Impact of Electronic Guest Relationship Management (e-GRM) on Brand Loyalty: The Case of Croatian Hotels

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Abstract—Quick adoption of e-business and emerging influence of *"Electronic Word of Mouth e-WOM"* communication on guests made leading hotel brands successful examples of electronic guest *relationship* management. Main reasons behind such success are well established procedures in collection, analysis and usage of highly valuable data available on the Internet, generated through some form of e-GRM programme. E-GRM is more than just a technology solution. It's a system which balance respective guest demands, hotel technological capabilities and organizational culture of employees, discharging the universal approach in guest relations "same for all". The purpose of this research derives from the necessity of determining the importance of monitoring and applying e-WOM communication as one of the methods used in managing guest relations. This paper analyses and compares different hotelier's opinions on e-WOM communication.

Keywords—Brand loyalty, e-WOM communication, GRM programmes.

I. INTRODUCTION

ONE of the biggest challenges which continuously shape hotel industry is keeping their guests loyal. Guest loyalty is depended variable and it represents indicator of successful organization of all fields in the hotel (the emphasis on organization culture, friendliness of workers, technology, safety, credence etc.), which means that guest loyalty needs to be managed. Moreover, difficulties in managing guest loyalty is indirectly connected with market trends, and today's' trends like frequent and shorter vacations, multi-destination visits during holiday (instead of just one) and guests' price sensitivity. Taking those circumstances into consideration, hoteliers are under the pressure to create greater values for their guests in relation to their competitors, realized through *processes, programmes, technology and employees.*

As technology grows rapidly and hotels are given the possibility to participate on web pages as observers and participants, the role of WOM communication as a tool used in fighting competition, e.g. fight for good reputation, is also increasing.

Achieved accomplishments of employees and managers in development of online relations (social networks, web pages,

online tourist agencies etc.) is equal to their abilities to communicate with guests, empathize with them, provoke public with different images, messages, videos, prize contests etc.

This kind of communication between guests and hoteliers make guest feel heard, their behavior patterns understood, and future expectations more realistic. Stated ideal situation would be impossible without predefined strategy, culture and technology focused on guest relations. Therefore, GRM (Guest Relationship Management) system is considered as an important part in managing guest communication. Electronic guest relationship management (e-GRM) represent the usage of the guest relation concept within the certain hotel e-business, and it includes all methods of establishing contact with guests using any of e-business elements the hotel is applying.

Objective of the GRM concept is to maintain long-term and profitable relation with guest using "one on one" approach, connecting all parts in one synchronized whole. Hence, it is unrealistic to except success of implemented technology or strategy if one of the conditions is not fulfilled. To even consider sustainable GRM, first step is to understand its values for guests. GRM system is considered to be a unique method of e- business, and it involves all methods of using several tools, aiming at timely delivery of knowledge about guests based on recognition of individual values.

II. BRAND LOYALTY

Reichheld and Ledingham are pioneers in determining solid relationship between retaining guests and company profit. Their contribution to science is evident by proving thesis that 5% increase in retaining guests may result with 20-85% increase in current net profitability [1]. Besides, the influence of brand loyalty is manifested through lower marketing costs – hotels must invest 10 times more funds for gaining new guests than keeping the loyalty ones.

Available marketing literature in most cases refers to brand loyalty as attitudinal and behavioral loyalty. Behavioral loyalty is represented as repeated purchase and such it doesn't have to represent loyalty to hotel brand. Namely, [2] wrote about cognitive approach to brand loyalty, stating that solely behavior does not reflect brand loyalty. Such approach could be observed through the need of recognizing the guest as an individual and creating the real values for guests, gradually building positive attitude about hotel brand and dismissing the

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form of measuring guest loyalty through number of hotel stays.

Thereby, *true brand loyalty* can be defined as guest behavior serving brand interest, built of present attitudes. On the other hand, [3] defines *fake loyalty* as inertial repeated purchase without loyal attitude towards brand. Such examples are numerous frequent flyer programs, proving inefficiency of efforts to achieve brand loyalty through decreasing prices. Such programs are focused on segments, ignoring the reason of arrivals and utilization of certain services and other characteristics that can define guest as an individual. Moreover, encouragement for repeated purchase and recognizing guests through segments ease duplication of added values by the guest and turning to competition.

Providing services to guest without recognizing guest as an individual are services which guest can buy in any other hotel, even at lower cost. In fact, guest comprehension is one of top 5 problems facing hotel managers [4] who also have deal with organization of guest relationship management process. In their research, [5] set out antecedent true brand loyalties:

1. Brand credibility,
2. Brand belief cognitive and emotional sources of attitudes – without belief, attitudes toward brand are not stabile,
3. Strong attitudes toward brand – social psychology finds strong resistance to changes in attitudes to be the "intensity" of actual attitude,
4. Brand loyalty (with behavior intention).

