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How does contemporary Customer Relationship Management (CRM) in a five star hotel dining room improve guest experience?

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Abstract

While the importance of customer relationship management (CRM) has been established in multiple different markets and industries, many CRM systems fail because of the lack of a deeply instilled culture of customer oriented service. The purpose of this research is to investigate how a five star hotel restaurant in Dublin uses its deeply instilled culture of customer oriented service in the application of a CRM system. Using a case study approach, the research involved three stages of data collection: a preliminary investigation into the service philosophy of the case organisation and how it uses a CRM system; a quantitative comparison of guest satisfaction surveys over time; and, finally, semi-structured interviews with key managers and users of the system. The findings confirm the link between a deeply instilled culture of customer service and the application of a CRM system in further improving guest satisfaction scores. Specific strategies are detailed for managers in the field.

Privacy statement

At the request of management, the name of the hotel and participants in this research have been kept private. The participating organisation is referred to as The Hotel throughout this research. The Hotel has signed an Australian Institute of Business organisational consent form, and so have all participants.

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Introduction

Customer relationship management (CRM) is a model for managing a company's
relationship with its key stake holders, customers, suppliers and employees in order to earn
their long term preference (Kotler 2001). It often involves using CRM software to collect and
organise customer information, then use the information to serve the customer better.
However, while CRM software has been available for thirty years, research indicates most
features of CRM software are still under-utilised, and most customers are still unaffected by
the technology (Ang 2006, Even 2010, Shaw 1991). Indeed, according to Kotler (2006), there
is an abundance of research to show that CRM systems in many fields could do more to
assist customer recognition, retention and profitability.

In the hospitality industry, while a direct link has been established between guest recognition
and guest satisfaction (Knutson 1988, Enz & Siguaw 1999), most restaurants do not use
systematic methods of CRM software to record customer information. Those restaurants that
do, collect only basic information and use it for promotional marketing purposes rather than
customising a guest's experience based on guest recognition. Consequently, there is little
prior research on how CRM systems can be used in the dining environment to improve a
guest's experience.

The purpose of this research is to explore the use of a CRM system in the fine dining sector.
The research uses a case study of a five star dining restaurant in The Hotel, Dublin. The
Hotel has a worldwide reputation for paying close attention to each detail of customer
service, trying to ensure all aspects of a guest's experience live up to The Hotel's standards
(Chung 2006). The Hotel uses the CRM software Open Table, an online reservation system
for restaurants that doubles as a guest data base system. Open Table is the industry leading
reservations system (CRM Market Leaders, 2012). It is widely used in the United States (US)
and United Kingdom (UK), but there are few users in Ireland. The Hotel uses this system
successfully not only to manage reservations, table occupancy and staffing, but also to record

guests' allergies, preferences and spending habits to allow the front and back of house teams to personalise a guest's experience.

This choice of an unexplored setting of a restaurant within an organisation that is known for its superior customer service since it was established, yields a case study that finds an instilled culture of customer oriented service is a requirement for a well applied CRM system. This report will benefit restaurant managers who might consider implementing a customer data base system, or who would like to better use the system that they have. The report has six parts after this introduction. The first reviews the CRM literature. The next part backgrounds The Hotel's philosophy of service, to identify three research issues. Next, data collection and analysis is described. Findings are then presented. The fifth part discusses implications of those findings. The final part of the report presents ideas for further research, and the conclusions.

Customer Relationship Management (CRM)

Marketing can be defined as the process of identifying social and human needs and adapting products or services to meet these needs (Kotler 2009). For General Electric, marketing is defined as skillfully conceiving and then making the business do what suits the interests of the customer (McKittrick 2005). Both definitions put the customer at the center of the process, and see his or her view of the world as the starting point for any business activity. Thus the customer-business relationship is probably the most critical in the business environment. So how does one manage this important relationship between the business and customer?

