

Kyiv National University of Trade and Economics
Department of hotel and restaurant business

FINAL QUALIFYING PAPER

on the topic:

«CRM strategy of the “Opera Hotel”, Kyiv»

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**Task
for a final qualifying paper**

1. Topic of a final qualifying paper: «CRM strategy of the “Opera Hotel”, Kyiv»

Approved by the Rector’s order from 17.10.2017 № 3330.

2. Term of submitting by a student his/her terminated paper: 01.11.2018

3. Initial data of the final qualifying paper

Purpose of the paper is to improve the understanding of the customer retention by determining the key aspects of the customer relationship management and to develop the most effective strategy.

The object is the process of formation and implementation of customer relationship management strategy at the “Opera Hotel”.

The subject is a set of theoretical, methodological and practical provisions to develop customer relationship management strategy.

4. Illustrative material:

Figures: Relation of the CRM Components to the Value Propositions; Share of each room type in the total number of rooms; Managerial structure; Dynamics of the annual occupancy; Annual Unallocated operated Expenses; Segment structure; Occupancy by segment; Dynamics of main customer segments development; Dynamics of the loyalty programs participants’ share in the annual bookings; Estimation of the Property-Management System Benefits; Example of the regular main Customer Journey

Tables: The accommodation characteristics; List of conference halls with capacity and measurements; Income statement; Guest revenue by segment; STR Report for the “Opera Hotel”; Comparison of the annual costs of PMS systems.

5. Contents of a final qualifying paper (list of all the sections and subsections)

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PART 1. THEORETICAL BASE OF THE CUSTOMER RELATIONSHIP MANAGEMENT STRATEGY

1.1. Essence of the Customer Relationship Management

1.2. Scientific basis of the Customer Relationship Management strategies

1.3. Evaluation Techniques of the Customer Relationship Management strategies

Conclusions to Part 1

PART 2. EVALUATION OF THE CUSTOMER RELATIONSHIP MANAGEMENT STRATEGY AT THE “OPERA HOTEL”, KYIV

2.1. Analysis of the business activity of the “Opera Hotel” in the market of hotel services

2.2. Determination of influential factors on the development of the CRM strategy

2.3. Evaluation of the effectiveness of the current CRM strategy of the “Opera Hotel”

Conclusions to Part 2

PART 3. WAYS OF IMPORVEMENT OF THE CUSTOMER RELATIONSHIP MANAGEMENT STRATEGY AT THE “OPERA HOTEL”, KYIV

3.1. Directions of development improvement of the hotel’s CRM strategy

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6. Time schedule of the paper

№	Stages of the final qualifying paper	Terms of the final qualifying paper	
		de jure	de facto
1	Choosing and approval of the final qualifying paper topic	01.09.2017 - 31.10.2017	29.10.2017
2	Preparation and approval of task for the final qualifying paper	01.11.2017 - 31.12.2017	28.11.2017
3	Writing of the 1 st part of the final qualifying paper	02.01.2018 - 11.05.2018	09.05.2018
4	Defense of the 1 st part of the final qualifying paper in scientific adviser	14.05.2018 - 18.05.2018	15.05.2018
5	Writing and preparation for publication of a scientific article	Before 18.05.2018	17.05.2018
6	Writing and defense of the 2 nd part of the final qualifying paper in scientific adviser	18.05.2018 - 07.09.2018	05.09.2018
7	Defense of the 2 nd part of the final qualifying paper in scientific adviser	07.09.2018 - 10.09.2018	29.09.2018
8	Writing and defense of the 3 rd part of the final qualifying paper in scientific adviser	11.09.2018 - 28.10.2018	27.10.2018
9	Registration of the final qualifying work and abstract for preliminary protection in commissions	29.10.2018 - 31.10.2018	28.10.2018
10	Presentation of final qualifying paper and abstract on the department	01.11.2018	01.11.2018
11	Presentation of the final qualification work to the Dean's Office for receiving a referral for an external review	5.11.2018 - 9.11.2018	08.11.2018
12	Preparation of final qualifying paper to defense in the Examination Board	12.11.2018 - 30.11.2018	29.11.2018
13	Defending of the final qualifying paper in the Examination Board	According to the schedule	03.12.2018

7. **Date of receiving the task:** 28.12.2017

8. **Scientific adviser of the final qualifying paper** _____

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10. **The task received by the student** _____

Filipp O. Mekh

11. Resume of a scientific adviser of a final qualifying paper:

Student Filipp O. Mekh performed the final qualifying paper in a due time according to the schedule. According to the content, structure and design, the performed work meets the requirement. Final qualifying paper is performed the actual theme. In the first chapter was investigated the theoretical background of the Customer Relationship Management, especially its concepts, essence, strategic approach and the effectiveness evaluation methods.

In the second chapter of the final qualifying paper, the practical aspects of the Customer Relationship Management strategy at the “Opera Hotel” were analysed. The business activity of the enterprise and the influential factors on the effectiveness of the Customer Relationship Management of the organisation were studied, as well as the analysis of the effectiveness of the CRM strategy has been conducted.

The third chapter is dedicated to the idea development of the ways of the Customer Relationship Management strategy improvement at the “Opera Hotel”. The forecast of the CRM strategy considered.

The purpose of the final qualifying paper was achieved and the scientific tasks were met. The work is recommended for the defence in the examination committee.

Scientific adviser of a final qualifying research _____ Anatolii A.
Mazaraki

12. Resume about a final qualifying paper research

A final qualifying paper can be admitted to defence in the Examination Board.

Head of educational and professional program _____ Nadiya I. Vedmid

Head of the Department _____ Margarita H.
Boyko

_____, _____, 2018

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INTRODUCTION

Humanity has always fought for the place under the Sun, striving for the sustainable life and prosperity. The modern age societal development has put new wording to this statement: “Businesses are fighting for the market share”. Regardless the size of the business, every company yearns to attract the leads and - what is more substantial – to turn them into their loyal customers.

Since the dawn of the corporate strategy, the prevailing philosophy was to treat customers “inside-out” or as Henry Ford had asserted in his autobiography “My Life and Work” (1922): “Any customer can have a car painted any colour that he wants so long as it is black” [27].

However, the times are changing and in the 1990th top-managers began noticing that customer behaviour is shifting under the heavy pressure of cutting edge technologies, internet and other elements that are adjacent to these early manifestations of digital era. Aforementioned events had caused the industry giants to suffer economic losses and have ultimately urged a number of scholars to start researching for how to find an alternate approach to leading a profitable business while delivering a higher quality customer experience. Rogers and Peppers were researching the strategic framework [55], [54], [49], Hunter, Ahn, Harris, Buttle, and Ngai have delved deep into concepts and methodologies of the CRM concepts and strategic information systems [37], [5], [35], [15], [44], Godin studied the business transformation and customer behaviour [32], [33], Peppard, Crosby and Knox researched the CRM perspectives in the market [42], [21], [48], Porter elaborated on strategies and competitive advantage [51], Berry and Day wrote several books developing the relationship marketing concept [7], [8], [22], Kincaid, Ling, Payne and Frow introduced various points of view on the implementation [41], [43], [47], Bradshaw and Adebajo explored the e-commerce application of the CRM [11], [3], existence of CRM in the industry of finance had been researched by Foss, Eid, Hughes and Kanakostas [28], [26], [36], [40], Addington analysed the effect of customer feedback on quality management [2], CRM essentials had been stated in the works of Dyche, Bergeron and Burnett [25], [6], [12], customer orientation and influence of CRM on the

corporate culture has been a major emphasis in Deshpande, Imhoff, and Fraya's works [23], [38], [29], Goldenberg, Ahmad and Buttle worked on the conceptual reflection of CRM on the practical approach [34], [4], while Dwyer and Cherns studied the principles of the socio-technical design [24], [16]. Their scientific endeavours soon led to the birth of the term Customer Relationship Management or simply – CRM.

Nowadays, that a social media reigns supreme, people are more aware of the global trends, can easily share their experiences online, and overall, the recent GDPR initiative [31] implies that people are oversaturated with the companies trying to subtly force them into the decision-making. The global outcry has moved the ice: the survey, published by the market research firm “O’Keeffe & Co” for “Oracle”, states that nearly all of the business executives they have interviewed claim that the customer experience is paramount to their business advantage [45]. Others go even beyond by considering that the Relationship Management should not be only “Customer”, but “People” Relationship Management, for it is impossible to deliver an exceeding experience for a customer if the employee’s interests are neglected.

Having reviewed the number of scientific documents on the topic of the Customer Relationship Management, the **purpose** of this work is to research the Customer Relationship Management Strategy at the “Opera Hotel”, Kyiv.

In order to get to the gist of the study, the following **objectives** should be achieved while conducting the research:

- ❖ to give the definition of the essence of the CRM;
- ❖ to define the scientific basis of the CRM strategies;
- ❖ to determine the evaluation techniques of the CRM strategies;
- ❖ to analyse the business activity of the “Opera Hotel” in the market of the hotel services;
- ❖ to determine the influential factors on the development of the CRM strategy;
- ❖ to evaluate the effectiveness of the current CRM strategy of the “Opera Hotel”;
- ❖ to suggest the directions of development improvement of the hotel’s CRM strategy;
- ❖ to offer a forecast of the CRM strategy.

The **object** of the research is the Customer Relationship Management, its strategies, components and derivatives.

The **subject** of the research is the theoretical, methodological and practical provisions of the Customer Relationship Management in domestic and foreign hotel environments.

The **methods** of the research are the general scientific methods approach such as: comparative analysis – is used to measure the financial relationships across the variables; scientific generalisation – universalisation of the researched facts; questioning – in order to fetch the necessary information; synthesis – is used to infer the information from the inevent sources; statistical observation – data analysis.

The **scientific innovation** of this research is the development of the idea of the CRM future components in the modern strategic environment of the enterprise, which has been achieved during the study of the topic matter.

The **practical values** of the research are the conclusions and recommendations that can be used as the basis for the adjustment of the organisation's Customer Relationship Management strategy and an improvement of the overall customer satisfaction with the produced services produced by the enterprise. The results of the research were published in the article "CRM in the environment of the hospitality business", published in the "International Hotel Business and Tourism" journal by KNUTE, p. 87-92 (Appendix A).

PART 1

THEORETICAL BASE OF THE CUSTOMER RELATIONSHIP MANAGEMENT STRATEGY

1.1. Essence of the Customer Relationship Management

The definition of the Customer Relationship Management nature has been given by many specialists, CRM-researching institutes and prominent marketologists, but I would like to focus on two researchers – Marianne Cotter and Chuck Schaeffer - that I believe had published the most compelling and elaborate articles in this field of study, their multiple works are presented on the world's largest CRM knowledge hub – www.crmsearch.com [20].

Both Cotter and Schaeffer indirectly agree that Customer Relationship Management is the set of technologies, strategies and practices that helps an organisation to collect the customer data and analyse the company's interactions with their clients in the existing touchpoints in order to bolster sales and to build a strong relationship with the customers [17], [58].

Martha Rogers assumes that CRM is an approach that helps the management of the company to hear and understand their customers in order to learn their customers' value, to increase this value and to keep these customers longer, grow them bigger, as well as gradually build trust [56].

Although it is widely believed by sales and marketing managers that CRM is just a software, Chuck Schaeffer stresses that it is only a gear that enables the whole CRM mechanism to work [58].

However, before we move to the strategic element of CRM, it is necessary to understand what is the place of CRM in the structure of the enterprise and how it influences the aforementioned aspects.

In the core understanding of the customer relationship lays the Pareto principle that there is a minority of customers that brings the most of profits [46]. This statement is

well-regarded by the specialists at FrugalTech [30] as well as by Marianne Cotter [17]. The latter suggests that the identification of such high value customers is the top priority for a firm that wants to stay competitive [17]. But the term “identification” does not always mean that it is about an external search for the new leads. The statistics shared by FungalTech convey that there is tendency: obtaining new customers is 3 times more expensive than the cost of retaining the existing ones [30].

The identification of the high value customers is possible by tracking the recorded data of the customers’ interactions with the company. Knowing where the customer touch-points with the organisation are, here steps in the technical aspect of the Customer Relationship Management: the front office application part of the CRM software. It helps organise the gathered intel during the customer-facing activities and categorise it into the comprehensive report that would be easily readable for an S&M manager [17].

CRM software brings **two value propositions** to the table:

The Operational CRM bolsters the efficiency in the business processes and its value lies in the cost savings [17].

The system registers every interaction with a customer and directs them into the customer’s contact history, making this data accessible for the authorized personnel upon necessity. Also, it simplifies the interaction between a client and a company, as the contact history transfers the information about a client to a respected specialist without the need to describe the previous interactions with other departments each time [53].

Examples of the touch-points are: the contact centres, the self-service web-sites and the performance measures such as cost, cycle time and satisfaction [17].

Operational CRM allows a company to have a better understanding of who their customers are, what they experience at the touch-points and to generally see their customer’s archetype.

The Analytical CRM uses input data in order to foretell the behaviour of the market [17].

Analytical CRM relies on the data-mining and scrutinizes the customer data in order to:

- Find an optimal approach to the development of the target marketing campaigns;

- Find an optimal approach to the customer acquisition, up-selling, customer retention and acquisition;
- Observe the customer behaviour with the purpose to adjust the pricing policy and to choose the direction of the new product development;
- Customer profitability analysis and the financial forecast;
- Customer lifetime modelling (attrition rate) [53].

The Analytical CRM's value lies in its usefulness to adjust the strategy beforehand and not post-factum, which in the right condition allows a company to gain an upper hand over competitors and rather “act” than “react” to their strategic choices. As Chuck Schaeffer said: “The only sustainable competitive advantage is to know your customers better than your competitors” [18].

Let us consider what are **the main CRM Software Components**.

Even though Marianne Cotter is right that there are three key customer-facing areas, which are *targeting*, *acquiring* and *customer support* [17], there are more components, than just *Marketing Automation*, *Sales Force Automation* and *Customer Service*, that are functioning as an ancillary unit to these three main areas.

Marketing Automation (*other name is Campaign Management*) [39] serves the targeting and acquisition purposes by helping design the marketing campaigns and by tracking the efficiency of these campaigns across products and territories [17].

Common features are:

- Brand management;
- List management;
- Real-time offer management;
- Loyalty management;
- Marketing budget ROI analysis [17].

Sales Force Automation - its main function is to automate the sales related activities (lead tracking) [39]. SFA's software is tasked to:

- Keep the lists of leads;
- Provide the sales department with the list segments;
- Response-tracking;

- Reports-generation;
- Sales forecasting;
- Product configuration;
- Quota management;
- Sales analysis [39], [17].

Customer Service automates the customer support part of the Cotter principles by providing case management resolutions to occurring incidents [17].

Its applications track the:

- Case management;
- Knowledge-based look ups;
- Quality control;
- Performance measure for the future product development [17].

Sales Intelligence CRM

Sales Intelligence CRM has the same roots as the Analytical CRM, but it manages the sales tasks with more precision by delivering the vital information to the sales department based on the internal and external factor analysis:

- Switch-, cross-, up-sell viabilities
- Performance of sales
- Customer buying patterns [39].

Geographic CRM

Geographic CRM is the combination of the geographic information system and the traditional CRM. It connects the data received by the location analysis and the data collected from the marketing information. This method heavily relies on the visualization and maps [39].

Collaborative CRM

Collaborative CRM coordinates the direct interaction between the customers and the organization by addressing the customers' complaints and issues to the support departments. Main objective of this CRM type is to gather as much data in order to improve the quality of customer service and their satisfaction [53].

	Customer Service	Collaborative CRM	Sales Force Automation	Marketing Automation	Sales Intelligence CRM	Geographic CRM
Brand & Loyalty Management		✓		✓		
Managerial Reporting			✓			✓
Marketing & Sales			✓	✓	✓	✓
Complaints & Case Management	✓	✓				
Quality Control	✓					

Operational CRM
Analytical CRM

Fig. 1.1. Relation of the CRM Components to the Value Propositions.

Another important aspect of the CRM software is the **delivery method**.

At the dawn of the CRM software development, there was only “**client/server**”-based delivery method. The reason to this limitation is quite simple – 25 years ago internet communication lines were not that advanced to be able to support such a complicated procedure of transferring huge data-files. In order to exploit the **self-hosted solution** (that is an alternate term for the client/server method), a company has to purchase the licensed software and a hardware in order to be able to host the software on. Although the in-house deployment would allow for broad customization of the system to the needs and necessities of the organization, given method is quite encumbering for the IT department, for it is a serious challenge to install hardware and software, but moreover – to maintain it and deal with the ongoing technical and user issues [17].