Their model of true brand loyalty shows that brand credibility represents the source of emotional and cognitive beliefs and that emotional belief often has influence on cognitive belief creation. Besides that, (cognitive and emotional) brand belief affects the intensity of attitudes toward brand, which lead to brand loyalty.

Brand loyalty is one of the most important marketing performance variables. Authors [6] consider it to be the key element for evaluation of contribution of GRM to marketing.

III. E-WOM COMMUNICATION

Many authors [7]-[10] emphasize the importance of emotions, e.g. feeling of satisfaction, pleasure, anger etc., as leading motivators of guests for sharing their experiences with others. There is a long tradition of interpersonal communication between guests in tourism and hospitality, where numerous researches led to conclusion that guest visit certain restaurants, hotels, apartments and others facilities which were recommended to them by their friends or relatives.

Observed from a guest perspective, WOM communication represents one of the most important channels of information while making decision about hotel product purchase. Some earlier researches [11] have shown that WOM communication (word to mouth) has more influence on guest than advertising or personal sales [12]. Expansion of Internet results with multiplication of its content. Authors [13] call it the *interpersonal influence phenomenon*. Prefix *e* (electronic) turns this kind of communication into main influence on brand awareness. E-WOM communication can be defined as every

informal conversation between online guests sharing the same interests.

In an increasingly networked society where guests can interact easily with other guest and firms through social networks and other new media, non-transactional guest behavior (e-WOM) is likely to become more important in the near future." [14] Authors [15] developed study to investigate whether interpersonal WOM is more influential than e-WOM.

Many guests read other guest reviews, proven by Olery in 2011, company producing statistic report on online hotels reputations. Olery Company reported following [16]:

- average hotel gets 238 reviews
- 81% of tourists find reviews very significant
- 46% of tourists publish hotel reviews
- 49% of tourists will not make a hotel reservation without prior check of reviews
- 53% of reviewers are female
- 48% of reviewers are 35-49 years old, 30% 25-34 years old, 22% 50-65 years old, 3% 18-24 years old and 0,5% 13-17 years old
- 22% of tourist reads reviews on their smartphones
- TripAdvisor is a webpage with the highest number of posted hotel reviews

Advantages of e-WOM communication channels like: no costs, wide range and increased autonomy and the importance which guests give to this kind of communication, affect direction of expectations for its future development. Namely, is it expected that guests will become more and more exposed to this form of expressing opinions without regard were asked to express it or not.

Development of hotel technology in environment in which e-GRM runs in a timely manner will raise need for trained web specialists who understand guest behavior: social network and virtual community managers, "multichannel" marketing managers, "touch point" managers etc.

Michael Dell (Chairman and CEO, Dell Computer Corporation) points out: Business over the Internet is actually processing "web-transactions" and data [17]. Internet should be used for development and maintenance of positive relationships with buyers, partners and suppliers. Results are long-term connection, repeated purchase, business efficiency and increased profitability.

IV. THE EFFECTS OF E-GRM ON CREATION OF POSITIVE BRAND AWARENESS

Considering above-mentioned text, it's possible to perceive the amplitude of GRM concept. According to [18] GRM is all around us. This kind of standpoint can be practiced by most hotel brands, which recognized the importance of guest information. Namely, in every moment of interaction with hotel (touch point), it's possible to get closer to the guest, if information are being immediately up-dated, analysed and further used as support in decision-making.

If we observe Internet as a part of the process of providing service to guests, which affects the whole organization as an external factor, then GRM can be observed as e-GRM

(electronic guest relationship management). Guests are increasingly using the Internet as a distribution channel, often being the first established contact between guest and the hotel. Therefore, guest relationship management can be also observed through two aspects considering guest contact point:

1. Indirect – over the Internet (e-GRM)
2. Direct "face to face" – direct interaction with hotel employee (GRM)

Authors have different standpoints on GRM (guest relationship management), mostly observed as CRM (customer relationship management, continuous relationship marketing, customer relationship marketing) or as CMR (customer management of relationship). Newell, F. states that CMR means "to allow buyers to express their opinions, what kind of information they wish to get, the quality of services they want to receive and the form of communication they want to use" [19]. His approach is founded on "permition" marketing, pointing out that is impossible to manage relationships unless buyers want it and see benefits from it.

GRM success is not of technical but organizational nature. Research carried out in 100 big corporations with implemented CRM in their business activities discovered that only 52% of mentioned companies achieved their desired business objectives [18].

E-GRM which meets preconditions for successful relations management must be flexible enough so hotel can stay in contact with its guests, it must be *beneficial* for every stakeholder in the process of guest's service creation *(integrated),* and in the end – it must apply *unique view for each guest*.