Traditionally, CRM focuses on creating relationships with customers in three ways. First, in a financial way - a customer loyalty program will reward repeat business. The second way is social, with a sales person knowing a customer's name and their personal taste in coffee. Lastly, structurally, concentrating on a joint reservation system, for example, between a

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travel agent, a tour supplier and an airline (Kotler 1996). However, whatever focus is used, globalization, increased competition, and higher customer turnover in the marketplace makes remembering or manually organising information almost impossible (Kotler 2001).

Thus a newer approach to CRM involves the application of technology to learn more about customers and to be able to respond to them one-to-one (Kotler 2011). Global investment in CRM software has increased to US$12 billion dollars in the twenty years to 2011, an increase of 13.5% in the one year from 2010 (CRM magazine 2013). Yet, while technology is allowing customer information to be collected by businesses relatively cheaply and easily, research indicates not all systems are performing as well as expected (Even 2010, Foss 2008, Ang 2006 & Gartner 2010). The four reasons CRM systems underperform are: unclear goals are set at the development stage (The Forrester Research Institute 2010), staff are not trained properly (Even 2010), there is no change in the basic service attitude of staff (Ang 2006), and the system is under-utilised (Foss 2008).

That is, too many companies see technology as a silver bullet that will help them overcome their bad habits (Kotler 2011). Indeed, Newell (2003) claims CRM puts the company in the driver's seat with a hunting gun, instead of putting the customer in the driver's seat with a hunting gun. The author suggests companies empower customers, not target them, and advocates replacing CRM with Customer Management of Relationships (CMR).

In brief, some CRM systems have become integrated into many business functions, with the aim of customising service to fit the customer. However, not all CRM systems are integrated properly and still do not fulfill their potential. This research explores how a successful CRM system needs to be set within a well rooted, customer-oriented service culture.

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Customer oriented business philosophy in The Hotel

Based on its customer oriented service culture, The Hotel seems to be a fertile ground for a successful CRM software incorporation. From its beginnings in 1961, The Hotels' Founder placed the customer at the center of attention:

> In building our first hotel, I had been concentrating on customers: What would our customers want most? I had little hotel experience but enough to know what most people wanted: a quiet room, a good night's sleep and an invigorating morning shower. (The Hotel's Founder 2010, p. 47)

Although the founder had never worked in the hospitality business, his basic instinct to place the customer at the center of attention has grown The Hotel to be a world leader in luxury accommodation with 90 hotels in 36 countries (The Hotel 2013). The company has developed the founder's vision into a well-structured business philosophy:

> We create properties...and support them with a deeply instilled ethic of personal service. Doing so allows (The Hotel Group) to satisfy the needs and tastes of our discriminating customers and to maintain our position as the world's premier hospitality company. (The Hotel's Founder 2010, p. 284)

This philosophy is thoroughly instilled in the employees of The Hotel, and is regularly reinforced in management and staff training. On a day-to-day basis, customer recognition such as remembering names and preferences, as well as service customisation like a special menu request, takes place in every department of the hotel.

There are several customer data bases in use in The Hotel. 'Opera' is used by the sales and marketing department. Reservations have a system that integrates guests' data and reservations from agents and the company web site. 'Show Me You Know Me' is an internal system that allows users to match a guest's name with their photo and preferences. Finally, 'Open Table', already mentioned, is the restaurant's online reservation system that allows the restaurant hostess and manager to manage available tables in the restaurant as well as enter temporary or permanent information about guests' preferences, allergies, likes and past experiences.

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This research focuses on the operation of Open Table within The Hotel's five star restaurant. Since it was implemented by the Hotel, Open Table has organised the restaurant's staff and complemented the personalised service. Prior to the software being introduced to The Hotel, reservations were taken manually and logged into a diary. This manual system created over bookings, under-utilisation problems, and disagreements over placement on the waiting list. Regular guests with specific requirements and preferences had their information stored on the Show Me You Know Me hotel system. However, the information could not be accessed by the restaurant hostess and manager in real time. If a regular showed up without a reservation, they might not be recognised and would be disappointed when they would have to repeat their requirement for, say, gluten-free bread to a new waiter who did not know them. Open Table resolves these issues with its feature of centralising reservations and organising guest information. Of these two main applications, this study focuses on the guest information function because it is the most crucial to The Hotel's CRM.

