invested millions of dollars to achieve a “single view” of customers, regardless of sales channel. The benefits are obvious:

- Identifies your most valuable customers with best lifetime value perspective (20:80 principle)
- Allows guest-centric data mining: guest history, guest profiles, past bookings, preferences, etc.
- Enables informed decisions in real time
- Allows fast response times
- Real-time Guest Lifetime Value
- Delivers business insight to executives, marketers, sales

Another important issue is using your knowledge of your customers to better address their needs. In this respect customer segmentation plays a very important role i.e. identifying your key customer segments, their needs and requirements and customizing your marketing message and how you service them. For example on the hotel website, different customer segments should easily identify areas on the hotel website that “speak to them.” For example, Internet users visit a hotel website not as John Smith or Jane Smith, but as a Business Traveler, Meeting Planner, Special Event Planner, Family Traveler, Spa Services Seeker, Golf Outing Seeker, Vacation Planner, Convention Attendee, Wedding Planner, etc. If you do not speak to each of these audiences, not only will you lose to the competition but you will lose the opportunity to slowly reel-in a customer by extracting important customer information.

Strengthening Customer Service in Travel and Hospitality

The Internet is the best interactive marketing channel ever invented. Therefore it is the ideal medium for reaching out to your customers and establishing interactive relationships with them.

It is important to understand that customer service is only one aspect of eCRM and is primarily a reactive function aiming to improve performance and efficiency, while eCRM as a whole is a proactive long term strategy.

On the other hand eCRM is more than just a tool to achieve and enhance customer satisfaction. The traditional CRM focus in travel and hospitality has always been “Customer Satisfaction.” The presumption is very simple: customers will appreciate good service so much they would not go to your competitor. In other words: customer satisfaction + quality of services = customer loyalty.

The truth is that customer satisfaction does not always equal customer loyalty:

- 40% of satisfied customers switch suppliers without hesitation (Forum Corp)
- 65%-85% of customers who choose a new supplier claim to be satisfied and very satisfied with the former supplier (Harvard Business Review)
- 85% of customers claim to be satisfied, yet willing to switch to other suppliers (University of Texas)

A study by Cornell University also calls into question the widely held belief that guest satisfaction means repeat business. The results of this study challenged the theory that satisfied guests generate repeat business in the lodging industry. Analysis showed only a weak connection between satisfaction and loyalty, which is a precursor to repeat business.

In hospitality the Internet has provided hoteliers with unprecedented capabilities to interact with their customers:

- eNewsletters
- Online promotions and sweepstakes
- Reservation Confirmation emails
- Pre-Arrival emails with value adds and upsells

- Post-stay “Thank you” emails and comment cards
- Interactive Web 2.0 applications on the hotel website (experience and photo sharing, customer generated Top 10 lists of coolest bars, museums, things to do in the destination, etc.)

Providing innovative customer service on your website and to your customers via latest technological applications is a must. The airlines have perfected some very neat tools in this respect. But once again, this is the customer service side of eCRM. Establishing mutually beneficial interactive relationships with your customers is the ultimate goal of any eCRM initiative.

Building and Strengthening Interactive Relationships with Customers

Building interactive relationships with the customer consists of three critical lifecycle stages: Nurture -- Grow -- Retain. Here are some of these action steps:

- Understand customer needs and build a marketing strategy around those needs
- “Being there” for the customer in every step of the planning, purchasing, service consumption and post-stay cycle
- Communicating with the customer and providing unique value proposition
- Operating in the “Unanticipated Value” as opposed to in the basic or anticipated value environment: when companies provide well above and beyond what the customer expects, only then can they build strong customer loyalty

CRM and customer loyalty are closely intertwined and may make all the difference between a company that must constantly access new customer and new markets as opposed to extracting wealth from existing customers.

It costs 4-6 times more to attract a new customer than retaining one:

- As high as \$82 on average in 2003-2006 (BCG)
- A Major Online Intermediary reports that each new booker costs \$38.38, while gross average profit is \$27 per booker

Existing customers are not only less costly to retain, but they also respond 4-5 times more readily to promotions and e-mail campaigns than new customers. It is important to extract more wealth out of your existing customer base.

So how do travel service providers go about building loyalty online?

- Product Differentiation (provide unique value proposition)
- Customer Differentiation (personalized service, customer appreciation and rewards)

True loyalty on the Internet is difficult to achieve—your competition is just a click away. Reward Programs of major airlines and hotel brands provide a crucial competitive advantage over online intermediaries, most of whom do not have such programs.

Reward programs are very popular with online travelers, and especially with people who book online:

- 80% of online bookers belong to a travel reward program; more than 60% to a supplier-sponsored one (Forrester)
- Ability to earn rewards is the reason why 55% of online hotel bookers prefer to book on the hotel website vs. a third-party online intermediary (eMarketer), a key competitive advantage over the third-party intermediaries (except Expedia’s new reward program)
- Travel consumers now perceive hotel reward programs as better value than airline frequent-flyer programs

Here are the most obvious benefits of a well-functioning reward program in travel and hospitality. You will be able to:

- Identify your most loyal customers
- Market to your most loyal customers
- Accumulate guest-centric customer intelligence
- Optimize Lifetime Guest Value

And yet travel suppliers and hoteliers do not need just any customer loyalty. A low-attachment loyalty (e.g. inertia loyalty, price loyalty) can bring only limited results. Hoteliers should strive to achieve true Premium Loyalty (i.e. emotional or brand loyalty), which is characterized by high level of attachment and repeat purchases. This is the ultimate loyalty valued most by companies.

