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# **CUSTOMER RELATIONSHIP MANAGEMENT TECHNOLOGIES, SERVICE QUALITY AND CUSTOMER LOYALTY IN THE HOTEL INDUSTRY IN UGANDA**

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## **ABSTRACT**

*This paper seeks to evaluate the relationship between Customer Relationship Management, service quality and customer loyalty among Uganda's hotels. This was a cross-sectional study design and largely quantitative. A convenience sample of 460 customers was drawn from registered hotels in the Central region of Uganda. With a response rate of 91%, we established significant positive relationships between CRM and service quality; CRM and customer loyalty; service quality and customer*

*loyalty. CRM and service quality predicted 28% of the variance in customer loyalty, with CRM being the most significant predictor. The factors affecting hotel industry may differ from other sectors. Therefore, the findings in this paper may not be generalized in other sectors. Similar studies with relatively larger samples should be carried out in other sectors. From a Ugandan perspective and the East African region at large, there are inadequate studies that emphasize the role of CRM and Service Quality in creating loyal customers in the hospitality industry. This research empirically provides an improved model of how profitable loyal customers can be created.*

**Keywords:** Customer Relationship Management, Service Quality, Customer Loyalty, Uganda

## 1. INTRODUCTION

As customers continuously demand for better services, hotels are increasingly looking for solutions that would match their customer expectations. One of such solutions is the incorporation of modern technologies in their customer support systems. These may include, guest room technologies, reservation systems, audio and video communication systems and others. These systems are aimed at helping organizations identify, attract, develop and maintain profitable customer relationships, ensure service quality and ultimately create loyal customers (Raza et al, 2020).

While some hotels have adopted the use of such technologies in Uganda, a number of hotels (61%) still lack the necessary capacity to implement such technologies to enhance their interactions with their customers (UTB, 2015). They lack the necessary hardware and software that can be used for online booking, room reservations, customer tracking and improving efficiency of hotel processes. Consequently, hotels cannot keep an up to date database of their customers. Customers normally feel offended when they have to fill detailed forms every time they go to the same hotel. As a

result, the hotels have continued to record declining levels of customer loyalty and occupancy as hotel customers continue to complain about the poor quality of services (Uganda Investment Authority Report, 2009). According to Hanegraaff & Poletti, 2019), survival in this business requires that hotels consistently identify, attract, develop and maintain service excellence through adoption of modern and relevant ICT driven CRM that increase a firm's interaction with its customers to enhance customer loyalty.

This study examines the existing CRM systems in hotels in Uganda. Specifically, the study identifies the gaps in the CRM systems, identifies the critical factors and requirements for the adoption of modern CRM systems, determines the effect of customer relationship management and service quality on customer loyalty and recommends a model to improve customer loyalty in Uganda's hotels.

## **2. LITERATURE REVIEW**

### **2.1 Customer Relationship Management (CRM)**

The purpose of CRM is to build a deep understanding of the customer's desires with the aim of responding positively to their needs (Migadi, 2020). Customer desires may include; cleanliness, response timelines, privacy, faster communication needs such as internet, phones, video conferencing facilities, ambiance etc. Therefore, profiling customers based on their needs becomes a very important aspect of management if customer satisfaction and business continuity are to be achieved (Khan et al., 2020). Businesses that successfully create and keep customers in a cost-effective way find it profitable and easy to survive not only in good times but also in turbulent times. Creating and keeping customers require a clear and effective framework for customer relationship management in an organization. While studies have been conducted on CRM in various disciplines, there has been no universally acceptable definition of CRM (Kamble et al., 2019), neither is there a commonly agreed frame work for

the implementation and evaluation of the effectiveness of CRM practices (Sigala, 2019). From the information technology perspective, CRM was initially considered as a technology-only tool or simple database marketing. However, it evolved into a management philosophy in which organization concentrates its activities around the customer. Over time it emerged as a strategy to use information technology to integrate the cross functions of employees to understand and retain long term profitable relationship with customers.

Customer Relationship Management (CRM) is a process or methodology used to learn more about customers' needs and behaviors in order to develop stronger relationships with them. The more useful way to think about CRM is as a process that will help bring together lots of pieces of information about customers, sales, marketing effectiveness, responsiveness and market trends. CRM helps businesses use technology and human resources to gain insight into the behavior of customers and the value of those customers. Bradshaw and Brash (2001) define CRM as an organization's strategy to identify, attract, develop and maintain profitable customer relationships over time. Going by their definition, CRM is mainly aimed at improving an organization's effectiveness and efficiency in serving customers, which subsequently results into profits for the organization.

Realizing the absence of a frame work for the implementation and evaluation of the effectiveness of CRM practices, Sigala (2019) suggested an integrated managerial approach to hotel CRM including three areas namely information communication technology (ICT), internal and external relationship management, and knowledge management. However, other scholars like Zeithaml et al. (2000) believe that generating value for customers should also be an important outcome of the primary and supporting CRM activities. An organization that generates values for its customers will leverage from that value through maximization of such customer benefits as customer loyalty and profitability.

Thus, the overall goal of implementing CRM is to find, attract, and win new clients, nurture and retain those the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service. To achieve this effectively, organizations require ICT-driven CRM systems with such technologies as front office applications that support services, sales and marketing depositories of customer data and back office applications which integrate and analyze the data. This also calls for an effective and ICT-driven leadership; leadership that is strongly committed to lead the change and have systems implemented (Buttle & Maklan, 2019). Employee readiness and empowerment is equally important in having the entire framework implemented and to ensure that it works well.

Employee empowerment involves the transfer of power from higher levels of employees to front-line staff (Motamarri & Yanamandram, 2020), as well as giving them the necessary knowledge, skills and attitudes to work within the framework. Proper implementation of a CRM framework further requires an integrated approach, where all the key functions in an organization are involved.

