A Study on the Influence of Customer Relationship Management on Service Quality and Customer Loyalty: A Study Conducted among Hotels in Tamil Nadu and Kerala

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ABSTRACT

India is one of the largest restaurant industries in the world. It attracts venture capitalists, marketing Gurus social media specialists and experienced chefs across the world. According to Indian Restaurant Congress, Indian food service industry is worth nearly 75 thousand crore and it is growing at a healthy compounded annual growth rate of 17%.This food service industry is likely to reach 1, 37,000 crore by 2015.For many years the food business seen as a tempting and lucrative opportunity reflected to the fact opening a restaurant tops the wish list of many people in India. Due to the demand and expectations of the customers and government norms made the industry move towards organizing on its own. But still 70% of the current food service industries are in unorganized sector. According to the president of Franchise India, expects the organized food service industry will grow at a rate of 20-25% per annum. If this is the scenario, we want to understand what a customer really expects from a restaurant, the answer will help the owner to develop a sustainable innovative restaurant.   We are trying to develop a modal between service quality and customer loyalty to understand how these can be used for innovation and sustainability of the restaurant in the industry. The research will cover selected restaurants in Palakkad and Coimbatore for the purpose. The outcome of the study will throw some light on this industry which will be helpful for the upcoming entrepreneurs in this food service industry.

Keywords: Customer Relationship Management, Service Quality, Customer Loyalty.

1.0 Introduction

Customer relationship management is an approach to manage a company's interaction with current and potential customers. It uses data analysis about customers' history with a company to improve business relationships with customers, specifically focusing on customer retention and ultimately driving sales growth. CRM is a process or methodology used to learn more about customers needs and behavior in order to develop stronger relationship with them. The ultimate goal is to transform customer relationships into greater profitability by increasing repeat purchase rates and reducing customer acquisition costs.

The food processing industry in India is a sunrise sector that has gained prominence in recent years. Availability of raw materials, changing lifestyles and relaxation in policies has given a considerable push to the industry's growth. This sector is among the few that serves as a vital link between the agriculture and industrial segments of the economy. Strengthening this link is of critical importance to improve the value of agricultural produce; ensure remunerative prices to farmers and at the same time create favorable demand for Indian agricultural products in the world market. A thrust to the food processing sector implies significant development of the agriculture sector and ensures value addition to it. The Indian food processing industry holds tremendous potential to grow, considering the still nascent levels of processing at present. In the current times, restaurants have taken over the task for social gatherings, offering novelty and convenience at the same time. Independent outlets therefore continue to dominate the industry in India.

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Service quality is a comparison of expectations with performance. A business with high service quality will meet customer needs whilst remaining economically competitive. Improved service quality may increase economic competitiveness. This aim may be achieved by understanding and improving operational processes; identifying problems quickly and systematically; establishing valid and reliable service performance measures and measuring customer satisfaction and other performance outcomes.

The concept of customer loyalty has been considerable attention in the marketing literature over the past few years. In any industry, as the competition is becoming intense, the need for retaining the existing customers has become a top priority for all business. Researches show that it costs five times more to acquire a new customer than to retain an old one.

2.0 Scope of the Study

The scope of the study confined to provide a better understanding to identify the role of CRM on customer loyalty and service quality in hotel industry. Based on the results it is understood that CRM is considered to be among the best strategies and practices for hotels to improve their performance and ultimately to ensure their long-term business survival. It is also found that Regular guests are offered personalized services and privilege cards to avail special facilities and discounts. CRM helps in getting a holistic view of the customer and helps in offering customized products and enhanced value depending on the worth of the customer.

3.0 Objectives of the Study

- To study the influence of the State on Service Quality, CRM and Customer loyalty Dimensions.
- To study the influence of the Frequency of Visits to restaurants on Service Quality, CRM and Customer loyalty Dimensions.

3.1 Limitations of the study

The study has covered a very small portion of the population. Hence generalization of the study may not be possible. Due to time constraints the sample were collected only from 2 restaurants in Coimbatore and four from Palakkad.