Costs of the self-hosted solutions are high and the installation process heavily relies on the experienced IT personnel. All this combined implies that the client/server method is not in such demand any longer, and those organisations, who are using it, are mostly

large corporations for whom it is in higher priority to be able to control the customization aspects and it is less of a burden to implement in-house CRM, as they have enough resources to back it up.

In the beginning of the second millennia appeared another model of delivery – **Application Service Provider** (ASP) or alternatively “Software as a Service” (SaaS) or “cloud”. Cloud-based solutions might be less flexible customization-wise, in comparison to self-hosted solutions, but they don’t require the additional investments into IT infrastructure and offer a more liberal prices: the monthly subscription in contrary to the license fee with the annual maintenance. Additionally, a cloud-based service provision allows for the instant sharing of the information between all the platform that it is installed onto, as PC’s, laptops, smartphones. In general, this solution is more affordable for medium and small businesses due to this combination of the “friendly” factors [17].

Many modern CRM services offer various options, ranging from:

- Integration: Outlook, Gmail, Facebook, Instagram, Twitter, other social media, Property Management Solutions (which is the main integration option to look for in hotel business);
- Different deployment of the automatic notifications: “push” notifications, e-mail notifications;
- User fees: per license (“Act!”), per user account (“Salesforce”), concurrent sessions (“Zoho dashboard”)
- GDPR compliance solutions: Consent management, subscription management, bulk updates.

All these parameters could be overwhelming while considering a software. And it is important to think of every possible module and aspect that an organisation wants to have in their CRM system before starting to look for the platform.

According to “Business Wales” [13], the list of the most trusted brands of CRM platforms, as stated in 2017, include:

- SAP (Systeme Anwendungen und Produkte in der Datenverarbeitung);
- Oracle;
- Microsoft;

- HubSpot;
- Zoho;
- SugarCRM;
- Salesforce [14].

However, it is paramount to emphasize that the value of the software is in the data that is contained within it, not in its functions. Without the proper business processes attuned to data input no CRM system shall help.

1.2. Scientific basis of the CRM strategies

Benjamin Franklin once said: “By failing to prepare, you are preparing to fail”. Later Winston Churchill had paraphrased that sentence by swapping “prepare” for “plan”, yet it doesn’t change the core meaning of the saying. Aphorism implies that the strategic vision of the upcoming events is important for those, who crave the success.

However, **what is strategy?** Michael Porter gives an elaborate, answer to that question in his work of the same name – “What is Strategy?” [50].

Porter stresses that first of all it is necessary to distinguish that reaching *operational effectiveness* isn’t a *strategy*, it goes along with it, but these are the different things, despite the fact that both are crucial to superior performance. While the explanation of *the operational effectiveness* is stated explicitly, - “it is performing similar activities better than rivals perform them”, - the *strategy’s* definition isn’t that obvious, even though it has been given several times in his book’s text:

- “Strategy is making trade-offs in competing”,
- “The essence of strategy is choosing what not to do”,
- “Strategy is the creation of a unique and valuable position, involving a different set of activities”,
- “The essence of strategy is in the activities – choosing to perform activities differently or to perform different activities than rivals”.

Still, all these definitions are united by one common idea – the *choice* [50].

In other words, the *strategy* is making the meaningful choices.

In the frame of the Customer Relationship Management, a strategy is the set of the choices that would lead to the continuous building of the trusted relationship with your customers.

CRM strategy could be divided into B2B (business-to-business) and B2C (business-to-customer) strategies [56] with B2B CRM being the oldest among two of them. The latter has existed since the dawn of computers entering corporate business. CRM worked as a storage house of the financial transactions between massive corporations. B2C CRM is relatively new and appeared only in the early noughties, when the IT technology has become more accessible for the smaller companies and so incentivised the management of those enterprises to adopt the strategic CRM approach.

The main differences between the two strategies lie in the complexity. B2C CRM strategy is simpler to that of the B2B, for the reason that the main priority of the system is the nurturing of the personal contacts with the customers, while the B2B CRM strategy has to work around the corporate organism, which, unlike human, does not have any emotions and does not make decision based on the personal relationship, on top of that B2B CRM has to deal with the higher channel complexity as the relationship of business to business deals with more stock keeping units (SKU) through multiple channels [17].

Thus, for the necessities of the B2C strategy CRM provides the tools to deal with individual customers while for B2B it gives the needed analytical functions to pin-point the influential decision-maker in the partner company.

The CRM strategy is an integral part of the organisation's global strategy as the CRM strives to support the main purpose, yet it is not a purpose itself.

As it has been mentioned before, the operational effectiveness should not be an indicator of the strategy, for the value of the CRM isn't that apparent in the traditional measurement of ROI (Return On Investment). However, it is paramount to have appointed the SMART (Specific, Measurable, Actionable, Realistic, Time-bound) objectives in order to oversee the implementation process [58].

Chuck Schaeffer offers a **four step guidelines** to the creation of the CRM strategy [58]:

1. There should be a strong *need for change* that is recognised by the whole organisation, either out of necessity or opportunity;
2. *Clearly state the vision of change process and explicitly convey the set goals*. It is necessary to emphasize that the goal is not a fixed endpoint, but an “intersection of organisational priorities, guiding principles and measurable objectives which collectively achieve mutually beneficial customer relationships”;
3. *Assessment and design of the corporate culture and capabilities* in order to turn the vision into reality. “The CRM strategy must be designed with an outside-in customer focus and include an integrated mix of culture, people, business processes and enabling technology”;
4. *Exert periodic control over accomplishment of the SMART objectives* in accordance to the forecasted results.

Schaeffer’s guidelines are missing budgeting aspect as this task is less strategic and more operational. However, costs of implementing CRM are explained by the “CRM Landmark” [18] in their article “CRM Journey” [19]:

- ❖ **Licensing:** the price of obtaining the CRM software, could be subscription-based, annual, by the number of involved users, by the number of modules or integrations with other software, company size;
- ❖ **Hardware:** purchase or lease; these are not necessarily servers for the self-hosted solutions. For SaaS: some expected users of the CRM system might not have the laptop or PC, in order to access it; although it is quite archaic nowadays as it is hard to imagine a business operating without means of the digital data input, still it is worth mentioning;
- ❖ **Implementation:** in case the IT specialists in the company are not familiar with the installing procedure of the software, the services of the external consultants might be needed;
- ❖ **Alignment of Business Needs and Processes:** these are the inevident costs that occur if the business processes and the objectives for the sales, marketing and service departments were set wrong;

- ❖ **Customization:** the additional costs that incur during the software expansion procedures (additional functionalities);
- ❖ **Ongoing training and support:** costs of the initial training of the personnel to use the software are usually included in the contract with the service provider, still the software would get the upgrades with time and in order to stay put to the new changes it would be necessary to include the price of the training sessions to the forecasted calculations;
- ❖ **Integration:** some CRM platform providers charge additionally for the number of integrations with the various applications, such as e-mail programs, social networks, micros and PMS, web-sites, financial software, campaign management software and so on;
- ❖ **Infrastructure:** these are the costs for the in-house not web-based solutions, that incur when it is needed to invest into the IT personnel, ancillary software, hardware, operating systems and local maintenance;
- ❖ **Disaster:** even though the specialists at “CRM Landmark” give an example of the high-risk natural disaster areas in US, it is still important to consider disaster costs in Ukraine too, as a fire or flooding could occur.

1.3. Evaluation Techniques of the CRM strategies

Evaluation of the general CRM effectiveness could be quite tricky as it doesn't directly lead to the quantifiable result. Measuring efficiency of the CRM strategy apart from the organisation's main strategy would not bring to the expected outcome most of the time. Top-managers today, in reality of global financial crisis, and especially managers in Ukraine, tend to expect fast ROI in the first few financial quarters. However, the CRM strategy affects many aspects of the organisation, not only financial, for that reason the efficiency (or inefficiency) would be reflected in the revenue report in the long run. This stems from the task of CRM, from the company's point of view, is to increase revenues and reduce operational costs while retaining existing customers, acquiring new ones, and improving customer loyalty [10].

Bob Walton (CEO at “BigContacts”) [9] suggests to measure not the effectiveness of the whole strategy, but the investment into the CRM software [10].

$$ROI = \frac{\text{gain from investment} - \text{cost of investment}}{\text{cost of investment}} \quad (1.1)$$

In order to calculate the *gain from investment*, it is necessary to establish SMART objectives for all departments that had CRM software implemented. Upon the introduction of the objectives, the comparison of the results “prior to implementation” to “post implementation” is advised. According to Walton, few of the important factors to consider while comparing are [10]:

- ❖ Overall revenue;
- ❖ Revenue per lead;
- ❖ Cost per lead.

Also, Walton stresses that there are *gains from investment* that are too vague to palpably measure, such as increase in productivity for the sales department. “It is difficult to assign a number value to increased productivity, because it is hard to prove what affects the speed with which a person completes a task” [10]. Which is a fair statement, considering that automation of the routine operations will not always display the boost of efficiency right away, because at the beginning there is a human specialist who needs time to adjust to a new business processes and does not always has consistent performance.

Although increase in performance isn’t an explicit matter to measure, Walton suggests several productivity standards [10]:

- ❖ Number of sales calls made;
- ❖ Number of sales calls made to close a sale;
- ❖ Amount of time it takes to close a sale;
- ❖ Incidence of cross-selling or up-selling;
- ❖ Customer retention rates.

While the gain from investment requires the deep analysis, as mentioned by “BigCompany”, the cost of investment is a more straightforward to account for, resembling the expenses on [10]:

- ❖ Cost of hardware, software, subscription;
- ❖ Cost of implementation;
- ❖ Cost of maintenance;
- ❖ Cost of any administrative functions;
- ❖ Cost of employee labour while using the software;
- ❖ Cost of any recurring fee associated with the system.

Walton emphasizes that it is paramount to continuously measure metrics and adjust the systems and strategy accordingly to the performance, as the CRM has no end-point [10].

Despite the fact that it is hard to measure CRM strategy effectiveness, it would be appropriate to mention the *common risks and mistakes* that usually (according to “O’Keeffe & Co” survey [45]) occur in the process of implementation and at the later stages.

Marianne Cotter focuses attention on:

- **Failure to get executive buy-in.** Without the clear involvement of the heads of the departments it would be problematic to deliver the vision to the personnel of those departments, and hard to assess the influence of the CRM in the strategic scale [17];
- **Treating CRM as a technology rather than an integral part of the business strategy.** That is a common mistake among the management of the organisation. While the software works to automate and optimise business processes, it is the task of strategic approach to initiate change management [17];
- **Failure to eliminate information silos.** A mistake that occurs on the implementation stage if the customer touchpoints have been badly thought of or if the employees do not properly input the received data from the interaction with the clients [17];
- **Deploying all modules at the same time.** One of the main tasks of the CRM software is the omnichannel data unity. If the module integration goes too fast, it could incur morbid damage to the entire organisation [17];
- **Failure to measure ongoing customer satisfaction.** The whole CRM journey is about changing the corporate culture from being customer-aware become to consumer-centric. All the changes have to be monitored through the prism of the

customer perception. If the customer reacts to the changes in a negative way – that means that the choices the company is making are not in the right direction [17].

Conclusions to Part 1

Thus, the Customer Relationship Management is the combination of techniques that the management of the organisation resorts to when they realise that nowadays the stronger competitive advantage is after those businesses that uphold the customer-centricity principles and who learn from the interactions with their clients.

The CRM includes three aspects of its activity: technology, strategy, practice.

Utility that brings the Customer Relationship Management software opens an opportunity to automate customer data input processes and organise this data for further thorough analysis. The various modules exist in order to increase the productivity of the specific customer-related services and to measure the performance of the Sales and Marketing department personnel.

The CRM strategy is the core component out of the three mentioned above for the reason that exactly the strategy gives the meaning to all the actions that are being taken in order to strengthen the relationship with the customers. The CRM strategy should not be considered apart from the company's main strategy. The CRM strategy is about changing the corporate culture, mind-set of the employees and the decision-making.

The CRM practice is the last component among the three of them, but its importance is unrivalled. Some consider practical facet to be a part of the strategy, but in reality its functions lie in the actual actions (either digital or physical) directed towards improvement of the relationship with clients. These include the loyalty programs, special offers, front office employees' behaviour, call-centre responsiveness and other adjacent activities.

Although the CRM consists of the three parts, only two of them are mandatory for the efficiency of the improvement of the customer relationship: the strategy and the practice. It is possible not to have a dedicated CRM platform, but still be mindful about

strategic approach to relationship improvement and applying the set of practical events in order to deliver the high quality service to the customers and achieve the solid retention.

PART 2

EVALUATION OF THE CUSTOMER RELATIONSHIP MANAGEMENT STRATEGY AT THE “OPERA HOTEL”, KYIV

2.1. Analysis of the business activity of the “Opera Hotel” in the market of the hotel services

To begin with, it is necessary to make a **general overview** of the “Opera Hotel”.

“Opera Hotel” is the 5* hotel situated in the Kyiv city centre – Boghdana Khmelnytskogo street, 53.

“Opera Hotel” is the first boutique hotel of the deluxe segment in Kyiv that is open since December 20th 2006. Since March 2007 the hotel is the member of “The Leading Hotels of the World” association, which provides the accommodation and service at the highest level of the world standards.

The hotel has a gorgeous-looking building that attracts visitors with its elegance and charm. The hotel building had been built in 1905 and it is now considered to be an architectural heritage of Kyiv.

The hotel is situated in the capital’s centre, at the edge of the business, cultural and historical parts of the city, close to the famous National Opera of Ukraine and the St. Volodymyr’s Cathedral. Convenient geolocation allows the guests of the hotel to easily and swiftly travel from the hotel to the either airports (Boryspil, Kyiv), railway, expo-centres or other business objects.

The hotel’s credo is:

Team Spirit

Exceeding guest expectations

Attention to details

Mutual respect

“Opera Hotel” offers 140 exquisite rooms (Table 2.1, Fig.2.1) with a special attention given to the soft tones of the colours, elegance of the furniture and the remarkability of the atmosphere.

Table 2.1

The accommodation characteristics of the “Opera Hotel”

Room category	Room space, m ²	Number of rooms	Bed type	Amenities
Queen	16 - 18	14	Queen bed	<ul style="list-style-type: none"> ❖ Complimentary high speed internet connection; ❖ Fully stocked mini bar and in-room refreshments; ❖ 32-inch flat screen TV; ❖ Direct dial telephone; ❖ Air-conditioning; ❖ Digital safe; ❖ Bathrooms are equipped with a heated floor, hairdryer and a magnifying mirror.
King Standard	20 - 28	77	King bed / 2 Queen beds	
Superior	33 - 37	40		<ul style="list-style-type: none"> + ❖ Interactive TV ❖ Tea and coffee facilities
French suite	48	1		<ul style="list-style-type: none"> + ❖ Special guest amenities and welcome treats
Moroccan suite	45	1		
Egyptian suite	66	1		<ul style="list-style-type: none"> + ❖ Bedroom and separate sitting area
Italian suite	65	1	King bed	
Japanese suite	64	1		
American suite	65	1		
Russian suite	65	1		

To the guests’ convenience and pleasure, “Opera Hotel” also has an outdoor furniture, tickets to various attractions or shows, different tours and classes about the local

Ukrainian culture, bike or walking tours, complimentary parking (both the street parking and a secure parking), public transport tickets. Also, there are photocopying and other office-type services available for the guests of the hotel.

