MEMBERSHIP PRIVILEGES IN HOTEL INDUSTRY: A FRAMEWORK PROPOSAL ON THE RELATIONSHIP AMONG CUSTOMER RELATIONSHIP MANAGEMENT, MEMBERS SATISFACTION AND HOTEL RETENTION

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Abstract— In recent years, the membership system has played an increasingly important role in the hotel industry, especially how the industry adopts customer satisfaction orientation as the business objective.In the hotel industry, consumers are their primary source of business profits. Therefore, hotel owners should reinforce their activities in CRM (Customer Relationship Management).The hotel industry is in a quite competitive situation. With CRM, hotels would be able to get a grasp of the market trends, as well as the demands of staying guests. The system of membership is not only bringing profits to the hotel owners but also saving costs.This allows them to keep a sustainable competitive advantage in the rapid-changing business environment. However, many hotel owners in the industry have started to develop a membership privilege system to reinforce the relationship maintenance between the hotel and its members.Therefore, CRM strategies would affect customer views in the privilege program of the hotel.Currently, CRM strategies are widely adopted by most hotel owners, withto increase the relationship strength between customers and corporations, which wouldalso increase business profits at the same time.Therefore, improving CRM activities and maintaining the strength with customers, are key objectives in the sustainable development of the corporation.In this research, Social Cognitive Theory will serve as the basis.It will discuss the effect of the CRM implemented by hotels to understand whether it affects room guest recognition in the fairness of the membership privilege system and the willingness to come back. Furthermore, it will examine the mediating effect of "perceived membershipjustice" and "perceived membershipvalue" in the membership privilege system of hotels.Finally, it will verify whether or not there is a significant positive influence that exists between membership confidence in membership privilege system and their satisfaction level;also, whether or not there is a strong relationshipbetween members and hotels because of the satisfactory level.

Keywords— Customer Relationship Management (CRM); Perceived Value; Perceived Justice; Membership Satisfactory; Relationship Strength

I. INTRODUCTION

In the past several years the government has taken the lead to spur on the tourism industry in Taiwan and the domestic tourism market has seen flourishing developments as a result. Along with the rapid increase in number of tourists, hotel operators have actively worked to expand their scale of business, which has resulted in a situation of fierce competition. In the meantime, hotel operators have realized that maintaining good customer relationships is a key factor in the elevation of business performance. Essentially, the main reason why customer relations are being given so much emphasis by hotel operators is because operators understand that the cost of attracting new customers is from three to five times greater than the cost of keeping existing ones [1]. In an effort to improve effectiveness in this respect, more and more hotel operators are analyzing the background information of customers and separating them into different groups. Customers with the greatest visitation rates are identified and different marketing campaigns are initiated towards each of the different groups. In some situations, hotel operators are also initiating "membership" systems for the same reason. Such systems are showing up in all types of businesses, and hotels, which operate according to principles highly orientated towards customers, are no exception. Membership systems can provide hotel operators with more convenient and more in-depth business relationships with their customers. Reference[2] argues that customer relations is a means by which businesses can win new customers, retain existing ones and enhance customer profit contributions; while also maintaining communications so that customer behavior can be understood and influenced. Reference[1] argues that retaining customers or preventing the loss of existing ones can offer a great deal with respect to profit potential. Therefore vacation hotels hope that by implementing deal systems, they can increase customer willingness to come again. Scholars argue that the probability of repeat visits from members is higher than that of non-members [3]. In Reference[4] research, it was discovered that Hilton Hotels' "honor members" and Marriott Hotels' "frequent guest program members" had repeat visit frequencies which were higher than they were when they were not yet members. Through hotel member deal programs, customers also hope that they can accumulate points which will give them deals on accommodations, such as free stays, discounts or upgrades. Although many researchers have shown that deal programs are not the primary influencing factor in a tourist decision to stay

at a hotel, hotel operators still believe that deal systems can make travelers more willing to make repeat stays. Therefore, one of the main objectives of this research is to examine whether or not deal systems influence a customer's willingness to stay at a hotel. It will also look at the question of whether or not deal programs influence travelers decision to choose a hotel and whether or not they generate perceived value for tourists in situations where the guests regard the system as valuable or capable of satisfying their expectations. Conversely, when the number of guests redeeming "free stay" coupons is high, many restrictions may be encountered, thereby preventing the customer from enjoying the system's benefits; or if the redemption procedures are too complicated, staff may develop poor attitudes which will leave customers feeling as though they were treated unfairly, thus leaving them dissatisfied [5]. Therefore, because of potential feelings of injustice caused by the deal system, members may be unable to foster a sense of identity with the establishment. Consequently, the second motivation for this study is to examine the effect that possible feelings of injustice experienced at the time of rewards redemption have on the level of satisfaction felt towards the deal system.