## **2.2 The advent of ICT-driven CRM systems in the Hotel Industry**

Although there is no established theoretical framework covering all aspects of ICT-driven customer relationship management systems (also known as e-CRM) and customer loyalty in hotels, there is a consensus among practitioners and academics that user-friendly customer relationship management systems and service quality are prerequisites of customer loyalty especially in most service-related industries (Mandal, 2020). Kandampully et al., (2015) indeed argued that the hotels ability to differentiate itself from its competitors and gain customer loyalty is through ICT-driven customer relationship management systems and quality of services as opposed to price.

CRM is an effective way to maintain customer data base which allows a company to best understand customers' needs better than the competitors.

The increasing use of the digital technologies by customers, particularly the internet, is changing what is possible and what is expected in terms of customer relationship management. Since CRM today is more of a data mining and database-oriented technology. ICTs will continue to play an important role in customer focused hospitality firms in the future - to communicate with, recognize, and evaluate customers (Šeric et al., 2016). The most common applications of technology in hotels are categorized in two levels: 1) room/guest room services; and 2) at the managerial and operational level. Guest –room technologies include services such as multiple telephone lines, electronic meal ordering, self-check out and self-wake up systems, in-room business services, electronic and video entertainment services and so forth. Technology has not only improved in room services but also increased choices of entertainment, which brings good income to the hotels.

In addition to hospitality organizations becoming more aware of the benefits of technological applications, customers have also become increasingly driven by technology, and are therefore demanding higher levels of services associated with technology. It is therefore imperative that hotels should find ways in which they can utilize new technologies to create services that contribute to increased value for their customers. Such value-added experiences refer to services within the hotel itself and outside it. As the lifestyle of customers continue to change, their needs can be effectively met by technology. Technology provides hotel firms with an opportunity to offer services far beyond the firms' basic business concept, and as technology continues to evolve to meet the changing service needs of customers. For example, high- speed wireless roaming access to the internet is a significant competitive differentiator in hotels today. Although the potential of technology for the hospitality industry is evident, these results indicate a general lack of momentum in utilizing the full potential of technology in all aspects of the hotel business.

All in all, hotels today cannot escape I.T. driven CRM systems and other technologies. Hotels that fail to adopt the state-of-the-art technologies are

likely to lose out on customers, and may in the long-run close. While effectiveness of the CRM practices can be tracked by having an ICT-driven system to monitor the costs and benefits of acquiring, retaining, and developing different customer segments, having the ICTs for CRM doesn't guarantee successful implementation and achievement of goals. Success of the CRM process in a hotel also depends on a customer-oriented culture; managers and employees who passionately maintain constant guest attention to enhance guests' emotional attachment to the hotel.

The role of CRM systems in Service Quality and Customer loyalty Service quality refers to the extent to which a service fulfils the customer's needs and expectations. A service is said to be of high quality if it does what customers expects it to do for them. While this concept is largely subjective, Parasuraman et al. (1988) identified service-quality dimensions using terms that describe service-encounter characteristics; which include reliability, responsiveness, empathy, assurances and tangibles. This is what has been popularized as the SERVQUAL model, which has been extended by various scholars' overtime. As customers interact with the organization's employees, the service environment and the processes, they build perceptions regarding the quality of the services received. A positive encounter between the customer and organization will result into a positive perception of quality of the services.

Most studies indicate that negative encounters often result from people who serve customers and systems that are not customer friendly. Because ICT driven CRM systems make systems faster, user friendly and greatly reduce the direct interaction between employees and customers, scholars have today popularized the concepts of e-CRM, e-Service quality, WEBQUAL among others (Sigala, 2004; Zeithaml, 2002). Further, scholars in e-CRM and e-service quality have adapted and extended the SERVQUAL model so as to make it less reliant on interpersonal interactions but more technologically relevant (Sigala, 2019; Zeithaml et al. 2002), leading to the development of the e-SQ scale. For instance, the dimension "empathy" has

been perceived to be largely based on human interaction. Some of the extended dimensions of e-SQ according to Zeithaml (2002) include efficiency (ability, easiness to get to and navigate a website or use a system), fulfillment (having products/services readily available and delivering them on time), reliability (technical functioning), privacy (assurance regarding data sharing and security), responsiveness (provide appropriate data when problems occur, online guarantees and mechanisms for handling complaints), compensation and contact (speak to service agent).

The extended dimensions are meant to create ICT-driven CRM systems (e-CRM) to improve service quality, enhance service excellence and make customers loyal. Loyal customers result into an economic benefit to the organization, mainly in terms of market share and profitability (Bolton et al., 2000). Customer loyalty means a customer's commitment to continue doing business with an organization on an on-going basis. Loyalty is a state of mind, a set of attitudes, beliefs and desires, which customers show through repeat purchase, intentions to repurchase and recommending the service or product to other people. An ICT-driven, user-friendly and effective CRM system will attract customers and make them glued to the organization. This is because the system will keep an up-to-date database of customers, get to understand their needs and resolve their complaints in a timely manner (Christy et al., 1996).