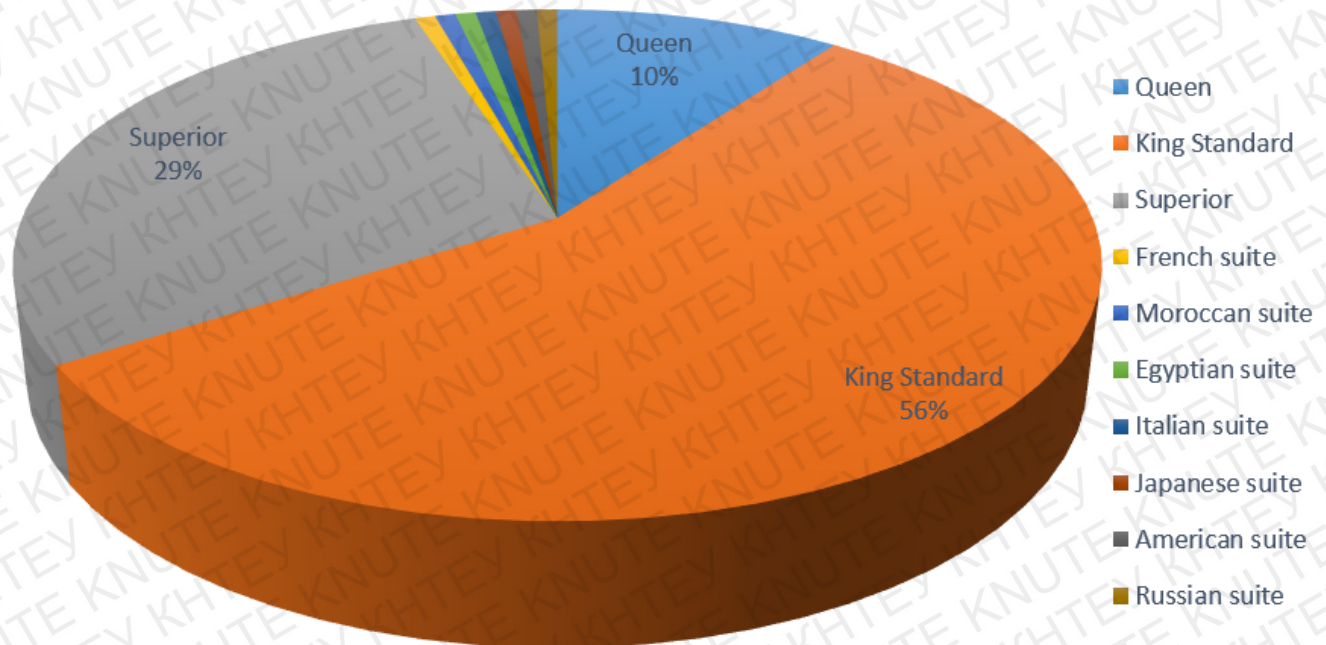


Fig. 2.1. Share of each room type in the total number of rooms at the “Opera Hotel”.

Detailed description of the “Opera Hotel” suite accommodations could be found in Appendices to this work (Appendix 2.1.)

As seen on the Fig. 2.1, the majority class of the room types is the “King Standard”, which corresponds to the standard room-type in the commonly known category classes across the hotel enterprises.

The **venues** at the “Opera Hotel” are:

Food and beverages

Restaurant “Teatro” combines two concepts at the same time. Guests are free to choose whatever is up their liking: sun-lighted terrace or the elegant multifunctional hall designed in trendy and warm colour tones. Guests have an opportunity to enjoy the various dishes of the Mediterranean and the national Ukrainian cuisines each day from 06:30 till 23:00. On the weekend the breakfast is from 07:00 till 11:00 and the “a la carte” serving is from 18:00 till 23:00.

Comfortable solution for the business small-talk is the “*Lobby Lounge*” where the guests of the “Opera Hotel” are offered the broad choice of the cigars and elite beverages.

Dim soft light and soft aroma of the exclusive cognac, classic interior and the comfortable armchairs – they are there to create the atmosphere of the traditional gentlemen’s club.

Situated at the ground floor right after the reception front office desk, “Lobby Lounge” is the main meeting spot at the hotel. The elegant architectural solution, exclusive furniture, exquisite decorative elements and a glass dome with a crystal chandelier make the hall the focal point of the hotel where guests and residents of the city can meet for business talks and romantic dates near the comfortably smouldering fire of a luxurious fireplace.

Conferences and banquets

Wide-functional conference rooms, equipped with the latest technical solutions, as well as exquisitely decorated banquet rooms, offer guests the possibility of holding any event, from official presentations, trainings and press conferences, to corporate and private parties.

Table 2.2

List of conference halls with capacity and measurements at the “Opera Hotel”

Hall name	Capacity	Measurement, m2
Grand Symphony	200	232
Maestro	120	135
Business lounge	40	74

Also, an addition to the hotel’s venues is the “*Diva Spa Centre*”. It offers a variety of beauty services such as:

- Haircut and colouring;
- Styling, visage, face aesthetics;
- Cosmetology and massage;
- SPA procedure for the face and body;
- Mani-Pedi.

It is crucial to consider and analyse the **managerial structure** at the “Opera Hotel” (Fig. 2.2).

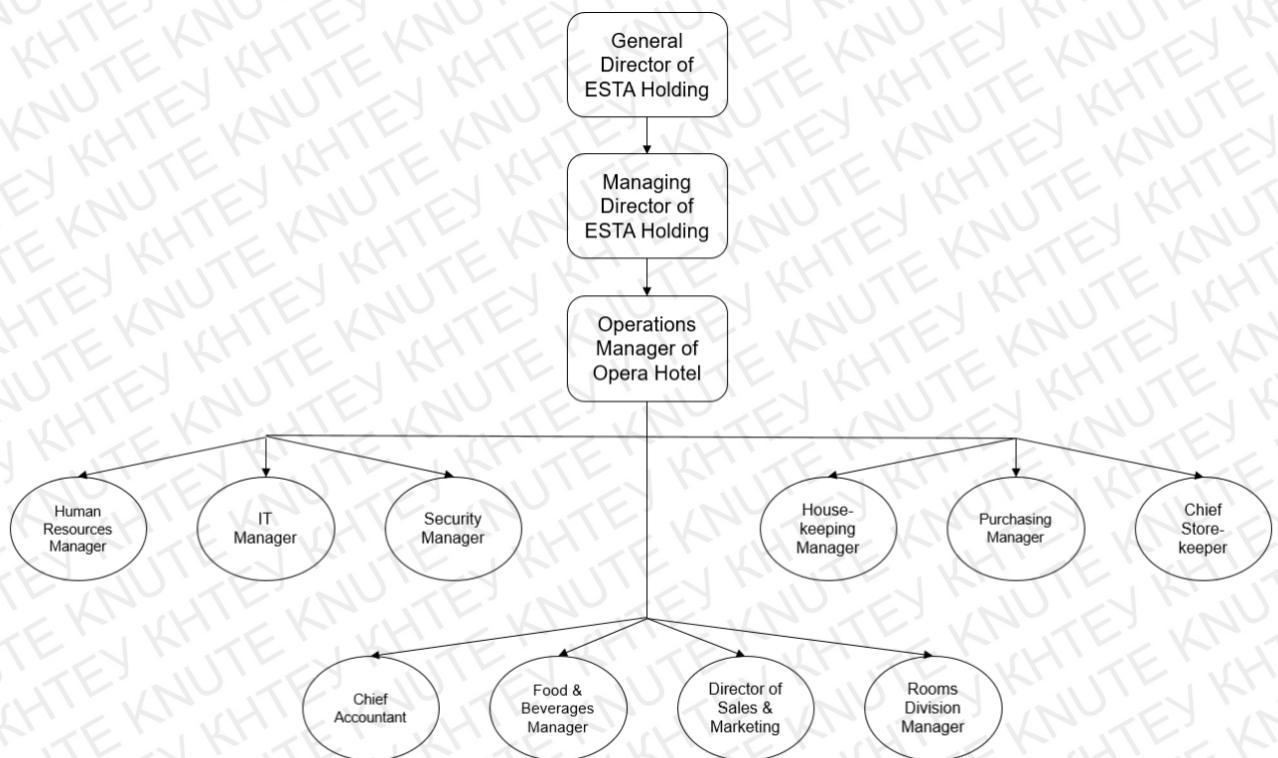


Fig. 2.2. “Opera Hotel” managerial structure.

At the top of the structure is the General Director of the ESTA Holding that acts as a representative of the SCM group and manages the strategy for the all property assets of the organisation. Managing Director of the ESTA Holding is assigned to oversee the hotel business aspect of the Holding and maintain its profitability and brand traction. The Operations Manager of the Opera Hotel is in authority to take direct actions in order to sustain the successful operation of the enterprise and monitor hotel’s daily activities. The

Executives of the departments are in direct subordination with the Operations Manager. Current system provides the top-management with the necessary communication flexibility and the direct chain of command. The strategic planning and the organisational vector of the activity is being discussed on the formal and colloquial sessions between the heads of the departments when every representative has an opportunity to voice out the concerns of his team and suggest the allocation of resources from the point of view of the department.

Another important internal indicator to consider while assessing the activities is the hotel's **average occupancy** during the year.

The occupancy indicator is defined by the dependency of the total number of the rooms available at the hotel for the accommodation of guests and the number of guests who are staying “in-house” (occupying the hotel’s room overnight). Average yearly occupancy is the summary of all the rooms that could be potentially be offered for guests during the year and the amount of rooms that were actually occupied by the guests. Annual occupancy indicator is considered to be one of the key indicators for the hotel business as it displays the overall popularity among customers of the hotel during seasons and off-season periods.

In case of the “Opera Hotel”, the yearly average occupancy would be calculated the following way:

$$Avrg. ann. occ = \frac{n}{140 \cdot 365} * 100 \quad (2.1)$$

Where n – is the amount of rooms sold during the year.

The Fig. 2.3 depicts the dynamic of how the annual occupancy had been changing at the “Opera Hotel” during 2015, 2016 and 2017. We can see that there had been a slight decrease between years 2016 and 2017, however overall the occupancy was higher than usual these two years due to the abundance of the international events that were held in Kyiv and a successful marketing strategy that the “Opera Hotel” conducted.

The following calculation has been done in order to get the values:

$$2015 = \frac{32,908}{51,100} * 100 = 64.4\%$$

$$2016 = \frac{40,114}{51,240} * 100 = 78.2\%$$

$$2017 = \frac{38,581}{51,100} * 100 = 75.5\%$$

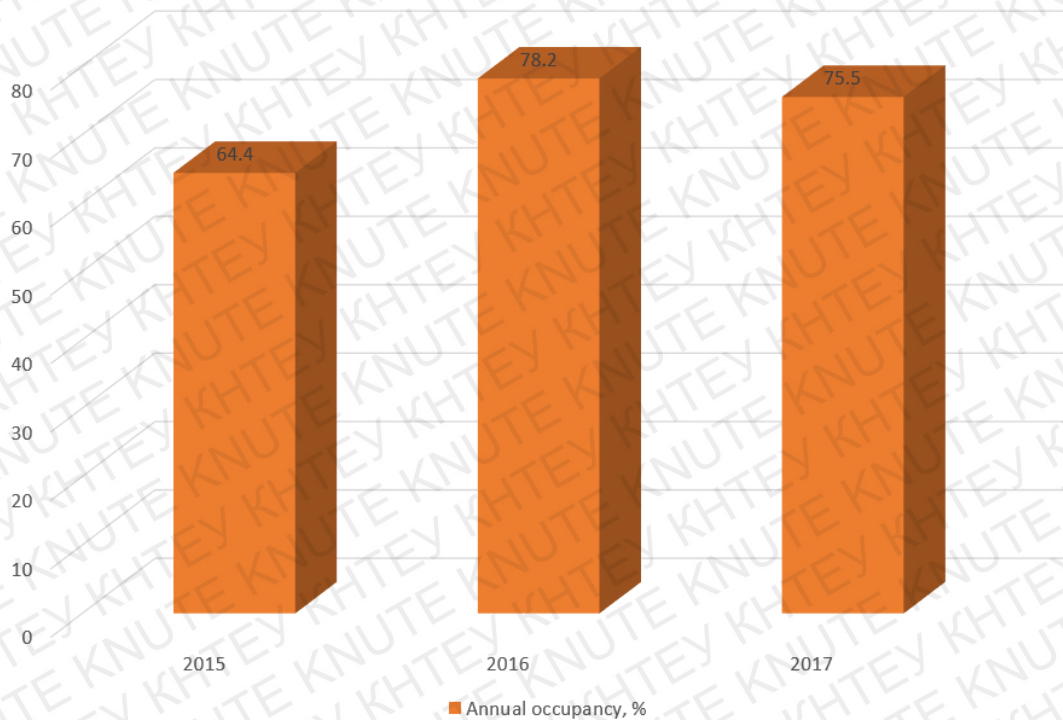


Fig. 2.3. Dynamics of the annual occupancy.

An **income statement** should be review in order to study the financial situation of the “Opera Hotel”. As it is shown on the Table 2.3, “Opera Hotel” has three main sources of **revenue** generation: **accommodation** provision, **nourishment** (all f&b outlets, room service, etc.), organisation of the **events & conferences**. Category “Other” consists of “DIVA SPA Centre” revenues and the revenues of: selling gifts; laundry. It is seen through years 2015, 2016 and 2017 that the rooms revenue is rather growing, while the sag of 2% between years 2016 and 2017 is a result of the superb performance in 2016. While Rooms revenue is unequivocal, Food & Beverages revenue is performing differently throughout the time period and had seen as a major jump of 39% in sales in 2016, and a major dip of 15% in 2017. Meetings & Conferences revenue has a direct tie

to the F&B performance at the “Opera Hotel” and their revenue generation had approximately the same rises and falls.

Table 2.3

Income statement of the “Opera Hotel”

Item	2015		2016		2017		Deviation 2015/2016		Deviation 2016/2017	
	Amount, UAH, thous.	Proportion	Amount, UAH, thous.	Proportion	Amount, UAH, thous.	Proportion	Absolute Deviation, UAH, thous.	Relative Deviation, percent	Absolute Deviation, UAH, thous.	Relative Deviation, percent
Annual Revenue										
Rooms Revenue	164,925	66%	196,862	61%	192,648	66%	31,937	119	(4,214)	98
Food and Beverages	68,391	28%	95,229	30%	81,283	28%	26,838	139	(13,946)	85
Meetings and Conferences	13,199	5%	24,691	8%	17,550	6%	11,492	187	(7,141)	71
Other	1,967	1%	3,963	1%	2,437	1%	1,996	201	(1,526)	61
Total revenue	248,482	100%	320,745	100%	293,918	100%	72,263	129	(26,827)	92
Operated Department Costs	15,097		24,501		19,308		9,404	162	(5,193)	79
Gross Operating Income	233,385		296,244		274,610		62,859	127	(21,634)	93
Unallocated Operated Expenses										
Personnel Costs	41,982	33%	46,244	30%	44,635	27%	4,262	110	(1,609)	97
Property Operations and Maintenance	32,590	25%	40,933	26%	39,445	24%	8,343	126	(1,488)	96
Utility Expenses	25,916	20%	31,154	20%	33,057	20%	5,238	120	1,903	106
Including: · Maintenance of Software (“OPERA” PMS)	1,082	1%	1,138	1%	1,055	1%	56	105	(83)	93
Marketing	17,549	14%	22,523	15%	26,066	16%	4,974	128	3,543	116
Including: · Promotion Campaign (CRM)	3,729	3%	4,108	3%	5,396	3%	379	110	1,288	131
· Payments for Partner Programs (LHW)	2,267	2%	2,522	2%	3,482	2%	255	111	960	138
Other	11,080	9%	14,383	9%	19,582	12%	3,303	130	5,199	136
Total unallocated operated expenses	129,117	100%	155,237	100%	162,785	100%	26,120	120	7,548	105
Total gross operating profit	104,268		141,007		111,825		36,739	135	(29,182)	79
Income tax	18,768		25,381		20,129		6,613	135	(5,253)	79
Net income	85,500		115,626		91,697		30,126	135	(23,929)	79

Expenses at the “Opera Hotel” are divided into:

Operated Department Costs - these are the necessary costs for the sustainable operation of the revenue-generation activities such as the room upkeep and the costs directly attributed to providing food and beverages.

Unallocated Operated Expenses – the expenses that are not associated with any particular revenue-generation activities.

At the “Opera Hotel” Unallocated Operated Expenses are:

- ❖ *Personnel costs* - payroll expenses;
- ❖ *Property Operations and Maintenance* - maintenance and repairs expense amortisation, depreciation;
- ❖ *Utility expenses* – electricity, heating, water, software maintenance;
- ❖ *Marketing* – expenses associated with the promotion campaigns, advertising and the payments for the participation in partner marketing programs;

In the category “*Other*” of the expenses at the “Opera Hotel” are: legal services, life and theft insurances, etc.

Income tax in Ukraine is 18% and in the table the income tax parameter had been calculated accordingly to this value.

Overall, *net income* of the “Opera Hotel” averages at £97 million and the income value has climbed up since 2015 in general. As it has been mentioned above, the performance anomaly of 2016 is attributed to the combination of the events abundance nearby the hotel location and the successful marketing approach.