With respect to the hotel industry, whether or not the way in which the deal programs are developed and implemented satisfies the customers' demands is an important consideration that hotel operators must make when implementing customer relation management activities. This is because the management of customer relationships is the way in which customer value is brought into play and long-term customer relationships are maintained; furthermore, it impacts customer satisfaction [6]. Additionally, the appropriateness of the deal redemption results and the question of whether or not the service processes can provide the customers with a sense of approval and satisfaction are key to the success of the deal program. As for the hotel, the establishment of an effective customer relations management mechanism is an important factor in business performance and is the most essential factor with respect to profits. Thus, this study intends to examine the impact that "deal program customer relation management" has on the relationship between satisfaction, loyalty and willingness to stay at a hotel, and on future development and operation strategies for vacation hotels.

II. LITERATURE REVIEW & PROPOSITION DEVELOPMENT

2.1. Customer Relationship Management (CRM)

Customers are market-based assets. Customer Relationship Management (CRM) is currently gaining widespread popularity in many industries. In the literature, as the business world shifts, managers are discovering that the enhancement existing of customer relations will be of benefit for profitable and sustainable revenue growth [7]. Reference[8] defines CRM as 'the key competitive strategy you need to stay focused on the needs of your customers and to integrate a customer-facing approach throughout your organization'. Srivastava, Reference[9] represent CRM focuses on establishing, maintaining and enhancing long-term associations with customers. Reference[10] also points out that many firms have implemented CRM technology in the hope that it will enable them to improve service for the customer, enhance customer retention and ultimately increase the firm's financial performance. However, based on the arguments above that CRM has become of importance to many firms and that it also to the hotel industry.

The hotel industry is in a quite competitive situation that consumers are their primary source of business profits. In recent years, the membership system has played an increasingly important role in the hotel industry. The system of membership is not only bringing profits to the hotel owners but also saving costs. Therefore, hotel owners should reinforce their activities in CRM. Reference [11] discovered that these membershipbased marketing activities are designed to enhance continued marketing exchanges among customers of the firm. However, many hotel owners in the industry have started to develop a membership privilege system to reinforce the relationship maintenance between the hotel and its members. This allows them to keep a sustainable competitive advantage in the rapidchanging business environment. For hotel enterprises, CRM is a great opportunity to increase customer value and provides a way to systematically attract, acquire and retain customers [12]. With CRM, hotels would be able to get a grasp of the market trends, as well as the demands of staying guests.

2.2 Perceived Value(PV)

Customer perceived value has gained much attention because it plays an important role in predicting customers' purchase behavior [13], [14].Reference[15] defined that the perceived value is a trade-off between perceived benefits and perceived costs. Reference[16]and [17] suggest that perceived value mirrors consumers' perceptions of quality for a given price and costs versus benefits. Perceived value is the difference between perceived benefits and costs [18]. Some scholars represent that consumers usually decide by comparing the difference between the sacrifice/costs (e.g., price) and benefits (e.g., product quality) when they have to make a decision, if the benefit is greater than the sacrifice, there comes "consumer surplus", which may lead to a purchase decision [19].

Reference [20] pointed out that the customers prior to firms are most concerned about which company can provide their needs and meet their perceived value. Reference[21] argued that only companies

provide even more value to customers than competitors, in order to retain customers and create customer loyalty. In hotel industry, consumers are their primary source of business profits. CRM focuses on establishing, maintaining and enhancing long-term associations with customers [22]. For the hotel enterprises, the system of membership is bringing profits to the hotel owners that CRM technology will enable them to improve service forcustomers, enhance customer retention and ultimately increase the firm's financial performance. These membershipbased marketing activities are designed to enhance continued marketing exchanges among customers of firm [11]. However, based on the arguments above that CRM and customer perceived value has become of importance to many firms. Hence, the following proposition is proposed:

Proposition 1: CRM is positively affect consumers' perceived valuein the membership privilege system of hotels.

2.3 Perceived Justice(PJ)

In the organizational behavior literature, Reference[23] argued that the perceived fairness of procedures used in making decisions are concerned with procedural justice theorists. Justice theory gain popularity in explaining how guests evaluate service providers' reactions to service failure/recovery that perceived justice is concept comprising three dimensions: distributive justice (DJ), procedural justice (PJ), and interactional justice (IJ) [24]. Production and consumption of services are inseparable in the marketing. In 1981, American Airlines (AA) launched AAdvantage that was the most significant and innovative breakthroughs. Customer Reward Program not only the first modern but also that it would increase customers repurchase behavior. Reference[25] argues that customer loyalty programs are utilized across vertical consumer markets and the broad spectrum of hotels, credit card issuers, airlines et al. Just as service delivery is variable, loyalty programs have become important in the service and hospitality industries [26].Now someone hotel owners in the industry have started to develop a membership privilege system to reinforce the relationship maintenance between the hotel and its members.In this research, Social Cognitive Theory will serve as the basis. It will discuss the effect of the CRM implemented by hotels to understand whether it affects room guest recognition in the fairness of the membership privilege system and the willingness to come back. Furthermore, it will examine the mediating effect of "perceived membership justice" and "perceived membership value" in the membership privilege system of hotels.

