

Implementing Good CRM Strategies Helps Improve Profitability

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By Serge Chamelian, Managing partner h-hotelier'

There is no doubt that customers are now more powerful than they used to be. Knowing your customer is - and has been historically - 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 knowing their simple contact information such as name, address, telephone, email but also knowing their buying patterns, preferences and behaviors, anticipating their needs, and engaging with the customers through multiple touch points such as call center, face to face and others.

Customer relationship management, often shortened to 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. Nowadays, organizations want more than ever to tap their mountains of CRM data to optimize pricing for individual customers. Until recently, CRM analytics software has been better suited to planning than to actual price generation. 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. Indeed, there is little evidence to suggest and confirm that hospitality organizations are incorporating RM techniques into their CRM strategies to generate prices based on individual customer value and transaction profitability data. This alignment between RM and CRM, also known as customer-centric strategies, for personalized rates based on customer history database has been found to be employed in Harrah's Entertainment (the world's largest gaming company) - leading the hospitality field in terms of integrating CRM/RM strategy.

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 below figure from h-enigma application presents the integration of RM function into 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.

Guest Name	Guest ID	# of Stays	TRav	REv	F&B	OR
JOSEPH	00121021479	5	797	797	0	0
MR. JOSEPH	00121022595	3	0	0	0	0
MR. JOSEPH	00121023175	3	0	0	0	0
JOSEPH	00121023461	86	6795	6794	0	1
JOSEPH	00121024199	1	0	0	0	0

Mon, 14 Sep 09	RT Caps	Rev	Rev	Avail	Rev	Rev	Rev
Premium	34+3	73	80	7	0	150 €	146 € (3%)
Class	63	59	60	3	0	143 €	143 €
Premium	61	37	59	2	0	132 €	132 €

Warnings: You have 0 complementary reservation(s) and 0 reservation(s) less than the floor (80 €)

Tue, 15 Sep 09	RT Caps	Rev	Rev	Avail	Rev	Rev	Rev
Premium	33+3	72	78	8	0	210 €	204 € (3%)
Class	63	62	64	0	0	X	X
Premium	61	38	58	3	0	132 €	132 €

Warnings: You have 0 complementary reservation(s) and 0 reservation(s) less than the floor (80 €)

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 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. These 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.

About h-hotelier.com:

h-hotelier is a hospitality services firm that offers a holistic approach to business intelligence solutions, revenue management consultancy, training and development programs among many others.

h-hotelier product h-enigma simplifies the concept of business intelligence, making it affordable and very easy to use and understand, while at the same time keeping its rich aspect as one of its main strong point. h-enigma consist of a reporting tool with a yield, CRM and shopping module incorporated in it.

h-hotelier brings together talented professionals in the hotel industry to help your company streamline its processes to enhance its profitability and improve its overall performance.

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