While customer orientated service has been deeply instilled in the culture of The Hotel since it was founded, these are hard times for luxury properties, especially in Ireland. Retaining customers by recognizing them and constantly engaging with them on a personal basis is the key to business profitability. But could more be done to improve standards for structured customer engagement based on guest information recorded in Open Table? Hence this research concentrates on these three questions:

- How is Open Table used at the Hotel restaurant to enrich the customer's experience?

- Is there a direct link between the use of Open Table and customer satisfaction?

- How can Open Table further assist in improving customer satisfaction?

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Data collection and analysis

A single case study was the approach selected to answer these research questions. A single case is often used when it represents a critical case, an extreme or a unique case (Saunders et al 2012). The Hotel's CRM system can be viewed as a unique case. There are very few users of Open Table in Ireland, and The Hotel's extraordinary customer-oriented service culture provide a context for the application of this CRM system that cannot be separated from its context (Yin 2009).

The framework for data collection was based on a combination of quantitative and qualitative methods to achieve an understanding of the issues at hand (Yin 2009). Initially, secondary data was collected and analysed to gain an understanding of The Hotel's service philosophy, and Open Table's abilities and structure. Next, guest satisfaction surveys were analyzed as primary quantitative data to gain an independent perspective on the relationship between the application of the software and its impact on the business. Finally, primary qualitative interviews were conducted with various direct and indirect users of Open Table within the organisation to understand how the software is used in practice.

Initial familiarisation
To begin, secondary data from three main sources was used to gain a deep understanding of the situation. First, a user manual of Open Table was analysed. It provided an unbiased opportunity to study the operations, accessibility, and design of Open Table as it was intended to be used. Next, the service philosophy that The Hotel adopts was reviewed through a book written by The Hotel's founder and through the researcher's everyday knowledge of the organisation. In addition, reservation sheets and guest profiles from Open Table were examined. The implementation of The Hotel's service philosophy indicated great potential for synthesis between Open Table and The Hotel, with many features complementing practices from forty years ago. For example, The Hotel's founder (2010) talked about providing a hypoallergenic pillow to a guest who was allergic to dust back in

1970. Open Table allows users to store allergy information on any guest that has visited the restaurant in the past. For example, when Mr X arrives to dine at the restaurant, the hostess asks for his name, types it into the system and can see immediately that Mr X is coeliac and would instruct the kitchen to serve him gluten free bread before he reminds the waiter of his allergy.

Quantitative data

Finding a link between guest satisfaction and the use of Open Table required the collection of primary quantitative data. The research assumption of a connection between guest satisfaction and the use of Open Table was tested through the correlation between the official guest satisfaction survey which The Hotel conducts monthly, and the number of guests that had permanent notes on their profile for that month.

Every month the hotel emails a satisfaction survey to its restaurant guests, asking: 'Would you recommend the Hotel's restaurant to a friend or colleague?' Guest comment cards that are handed out with the bill also ask this question. The data from the e-mail survey and comment cards is handled by an external company, which analyses the answers to this question and presents The Hotel with a monthly guest satisfaction score out of 100. Next, Open Table can report the percentage of guests that had permanent notes on their profile for a specific month. Both sets of data are presented in Table 1.1 in a later section.

Open Table allows the user to add information to a reservation in two categories: temporary, for the current reservation only is used for notes like 'pre ordered a bottle of champagne' or 'guest was informed of Sunday brunch menu'; and, permanent, for all future reservations or walk-ins. Permanent notes include: 'allergic to shellfish' or 'likes cabernet sauvignon', 'prefers table 62 or 58', 'always drinks a weak cappuccino with lots of foam, likes quick service, and prefers a window table', or even 'always serve petit fours frozen, likes vanilla cup-cakes, do not put table cloth on, high expectations'. All notes appear on the reservation

sheet circulated before every service to the kitchen and floor staff. Customised profiles are then used to personalise a guest's experience, with the intention of making it more enjoyable. The disadvantage of measuring the use of the software through the percentage of permanent notes on customer profiles per month is that there is no guarantee that staff are actually consulting these notes during their work. Nevertheless, this method is the best available.