The HeBS' RUSH Report based on responses from over 35,000 visitors on major hotel brand websites findings show that 50.9% of all visitors on hotel branded web sites identify themselves as members of a hotel brand Loyalty Program. 49.1% are not members, and some of them claim that they would consider becoming members of a hotel Loyalty Program, or would be interested to learn more. These 49% of visitors are up for grabs and "available" to any proactive hotel brand or third-party intermediary. Offering a well functioning, easy to understand and manage, and well presented Reward Program on a site is an important step in obtaining these "available" visitors.

The overall customer satisfaction with the hotel website is indicative of the "retention capability" of a website. The HeBS' RUSH Report finds that website visitors are neither very satisfied nor dissatisfied with their overall experience on the hotel brand website. Less than 19% of visitors characterize their experience as "Excellent," while almost 17% report that they are not satisfied and qualify the experience as "Fair" or "Poor."

Using CRM for Personalization, Customization and Relevance

Personalization is more than just providing the right information to the right person at the right time. Naturally, personalization immediately raises concerns about privacy and sharing of customer data. How much can we personalize the customer experience without infringing on the customer's personal privacy? Very strict corporate policies have to be put in place to address this sensitive issue and avoid customer dissatisfaction and legal implications.

Personalizing the customer experience on the travel or hotel website, or in your online marketing and communications, is a powerful conversion and retention tool. Customizing your interaction with your most valuable customers (those 20% that generate 80% of your business) will provide significant long-term rewards.

In hospitality, personalization on the hotel level should start by identifying all "electronic touch points" with your customers (hotel guests, meeting planners, travel professionals, etc.) and creating an action plan. Personalize all electronic communications with your customers. Adopt a policy on how to address your guests via email (first name only, Mr/Mrs +Last Name, etc). Addressing customer segmentation issues on the property website is a logical next step. Creating a targeted email marketing campaign is another good step.

For the major hotel brands, personalization efforts are much more complex and expensive. Customization tools used by some major brands and airlines allow website users to actively personalize their website experiences using over 250 criteria. Here are some of the efforts by the major travel and hospitality companies to make the user experience more personable:

- Personalization agents using a variety of customization applications, capable of creating Behavioral Profiles and a Real-time profile for each customer.

- Collaborative filtering: Using preference matrix and artificial intelligence to capture and predict customer interests.
- Decision-support applications utilizing various applications for Behavioral Profiling, Predictive Modeling, Collaborative Filtering and Click-Stream Analysis, capable to “sense” the purchasing behavior and patterns of the user. By providing a customized booking experience these applications can boost conversion rates.
- Implementing state-of-the-art analytical tools on the travel service provider website is crucial for analyzing customer behavior and personalizing the customer experience on the site:
- Pathing reports and click-stream analysis of the website (which pages work, which do not, which pages or page elements produce highest ROIs)
- Behavioral mapping of the website user-who goes where and who does what on your site

How Do You Measure ROI of Your eCRM Initiatives?

A number of results from your eCRM initiatives are tangible, while some results will always remain intangible. The tangible results of many eCRM initiatives can be measured in dollar amounts and increased customer activity on the hotel website. These results include increased conversion rates on your website from eCRM initiatives such as email marketing, pre-arrival emails with value adds and upsells, online promotions, sweepstakes, etc. Results also include customer actions on the website such as signing up for the newsletter, becoming a member of the Loyalty Program, filling out a Meeting/Event RFP form, etc.

How do you measure intangible results such as price driven loyalty (those that book only because they have found the best available rate in their destination) vs. premium driven loyalty (those customers that are loyal, repeat visitors to your hotel)? How do you measure the lifetime value of the customer? The results of all your eCRM efforts are not always immediate, but many become visible over time.

Conclusion

In hospitality today, where your only communication with your customers will often occur over the Internet, it is more important than ever to have a robust eCRM strategy. You do not have to spend huge amounts of money in order to start an eCRM program for your hotel. Addressing these main aspects of your eCRM program: gaining better knowledge of past and current customers, enhancing all aspects of customer service (both online and offline), and personalizing your marketing messages with information that is relevant to your customers will result in more premium-driven loyalty for your hotel product.

Consider seeking advice from an experienced Internet marketing hospitality consultancy to help you build an eCRM strategy that will increase premium driven loyalty and yield significant long-term results.

Note: Mariana Mechoso, Director, eMarketing Services at HeBS, also contributed to this article.

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A diverse client portfolio of over 450 top tier major hotel brands, multinational hospitality corporations, hotel management and representation companies, franchisees and independents, resorts, casinos and CVBs and has sought and successfully taken advantage of the firm hospitality Internet marketing expertise. Contact HeBS consultants at (212)752-8186 or <mailto:info@hospitalitybusiness.com>.