4.0 Review of Literature

According to Siddhartha Bhattacharya, Dr. Partha Pratim Sengupta, Ramakant Mishra, (2011) states that aiming at establishing a concrete understanding of the relationship of customer satisfaction and image of the firm with customer loyalty. Taking into consideration the fierce competitive market which the restaurant sector is witnessing the researchers believe that the current study will serve as a significant help to both academician and marketers equally. The investigation was carried out to understand which variables of customer satisfaction and image positively determine customer loyalty towards in the fast food market. The study used a data collected from fast food outlets in the city of Chennai with the implications from the findings being loyalty is positively influenced by image of the restaurant and customer satisfaction towards housekeeping, food & beverages, reception and price".

According to Mohammad Haghighi, , Ali Dorosti, , Afshin Rahnama and Ali Hoseinpour, (2012) identifies the factors affecting customer loyalty in the restaurant industry. Data was collected using questionnaire distributed in 10 randomly selected branches of Boof Chain Restaurant in Tehran. In each branch, 40 customers were selected for the study. Ultimately, the research sample consisted of

268 customers. Structured equation modeling was used for data analysis and hypothesis testing. The obtained results show that food quality, service quality, restaurant environment, and perception of price fairness had a positive impact on customer satisfaction, but the impact of restaurant location on customer satisfaction was not confirmed. Also, food quality, service quality, and perception of price fairness had a positive effect on customer trust. The results show that food quality is the most important factor affecting customer satisfaction and trust in Boof Chain Restaurants.

Mohammad Haghighi,Ali Dorosti, Afshin Rahnama and Ali Hoseinpour(2012), present research was to investigate the factors affecting customer loyalty in the restaurant industry. Data was collected using questionnaire distributed in 10 randomly selected branches of Boof Chain Restaurant in Tehran. In each branch, 40 customers were selected for the study. Ultimately, the research sample consisted of 268 customers. Structured equation modeling was used for data analysis and hypothesis testing. The obtained results show that food quality, service quality, restaurant environment, and perception of price fairness had a positive impact on customer satisfaction, but the impact of restaurant location on customer satisfaction was not confirmed. Also, food quality, service quality, and perception of price fairness had a positive effect on customer trust. The results show that food quality is the most important factor affecting customer satisfaction and trust in Boof Chain Restaurants. Customer satisfaction had a positive impact on customer loyalty, but the effect of customer trust on customer loyalty was not confirmed

According to Francis Buttle, (1996) "SERVQUAL: review, critique, research agenda", European Journal of Marketing, Vol. 30 Iss: 1, pp.8 – 32, found out that Since its launch in 1985, SERVQUAL has become a widely adopted technology for measuring and managing service quality. Recently, a number of theoretical and operational concerns have been raised concerning SERVQUAL. Reviews these concerns and proposes a research agenda.

5.0 Research Methodology

A structured questionnaire was developed and tested for collection of data. For the research,the researcher focuses on primary data. A stratified random sampling is used for sample selection. The respondents were met and collected data in person when they were coming out of the restaurant for the study. The collected data was analyzed and using one way-ANNOVA analysis variance.

5.1 Analysis and interpretaion

Table 1.1: One way-ANOVA between the State on Service Quality, CRM and Customer Loyalty Dimensions

| Dimensions | ANOVA | | | | | |
	State	Mean	Sd	Df	F	Sig
Reliability	Tamil Nadu	3.45	.759	1 894	1.072	.301
	Kerala	3.40	.753			
	Total	3.43	.757			
Responsiveness	Tamil Nadu	3.29	.765	1 893	.026	.872
	Kerala	3.28	.795			
	Total	3.29	.776			
Tangibility	Tamil Nadu	3.55	.776	1 894	1.587	.208
	Kerala	3.48	.734			
	Total	3.53	.761			
Assurance	Tamil Nadu	3.48	.706	1 893	.125	.724
	Kerala	3.46	.741			
	Total	3.47	.719			