Qualitative interviews

Next, semi-structured interviews were conducted with ten key personnel to gain primary qualitative information on the actual day-to-day usage of Open Table. This method of data collection was chosen for its explanatory abilities (Saunders et al. 2012).

The restaurant manager, three waiters, two line managers and two hostesses were interviewed, as well as the executive chef and one line chef. These positions were selected for their different relations to Open Table. From the front of house, the restaurant manager is in-charge of leading the customer service effort; waiters have the most interactions with the guest, must be sensitive to their state and needs, and are at the front line of assuring the quality of service; line managers must oversee the execution of all preferences and are responsible for recovering any service mishaps; and the hostess is responsible for initial recognition of a guest, and ensures their information is circulated to all the team. Hence, the front of house team are the main collectors of information about the guest. In the back of house, the kitchen has to rely on the reservations booking sheet produced through Open Table. The executive chef has to serve the customer, based on this electronic communication. The line chef makes preparations for all the products that are needed to assemble the dishes. Even before guests arrive at the restaurant, the line chef should have modified items ready at hand to avoid delays to the service flow. The interview questions were designed to understand the level of familiarisation of the individual with the software, how often does he or she use the system, how the information in Open Table translates into customer oriented service action, and what could be done to improve the use of Open Table in the future.

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Key findings

The research identified three main service tactics that The Hotel employees use to enrich a guest's experience through the assistance of Open Table. In addition, it established a link between guest satisfaction scores and the use of Open Table.

The first service tactic involves *identifying possible service weaknesses*, achieved by learning from previous mistakes. Open Table allows users to record service 'glitches' and place a permanent note on a guest's profile to be seen by front and back of house whenever the guest returns to the restaurant. For example, if a businessman sometimes arrives up to twenty minutes ahead of his booking, a note in the comment column can ensure the buffet is ready. Or, as one of the duty managers commented:

> If there is one party who are a family, that come regularly, with children, tending to be noisy, and the following table is booked by a businessman who is a 'repeat guest' who usually entertains clients, I can see this in the comment column and seat them at different parts of the dining room.

The kitchen also uses previous 'glitch' information to defuse potential problems. For example, Mr L's profile, a regular at the restaurant, has a note stating: 'High expectations, previous glitch, eats plain grilled prawns with sliced avocado and tomato - No Salt!' The chef preparing his food knows to serve prawns the way Mr L wants them, even if the waiter does not have a specific request from Mr L to hold the salt.

While it is difficult to accept responsibility for mistakes, it is important that mistakes are recorded on a regular basis for the purpose of improving service. This process is considered to be a true sign of a deeply instilled culture of customer service within The Hotel.

The second tactic is to use guest information to *meet expectations* and dietary requirements. The Hotel's executive chef put it as follows:

> We get lots of crazy requests. Mr X won't eat dairy. Mrs Y wants a Cornish hen and strawberries dipped in chocolate. Dr Z is allergic to almost everything including his own shadow. None of it is a problem. I'll accommodate absolutely anything as long as I get notice.

The front of house team all contribute to recording these preferences. It could be a favorite table, coffee style or wine that the customer commented on. Using these preferences and knowledge of dietary requirements makes the guest feel as if they are known to the staff. This feeling of recognition enhances the whole dining experience, which leads to improved customer loyalty and improved business profitability (Kotler, 2006).

The final tactic involves using guest information to help *restaurant staff celebrate and surprise guests*, *and exceed their expectations*. For example, presenting a symbolic birthday cake to a guest that celebrated his birthday in the past week, presenting a free bottle of a guest's favorite wine if there has been an excessive delay with their meal, or writing happy anniversary on the petit four plate of a couple that always comes in for their anniversary - even if they didn't say a word about it this year.