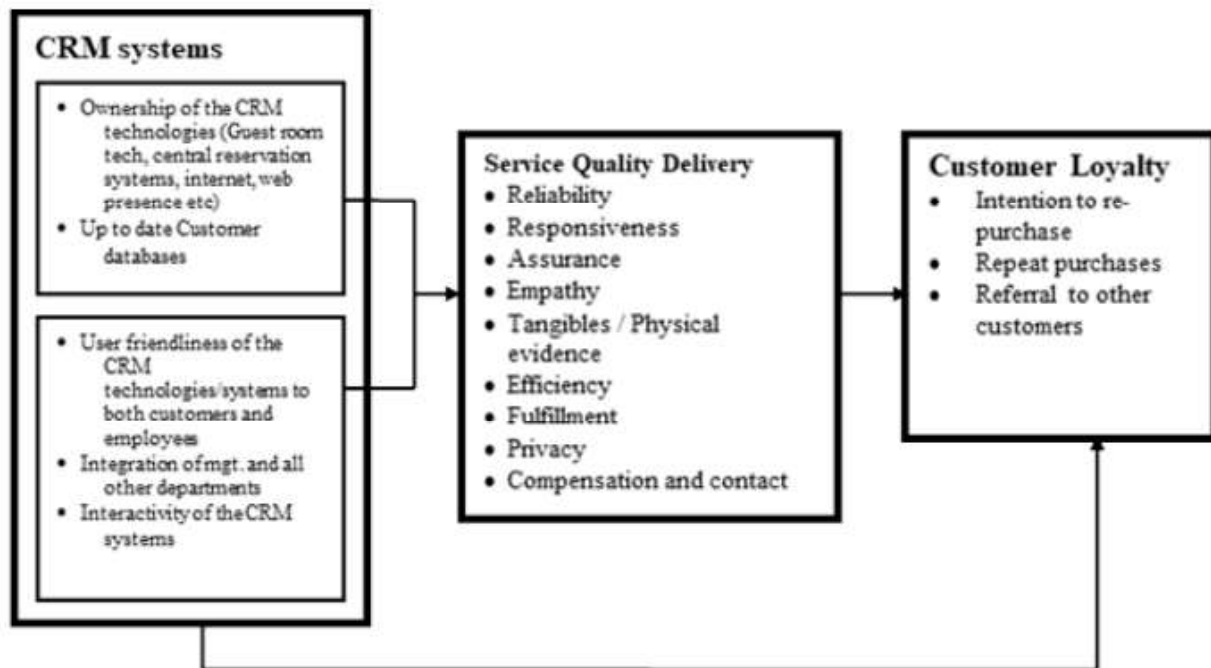
A number of scholars have established a relationship between customer relationship management, service quality and customer loyalty (Ngoma and Ntale, 2019). Thus, when customers are satisfied with the relationship they have with a hotel, they will continue bringing business to that hotel and using the hotel's services. In most businesses, loyal customers are willing to pay a premium price, which will give more profits to the hotel.

## **2.3 Conceptualization**

The conceptual framework in figure 1 below shows that the existence of state-of-the-art, up-to-date, user-friendly, integrated and interactive CRM



systems in a hotel will lead to quality service delivery which will in turn yield customer loyalty. This line of argument is derived from the various literature and theoretical debates by various scholars.



**Figure 1: Conceptual framework.**

### 3. METHODOLOGY

#### 3.1 Study design

This study was cross sectional and used mainly quantitative data. Explanatory designs were adopted to explain the gaps in the existing CRM systems. Correlation designs were used to establish the effect of CRM on service quality and customer loyalty.

#### 3.2 The sample

According to the Uganda Tourism Board Report (2014), almost 80% of hotel operations are concentrated in the central region of the country. Thus,

a sample of 460 hotel customers was drawn from the central region of Uganda. This sample was deemed sufficient since it exceeded the maximum sample recommended by Krejcie and Morgan (1970). Since there was no documented clear list of customers to choose from, hotel customers were selected using the convenience sampling method (i.e. selected those that were willing to participate in the study). Out of the targeted sample, 419 responses were returned, giving a response rate of 91%. The detailed sample characteristics are given in table 1.

**Table 1: Sample characteristics.**

Variable (N=419)	Frequency	Percent
<i>Gender of respondents</i>		
Male	251	60
Female	168	40
<i>Age of respondents</i>		
25 and below	95	23
26-35	172	41
36-45	91	22
46 and above	61	14
<i>Level of Education</i>		
O – Level	16	4
A – Level 1	8	2
Diploma	21	5
Bachelors Degree	154	37
Postgraduate Diploma	58	14
Masters Degree	72	17
PhD	35	8
Others	55	13
<i>Use of ICTs by respondents</i>		
Yes	326	78
No	93	22
<i>Use/application of ICTs*</i>		

• Online social networks e.g. Skype, Face book & communication.	271	65
• Typing and printing reports, editing documents	107	26
• Business and academic purposes	146	35
• Hotel booking and reservation	75	18
• Use of other ICT facilities depending on availability for activities before and while booked in hotel (e.g. fax, email, phone, web)	136	32

Table 1 indicates that majority of the respondents in this study were male (60%). The female respondents were 40%. This implies that most people who frequently visited hotels were male. On age, majority of the respondents (41%) were between the age range of 26 to 30 years, followed by those with 25 years and below (23%), and then the age range of 36 to 45 years (22%). Those above 46 years were 15%. On education, majority of the respondents (about 89%) had attained a minimum of a bachelor's degree as their highest level of education. Only about 11% had an ordinary diploma and below. This is a clear indication that majority of the hotel guests in this study were of an educated / elite class, who could easily understand the study variables that were being investigated in the study. Regarding respondents' knowledge and use of ICTs majority, of the respondents (78%) indicated that they used ICTs. Only 22% did not use ICTs. This means that majority of the hotel guests used ICTs, were ICT literate and could easily navigate the computerized CRM systems of the hotels both before and after booking in. When asked to indicate what they used ICTs for, i.e. their specific applications of ICTs, 68% of the respondents used ICTs for online social networks such as Skype and Facebook for communication, 27% used ICTs for typing, printing and editing documents, 36% used ICTs for business and academic purposes while 18% used ICTs for hotel booking and reservations. 34% of the respondents indicated that they used ICT facilities for activities before booking in a hotel and while booked in as long as the facilities were available. This was a multiple response question, i.e. respondents would tick more than one response.