				df	F	Sig
Empathy	Tamil Nadu	3.43	.688	1 894	1.415	.235
	Kerala	3.37	.794			
	Total	3.41	.729			
Key customer focus	Tamil Nadu	3.45	.691	1 894	.326	.568
	Kerala	3.42	.734			
	Total	3.44	.707			
Technology	Tamil Nadu	3.59	.645	1 894	1.069	.301
	Kerala	3.54	.691			
	Total	3.57	.662			
Business process	Tamil Nadu	3.27	.717	1 894	1.361	.244
	Kerala	3.22	.768			
	Total	3.25	.736			
Knowledge Management	Tamil Nadu	3.48	.704	1 894	.038	.845
	Kerala	3.47	.744			
	Total	3.47	.719			
Behavioural	Tamil Nadu	3.29	.732	1 894	3.016	.083
	Kerala	3.20	.774			
	Total	3.26	.749			
Attitudinal	Tamil Nadu	3.61	.697	1 894	.779	.378
	Kerala	3.57	.696			
	Total	3.59	.696			

Interpretation: From the above analysis of one way ANOVA between the State with the dimensions of Service Quality ,Customer Relationship Management and Customer Loyalty, it is   interpreted that all the calculated F values are less than the table value. Hence we accept the null hypothesis at 95%confidence level.

Table 1.2 One way-ANOVA between the Frequency of Visits to Restaurants on Service Quality, CRM and Customer Loyalty Dimensions

ANOVA						
Dimensions	**Frequency of visits**	**Mean**	**Std. Deviation**	df	F	Sig
RELIABILITY	Less than 2 Times	3.12	.835	4 891	5.446	.000
	2-4 Times	3.41	.861			
	5-7 Times	3.48	.691			
	8 and above Times	3.34	.829			
	5	3.55	.569			
	Total	3.43	.757			
RESPONSIVENESS	Less than 2 Times	3.07	.964	4 890	3.822	.004
	2-4 Times	3.21	.866			
	5-7 Times	3.37	.692			
	8 and above Times	3.28	.855			
	5	3.38	.584			
	Total	3.29	.776			
TANGIBILITY	Less than 2 Times	3.46	.823	4 886	4.295	.002
	2-4 Times	3.49	.674			
	5-7 Times	3.53	.785			
	8 and above Times	3.31	.756			
	5	3.66	.801			
	Total	3.53	.761			
Dimensions	**Frequency of visits**	**Mean**	**Std. Deviation**	df	F	Sig
ASSURANCE	Less than 2 Times	3.27	.833	4	2.893	.021

		Mean	Std. Deviation	Df	F	Sig
	2-4 Times	3.45	.845	890		
	5-7 Times	3.51	.658			
	8 and above Times	3.42	.814			
	5	3.56	.475			
	Total	3.47	.719			
EMPATHY	Less than 2 Times	3.09	.737			
	2-4 Times	3.44	.791			
	5-7 Times	3.42	.655	4 891	7.166	.000
	8 and above Times	3.25	.786			
	5	3.53	.636			
	Total	3.41	.729			
KEY CUSTOMER FOCUS	Less than 2 Times	3.22	.832			
	2-4 Times	3.55	.780	4 891		
	5-7 Times	3.42	.676			
	8 and above Times	3.25	.695		5.668	.000
	5	3.46	.567			
	Total	3.44	.707			