Open Table is used to record important dates for the guest (like birthdays) that can be used in the future for enhancement of the restaurant experience. Keeping record of this sort of information requires added attention to notice events that are celebrated around the table, and to record them for future use.

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Table 1.1 **Guest satisfaction scores and percentage of permanent notes on guests profile over six months**
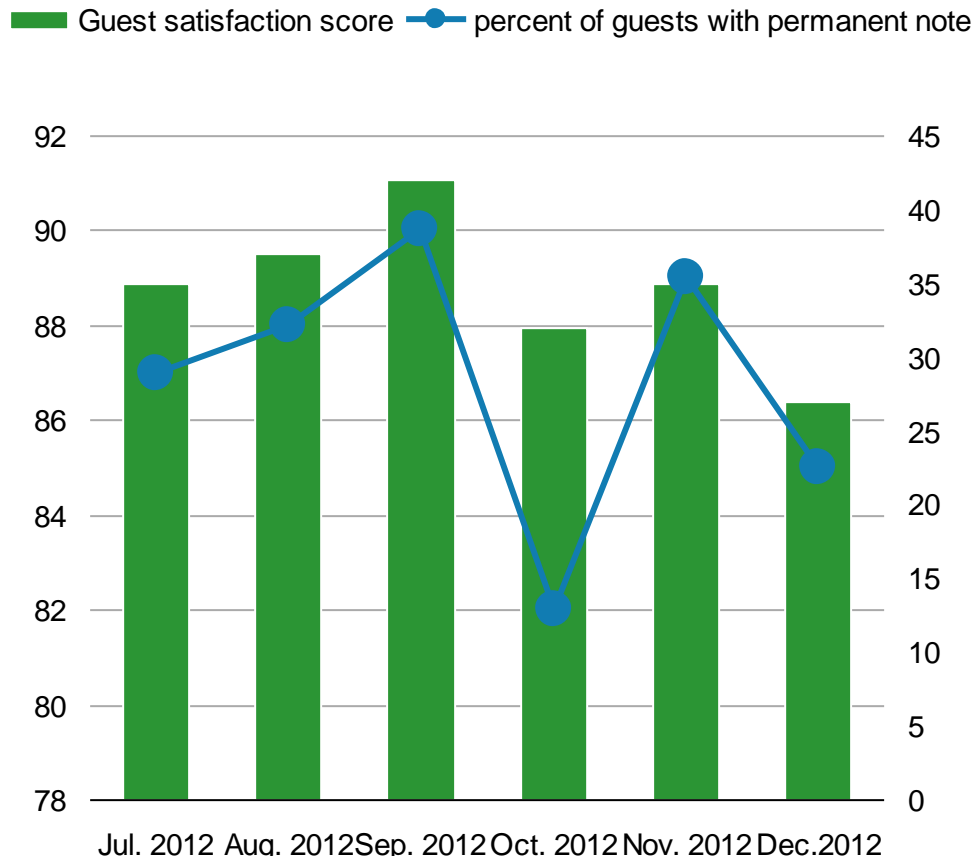
Source: developed for this research.

Guest satisfaction vs software utilisation

Consider guest satisfaction and use of Open Table. Table 1.1 summarises guest satisfaction scores for the last six months, and overlaps them with the percent of returning guests that have permanent notes on their Open Table profile. The Pearson correlation coefficient is 0.798 indicating there is a strong link between guest satisfaction scores and the use of Open Table. As the percent of permanent notes rises, so does the restaurant's guest satisfaction score. However, when there are fewer permanent notes on guest profiles, such as in October

and December 2012, there is a drop in the guest satisfaction score. These drops could be explained by the fact that with less information to rely on, it is harder for the kitchen to prepare ahead for special requests and for the waiters to learn about their guests from past experiences. That is, they need to 'know' their wants and needs, and to be able to apply any of the three tactics that are in use in the Hotel. As explained by the duty manager:

> Mrs Y mostly pre-orders a Cornish hen breast to be prepared for her, however, on Christmas Eve her profile was not updated properly and the information was not on the dinner booking sheet. The waiter did not know what a Cornish hen was, and the manger had to be called to the table. The kitchen only had her special order in the freezer. On a night where you serve 160 people, every minute counts, the delay in service, the additional stress on the kitchen, it all mounts up. I can sincerely say that service in the whole restaurant was affected by this glitch.