### **3.3 Data collection and measurement of Variables**

We used a self-administered and semi-structured questionnaire to collect data. This helped us to get un-biased and realistic responses as opposed to other tools. Service quality was measured by adapting the extended SERVQUAL instrument by Zeithmal et al. (2002). CRM was measured according to Feinberg and Kadam's (2002) measures. Customer loyalty was measured by repeat purchase (Cannon and William, 1999).

### **3.4 Validity and Reliability**

The measurement scales were tested for validity and reliability by calculating the content validity index (CVI) and Cronbach alpha co-efficient respectively. The CVI values for all the variables were above 0.9 while the Cronbach alpha co-efficients were above 0.6. Based on these values, the research instruments were both valid and reliable (Nunnally, 1978).

### **3.5 Data Processing and Analysis**

The data was analyzed using SPSS version 21. The data was first tested for normality to enable the application of parametric tests. This was done by extracting the skewness and kurtosis values, lavene's test for homogeneity of variance, as well as histograms.

## **4. RESULTS AND DISCUSSIONS**

### **4.1 Gaps in the existing customer relationship management systems**

This objective was addressed by considering the descriptive statistics derived from the ratings by the respondents of the individual items measuring CRM systems in the hotels. The descriptive statistics are indicated in table 2. All items were anchored on a five-point scale ranging from 1 = completely disagree; 2 = moderately disagree; 3 = not sure; 4 = moderately agree and 5 = completely agree.

In table 2, it is clear that the biggest gaps in CRM systems in hotels are with hotel staff. The hotel staff do not exude warmth (mean = 1.2 and Std. Deviation = .73), the hotel staff are not welcoming (mean = 1.9 and Std. Deviation = .61), the hotel staff are not polite (mean = 2.4 and Std. Deviation = .90), they do not demonstrate knowledge of the hotel systems and procedures (mean = 3.3 and Std. Deviation = .99), they are not patient (mean = 3.3 and Std. Deviation = .94), they are not helpful (mean = 3.6 and Std. Deviation = 1.02) and do not demonstrate a positive attitude (mean = 3.3 and Std. Deviation = .93). The standard deviations of less than 1 indicate that the means are a fair and true reflection of the reality as regards to the customers' evaluation of the CRM systems in the hotels. A number of respondents indicated the need for the hotels managers to train and or get professional staff in the service section.

The other gaps in the customer relationship management systems pointed to the hotel not having sales and marketing expertise and resources to succeed in CRM (mean = 3.4 and SD = .91), failure by the hotel to design employee training programs to develop the skills required for acquiring and deepening customer relationships (mean = 3.4 and SD = .92), absence of well-established and clear business goals related to customer acquisition, development, retention and reactivation in the hotel (mean = 3.4 and S.D = .86), and absence of an employee performance measurement and rewarded system based on meeting customer needs and successfully serving the customers (mean = 3.5 and S.D = .91).. A critical look at these factors further points to staff related issues.

Other gaps raised by the respondents pointed to the poor rooms that are not regularly renovated, the small size of the rooms that do not meet international standards, poor internet connection services in the conference rooms as well as the hotel rooms, absence of PCs in hotel rooms, poor ICT and computing facilities in the rooms to facilitate CRM.

**Table 2: Descriptive statistics for the individual items measuring CRM activities and systems.**

	Mean	Std. Dev.
hotel staff exude/demonstrate warmth	1.2102	.72891
hotel staff exude/demonstrate welcoming i.e. are welcoming	1.9339	.61361
hotel staff exude/demonstrate politeness	2.4264	.90156
hotel staff exude/demonstrate knowledge	3.3228	.99171
hotel staff exude/demonstrate patience	3.3880	.94075
hotel staff exude/demonstrate helpfulness	3.6847	1.02366
hotel staff exude/demonstrate positive attitude	3.3303	.93389
The hotel work with individual key customers to customize their offerings	4.1577	.71552
The hotel provides customized services and products to key customers	4.2613	.66376
The hotel makes an effort to find out what their key customers need	4.3063	.70765
When the hotel finds that customers would like to modify a product/service, the departments involved make coordinated efforts to do so	4.1907	.73910
The hotel has sales and marketing expertise and resources to succeed in CRM	3.3568	.90891
The employee training programs in the hotel are designed to develop the skills required for acquiring and deepening customer relationships	3.4387	.91880
The hotel has established clear business goals related to customer acquisition, development, retention and reactivation	3.3700	.85588
Employee performance is measured and rewarded based on meeting customer needs and on successfully serving the customers	3.4868	.91484
The hotel structure is meticulously designed around customers	4.3213	.75374
The hotel's employees are willing to help customers in a responsive manner	4.4174	.80000
The hotel fully understands the needs of its key customers via knowledge learning	4.1862	.82680
The hotel provides channels to enable ongoing, two -way communication with their key customers and themselves	4.1276	.81186
Customers can expect prompt service from employees of the hotel	4.1892	.93313
The hotel has the right technical personnel to provide technical support for the utilization of computer technology in building customer relationships	4.0901	.98681
The hotel has the right software to serve their customers	4.3153	1.00285

The hotel has the right hardware to serve their customers	4.3378	.97598
The hotel maintains a comprehensive database of their customers	4.1306	.97802
Individual customer information is available at every point of contact	4.0541	.95852

## 4.2 Critical factors and requirements for the adoption of modern CRM systems

To identify the critical factors and requirements for the adoption of modern CRM systems, principal component analysis with varimax rotation was performed. Items with Eigen values greater than 1 were extracted. The screen plot in figure 2 also confirms the five factors extracted with Eigen values greater than 1.