ANOVA						
Dimensions	**Frequency of visits**	**Mean**	**Std. Deviation**	**Df**	**F**	**Sig**
Technology	Less than 2 Times	3.38	.727			
	2-4 Times	3.61	.684			
	5-7 Times	3.60	.611	4 891	6.328	.000
	8 and above Times	3.33	.782			
	5	3.65	.565			
	Total	3.57	.662			
Business Process	Less than 2 Times	3.22	.773			
	2-4 Times	3.22	.824			
	5-7 Times	3.15	.716	4 891	2.094	.080
	8 and above Times	3.39	.718			
	5	3.30	.627			
	Total	3.25	.736			
Knowledge Management	Less than 2 Times	3.27	.833			
	2-4 Times	3.45	.845			
	5-7 Times	3.50	.658	4 891	2.725	.028
	8 and above Times	3.44	.825			
	5	3.56	.468			
	Total	3.47	.719			
Behavioral	Less than 2 Times	3.21	.788			
	2-4 Times	3.20	.829			
	5-7 Times	3.16	.741	4 891	2.711	.029
	8 and above Times	3.39	.744			
	5	3.34	.631			
	Total	3.26	.749			
Attitudinal	Less than 2 Times	3.50	.703			
	2-4 Times	3.53	.754			
	5-7 Times	3.71	.703	4 891	2.240	.063
	8 and above Times	3.56	.718			
	5	3.63	.603			
	Total	3.59	.696			
Cognitive	Less than 2 Times	3.37	.786			
	2-4 Times	3.33	.796		1.382	.238
	5-7 Times	3.36	.659	4		

	8 and above Times	3.40	.849	891		
	5	3.47	.483			
	Total	3.39	.700			
Affective	Less than 2 Times	3.22	.784			
	2-4 Times	3.37	.728			
	5-7 Times	3.41	.651	4	1.680	.152
	8 and above Times	3.24	.794	891		
	5	3.36	.615			
	Total	3.35	.697			

ANOVA

Dimensions	Frequency of visits	Mean	Std. Deviation	Df	F	Sig
Word of Mouth	Less than 2 Times	3.25	.748			
	2-4 Times	3.47	.809			
	5-7 Times	3.39	.633	4	2.413	.048
	8 and above Times	3.40	.719	891		
	5	3.50	.465			
	Total	3.44	.677			
Complaining Behavior	Less than 2 Times	3.26	.839			
	2-4 Times	3.36	.853			
	5-7 Times	3.25	.719	4	1.498	.201
	8 and above Times	3.30	.813	891		
	5	3.41	.558			
	Total	3.34	.748			
Trust & Commitment	Less than 2 Times	3.01	.702			
	2-4 Times	3.27	.975			
	5-7 Times	3.12	.702	4	2.575	.036
	8 and above Times	3.23	.906	891		
	5	3.26	.590			
	Total	3.22	.801			
Price	Less than 2 Times	3.09	.859			
	2-4 Times	3.37	.916	4		
	5-7 Times	3.43	.743			
	8 and above Times	3.22	.876	891	6.422	.000
	5	3.56	.754			
	Total	3.39	.842			
Corporate Image	Less than 2 Times	3.12	.652			
	2-4 Times	3.45	.704			
	5-7 Times	3.45	.521	4	7.011	.000
	8 and above Times	3.35	.682	891		
	5	3.51	.423			
	Total	3.43	.602			

6.0 Interpretation

1) From the above analysis one way ANOVA between the frequency of visits to the restaurant with the Reliability dimension of service quality , the calculated F value is 5.446 (Sig =0.000) that is greater than the table value. Hence we reject the null hypothesis at 95% confidence level.

2) From the above analysis one way ANOVA between the frequency of visits to the restaurant with the Responsiveness dimension of service quality ,the calculated F value is 3.822 (Sig =0.004) that is greater than the table value. Hence we the reject null hypothesis at

95%confidence level.

3) From the above analysis one way ANOVA between the frequency of visits to the restaurant with the Tangibility dimension of service quality , the calculated F value is 4.295 (Sig =0.002) that is greater than the table value. Hence we reject the null hypothesis at 95%confidence level.

4) From the above analysis one way ANOVA between the frequency of visits to the restaurant with the Assurance dimension of service quality , the calculated F value is 2.893 (Sig =0.021) that is greater than the table value. Hence we reject the null hypothesis at 95%confidence level.

5) From the above analysis one way ANOVA between the frequency of visits to the restaurant with the Empathy dimension of service quality , the calculated F value is 7.166 (Sig =0.00) that is greater than the table value. Hence we reject the null hypothesis at 95%confidence level.

