

Implementing good CRM strategies helps improve profitability



Serge Chamelian, managing partner, h-hotelier, aligns customer relationship management strategies with revenue management techniques

Guest Name	Guest ID	# of Stays	TRev	RRRev	F&BRev	Other
JOSEPH	00121021479	5	797	797	0	0
M.R. JOSEPH	00121022595	3	0	0	0	0
M.R. JOSEPH	00121023173	3	0	0	0	0
JOSEPH	00121025661	86	6793	6794	0	1
JOSEPH	00121024199	1	0	0	0	0

RT Caps	Fest	Sub	Avail	Inc	aPOM	00121023001
84-3	73	80	7	0	130 €	146 € (3%)
Classic	83	59	80	3	143 € (+10%)	143 €
Premium	81	57	59	2	132 € (+10%)	132 €

RT Caps	Fest	Sub	Avail	Inc	aPOM	00121023001
83-5	72	78	8	0	210 €	204 € (3%)
Classic	85	62	64	0	X	X
Premium	81	58	58	3	132 € (+10%)	132 €

CRM system allowing a hotel organization to optimize its prices through tapping into multiple databases, designing business rules, and leveraging complex algorithms that predict customers' buying behavior based on historical data.

Customers are offered a personalized price for their stay based on the revenues (include rooms, F&B, and other incremental revenues) they generated throughout their lifetime at the hotel organization. This price optimization gives hotel organizations a way to apply analytics to existing CRM data to improve profitability.

Successful price optimization depends on access to multiple data sources through a CRM system and correct design of the sophisticated business rules and algorithms that generate the prices through a RM system. Therefore, loyal/long-term

profitable customers are evaluated in enclosure of their lifetime contribution, which will allow hotel organizations to predict customers' future lifetime behavioral patterns. Hence, pricing and availability can be determined based on future strategic or lifetime value of the customer. This leads to creating a one to one relationship with customers and to developing customer-centric strategies.

Customer relationship management systems are clearly the hot new technology tool for hotel organizations to grow their top lines, increase return patronage and fatten up the bottom line. CRM tactics must be aligned with revenue management techniques and yield decisions in order to maximize the lifetime value of the customers and improve profitability.

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There is no doubt that customers are now more powerful than they used to be. Knowing your customer is a key ingredient to the success of any business, especially the hospitality industry. And that means we need to develop a relationship with customers and make them feel special, valued, and respected. Not only by knowing their simple contact information such as name, address, telephone and email, but, also by knowing their buying patterns, preferences and behaviors, and anticipating their needs.

Customer Relationship Management (CRM) is becoming more of a way of life and an imperative for organizations that want to grow their revenues and profits. CRM is defined as the use of wide range of marketing, sales, communication and customer care techniques and processes to create a relationship between the organization and its customers – one that stretches over many transactions, and to manage that relationship to the benefit of both customers and the organization. In order for CRM to secure a lasting place for itself in the corporate vision, it should utilize customer information to identify/optimize profitability. Thus, CRM cannot

serve as just a database of customer names and contact information, but rather it must assume a new vital role in profit optimization across the organizations.

CRM systems allow organizations to know their customers' preferences on the bases of their profiles and behaviors, to treat them differently according to the information they possess about them, and to optimize prices through the use of revenue management (RM) techniques. However, a significant number of organizations are increasing their investments in CRM to enhance loyalty and maximize long-term profits, while omitting the integration of the RM function.

The differences between RM and CRM emerge in both the timeframe in which the optimization occurs and the tools utilized in this process. Philosophically, RM judges "best customer" in terms of maximizing current profitability while CRM philosophy adopts a longer-term view. How does the alignment of CRM/RM strategies work in practice? The figure above from h-enigma application presents the integration of RM function into a

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