However, it is necessary to trace the *investments into the Customer Relationship Management* at the “Opera Hotel”. In the Fig. 2.4 they are represented by the items “Maintenance of Software”, “Promotion Campaign”, Payments for Partner Programs”.

It is seen, that the investments into the data input and storage software part of the CRM - “*OPERA*” PMS - had been stable during the three-year period and fluctuated only when a few server parts had to be replaced.

Promotion Campaigns, as a practice approach to the CRM, is the combination of the exercises that are meant to build the customer satisfaction: amenities, free of charge printing services, city-maps, etc. “Opera Hotel” had been increasing the investments into the improvement of the relationship with the customers across the displayed three-year period.

Payments for “The Leading Hotels of the World” Partner Programs are necessary expenditures for the acquisition of the new customers and in order to provide them with the beneficial loyalty programs. As it is seen on the table, “Opera Hotel” had been increasing the range of the participation in the customer traction programs every year.

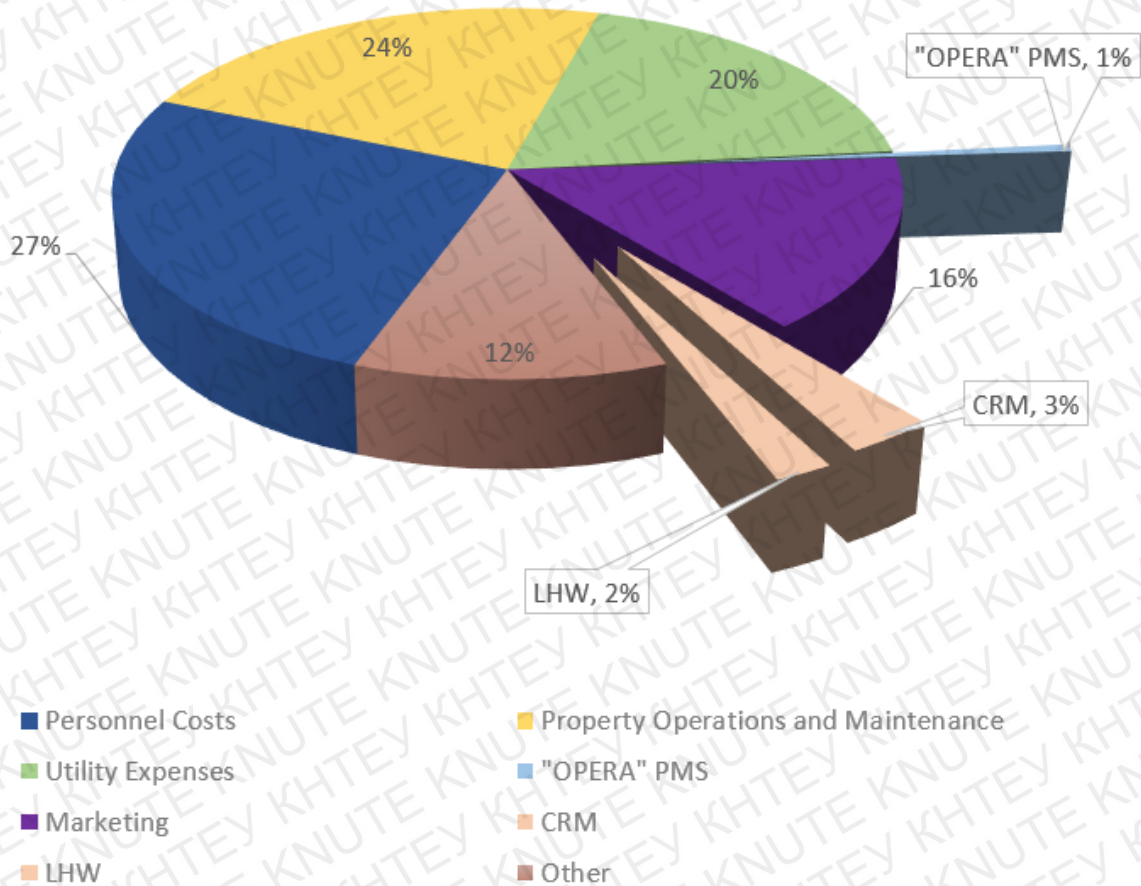


Fig. 2.4. Annual Unallocated operated Expenses at the “Opera Hotel” in 2017.

The hotel’s **business activity** is defined by their segmentation and the targeted audience. For the acquisition of the prospects, “Opera Hotel” utilises multi-channel approach and has several strategies.

Geographic CRM. S&M Department’s employees analyse the closest organisations in the geographic proximity in order to learn if they could be interested in the accommodation of their expats or the international business-partners and make them the proposals of cooperation. This acquisition strategy brings the customers for the “*corporate local*”, “*meetings*”, “*government*” and “*government group*” segments. Example of the monthly revenue of December 2017 could be seen on the Table 2.4, it implies that these segments together build the fourth highest revenue at the “Opera Hotel”.

Also, “Opera Hotel” has many agreements with the *travel agencies* (TA) and *tour operators* (TO), *wholesalers* and *online travel agencies* (OTA), such as “Booking.com”, “Expedia”, “Join Up!”, “Hotelbeds”, “Amadeus” who provide the hotel with the guests of the “TO&TA individual” and “Wholesale” segments. These segments, as seen on Table 2.4, hold the highest ADR (average daily rate) and have the highest revenue-generation combined (€6,163 mln.).

Table 2.4

Guest revenue by segment at the “Opera Hotel”

MARKET SEGMENT	2017 December Actual			
	Room Nights	% of Total	ADR	Room Revenue
Corporate Local	268	8.6%	4,257	1,140,957
Corporate Leading	427	13.6%	6,518	2,783,357
Leading Individual	411	13.1%	7,337	3,015,496
TO&TA individual	502	16.0%	7,410	3,719,579
Wholesale	531	16.9%	4,604	2,444,797
Sport +ENT	148	4.7%	3,308	489,643
Government	15	0.5%	5,896	88,445
Business individuals	2302	73.5%	5,944	13,682,274
FIT + WI	103	3.3%	6,065	624,736
Packages	27	0.9%	7,417	200,268
Leisure Individuals	130	4.1%	6,346	825,005
Total individuals	2432	77.6%	5,965	14,507,279
Meetings	355	11.3%	3,831	1,359,863
Government Group	31	1.0%	3,734	115,739
Business Groups	386	12.3%	3,823	1,475,602
Group Tours	316	10.1%	4,322	1,365,763
Total groups	702	22.4%	4,048	2,841,364
Grand TOTAL (PAID)	3134	100.0%	5,536 €	17,348,643
Total PAID	3134		5,536 €	17,348,643 €
Total Rooms Available	4340	RevPAR	3,997 €	
Occ% Rooms Sold	72.21%			
Days in period	31			

“Sport and entertainment” is the one of the priority market segments as well. Usually provided by the thorough analysis of the global news and the events that undergo in Kyiv: concerts, football championships, etc. In the table it is seen that their share of involvement in the total room nights is rather small, yet this segment has the strongest influence on the brand awareness, which results in the growth of the customer attention to the hotel’s enterprise. In the previous and recent times, “Opera Hotel” has housed famous singers as Garou, Dmitri Khvorostovsky, Alessandro Safina, football club Real Madrid, recently “Opera Hotel” accommodated Lucelia Santos, - the star of the famous Brazilian TV-series “Escrava Isaura”. Since 2014 “Opera Hotel” has been housing Ukrainian football top-club “Shakhtar”.

Rest of the significant occupancy percentage is provided through the membership in **“The Leading Hotels of the World”** association. LHW usually brings the guests into the **“Leading Individual”** market segments, which is the second biggest revenue-wise. Also, LHW offers their hotel members the participation in the various **“Negotiated Rates”** programs with their partnered connections. The Leading Hotels of the World Corporate Sales team provides strategic business development help for their member hotels in order to bolster their revenues. The department ensures that the hotels benefit from their participation in the major corporations’ preferred programs, travel management companies (TMC), and travel agency consortia.

The LHW Corporate Sales department provides:

- Direction and oversight of the corporate sales effort globally to ensure strategic and procedural alignment;
- Personalized, strategic account management and operational support for the largest-producing corporate accounts (Managed Corporate Accounts);
- Lead business development efforts to break into and grow LHW penetration of mid-tier corporate accounts;
- Strategic account management, operational support, and consolidation of select consortia accounts (Managed Consortia Accounts);

- RFP (request for proposal) process management for our properties from the Business Case process, to the RFP invitation, and through the negotiation and decision-making process;
- Access to Lanyon and assistance with RFP responses for both corporate and consortia programs;
- Assistance with rate loading and program audits.

The participation in the corporations' preferred programs, travel management companies (TMC), and travel agency consortia provides "Opera Hotel" with the segment of the "*Corporate Leading*" customers. According to the Table 2.4, these customers are bringing the third highest amount of room revenue to the hotel business. The number of traction programs that "Opera Hotel" is a part of is great and the amount of customers that each program provides is constantly changing, distinguishing programs into separate segments would have been inconsistent to track annually, so they were organised into one category "*Corporate Leading*" with average occupancy being 15% annually.

The **list of the customer traction programs** that "Opera Hotel" is the part of:

Consortia

A consortia rate is defined as a "rate negotiated between a hotel company and a travel agency group". They represent a conglomerate of travel agency members that have joined an organization to increase marketing to their customers by offering competitive rates.

The standard requirements include:

- ❖ BAR rate or a minimum of 10% off the lowest single published rate (Daily or Corporate);
- ❖ Rate parity;
- ❖ Minimum of 10% commission;
- ❖ Last-room availability guarantee;
- ❖ All rates are to be guaranteed for the entire year from January 1 to December 31, unless otherwise noted;
- ❖ Minimal blackout dates allowed (this varies by program).

All rates will be linked to the LAR (Lowest Available Rate) feature. This is an LHW pre-requisite for participating, not a consortia requirement.

CCRA (Computerised Corporate Rate Association)

CCRA acts as an intermediary between the travel professionals and the industry suppliers. CCRA reaches over 60,000 agency members around the globe. CCRA is the only consortium that features its Hotel Partners online at CCRAtravel.com, their proprietary hotel booking engine, where more than 29,000 qualified travel agents are registered. Additionally, CCRA Hotel Partners appear under the CCRA rate code in the GDS, as well as in their online, searchable “Preferred Hotel Directory”.

CCRA program highlights:

- ❖ Number of room sales processed in 2015: \$2.3 billion;
- ❖ Number of agency locations: 30,000+;
- ❖ Countries present: 180;
- ❖ Number of hotels in current database: 37,000;
- ❖ Business mix - corporate/ leisure: 60/ 40;

Comprised of leisure and corporate travel agencies, CCRA members book weekday and weekend stays. Approximately one-third of CCRA agency member bookings include weekend arrivals.

American Express PEHP (Preferred Extras Hotel Program)

The partnership with the American Express GBT (Global Business Travel) increases the level of exposure to the members of the LHW in all owned and franchised American Express offices worldwide.

The Preferred Supplier Partnership Benefits:

- ❖ Biasing or preferred positioning in displays in the GDS (global distribution system) which ensure that the program member’s property is always returned at the top of the screen when agents are shopping for a property in the member hotel’s destination. American Express utilizes proprietary technology to overlay the GDS so that their preferred partners always have prime placement;
- ❖ Access to Travel Managers of 70% of the Fortune 500 with spend of \$28 billion on global travel;

- ❖ Ability to be booked by the AMEX Platinum and Centurion offices and exposure to 1.2 million Platinum and Centurion card members worldwide. AMEX PEHP rates are displayed immediately following FH&R (fine hotels and resorts) rates;
- ❖ Technology & marketing that drives brand awareness & business development;
- ❖ Opportunities to participate in LHW's' events for AMEX virtual agents;
- ❖ Discounted marketing opportunities.

The program requirements:

- ❖ Best available rate or consortia parity rate - the best available rate guarantee requires that the rate loaded for the AMEX program be equal to the consortia rate; however, if a lower rate is publicly available, the AMEX rate must be updated to equal the lowest rate;
- ❖ Rates must be commissionable;
- ❖ Last Room Availability (LRA) is mandatory;
- ❖ Rates must be available via all GDS systems.

CWT (Carlson Wagonlit Travel)

CWT is a global leader specialised in the business travel management. CWT is dedicated to helping companies of all sizes, as well as the government institutions and non-government organisations, optimise their travel program and provide the “best-in-class” service and assistance to travellers. By leveraging the talents and “know-how” of its people and providing the leading-edge technology, CWT helps the customers around the world to drive savings while enhancing the service and security.

Carlson Wagonlit Travel reached over \$28 billion in global hotel sales generated by the wholly owned operations and the joint ventures and processed over \$62 million off of “on-” and “off-” line transactions. Representing 30-40% of a total travel budgets, hotel spend is an integral part of any traveller's itinerary. The CWT Hotel Program enables CWT to offer clients a well-designed program that meets their business needs.

CWT program highlights:

- ❖ Total room nights booked in 2014: 31,479,049;
- ❖ Global leader, present in more than 190 countries;

- ❖ Choice of 2 programs: CWT Hotel Programme (main core program) and “RoomIt Rate” (premium program);
- ❖ 14,000 travel counsellors worldwide;
- ❖ 70% of CWT employees are travel counsellors or program managers (act as an extended salesforce);
- ❖ Content exposure through all channels:
 - Directly to CWT travel counsellors via hotel booking platform;
 - Through CWT Online Booking Tools;
 - Via proprietary mobile app – “CWT To Go”.

HRG (Hogg Robinson Group)

HRG is a global network with representation in over 120 countries in all key markets throughout North America, Europe, APAC (Asia-Pacific), UCLG-MEWA (United Cities and Local Governments Middle East and West Asia Section), and Africa. This program is accessed by 14,000 employees with a total global hotel spend of \$2.4 billion.

The benefits of the participation:

- ❖ Global coverage to the complete HRG network: all staff, clients and prospects have access to the site;
- ❖ Authorization to load rates on to the GDS under the HRG rate access code;
- ❖ Comprehensive coverage on the online directory;
- ❖ Unique marketing opportunities via the online directory including monthly e-newsletter to all staff worldwide;
- ❖ Value guarantee;
- ❖ Standard and Elite levels of participation;
- ❖ Biasing on all booking tools.

It is important to mention: American Express GBT had announced (on February the 9th, 2018) the acquisition process of the HRG, which will end in the 2019. As the antitrust and other regulation approvals are pending, both the GBT and the HRG will act as competitors.

RADIUS

Radius is one of the world's largest global travel management companies with combined annual sales of over \$30 billion including approximately \$5 billion in the hotel sales, with over the 13 million GDS room nights. Headquartered in the USA, with regional offices in 80 countries, Radius has 7,500 locations around the world. Radius provides a variety of innovative products and services to its agencies and corporate clients, including Radius Global Hotel Program, vendor negotiations, global account management and client reporting. Radius mandates a unified corporate identity for agencies which is bound by stringent guidelines regarding adherence to supplier relationships, including preferred hotel relationships.

THOR

THOR has over the 30 years of experience in providing the quality travel distribution services and is now one of the fastest growing travel consortia today.

The program benefits include:

- ❖ Access to over 2,400 travel agencies;
- ❖ Access to active corporate and leisure travel agents;
- ❖ Global marketing opportunities through THOR's multi award-winning publications to help increase the room night production, strengthen the brand recognition, and connect to travel agencies around the world;
- ❖ Exposure through a premier hotel search engine, the THOR Hotel Navigator, where travel agents can search for hotel using a variety of search criteria;
- ❖ Personalized support services from account managers and THOR's Hotel/RFP Help Desks;
- ❖ Ability to load hotel rates using THOR's reputable "THR" consortia rate code;
- ❖ Ability to load additional restricted hotel rates using THOR's "THX" promotional rate code;
- ❖ Ability to load consumer rates using THOR'S "THN" consumer rate code.

TRAVELSAVERS

TRAVELSAVERS is an international marketing organization with a retail chain of more than 2,850 independently owned travel agencies in 14 countries that generate more than \$20 billion in annual travel sales.