Expectations regarding e-GRM development are different from hotel to hotel, but first of all, they depend on:

- Organization readiness for implementing changes and,
- Current technology implemented

Considering highly developed GRM technologies in some big hotel groups, it is expected that most significant changes will occur in independent hotels (small, medium and large).Presence of technology in the hotel industry intrudes different view on competition in relation to the past century. Fight in that field is becoming more and more expressed in the form of employees' soft skills, when relationship between employees and guests and employees themselves becomes the measure for quality of hotel accommodation.

Considering the fact that guest relationship management can't be observed as and unique pattern of behaviour applicable in every single hotel, basically this kind of management is differed regarding type of ownership. In most cases, advantages of some hotels may be disadvantages of others. For example, popular hotel brands despite high technologies and well established rules in guest relationship management have always experienced problems directly or indirectly connected to intimacy and individual guest approach. In opposite, small family hotels business is founded on close relationship with their guests, individual approach, often applying information systems which are no match to ones used in big hotel corporations.

Considering abovementioned example, some questions arise:

- *Are investments in implementation of e-GRM technology in small hotels justified*? – Joining in one system, enabled through cloud solution, provides small family hotels chance for associated business activities. Advantages of well-connected and organized databases are numerous; some of important ones are: available data on guests in all small family hotels in Croatia, individual guest approach using guest registrations, affiliation (creation of unique logo) etc.
- *How can big hotel brands, despite high fluctuations and heterogeneity of the workforce and high number of guest still achieve "one to one" relationship with the guest, same as small family number of guest still achieve "one to one" relationship with the guest, same as small family hotels*? Harmonization of e-GRM technology and organization needs, founded on well-established GRM strategy, enables unique view for every guest in every single moment of interaction. The power of hotel groups lies in standardized regulations in data collecting while interacting with guests. Synchronization of all departments and disabling duplication of data enhances the possibility for provision of individual and quality service.

In order to build strong relationship between guest and hotel brand, hotel corporations must create positive brand awareness, perceived quality and effective and clear brand identity [20]. Considering that one of the brand roles is to "be part of the relationship" [21], many successful hotel associations owe their success in guest relationship management to GRM technology. It is necessary to observe brand loyalty as a consequence and a cause in relationships (Fig. 1)
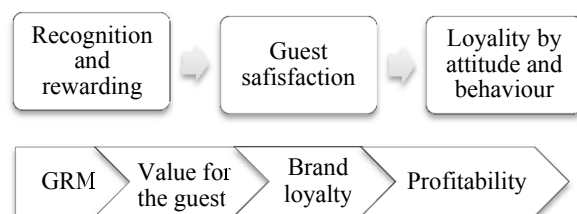

Fig. 1 Loyalty chain

Fig. 1 shows cause - consequence relationship, where guest-focused organisation strategy, culture and technology enable creation of values for guest indispensable for creating brand loyalty. Brand loyalty sets up preconditions for profitability, proven in marketing research results discovering that high guest loyalty leads to high profitability [1], [22].

V. METHODOLOGY

In order to test hypothesis and determine importance of e-WOM communication, research was conducted in 18 hotel brands and 47 small family hotels in the period from April to

June 2013. Data was collected using survey questionnaire, distributed to persons working at manager positions. They expressed their opinion through Likert scale, using rating scale from 1-5, where 1 stands for "strongly disagree" to 5 "strongly agree". For the purpose of data measurement applying descriptive and bivariate analysis, statistics package for social sciences SPSS 20 was used.

Sample will be illustrated and main concepts of this research measured through calculation of basic parameters of descriptive analysis (arithmetic mean, mode, standard deviation). Also, t-test will help to discover deviations of some concepts estimates, considering the form of ownership.

TABLE I
DESCRIPTIVE ANALYSIS OF GIVEN VALUES

Variables	No. of examinees	Average scale	Mode	Standard deviation
Presence of hotels on social networks effects brand awareness	63	4,32	4	0,643
The importance of WOM and e-WOM communication in making decisions about purchase is more pronounced in service than production industry	63	4,27	5	0,827
E-WOM has the same effect on guests as WOM	63	3,79	4	0,96
WOM and e-WOM communication indirectly effect performance	63	4,43	4	0,615
WOM communication represents more reliable source of feedback than survey questionnaires	63	4,1	4	0,837
Negative e-WOM effect larger number of people in relation to negative WOM	63	4,16	4	0,729
Guest are more willing to express their negative experience on web pages than by survey questionnaires	63	3,85	4	0,973
Management of communication on web pages plays a significant role in satisfying guests	63	4,06	4	0,914

VI. RESEARCH RESULTS

Every guest, potential, regular or irregular, who visits web pages to get information on different destinations, hotels, restaurants etc., wants to get reliable information. Namely, research has shown that e-WOM communication is more reliable and is more important for guest than some sources of information generated through marketing [12].