**Table 3: Rotated Component Matrix.**

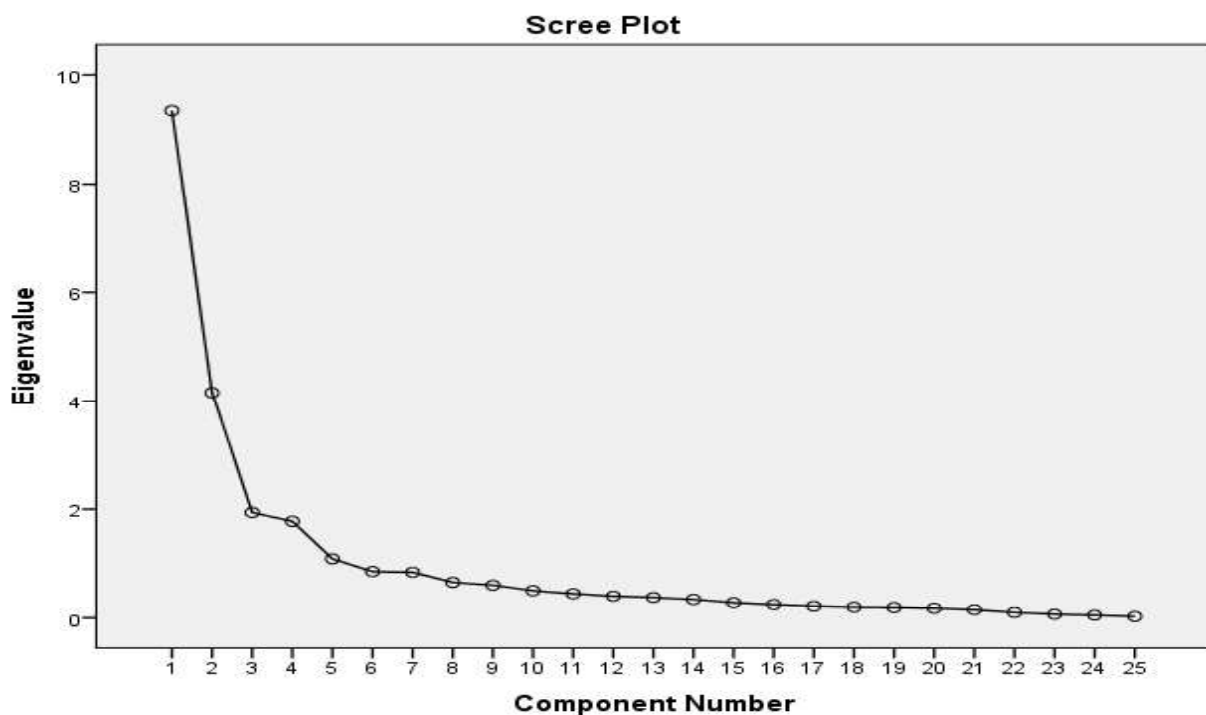
	Component				
	1	2	3	4	5
The hotel provides customized services and products to key customers	.812				
The hotel makes an effort to find out what their key customers need	.804				
The hotel structure is meticulously designed around customers	.782				
When the hotel finds that customers would like to modify a service, the departments involved make coordinated efforts to do so	.777				
The hotel works with individual key customers to customize their offerings	.752				
The hotel's employees are willing to help customers in a responsive manner	.696				
The hotel provides channels to enable ongoing, two -way communication with their key customers and themselves	.669				
The hotel has established clear business goals related to customer acquisition, development, retention and reactivation	.664				
The hotel understands the needs of its key customers via knowledge learning	.618				

The employee training programs in the hotel are designed to develop the skills required for acquiring and deepening customer relationships	.616				
Customers can expect prompt service from employees of the hotel	.608				
Employee performance is measured and rewarded based on meeting customer needs and on successfully serving the customers	.555				
The hotel maintains a comprehensive database of their customers		.870			
The hotel has the right hardware to serve their customers		.820			
Individual customer information is available at every point of contact		.817			
The hotel has the right software (e.g. Guest room tech, central reservation systems, internet, web technologies) to serve their customers		.808			
The hotel has the right technical personnel to provide technical support for the utilization of computer technology in building customer relationships		.570			
hotel staff exude/demonstrate positive attitude			.971		
hotel staff exude/demonstrate patience			.942		
hotel staff exude/demonstrate politeness			.935		
hotel staff exude/demonstrate helpfulness			.602		
hotel staff exude/demonstrate warmth				.935	
hotel staff exude/demonstrate welcoming i.e. are welcoming				.818	
The hotel staff demonstrate knowledge and expertise in handling customer needs					.895
The hotel has sales and marketing expertise and resources to succeed in CRM					.733
Eigen values	6.495	4.373	4.146	1.838	1.461
Percentage total variance	25.980	17.491	16.582	7.351	5.844
Cumulative variance	25.980	43.472	60.054	67.405	73.249

Table 3 indicates that 25 items of CRM systems loaded highly onto five factors with Eigen values greater than 1. The principal component analysis



extracted five major factors, explaining 73.2% of the variance in Customer Relationship Management systems. An examination of the items that loaded on the factors points to the following labels for the factors:- Factor 1 is CRM orientation, which accounted for about 26% of the variance explained; Factor 2 is ownership and interactivity of CRM technologies, which accounted for about 18% of the variance explained; Factor 3 is staff-customer interaction quality, which accounted for 17% of the variance explained ; Factor 4 is customer conscious staff, accounting for 7% of the variance and factor 5 is expertise and resources for CRM, accounting for 6% of the variance explained.