The program benefits include:

- ❖ Over the 46 years of proven success in both corporate and leisure travel sales, TRAVELSAVERS has produced over \$16 billion in total travel sales annually. This includes the millions of room-nights for hotels participating in the TRAVELSAVERS Global Hotel Program;
- ❖ TRAVELSAVERS continuously promotes and markets the usage and the importance of its Global Hotel Program to more than 18,000 front-line agents worldwide;
- ❖ Access to the member agencies that view and book the member hotel in the GDS;
- ❖ TRAVELSAVERS insures that the Group and Meetings profile information will be readily available to their agency members to utilise in preparing RFPs for the client proposals and bids for the Groups & Meetings business;
- ❖ An on-line booking engine for corporate and leisure travel. The on-line booking engine provides other means to book the partnered hotel and is valuable to the home-based NEST agents (Network of Entrepreneurs Selling Travel);
- ❖ TRAVELSAVERS offers comprehensive Hotel Marketing Opportunities both on the Property and Headquarter level for distribution to their global network of agencies.

Now, that the core partnered programs are listed, it is necessary to mention the tool that the “Opera Hotel” utilises in order to manage all these relationships.

Lanyon Event Management Software

LHW uses the Lanyon solution to centrally manage corporate and consortia RFPs sent to the partnered hoteliers, which simplifies the RFP response process for the properties. Lanyon provides the LHW member hotels the opportunity to receive and respond to RFPs in order to become preferred partners for these companies and gain a share of their global transient travel business. In addition, Lanyon is used for the Business Cases process to justify a property’s inclusion in target corporate RFP programs.

Lanyon offers the following benefits to the LHW partner hotel members:

- *Ease of Use*
 - ❖ The GBTA (Global Business Travel Association) format contains in excess of 700 questions. Responses to most of these questions - such as hotel name,

address, facilities, distance from airport, etc. - are static and do not change from one RFP to the next;

- ❖ Each hotel in Lanyon can create and maintain a property profile, saving time and allowing the property to concentrate on the approximately 50 questions that are specific to each corporate client (such as rate, amenities to be included in the rate, cancellation policy, etc.);
 - ❖ All agreements (wherever possible) are stored in one location.
- *Increased Opportunities – Business Cases*
- ❖ LHW Corporate Sales has established a process for hotels to provide information about new corporate programs where they would like to be invited to bid. Hotels are allotted up to 10 slots (20 slots for new member hotels) to make a business case to seek solicitations from new corporates programs (more slots for new hotels);
 - ❖ Hotels enter business cases in Lanyon to compare themselves to market competitors already preferred with a corporate program and to demonstrate why they would be the better choice for the program;
 - ❖ LHW will then use the provided details to discuss the interested hotels with corporate travel managers to pursue an invitation for the program RFPs.

2.2. Determination of influential factors on the development of the CRM strategy

At the “Opera Hotel” there are multiple factors that influence the development of their Customer Relationship Management. The **key-aspects** are:

- ❖ Oracle’s “OPERA” property-management system (as a software side of the CRM);
- ❖ Guest segmentation analysis (as a strategic part);
- ❖ Participation in the LHW’s lodging programs (practice part).

“**OPERA**” PMS at the “Opera Hotel” is the web-based platform that has omnichannel integration with various services within the hotel (e.g. MICROS systems; guest TV and telephone; accounting) and fulfils the function of the data silo and

represents the *software component of the CRM*. It houses guests' quotations (preferences), their visit history and other peculiarities related to the nurturing of the relationship with the hotel's guests. Beside of these mechanics, Oracle's "OPERA" brings a dozen more benefits to the organisation that indirectly improves the productivity and efficiency of the company in the delivering the high quality service:

Reservations capability: gives the necessary control over the future bookings, real-time access to the room availability information;

Planning for groups and blocks: the tool to simplify the management of the groups and blocks by providing with the inventory management, group rooms control and contract administration;

Communication: provides the important information delivery system to the employees of the hotel by the means of "messages", "traces" and "locators";

Rate management: provides with the tools to simplify the rate inventory and availability changing procedures;

Package handling: provides the reservation and sales departments with the tool to create flexible specific packages for the property operation;

Rooms management: provides with the ability to conveniently oversee the status of the room condition (clean, dirty, inspected, out of order, out of service, pick up);

Account receivable: provides with the analytical tool to forecast the accounts' profitability in order to help the hotel's management to better see the financial situation;

Reporting: allows the hotel to create custom report schematics for their activity;

Front Desk automation: allows to make automated room blocking, swift and remote check-in;

Cashiering: provides with the ability to comprehensively manage the guests' billing accounts;

Night Audit: provides digital assistance to the daily income audit and online back-up;

International communication: this module provides the ability to accommodate the differences in the foreign and national currencies, government regulations and languages.

As a **strategic approach** to the Customer Relationship Management, “Opera Hotel” utilises the thorough **segmentation analysis** of their guests. It is believed there that every guest is a unique personality, yet it is necessary to assign the guest into the dedicated category in order to behold the general tendency of the segment, adjust (and create new) marketing campaigns, shift pricing policy and deliver the exceeding service for the current guests while searching for the new ways of how to penetrate the dedicated segments even further.

As the Fig. 2.5 depicts, the **segment structure** at the “Opera Hotel” is:

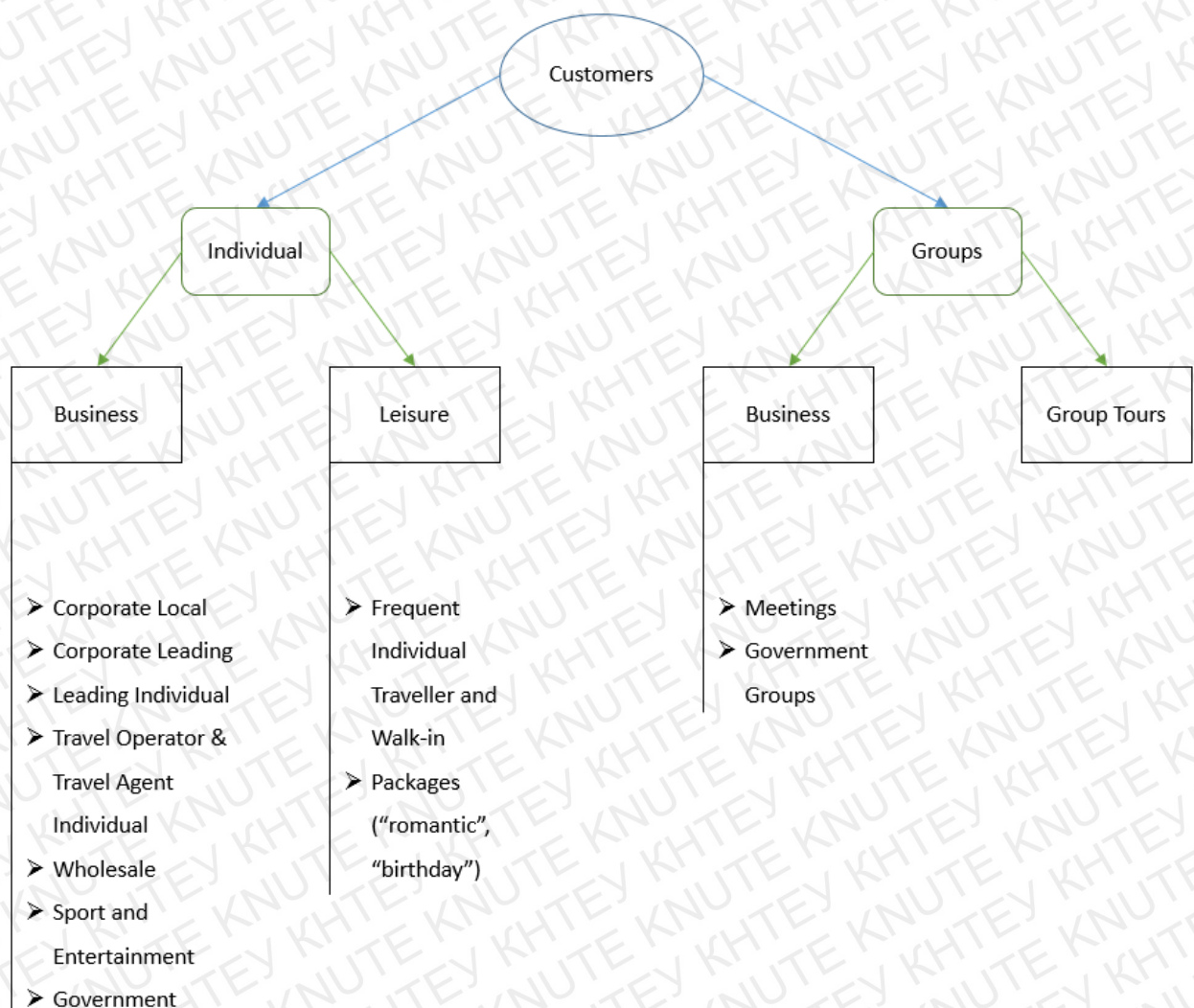


Fig. 2.5. Segment structure of the “Opera Hotel”.

As it is seen on the Fig. 2.5 and Fig. 2.6, “Opera Hotel” has a more elaborate distinguishment policy for their business segment guests due to the majority of the

travellers are coming to Kyiv on the business trips, which serves as a main purpose of their visit.

The other categories are less detailed in the description since the need for this distinguishment is less needed as those travellers are less numerous.

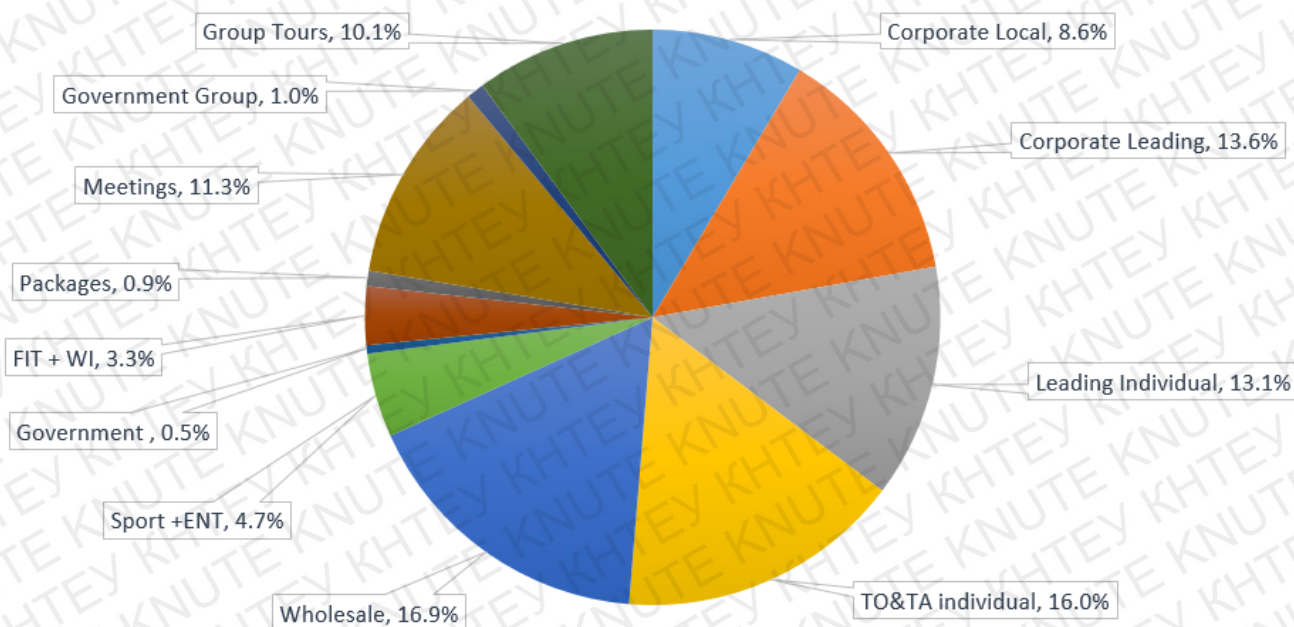


Fig. 2.6. Occupancy by segment in December 2017 at the “Opera Hotel”.

According to the Fig 2.6, the largest customer segment at the “Opera Hotel” is the “Wholesale” with the figure 16.9% (average annual 16.3%). Other prominent segments that bring significant occupancy are the TO&TA Individuals (annual average 16.6%), Corporate Leading (a.a. 11.7%), Leading Individual (a.a. 12.4%) and Meetings (a.a. 10.1%).

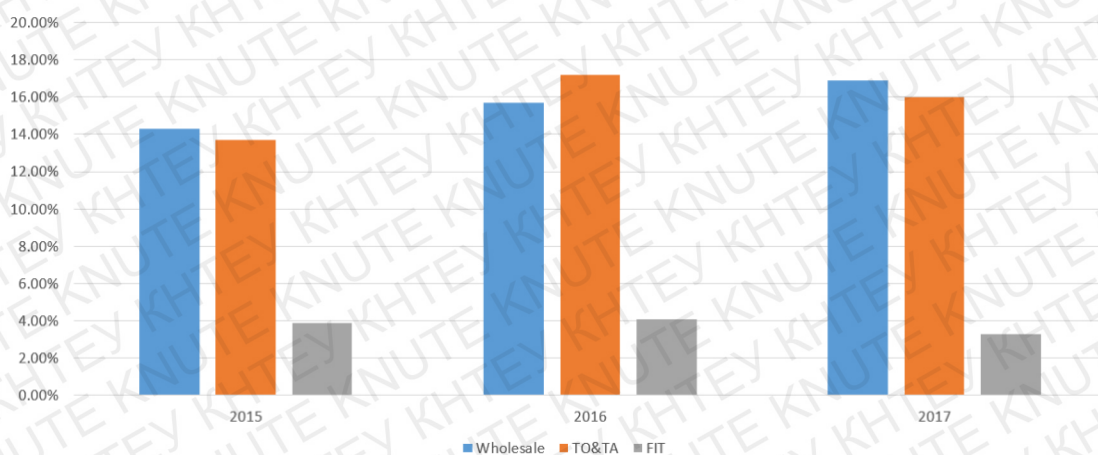


Fig. 2.7. Dynamics of main customer segments development at “Opera Hotel”.

On the Fig. 2.7, it could be seen that the tendency of the customer segments has been fluctuating in the displayed period of time. The cause of this fluctuation was the popularity of Kyiv as the hub of cultural events.

Most of the *CRM practice measures* that are realised at the “Opera Hotel” are taking roots into the various **loyalty programs** that were born in the cooperation with “The Leading Hotels of the World” association.

It is necessary to give an LHW overview:

Internationally regarded as the most prestigious luxury hotel organization in the world, “The Leading Hotels of the World” was founded in 1928 as a referral association among a small group of European and Egyptian hoteliers. Today, the company represents nearly 430 unique members in 80 countries, making it the largest and most comprehensive brand of luxury hotels in the world. It is the leader in achieving the highest occupancies and room rates in the entire industry. The primary objective of the organization is to drive business to its member hotels.

LHW guiding principles are:

- ❖ “Focus on independent-minded travellers and tell the unique, special, distinctive stories of our very individual hotels”;
- ❖ “Be consumer-centric, as well as supplier-centric, to strengthen distribution and deliver better yield to members”;
- ❖ “Grow the aspects of the organization that strengthen the core business, such as the quality of the member hotels and the revenue Leading generates for them”;
- ❖ “Clearly define what the organization should preserve, enhance, and invent”.

LHW’s marquee loyalty program is considered to be the **Leaders Club**.

Leaders Club is the pre-eminent customer loyalty program for discerning global travellers. The objective of the Leaders Club is to engender more loyalty to The Leading Hotels’ brand by cultivating and proactively managing direct relationships with the hotel’s most productive customers.

Leaders Club members are “Opera Hotel’s” most highly valued customers. They spend, on average, 30% more than their other customers. Membership in Leaders Club is

offered in two tiers – *Unlimited* and *Access* and they have several levels to them: *Club*, *Sterling*, *Aurelian*.

Member benefits are:

❖ ***Club*** Level hotel benefits include:

- Complimentary Continental breakfast for two;
- One category room upgrade consideration (subject to availability);
- Early check-in, late check-out consideration (subject to availability);
- Free internet (at “Opera Hotel” wireless and wired internet connection is free of charge);
- Earn Leaders Club points on qualifying stays;
- Club members earn 1 Pre-Arrival Upgrade annually.

❖ ***Sterling*** Level hotel benefits include:

- Complimentary Continental breakfast for two;
- One category room upgrade consideration (subject to availability);
- Early check-in, late check-out consideration (subject to availability);
- Free internet (at “Opera Hotel” wireless and wired internet connection is free of charge);
- Earn Leaders Club points on qualifying stays;
- 5% renewal bonus on Leaders Club points annually;
- Sterling members earn 5 Pre-Arrival Upgrades annually.