Besides that, authors [13] state that customers are more willing to except e-WOM advices on products based on experience. Considering the nature of business activity and richness of experience, this kind of informing in tourism and catering industry becomes even more significant. This was proven through research on interpersonal influence of e-WOM communication, which has been recognized as the most important resource for making decision on product or service purchase, especially in catering trade, where intangible product can hardly be evaluated prior realization of the

purchase itself [8], [23]. E-WOM communication, as such, can bring positive or negative side-effects for a hotel brand. Positive e-WOM communication is an indicator of loyalty by attitude. The importance of such loyalty derives from potential possibility of building true brand loyalty which is represented by behavior. Regardless the "prefix", such communication should be observed as an input, serving the purpose of achieving successful guest relationship management.

Conducted research had the intention to discover the level of awareness of Croatian hoteliers on the importance of participation in such communication and the significance of derived information for quality of relations management.

Additionally, this research wanted to prove that there is no difference in the opinions of Croatian hotel brands and small family hotels. In other words, it implies similar and positive awareness of hoteliers on e-WOM communication.

TABLE II
INDEPENDENT SAMPLE T-TEST

Variables	Independent and autonomous (A.S.)	Part of hotel groups (A.S.)	T-test	Sig (2-tailed)
Presence of hotels on social networks effects brand awareness	4,24	4,5	-1,437	0,156
The importance of WOM and e-WOM communication in making decisions about purchase is more pronounced in service than production industry	4,36	4,06	1,308	0,196
E-WOM has the same effect on guests as WOM	3,82	3,72	0,355	0,724
WOM and e-WOM communication indirectly effect performance	4,18	3,89	1,243	0,219
WOM communication represents more reliable source of feedback than survey questionnaires	4,4	4,5	-0,580	0,564
Negative e-WOM effect larger number of people in relation to negative WOM	4,18	4,12	0,288	0,775
Guest are more willing to express their negative experience on web pages than by survey questionnaires	3,69	4,29	-2,258	0,028
Management of communication on web pages plays a significant role in satisfying guests	4	4,22	-0,870	0,387

A.M. – arithmetic mean, Sig. (2-tailed) – t-test reliability

Out of 8 scaled elements, "Presence of hotels on social networks effects brand awareness", has won the highest average grade 4,32, while element "E-WOM has the same effect on guests as WOM" got the lowest grade 3,79. In

general, hoteliers gave the importance of WOM communication average grade 4.

To determine statistically significant differences between average grades with regard to the form of ownership and

proving the hypothesis that there is *no statistically significant difference in the importance of WOM communication with regard to the form of ownership*, independent sample t-test will be used.

T-test positive values show that observed variables got better grades by independent and autonomous hotels than hotel groups, and in reverse negative values indicate higher grades of hotel groups. Nevertheless, it is evident that determined differences are random e.g. they are not statistically significant (p>0,05). Hence, we can conclude that statistically significant differences in importance of WOM communication with regard to the form of ownership do not exist.

VII. Conclusion

The idea of interactive marketing in the real time is impossible to realize unless hotel is not present in key points of interaction with other guests. Messages and offer which will better meet the actual needs of guests can be adapted with the help of e-GRM and through recognition of the nature and content of prior interaction with guests. The power of information is observed through their integration with other contact points with the hotel. In other words, the value of information for a hotel is equal to the possibility of immediate storage of same information, amplitude of its usage and quality of its interpretation by hotel employees.

Connecting hotels in one systemized whole doesn't have to be observed through uniqueness of its appearance or provided hotel services (as in the case of hotel brands). Namely, as today's trends indicate tendency of losing guest loyalty - heterogeneity of experiences and provision of unique tailor-made services are desirable, created in a way that they animate the guest based on specificity of his/her character, previous visits and Internet activities. Guests don't want to experience something they have already experienced, which is difficult to apply in big hotel chains with standardized procedures, contractual liabilities and prescribed patterns of behaviour. However, changes in the organizational structure must take place if the hotel wishes to achieve and apply unique guest view in 360°, and provide tailor-made service. Hence, all organizations willing to accept "guest centric" culture of business are ready for implementation of organizational changes like several cross functional teams, integration of marketing department in research and development, finances and production of services.

Standardization of service can't be viewed in the context of limiting guest in order to provide same quality for every guest - on the contrary, it is necessary to standardize organizational behavior to get more familiarized with guests and their needs. In this way, hotels will acquire new information about the guest and become better prepared for their next encounter.

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