**Figure 1: Screen Plot showing five factors extracted.**

### **4.3 The effect of CRM and Service Quality on Customer Loyalty in the hotels**

Using SPSS, correlations analysis was used to test the relationships between CRM systems, service quality and customer loyalty. Regression

was later used to determine the effect of customer relationship management and service quality on customer loyalty. These relationships and effects were later confirmed in the structural equation models developed by AMOS software. The results are shown in tables 4, 5 and figure 3 in this section.

**Table 4: Pearson correlations between the variables.**

	CRM Systems	Service Quality	Cust. Loyalty
CRM Systems	1		
Service Quality	.746**	1	
Cust. Loyalty	.472**	.483**	1
** Correlation is significant at $p < 0.01$			

#### 4.4 Relationship between CRM, Service Quality and Customer Loyalty

In table 4, there was a significant positive relationship between CRM systems and service quality ( $r = .746$ ;  $p < .001$ ). This implies that as CRM systems in a hotel improve, service quality also improves. The results also indicate a positive significant relationship between CRM systems and customer loyalty ( $r = .472$ ;  $p < .001$ ). This means that as CRM systems improve, customer loyalty also increases. The results further indicate a significant positive relationship between service quality and customer loyalty ( $r = .483$ ;  $p < .001$ ) implying that as service quality increases, customer loyalty also increases.

#### 4.5 The effect of CRM systems and service quality on customer loyalty

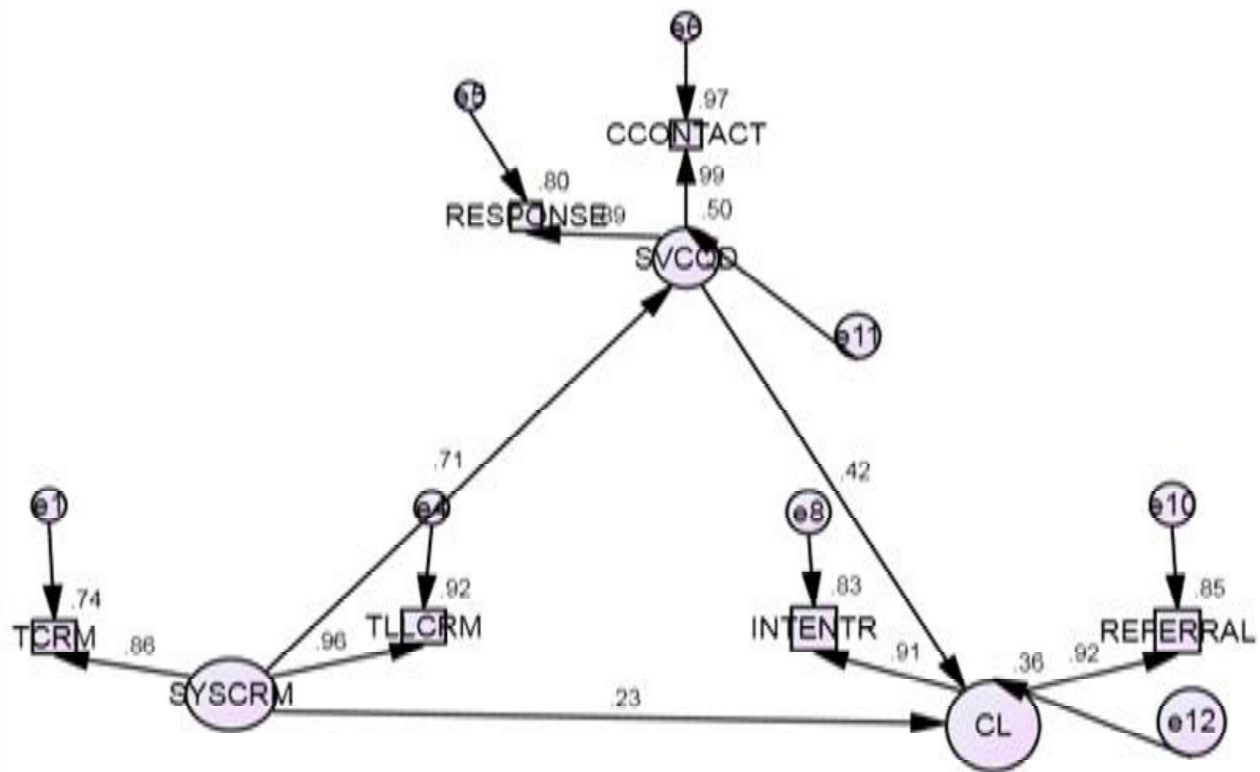
We used the regression results in table 5 to establish the effects of CRM systems and service quality on customer loyalty.

**Table 5: Regression model of Service Quality and CRM systems on Customer Loyalty.**

<i>Model</i>	<i>Unstandardized</i>		<i>Standardized</i>	<i>T</i>	<i>Sig.</i>	<i>Collinearity Statistics</i>	
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>			<i>Tolerance</i>	<i>VIF</i>
(Constant)	1.759	.069		25.479	.000		
Service Quality	.073	.023	.214	3.140	.002	.411	2.435
CRM Systems	.097	.021	.314	4.646	.000	.419	2.385
R = .537; R <sup>2</sup> = .288; Adj.R <sup>2</sup> = .277; std. error of estimate = .161; F = 4.563; Sign. F = .001; df1 = 1; df2 = 372							
a. Dependent Variable: Customer Loyalty							

Table 5 indicates the effect of CRM systems and service quality on customer loyalty, as well as the prediction potential of the model. The model is significant and the Tolerance values and Valence Inflation Factors (VIF) indicate no serious risks of multicollinearity. In the model, both CRM systems and service quality are significant predictors of customer loyalty; hence CRM systems and service quality significantly affect customer loyalty. CRM systems is the most significant predictor of customer loyalty (Beta = .314;  $t = 4.646$ ;  $p < .001$ ), followed by service quality (Beta = .214;  $t = 3.140$ ;  $p < .005$ ). The two variables combined (i.e. CRM systems and service quality) predict customer loyalty at 28% ( $r^2 = .277$ ). We can rely on the above results at 99% confidence interval that CRM systems and service quality affect customer loyalty.

