The Effect of Customer Relationship Management on Customer Loyalty (Study at Crown Hotel in Tasikmalaya)

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ABSTRACT

The purpose of this study was to analyze how the effect of Customer Relationship Management (CRM) on customer loyalty at the Hotel Crown Tasikmalaya. Customer Relationship Management (CRM) is part of a business strategy to maintain customer loyalty. This study uses a quantitative approach. The samples in this study were 88 customers at the Hotel Crown Tasikmalaya; by using non-probability sampling methods and purposive techniques. The technique of data collection was done by distributing questionnaires to respondents and also conducting interviews with the Hotel Crown manager Tasikmalaya. The results of this study indicate that CRM has a significant influence on customer loyalty. CRM affects customer loyalty by 53.1%, and the remaining of 46.9% is influenced by other factors. The conclusions from this study show that CRM has contributed to the creation of customer loyalty. Suggestions that we provide include in terms of improving the quality of CRM, improving the quality of human resources, and also integrating the existence of technology with CRM activities.

Keywords: Customer Relationship Management, Loyalty, Crown Hotel

1. INTRODUCTION

Business competition in the hospitality world makes customers become an important part of the hospitality business. The tight competition is marked by the emergence of new hotels in developing cities, one of which is in Tasikmalaya.

The increase in the number of hotels in Tasikmalaya is quite significant. In 2010, there were only three 3-star hotels there, namely Crown Hotel, Asri Hotel, and Mangkubumi Indah Hotel. But in 2017, these 3-star hotels increased to 7 hotels, with the addition of 4 new 3-star hotels namely Santika Hotel, City Hotel, Harmoni Hotel, and Horison Hotel. Even in 2018, Fave Hotels and Grand Metro Hotels have officially operated there. The development of this hotel was also triggered by various factors including the opening of the Wiriadinata Airport commercially in 2017, the construction of the Cigatas toll road (Cileunyi-Garut-Tasikmalaya) and its tourism and culinary potential. Even according to the ayotasik.com website that the hotel occupancy rate in Tasikmalaya can reach 80%.

Crown Hotel is a hotel that has been established since 1989 and has been operating for 29 years. Crown Hotel is designated as a 3-star hotel in 2000 according to the reclassification of the star hotel class and based on the hotel class determination number:

Kep-29/PPKH/KWL/XII/00. This Crown Hotel not only functions as a hotel resort but also can be a business hotel.

Table 1.2 Number of Crown Hotel Visitors in 2014 – 2016

Year	Number of Visitors
2014	13.300
2015	12.349
2016	11.527

Source: Crown Hotel, 2017

Based on the data above, the Hotel Crown has decreased in the number of visits or occupancy every year. The decrease is also an evaluation for management in order to improve various aspects including CRM.

Oesman (in Brown, 2010: 38) states that Customer Relationship Management is a process of obtaining, maintaining, and developing profitable customers and requires a clear focus on the attributes of a service that can produce value to customers so that it can generate loyalty.

Human Resources are one of the main factors that determine the success of CRM. In improving the ability of employees, Crown Hotel management held an English language communication skills training in 2016 by inviting Mr. Hena as the speaker. The training is also a form of readiness for the ASEAN Economic Community. One of the efforts to improve the ability of employees, the hotel provides an opportunity for them to take part in the employee selection competition in 2017 held both by the city government and the provincial government of West Java. Atik Indrawati, who is one of the staff of the Hotel, was chosen as the representative of the local staff at the provincial level. This competition not only fosters the spirit of competition, but they also get a lot of new knowledge that can be applied in the hotel.

The service process is an integral part of the business, including the hospitality sector. In the transaction phase, hotel facilities are continuously being upgraded, such as the renovation of the Queen Type room that is currently being done. Renovating a hotel room from an old form to a new form with new changes will have many positive effects. This renovation includes repainting the walls, arranging the space to be more beautiful, replacing the ornaments or room furniture and more. By doing this, customers are expected to feel more comfortable in the hotel. This renovation is also an effort to increase the selling value of hotel rooms.

Technology factors have an important role in CRM. This happens because a technology can help accelerate and optimize human factors and processes in CRM activities. One form of technology utilization is the use of online booking in 2014, by joining 4 online travel agents namely agoda, traveloka, pegi-pegi and booking.com. Collaboration with online travel agents continues to be carried out by adding two new partners in 2017 namely Darmawisata and Mister Aladin. This is done to facilitate consumers from various regions in Indonesia and abroad in terms of hotel bookings. Crown Hotel also added Electronic Data Capture (EDC) machines such as Permata in 2015 to increase the ease of payment, apart from BCA and Mandiri. They also provide a 20% discount for BPJS card holders and a 10% discount for Honda card holders. This collaboration began in 2014.

