THE MEDIATING EFFECT OF MARKETING CAPABILITIES ON THE RELATIONSHIP BETWEEN CUSTOMER RELATIONSHIP MANAGEMENT (CRM) DIMENSIONS AND HOTEL PERFORMANCE

By

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Abstrak

Pengurusan Perhubungan Pelanggan (PPP) telah menjadi sebuah topik akademik dan praktikal yang semakin popular dalam bidang perniagaan. Dalam persekitaran yang kompetitif seperti industri perhotelan, PPP telah menjadi satu strategi penting bagi meningkatkan prestasi hotel. Walau bagaimanapun, penyelidikan yang mengkaji perhubungan antara dimensi PPP (orientasi pelanggan, organisasi PPP, pengurusan pengetahuan dan PPP berasaskan teknologi) dengan prestasi hotel masih terbatas. Kajian ini secara empirikal mengkaji hubungan antara dimensi PPP dengan prestasi hotel di Malaysia. Ia juga meneliti kesan pengantara keupayaan perancangan pemasaran dan keupayaan pelaksanaan pemasaran kepada hubungan antara dimensi PPP dan prestasi hotel. Data telah dikumpulkan dengan menggunakan kaedah tinjauan di mana sejumlah 410 borang soal selidik telah diedarkan kepada pengurus hotel dan menghasilkan respon sebanyak 37.1% (152 borang lengkap dikembalikan). Analisis regresi dijalankan untuk menguji hubungan antara dimensi PPP, keupayaan perancangan pemasaran, keupayaan pelaksanaan pemasaran dengan prestasi hotel. Hasil kajian menunjukkan terdapat hubungan yang positif antara dimensi PPP dengan prestasi hotel. Ia juga menunjukkan bahawa keupayaan perancangan pemasaran dan keupayaan pelaksanaan pemasaran memainkan peranan sebagai pengantara kepada hubungan antara dimensi PPP dan prestasi hotel. Kajian ini menunjukkan bahawa organisasi PPP adalah sumber pengaruh utama ke atas keupayaan pemasaran dan prestasi hotel. Secara keseluruhannya, kajian ini memperkaya bahan dalam bidang kajian dengan menyarankan bukti tentang kepentingan dimensi PPP dalam meningkatkan prestasi hotel. Sebagai tambahan, ia juga memberi petunjuk kepada kemungkinan kesan-kesan penting pengantara keupayaan pemasaran (perancangan dan pelaksanaan) terhadap hubungan antara dimensi PPP dengan prestasi hotel. Dari perspektif praktikal, dengan memahami hubungan antara konstruk dalam model kajian, pengurus hotel boleh memaksimumkan penggunaan sumber dalaman masing-masing untuk meningkatkan prestasi organisasi. Kajian itu mengesyorkan supaya kajian pada masa akan datang memasukkan faktor-faktor seperti faktor persekitaran luaran dan ciri-ciri hotel yang boleh mempengaruhi hubungan antara dimensi PPP dengan prestasi hotel.

Kata kunci: Keupayaan Pelaksanaan Pemasaran, Keupayaan Perancangan Pemasaran, Pengurusan Perhubungan Pelanggan, Prestasi Hotel

Abstract

Customer Relationship Management (CRM) has become an increasingly popular academic and practical topic in the business field. In competitive environments such as the hotel industry, CRM has become a crucial strategy to increase hotel performance. However, research that investigates the relationships between CRM dimensions (customer orientation, CRM organization, knowledge management and technology-based CRM) and hotel performance is still limited. This study empirically examines the relationship between CRM dimensions and hotel performance in Malaysia. It also investigates the mediating impact of marketing planning capability and marketing implementation capability on the relationship between CRM dimensions and hotel performance. Data was collected using survey method whereby a total of 410 questionnaires were distributed to hotel managers and yields 37.1 % response rate (152 useable questionnaires returned). The regression analysis was conducted to test the relationships among CRM dimensions, marketing planning capability, marketing implementation capability, and hotel performance. The results show a positive relationship between CRM dimensions and hotel performance. They also indicate that marketing planning capability and marketing implementation capability play a mediating role on the relationship between CRM dimensions and hotel performance. This study demonstrated that CRM organization is the main source of influence on marketing capabilities and hotel performance. Overall, this study enriches the literature by providing evidence of the importance of CRM dimensions in improving hotel performance. Additionally, it also points out to the significant mediating effects of marketing capabilities (planning and implementation) on the relationship between CRM dimensions and hotel performance. From the practical perspective, by understanding the relationship among the constructs in the research model, hotel managers could maximize the utilization of their internal resources to improve organizational performance. It is recommended that future studies should include factors such as external environment and hotel attributes that may influence the relationship between CRM dimensions and hotel performance.

Keywords: Customer Relationship Management, Hotel Performance, Marketing Implementation Capability, Marketing Planning Capability

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Table of Contents

Permission to Use i
Abstrak ii
Abstract iii
Acknowledgements iv
Table of Contents v
List of Tables ix
List of Figures xi
List of Abbreviations xii
List of Appendices xiii

CHAPTER ONE - INTRODUCTION 1
  1.1 Background of the Study 1
  1.2 Malaysia as the Research Context 8
  1.3 Problem Statement 12
  1.4 Research Objectives 19
  1.5 Research Questions 20
  1.6 Significance of the Study 21
  1.7 Scope of the Study 23
  1.8 Operational Definition 24
  1.9 Organization of the Study 26
  1.10 Summary 27
CHAPTER TWO - LITERATURE REVIEW 28
  2.1 Introduction 28
  2.2 Definitions of Customer Relationship Management 28
  2.3 CRM Components 32
    2.3.1 People 33
    2.3.2 Technology 34
    2.3.3 Business Strategy 35
    2.3.4 Process 37
  2.4 CRM Implementation 38
    2.4.1 Requirements for the Successful Implementation of CRM 40
    2.4.2 CRM Implementation and Business Performance 42
    2.4.3 CRM Implementation in the Hotel Industry 48

2.4.4 The Need for CRM Implementation in the Hotel Industry 52

2.5 CRM Dimensions 56

2.5.1 Customer Orientation 58

2.5.2 CRM Organization 61

2.5.3 Knowledge Management 64

2.5.4 Technology-Based CRM 68

2.6 Marketing Capabilities 72

2.6.1 Marketing Planning Capability 75

2.6.2 Marketing Implementation Capability 76

2.7 Measuring Hotel Performance 79

2.7.1 Hotel Performance and Balanced Scorecard 81

2.8 Related Theories on CRM 86

2.9 Research Framework 92

2.10 Hypotheses Development 94

2.10.1 CRM Dimensions and Hotel Performance 94

2.10.2 CRM Dimensions and Marketing Capabilities 96

2.10.3 Marketing Capabilities and Hotel Performance 98

2.10.4 CRM Dimensions, Marketing Capabilities and Hotel Performance 99

2.11 Summary 102

CHAPTER THREE - RESEARCH METHODOLOGY 103

3.1 Introduction 103

3.2 Research Philosophy 103

3.3 Research Design 106

3.4 Population and Sampling Procedure 107

3.5 Measurement and Questionnaire Design 109

3.5.1 Measurement of Variables 109

3.5.2 Questionnaire Design 116

3.6. Reliability and Validity of Instrument 116

3.6.1 Reliability 116

3.6.2 Validity 117

3.7 Pilot Study 118

3.8 Data Collection 119

3.9 Techniques of Data Analysis 120

3.9.1 Descriptive Statistics 121

3.9.2 Goodness of Measures 121

3.9.3 Correlation Analysis 121

3.9.4 Regression Analysis 121

3.9.5 Hypothesis Testing 123

3.10 Summary 124

CHAPTER FOUR - RESULTS AND DATA ANALYSIS 125

4.1 Introduction 125

4.2 Overview of Data Collected 125

4.3 Profile of the Respondents 127

4.4 Goodness of Measures 129

4.4.1 Validity 129

4.4.2 Factor Analysis 131

4.4.3 Reliability Test 144

4.5 Correlation Analysis 145

4.6 Hypothesis Testing and Regression Analysis 148

4.6.1 Testing the Assumptions of Regression Analysis 149

4.6.2 Testing of Hypotheses 154

4.6.3 Regression Analysis concerning the Influence of CRM Dimensions on Hotel Performance 157

4.6.4 Regression Analysis on the Influence of CRM Dimensions on the Marketing Planning Capability 158

4.6.5 Regression Analysis on the Influence of CRM Dimensions on Marketing Implementation Capability 159

4.6.6 Regression Analysis on the Influence of Marketing Planning Capability on Hotel Performance 160

4.6.7 Regression Analysis on the Influence of Marketing Implementation Capability on Hotel Performance 160

4.6.8 The Mediating Effect of Marketing Capabilities 161

4.7 Summary 169

CHAPTER FIVE - DISCUSSION, CONCLUSION AND RECOMMENDATIONS 172

5.1 Introduction 172

5.2 Recapitulation of the Study's Findings 172

5.3 Discussion of Findings 174

5.3.1 Effect of CRM Dimensions on Hotel Performance 174

5.3.2 Effects of CRM dimensions on Marketing Capabilities 181

5.3.3 Effect of Marketing Capabilities on Hotel Performance 185

5.3.4 Marketing Capabilities Mediating the Relationship between CRM Dimensions and Hotel Performance 186

5.4 Research Contributions 190

5.4.1 Theoretical Contribution 190

5.4.2 Managerial Implications 192

5.5 Limitations and Suggestions for Future Research 195

5.6 Conclusion 196

REFERENCES 198

List of Tables

Table		Page
Table 1.1	Statistics of Key Indicators (2006-2012)	9
Table 2.1	List of Hypotheses	101
Table 3.1	Measurement Items of Customer Orientation	110
Table 3.2	Measurement Items of CRM Organization	111
Table 3.3	Measurement Items of Knowledge Management	111
Table 3.4	Measurement Items of Technology-Based CRM	112
Table 3.5	Measurement Items of Marketing Planning Capability	113
Table 3.6	Measurement Items of Marketing Implementation Capability	114
Table 3.7	Measurement Items of Hotel Performance	114
Table 3.8	Reliability Analysis of Pilot Study	119
Table 3.9	Data Analysis Techniques	122
Table 4.1	Summary of Survey Responses	126
Table 4.2	Profile of Respondents	127
Table 4.3	Results of Factor Analysis for CRM Dimensions	138
Table 4.4	Factor Analysis of Marketing Planning Capability	140
Table 4.5	Factor Analysis on Marketing Implementation Capability	141
Table 4.6	Results of Factor Analysis for Hotel performance	143
Table 4.7	Reliability Analysis	144
Table 4.8	Rules of Thumb of Correlation Strength	146
Table 4.9	Pearson Correlations of Study Variables	146
Table 4.10	Statistic Values of Skewness and Kurtosis Ratios	150

Table 4.11 Tolerance Value and the Variance Inflation Factor (VIF) 153

Table 4.12 Summary of Multiple Regression Analysis for CRM Dimensions Influencing Hotel Performance 157

Table 4.13 Summary of Multiple Regression Analysis for CRM Dimensions Influencing Marketing Planning Capability 158

Table 4.14 Summary of Multiple Regression Analysis for CRM Dimensions Influencing Marketing Implementation Capability 159

Table 4.15 Summary of Regression Analysis for Marketing Planning Capability Influencing Hotel Performance 160

Table 4.16 Summary of Regression Analysis for Marketing Implementation Capability Influencing Hotel Performance 161

Table 4.17 Summary of Multiple Regression Analysis for CRM Dimensions and Marketing Planning Capability Influencing Hotel Performance 164

Table 4.18 Summary of Mediation Test of Marketing Planning Capability on the Relationship between CRM dimensions and Hotel Performance 165

Table 4.19 Summary of Multiple Regression Analysis for CRM Dimensions and Marketing Implementation Capability Influencing Hotel Performance 167

Table 4.20 Summary of Mediation Test of Marketing Implementation Capability on the Relationship between CRM dimensions and Hotel Performance 168

Table 4.21 Summary of All Tested Relationships 169

Table 5.1 Results of The Main Hypotheses 174

List of Figures

Figure		Page
Figure 2.1	Research Framework	93
Figure 4.1	Research Framework after Factor Analysis	154
Figure 4.2	Mediation Effect of Marketing Planning Capability	163
Figure 4.3	Mediation Effect of Marketing Implementation Capability	167

List of Abbreviations

Abbreviation	**Full List**
BSC	Balanced Scorecard
CO	Customer Orientation
CLV	Customer Lifetime Value
CP	Customer Performance
CRM	Customer Relationship Management
CRMO	Customer Relationship Management Organization
ERP	Enterprise Resource Planning
FP	Financial Performance
HMD	Hotel Performance Dependent variable
ICT	Information Communication Technology
IBP	Internal Business Process
KM	Knowledge Management
LGP	Learning and Growth Perspective
MAH	Malaysian Association of Hotels
MIC	Marketing Implementation Capability
MPC	Marketing Planning Capability
RBV	Resource Based View Theory
RM	Relationship Management
TCRM	Technology-based Customer Relationship Management
UNWTO	United Nations World Tourism Organization
VIF	Variance Inflation Factor

List of Appendices

Appendix Page

Appendix 1 Questionnaire and Cover Letters 220

Appendix 2 Factor Analysis Results 230

Appendix3 Reliability Results 239

Appendix 4 Histograms and Normal Probability Plots 242

Appendix5 Partial Plots 247

Appendix6 Scatter Plots 253

Appendix7 Regression Analysis Results 257

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Tourism is fast becoming an important sector in many countries. Globally, as an export category, it has been ranked as the fourth after fuel, chemicals and food (UNWTO, 2012). Moreover, it enables the creation of many jobs and encourages progress in developing countries. International tourism receipts reached approximately US$ 1,075 billion globally in 2012, up from US$ 1,042 billion in 2011 (UNWTO, 2013).

With this global growth in tourism, countries have started to pay more attention to the tourism industry. Tourism and the hotel industry have a positive impact on many nations' economies, providing foreign currency, supporting the balance of payments in a positive way and contributing to foreign debt repayments. The hotel industry is considered a core element of the tourism sector, and its performance plays a vital role in enhancing economic growth (Zailani, Omar, & Kopong, 2011). It provides employment opportunities in areas of high unemployment. Although in many cases hotels offer only seasonal jobs, they are still beneficial to citizens. The hotel industry also feeds diverse industries and has a multiplier effect. Thus, governments should give special attention to further development of the hotel industry.

However, highly aggressive competition in the hotel industry is one of the strongest challenges, as high competition is characterized by increasingly narrow margins; hence there is pressure to provide effective service, which in turn leads to increasing costs.

In line with this argument, Sigala (2005) stated that in recent years, aggressive competition in the hotel industry has reduced customer loyalty and decreased the occupancy rate. This intense competition and its consequences have become the greatest challenges faced by the hotel industry.

Previous studies (e.g. Castellanos-Verdugo, Oviedo-García, & Veerapermal, 2009; Tavitiyaman, Qu, & Zhang, 2011; Wu & Li, 2011; Wu & Lu, 2012) have suggested that to confront this problem, hotels must develop resources or capabilities to maintain customer loyalty and create a pattern of repeat purchases. They further argue that customer retention has become especially important because retaining existing customers is more profitable than attracting new ones (Reichheld & Sasser, 1990).

Another challenge faced by most hotel managements has been retaining customers by offering specific features. It has been becoming increasingly difficult to retain customers through unique features, as those offers in the hospitality industry are similar to each other (Hermans, Mutsaerts, & Olyslager, 2009). The hotel industry is also facing challenges arising from globalization, increased turnover of customers, increased cost of retaining customers and increases in customers' expectations. In other words, the hotels' performance and competitive advantage depend on their capability to meet customers' needs effectively and efficiently (Olsen & Connolly, 2000). The key to success in the hotel industry is to build a relationship with their customers rather than simply to provide a high quality service and product (Olsen & Connolly, 2000). Kotler, Bowen, and Makens (2006) stated that higher levels of customer satisfaction and strong relationships with customers are considered as primary sources of revenue to service industries, as well as main pointers of performance. Thus, it follows that retaining customers by enhancing their satisfaction, loyalty and ensuring strong customer relationships are important keys to the development of the hotel industry.

Against this background, the customer is considered the cornerstone for the survival of hotel enterprises. Both academic and industry researchers have demonstrated that the success of organizations relies significantly on the efficiency of such organizations to manage their relationships with potential and current customers (Berry, 1995; Brady & Cronin, 2001).

For this reason, several organizations make it a point to inculcate in their management and employees the practice of a customer-oriented approach (Dean, 2009; McNally, 2007; Roland & Werner, 2005). Following the trends of how best to acquire, satisfy and retain both current and potential customers, there emerged Customer Relationship Management (CRM), a concept that is said to have increased in popularity since the 1990s (McNally, 2007; Sin, Tse, &Yim, 2005).

In this case, CRM is focused on providing long-term modifications and advantages to businesses opting for its adoption, as it allows them to interact effectively with customers in an active and productive way (Aihie & Bennai, 2007; Sin *et al.,* 2005; Wu & Li, 2011).

Kotler and Armstrong (2004) defined CRM as a comprehensive technique to build and maintain effective customer relationships through delivery of superior customer value and satisfaction. From a different perspective, Gefen and Ridings (2002) provided a technology-oriented viewpoint of CRM by referring to it as an enterprise resource planning (ERP) module specializing in capturing, integrating, managing, and analyzing customer data , such as who, what, when, and how a customer did what with the organization.