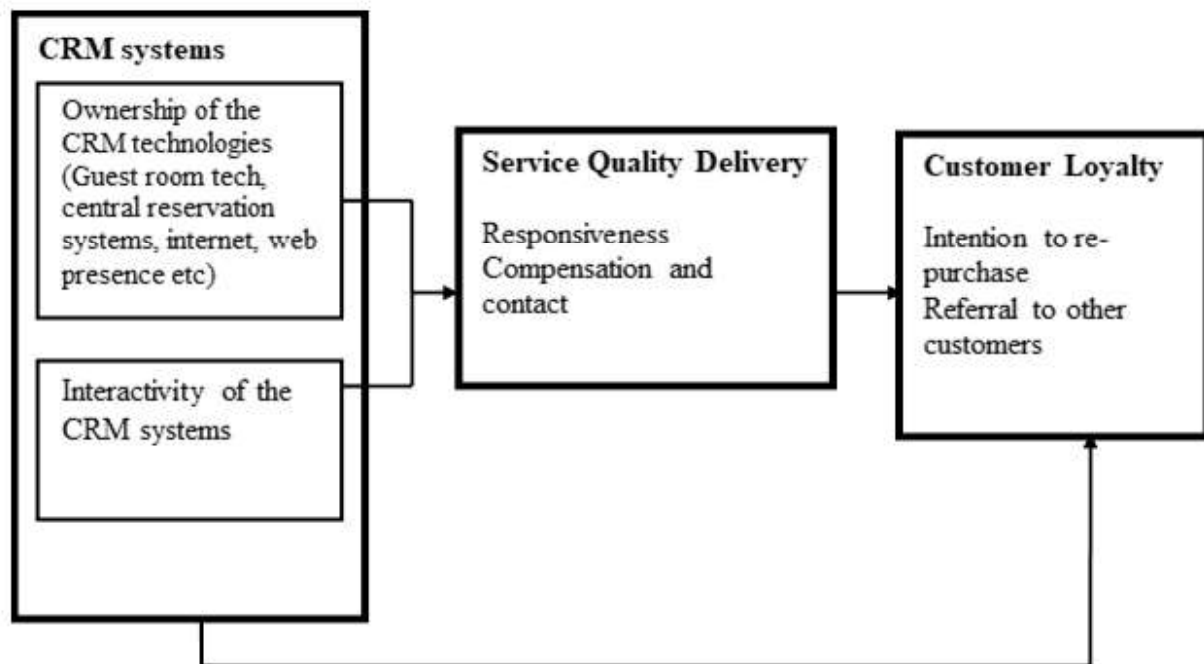
The effect of CRM systems and service quality on customer loyalty is further confirmed by the structural equation model results produced by the analysis of moment of structures (AMOS) indicated in figure 2. The path coefficients were 0.23 between CRM systems and customer loyalty, 0.42 between service quality and customer loyalty and 0.71 between CRM systems and service quality. The global fit indices indicate that the model had a relatively good fit (see appendix ii).



**Figure 2: Structure equation model using AMOS.**

#### **4.6 A framework for CRM to enhance service quality and customer loyalty in hotels.**

Following the final structural equation model produced by AMOS, a framework for customer relationship management was finally developed to enhance service quality and customer loyalty. This model is as indicated in fig. 3 below. For CRM systems, the model retained two constructs namely ownership of the CRM technologies and interactivity of the CRM systems. For service quality delivery, two constructs namely responsiveness and staff-customer contact/interactions were retained. For customer loyalty, intention to repurchase and referral to other customers were retained.



**Figure 3: A modified model presenting a framework for CRM that can enhance service quality and customer loyalty.**

The biggest gaps in CRM systems in hotels were with hotel staff who did not exude warmth, were not welcoming, not polite, impatient and did not demonstrate knowledge of hotel systems and procedures. These findings are supported by several previous studies such as Szczepanska & Gawron (2011) who documented the significant role played by employees in customer relationship management. Thus, most of the respondents indicated the need for the hotel managers to train and or get professional staff in the service section since the interaction between staff and customers is crucial in-service delivery. This assertion is evidenced and supported by Gronroos, (2001) who says that the quality of a service is subjectively perceived by customers during the interactions with a firm. Service quality involves a comparison of expectations with performance. According to Lewis and Booms (1991) service quality is a measure of how well a delivered service matches customers' expectation.

The other gaps in the customer relationship management systems were the fact that the hotels did not have sales and marketing expertise and resources to succeed in CRM. Success of service provider depends on the high

quality relationship with customers (Panda et al., 2017). On top of that there was failure by the hotel to design employee training programs to develop the skills required for acquiring and deepening customer relationships. Such skills that can build strong relationships with the customers included, though not limited to product knowledge and communication skills. Scholars such as Coulter (2014) also stress the need for training programmes that enhance positive employees' behaviour as a way of sustaining customer loyalty. The other gaps pointed out such as absence of well-established and clear business goals related to customer acquisition, development, retention and reactivation in the hotel, absence of an employee performance measurement and rewarded system based on meeting customer needs and on successfully serving the customers, the poor rooms that are not regularly renovated, the small size of the rooms that do not meet international standards, poor internet connection services in the conference rooms as well as the hotel rooms, absence of PCs in hotel rooms, poor ICT and computing facilities in the rooms to facilitate CRM all indicate that the hotels in Uganda have not put in enough effort towards customer relationship management. Indeed, the findings of this study are in line with Ngoma et al., (2013) who found that service firms in Uganda pay little attention to building relationships with their customers, but are always yearning for new customers.