❖ ***Aurelian*** Level hotel benefits include:

- Complimentary continental breakfast for two;
- Priority status for one category room upgrade considerations (subject to availability);
- Early check-in considerations (subject to availability);
- Guaranteed 4 pm late check-out;
- Free internet (at “Opera Hotel” wireless and wired internet connection is free of charge);
- No blackout dates for Leaders Club Point redemptions;
- Earn Leaders Club points on qualifying stays;

- 10% renewal bonus on Leaders Club points annually;
- Unlimited Pre-Arrival Upgrades.

“Opera Hotel” also accommodates the **Friends and Family** program, as they share the philosophy of care about their human resources.

In this program, employees of both the “Opera Hotel” and the Leading Hotels can enjoy special Friends and Family rates for leisure travel. It also allows for the employees to learn first-hand what their guests experience while they stay at the hotel and then use this insight to turn the service for the better.

Another loyalty program for the guests of the hotel is the **Courtesy Hold**, however it is only available while making a reservation via LHW voice channel. The essence of the Courtesy Hold is that if there is an event a customer is not ready to commit to making a booking, LHW reservationists can offer the Courtesy Hold option. If the customer calls at least seven days prior to their expected arrival date, the 72- hour hold period is outside the hotel’s cancellation policy and the hotel is available, the reservationist will process the reservation without the guest’s credit card details and use the service code CH.

If the guest does not call back within 72 hours with a credit card number to confirm, LHW will process the booking cancellation in LEO (Leading Excellence in Operations – LHW’s web-based online report system).

LHW also offers the convenience option for the customers who are looking into booking options, and to retain them at the LHW home website– **Triptease**.

The Leading Hotels of the World has invested in the Triptease Price Check widget on lhw.com. The goal of the Price Check widget is to keep LHW and member hotels’ consumers on LHW.com by providing them information needed to reduce the rate shopping across other websites. The Price Check widget reassures guests about pricing and saves the time in the booking process. The widget displays live rates from OTAs versus the direct best available rate from lhw.com or best LC rate (if the customer is logged in). The selected OTAs are Booking.com, Hotels.com, Priceline.com and Expedia. LHW.com has experienced conversion lifts of 9% when the widget is present onsite. As a bonus for the “Opera Hotel”, through LHW’s agreement with Triptease, the hotel can request a report for the hotel’s rate parity performance.

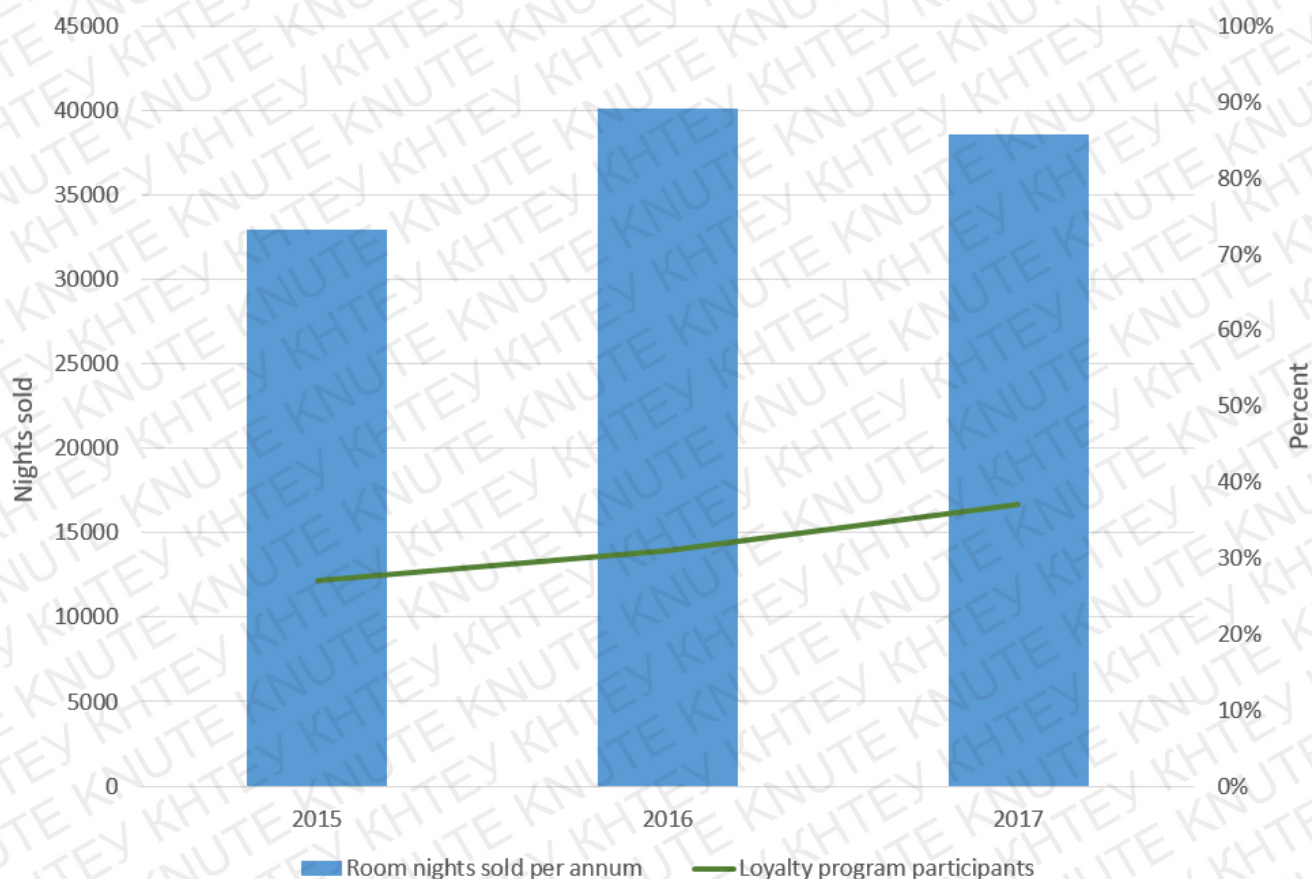


Fig. 2.8. Dynamics of the loyalty programs participants' share in the annual bookings at the "Opera Hotel" in 2015, 2016 and 2017.

The dynamics (Fig. 2.8) displays the percentage of the combined loyalty programs participants share in the annual room nights sold at the "Opera Hotel". This figure has been increasing across the years. In 2015 loyalty programs participants' share was at 27%, in 2016 – 31% and in the 2017 – 37%.

"Opera Hotel" also takes part in the **Virtuoso** travel network, which is the organisation that is comprised of 11,400 elite travel specialists associated with over 380 agencies in 36 countries and their combined database of more than a million affluent travellers, as well as over 1,700 of the world's best travel providers and premier destinations. These independent travel agencies receive sales, marketing and technology support, as well as exclusive services and products as a result of their membership in Virtuoso. The network's member agencies generate over \$15.5 billion annually in travel sales, making the group the most powerful in the luxury travel segment. Their relationship

with over a thousand of the finest travel companies provides the network's clientele with exclusive amenities, rare experiences and privileged access.

The complete list of the benefits is:

- ❖ Complimentary Room upgrade, based on availability;
- ❖ The delivery of a “personalized welcome note” from the Preferred Supplier on behalf of the agent and/or agency;
- ❖ Daily breakfast for two for duration of the stay;
- ❖ 4pm late checkout, upon availability;
- ❖ A value-added and exclusive Virtuoso amenity with a minimum \$100 USD equivalent retail value;
- ❖ The above amenities are to be combined with BAR – Best Available Rate.

2.3. Evaluation of the effectiveness of the current CRM strategy of the “Opera Hotel”

“Opera Hotel's” management evaluates the effectiveness of the strategy based on the *two factor performance*:

- ❖ Benchmarking;
- ❖ Guest satisfaction.

Benchmarking

For the benchmarking, “Opera Hotel” uses the STR's “STAR Benchmarking” report.

Founded in 1985, Smith Travel Research has been providing the hospitality industry with the premium-level global data benchmarking and market analytics. In the late noughties the company started expanding and merged with several influential benchmarking companies (e.g. “HotelBenchmark”, a division of Deloitte UK; IHRSA, International Health, Racquet & Sportsclub Association) and formed the worldwide brand – STR. Their various solutions are meant to help hoteliers, and leaders of the other industries, make better business decisions.

The STAR Benchmarking report showcases the hotel's performance in relation to its competition in the local segment, while keeping the individual proprietary data confidential. For the "Opera Hotel" this daily report (Table 2.5, 2.6, 2.7) illustrates hotel's position in the luxury segment among the 5* hotels in Kyiv.

"Opera Hotel's" management monitors several KPIs (Key Performance Indicators) in STR's report in order to evaluate their strategy in the market. KPI's as follows:

RGI (Revenue Generation Index):

Compares the hotel's "RevPar" (revenue per available room) to the average "RevPar" in the market segment;

$$RevPar = \frac{Rooms\ Revenue}{Rooms\ Available} \quad (2.2)$$

$$RGI = \frac{Hotel's\ RevPar}{Hotel\ Market\ RevPar} \quad (2.3)$$

When RGI equals 1, it means that the hotel is on par with their competitors. When RGI is more (or less) than 1, it means that the hotel's revenues per available room are higher (lower) than the revenues per available room of its competition.

Table 2.5

STR Report for the "Opera Hotel" on the Revenue Generation Index in the beginning of October 2018

Date	DOW	RevPAR									
		This Year		Last Year		% Chg		Index (RGI)	% Chg	Rank	Rk Chg
		My Prop	Comp Set	My Prop	Comp Set	My Prop	Comp Set				
10/01/2018	Mon	4,145.92	5,863.20	4,400.44	5,207.44	94.2	112.6	0.707	83.7	6	4
10/02/2018	Tue	4,648.46	5,869.57	4,717.50	4,884.44	98.5	120.2	0.792	82.0	5	3
10/03/2018	Wed	4,147.44	5,493.33	4,831.50	5,234.64	85.8	104.9	0.755	81.8	6	3
10/04/2018	Thu	4,685.31	5,675.76	4,540.45	5,253.68	103.2	108.0	0.825	95.5	4	5
MTD Oct 2018		4,406.78	5,725.47	4,622.47	5,145.05	95.33	111.28	0.770	85.67	5	4
MTD WD Oct 2018		4,406.78	5,725.47	4,622.47	5,145.05	95.33	111.28	0.770	85.67	5	4
MTD WE Oct 2018		4,406.78	5,725.47	4,622.47	5,145.05	95.33	111.28	0.770	85.67	5	4

On the table it is seen that the RGI is lower than 1 by a significant margin. And among the core competitors, - which are for the "Opera Hotel": "Fairmont Grand Hotel", "Hyatt Regency Kyiv", "InterContinental Kyiv", "Premier Palace" and "Hilton Kyiv", - "Opera Hotel" is placed 4th in the four-day period.

The reason to it is that "Opera Hotel" has the lowest average price per night among the 5* star hotels in Kyiv.

ARI (Average Rate Index):

Measures the performance of the hotel's ADR (average daily rate) to their competition in the target market.

$$ADR = \frac{\text{Room Revenue}}{\text{Rooms Sold}} \quad (2.4)$$

$$ARI = \frac{\text{Hotel's ADR}}{\text{Aggregated group of hotel's ADR}} \quad (2.5)$$

The same method of result assessment applies here too: when ARI equals 1, it means that the hotel is on par with their competitors. When ARI is more (or less) than 1, it means that the hotel's average daily rate is higher (lower) than the average daily rate of its aggregated group.

Table 2.6

STR Report for the “Opera Hotel” on the Average Rate Index in the beginning of October 2018

Date	DOW	ADR									
		This Year		Last Year		% Chg		Index (ARI)	% Chg	Rank	Rk Chg
		My Prop	Comp Set	My Prop	Comp Set	My Prop	Comp Set				
10/01/2018	Mon	6,478.00	8,376.00	6,028.00	7,658.00	107.5	109.4	0.773	98.3	5	6
10/02/2018	Tue	6,938.00	8,267.00	6,375.00	7,183.00	108.8	115.1	0.839	94.6	5	5
10/03/2018	Wed	6,284.00	8,199.00	6,442.00	7,698.00	97.5	106.5	0.766	91.6	6	5
10/04/2018	Thu	6,993.00	7,883.00	6,395.00	7,726.00	109.4	102.0	0.887	107.2	4	6
MTD Oct 2018		6,673.25	8,181.25	6,310.00	7,566.25	105.8	108.1	0.816	97.8	5	5
MTD WD Oct 2018		6,673.25	8,181.25	6,310.00	7,566.25	105.8	108.1	0.816	97.8	5	5
MTD WE Oct 2018											

It is seen on the Table 2.6 that the same situation is also applied to “Opera Hotel” in the case of the ARI as with the RGI. “Opera Hotel” had placed 5th in 2018 as in 2017. From the managerial point of view, it is a good sign, since one of the several main attractive benefits of the “Opera Hotel” for the guests is the hotel's low prices for the accommodation in comparison to the other 5* hotels in Kyiv.

MPI (Market Penetration Index):

Is a measure to compare the hotel's occupancy to the average market occupancy.

$$OCC = \frac{\text{Rooms Sold}}{\text{Rooms Available}} \quad (2.6)$$

$$MPI = \frac{\text{Hotel's OCC}}{\text{Market OCC}} \quad (2.7)$$

When competition occupancy equal to 1, it means that the hotel's occupancy matches the one of competitors. When the indicator is more (or less) than 1, it means that the hotel's occupancy is higher (lower) than the occupancy during the same period of time of the hotel's competitors in the selected market segment.

Table 2.7

STR Report for the “Opera Hotel” on the Market Penetration Index in the beginning of October 2018

Date	DOW	Occupancy									
		This Year		Last Year		% Chg		Index (MPI)	% Chg	Rank	Rk Chg
		My Prop	Comp Set	My Prop	Comp Set	My Prop	Comp Set				
10/01/2018	Mon	61.3	60.7	65.8	61.1	93.1	99.3	1.010	93.7	2	1
10/02/2018	Tue	63.2	59.9	66.4	63.6	95.2	94.2	1.055	101.1	1	1
10/03/2018	Wed	59.5	61.6	71.5	62.7	83.2	98.2	0.966	84.7	3	2
10/04/2018	Thu	56.2	58.8	70.9	59.3	79.3	99.2	0.956	79.9	5	1
MTD Oct 2018		60.1	60.3	68.7	61.7	87.5	97.7	0.997	89.5	3	1
MTD WD Oct 2018		60.1	60.3	68.7	61.7	87.5	97.7	0.997	89.5	3	1
MTD WE Oct 2018											

As it is seen on the Table 2.7, “Opera Hotel” is almost always at the top of the market occupancy among of the other 5* hotels in Kyiv. MPI index proves that the hotel has a great popularity among the visitors in Kyiv not only in 2018, but in the last year as well.

Guest Satisfaction

The Leading Hotels of the World, offers a complimentary guest satisfaction survey through a partnership with Medallia, a leader in consumer satisfaction programs. Designed to measure the overall guest experience – from reservations and arrival, to interactions with staff right up until checkout – the survey enables “Opera Hotel” to solicit responses from all guests, regardless of the source of the reservation, providing a real-time online data tool to help the hotel assess and refine all aspects of its operations. The survey measures the overall guest experience, details the quality of services and products as well as touch points throughout the stay. The report is customised to fit the “Opera Hotel’s” specific venues and outlets that were mentioned in the 2.1. part of this work. There is an alert feature to indicate if a guest is not satisfied with his or her experience, empowering the hotel to take proactive steps to not only address the situation but reply directly back to the guest to address any points of praise or concern that the survey raised.

Medallia assesses “Opera Hotel” customer satisfaction by analysing the NPS (net promoter score).

Net Promoter Score is an index that ranges from -100 to +100 and measures the willingness of the customer to recommend the organisation’s services to other people and as a measurement of the loyalty to the brand.

The NPS could be surveyed in one question: “On a scale of 0 to 10, how likely are you to recommend “Opera Hotel” to a friend or a colleague?”

The *detractors* are those who scored from 0 to 6. These customers could potentially damage hotel’s reputation and are unlikely to visit the hotel in the future.

The *passives* are the customers who scored 7 or 8. They enjoyed the experience at the hotel but found nothing spectacular and could be easily seized by the competitor.

The *promoters* are those guests who had a splendid experience and the do not display any kind of negative thought about the services of the hotel. Customers should score 9 or 10 to be counted as a promoter.