Yim, Anderson, and Swaminathan (2004) and Sin *et al.* (2005) attempted to offer more conceptual clarity of CRM theory by combining the relevant literature of management, marketing and information technology to recognize four key areas crucial for successful CRM implementation: people, strategy, processes and technology. These four components of CRM are additionally communicated in four dimensions as: key customer focus, CRM organization, knowledge management and technology-based CRM (Sin *et al.,* 2005; Yim *et al.,* 2004). Although each of the components is simple, their combination develops an unrivalled relationship with customers (Day, 2003; Kotler & Armstrong, 2004).

In this regard, Abdullateef, Mokhtar, and Yusoff (2010) proposed that customer orientation is more comprehensive than key customer focus, and is used as one dimension of CRM. Previous studies also supported this argument and declared that customer orientation is a main factor in implementing CRM in organizations and consequently improving organizational performance (Wang, Huang, Chen, & Lin, 2010; Garrido-Moreno & Padilla-Melendez, 2011). Therefore the current study uses the following CRM dimensions: customer orientation, CRM organization, knowledge management, and technology-based CRM; further, these dimensions must be integrated to reflect an overall approach and implement the CRM construct successfully in an organization.

CRM has become a centre of activity of every business and particularly of service businesses, where it is used as an important tool for building relationships and customer retention (Tamilarasan, 2011). It has also been argued that the application of CRM in organizations is becoming more prevalent (Elmuti, Jia, & Gray, 2009). Therefore, CRM has been reported to be one of the most discussed issues and a topical area of interest in the field of business and information technology (Balaram & Adhikari, 2010; Becker, Greve, & Albers, 2009; Dimitriadis & Steven, 2008; Ozgener & Iraz, 2006; Raman, Wittmann & Rauseo, 2006).

Several studies have revealed that CRM strategy can lead to improvement of organizational performance and create a competitive advantage in the market (Castellanos-Verdugo *et al.,* 2009; Chand, Sharma, & Uddin, 2010; Chang, Park, & Chaiy, 2010; Chang & Ku, 2009; Hisn Chang, 2007; Krasnikov, Jayachandran, & Kumar, 2009; Sin *et al.,* 2005; Thakur, Summey, & Balasubramanian, 2006). Specifically, CRM can be used as a strategy to improve hotel performance (Kasim & Minai, 2009). In line with this argument, DuŃu & Hălmăjan (2011) contended that CRM should be considered by decision makers as a chance to maximize customer value and to decrease the costs of customer attraction and retention.

Recently, studies of CRM have focused on particular service sectors, for example the financial sector (Akroush, Dahiyat, Gharaibeh, & Abu-Lail, 2011; Becker *et al.*, 2009; Eid, 2007; Hussain, Hussain, & Sajid, 2009; Krasnikov *et al.,* 2009; Rootman, Tait, & Bosch, 2008); telecommunications (Almotairi, 2009; Beldi, Cheffi, & Dey 2010); contact centres (Abdulateef, 2011); and healthcare (Attharangsun & Ussahawanitchakit, 2008). However, studies of CRM in the hotel industry are rare (Daghfous & Bakhi, 2009; Vogt, 2011), despite the argument that it is one of the sectors that could implement CRM strategy most successfully and gain most benefits from it (Kotler & Keller, 2006).

Additionally, numerous studies have indicated that there is a need for more empirical research regarding successful CRM implementation and its impact on business performance (Bull, 2003; Garrido-Moreno & Padilla-Meléndez, 2011; Payne & Frow, 2006; Verhoef, Reinartz, & Krafft, 2010).

Moreover, some studies have declared that CRM strategy impacts on firms' performance indirectly through intervening variables, and further studies must explore those mediators (Boulding, Staelin, Ehret, & Johnston, 2005; Chang *et al.*, 2010). Specifically, Akroush *et al.* (2011) contended that more studies are crucial to investigate intervening variables between CRM dimensions and organizational performance. In this regard, CRM as a competitive strategy can be implemented successfully if it is combined with other resources in the organization, such as marketing capabilities (Bohling *et al.*, 2006; Raman *et al.*, 2006). Previous empirical studies have explored the extent to which marketing capabilities act as drivers that lead to differential performance among organizations. For example, Vorhies and Morgan (2005), Morgan, Vorhies, and Mosen (2009) and Chang *et al.* (2010) indicated that marketing capabilities (planning and implementation) have the greatest impact on organizational performance.

Previous studies have also revealed the relationship between CRM dimensions and marketing capabilities. In this regard, Morgan *et al.* (2009) contended that customer orientation and marketing capabilities go hand in hand to improve organizational performance. Vorhies, Morgan, and Autry (2009) also asserted that an organization's marketing capabilities are influenced by the whole process conducted and organized around employees, such as organizational culture, policies, strategies and management support. Previous studies declared that a positive relationship exists between knowledge management and marketing capabilities (Conant & White, 1999; Fahy *et al.*, 2000). Regarding the use of information technology in marketing capabilities, studies have concluded that it plays a vital role in improving organizations' marketing capabilities (Chang *et al.*, 2010; Piccoli, 2008).

Chang *et al.* (2010) also recommended that future studies must investigate separately the mediation impact of the two types of marketing capability (planning and implementation) on the relationship between CRM and the organization's performance. Based on these discussions, this study uses marketing capabilities (planning and implementation) separately as mediator variables in the relationship between CRM dimensions (i.e. customer orientation, CRM organization, knowledge management and technology-based CRM) and hotel performance.

Further, CRM is a concept that emerged in developed countries, and various researchers have addressed the subject of improving its implementation in the USA and Europe (Beldi *et al.*, 2010; Chalmeta, 2006; Grönroos, 2004; Harrigan, Ramsey, & Ibbotson, 2009; King & Burgess, 2008; Mendoza, Marius, Pérez, & Grimán, 2007; Payne & Frow, 2005). Although CRM has become accepted throughout the world, limited research attention has been given to it in developing countries (Almotairi, 2009; Kumar, Sunder, & Ramaseshan, 2011; Sanzogani, Whungsuriya, & Heather, 2008). Hence there is an increasing need for more studies in CRM to enable generalization of CRM implementation knowledge outside the western context (Chang *et al.*, 2010).

In this respect, Kumar *et al.* (2011) agreed that most of the current studies of CRM have been conducted in developed economies such as the United States and United Kingdom, while only a few studies have been conducted in developing markets such as South America and Asia, which are becoming more and more significant to business today. Against this background, Kumar *et al.* (2011) recommended that future studies assess the influence of CRM implementation in the Asian region. Therefore, in the following section the study discusses Malaysia as the research context.

1.2 Malaysia as the Research Context

The tourism industry is one of the key potential growth areas in Malaysia's service economy. It has contributed important growth and economic value to the GDP of Malaysia (Yen & Othman, 2011; Zialiani *et al.,* 2011), and Malaysia has been recording a steady growth in the tourism industry. Statistics indicate an increase in tourist expenditure from 2006 to 2012; tourist arrivals increased from 17.55 million in 2006 to 25.03 million in 2012, with receipts of RM 60.6 billion (Tourism Malaysia, 2013).

Moreover, UNWTO predicts that the growth in international tourism is set to continue, and that emerging destinations, especially in Asia, the Pacific region and the Middle East, are expected to continue leading the growth. Tourist arrivals to the Asia and Pacific regions are forecast to double within 10 years, from 195 million in 2010 to 397 million by 2020; the region's share of global arrivals will grow from 14.4% in 1995 to 25.4% in 2020 (UNWTO, 2011). In this vein, the goal of the 10th Malaysian Plan was to achieve significant expansion in the country's tourism industry within five years (Business Monitor International, 2011). The plan targets the achievement of expanding the industry by a factor of 2.1 by 2015, which is expected to result in the maximization of the annual tourism receipts to RM 115 billion and the generation of approximately two million jobs. As a consequence, Malaysia will be boosted from its 16th position in the National Tourism Earners list into the top 10. The hotel industry is one of the main components of tourism, and as such is one of the most promising sectors in Malaysia; therefore there is a need for good strategies to enable it to meet the economic agenda of the nation (Awang, Ishak, Radzi, & Taha, 2008).

In order to support the growth of tourism, Malaysia offers a wide range of accommodation to visitors, including hotels, individual guest houses, motels, self-catering and other types of private accommodation. As at the end of 2012, Malaysia had 2,724 hotels offering 195,445 rooms (Tourism Malaysia, 2013), shown in Table 1.1.

Table 1.1
Statistics of Key Indicators (2006-2012)

	2006	2007	2008	2009	2010	2011	2012
Number of travellers Million	17.55	20.97	22.05	23.65	24.58	24.71	25.03
Expenditure of travellers Billion (RM)	36.3	46.1	49.6	53.4	56.5	58.3	60.6
Number of hotels	2,336	2,360	2,373	2,373	2,367	2,707	2,724
Number of rooms	157,006	160,327	165,739	168,844	168,497	193,340	195,445
Average occupancy rate	65.5%	70.0%	66.3%	60.9%	59.3%	60.6%	62.4%

(Tourism Malaysia, 2013)

Awang *et al.* (2008) further contended that the contributions of the hotel industry to the national economy are numerous. They include the creation of employment opportunities, facilitation of another source of income particularly for the rural population, and reinforcing the development of secondary activities like material and equipment supply; the industry also supports the growth of domestic as well as inbound tourism.

Overall, there is an increase in the number of hotels in Malaysia; as reported by Tourism Malaysia (2013) there were 2,724 hotels in 2012 compared to 2,336 in 2006. As a result of this increasing number of hotels, competition has become very stiff among hoteliers, which influences the level of the average occupancy rate. From 2006 to 2012, the average occupancy rate fluctuated but settled at approximately 63% (Tourism Malaysia, 2013).

Furthermore, in today's highly competitive hospitality industry, the Malaysian hotel industry is relatively vulnerable to international and foreign competition (Awang *et al.*, 2008). In reality, global competition is becoming stronger by the day as more and more foreign hotel operators are opening their business in Malaysia, recognizing that the country has strong growth potential in the service industry sector. Consequently, there is even more pressure on hotel operators in Malaysia to further improves their organizational performance. To be competitive, they must pay more attention to the needs and wants of the customers, as well as recognizing internal factors to improve their occupancy rate (Abdullah & Hamdan, 2012). In summary, hotels must implement suitable strategies to face the strong competition in the market and consequently improve their performance, increase occupancy rates and achieve profit (Yen & Othman, 2011).

Thus, this study helps hotel managers to be more aware of the factors that have an effect on their overall organizational efficiency, so that the internal resources such as CRM dimensions can be managed well and properly aligned with the marketing capabilities to improve their performance.

It is now clear, based on previous arguments, that the hotel industry plays a vital role in the Malaysian economy. Therefore it is important to investigate how the hotel industry's performance can be improved. In this case, Sigala (2005) asserted that CRM as a competitive advantage strategy becomes a necessity for attracting and improving guests' patronage.

Although there are a few studies of CRM on hotel performance in the Malaysian context, there is a need for more research in this area (Kasim & Minai, 2009). Therefore, using Malaysia as the research context will be helpful in improving hotel performance as discussed before, and CRM is a crucial strategy for improving organizational performance. Another benefit of using Malaysia as the study context stems from the intensive competition in the hotel industry in Malaysia. It will be helpful for both hotel managers and academics to understand the influence of CRM dimensions on hotel performance in Malaysia.

Against this background, and because of the industry's current and potential contribution to the national economy, this study focuses on CRM in the Malaysian hotel industry. Specifically, it focuses only on 3- to 5- star rated hotels, of which there are 447, because it is only within these larger organizations that CRM is given the attention it deserves; hence, the present study opts to study hotels at this level (Kasim & Minai, 2009).

Having established the research context, this chapter moves on to discuss other issues related to the development of the study: the problem statement, the research objectives, the research questions, significance of the study, and the scope of study. Additionally, the organization of the thesis is presented in the last section of this chapter.

1.3 Problem Statement

The high level of competition is one of the most difficult challenges in the hotel industry. This is reflected by increasingly narrow margins and pressure to provide more and better service, which has led to increasing costs, reduced customer loyalty and consequently a decrease in the occupancy rate (Castellanos-Verdugo *et al.*, 2009; Fan & Ku, 2010; Sigala, 2005; Wang & Wang, 2009).

In Malaysia, the hotel industry operates in an aggressive competitive environment, thus making it vulnerable to international competition (Awang *et al.*, 2008; Business Monitor International, 2011). Moreover, as mentioned before, the occupancy rates of hotels in Malaysia are moderate and have fluctuated between 2006 and 2012. These occurrences indicate that performance needs improvement; in other words, hotels need to employ a suitable strategy and practice to improve their performance (Awang *et al.*, 2008; Razalli, 2008; Yen & Othman, 2011).

In this case, Daghfous and Barkhi (2009) contended that aggressive competition will make it difficult for hotels to achieve an acceptable level of occupancy. Therefore, hoteliers must search for new and sustainable sources to achieve competitive advantage; it is crucial to encourage patterns of incessant repurchase and to maintain relationships with customers (Castellanos-Verdugo *et al.*, 2009). CRM is emerging as a way for hotel companies to distinguish themselves from their competitors (Kasim & Miani, 2009; Ku, 2010; Özgener & İraz, 2006), and is considered to be among the best strategies and practices for hotels to improve their performance and ultimately to ensure long-term business survival (Kasim & Minai, 2009; Sigala, 2005; Wu & Li, 2011).

Zineldin (2000) argued that CRM is particularly suited to the hotel industry, because it is an environment where most actors (i.e. hotels) provide a similar product and service. Thus, differentiation becomes more attractive to the hotel industry with its potential and resources to build up long-term relationships with customers (Zineldin, 2000).

Wu and Lu (2012) support this argument: owing to hotels' direct contact with their customers; their service quality and relationships with customers significantly affect their business development. Therefore, improving the effect of CRM strategy has become a crucial factor for the success of the hotel industry.

The CRM strategy serves as a great opportunity to better understand customers, which is essential to maximize customer value, improve customer satisfaction and realize business excellence and profit maximization (Daghfous & Barkhi, 2009; DuŃu & Hălmăjan,2011; Lin & Su, 2003; Reimann, Schilke, & Thomas, 2010). Hence, increasing the impact of CRM has become a core factor for hotel industries' success (Kasim & Minai, 2009; Sigala, 2005; Wu & Lu, 2012).

In this respect, previous studies (Abdulateef, 2011; Alkroush *et al.*, 2011; Sin *et al.*, 2005; Yim *et al.*, 2004) declared that CRM is a multi-dimensional construct that involves customer orientation, CRM organization, knowledge management and technology-based CRM. Therefore, organizations must combine all of these dimensions to implement CRM successfully and consequently improve performance.

Implementing CRM successfully involves seeking, gathering and storing the right information and sharing it throughout the whole organization, and then using it at all levels to create a personalized and unique customer experience (Olsen & Connolly, 2000; Sigala, 2005; Sigala & Connolly, 2004; Siguaw & Enz, 1999; Wu & Li, 2011).

Despite the imperative role of CRM strategy for organizational survival, its implementation has resulted in mixed outcomes (King and Burgess, 2008; Reimann *et al.* 2010); many studies have revealed a high failure rate in the implementation of CRM (Rigby, Reichheld, & Schefter, 2002; Xu & Walton, 2005).

Moreover, despite the wide use of CRM in the tourism sector, there has been limited research within the hospitality industry (Daghfous & Barkhi, 2009; Ku & Fan, 2009; Hermans *et al.*, 2009; Vogt, 2011; Wu & Lu, 2012). Similarly, the impact of CRM implementation on organizational performance has not received enough attention from academics, and there is still a lack of empirical studies in this area (Kransnikov *et al.*, 2009; Kumar, 2008; Piskar & Faganel, 2009). Specifically, previous empirical studies that address CRM in the Malaysian hotel context are still scarce (Kasim & Minai, 2009).

Furthermore, it has been reported that the link between CRM and organizational performance is ambiguous and potentially not a direct relationship (Reimann *et al.*, 2010). In line with this finding, previous studies have found inconsistent results between CRM dimensions (i.e. customer orientation, CRM organization, knowledge management and technology-based CRM) and organizational performance (Abdullateef, 2011; Akroush *et al.*, 2011; Yim *et al.*, 2004), concluding that one possible reason for these inconsistent results is a limited understanding of the mechanisms that link CRM with organizational performance. Therefore, more studies that investigate intervening or mediating variables between CRM and organizational performance are crucial (Akroush *et al.*, 2011; Boulding *et al.*, 2005; Chang *et al.*, 2010; Reimann et *al.*, 2010).

A building and managing customer relationship is the essence of the marketing concept (Morgan & Hunt, 1994). Additionally, previous studies have revealed that CRM enables organizations, through provision of superior front-line support and access to integrated customer data, to create suitable marketing strategies and implement marketing actions more efficiently and effectively (Chang *et al.*, 2010; Chen & Popovich, 2003). Furthermore, the effectiveness of CRM in an organization depends on the organization's capabilities (Boulding *et al.*, 2005).

In this case, Plakoyiannaki and Tzokas (2002) argued that there is a lack of research that explains the relationship between organizational capabilities and the successful implementation of CRM. Hence, there is a need to investigate the impact of organizational resources that might enable the successful implementation of CRM.

Based on the literature of the resource-based view (RBV) theory, strategy researchers have recognized organizational capabilities as significant factors that influence performance and competitive advantage (Greenley, Hooley, & Rudd, 2005; Ruiz-Ortega & Garcia-Villaverde, 2008). The RBV theory will be discussed in more detail in section 2.8. Within the literature of marketing, marketing-related capabilities are also proposed as key factors in an organization's performance (Day, 1994; Slotegraaf & Dickson, 2004). Thus, organizations with superior marketing capabilities (planning and implementation) demonstrate characteristics that allow them to create superior performance and maintain competitive advantage (Chang *et al.*, 2010).