Implications

This research confirms the existing literature that suggests being able to systematically adapt to the client allows a service provider to earn trust and revenue from a customer (Kotler 2006). Furthermore, it confirms that 'intelligent application of CRM software can yield improvements in business performance' (Ang 2006, p. 4), as evidenced in the direct link between guest satisfaction scores at The Hotel and the use of Open Table. In addition, it confirms that, for CRM software to be successful, its goals must be properly set; its use must be maximised through training provided to staff; and; above all, a basic service attitude must be deeply instilled in the service provider (Ang, 2006, Even 2010).

In addition, this research contributes to the existing literature by examining the use of a CRM system in the hospitality industry. Interviews with front and back of house teams at The Hotel's five star restaurant identified the need to communicate service information to all employees, to train staff on appropriate use of this information; and, to own up to service mistakes and record them to improve service in the future.

The following strategies in CRM system application could lead to many improvements in practice. These strategies are divided into specific ones for The Hotel, and more general

strategies for managers elsewhere in the hospitality industry wanting to apply some of the concepts that were discussed in the previous sections.

Suggestions for managers in The Hotel

- Encourage waiters and managers to record more preferences, for example, by introducing an incentive to the waiter who records the most preferences in a month. There is a link between the percentage of guests with preferences recorded and the general customer satisfaction score.
- Circulate the reservation reports, discuss them with all employees, and communicate critical information to all relevant parties. Interviews lead the researcher to learn, that although reservation reports are issued for every service, not all employees are aware of all the information that will assist them in their job.
- Consider using some of the more advanced features of Open Table such as sending special offers to loyal customers who will be singled out by creating a frequency of visit report.
- Continue to train staff on basic service attitudes. The extant literature indicates that software, no matter how advanced, cannot replace meaningful human contact and care for another person (Ang 2006, Forsyth 2001).

Suggestions for other managers in the industry

- A customer database system is a valuable addition to any restaurant wishing to improve its customer recognition, as well as organising bookings and managing the floor plan.
- However, managers in other restaurants in Ireland who do not want to, or cannot, invest in customer relations software, should learn from the instilled customer oriented service culture of The Hotel. For example, taking a name and phone number from everyone who makes a reservation and inputting all these numbers into an excel spread sheet, will allow the hostess to know who she is talking to if using caller ID. Recognising birthdays, anniversaries and other guest celebrations should be regarded as opportunities to impress a guest and not as a hassle. Also, using whatever information the guest does supply should be viewed as a unique opportunity to know them and earn their loyalty. For example, a guest requesting a baby chair at reservation stage would feel valued if there was a table waiting for the family with a high chair, a colouring kit, and a kids menu.
- Managers and employees in the restaurant field should learn to use service mistakes as opportunities to showcase organisational honesty, and customer oriented service attitude. The Hotel uses a structured service retrieval procedure to recognise any dissatisfied attitude and regulate the manager's reaction to ensure the customer is looked after and the mistake is learned from.

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Conclusion

The use of CRM in the dining sector is far from mature around the world, and is only in its infancy in Ireland. Even the higher upscale restaurants in Dublin would find it hard to dedicate resources to collect and record guest information, even if they do spend large sums on purchasing an expensive system such as Open Table.

This study confirms the connection between a customer-oriented service culture and the successful application of a CRM system. A customer-oriented culture that is enhanced by a well-used CRM system will improve customer loyalty and improve the profitability of the business. However, an organisation considering purchasing a CRM system should first review its attitude to customer service, and ability to be flexible in meeting customer needs.

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