Based on observations, CRM is one way that is done by companies to maintain customer loyalty. This was also done by Crown Hotel. However, based on visitor data from 2014 to 2016, Hotel Crown has experienced a decline in overall visitors. Based on this phenomenon, we are interested in examining the level of success of CRM that can affect customer loyalty. Therefore, we are interested in doing research with the title: "THE

EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER LOYALTY (Case Study at Crown Hotels)".

2. LITERATURE REVIEW

Customer Relationship Management (CRM)

Basically, this CRM concept appears based on the concept of relationship marketing. If in relationship marketing companies try to establish relationships with all interested parties in service organizations, then CRM emphasizes the customer side only (Vaneesa Gaffar, 2007: 86).

According to Lukas (2006: 3), CRM is defined as an activity that involves all human resources to retain existing customers, a strategy to manage and maintain relationships with customers and an effort to find out their desires and needs. Whereas, According to Buttle (2007: 48), CRM is a core strategy in business that integrates internal processes and functions with all external networks to create and realize value for target consumers profitably. With CRM, collaboration with each customer is expected to be able to create a situation that does not harm one party or a win-win solution.

Basically, CRM aims to recognize the best customers and give trust to customers, motivate them, fulfill their expectations, and also make them special, therefore customers of each company may not be treated equally. Special treatment for each customer can make them comfortable and become a total customer in the long term.

According to Tunggal (2008: 10), there are several benefits of CRM, including encouraging customer loyalty, reducing costs, increasing operational efficiency, increasing the time to market, and also increasing revenue.

The success of CRM can be measured using several indicators expressed by experts like Lukas. According to Luke (2006: 116-125), the success of CRM is determined by three main components: human, process, and technology.
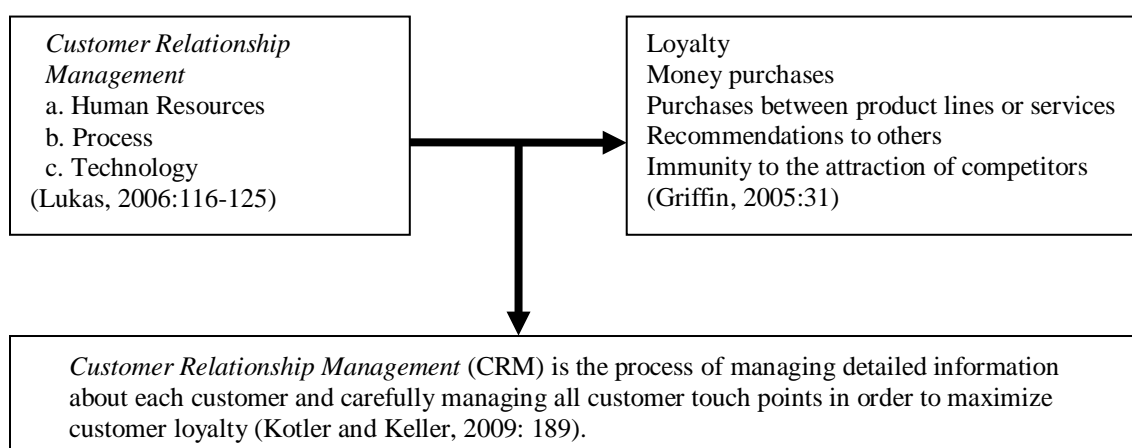

Customer Loyalty

According to Griffin (2005: 5), loyalty is a buying behavior from someone who has certain specifications about the product to be purchased and from whom. Based on these definitions, it can be explained that loyalty is more confessed to the behavior of decision-making units to make continuous purchases of goods or services of a selected company. Service loyalty refers to the definition proposed by Gramer and Brown (2006: 27) that service loyalty is the degree to which a consumer shows repeat buying behavior from a service provider, has a positive disposition or attitude toward service providers, and only considers use service providers when the need arises to use these services. From the definition delivered by Gramer and Brown, loyal consumers are not only buyers who make repeat purchases but also maintain a positive attitude towards service providers.

Maintaining customer loyalty can provide many benefits including reducing marketing costs. Therefore, maintaining customers is easier to do than capturing a new one. According to Griffin (2005: 20-24) states that there are four types of customer loyalty according to their interests, classified as low and high repurchase patterns such as without loyalty, weak loyalty, hidden loyalty, and premium loyalty. There are seven key steps to realizing and maintaining customer loyalty according to Tjiptono (2000: 117-119), commitment and involvement of top management, internal guesswork, identifying customer requirements, assessing competitors' capabilities, measuring customer satisfaction and loyalty, analyzing customer feedback, former customers, non-customers, competitors, and continuous improvements.

The Relationship between CRM and Loyalty

Customers are not only satisfied with using one product or service but also will always continue to use it. Customers who have loyalty will feel an emotional bond with the company. This emotional bond makes customers loyal, thus encouraging them to continue to make purchases on the company's products or services and provide recommendations. Creating positive emotions is very important in building relationships. Relationships without emotions will only be a mechanical activity. To increase loyalty, the company must increase the satisfaction of each customer and also maintain the level of satisfaction in the long run. So, this is where CRM appears as one form of activity carried out by the company in order to acquire and retain customers, in this context, it is called "building customer loyalty".