Vorhies and Morgan (2005) also revealed that marketing capabilities (planning and implementation) have a positive influence on organizational performance. Additionally, they contended that the success of an organization depends on the development of well-imagined marketing strategies and its ability to implement them.

In line with this, Chang *et al.* (2010) recommended investigating the mediating role of the two marketing capabilities (i.e. planning and implementation) separately, in order to understand which has the greater impact on the relationship between CRM and organizational performance. Therefore the current study uses marketing capabilities (planning and implementation) as mediators in the relationship between CRM dimensions and hotel performance.

Additionally, previous empirical studies have represented the relationship between CRM dimensions (i.e. key customer focus or customer orientation, CRM organization, knowledge management and technology-based CRM) and organizational performance by different measures: customer satisfaction (Abdullateef, 2011; Yim *et al.*, 2004), customer retention (Yim *et al.*, 2004), and marketing performance and financial performance (Akroush *et al.*, 2011; Sin *et al.*, 2005).

Thus, the use of new performance dimensions to evaluate the impact of CRM dimensions in organizations is crucial (Akroush *et al.*, 2011; Sin *et al.*, 2005). Furthermore, these authors recommended future studies to investigate CRM dimensions in a variety of industries, including the hotel industry. Therefore, this study uses the balanced scorecard (BSC) performance measurement to investigate the impact of CRM dimensions on organizational performance in the hotel industry.

In summary, the reviews in this study have identified a number of gaps within the literature, as follows:

1. The multi-dimension concept of CRM can be considered as relatively new. This paradigm is important, since it suggests that the successful implementation of CRM in an organization can be achieved only when all of these dimensions (customer orientation, CRM organization, knowledge management, and technology-based CRM) work together. A few studies on CRM dimensions have been conducted in the service sector, such as banking (Akroush *et al.*, 2011; Sin *et al.*, 2005; Yim *et al.*, 2004), and contact centres (Abdullateef *et al.*, 2010).
   In addition, the importance of conducting studies on CRM dimensions in the hotel sector has been suggested (Akroush *et al.*, 2011; Sadek *et al.*, 2011; Sin *et al.*, 2005). In line with this thinking, Wu and Lu (2012) declared that there is limited research that explores the influence of CRM on organizational performance in the hotel industry. Hence, it is reasonable to say that very little attention has been given to these dimensions in the hotel industry. Therefore, there is an opportunity to extend the literature about CRM dimensions and hotel performance, both theoretically and empirically.
2. CRM dimensions have been evaluated in a number of ways, including customer satisfaction (Abdulateef, 2011), market effectiveness and financial performance (Sin *et al.*, 2005), customer performance and financial performance (Akroush *et al.*, 2011), and customer retention and sales growth (Yim *et al.*, 2004). The use of other dimensions of performance to evaluate the impact of CRM dimensions

is beneficial, as suggested by previous studies (Akroush *et al.*, 2011; Sin *et al.*, 2005).

Therefore, this study uses the balanced scorecard (BSC) approach to evaluate the impact of CRM dimensions on overall hotel performance. In addition, the existing literature reveals that the use of BSC to evaluate the impact of CRM on business performance is critical because it is a useful tool to provide an in-depth understanding of an enterprise's total operational performance (Wu & Hung, 2007; Wu & Lu, 2012).

3. Reviews of existing literature show inconsistent results concerning the impact of CRM and business performance. Therefore, there is a need for more research that investigates the mechanism of mediating variables that can be significant in explaining the relationship between CRM and business performance (Chang *et al.*, 2010; Reimann *et al.*, 2010). Chang *et al.* (2010) conducted a study to investigate the mediating impact of marketing capabilities on the relationship between CRM technology and organizational performance in the banking sector. They recommended that future studies should investigate the mediating impact of the marketing planning capability and marketing implementation capability separately, in order to identify which of these factors has the greater influence on the relationship between CRM and business performance. As a response to this recommendation, this study investigates separately the impact of these two types of marketing capability on the relationship between CRM dimensions and hotel performance.

4. The literature also indicated a lack of empirical studies investigating the impact of CRM on organizational performance; for example, Boulding *et al.* (2005) argued that only a few studies exist on testing the theoretical framework of CRM. They also recommended that CRM research results should be generalizable. Sin *et al.* (2005) agreed that there is a scarcity of systematic studies that attempt to assess the impact of CRM on business performance. Furthermore, most of the previous CRM studies were conducted using qualitative approaches. Therefore this study extends the existing literature by using a quantitative approach.

From the points discussed above, it is possible to identify the main research problem, which concerns the empirical investigation of the effect of CRM dimensions on hotel performance and examines the mediating impact of marketing capabilities on the relationship between CRM dimensions and hotel performance.

As a whole, the research issues discussed above lead to a number of research objectives, discussed in the following section.

1.4 Research Objectives

The aim of this study is to investigate the relationship between CRM dimensions (i.e. customer orientation, CRM organization, knowledge management, technology-based CRM) and hotel performance; and to examine the mediating effect of marketing planning capability and marketing implementation capability on the CRM dimensions-hotel performance relationship. To address this, the following objectives have been defined:

1. To assess the effect of CRM dimensions on hotel performance.
2. To assess the effect of CRM dimensions on hotels' marketing planning capability.
3. To examine the effect of CRM dimensions on hotels' marketing implementation capability.
4. To investigate the effect of marketing planning capability on hotel performance.
5. To determine the effect of marketing implementation capability on hotel performance.
6. To examine the mediating effect of marketing planning capability on the relationship between CRM dimensions and hotel performance.
7. To examine the mediating effect of marketing implementation capability on the relationship between CRM dimensions and hotel performance.

1.5 Research Questions

Referring to the previous discussion about the need for this research, and in order to achieve the objectives of the study, the main questions are how the CRM dimensions (i.e. customer orientation, CRM organization, knowledge management, and technology – based CRM) affect hotel performance; and how marketing capabilities (i.e. planning and implementation) mediate the relationship between CRM dimensions and hotel performance. From these main questions, the following sub-questions are derived:

1. Is there a significant relationship between CRM dimensions and hotel performance?

2. Is there a significant relationship between CRM dimensions and marketing planning capability?
3. Is there a significant relationship between CRM dimensions and marketing implementation capability?
4. Is there a significant relationship between marketing planning capability and hotel performance?
5. Is there a significant relationship between marketing implementation capability and hotel performance?
6. To what extent does the marketing planning capability mediate the relationship between CRM dimensions and hotel performance?
7. To what extent does the marketing implementation capability mediate the relationship between CRM dimensions and hotel performance?

1.6 Significance of the Study

This study contributes to the theoretical and practical use of CRM in the hotel industry in Malaysia. This means that the outcomes of this study could meet the dual objectives of contributing towards both practice and theoretical knowledge.

From the theoretical perspective, this study contributes to the literature of CRM in the hotel sector by developing a model of CRM dimensions, marketing capabilities and hotel performance. By using the resource-based view as an underpinning theory, this study investigates the relationship among CRM dimensions, marketing planning capability, marketing implementation capability, and hotel performance. Although there is little existing literature that recognizes a relationship between CRM dimensions and organizational performance (Abdullatef *et al.*, 2010; Akroush *et al.*, 2011; Sin *et al.*, 2005; Yim *et al.*, 2004), research involving CRM dimensions in the hotel industry is very limited (Sin *et al.*, 2005; Akroush *et al.*, 2011).

The current study enriches the literature by providing evidence of the importance of CRM dimensions in improving hotels' performance. The study also contributes through identifying possible significant mediating effects of marketing capabilities (planning and implementation) on the relationship between CRM dimensions and hotel performance. All of these add to the existing body of knowledge by developing and empirically assessing a model of CRM in the hotel study, to determine the strength of the relationship between the dimensions of CRM, marketing capabilities and organizational performance.

Although all the items used to measure the variables in the current study (CRM dimensions, marketing capabilities and hotel performance) have been employed in previous research, this study contributes to the methodology by showing the reliability and validity of the scales in a different setting and context, namely the hotel sector in Malaysia.

From the practical perspective, the study is useful in providing scientific knowledge on the four key dimensions of CRM for the improvement of performance in the Malaysian hotel industry. It ascertains the crucial role of CRM as a strategic tool that could be used by hotels to improve their performance, through enabling their employees to utilize every point of contact with customers. Further, this study contributes to marketing management organizations through identification of specific dimensions of CRM that need more management attention to improve performance. Additionally, it establishes the important role of marketing capabilities that could be utilized by hotels to improve the impact of CRM dimensions and consequently improve their performance. Ultimately, by understanding the relationship among the constructs in the research model, hotel managers will be able to maximize the utilization of their internal resources to improve organizational performance. The contributions of this study in terms of theoretical and practical are discussed in more detail in section 5.4.

1.7 Scope of the Study

This study investigates the relationship among CRM dimensions, marketing implementation capability, marketing planning capability and performance of hotels in Malaysia. The hotel sector in Malaysia was selected because Malaysia is one of Asia's most popular tourist destinations, attracting 25.03 million tourists in 2012. Tourist receipts also increased from RM 58.3 billion in 2011 to RM 60.6 billion in 2012 (Tourism Malaysia, 2013). These statistics show that the tourism industry has emerged as an important sector of the Malaysian economy by virtue of the amount of receipts collected from its activities (refer to Table 1.1).

Malaysia provides a variety of accommodation to visitors to support the growth of tourism. However, the average occupancy rate has fluctuated. Therefore, hotels need to focus on their internal resources and capabilities to improve their efficiency (Yen & Othman, 2011).

Hotels with a 3- to 5- star rating are more likely to store large databases on hotel guests that they can utilize to plan and execute the strategy of customer relationship management. Moreover, these hotels have adequate internal resources to better mobilize and manage the customers' profitability (Kasim & Minai, 2009).

Therefore this study is limited to the hotel industry in Malaysia, specifically to hotels with 3-star ratings and above. The unit of analysis is the organizational level, with a questionnaire distributed to general or senior managers of hotels.

1.8 Operational Definition

There are several key terms used throughout this study, operationally defined as follows:

1. Customer Relationship Management dimensions

Customer relationship management (CRM) is defined as a comprehensive strategy that allows an organization to identify, acquire, retain and nurture profitable customers by building and maintaining long-term relationships with them (Sin *et al.*, 2005; Yim *et al.*, 2004). It has four dimensions: customer orientation, CRM organization, knowledge management and technology-based CRM.

First, customer orientation refers to the business strategy that makes customer needs and requirements the top priority of the organization, in order to offer them greater added value and establish long-term relationships (Garrido-Moreno & Padilla-Melendez, 2011; Sin *et al.,* 2005)

Secondly, CRM organization is concerned with how companies organize and conduct their business processes around employees in order to build and achieve long-term relationships with customers (Sin *et al.*, 2005; Yim *et al.*, 2004).

Thirdly, knowledge management is concerned with how organizations use customer data: how they collect, manipulate and share it within various departments to serve each customer in her/his preferred way and build strong relationships with customers (Sin *et al.*, 2005; Yim *et al.*, 2004).

Fourthly, technology-based CRM is concerned with computer technologies that can be used for building relationships with the organization's customers (Garrido-Moreno & Padilla-Melendez, 2011; Sin *et al.*, 2005; Yim *et al.*, 2004).

2. Marketing planning capability

This is the ability of the organization to anticipate and react to changes in the market environment. It relates to future actions that steer the firm's resources in ways that keep the firm aligned with the environment and fulfil its financial goals (Morgan, Zou, Vorhies, & Katsikeas, 2003; Vorhies & Morgan, 2005).

3. Marketing implementation capability

This is concerned with the skills and abilities of the organization to allocate marketing resources and implement marketing programmes quickly and effectively (Morgan *et al.*, 2003; Vorhies & Morgan, 2005).

4. Hotel performance

Hotel performance is concerned with the final outcomes of hotel operation activities. It has four dimensions: financial, customer, internal process, and innovation and learning growth; these must be combined in order to provide a comprehensive view of organizational performance (Wu & Lu, 2012).

1.9 Organization of the Study

The thesis comprises five chapters.

The first chapter involves the background of the study, research context, identification of the research problem, research objectives, research questions, and the scope and significance of the study.

The second chapter reviews the literature of the main variables: CRM dimensions, marketing planning capability, marketing implementation capability, and hotel performance and their relationships. It also provides justification for the use of the RBV theory to underpin the theoretical framework of this research. Based on the review, this chapter also explains the theoretical framework and hypothesis development of the study.

The third chapter describes the research methodology used to accomplish the research objectives. It involves the research philosophy, research design, measurement of variables, questionnaire design and results of a pilot study, sampling design and data collection, and finally the data analysis method.

The fourth chapter explains the data analysis and the findings of the study. The profiles of respondents, goodness of measures and results of hypothesis testing are presented. A summary of results is presented at the end of the chapter.

Finally, the fifth chapter presents the discussion and points out the theoretical and managerial implications, as well as conclusions about the findings of the study. It also identifies limitations of the research and makes suggestions for the direction of future studies.

1.10 Summary

This chapter laid the foundation for the study and introduced the research context. The study objectives and questions were explored. The research was outlined and the significance and scope of the study were explained. Based on these foundations, the researcher proceeded with a detailed description of the research. Discussion now moves to the second chapter, that reviews the related literature about CRM dimensions, marketing capabilities and hotel performance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the related literature regarding the main variables involved in this study. Subsequent sections specifically review the literature concerning customer relationship management dimensions, marketing planning and implementation capability, and hotel performance. In addition, this chapter discusses literature regarding the RBV theory that underpins the study. The conceptual framework and hypothesis development are discussed at the end of the chapter.

2.2 Definitions of Customer Relationship Management

Universally, there is no agreed definition for customer relationship management (Ngai, 2005). Hamid (2009) added that, although CRM has gained popularity, there is no single accepted definition and there are different perspectives in the literature to define CRM; it means different things to different people, and depends on the context and other contingent factors (Baran, Galak, & Strunk, 2008; Dimitriadis & Steven, 2008; Piskar & Faganel, 2009).

Some authors have restricted discussion of CRM to specific areas, such as software, data storage and analysis of changes in corporate culture (Baran *et al.*, 2008). Others have argued that lack of an obvious understanding and vision of the meaning of CRM to an organization is a serious obstacle (Nguyen, Sherif, & Newby 2007). Therefore, providing a definition is crucial in helping an organization to understand the purpose and main components of CRM and to implement it successfully.

The CRM concept has largely been defined in two fields of study, information technology and marketing (Da Silva & Rahimi, 2007; DuŃu & Hălmăjan, 2011). Some of the definitions of CRM are considered in this section. It has been defined as a business strategy which explains how the company can use information, people, processes and technology to manage customer relationships in the company and at all points of contact throughout the customer life cycle (Kincaid, 2003; Wang & Fesenmaier, 2004).

Similarly, Blattberg, Getz, and Thomas (2001) contended that CRM is a business strategy that can reduce costs and increase profitability while keeping customers loyal, underlining Customer Lifetime Value (CLV). Alavi, Ahuja, and Medury (2011) defined it as an enterprise-wide approach that can be used to understand customer behaviour and influence it, as well as to communicate with the customer to significantly increase the number of customers and improve customer retention, customer loyalty, and, consequently, customer profitability.

In an attempt to further justify CRM, Vogt (2011) stated that it enables businesses and organizations to directly offer customers something better than the product of past delivery. Briefly, it is a process of building a strong and long-term relationship between customers and companies.

According to this argument, rather than marketing to a large number of persons as a whole, efforts should be geared towards each client individually. In this solution, one-on-one information about a client, such as past purchases, income, needs, wants and preferences, is used to develop offers that are more likely to be accepted. This approach is made possible by using advanced information technology. In this case, Kotler and Keller (2006) declared that CRM refers to the process of creating and retaining long-term profitable customers by providing value and customer satisfaction.

Payne and Frow (2005) defined CRM as a strategic method that enables the creation of enhanced shareholder value through the cementing of suitable relationships with key customers and target markets. It involves changing the whole organization and how it views and does business with customers, and thus is a strategy for competitive advantage (Galbreath & Rogers, 1999). Furthermore, it is seen as a strategy because of its human impact, and involvement of technology and processes (Amiri *et al.*, 2010). DuŃu and Hălmăjan (2011) also argued that CRM has strategic importance, referring to its strategic position in the organization to deliver more value to customers.

Zablah, Bellenger, and Johnston (2004) argued that the definitions of CRM can be divided into five different concepts: process, strategy, philosophy, technology and capability. First, the process perspective covers the entire enterprise to create and exploit relationships with external stakeholders. Based on this argument, CRM is defined as a continuous functional dialogue between employees from all organizational units and customers with the aim of improving customer retention and the effectiveness of marketing programmes (Day & Van den Bulte, 2002).

The second perspective is strategic vision, which is the decision to dedicate resources to building and maintaining relationships with individual customers that depends on the CLV to the organization. Alvi *et al.* (2011) agreed that CRM is a strategic approach that is applied to create shareholder value by developing a relationship with key customers and customer segments.

The third perspective is the philosophy view, which highlights that companies should be organized around and be attentive to their customers and their changing needs. Against this background Zablah *et al.* (2004) defined CRM as a continuous process that develops and enhances market power through the intelligence to build and maintain a profit-maximizing portfolio of customer relationships.

Fourth is technology, which focuses on the role of the information technology system as the main component of CRM. Plakoyiannaki *et al.* (2002) supported this perspective and defined CRM as information technology that enhances the value process by identifying, developing, integrating and focusing the firm's various skills on the needs of customers in order to accomplish customer value over the long term, with well-defined customer segments, both existing and potential.

Finally is the capability perspective, which concerns the need to invest in the development and implementation of a diverse set of resources to facilitate a change of behaviour for individual clients as needed. In line with this thinking, Hsin Chang (2007) defined CRM as a business capability that combines the efforts of marketing, business processes and technology, allowing companies to understand their customers from a variety of perspectives.