The NPS is counted by subtracting the overall detractors from promoters.

$$NPS = Promoters \% - Detractors \% \quad (2.8)$$

Based on the responses of 50,000 customers, “Opera Hotel” has an NPS index of 67 as of 2018.

Conclusions to Part 2

As a 5* hotel of the luxury segment in Kyiv, “Opera Hotel” is a true testament to the customer-centric approach in the business strategy. The hotel’s personnel are working tirelessly to deliver the guests an exceeding experience by providing them with various collateral services. Also, “Opera Hotel” has an honour to have as an employee Bogdan Kornienko - one of the members of the distinguished “Les Clefs D’Or” worldwide concierge association. Empowered by the finest professionals in the industry, “Opera Hotel” brings the remarkable experience to the guests who are visiting Kyiv on business or leisure purposes, and delivers yields to the hotel’s partners in “The Leading Hotel of the World”, local suppliers and ESTA Holding, which the hotel belongs to.

“Opera Hotel” utilises the globally-standard customer acquisition strategies and is involved in a lot of activities and LHW programs that facilitate both the customer retention and acquisition.

Oracle’s “OPERA” PMS platform acts as the data-input and storing tool. In combination with Medallia reports, the hotel has the necessary software functionality for the basic execution of their CRM strategy, while finding the way around the costly dedicated CRM software solutions.

Management of the “Opera Hotel” regularly monitors the effectiveness of their strategy. Employees of the respected departments produce daily reports on the status of the hotel’s position in the market segment, revenue, pace, feedback and pace reports that the managers discuss at the weekly revenue meetings and P’n’L (Profits and Losses) sessions.

My biggest criticism is that, despite the fact that the “Opera Hotel” has a significant influx of travellers from the European Union, the hotel is not GDPR compliant. Also, as a downside I see that the organisation is not using the CX software at its full potential, while only exploiting it as a feedback-gathering tool, which is only a modicum of its real functionality.

Overall, the guests of the “Opera Hotel” demonstrate strong brand loyalty, they are happy with the level of service and the cheerfulness, and sincerity of the personnel.

PART 3

WAYS OF IMPROVEMENT OF THE CUSTOMER RELATIONSHIP MANAGEMENT STRATEGY AT THE “OPERA HOTEL”, KYIV

3.1. Directions of development improvement of the hotel’s CRM strategy

The improvement of the Customer Relationship should be an iterative process and “Opera Hotel” is relentless in doing so, despite the fact that it does not have a dedicated CRM software platform, for the reasons of cost-prohibitive factors. The measures of how to improve the Customer Relationship Management are uncountable and they do not always involve technical solutions, however automating and speeding up some procedures would lead to an improvement of the business processes, that would resolve in the overall efficiency increase.

Although “Opera Hotel” is the member of “The Leading Hotels of the World” association, it does not share a common database with the latter. That requires the employees of the Back Office to dedicate additional time for the search of the guest’s credentials in the “LHW” database. While it could be a less of a problem in case of a direct e-mail or an OTA received (Expedia, Booking.com) booking, because the information about Leader Club’s members would be enclosed in the application, it is very painful if the regular guest calls directly to the call-centre and is not getting the necessary recognition by the Reservation Department. Inability to timely identify whether it is a recurring customer of the organisation not necessarily would lead to the tense relationship, but it would be unreasonable to account that there are people, among the frequent guests of the association, who would not be disappointed should the hotel not recognise them. The direction that the “Opera Hotel” is suggested to look in is the installation of the software that, upon the incoming call, contextually looks through the “OPERA” PMS and the “LHW” database for the match with the calling number and then it fetches the result of a search (e.g. staying history, preferences) to the RD specialist’s screen with the possibility of promptly typing in the name of the guest in order to further

investigate his presence in the databases, should he be calling not from his personal phone number.

From the previous scenario derives the next one: existence of the multiple accounts for the same person. Sometimes, due to the human factor, caused by the insensitivity of the “OPERA” PMS to the letter register or the spelling peculiarities of the guest’s name, several accounts for the guest are spawned. It creates confusion for the employees of the Front Office, Sales and Marketing, Financing and Housekeeping Departments. In the best case scenario, it leads to the inappropriate and chaotic guest history input to the system. In the worst case – it could incur billing issues. Front Office employees have to manually go through the account database in the “OPERA” PMS in order to merge the accounts, it is a time-consuming process that derives employees from doing other important tasks and also could lead to the mistakes being made as there are different people with identical names and it is hard to determine whether doubling the account has been done on purpose (creation of the Post Master as an additional mean of billing guest post check out). The solution would be to implement the database analysis software that warns the employee, during the process of data input, should the new customer information already exist in the system.

“LHW” frequently oversees quality control at their partner hotels. One of the attributes of the international standardisation of the association is the timings of the guest reception and check-out procedures. “Opera Hotel’s” front office equipment does not fully work in tandem with the PMS platform, especially the POS (point-of-sale)-terminal and the fiscal machine. That causes efficiency problems at the billing stage: should the guest desire upon paying with a card, the FO agent has to manually set up the POS device and correctly input the billing data into the PMS platform, then print the fiscal check. It is advised to automate this process by means of: the installation of the new operation system on the Front Office personal computers and linking the POS-terminal with the PMS software. This combined would speed up the time of the check-in and check-out procedures, as well as to eliminate the chances of the FO agents’ human errors.

In order to note down important information and to pass it from one shift to another, FO Department uses the Microsoft Excel that uploads the file on the hotel’s local private

server. Although this method of storing the information is widely used, it lacks the compatibility with the PMS platform and also lacks the fluent notification system. This sometimes leads to the situations of the misinformation and mistiming of the completed actions. By choosing the desktop system or the CRM solution (on the base of the “number of simultaneous active users” plan) with the PMS integration option and the necessary notification system (calendar, e-mail, push), the productivity increase could be expected.

Following the core of the aforementioned problem, “Outlook” e-mailing system also is not synchronised with the other information silos, causing the discomfort for the S&M Department when its employee leaves the organisation. The reason for the incurred problem is that an employee had been using his personal methods of managing activity and had not left any notes for the successor to decipher. With the unified e-mailing and property-management systems the stability of the business processes at S&M Department is forecasted.

Based on the stated points, as a **direction of improvement** of the current CRM strategy at the “Opera Hotel” it is suggested to *switch* from the current property-management system (“OPERA”) to “5stelle*” [25].

“5stelle*” is the cloud-based property-management system. It has a wide range of the **modules** to increase the efficiency of the hotel such as:

- ✓ Built-in accounting;
- ✓ Catering;
- ✓ CRM;
- ✓ Extended Stay;
- ✓ GDS (Global Distribution Systems) / OTA (Online Travel Agencies) Integration;
- ✓ Maintenance Management;
- ✓ Marketing Automation;
- ✓ Multi-Property;
- ✓ Online Booking;
- ✓ POS;
- ✓ Single Property;
- ✓ Group management;

✓ Vacation Rental.

“5stelle*” features are:

- ❖ **Property Management System:** provides all the necessary functions for productive reception- and administrative activities (rooms, price lists, clients, reservations, invoicing, accounting and sale reports, event management);
- ❖ **Booking engine:** it is integrated with the planner, allowing sales from the hotel website. Makes creating packages easier and disintermediates the portals. Guests are able to book from their smartphones;
- ❖ **POS mobile:** provides hotel employee with the ability to charge all the extras (e.g. restaurant and spa) to the room bill from a mobile;
- ❖ **Channel management:** allows the tariff and availability management on all sales platforms from the planner in real time;
- ❖ **Housekeeping mobile:** provides housekeeping personnel with the mobile solution (e.g. to notify when a room is ready or signal maintenance requirements, minibar consumption) by putting them in direct contact with the reception;
- ❖ **Multi-property management** (option of the lesser relevance to the “Opera Hotel”): management of more than one hotel on the same planner;
- ❖ **Pocket PMS:** provides with the ability to control the important information (e.g. departures, arrivals, new reservations, production, turnover, payments, availability, change price, enter reservation, check-ins etc.) in the smartphone/tablet which is synchronised with the planner at reception.
- ❖ **Customer Relationship Management:** provides with basic CRM functions (e.g. sending birthday e-mails, personalising quotes (personalised offers), request a review of the guest’s stay, etc.);
- ❖ **Accounts payable:** allows to insert the costs and payment deadlines, defines the cost centres and monitors each department’s profitability;
- ❖ **Online check-in:** allows the guest to insert his identification documents prior to his arrival (up to a few days before date) from a mobile device or a PC;
- ❖ **Advanced reports:** allows for the better customer performance evaluation and improves the pricing strategy by providing the detailed reports;

❖ **Review Express by TripAdvisor:** in collaboration with “TripAdvisor” the “5stelle*” claim that this option can increase the amount of reviews of the hotel by 33%.

“5stelle*” **pricing policy** is: the *one-off start-up fee* and *annual fee*, which is calculated based on the number of the rooms that hotel has. The annual fee is all inclusive: hosting, data backup, telephone and online assistance 7 days a week and all the software updates released throughout the year.

The system is **compliant** with the following regulations:

- PCI-DSS (The Payment Card Industry Data Security Standard);
- SSL encrypted (Secure Socket Layer);
- GDPR (Global Data Protection Regulation).

“5stelle*” PMS has a broad choice of **integration options** and can communicate to a variety of other hotel’s industry software:

- ❖ Online sales platforms (e.g. WuBook, YeildPlanet);
- ❖ Revenue Management Systems (e.g. Lybra.tech, OutPerform);
- ❖ Review Management Systems (e.g. Customer Alliance);
- ❖ Accounting (e.g. Sigla ++);
- ❖ Other connections (e.g. TripAdvisor Instant Booking, Hotel.CC, HBenchmark, eWelcome24, IMPALA, Snapshot).

Thus, by swapping the PMS interface to “5stelle*” and reorganising the operational processes to fit the new system, it shall be an investment with the short period of the return on investment, since the maintenance of the “5stelle*” is cheaper than the maintenance of “OPERA” (Table 3.1)

Table 3.1

Comparison of the annual costs of PMS systems

Name	Annual expenses on Software Maintenance
OPERA PMS	€1055 thous. in 2017
5stelle*	€93 thous. (incl. start-up fee)

As seen on the Table 3.1, the *maintenance* of “**OPERA**” costs to “Opera Hotel” a hefty *€1 million* a year in average. These costs include the maintenance of the servers, system support, infrastructure and license. **5stelle*** has a way more affordable price that consists of the *start-up fee*, which is approximately *€31,150*, and the *annual fee* that is based on the total number of rooms, which is in case of the “Opera Hotel” is $140 * €442 = €61,880$. Moreover, the cloud-based interface would allow for the enterprise to get rid of the servers, thus even further bolstering the cost efficiency of the transfer to the 5stelle*.

GDPR compliance should be the feature that would attract more customers from the EU region, thus increasing the generated revenues by the “Opera Hotel”.

The predicted dynamics of the cost reduction and the revenue improvement of the swapping to the 5stelle* could be seen on the Fig 3.1:

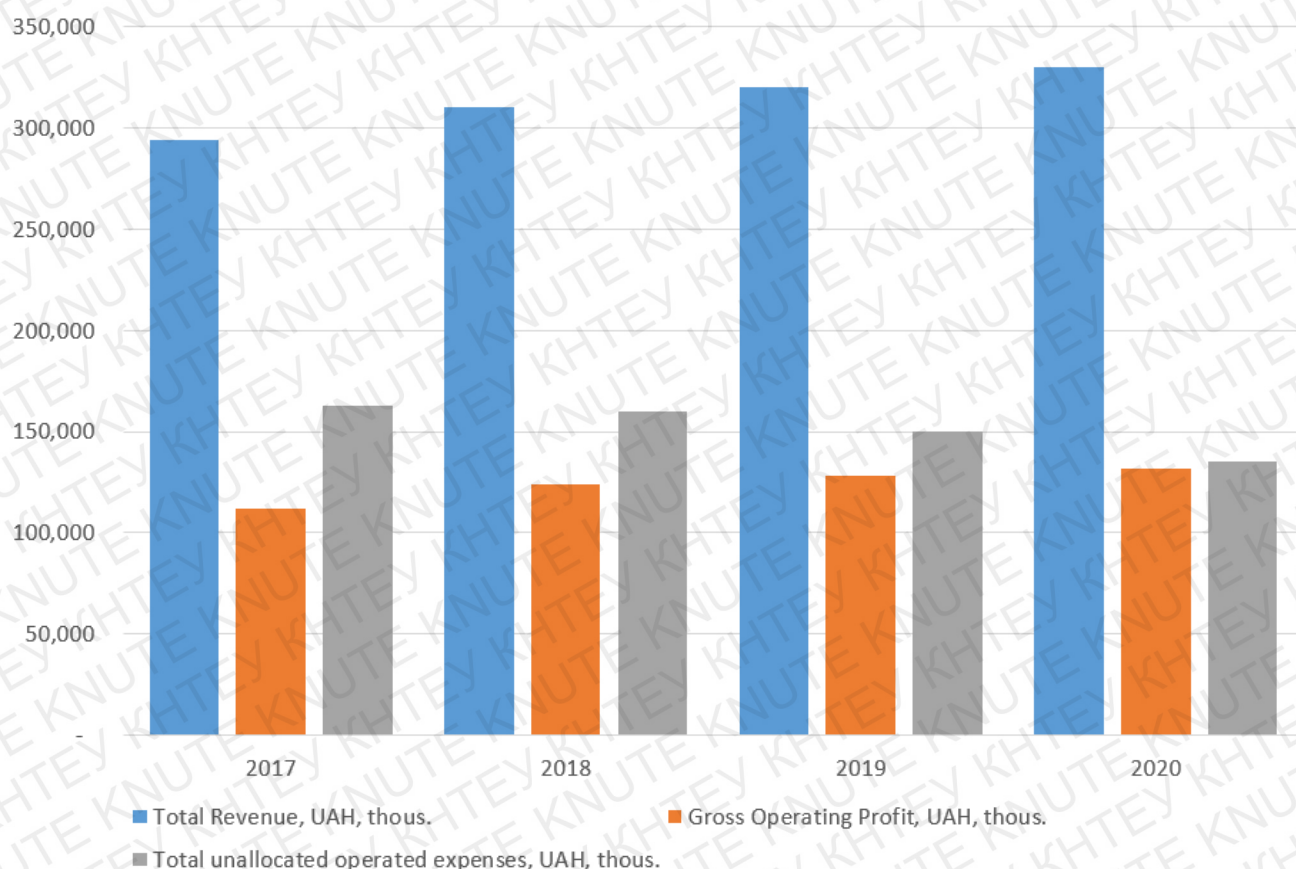


Fig. 3.1. Estimation of the Property-Management System Benefits to the “Opera Hotel”.

“5stelle*” PMS has the necessary data-gathering and analytical tools for the optimisation of the sustainable operation of the CRM approach. It provides the “Opera

Hotel” with the multi-channel support, refines the automation of the vital functions for the significant productivity boost and introduces a variety of options for the hotel to improve their guests’ experience.

3.2. Forecast of the CRM strategy

The concept of the Customer Relationship Management is an integral part not only of the hospitality business, but of many other industries as well. However, the CRM strategy as we know it today has been there for more than two decades and it still proves to be an illusory aspect for a lot of people as the CRM failure rates are very high.

The studies, that I have mentioned in the theoretical part of this work, imply that the CRM has already become a baseline trampoline for something bigger, rather than being an option on its own. That it is necessary to build up on what CRM offers, but not rely on the very principle of the relationship strengthening. Customers of the today, and years to come, - they crave the special experience, because the variety of products and services that surround us are overwhelming, and for a company to differentiate on a market is getting tougher and tougher with the modest retention strategy. It is paramount to deliver an outstanding experience, striving towards the customers’ choosing of “our” service, notwithstanding the existence of competitors and their service or product substitutes.

In other words, Customer Experience Management (CXM or simply CX) is becoming, or even has become, not a replacement for CRM, but a new development of that strategy, that capitalises on the groundworks of the CRM principles and introduces the new objectives and metrics to measure.

Chuck Schaeffer in his article “Is CXM About to Replace CRM?” explores the difference between the two concepts [61].

The generally shared definitions of both management strategies are:

“**CRM:** Customer Relationship Management is a business strategy directed to understand, anticipate and respond to the needs of an enterprise's current and potential customers in order to grow the relationship value;

CXM: Customer Experience Management includes both the individual experience in a single transaction as well as the sum of all experiences across all touch points and channels between a customer and a supplier over the duration of their relationship. [61]”

What these *definitions imply* is that **CRM** acts as a way of customer and personnel satisfaction control, while the **CX** moves a needle on the very individual service and is a more vivid manifestation of organisation’s customer-centricity policy.