6) From the above analysis one way ANOVA between the frequency of visits to the restaurant with the Key Customer Focus dimension of CRM , the calculated F value is 5.668 (Sig =0.000) that is greater than the table value. Hence we reject the null hypothesis at 95%confidence level.

7) From the above analysis one way ANOVA between the frequency of visits to the restaurant with the Technology dimension of CRM , the calculated F value is 6.328 (Sig =0.000) that is greater than the table value. Hence we reject the null hypothesis at 95%confidence level.

8) From the above analysis one way ANOVA between the frequency of visits to the restaurant with the Business Process dimension of CRM , the calculated F value is 2.094 (Sig =0.080) that is less than the table value. Hence we accept the null hypothesis at 95%confidence level.

9) From the above analysis one way ANOVA between the frequency of visits to the restaurant with the Knowledge Management dimension of CRM , the calculated F value is 2.725 (Sig =0.028) that is greater than the table value. Hence we reject the null hypothesis at 95%confidence level.

10) From the above analysis one way ANOVA between the frequency of visits to the restaurant with the Behavioral dimension of Customer Loyalty , the calculated F value is 2.711 (Sig =0.029) that is greater than the table value. Hence we reject the null hypothesis at 95%confidence level.

11) From the above analysis one way ANOVA between the frequency of visits to the restaurant with the Attitudinal dimension of Customer Loyalty , the calculated F value is 2.240 (Sig =0.063) that is less than the table value. Hence we accept the null hypothesis at 95%confidence level.

12) The table of one way ANOVA between the frequency of visits to the restaurant with the Cognitive dimension of Customer Loyalty , the calculated F value is 1.382 (Sig =0.238) that is less than the table value. Hence we accept the null hypothesis at 95%confidence level.

13) From the above analysis one way ANOVA between the frequency of visits to the restaurant with the Affective dimension of Customer Loyalty , the calculated F value is 1.680 (Sig =0.153) that is less than the table value. Hence we accept the null hypothesis at 95%confidence level.

14) The analysis between the frequency of visits to the restaurant with the Word of Mouth of Customer Loyalty , the calculated F value is 2.413 (Sig =0.048) that is greater than the table value. Hence we reject the null hypothesis at 95%confidence level.

15) The ANOVA table between the frequency of visits to the restaurant with the Complaining Behavioral dimension of Customer Loyalty , implies that the calculated F value is 1.498 (Sig =0.201) that is lesser than the table value. Hence we accept the null hypothesis at

95% confidence level.

16) Analysis of one way ANOVA between the frequency of visits to the restaurant with the Trust and Commitment dimension of Customer Loyalty , the calculated F value is 2.575 (Sig =0.036) that is greater than the table value. Hence we reject the null hypothesis at 95% confidence level.

17) From the above analysis one way ANOVA between the frequency of visits to the restaurant with the Price dimension of Customer Loyalty , the calculated F value is 6.422 (Sig =0.000) that is greater than the table value. Hence we reject the null hypothesis at 95% confidence level.

18) It is evident from the analysis of variance between the frequency of visits to the restaurant with the Corporate Image dimension of Customer Loyalty , the calculated F value is 7.001 (Sig =0.000) that is greater than the table value. Hence we reject the null hypothesis at 95% confidence level.

7.0 Conclusion

All the service industries invariably of their businesses have accepted service quality as one of the major factor which affects the satisfaction level of customers. A satisfied customer will bring or introduce new customers to the business .When compared to other service industries restaurant industry has discussed less on service quality on the business. When this study was started we had a small doubt, is service quality prevailing in un - branded restaurants? Because branded restaurants have their own standards of service delivery. These un- branded restaurants are run by family members based on their own wish and they will have their own idea of running business. And we thought that there will be a great difference between two states on service perceived. Fortunately the study has shown us customers are expecting and perceiving the service quality dimension invariably of the state which they belongs to. It was a welcome finding of this study except tangibility dimension all other dimensions are accepted equally by respondents of both the states.

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