Thus, these various definitions confirm the widely accepted notion of a lack of consensus about the definition of CRM. Nevertheless, despite the large number of definitions, only four key components are involved: strategy, people, process and technology.

For this study, Kincaid's (2003) definition of CRM appears the most appropriate: the strategic use of information, process, technology, and people to manage the customer's relationship with your company across the whole customer life cycle. This definition is appropriate here because of its comprehensiveness; it includes all four components of CRM as well as concentrating on the strategic view.

This study applies the strategy-centric viewpoint because CRM is not a technological problem, but rather a business problem to be solved by information technology tools, making Kincaid's definition the most appropriate for the current research.

CRM is further viewed as a strategic approach that allows organizations to use their internal resources (i.e. strategy, technology, people, and process) in order to effectively manage customer relationships throughout the customer life cycle; it aims to gain a competitive advantage by offering customer value, and extracting business value at the same time.

As mentioned above, all the definitions of CRM involve one or more of the four main components, and recent studies have further accepted that the successful implementation of CRM can be accomplished through the integration of these components (Ali & Alshawi, 2003; Chen & Popovich, 2003; Day, 2003; Goldenberg, 2008; Sin *et al.*, 2005; Yim *et al.,* 2004). The following section explores these components in more detail.

2.3 CRM Components

As mentioned in the previous section, these components are people, technology, business strategy and process.

2.3.1 People

People are the most important element in the process of CRM implementation. CRM success depends on the people who support and participate in the organization. They are reset through various change management tools and support mechanisms, such as education and training, new tools, evaluation, empowerment and reward (Kincaid, 2003). People are a very important element because they serve as the contact point between the customers and the organization (Finnegan & Currie, 2010).

In the service sector, due to the important role of employees in creating and rendering service or products to customers, people are the most important resource and core competency (Kandampully & Hu, 2007). McGovern and Panaro (2004) proposed that CRM's success hinges on the human resources support and the alignment of CRM practices with the people and systems in the organization.

Furthermore, Bohling *et al.* (2006) found that the main factors that prevent the successful implementation of CRM in an organization are related to human resource factors, such as employee involvement and engagement. In this respect, Chalmeta (2006) stated that the organization's people should not be underestimated, as they are the primary key to the entire CRM strategy, determining its success or failure. Additionally, several studies have contended that CRM can fail when only a limited number of employees are committed to the CRM strategy (King & Burgess, 2008; Payne & Frow, 2005; Plakoyiannaki *et al.*, 2008; Wikström & Isomäki, 2008).

People are thus a very important component of CRM, since organizations cannot implement it successfully and gain its benefits without the support and participation of the human factor in the organization.

2.3.2 Technology

Information technology (IT) has been acknowledged as the facilitator of phenomenal business process transformation for the achievement of significant organizational performance enhancement (Davenport & Short, 1990). It helps in re-designing the business process by enabling modification of work practices and creating innovative methods that relate the company to its customers, internal stakeholders and suppliers (Hammer & Champy, 1993).

CRM applications use sophisticated technology to gather and analyze information concerning customer type, understand customer behaviour, expand predictive models, react with timely and successful customized communications, and offer service value to customers individually (Chen & Popovich, 2003).

Technology is concerned with the tools or machinery that enable CRM to work. For example, technology changes workflow patterns with information to improve call centre services for customers (Kincaid, 2003). Examples of technology that could be useful for CRM include software products, networking and integration of applications and databases, and Internet functions.

Furthermore, the use of technology in CRM is expected to enhance the organization's ability to maintain gainful customer relationships by allowing the combination and distribution of information that results in smooth and competent firm-customer relations, appropriate analysis of customer data and customization of response (Mukerjee & Singh, 2009). Kim, Suh, and Hwang (2003) declared that information technology plays a vital role in implementing and enhancing the CRM strategy, since it enables customers to access web invoices, e-mails, communication, and ordering of services, etc.

Against this background, the technology component plays a crucial role in implementing and using CRM successfully. From the customers' perspective, technology helps them to understand and have a clear image of the products and services provided by the organization. In addition, it helps them to connect and communicate with organizations via different types of technology. On the other hand, from the employees' perspective, technology helps them to collect, store, manipulate and share customer data in order to customize and personalize the services and products provided by the organization.

Additionally, it assists employees to interact and build a relationship with customers, and enables them to run their work smoothly. However, although it is one of the main components of CRM, organizations cannot depend on technology alone to build strong and long-term relationships with customers, as they must already have a strategy that focuses on the needs and requirements of customers.

2.3.3 Business Strategy

Although the people and technology perspectives are imperative, the philosophical basis of CRM comprises relationship marketing, customer profitability, satisfaction and retention, all developed through business strategy and process management (Chen & Popovich, 2003).

CRM strategy is thus the foundation on which the customer relationship system is created and implemented. Prior to the implementation of CRM, auditing of the situation should be carried out, involving the skills of the employees with customers, the customer-centric culture and the enterprise's requirements for CRM implementation (Urbanskiene, Žostautiene, & Chreptaviciene, 2008). In this case, Chen and Popovich (2003) contended that CRM is considered as a business strategy with a philosophical basis in the realm of relationship marketing. Its success needs modification of the business culture to a more customer-centric approach.

Curry and Kholou (2004) stated that the profitable element of CRM begins with a customer-centric strategy developed for customer retention and non-imitable processes. Hence, a firm's strategy can begin with a review or re-articulation of the company's vision, particularly the part that concerns CRM (Davidson, 2002). Similarly, Payne and Frow (2005) suggested that the development of a CRM strategy entails detailed assessment of the overall business strategy and the development of an appropriate customer strategy that provides the enterprise with a clearer platform for the development and implementation of CRM activities.

Thus, the strategy perspective of CRM is very important, since organizations will fail to implement CRM successfully if they depend on the technology perspective alone. Organizations must have a customer orientation strategy to make the needs and requirements of their customers their top priority; this means having clear procedures that must be followed by employees to identify and satisfy customers' needs and requirements, and, consequently, build and maintain a long-term relationship with them.

2.3.4 Process

Process can be defined as the method by which things are done in an organization (Buttle, 2004). Moutot and Bascoul (2008) stated that the CRM process comprises the activities executed by the organization relating to the management of the customer relationship and that these actions are collected according to the longitudinal view of the relationship. Further, the study by Srivastava, Shervani, and Fahey (1999) demonstrated that the main objective of the CRM process is to capture the customers' perceptions of a particular organization and its products through customer identification, customer knowledge, and the building of customer relationships. Against this background, the CRM process consists of systematic and proactive management of customer relationships from the beginning to the end, by customer-facing contact channels. This requires information generation through customer analysis, prospects, needs and behaviour, and acting on this information subject to each CLV stage (Reinartz, Krafft & Hoyer, 2004).

Chen and Popovich (2003) contended that CRM is an all-encompassing customer-focused business model premised on the customer. It is an on-going process that involves planning central business processes beginning with the customer perspective and ending with customer feedback. Accordingly, the implementation of CRM is a dynamic process that aims to manage the relationship with customers throughout the whole customer life cycle. Therefore, the CRM process consistently needs changes throughout the organization, which will not happen without continuing top management commitment (Roberts, Liu, & Hazard, 2005).

2.4 CRM Implementation

The success of any strategy is defined by the success with which it is executed. In this case, the implementation of CRM differs from one company to another, because each company has a different culture, process, and size (Boulding *et al.*, 2005). Therefore, each company requires the unique asset of CRM implementation to solve a specific problem.

Osarenkhoe and Bennani (2007) conducted a case study to evaluate implementation of CRM in a large Swedish firm. Their results reveal that the implementation of CRM strategy needs the support and commitment of top management, efficient communication among functions, loyalty programmes, and mandatory training for all employees. All of these factors are related to organizational, human and technological factors. Similarly, Piskar and Faganel (2009) used a case study of CRM implementation in a service company in Slovenia. The findings reveal that for successful implementation of CRM, organizations need effective management, resource acquisition and control of implementation of the CRM strategy.

As already mentioned, CRM implementation differs from one organization to another. Although successful implementation of the CRM strategy is crucial for industries that have close contact with customers, it is no less valuable to industries that are further away from customers (Nguyen *et al.*, 2007). The hotel industry falls into the former category, having close contact with its customers on a daily basis, and can gain many benefits from the implementation of CRM. However, Nguyen *et al.* (2007) highlighted factors that prevent the successful implementation of CRM: absence of project management skills, absence of knowledge about implementation of CRM, and lack of commitment from top management.

Regarding CRM implementation in developing countries, a high failure rate has been reported because these countries are less developed technologically and economically (Almotairi, 2009). Almotairi also identified the most common problems as lack of skilled employees, poor infrastructure, and inadequate data.

However, despite the challenges facing the introduction of CRM in developing countries, there are still opportunities for successful implementation. According to Hough, Neuland, and Bothma (2003), many developing economies do have characteristics which are part of the requirements for CRM implementation: relative improvement in educational and literacy standards, relative improvement in the level of workers' skills, relative political stability, relative efficient technology systems, and the shift towards market-oriented economies.

Numerous studies have argued that, unlike their counterparts in developed countries, developing nations are constrained by the lack of academic and practical literature regarding CRM implementation (Almotairi, 2009; Hamid, 2009; Kumar *et al.*, 2011). Therefore, studies that concentrate on the impact of successful implementation in developing countries, or that provide a framework for successful implementation in these countries, are very much needed (Almotairi, 2009; Kumar *et al.*, 2011).

In line with this recommendation, several studies have pointed out the need for more empirical studies in CRM and its impact on business performance (Bull, 2003; Garrido-Moreno & Padilla-Meléndez, 2011; Payne & Frow, 2005; Verhoef *et al.*, 2010).

Thus, successful implementation of CRM strategy can provide many benefits to an organization. Organizations must focus on how they can implement a CRM strategy successfully, and must be aware of the factors for successful implementation.

2.4.1 Requirements for the Successful Implementation of CRM

The aim of CRM is viewed as the organization's ability to efficiently develop and consistently achieve profit-oriented customer relationships (Zablah *et al.*, 2004). Zablah *et al.* (2004) outlined a framework that identifies the key steps towards CRM success:

- Specification of a relationship marketing strategy.
- Definition of the processes and functions relevant to the CRM process and assigning responsibility for process activities among individuals and groups.
- Evaluating the state of the organization's CRM capabilities to ensure that the organization possesses the resources to effectively execute activities regarding each of the CRM processes.
- Improving existing processes, and ongoing monitoring, evaluation and process improvement.

Similarly, Payne and Frow (2005) argued that the success of CRM programmes depends on four important factors: readiness assessment for CRM; CRM change management; CRM project management; and staff engagement. However, their study did not investigate certain important aspects such as the methods to be adopted in considering key customers and important aspects of selecting the CRM technology.

In this case, Eid (2007) demonstrated that successful CRM implementation requires an integration of strategic, tactical and operational factors. He further argued that in order to achieve the full benefit of CRM, these factors should be implemented as a whole rather than in a piecemeal manner. In line with this argument, Peelen, Van Montfort, Beltman, and Klerkx (2009) empirically found that in order to implement CRM successfully, organizations have to concentrate on the vision and strategy, information and processes; be client oriented; and value customer experience and CRM metrics.

It has been suggested that the application of CRM is not simply dependent on sophisticated technology; it is only successful when the organization and its processes, including job descriptions, performance measurement, incentive plans, and training programmes, have been reorganized to better meet customer needs (Rigby *et al.,* 2002). Furthermore, Chen and Popovich (2003) stressed that successful implementation of CRM needs an incorporated and balanced approach of people, technology and processes in the organization.

CRM success also depends on appropriate conception, understanding and implementation (Tamilarasan, 2011). Basically, an organization's competitive advantage hinges on its application of a valuable resource base that it inherently possesses (Runyan, Huddleston, & Swinney 2007; Peteraf, 1993), rather than on external circumstances (Capron & Hulland, 1999; Teece, Pisano, & Shuen, 1997). Therefore, CRM has the potential to be a sustainable source of competitive advantage for businesses if it is done in the right way (Bohling *et al.*, 2006).

It has already been indicated that successful implementation of a CRM strategy depends on the combination of human, technological and organizational resources in implementing knowledge and interaction management processes (Su, Tsai, & Hsu, 2010).

Foss, Stone, and Ekinci (2008) similarly posited that organizations must have the physical resources, including computers and technology infrastructure; organizational resources (e.g. information-sharing routines, customer-oriented strategy); information resources (e.g. customer interaction, customer database); and relational resources (e.g. relationships with customers).

Based on the above discussions, it is clear that successful implementation of CRM requires a strategic approach to develop a customer-oriented process, the selection and implementation of technology solutions, employee empowerment, customer information and the ability to generate knowledge to distinguish between them, and the ability to learn from best practice. Thus, integration between all of the previous factors can lead to the successful implementation of CRM, and, consequently, improve organizational performance. In the following section, the study presents the relationship between CRM and business performance.

2.4.2 CRM Implementation and Business Performance

CRM is becoming more common, indeed imperative, in many sectors, such as financial services and the medical field as well as hospitality, bringing many benefits to a business (Elmuti, Jia, & Gray, 2009).

Boulding *et al.* (2005) noted that CRM has the potential to improve business performance and benefits for the customer through the creation of double value, which means that customers receive value through their needs being satisfied, and companies receive value through frequent purchasing by customers. Eid (2007) found that successful implementation enables banks to interact, learn and communicate more effectively to extensively improve retention rates. DuŃu and Hălmăjan (2011) supported this argument, contending that the successful implementation of CRM has a positive influence on customer-related outcomes, such as customer retention, satisfaction, and loyalty. They also asserted that the customer-related outcomes were found to have a positive influence on organizational performance.

In Ryal's (2005) case study, one of the business units involved in the study realized an increase in corporate profits of 270%; the study directly measured both the costs and revenue associated with the activities of CRM to evaluate the overall profits. Stringfellow, Winter, and Bowen (2004) also declared that successful CRM implementation may have a dramatic effect on performance, describing Lowe's Home Improvement Warehouse Company as a successful case: – within 18 months, it achieved 265% return on its investment (ROI) of $11million investment in CRM.

Several studies have found that the successful implementation of CRM has a positive impact on customer satisfaction, retention and loyalty (Attharangsun & Ussahawanitchakit, 2008; Chang, 2007; Gustafsson, Johnson, & Roos, 2005; Kumar & Shah, 2004; Mithas, Krishnan, & Fornell, 2005; Sin *et al.*, 2005; Srinivasan & Moorman, 2005; Yim *et al.*, 2004); this includes service recovery in hotels because it helps to handle guest complaints (Lo *et al.*, 2010). In sum, there is strong evidence that CRM may lead to improved performance (Krasnikov *et al.*, 2009).

Meanwhile, Wang and Lo (2004) evaluated CRM performance from two perspectives. The first is customer behaviour that measures repurchasing, word of mouth, and cross- and up-selling; the second perspective is the relationship quality, which measures brand loyalty and customer satisfaction. Izquierdo, Cillan, and Gutierrez (2005) proposed a framework to measure CRM success based on marketing and economic performance, with the following measures: customer loyalty, market position, and economic performance.

Bohling *et al.* (2006), in their study of CRM critical success factors, suggested various criteria for evaluation of the success of CRM initiatives, including the customer effect of retention and satisfaction, measurable revenue growth, enhanced information and views, measurable cost reduction, enhanced employee productivity, enhanced utilization, and compliance of employees.

Hsin Chang and Ku (2009) examined the relationship between CRM and organizational performance, using the balanced scorecard approach to measure organizational performance, which involves four business performance perspectives: financial, customer, internal process, and learning and growth. They found that successful CRM within an organization can lead to a better quality of customer relationship, efficient business operations, better understanding of customer needs and attainment of customer loyalty.

Krasnikov *et al.* (2009) conducted a study to examine the impact of CRM on the performance of commercial banks. They found that its implementation may have had a negative impact on cost-effectiveness although, most importantly, the results also showed that it increased the efficiency of the commercial bank, regardless of its impact on cost-effectiveness. Therefore, organizations need to be patient with the implementation of CRM, because the negative influence on cost-effectiveness decreases over time and the positive influence on profit efficiency improves over time. They added that companies that are committed to building CRM skills can take full advantage of technology.

In this case, it is important to note that CRM implementation does not affect performance equally for various aspects of the process. It may only impact the aspects that are reinforced by suitable company stakeholders, and also hinges on the context as to the time and place of implementation (Becker *et al.*, 2009; Boulding *et al.*, 2005).

Some studies have found that CRM has a negative and insignificant impact on organizational performance. Hendricks *et al.* (2007) investigated the impact of investment in CRM systems on a firm's financial performance, such as long-term stock price, return on assets and return on sales in publicly traded firms. They found that there was no evidence of enhanced profitability in organizations that had invested in CRM. However, Soch and Sandhu (2008) also conducted a study to investigate the impact of CRM on financial performance of firms from different industries in India, and found a positive, although insignificant, influence on performance.

In line with these inconsistent results, several studies (e.g. Abdulateef, 2011; Akrouch *et al.*, 2011; Yim *et al.*, 2004) have found mixed results concerning the impact of CRM dimensions on organizational performance (e.g. financial performance, market performance, customer satisfaction, customer loyalty and sales growth), depending on the CRM implementation dimensions and dependent variables.

The inconsistent findings that have appeared in the academic literature regarding the direct impact of CRM on organizational performance (Chang *et al.*, 2010; Reimann *et* *al.*, 2009) suggested the need for more research to investigate this topic (Krasnikov *et al.*, 2009; Parvatiyar & Shelt, 2001; Yim *et al.*, 2004).