Among the critical factors and requirements for the adoption of modern CRMS systems was the need for a Customer Relationship Management orientation. Since late nineties there has been an explosion of interest in CRM, both in the literature and in the business world (Payne and Frow, 2005; Becker, et al., 2009). This meant that hotels should put customers in mind and at the forefront in all their activities, and should therefore be mindful about building and managing quality relationships with their customers. According to Bhattacharya (2011), CRM is implemented in an organization to reduce cost and increase company performance, which means profitability result through customer loyalty, although diverse studies show high rates of failure in the implementation of CRM (Foss, et al., 2008). For example, some of these activities involve making an effort

to establish the customer needs and then providing customized services and products to the customers. It also involves designing the structures around customer needs, coordinated effort across departments to provide customer service, involving customers in designing their services, providing channels for clear communication between the customers and the organization, designing organizational goals related to CRM, measuring performance and rewards based on successful customer service as well as designing employee training programs based on CRM among other things.

The second critical factor for the adoption of CRM in this study was the need to adopt modern technologies and requirements. These CRM technologies systems include both hardware and software. Indeed, Shang and Lin (2010) argue that any CRM strategy should incorporate or take into account the computer hardware and related software for managing relational interactions. Therefore, the role of the technology should not be neither over nor underestimated (Zablah et al., 2012). Such technologies include databases, guest room technologies, central reservation systems, internet and web technologies among others. These technologies should be highly interactive and user friendly to both staff and customers. The technologies should also make the information easily available at every point of contact.

The need for quality interactions between the customer service staff and the customers were also documented as critical if a hotel is to implement proper and adopt modern CRM systems. The hotel staff should demonstrate a positive attitude, patience, politeness and friendliness while interacting/relating with and serving customers. This finding is in line with Verhoef, et al. (2010) who argued that the staffs of the hotels and their behavior and nature of interactions with employees were crucial in ensuring that CRM systems succeed in a hotel. These staffs need to be customer conscious in that they should demonstrate a welcoming mood and warmth to the customers. More so, the study found out that to adopt modern CRM systems, hotels should develop expertise among their staff to be able to manage customer relationships. CRM is increasingly becoming an essential

strategy for companies, allowing them to improve their profits through longer-term relationships with customers (Dolnicar et al., 2015). However, the hotel staff should demonstrate knowledge and expertise in handling customer needs. The hotels should also develop sales and marketing expertise, as well as resources to succeed in customer relationship management.

The study found out that both CRM systems and service quality were significant predictors of customer loyalty; hence CRM systems and service quality significantly affect customer loyalty. It also found out the CRM systems is the most significant predictor of customer loyalty, followed by service quality. This finding is consistent with most literature that reports that service quality directly or indirectly influences customer loyalty (Zeithaml et al, 1996). Other scholars such as Ngoma et. al. (2013) also found that when a firm builds strong relationships with its customer, such customers will become loyal to that firm. In his study on customer relationships and customer loyalty in super markets, Ohairwe et al. (2015) also established significant positive relationships between customer relationship, service quality and customer loyalty.

Following the final structural equation model produced by AMOS, as well as the correlation and regression results, a framework for customer relationship management was finally developed to enhance service quality and customer loyalty satisfaction. The most important constructs for CRM systems were ownership of the CRM technologies and interactivity of the CRM systems. For service quality delivery, two constructs were retained in the model namely responsiveness and compensation and contact. For customer loyalty, also intention to repurchase and referral to other customers were retained. This model is supported by Cvijović et al (2017) who developed a triangle strategy between quality, CRM and customer loyalty as a way of building a firm's competitiveness.



## 5. CONCLUSIONS AND RECOMMENDATIONS

The study established that hotels in Uganda did not observe effective implementation of CRM systems. Therefore, hotel management was generally not committed to implementation of CRM systems which was characterized by the failure not only to provide good rooms; but also not renovating those rooms, and the inability to consider CRM systems when making business decisions of strategic importance. The study also established that there was failure by the hotel management to design employee training programs to develop the skills required for acquiring and deepening customer relationships. Generally, the study brings out a number of gaps and challenges in the implementation of CRM systems in Hotels. Most important challenges of implementing CRM systems in Hotels included i) implementing CRM without creating a customer focused strategy beforehand, ii) not developing the necessary organizational and cultural changes in order enhance effective CRM management, and iii) putting less emphasis on the technology aspects of CRM. All these gaps create an impression of poor implementation of CRM systems in the hotels in Uganda. The study further documents the critical factors that can enhance the implementation of CRM systems in hotels. These included “a Customer Relationship Management orientation”, ownership of interactive and user friendly CRM technologies and systems - both hardware and software as well as quality interactions between customer service staff and the hotel customers. The study goes ahead to establish significant positive effects of customer relationship management and service quality on customer loyalty.

The implementation of an effective CRM should include management, employees and even customers. All these need to be involved in the training, understanding and implementing the CRM systems if hotels are to have professional staff in the service section. Management should develop a CRM orientation where the customer is the first priority. Hotels need to put in place ICT driven CRM systems, with interactive and user-friendly

hardware and software with the aim of improving quality interactions with the customers.

This was a cross-sectional study and largely quantitative. Therefore, there could have been bias caused by time constraints. We propose future studies to carry out longitudinal research with qualitative approaches to track and observe the behaviour of customers and the use of CRM.

In this study, the regression model explained only about 28% of the variation in customer loyalty resulting from CRM and service quality. This is a clear indication that there are other factors determining customer loyalty that this study did not address. Future studies should endeavour to dig out and study these other factors.

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