Reference[27] suggested that in customer loyalty programs, fairness can be examined using equity theory. Reference[28] argued that distributive justice (DJ) is the customer extent to perceive that they are equitably rewarded for their input. Programs are commonly grouped into two categories: tangible or intangible. Tangible rewards, such as product offerings, gifts, special deals, price discounts, and cash incentives. Intangible rewards, such as preferential treatment that include room upgrades. DJ involves the fairness of the reward allocation decisions are derived.Reference[25]suggested that although many loyalty programs strive to achieve DJ, but the application can result of programs may create perceptions of inequity, dissatisfaction and negative consequences. Procedural justice (PJ) involves theconsistency of application in policies, procedures, other criteria used to determine the results and the fairness of the process that leads to the outcome [29], [30]. According to Reference[31], interactional justice (IJ) considers the fairness associated with the information to exchange and outcomes to communication. A danger of loyalty programs is that when customers perceive that when their interactions with the firm are inconsistent with what they believe is deserved. However, in some firms,the loyalty programs can more comprehensive communications that which interactional inequity can be reduced through open and extensive communications. A growing number of companies to adopt CRM because it can decreasing rates of customer attrition but also improve the quality of information available to the company.Hence, the following proposition is proposed:

Proposition 2: CRM is positively affected consumers' perceived justicein the membership privilege system of hotels.

2.4. Membership Satisfactory(MS)

Customer satisfaction includes favorable behavioral intent and cheap promotion of services [32]. In the research of Reference[33], customer satisfaction capable of generalize the customer's overall impressions. Reference[34] arguments that satisfaction is understand the customer's perception and evaluation. Reference [35] argued that any firm of the ultimate goal is to ensure that the customer that purchases its product or service is satisfied.

Reference[36], [37] suggested that customer engagement may result of customer perceived value, satisfaction, trust, commitment, and loyalty. All of them are sustainable development customer relationships. Reference[38] acknowledged that customer perceived value leads to customer satisfaction, and it is the main antecedent of long-term customer relationships. Customer perceived value and satisfaction are the consequences of customer interaction [39], [40], [41]. Reference[42] argued that service leads to perceived value and satisfaction that leads to future customer loyalty.Hence, the following proposition is proposed:

Proposition 3: The CRM in hotels, perceived value is positively affected consumers' satisfaction.

Some scholars represent that implementation of CRM strategy will be of significant benefits to the

organizations, it not only can customizing products and services reap the benefit of increasing sales , but also ensuring long-lasting customer-retention and loyalty[43], [44], [45]. Reference[46] discovered that CRM can increase the satisfaction level of the customers. It also helps in improving marketing effectiveness. Hence, the following proposition is proposed:

Proposition4: The use of CRM applications is associated with customer satisfaction.

Reference [47] pointed out that perceived justice have positive and negative two effects for customer satisfaction. Some scholars have pointed out that when the sale transaction occurs are unfair that will lead to customer dissatisfaction phenomenon[48]. Perceived justice is fairness for assessment services. When consumers get the services/rewards to be fair, it will increase consumer loyalty for the hotel. In contrast, increased loyalty is also equivalent to the increase in consumer satisfaction. Hence, the following proposition is proposed:

Proposition 5: The CRM in hotels, perceived justice is positively affect consumers' satisfaction.

2.5 Relationship Strength(RS)

Long relationships are in order to achieve strong relationships and ensure that customers are satisfied. Some scholars argued that relationship strength was increased levels of trust, and commitment of the buyer–seller relationships [49],[50]. Reference[51] suggested that customer satisfaction (the attitude) leads to long-lasting relationships (the behaviour) and also in increasing relationship strength. Retain customers is a important thing about the service industry. Reference[7] argued that the CRM increase customer value, and retain customers. In this study to explore of the hotel industry used Membership systems main purpose is to strengthen the industry for the CRM implementation and improve customer relationship between the strength of the firm.Hence, the following proposition is proposed:

Proposition 6: The CRM in hotels, consumers' satisfaction is positivelyaffectrelationship strength.

2.6. The conceptual model of this study

The conceptual model of this study is illustrated in Fig. 1.

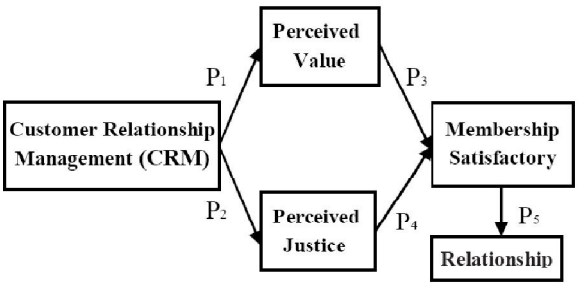


Fig. 1.The conceptual model of Membership Privileges in Hotel Industry.

CONCLUSIONS

In recent years, the relationship between the customer and the contact between the hotel gradually be taken seriously. Especially in the implementation of the membership system of the hotel, the hotel to pay more attention to the relevance between CRM and MS. In the future, this study will further develop a framework of CRM, PV, PJ, MS and RS, and hope to mature the relationship of those constructs and be more completely. In conclusion, if the hoteliers can completely maintain the relationship between the members and the hotel which is to the long-term operating range of great help. This issue is important to hotel industry this can keep a sustainable development to hotel, a competitive advantage to hotels.

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