Becker *et al.* (2009) conducted an empirical study on CRM implementation in four different industries (financial services, products and retail, communication and information technology, and utilities). They found that CRM implementation in the financial sector gives produced better results than in any other industry, leading them to stress the need to focus on specific industries in investigating the impact of CRM on organizational performance.

This research is doing just this; like finance, the hotel industry can be considered as one of the industries that are better suited to CRM and able to gain many benefits from implementing CRM successfully. This is because hotel operation depends on the face-to - face connection between service providers and customers and because hotels are able to obtain considerable data about their customers, which they can use to create valuable knowledge about them (Dev & Olsen, 2000; Kotler, 2002; Lin & Su, 2003; Nasution & Mavondo, 2008). Collecting, managing and sharing customer data within various departments enables hotel operators to customize and personalize their offering to enhance their clients' satisfaction, loyalty, and retention.

Several studies (e.g. Bose, 2000, Kotler, 2002; Nguyen *et al.*, 2007) supported this argument, claiming that CRM offers particular benefit for organizations that generate a lot of customer information. Conversely, the inseparable nature of service organizations' production and consumption make it necessary to build relationships with customers (Gronroos, 2004).

Zineldin (1999) also advocated that when a majority of organizations offer the same core product or service (e.g. hotel enterprises); they have to focus on a differentiation strategy to distinguish their products or services and develop long-term customer relationships. In this case, hotels cannot depend on their facilities and amenities to attract and retain their customers as these have become increasingly standardized across competing brands. Therefore, hotel operators must differentiate themselves from other competitors by a strong relationship with customers, offering unique products and services based on their customer data.

Although the application of CRM concerning specific business goals, and how to keep customers and increase long-term business success, has been studied, research on CRM in the hospitality industry is still lacking (Kamath, Bhosale, & Manjrekar, 2008; Luck & Stephenson, 2009; Vogt, 2011; Wu & Lu, 2012). Vogt (2011), for example, stated that although there is increasing use of CRM in the tourism industry, there is still limited research into CRM practices in the tourism sector.

Based on their review of related literature on hospitality marketing, Yoo, Lee, and Bai (2011), and Line and Runyan (2012) stated that as consumer needs continuously change and develop, understanding consumer behaviour has become a key success factor in highly competitive environments like the hospitality industry. CRM will receive constant attention for future research in hospitality marketing, but these authors agree that there is still opportunity for hospitality scholars to contribute to the development of theory in this area. The next section discusses the implementation of CRM in the hotel industry.

2.4.3 CRM Implementation in the Hotel Industry

CRM is growing in popularity and becoming one of the most popular topics in the business field for its benefits, such as improved corporate performance and customer loyalty in the long term to achieve a healthier financial gain (Foss *et al.*, 2008; Hamid, 2009; Raman *et al.*, 2006; Soch & Sandhu, 2008; Verhoef *et al.*, 2010; Wu & Li, 2011).

According to Kotler (2002), organizations can be successful in CRM implementation if they possess ample information about customers and their various needs. In this respect, the hotel industry is the perfect candidate, as it possesses enough information concerning customers and their needs. Garrido-Moreno and Padilla-Meléndez (2011) declared that CRM is important in the hotel industry, due to the necessary close relationship with the customer. Accordingly, the hotel sector has rapidly adopted CRM strategy in order to improve the relationship between enterprises and their customers, and enhance business profit (Liu, 2007). Furthermore, the hotel sector has the greatest potential of all sectors when it comes to CRM application, because its customer information can be utilized to build effective customer relationships (Liu, 2007).

Despite their differentiation by star ratings, the majority of hotels offer similar basic products and services: accommodation, accompanied by various ranges of food and beverage services. Therefore, regardless of attempts to distinguish smart growth, tactical and strategic customer relationships can probably be regarded as conclusive in the hospitality industry (Piccoli *et al.*, 2003).

Based on their collection and analysis of customer transaction data (e.g. patterns of length of stay and expenditure, activities, use of facilities) and customer preferences (e.g. preferred room type, location), hotel chains have the potential to develop a better understanding of the needs and preferences of customers, provide a greatly improved personalized service and customer experience. Wijaia (2005) declared that building a personal relationship with customers has become imperative in the hotel industry, where the degree of interaction with customers is intense. He stressed managers' provision of soft benefits to customers, as opposed to just financial benefits, such as value-added services, special treatment and personal reward; all lead to the development of a personal relationship between customers and the hotel.

Minghetti (2003) similarly stated that, as the goal of modern hospitality organizations is to increase occupancy rates and revenue through customer experience enhancement, it is imperative that hotel managers possess ample knowledge of clients' needs, behaviour, and preferences and how to manipulate this knowledge to create value for customers and make them loyal to the hotel. Hence, it can be stated that in the hotel industry, CRM is a vital strategy that can be used to attract and increase the patronage of guests (Sigala, 2005).

Jain and Jain (2006) conducted a study with 120 executives experienced in staying in hotels, to analyze the main dimensions of relational exchange and provide insights regarding CRM practices adopted for CRM in the Indian hotel sector. They found that there are nine main factors of CRM effectiveness, ranked as follows: value proposition, customer orientation, recognition, relationship orientation, reliability, customization, credibility, personalization and gestures.

Regarding the impact of CRM on hotel performance, Wu and Li (2011) demonstrated that CRM is positively related to relationship quality, and relationship quality is found to have a positive impact on CLV in the hotel industry. Wu and Lu (2012), in a Taiwanese study, confirmed that CRM has a positive and significant impact on the relationship marketing effect which, in turn, has a significant and positive impact on different perspectives of hotel performance. They also suggested that all types of hotel should plan CRM strategies that will not only enhance the effect of relationship marketing, but also enhance business performance by enhancing customer relationship. Although both previous studies provide valuable knowledge about the role of CRM in the hotel sector, they overlooked investigation of the direct relationship between CRM and hotel performance. Nor did they consider the comprehensive view of CRM, which involves strategy, technology and knowledge management.

Lo *et al.* (2010) argued that having the tools for CRM does not guarantee successful adoption and attainment of goals, and that the success of the CRM process in a particular hotel is contingent on that hotel's ability to drive the entire process, as well as having the ability to include a customer-oriented culture, with managers and employees vigorously focusing their attention on improving customers' emotional attachment to their hotel. They also stated that computer systems to collect and process customer information, and a process for supporting the delivery of value to customers, are critical.

Thus, CRM, as a marketing strategy, plays a vital role in helping hotels shift their attention to customer differentiation and moving from transaction-based to a relationship-based management to achieve competitive advantage. In addition to implementing a successful CRM strategy, hotels must utilize organizational resources (e.g. top management support, organization culture, and employees, information technology) to create an appropriate environment for successful implementation.

Furthermore, Kamath *et al.* (2008) argued that hotels must formulate marketing strategies not only to attract customers but also to retain them, because the retention of customers costs less than attracting new ones. They added that, due to the advent of hyper competition, the need for survival and success has forced hotels to discover different ways to be more competitive and to reach their customers efficiently. The only way to be competitive is to be cost effective. Moreover, CRM is considered a competitive strategy to achieving differentiation in the market. Therefore, CRM is a strategy as well as a tool.

Regarding the Malaysian hotel context, the researcher found only one empirical study, conducted by Kasim and Minai (2009). It investigated the impact of CRM on hotel performance and the mediation role of customer performance measures on the relationship between CRM and hotel performance. They found that the technology perspective of CRM has a significant impact on hotel performance; however, the strategy perspective of CRM is not significantly related to performance. In addition, customer performance measures mediate the relationship between CRM and hotel performance.

In spite of the value of the study's findings, it did not investigate CRM as a multi-dimensional construct that involves the four dimensions proposed in the CRM literature. Furthermore, CRM cannot be implemented successfully in an organization, and consequently cannot improve performance, if these dimensions do not work together (Abdullateef *et al.*, 2010; Akroush *et al.*, 2011; Sin *et al.*, 2005; Yim *et al.*, 2004). Additionally, the model of study did not involve marketing capabilities as a mediator in the relationship between CRM and hotel performance, as the literature declared that to achieve high performance, organizations have to make a concerted effort to combine CRM strategy and its capabilities, such as marketing capabilities (Boulding *et al.*, 2005; Chang *et al.*, 2010; Yim *et al.*, 2004).

Furthermore, Kasim and Minai's study is inconsistent with the standpoint of other CRM studies (e.g. Jayachandran *et al.*, 2005; Reinartz *et al.*, 2004; Rigby *et al.*, 2002; Yim *et al.*, 2004) that argued that the success of CRM depends more on strategy than on the technology perspective. Therefore, as a result of these mixed findings on the impact of the technology dimension of CRM, further research is crucial to evaluate the role and influence of technology-based CRM on organizational performance.

To sum up, the hotel industry can gain more benefit from the CRM strategy than other industries, because it has a face-to-face connection with customers and has a huge amount of information about customers that can be used to customize and personalize their offering to attract and retain current and potential customers. However, implementation of the CRM strategy requires providing the proper environment and knowledge of factors that affect the successful implementation of the strategy.

2.4.4 The Need for CRM Implementation in the Hotel Industry

Buttle (2004) stated that organizations are inclined to adopt CRM for defensive and offensive reasons. The latter include the desire to enhance profitability by reduction of costs and maximization of revenue with the help of improved customer satisfaction and loyalty, while the former only surface when the organization's competitors have also adopted CRM successfully, making it apprehensive of losing both customers and revenue.

Generally speaking, hotels possess limited sources and channels by which they can reach customers and this is where the apprehension about customer loyalty arises. From the operational viewpoint, hotels need to create an effective customer-retention strategy, and to identify the most profitable way of building and retaining customer loyalty (Ku, 2010). Thus, CRM strategy can be used by hotels to distinguish themselves from their leading competitors (Kasim & Minai, 2009; Wu & Li, 2011; Wu & Lu, 2012).

It is reported that the hospitality industry will face many challenges for years to come: increased competition, increased customer sophistication and keeping up with the fast pace of technology and globalization (Wang & Wang, 2009). It is therefore crucial to encourage behaviour patterns of continuous repurchase and to retain customers. This aim will be achieved through the strength of the relationship established between the organization and its customers (Verdugo *et al.*, 2009).

In this regard, increasing competition, rising customer acquisition costs and growing customer expectations, price-sensitive travellers, more sophisticated customers, and low brand loyalty are reasons for hotels to focus on CRM implementation strategies, and to consider them as a way to facilitate the development of a customer base that assists in improving guest loyalty and profitability (Mylonakis, 2009; Sigala, 2005; Sigala & Connolly, 2004; Wu & Li, 2011). Additionally, within such an uncertain market, the adoption of CRM is important for creating a competitive advantage (Papastathopoulou, Avlonitis, & Panagopoulos, 2007).

In addition, Stockdale (2007) declared that the Internet had created a high competitive environment which demands a well developed brand identity and strategies to enhance customer loyalty. Therefore, increasing customer loyalty through building relationships can significantly contribute to the achievement of competitive advantage. Numerous online strategies for creating advantage have proved less successful because of the simplicity with which they can be imitated in the Internet environment. In contrast, the customer management strategy of relationships is not easy for competitors to imitate once ties of loyalty have been established (Vatanasombut, Stylianou, & Igbaria, 2004).

Lo *et al.* (2010) conducted a study to investigate how hotels in Hong Kong implement CRM. Using semi-structured in-depth interviews with 45 hotel managers, they found that the main goal of CRM implementation was customer retention, followed by other goals such as treating guests as special, going beyond communicating and connecting with customers, and focusing on the right customers. They also contended that evaluation and control were important activities in CRM implementation in the hotel sector.

Kale (2012) revealed that CRM assists in the achievement of one or more of the goals of a casino. It provides better customer service through customization, coding, targeting customers with suitable products and promotions, sharing customer information throughout the firm, improving cost management, segmenting, targeting and retaining customers (maximizing profitability).

Verdugo *et al.* (2009) stated that, as a result of aggressive competition in the hotel industry, the profit margin would be less, increasing the need to provide high quality service, with rising operational costs as the inevitable result. Therefore, they said that a suitable solution to this problem would be to attempt to retain customers and support a pattern of incessant purchase, since retaining an existing customer is more beneficial than acquiring a new one.

Sigala (2005) agreed that the most important reasons for pursuing CRM in hotels are improving service quality, increasing customer satisfaction, and increasing customer loyalty. Kasim and Miani (2009) stressed that the hotels need to differentiate customers by interacting with them and customizing services based on their preferences. Hence, it is through customer differentiation as opposed to product differentiation that CRM has become a facilitator for hotels to target strategic customers, adding value and increasing profitability.

Sigala (2005) also developed an integrated managerial model to implement CRM successfully in the hotel sector, incorporating three factors: information communication technology (ICT), knowledge management, and internal and external relationship management. She declared that the hotel industry must combine these factors in order to implement CRM successfully.

Garrido-Moreno and Padilla-Meléndez (2011) conducted a study in the Spanish hotel industry to investigate the impact of knowledge management on the success of CRM. They found that in addition to knowledge management capabilities, other factors play an important role. Specifically, organizational factors are found to have an impact on CRM success and also appear to mediate between factors such as customer orientation, technology and knowledge management and the success of CRM in marketing and financial terms. Accordingly, Wang and Feng (2012) demonstrated that a firm's CRM capabilities can only improve organizational performance by utilizing valuable resources including a customer-oriented culture and a customer-centric organizational system as well as CRM technology.

Özgener and İraz (2006) stated that the crucial issues faced by SMEs in the tourism sector are inadequate budgets, senior management's lack of CRM commitment, and lack of communication. Consequently, for the improvement of CRM in SMEs, the following factors have to be taken into consideration: customer participation, information and communication technologies, internal business dynamics, innovation and quality, ease of use, and security and flexibility. These factors are linked to the core components of CRM (people, strategy, process and technology).

The following section discuss the CRM dimensions that must be integrated together in order to implement CRM successfully in an organization.

2.5 CRM Dimensions

As already discussed in section 2.3, CRM has four main components, namely people, technology, business strategy and process. The relative success of CRM projects is strongly dependent on the interaction of these key components of CRM (Chen & Popovich, 2003; Plakoyiannaki & Tzokas, 2002). In line with this thinking, an integrated business model that links business organizations, processes, information and technology is essential to the success of CRM strategies (Boulding *et al.*, 2005; Chan, 2005).

Osarenkhoe and Bennai (2007) indicated that the implementation of CRM is only successful when there is sufficient support from top management, as well as knowledge management capabilities, and adequate infrastructure in terms of technological readiness. Ko, Sook, Myungsoo, and Young (2008) similarly revealed that organizational strategy, maturity of information systems and product category factors have a significant influence on CRM implementation. Garrido-Moreno and Padilla-Meléndez (2011) supported this argument by stating that the main factors of CRM success are customer orientation, knowledge management, technology capability, and organizational factors.

Based on the review of related literature, and the in-depth interviews with selected managers, Sin *et al.* (2005) and Yim *et al.* (2004) hypothesized that the concept of CRM is a multi-dimensional construct that consists of four wide behavioural components or specific ongoing activities. These behavioural components are key customer focus, CRM organization, knowledge management and technology-based CRM. They argued that their findings are in accordance with the general notion that CRM is designed to address four key areas in the implementing organization: people, strategy, technology, and processes (Fox & Stead, 2001; Sin *et al.*, 2005; Yim *et al.*, 2004), and that these dimensions (i.e. key customer focus, CRM organization, knowledge management and technology-based CRM) must work together to ensure the successful implementation of CRM, and, consequently, improve organizational performance (Sin *et al.*, 2005; Yim *et al.*, 2004).

Abdullateef *et al.* (2010) investigated the influence of CRM dimensions on customer contact centres in Malaysia. They used the dimensions proposed by Sin *et al.* (2005) and Yim *et al.* (2004), although they stressed customer orientation as a more comprehensive dimension than key customer focus. This study uses the same dimensions of CRM as in previous studies, because these dimensions (i.e. customer orientation, CRM organization, knowledge management and technology-based CRM) are comprehensive and more closely related to the main components of CRM. In the following sections the four dimensions are discussed in more detail.

2.5.1 Customer Orientation

Most studies have used terms including customer orientation, market orientation, marketing concept, market-driven firms, and market-focused organizations to refer to the types of organizational orientation in which customer needs serve as the focus for all the organization's plans and strategies (Abdullateef, 2011; Dean, 2007; McEachern & Warnaby, 2005; Narver & Slater, 1990; Yueh, Lee, & Barnes, 2010).

In addition, Kotler (2004) called for the need for organizations to shift from the level of studying customer segmentation to developing separate services, products and messages for individual customers. In other words, companies should collect sufficient information regarding individual customers, such as past transactions, demographics, distribution preferences, and media. On this basis, development of high customer lifetime value can potentially help organizations achieve profitable growth.

Customer orientation is defined as the employees' preparedness to satisfy customers' needs, and is positively related to employee performance and satisfaction. It can preserve a good relationship between the service provider and the customer, leading to the improvement of organizational performance (Brown, Mowen, Todd, & Licatta, 2002).

An improved sense of customer orientation in a specific organization is the core of successful external marketing, increased customer satisfaction, and improved overall organizational performance (Dowling, 1993). Thus, one of the important purposes of customer-oriented behaviour is to improve long-term satisfaction and generate customer loyalty.