CRM software platforms are widely used to capture the customer data and measure the efficiency of the Sales & Marketing and Front Office related departments, however that does not explicitly affect the customer as, in general terms, what this approach targets in obtaining – is the “**Big Data**”.

Thus, what **CX** does - it applies the “**Smart Data**” in the focal point of the interaction with the customer in order to deliver a superior experience for the latter. And overall it pushes the data to act rather than sit idly.

In light of recent **GDPR** initiative implementation [31], the CXM would thrive on these changes as the very core of the GDPR philosophy matches the same of CX – the delivery of the palatable service.

The aforementioned statement is enforced by the “PricewaterhouseCoopers”, who conducted a survey on the CX in the early 2018 [52]. While 43% of the U.S. consumers claim that they will not share their sensitive information in order to be delivered a personalized experience, the results changed when the respondents were conditioned to think of the service that they truly valued: *63% have said that they would be more open to providing the company with their personal information.*

Also, that same survey states that the average *price premium of the good customer experience* outside of the U.S. is 13% (on the scale of 25%). “Hotel stay” is considered to be the second highest premium value among the top 10 spheres researched:

- ❖ Coffee – 16%;
- ❖ Hotel Stay – 14%;
- ❖ Annual Physical – 14%;
- ❖ Sports Ticket – 13%;
- ❖ Dinner – 12%;

- ❖ Airline Ticket – 10%;
- ❖ Cable Subscription – 9%;
- ❖ Cell Phone Plan – 8%;
- ❖ Car Insurance – 7%;
- ❖ Winter Coat – 7%.

Now that the values of the CX are mentioned, it is necessary to overview the peculiarities of the strategy deployment.

According to Schaeffer's approach [60], there are not so many differences to the implementation from the CRM principles, although CX makes a special emphasis on:

Implementation of the “*voice-of-the-customer*” and the “*voice-of-the-employee*” programs. Many corporations nowadays believe that they know what their customers want, but in reality this is either a partial truth or completely wrong. Before acting upon anything, it is vital to know what people within and outside of the company think that the organisation's problems are. Thus, asking for the feedback is an extremely important stage of strategy development. However, *that is paramount* to stress the necessity of *informing the respondents back* on what the company has done in order to *assuage the concern and how their feedback had been applied* [59].

Mapping the customer journey [57]. In order to understand how to allocate resources within the company for the creation of the better experience for the customer and build the brand trust, it is necessary to think of any possible touch-points of the customer with the organisation and determine where the customer's experience gets influenced the most. There are *four common customer journey phases*:

- **Awareness** – the prospect learns of the company and what company has to offer;
- **Consideration** – the prospect learns of other customers' experiences;
- **Purchase** – on the buying stage the prospect is offered a smart cross-sale or up-sale options;
- **Retention** – working with customer's concerns and inquiries, survey customer's satisfaction.

While there are only four phases that act in continuum, there is a different *number of channels* where the customer interacts during this journey as it varies from one industry to another. On the example of the “Opera Hotel” succinctly these would be:



Fig. 3.2. Example of the regular main Customer Journey at the “Opera Hotel”.

Web-browser – customer’s interaction with the hotel through the browser (Expedia, Booking.com);

Television – customer gains awareness about the hotel through the television, either advertisement or on the news;

E-mail – customer receives the newsletter with special offers, birthday card or other notifications or has a conversation with the representatives of the hotel about peculiarities of his booking or other inquiries;

Call-centre – conversation with the operator is one of the most important focal points of the prospect becoming guest;

Social networks – even though it might look like the same aspect as the “web-browser”, it is inherently different category and should be put separately, as the platforms such as Facebook and Twitter cover large people groups and have an impressive capability of sharing and spreading the information;

Reception (Front Office activity in general) – guest interacts with the porter, front office agent and concierge during check-in, stay and check-out;

Extra services (besides of accommodation) - guest’s interactions during his time in the restaurants, spa, gym, conference service, room service, maintenance (if occurred);

Thus, focusing on the development of the **CX** strategy, “Opera Hotel” could expect the *cost savings* and the *customer satisfaction improvement* (Fig 3.3, 3.4). Studying what the hotel’s guests experience at the major touch-points with the organisation shall allow for the hotel’s management to improve “Opera Hotel’s” own distribution channels and to less rely on customer traction programs and travel agencies, which would result in lesser online travel agencies and global distribution systems fees.

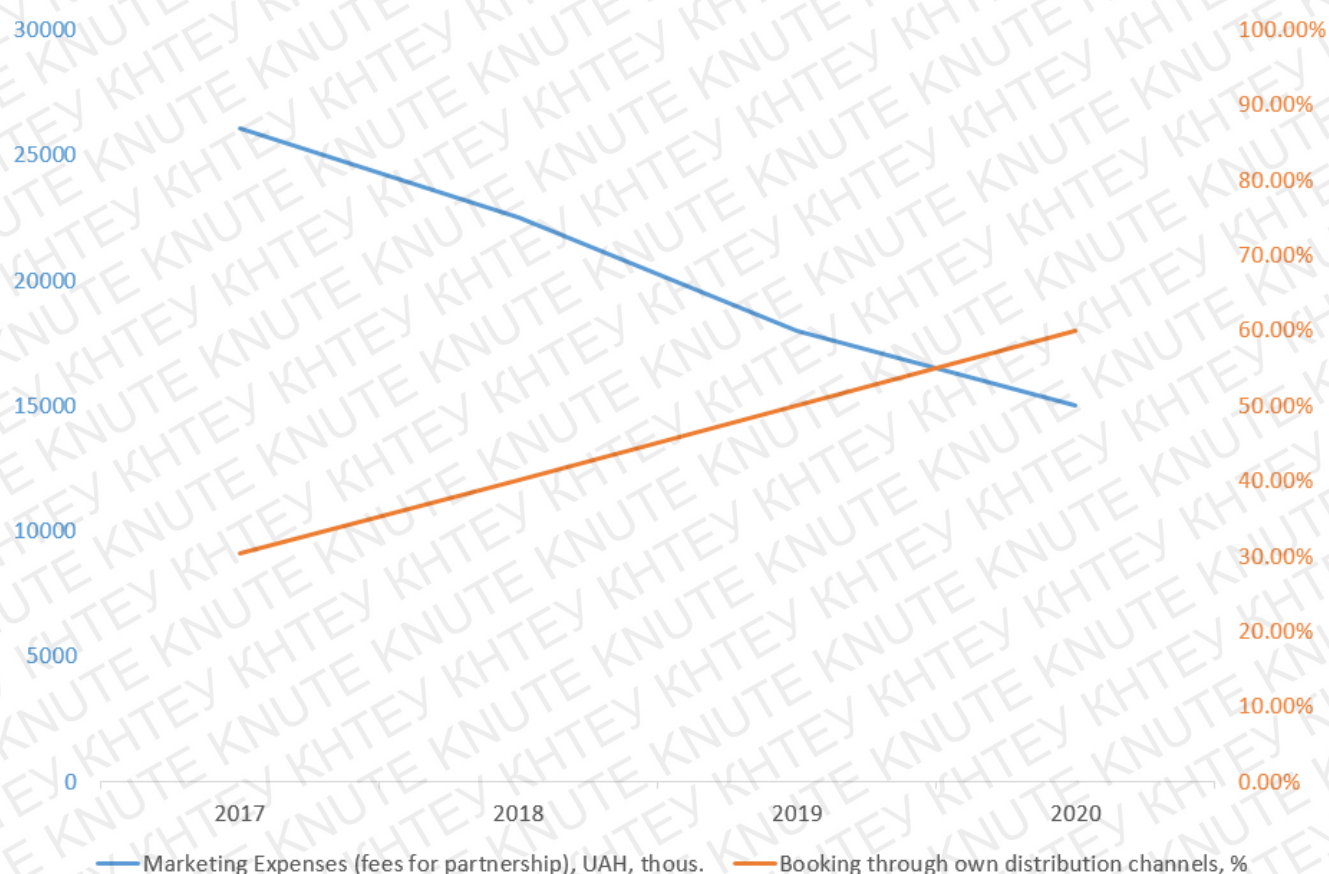


Fig. 3.3. Dynamics of the Marketing expenses cost saving and the development of the “Opera Hotel’s” own distribution channels.

Gradually improving the overall NPS index (Fig 3.4) shall be helpful in the improvement to the revenue-generation as the satisfied customers would always come

again. CX is projected to improve the overall NPS index at the “Opera Hotel” from the current 67 to forecasted 81 by 2021.

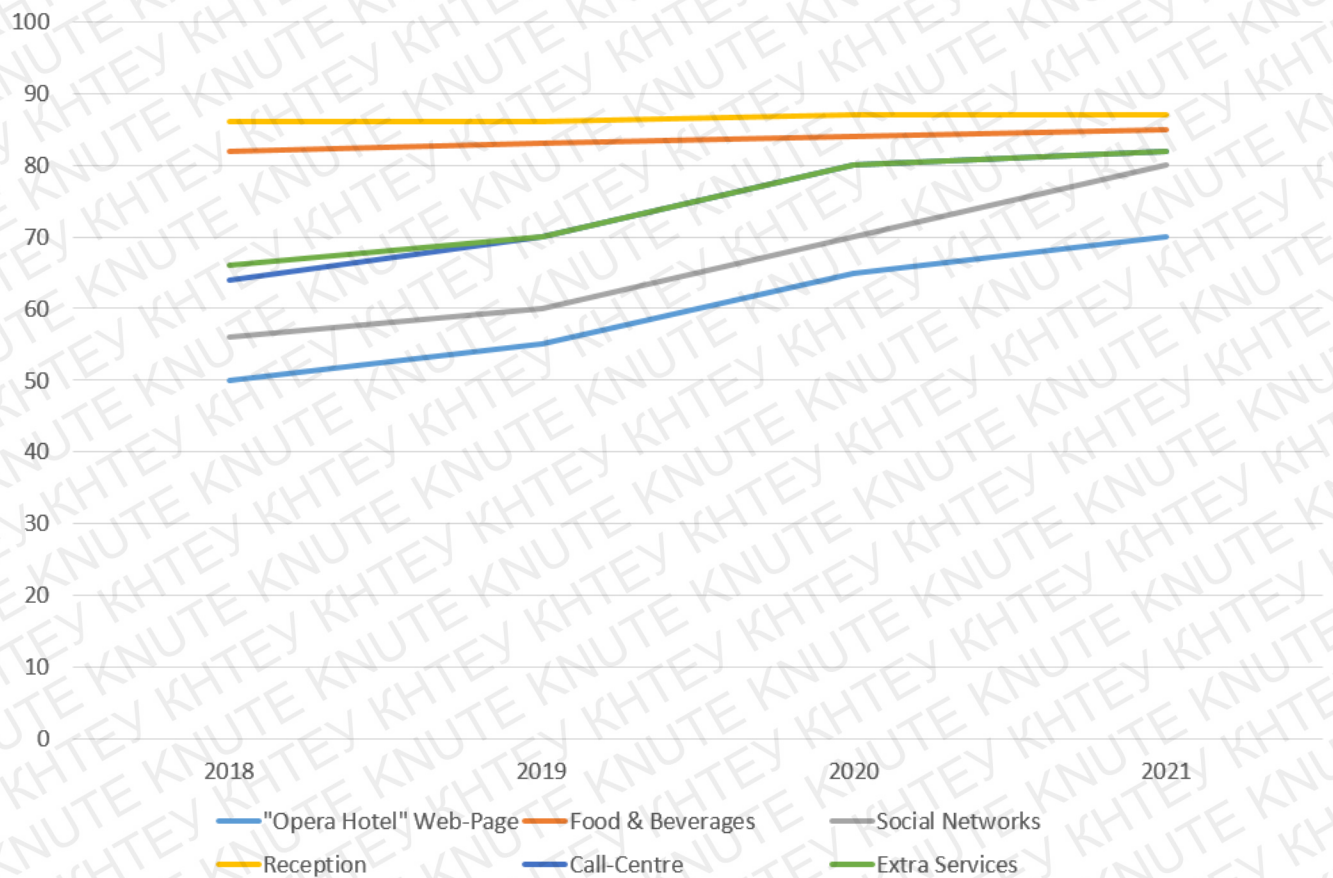


Fig. 3.4. Customer satisfaction dynamics forecast by the touch-point channel feedback at the “Opera Hotel”.

When all of the business processes are designed and aligned, the *never-ending cycle of learning and refinement* starts. CXM is not about the technology; it is about empowering the employees to go beyond their line of duty (within reason) in order to surpass the expectation and deliver the remarkable experience.

Conclusions to Part 3

The fact of the matter is that, “Opera Hotel’s” Customer Relationship Management “strategy” and “practice” aspects are at the very high level of execution. It is the third aspect – “technology” that could use some refinement.

“Opera Hotel’s” technological solutions, that are meant to automate specific procedures and deliver the top-notch service, through the years are still remaining unchanged, and to this date they could be a subject to upgrading in order to satisfy guests needs of innovation in technology and be on par with the global technological progress. While some hospitality industry sceptics claim that it is easier to recreate the system from scratch, rather than looking for ways to update the existing one, I cannot refrain from mentioning that the plan of recreation requires an elaborate change management strategy, a considerable period of time and substantial amount of resources, with the latter being the most significant stopping factor for the luxurious boutique hotel in reality of Ukrainian economy.

Thus, it is advised to capitalise upon the existing resources that the hotel has in its possession in order to bring the improvement to the technological aspect of the customer relationship management.

Provided by “The Leading Hotels of the World” association, “Opera Hotel” has access to the Medallia customer experience software, however the hotel is not using the Medallia platform at its full potential. “Opera Hotel” uses the feedback-gathering side of the platform, while if CX software was integrated with applications at every customer touch-point, it could have yielded better results in predicting guests needs and wants, and even further bolstered guests’ excitement of the received service.

CONCLUSIONS AND PROPOSALS

Customer Relationship Management has always been the core of the hospitality business. Long before the term CRM had been denoted, every driven hotelier has been eager to serve his guests only the best, because being hospitable is the purest manifestation of the good relationships with other people.

Nowadays, due to the surrounding complexities of the world's economics and international business processes, the well-known customer-centricity attitude had to be defined and put as another discipline to learn how to manage it and refine. There are many various names to tactics, principles and components, yet the only viable strategy is still as simple as it has been centuries ago: learn your guest, be sincere with him and make traveller's stay a remarkable experience for him.

While CRM is an essential part of the hotel business, many other industries suffer from poor comprehension of this philosophy, mistaking it for the software only. Thus, the task of the modern day customer relationship management researchers is to raise the global awareness that the iterative process of improvement of the relationship with customers is not about an acronym that stands for the name of the software as CRM or CX, that it is a philosophy, a customer-centric corporate culture approach that lies in the origin of these principles. Customer Relationship Management does not have a specific, tangible presence in the company's structure, unlike the revenue, accounting, audit, even housekeeping or guest relation. CRM belongs to every part of the organisation and affects every interaction both within the company and with the customers.

Due to the implementation of the Global Data Protection Regulation, it has become even more welcoming environment for the customer experience and customer relationship strategies development. That is a sign that humanity yearns for the trusted relationship, but they want to receive only the offers of products and services that they want, and that creates opportunities for every organization, especially for the hotel business, since the compliance to the regulation would bring the company the "smart data" about their guests, that in combination with thoughtful CX strategy could be utilized to deliver the guests an unforgettably good experience. For companies that were

collecting the “Big Data”, transition to GDPR compliance could look like an insurmountable task, but it is believed that the change would yield benefits for both sides: corporate and customer.

As a suggestion, for the “Opera Hotel” it would be healthy to refresh their technological aspect of the enterprise thus allowing to reduce the costs of the software maintenance, and to unleash the full potential of the CX strategy in order to even further bolster the customer satisfaction, aiming at increasing the of guests’ bookings via “Opera Hotel’s” native distribution channels. Yet, at the “Opera Hotel”, the customer relationship management is so well-imbedded into the company’s processes and culture that it is indistinguishable from their corporate yield strategy or operational procedures. The hotel’s CRM strategy is very natural in their everyday activities. And as a result, the vivid proof to it is their profitability, strong brand loyalty and the positive feedback from their guests, who claim that they had an excellent experience during their stay and regard the hotel as the “warmest” atmosphere-wise in Kyiv.

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APPENDICES