Conceptual Framework

| *Customer Relationship Management* a. Human Resources b. Process c. Technology (Lukas, 2006:116-125) | → | Loyalty Money purchases Purchases between product lines or services Recommendations to others Immunity to the attraction of competitors (Griffin, 2005:31) |

Customer Relationship Management (CRM) is the process of managing detailed information about each customer and carefully managing all customer touch points in order to maximize customer loyalty (Kotler and Keller, 2009: 189).

3. RESEARCH METHODS

Sample Determination

The populations in this study were customers at the Crown Hotel, Tasikmalaya. Sampling uses an iterative technique with 88 people. The sample criteria in this study are more than 18 years old, where they have used Crown Hotel products and services at least 2 times, and they have also used hotel products and services during 2014-2017.

Data Types and Data Sources

The type of data in this study is primary data. According to Sugiyono (2012: 139), primary sources are data sources that directly provide data to data collectors.

Method of Collecting Data

The data collection method used was a mixed questionnaire. According to Deni Darmawan (2013: 161), this type of questionnaire allows accommodating the possibilities of answers that are not yet available in addition to the answer choices available on the questionnaire. In addition, it is also equipped with interviews and literature studies.

Analysis Method
Simple Linear Regression

To determine the level of influence of CRM on loyalty, it can be done with a simple

linear regression formula, as follows:

$$Y = a + bX$$

Where:

Y = Predicted dependent variable subjects (CRM)

X = The independent variable subject has a certain value (Loyalty)

a = Number of regression constants for X = 0 (y value when x zero)

b = The regression direction coefficient indicates the number of increases or decreases in variable Y if there is one unit increases or decreases.

Pearson Correlation

This analysis technique includes parametric statistical techniques that use the interval data ratios with certain requirements. Pearson Product Moment correlation analysis:

$$r = \frac{n \sum XY - (\sum X)(\sum Y)}{\sqrt{\left(n \sum (X)^2 - (\sum X)^2\right)\left(n \sum (Y)^2 - (\sum Y)^2\right)}}$$

Coefficient of Determination

The coefficient of determination is generally used to measure how far the model's ability to explain variable variations. The formula for the coefficient of determination is:

$$Kd = rs2 \; x$$
$$100\%$$

Where:

Kd = Coefficient of determination

Rs2 = Pearson correlation coefficient

4. RESEARCH RESULT

Simple Regression

Coefficient

Model	Unstandardized Coefficients		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
1 (Constant) CRM	-3.295	.617		-5.338	.000
	1.907	.193	.728	9.858	.000

a. Dependent Variable: Loyalty

Source: Results of SPSS Primary Data Processing, 2018

Regression coefficient that shows a large independent influence on the dependent variable, i.e.: **Y = -3,295 + 1,907 X + e.** Based on the table above, it can be seen that the relationship between CRM and Loyalty is positive (note the CRM coefficient value in column B), it says 1.907 means that when there is an increase in CRM it will increase Loyalty.

Pearson Correlation Analysis

Correlation

		CRM	Loyalty
CRM	Pearson Correlation	1	.728**
	Sig. (2-tailed)		.000
	N	88	88
Loyalty	Pearson Correlation	.728**	1
	Sig. (2-tailed)	.000	
	N	88	88

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Results of SPSS Primary Data Processing, 2018

The correlation coefficient between CRM and Loyalty is 0.728. This number shows that there is a correlation with a strong category. This categorization is based on the classification of correlation categories in Chapter 3. With a significance value of less than 0.05, it means that there is a significant correlation between CRM and Loyalty.

Coefficient of Determination

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.728[a]	.531	.525	.54887

a. Predictors: (Constant), CRM
Source: Results of SPSS Primary Data Processing, 2018

Based on the table above the coefficient of determination (R^2) is 0.531. This means that there is an influence between CRM variables on Loyalty of 53.1% while the remaining 46.9% is influenced by other variables that the researchers did not involve in this study.

5. CONCLUSION

1. Overall, the implementation of CRM is considered quite well by customers of Crown Hotel. These results are obtained from the recapitulation of respondents' responses regarding the human dimensions, processes, and technology used as supporting CRM activities.
2. Crown Hotel customers are considered quite loyal. This can be known because the indicators that contained in the questionnaire turned out to get a pretty good response from customers of Crown Hotel.
3. Based on the results of the correlation analysis using Pearson correlation, the results obtained 0.728. This conclusion is also supported by testing the determination coefficient of 53.1%. It means that customer loyalty is influenced by the implementation of CRM, while the remaining 46.9% is influenced by other factors outside of CRM such as price, product quality, service quality, cost, trust, and so on.

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