As a result, studies have confirmed that greater customer-oriented behaviour in organizations has a positive impact on organizational performance (Kim, 2008; Yilmaz, Alpkan, & Ergun, 2005). In line with this argument, Zhou, Brown, & Dev (2009) asserted that the more superior a hotel's customer orientation, the more the hotel is able to build up a competitive advantage based on market differentiation and innovation. Moreover, for CRM success, hotels are required to adopt a customer-centred strategy mindset, implying a modification and adjustment in organizational culture, organizational structure, and employee performance measures and rewards (Minghatti, 2003). Wu and Lu (2012) agreed that CRM is created from the customer-orientation concept and has increasingly been applied to the hotel industry to improve the relationship between hotel enterprises and customers.

Thus, in order to take advantage of this kind of opportunity, hoteliers need to create an enduring strategy that integrates both the firm and the employees in considering the customer first (Kandampully & Hu, 2007). It has also been demonstrated that successful CRM is largely a consequence of a customer-focused strategy, which is often achieved by reengineering existing customer interaction processes and/or complete re-design of the processes (Hansotia, 2002).

King and Burgess (2008) found that customer orientation is an important critical success factor that influences the successful implementation of CRM. Current research has revealed that service firms such as hospitality require a better comprehension of customer orientation and its importance (Kim, Lee, & Yoo, 2006; McNaughton *et al.*, 2002; Sin *et al.*, 2006). In line with this thinking, customer-oriented hotels usually offer service as agreed with customers, and continuously put customers' requests and interests ahead of the organization's own (Kim & Cha, 2002). Since the employees of customer-oriented hotels offer high service quality as representatives of the hotel, the service image of the hotel will be enhanced accordingly (Fan & Ku, 2010).

Owing to the ever changing market environment and competitive pressure in the hotel industry, hotel managers expend efforts to maximize business results through increasing growth and profitability. Thus, a more customer-oriented approach may be the best possible recourse for them to improve their performance (Tajeddini, 2010).

From another perspective, Zhou, Brown, and Dev (2009) found that customer orientation is not only connected to a firm's innovation differentiation advantage but also to the market differentiation advantage. Thus, for a service firm, like hotels, it can be stated that customer orientation may be the best choice to opt for to achieve a differentiation advantage. The delivery of service occurs where there is interaction between service providers and the customer (Lee *et al.*, 2006). Therefore, as the delivery of service mainly depends on the organization's customer-contact employees, hoteliers must focus on increasing customer orientation among the frontline workers. Numerous studies have also reported a positive relationship between the customer-orientation strategy and organizational performance (Asikhia, 2010; Dowling, 1993; Liu, Luo, & Shi, 2003; Sin *et al.*, 2006; Zhou *et al.*, 2009).

A more elaborate study by Tajeddini's (2010) revealed a positive association between customer orientation and hotel performance measures including profit goal achievement, return on investment (ROI) achievement, and sales goal achievement. However, there was no positive relationship between customer orientation and innovation in the hotel industry.

Overall, customer orientation has demonstrated inconsistent results regarding its effect on organizational performance (Abdullateef, 2011; Ang & Buttle, 2006; Haugland, Myrtevit, & Nygard, 2007; Hillebrand, Kemp, & Nijssen, 2011). Similarly, it has been reported that there is still a gap in the literature regarding the influence of customer orientation on hotel performance (Sin *et al.*, 2006; Tajeddini, 2010).

In summary, the customer-orientation strategy is an organizational resource which is a very important dimension of CRM. Therefore, organizations must have a customer-centric culture to implement CRM successfully and, consequently, create a competitive advantage. However, previous studies have revealed that there are still inconsistent results concerning the impact of customer orientation on organizational performance, and hence a need for more research on this relationship.

2.5.2 CRM Organization

CRM needs a strategic organizational shift to a customer-focused culture as opposed to a process-focused culture (Ryals & Knox, 2001). In cases where the organization lacks a culture that concentrates on the development of long-term customer relationships, CRM implementation may fail as the organization is clearly not ready for it (Dutu & Halmajan, 2011).

Related to this, Mechinda and Patterson (2011) stated that for service employees to show customer-oriented behaviour, managers must develop a climate for service in their work (e.g. offering staff sophisticated technology, customer satisfaction tracking and complaints management systems, inspiring service leadership, and a suitable rewards system).With these provisions, organizations can achieve desirable customer-orientation behaviour among employees.

Yim *et al.* (2004) argued that with a strong focus on key customers entrenched in the organization's CRM system; the whole company should be structured around cultivating these valuable relationships. Hence, CRM cannot be successfully implemented even if the organizations acquire the most advanced technology and try to generate a customer-centric orientation without complete integration of the project in the organization (Sin *et al.*, 2005).

Therefore, successful CRM implementation depends on redesigning the organizational structure or process, participation of all organizational members in the project, and leading change appropriately. Hence, the organizational structure must also facilitate communication throughout the functional areas (Liu, 2007) as the information collected by CRM is only valuable if it is communicated to all relevant areas effectively (Elmuti *et al.*, 2009). Furthermore, Hsin Chang and Ku (2009) reasserted that the organizational structure plays a vital role in the successful implementation of CRM, and, consequently, improves organizational performance.

In this case, the term organizational structure signifies that CRM requires all organizational strategic business units to be designed to work together towards achieving a common goal regarding building strong and long-term relationships with customers (Sin *et al.*, 2005; Yim *et al.*, 2004).

One of the greatest challenges to implementing CRM effectively in hotels is when software vendors drive their approach to CRM. CRM is a business problem not a technology problem, requiring information communication technology tools to be designed and coordinated with business strategy (Sigala, 2005). Ku (2010) agreed that CRM success does not simply require high-quality technology or systems; it also needs an effective service concept as well as an appropriate operational procedure.

The main aim of the CRM strategy is customer value-making throughout the management process (Ryals & Knox, 2001). Employee empowerment is one of the most vital practices of management that affects the customer. Accordingly, Chow, Lo, Sha, and Hong (2006) revealed that perceived organizational support encompasses the discretionary practices to which employees are exposed. In addition, employee involvement and commitment may affect the performance outcomes with the help of perceived organizational support. It has been acknowledged that empowered employees usually make use of their discretion to satisfy customer needs through service quality.

In the context of the hotel industry, CRM primarily relies on staff attitude, commitment and performance and, therefore, success in the external market place calls for the initial success of internal business through employee motivation and commitment (Sigala, 2005).

Furthermore, Chalmeta (2006) argued that a company's human capital is, ultimately, the core of CRM strategy as it is the part that enables the determination of CRM success or failure and, hence, should not be overlooked. This highlights the importance of the employees' knowledge of the project in resolving their fears, worries and doubts concerning CRM prior to its implementation.

As the success of CRM implementation depends on the involvement and engagement of employees in an organization (Boulding *et al.,* 2005; Payne & Frow, 2006; Tamilarasan, 2011), CRM organization provides an avenue through which essential changes involving the firm's reorganization to focus and perform business processes around customers becomes a norm (Sin *et al.,* 2005; Yim *et al.,* 2004).

CRM organization focuses on how a company can create an appropriate environment, because organizational and managerial factors, such as management support, organizational structure and culture, staff development, motivation and involvement, play a key role in the successful implementation of CRM in hotels.

2.5.3 Knowledge Management

In recent years, knowledge has become to be considered as an important organizational resource, and the techniques for the transmission of knowledge regarding customers are core resources that allow the company to strengthen its links with customers and achieve sustainable competitive advantage (Croteau & Li, 2003; Shi & Yip, 2007).

Knowledge management (KM) capabilities are defined as the organization's use of information consistently to capture, manage and transmit information regarding customer products and services so that fast decisions and improved customer response are achieved (Alavi & Leidner, 2001). That is, KM refers to an organizational process that is connected to the creation, storage, retrieval and application of knowledge about the customer for competitive advantage (Prahalad & Hamel, 1990).

In order to improve profitability, customer information should be collected through connections or touch points across all functions or areas of the organization (Brohman *et* *al.*, 2003). Thus, hotels can create competitive advantage based on KM because they can collect customer information from different touch points. Minghetti (2003) identified five main points of interaction between guests and employees through which valuable information can be collected: information and query, booking, check-in, stay, and check-out.

Yang and Wang (2004) investigated the extent to which four international five-star hotels in Taiwan implement KM practices, the method by which they are implemented, and the impediments they face. The study showed that KM practices, such as programmes and cultures that support knowledge sharing, storing, and acquisition, can benefit such hotels not only financially but in terms of the functioning of the organization and welfare of the staff.

The major objective of collecting data about customers is to obtain a comprehensive image about customers from different perspectives (Sin *et al.*, 2005). Customer knowledge plays a vital role in CRM, as organizations can use it to build and develop relationships with customers (Zahay & Griffin, 2004), giving them a competitive advantage in the market (Sin *et al.*, 2005). Successful CRM depends on converting customer information to customer knowledge (Plessis & Boon, 2004; Stringfellow *et al.*, 2004).

The customer knowledge generated needs to be shared throughout the entire organization (Ryals & Knox, 2001), in order to meet the current and anticipated needs of customers. Stressing the importance of sharing knowledge, Schulz (2001) argued that knowledge is of limited value if it is not disseminated throughout the organization.

Therefore, hotels have to develop a mechanism for disseminating their knowledge of customers to different departments in order to facilitate concerted action.

Against this background, Hallin and Marnburg (2008) stressed the importance for hospitality companies to build up their competitive advantage through KM. Owing to its intensive utilisation of technology and the nature of its service products, which depend on the relationship between the employees and customers, the hospitality industry is transforming itself into a knowledge-intensive sector. Therefore, KM activities are becoming invaluable to hotels as they can enhance employees' knowledge of the unique needs of individual customers.

An organization that can convert its customer knowledge into marketing implementation capabilities is likely to outperform its competitors (Noble & Mokwa, 1999), which implies that the impact of customer knowledge upon the organization depends on the effective way it uses its marketing plans, compared to its competitors. From a resource-based viewpoint, customer knowledge is a valuable asset to the organization, enabling it to react in a timely manner to customer needs and to acclimatize to changing markets (Shi & Yip, 2007).

KM implementation aids a company in its development of innovative products and critical management strategy (e.g. marketing strategies), and in making decisions for business excellence (Fan & Ku, 2010). Gregory and Breiter (2001) added that customers' feelings are the most crucial indicator for hotel properties in establishing their management and marketing activities.

It has been empirically determined that the success of relationship management relies heavily on gathering and analyzing customer information to develop highly personalized offerings (Sigala, 2005). Sigala also stated that knowledge-based CRM in the hotel industry requires the following:

first, a hotel culture that considers customer contact in touch points as an opportunity to collect information about customers; secondly, the motivation of employees by incentives and rewards to collect, capture, share, and use knowledge for personalizing customer interactions/experiences; thirdly, redesigning customer data across the organization, a customer-centric culture, and integration of ICT and infrastructure; and fourthly, the collection, analysis and utilization of three types of customer information – information about, by and for the customer. Information about the customer involves personal and transactional data; information by the customer includes customer feedback and customer claims; and information for the customer includes information of products and services that are perceived useful by them.

In this regard, the ICT system plays a vital role when it is well-integrated with KM and relationship management principles to maximize the benefits of CRM strategy (Sigala, 2005; Sin *et al*., 2005; Yim *et al*., 2004). Therefore, hotels must have some ICT systems in order to deal with customers' data, to build a strong relationship with them and, consequently, improve hotel performance.

Based on previous arguments, in order for organizations to maintain their competitiveness, they need to acquire new knowledge about their customers, exploring and making use of their existing knowledge and sharing this knowledge within the organization. Hence, KM helps an organization to succeed by building a better customer relationship and it has a positive impact on organizational performance (Abdullateef, 2011; Sin *et al*., 2005; Yim *et al*., 2004).

Despite the vital role of KM, there is still limited research to explain its role in the hospitality industry (Fan & Ku, 2010; Hallin & Marnburg, 2008; Shaw & William, 2009). In line with these suggestions, Lo *et al.* (2010) recommended that future research investigate the impact of the dimension of KM in the successful implementation of CRM in the hotel industry.

2.5.4 Technology-Based CRM

As customer knowledge is important in the success of CRM, the organization must have mature information technology to implement many activities of CRM (Boyle, 2004), such as KM activities to enhance employees' capabilities to understand the current and anticipated needs of customers and thus to attract and retain customers (Butler, 2000). Additionally, to achieve effective CRM, organizations need to utilize computer technologies to build and develop long-term relationships with their customers (Harding *et al.*, 2004). The computer technologies required in CRM include front-office applications supporting sales, marketing and service; and back-office applications facilitating the integration and analysis of data (Greenberg, 2001; Jayachandran *et al.*, 2005).

The CRM front-office components enable the smooth transfer of information from the organization to customers by routing it to relevant employees working in relevant units including marketing, sales and service. In other words, CRM implementation allows the smooth passage of customer knowledge within an organization that could lead to enhanced decision making (Ryals, 2005).

Back-office components like the database and data-mining tools assist in identifying and tracking customer needs effectively and efficiently. The creation of a database of centralized customer information is an important element of CRM activities, while CRM's data mining tools help improve understanding of customer behaviour and allow for tailor-made products and services.

CRM is considered as a strategy that creates value for the firm, as well as for customers, through the suitable utilization of technology, data and customer knowledge (Payne & Frow, 2005). Therefore, to implement CRM successfully, an organization must have a wide range of tools, techniques and procedures to foster relationships with customers and to increase sales.

A modern IT system can improve the power of the organization, reduce internal costs, ensure better interaction with the environment, and result in economic profit in the long term. Understandably, hotels of different price/quality and different size implement CRM systems at different levels of sophistication (Moriarty-Jones, Rowley, & Kupiec-Teahan, 2008).

Dutu & Hălmăjan (2011) confirmed that CRM strategy would fail to produce the expected results if proper use of information technology is not ensured during the process. Moreover, the strategic use of technology in marketing has been identified as among the most important opportunities within the hotel industry, because hotels need the correct information from the correct individuals at the correct time for correct decisions to be made (Dev & Olsen, 2000).

Additionally, the use of CRM technology in the hotel industry is expected to enhance the hotel's ability to sustain efficient and profitable customer relationships through enabling information integration and sharing, which eventually increases the efficient and smooth organization-customer interactions; comprehensive analysis of customer data; and customization of responses (Mukerjee & Singh, 2009).

Kasim and Minai (2009) also found that the CRM technology dimension has a positive relationship with hotel performance. Therefore, hotels should utilize information technology to improve their performance. In this case, CRM policy development calls for an in-depth knowledge of the needs, behaviour, and preferences of customers and, in this context, new technologies are one of the core drivers of change (Minghetti, 2003).

Moreover, in order to obtain detailed information about customers' profiles and preferences, service organizations must design suitable information systems (Jain & Jain, 2006). Chalmeta (2007) supported this argument, contending that to implement a CRM strategy successfully, it is essential to have the right technology for automating and enhancing the business processes, linked with managing the company's relationships with their customers, mainly in the areas of sales, marketing and after-sales service.

Law, Leung, and Buhalis (2009) concluded that in today's era of the Internet, e-mail enquiries are the primary means of communication between hotels and customers, implying customers' high expectation of receiving an immediate response. They also stressed that having a good website can generate more business opportunities, in addition to enhancing the company's image and supporting the relationship that it creates with institutional as well as individual customers. Furthermore, due to the timeliness and significance of data offered by CRM technology, many hotels are employing it to improve their service quality.

However, the results regarding the influence of information technology on hotel performance are inconsistent. Some studies reveal a non-significant relationship between technology and hotel performance (Ham, Kim & Jeong, 2005; Karadag, Cobanoglu & Dickinson, 2009; Tavitiyaman, Qu, & Zhang, 2011). Law and Au (1998) found that investment in information technology does not increase hotel performance; hotels have spent tremendous resources on computer technologies without achieving enhanced performance from such expenditure.

In contrast, some studies reveal a positive role of technology on organizational performance, through its ability to gather, store, refine, analyze and disseminate customer information within an organization, improving organizational ability to attract and retain current and potential customers. Furthermore, without the role of technology many customer-centric strategies fail to achieve their goal (Abdullateef *et al.,* 2010; Eid, 2007; Kasim & Minai, 2009; Raman *et al.,* 2006; Sigala, 2005; Sin *et al.,* 2005; Yueh *et al.*, 2010).

Based on these previous inconsistent results concerning the impact of information technology on hotel performance, it can be seen that more studies to investigate this relationship are required, to provide further insight. As few studies investigate the impact of information technology on hotel performance in developing countries, especially in Asia, more are required (Sirirak, Islam & Khang, 2011). Fan and Ku (2009) supported this recommendation, especially regarding the processes and value of CRM applications in the hotel industry.

In summary, CRM dimensions (i.e. customer orientation, CRM organization, KM and technology-based CRM) play a vital role in improving organizational performance. However, there are inconsistent results concerning the impact of CRM dimensions on organizational performance, with regard to the dimensions of CRM and dependent variables.

One possible reason for these conflicting results is a lack of understanding of the mechanisms that relate CRM with organizational performance (Ernst *et al.*, 2011), and more research is crucial to identify these mechanisms (Reimann *et al.*, 2010). Further studies are also required to identify the unexplored mediating factors that can be significant in explaining the relationship between CRM and business performance (Akroush *et al.*, 2011; Chang *et al.*, 2010). In particular, Chang *et al.* (2010) suggested investigating the mediating influence of marketing planning and implementation capabilities in the relationship between CRM and organizational performance. This research has followed these recommendations that marketing capabilities could be the critical and, up to now, missing link. Therefore, the following section explains the role of marketing capabilities in the relationship between CRM and organizational performance.

2.6 Marketing Capabilities

According to Morgan and Hunt (1994), the building and management of customer relationships is the essence of the marketing concept. CRM allows organizations to develop more suitable marketing strategies and to carry out specific marketing activities efficiently and in a timely manner through the provision of superior front-line support and access to integrated customer data (Chen & Popovich, 2003; Dutta, Narasimhan, & Rajiv, 1999).

Similarly, Payne and Frow (2005) posited CRM's need for the cross-functional combination of processes, people, operations and marketing capabilities. Boulding *et al.* (2005) claimed that the success of CRM activities' hinges on how they have been aligned with the firm's existing capabilities. Yim *et al.* (2004) contended that to achieve high performance, top management should invest resources and make a concerted effort to align all organizational resources and capabilities towards CRM strategy.

In this respect, Noble and Mokwa (1999) had already stated that organizations need marketing capabilities to enable them to provide the desired benefits to customers. Marketing capability is considered as the firm's ability to appropriate its resources for the performance of marketing activities so that the needs of customers are satisfied (Chang, 1996; Day, 1994). This type of capability is invaluable as it enables the understanding and accommodation of market needs (Srivastava, Fahey, & Christensen, 2001) and it is rare as it is not possible to buy it; the organization has to create and develop it by itself (Krasnikov & Jayachandran, 2008). Thus, marketing capability is inimitable as its creation is based on the knowledge, skills and resources of a specific company.

Vorhis, Morgan, and Autry (2009) proposed two kinds of marketing capability, architectural and specialized. Specialized marketing capabilities are characterized as task-specific activities including pricing, marketing communications, product development, personal selling, and distribution. They are important in organizations as they help emphasize a differentiation-based product market strategy, in that the communication of benefits to current and potential customers strongly depends on them.

On the other hand, architectural capabilities focus on resource deployment in order to meet product-market goals. These capabilities facilitate the planning and coordination mechanisms required to guarantee that the marketing programme-level activities of the firm's specialized marketing capabilities are appropriately effective to fulfil the firm's strategies (Morgan *et al.*, 2003).

Boulding *et al.* (2005) argued that the effectiveness of CRM activities depends on the organization's pre-existing capabilities. To put it differently, organizations that have developed learning capabilities and an information process have more chance of enhancing their business performance upon adopting a CRM system. They are also more skilful in interpreting information and acting upon it in a way that maximizes value for both the organization and its customers.

In addition, top management can utilize the CRM dimensions to build up relevant and successful strategies and tactics (e.g. marketing strategies) (Sin *et al.*, 2005). In this case, CRM can lead to the improvement of marketing capabilities as it is the result of a continuous transformation and integration of marketing ideas and new data, technology and organizational structure (Boulding *et al.*, 2005).

Chang *et al.* (2010) found that architecture marketing capabilities (both planning and implementation) mediate the relationship between CRM technology use and organizational performance. They recommended investigating the mediating role of the two capabilities separately in order to discover which one has the greater influence on the relationship between CRM and organizational performance.

2.6.1 Marketing Planning Capability

Marketing planning is the process that uses specific methods to manage the design and implementation of the firm's future plans (Pulendran & Speed, 1996). However, Slotegraaf and Dickson (2004) defined marketing planning capability as the firm's ability to anticipate and respond to market environmental changes with the aim of directing its resources and actions to fit the organization to the environment and the ultimate attainment of organizational financial objectives.

The literature regarding organizational capabilities has proposed a positive link between capabilities and organizational performance (Day 1994). In this regard, customer orientation is invaluable for firms as it enables an understanding of the market place and the development of suitable product and service marketing strategies to satisfy customer needs (Liu *et al.*, 2003), which translate into performance. Moreover, when an organization acknowledges the gap between the needs of customers and its offerings, it can provide appropriate resources to fill the gap through innovative activities (Slater & Narver, 1998).

In this vein, Pulendran and Speed (1996) asserted that marketing planning capability enables an organization to recognize and implement goals, such as market orientation or customer orientation, through defining the actions that must be taken. In other words, marketing planning capability can affect an organization's ability to execute activities regarding customer orientation.

Vorhies and Morgan (2005) empirically found that marketing planning capability has a positive impact on organizational performance. Additionally, Morgan, Vorhies, and Mason (2009) declared that market orientation, of which customer orientation is one of the main components , and marketing capabilities go hand in hand to create economic profitability and may be individually considered as a source of competitive advantage. Studies revealed that the relationship between an organization's market orientation and its marketing capabilities is significantly related to its business performance, thus making it difficult for competitors to clearly identify the organization's competitive advantage (Reed & Defillipi, 1990).

Finally, considered as a key strategic process, marketing planning capability helps to develop organizational capability by integrating, combining and restructuring the resources of the firm (Slotegraaf & Dickson, 2004); further, Slotegraaf and Dickson empirically found that marketing planning capability has a positive impact on organizational performance.

2.6.2 Marketing Implementation Capability

According to Kotler and Keller (2005), marketing implementation capability is the process that converts plans into actions, while Farjoun (2002) stated that implementation is the acting out of strategy. Thus, implementation strategy is considered as the process of making strategy work and determining the elements that are needed to transform the plan into action (Piercy, 2002).

White, Contant, and Echambadi (2003) provided a definition of marketing implementation capability as the organization's capability and competence to execute, control and evaluate its marketing strategy. Furthermore, marketing implementation capability measures the firm's ability to implement its strategy through organization and appropriation of its marketing resources (Noble & Mokwa, 1999; Vorhies & Morgan, 2005).

Thus, marketing implementation capability is a process whose outcome can be achieved and clarified by the organization's unique ability to transform resources into marketing plans and actions that are achievable (Eisenhardt & Martin, 2000) and which results in positive performance.

In their empirical study, Vorhies and Morgan (2005) demonstrated that marketing implementation capability positively influences organizational performance. It is argued that marketing implementation capability is a major factor that affects marketing effectiveness in the hotel industry, leading to improvement in hotels' performance (Cizmar & Weber, 2000). Several other studies have demonstrated a significant positive relationship between marketing implementation capability and organizational performance (Vohies & Morgan, 2005; White *et al.*, 2003).

Although marketing implementation capability was found to significantly affect organizational performance in the manufacturing and service industries (Salter, Hult, & Olsen, 2010), Neil (2010) revealed that implementation marketing capability mediates between the relationship of organizational memory and marketing effectiveness in an organization.

In addition, Lee, Naylor, and Chen (2011) empirically established that marketing implementation capability significantly mediates the relationship between customer knowledge and organizational performance. They further demonstrated that customer knowledge significantly affects marketing programmes leading to enhanced organizational performance. Additionally, marketing implementation capability was demonstrated to have a significant mediating effect on the relationship between marketing strategic development and organizational performance (White *et al.*, 2003).

Hence, a hotel's knowledge of customers enables the hotel to understand and recognize the basic characteristics of target markets for the development of suitable strategies. It is correct to state that the knowledge of customers' perception and utility of products can be used to develop and implement an appropriate and effective marketing programme (Conant & White, 1999).

Similarly, Lee *et al.* (2011) found that better and more competitive execution of an organization's marketing programme depends on the organization's skill in adapting to various customer preferences. Thus, organizations with a high level of knowledge about their customers' preferences have more chance of increasing their skills so as to take advantage of the available opportunities and achieve marketing objectives effectively (Noble & Mokwa, 1999).

In summary, both planning and implementing marketing capabilities play a key role in improving organizational performance. Additionally, several studies revealed that marketing capabilities can play a mediating role between organizational strategies and organizational performance. Therefore, organizations have to improve their marketing capabilities to achieve a competitive advantage. Furthermore, according to the resource-based view theory, marketing capabilities can improve organizational performance and create competitive advantage.

It is believed that organizations have to measure their performance in order to determine the effectiveness of organizational strategies. In this case, studies have utilized different approaches to conceptualize and measure performance. It has been argued that performance is a multi-dimensional construct that cannot be sufficiently reflected in a single performance item (Randolph & Dess, 1984).

These points of view suggest that a multiple measure of performance would more accurately reveal enhancements, as opposed to a single qualitative or accounting-related performance measure. The following section discusses the different approaches to measuring hotel performance.

2.7 Measuring Hotel Performance

Generally speaking, organizational performance and success can be investigated both objectively and subjectively. Objective measurement normally involves comparing a firm's performance with hard financial measures, while subjective assessment is related to more personal issues.

Haktanir and Harris (2005) investigated the performance measurement practices in the context of independent hotels and found six measurements: first, business dynamics reveal the decision making and information flow in hotel departments; secondly, overall performance measures concerned with recognizing the performance measures used by various departments in order to summarize the performance of the whole organization; thirdly, employee performance measures are concerned with the vital role of human resources in providing room accommodation, food and beverages, and leisure services; fourthly, customer satisfaction measures are concerned with understanding customer needs and, consequently, developing systems to satisfy them (Sin *et al.*, 2006); fifthly, financial performance measures are concerned with the financial measurements, which is measured and used at different levels of the business and examines the rationale for utilizing such measures; and finally, innovative activity measures are concerned with the new process, services and different ways of providing a service to customers and the measurement of their outcome (Allyne, Doherty, & Greenidge, 2006).

Performance measures have also been developed to assess either actual performance results (output), or the activities that help generate performance (Tavitiyaman *et al.*, 2011). Output controls indicate what is to be achieved by focusing on the performance behaviour taking into cognizance objectives and performance targets. Behavioural performance assessment is suitable for organizations in which performance results are difficult to measure and in which there is a clear cause-effect relationship between results and activities (Botten & McManus, 1999).

On the other hand, financial performance is important and acceptable for understanding organizational effectiveness, leading to many benefits that good organizations provide for their relevant stakeholders and society at large (Randolph & Dess, 1984). An additional performance measurement is provided by Kaplan and Norton (1992), who introduced a strategic model called the Balanced Scorecard (BSC), which attempts to provide a more balanced performance measurement for organizations. Additionally, Kaplan and Norton (1992) went further in arguing that financial management alone is inadequate in assessing an organization's competitive position. Therefore, the balanced scorecard strategy includes both financial and three other non-financial measures – customers, internal process, and learning and growth.

2.7.1 Hotel Performance and Balanced Scorecard

The Balanced Scorecard (BSC) concept suggested by Kaplan and Norton (1992) enables an organization to carry out more comprehensive strategy, management and control. It consists of the following four perspectives:

Customer perspective: the measures relating to this perspective require managers to convert their common mission statement on customer and market segments into specific measures that reflect the factors that really matter to the customers. These include different core objectives and measures that relate to the organization's strategy. Indicators such as satisfying the needs of customers, customer intention to purchase, and market share are used to measure customer perspective (Wu & Lu, 2012)

Internal process perspective: the measures within this perspective are related to the critical internal processes for which the organization must excel to implement strategy. Kaplan and Norton (1992) identified several generic internal processes, such as the operation and post-service sales processes, and stressed the need to develop appropriate performance measures relating to these processes, such as measures relating to time, quality and cost. The current study uses indicators, such as operating efficiency, reduced customer complaints, and the ability to retain customers, to measure the internal process perspective (Wu & Lu, 2012).

Learning and growth/innovation perspective: these types of measure are concerned with building continuous improvement in relation to products and processes, and also to create long-term growth. Kaplan and Norton (1992) stressed that organizations can improve and innovate to achieve the objectives of the scorecard through their ability to launch new products, and create more value for customers. This study uses indicators such as employee's ability to solve problems, improve service quality, employee's intention to learn; similar indicators were used by Wu and Lu (2012) to measure the learning and growth perspective in the hotel sector.

Financial perspective: the measures within this perspective are based on financial metrics, such as return on investment and residual income. Indicators, such as reduced total cost of the organization, increased sales growth, increased net profit margin, are used to measure the financial perspective of hotel performance (Wu & Lu, 2012).

According to Kaplan and Norton (1992), by incorporating non-financial performance measures in the scorecard, improved financial measures should follow. Moreover, this perspective provides feedback as to whether improved performance in the non-financial perspective is translated into monetary terms in the financial perspective box. Therefore, in order to provide a comprehensive image of hotel performance, the current study uses all the items of the four perspectives of the BSC to measure organizational performance.

The BSC approach has been widely employed in service industries, manufacturing, and non-profit organizations (Kaplan & Norton, 2001). It is recognized by management authors to be unprecedented in performance measurement and reporting (Goulian & Mersereau, 2000). Additionally, it changes mission and strategy into measurable objectives. Thus, measurable objectives are viewed from the learning and growth, internal process, customer, and financial perspectives. The BSC also provides a balance between short- and long-term objectives and between hard objective and soft subjective measurement (Chang & Ku, 2009).

Consistent with this argument, Wu and Hung (2007) revealed that financial figures cannot give a full understanding of CRM influences, and therefore the total performance perspective is to be used in the evaluation of CRM results. Thus, using the BSC to assess the influence of CRM on organizational performance becomes critical because it is a useful technique for evaluating an organization's total operational performance (Wu & Hung, 2007).

Although hotel investment mostly involves tangible assets, such as buildings, equipment, land, fixtures and furniture, a hotel's revenue is dependent on intangible services such as location, quality of staff, and customer acceptance. Therefore, a single traditional financial measure cannot capture the overall perspective of performance and its benefits (Teare *et al.*, 2001). For this reason, Wu and Lu (2012) used BSC to investigate the impact of CRM technology on relationship marketing and hotel performance. They declared that BSC can provide a deeper understanding of business performance because it not only includes the traditional financial approach to assess tangible assets, but also uses non-financial approaches to assess intangible assets.

In addition, Brander, Brown, and McDonnell (1995) declared that the utilization of BSC in the hotel industry may reduce some weaknesses in current hotel performance measurements. Some of these weaknesses are inadequacy in evaluating and monitoring multiple dimensions of organizational performance, and in dealing with human resource issues.

Empirical evidence for the of BSC in hotels has been reported by several other researchers, including Evan (2005), Frigo (2002) and Denton and White (2000). Denton and White (2000) examined the use of BSC in White Lodging Services (a parent company) with indicators such as RevPAR to evaluate financial performance, customer satisfaction scores to test customer performance, process audit scores to evaluate internal business performance, and employee retention to evaluate learning and growth.

Frigo (2002) showed that the application of BSC helped Hilton Hotels to achieve a 5% increment in customer loyalty, and a 1.1% increment in annual revenue. Using the category groupings identified in the BSC framework, Evan (2005) investigated hoteliers in the United Kingdom to measure the value of using BSC in the international hotel industry. To measure financial performance, he used indicators including total operating revenue, RevPAR and costs, which were all featured in the study as the financial measures actively employed by hotels. In addition, indicators including customer satisfaction, frequency of customer complaints, returning guests, and market share were used to measure the customer perspective. The results also indicated that measures including service errors, response to complaints, and employee turnover were significant in measuring internal business process. Finally, numbers of new customers, staff appraisals and targets, as well as new improvements evaluated the innovation and learning perspective.

In the current research, the use of BSC is suitable because hotel operations involve many activities including restaurant, housekeeping and point-of-sale (front office) (Paraskevas, 2001), which are categorized as cost structures. Therefore, the use of a single financial measure to measure the performance of these cost structures is grossly inadequate. Furthermore, because in CRM the goal of organizations is to improve customer relationships, any measure of results must reflect the perspective of customers (Chang, Liao, & Hsiao, 2005). Thus, to fully comprehend the effect of CRM dimensions on hotel performance, the current research uses the BSC criteria for evaluating hotel performance.

To be consistent with Kaplan and Norton (1992), Evan (2005), and Wu and Lu (2012), the organizational performance in this study is described at the level of hotel performance (i.e. increase/decrease) regarding important measures including financial, customer, internal business, and learning and growth of the organization. The financial perspective refers to the economic outcomes of actions executed by the hotel, whereas the customer perspective is defined as the results of actions executed by hotels on their customers and market segment. Internal business is the consequence of actions executed at the business process level of the hotel, and learning and growth refers to the amount of change and innovation experienced by the hotel.

To sum up, the BSC utilizes both financial and non-financial measures to assess business performance and offers enterprises a comprehensive understanding of their performance and operation (Kaplan & Norton, 2004; Wu & Hung, 2007; Wu & Lu, 2012). Thus, as the main objective of this study is to investigate the impact of CRM dimensions on overall hotel performance, the researcher combined all the items from the four perspectives of the BSC to measure the overall performance of hotels as one construct, since to measure organizational performance in a comprehensive way, all the dimensions of the BSC must be integrated (Al Sawalqa, Holloway, & Alam, 2011; Jusoh, 2008; Kaplan & Norton, 1992).

Having discussed the approach used to measure hotel performance, the next section presents the underlying theory that explains the relationships of the model in the current study.

2.8 Related Theories on CRM

Previous studies have relied on different theories to explain the implementation of CRM in organizations; for example, King and Burgess (2008) believed that social capital theory and social exchange theory could explain why top management and different department users supported or resisted the implementation of CRM.

Social capital theory was developed to clarify the importance of networks of social relationships that are expanded over time and offer the context for social interactions within and between organizations and across communities (Jacobs, as cited in King & Burgess, 2008).

It could be defined along three dimensions: a relational dimension which includes social norms of behaviour and trust between members; a cognitive dimension which involves shared meaning and understanding, language and narratives that develops between members of the network; and a structural dimension which involves informal social personal and formal organizational structures (Nahapiet & Ghoshal, 1998). Increasing in social capital are encouraged to improve social outcomes for example an increased motivation and ability to work together, and capacity to access to knowledge which, in turn, lead to enhanced operational outcomes, such as innovation and greater creativity (Hatzakis, Lycett, Macredie, & Martin, 2005).

Jones and Taylor (2012) asserted that social capital theory helps to clarify the value of the relationship between service providers and customers to organization. They mentioned that the idea of social capital is compelling to service managers since it reveals that investments in tactics of relationship building have real outcomes for organization profitability. In this case, King and Burgess (2008) contended that a social capital theory can be applied in implementation of CRM in organization, it enables further exploration of the fundamental relationships among the participants and how they work together to implement CRM.

Social exchange theory also aims to make clear what motivates actors to behave as they do. It views " interpersonal interactions from a cost-benefit perspective, much akin to an economic exchange, except that a social exchange deals with the exchange of intangible social costs and benefits and is not governed by explicit rules or agreements" (Gefen & Ridings, 2002, p.50). It highlights processes that lead to satisfaction for the exchange parties (Cannon and Perreault, 1999).

Kingshott (2006) mentioned that social exchange theory is becoming one of the dominant theoretical perspectives in clarifying how organizations can build a strong and long term relationship with their customers as well as how they can maximize the benefits from this relationship. By using social exchange as an underpinning theory in his study, Kingshott (2006) found that organizations have to focus on the development of psychological contract and relational bonds in order to get better relational outcomes such as customer trust and commitment.

In this respect, Shanthakumar and Xavier (2001) contended that social exchange theory holds that organizations develop relationships, which yield the greatest profits. In this case, organizations seek relationships in which rewards exceed costs and are more likely to dissolve relationships when costs exceed rewards. Similarly, Gefen & Ridings (2002) also mentioned that when the implementation of CRM is highly responsive to user needs in organization, they will be more favorably to assess CRM and approve of it.

Wubben (2008) and Gupta and Iyer (2005) mentioned that transaction cost theory can be used to explain why organizations implement CRM. Transaction cost theory assumes that the coordination of an exchange relationship is associated with the transaction cost that is to be minimized. These transaction costs include initiating, maintaining, controlling and terminating relationships, and opportunity cost. Thus, if customers are exposed to a high cost of switching the provider then this should increase the propensity of consumers' cross-buying behaviour. Transaction cost theory may provide an economic viewpoint to understand why organizations implement CRM and why it must focus on some types of customer rather than others.

These theories provide a deeper exploration of why managers use CRM, providing a theoretical background to explain the motives behind supporting or resisting the implementation of CRM in an organization. However, they do not explain how managers can use their internal resources to make implementation of CRM successful and improve the organization's performance accordingly. This research therefore uses the resource-based view (RBV) theory to underpin the current research.

The RBV theory identifies the conditions and the organization's specific factors responsible for gaining competitive advantage (Wernerfelt, 1984). It regards firms as bundles of resources and capabilities, differing in their endowment of these resources and capabilities.

The theory suggests that although both tangible and intangible resources can be important in corporate strategies, only rare, valuable, costly to imitate, and non-substitutable resources can be a source of sustained competitive advantage for firms implementing corporate strategies (Barney & Delwyn, 2007). Additionally, it has been proposed that the ownership and development of a set of such unique resources leads to the attainment of competitive advantage in a particular marketplace (Chakravorti, 2009).

Two factors are identified by the RBV theory as preconditions for competitive advantage: imperfect mobility and imperfect imitability (Peteraf, 1993).

Imperfect mobility is defined as the difficulty experienced in trading certain resources, such as the capability that results from the complex interaction of a number of resources that cause it to be perceived as unique to a particular organization. On the other hand, imperfect imitability is defined as the inability of competing organizations to copy another organization's unique capabilities. Conclusively, those capabilities of an organization that demonstrate a high level of complexity and uniqueness are most likely to be imperfectly imitable and imperfectly mobile.

Thus, firms that have valuable resources and capabilities can gain a competitive advantage (Barney, 1986; Wernerfelt, 1984). In addition, if they have adequate resources and use them in an effective way, they can survive in the market and achieve their goals (Sharma & Erramilli, 2004).

The RBV theory also proposes that a firm's success in an aggressive market is not simply based on external environmental factors but also on its internal resources or functions (Barney, 1991; Ekeledo & Sivakumar, 2004). From the RBV perspective, a firm is a pool of unique capabilities and unique resources which, if utilized in a typical way, can be created and preserve a competitive advantage (Osarenkhoe, 2008). Barney (1991) further argued that resources can comprise all assets, capabilities (skills and process), organizational attributes, processes, information, knowledge, etc., controlled by a particular company that enables it to devise and implement strategies that enhance its efficiency and effectiveness. A wide variety of the company's resources involving interpersonal relations among managers, reputation among suppliers, and organizational culture can fall under resources for competitive advantage.

Gibbert (2006) stressed that RVB is proposed as a theoretical framework to explain the relationship between a firm's specific resources and differentials in its outcomes. It focuses on how unique capabilities are pooled together to create a sustainable competitive advantage.

It is believed that the continuous interaction between employees and customers gives firms more elasticity against competitive threats (Judson, Aurand, & Karlovsky, 2007). It will also be difficult for competitors to duplicate the way in which both people and processes are incorporated to build and maintain a long-term relationship with customers (Boulding *et al.*, 2005).

Against this background, Xu, Yen, Lin, and Chou (2002) argued that in recent times the only competitive advantage in the market is maintaining a long-term relationship with customers through CRM. Meyer and Kolbe (2005) agreed that the RBV becomes highly relevant to CRM implementation, since customer relationships and the CRM design itself are the main resources of consequence in competitive advantage and business performance. Coltman (2007) also stressed that RBV is a suitable approach for CRM implementation in an organization because it links a firm's unique resources to the firm's performance.

Accordingly, RBV provides a theoretical background to CRM implementation to gain competitive advantage. Further justifying the appropriateness of the RBV theory to explain the relationships of the current model, Drohan, Foley, and Lynch (2009) argued that the theory can be applied to CRM because its implementation needs the orchestration of resources and routines within the organization. Implementation also requires the combination of resources (people, technology and processes) to build relationships with customers that create value for both the firm and its customers.

However, Wahlberg, Strandberg, Sundberg, and Sandberg (2009), after analysis of 468 CRM-based journal articles, concluded that there are limited studies with RBV; thus research into the impact of CRM strategy on organizational performance with a RBV approach is required. This view is further supported by Zablah *et al.* (2004).

Similarly, Kim, Kim, and Park (2010) asserted that the RBV theory offers a balanced view of people, technology and process as important components for the successful implementation of strategy which, in turn, results in good organizational performance. They also declared that the RBV has scarcely been discussed in the CRM literature as a direct theoretical foundation. According to the literature of the RBV, strategy researchers have stated that the organizational capabilities are critical factors for performance improvement and competitive advantage (Greenley *et al.,* 2005; Ruiz-Ortega & Garcia-Villaverde, 2008).

Previous studies have also revealed that organizational capabilities are important factors in gaining competitive advantage. These organizational capabilities, including customer orientation (Asikhia, 2010; Menguc & Auh, 2006), customer knowledge management (Alavi & Leidner, 2001; Croteau & Li, 2003; Shi & Yip, 2007), and CRM organization such as employee empowerment, organizational structure and culture, reward system, and information technology (Barney, 1991), enable those organizations that possess them to have an edge in terms of competitive advantage. In addition, marketing capabilities that are valuable, rare, non-replaceable, and inimitable are referred to as sources of advantage that lead to superior performance of the organization (Dutta, Zbaracki, & Bergen, 2003; Vorhies & Morgan, 2005).

Therefore, this study uses RBV as the underpinning theory to explain how hotels can utilize and maximize their internal resources and capabilities (customer orientation, CRM organization, KM, and technology-based CRM and marketing capabilities) to improve their performance in a highly competitive market place.

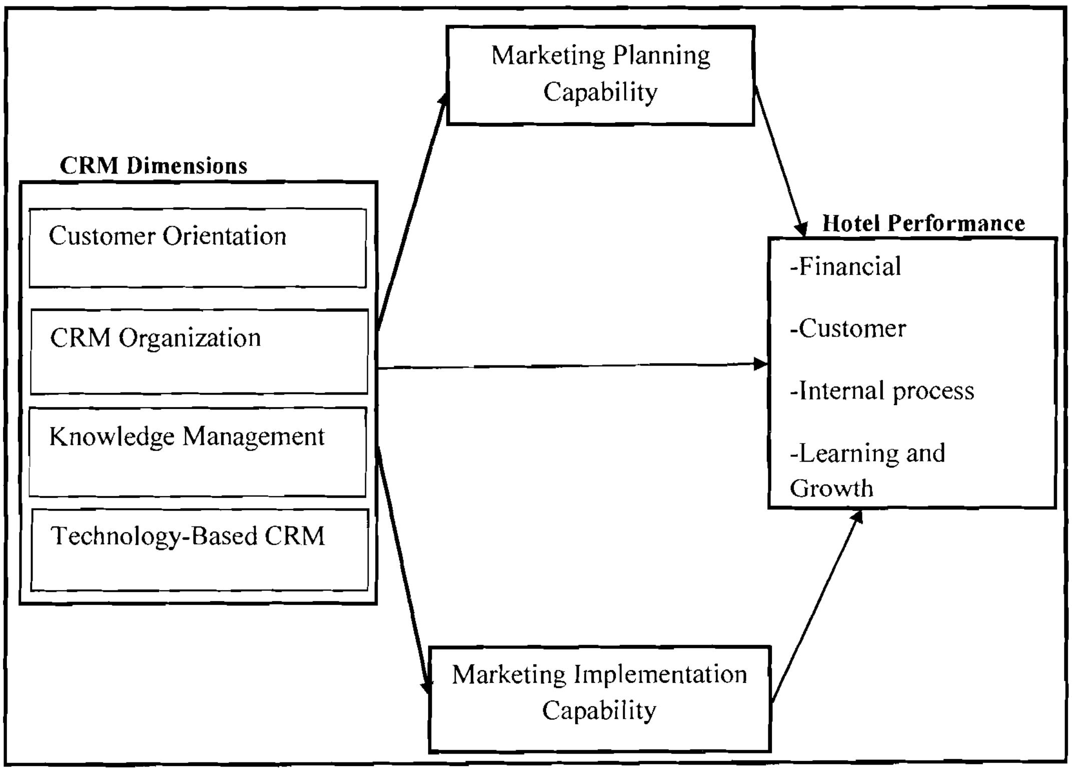
Based on the reviewed literature, it can be concluded that numerous studies investigate the different factors that influence CRM implementation. However, few studies provide a conceptual framework to emphasize the impact of CRM dimensions on organizational performance. To the best knowledge of the researcher, there is no previous study that investigates the mediating role of marketing capabilities in the relationship between CRM dimensions and hotel performance. Additionally, no study has investigated the relationship between these four dimensions, marketing capabilities and hotel performance in one model and under the RBV theory. Therefore the current framework is proposed to investigate the relationship between the main constructs in this study.

2.9 Research Framework

The current study proposes a framework of the relationships between CRM dimensions, marketing planning capability, marketing implementation capability, and hotel performance. The relationships are underpinned by the RBV theory, which indicates that the performance of an organization is influenced by its internal resources and capabilities. An organization performs better when it makes effective use of its resources than do its competitors. The framework follows previous studies, with CRM dimensions derived from Abdullateef *et al.* (2010), Sin *et al.* (2005) and Yim *et al.* (2004), marketing capabilities derived from the study of Chang *et al.* (2010), and hotel performance dimensions derived from the study of Wu & Lu (2012).

Additionally, the relationships between the variables in the current model, which are rooted in the RBV theory, propose that hotel organizations that have valuable resources have an opportunity to successfully execute a business strategy to achieve competitive advantage and, as a result, enhance their performance. The conceptual framework of the research is developed to illustrate the relationship between CRM dimensions and hotel performance, as well as the mediating role of marketing capabilities. Figure 2.1 depicts the framework relationships.

Figure 2.1.
Research Framework


Marketing Planning Capability
CRM Dimensions
Customer Orientation
CRM Organization
Knowledge Management
Technology-Based CRM
Hotel Performance
-Financial
-Customer
-Internal process
-Learning and Growth
Marketing Implementation Capability

The framework first reveals CRM dimensions as the independent variables, namely customer orientation, CRM organization, knowledge management, and technology-based CRM. These dimensions are expected to directly and indirectly affect hotel performance (dependent variable). Secondly, there are two mediating variables (marketing planning implementation capabilities).

This study assesses the mediating variables in order to understand their influence in the relationship between the CRM dimensions and hotel performance, as well as to evaluate which of them has the greater influence in the relationship between CRM dimensions and hotel performance. Thirdly, the model has one dependent variable, hotel performance.

2.10 Hypotheses Development

Based on this research model and the literature review, seven hypotheses have been developed to test the model by examining the effect of the CRM dimensions on hotel performance. The model also examines the mediating role of marketing planning and implementation capabilities on the CRM dimensions-hotel performance relationship.

2.10.1 CRM Dimensions and Hotel Performance

The literature on the marketing concept generally supposes that the implementation of a customer orientation strategy will lead to better organizational performance (Kennedy, Lassk, & Goolsby, 2002; Piercy *et al.*, 2002). Several empirical studies found a positive association between customer orientation and organizational performance (Asikhia, 2010; Dowling, 1993; Liu *et al.*, 2003; Tajeddini, 2011; Zhou, Brown, & Dev, 2009).

According to the RBV, customer orientation strategy is considered as an organizational resource that can enable the organization to improve its performance and achieve a competitive advantage in the market (Zhon *et al.,* 2009). With the knowledge of what customers need, a customer-oriented organization can then make its products or services more appealing by adapting its marketing mix (Miller, 1988).

Furthermore, because the customer-orientation strategy helps to achieve long-term customer satisfaction, organizations will be highly motivated to provide goods or services that uniquely satisfy the particular needs of their customers (Slater & Narver, 1998).

Previous studies also found that the dimension of CRM organization has a positive impact on customer satisfaction (Yim *et al.,* 2004), financial performance and market effectiveness (Akroush *et al*., 2011; Sin *et al*., 2005). Moreover, the positive association between KM and performance can be traced back to the RBV theory, as introduced by Barney (1991), who argued that the resources and capabilities of the firm can be utilized to create competitive advantage and thus improved performance. In this vein, hotels need to acquire new knowledge about existing and potential customers and share this knowledge throughout their organization, to improve service quality (Lo *et al.*, 2009).

In this case, customer KM capabilities are critical to the success of CRM in organizations (Dous, Salomann, Kolbe & Brenner, 2005; Wahlberg *et al*., 2009). Numerous studies recognize a positive relationship between KM, market effectiveness and financial performance (Sin *et al.*, 2005); customer retention (Yim *et al.*, 2004); and customer satisfaction (Abdulateef, 2011).

In terms of the technology dimension of CRM, previous studies have thoroughly discussed the potential role of information technology in achieving a sustainable competitive advantage (Achrol, 1991; Bharadwaj, Varadarajan, & Fahy, 1993). Kim and Oh (2004) also stated that hotels can use technology resources to effectively manage their customers, expedite the check in-check out process, and help in other operational services, such as online reservation and voice mail. Additionally, Siriak *et al.* (2011) argued that due to increasing competition and customer expectations, hotels have utilized ICT as a tool for dealing with rapidly changing environments.

In line with this argument, numerous studies report that technology-based CRM has a significant positive influence on organizational performance (Abdullatef, 2011; Akroush *et al.*, 2011; Kasim & Minai, 2009; Sin *et al.*, 2005).

As a result of these arguments, and based on the RBV theory that utilization of all an organization's resources can lead to competitive advantage and improve overall organizational performance, this study proposes the following hypothesis:

H1: CRM dimensions have an effect on hotel performance.

2.10.2 CRM Dimensions and Marketing Capabilities

CRM has been claimed to affect future marketing decisions, such as brand differentiation, communication, price and distribution (Richards & Jones 2008). Furthermore, Stockdale (2006) argued that CRM strategy supports the functions of marketing. Many hotel chains smartly and flexibly manage their room pricing based on the customer data gathered (Nunes & Dréze, 2006).

Regarding CRM success, there should also be a broad organizational commitment of resources (Ahmed & Rafiq, 2003; Boulding *et al.*, 2005; Payne & Frow, 2005), with intensive efforts by all organizational functions to constantly offer a stream of value-rich actions and customer outcomes (Ahmed & Rafiq, 2003). This means that all the resources in the organization, such as human resources, marketing capabilities, organizational structure, policies, and organizational culture, must be combined in order to implement CRM successfully and, consequently, enhance organizational performance.

In particular, customer orientation influences marketing planning capability because it helps organizations to understand the market situation and build up appropriate strategies to satisfy the needs of customers (Liu *et al.,* 2003; Morgan *et al.*, 2009; Pulendran & Speed, 1996). In addition to the significant impact of customer orientation strategy on marketing planning capability, customer orientation influences the implementation of marketing capability. Organizations that have a customer orientation strategy can direct resources to satisfy the needs of customers through the successful implementation of marketing action or innovation (Han *et al.,* 1998; Slater & Narver, 1998).

Fahy *et al.* (2000) also indicated that knowledge will lead to the development of marketing capabilities. In this respect, hotels that have a lot of customer knowledge and the ability to disseminate it among their various departments are expected to implement successful marketing activities to satisfy their customer needs (Conant & White, 1999; Noble & Mokwa, 1999). Similarly, Lee *et al.* (2011) empirically found that customer knowledge has a positive influence on marketing implementation capability. Furthermore, marketing capabilities are soundly based on information concerning the customer (Acquaah, 2007) and, hence, customer knowledge management is related to marketing capabilities. In addition, KM enables organizations to develop and make strategic management decisions including marketing planning for improving performance (Fan & Ku, 2010).

Additionally, efficient and timely implementation of information technology can provide many benefits to hotels including enhanced service quality to meet customers' expectations, improve cost control, improve operational efficiency and implement effective marketing strategies (Cobanoglu, Corbachi, & Ryan, 2001; Law & Jogaratnam, 2005; Piccoli, 2008). In this respect, technology-based CRM can enable organizations to plan and implement successful marketing action to retain customers and make them more profitable, drawing on the customer database and other systems that capture information over time (Roberts *et al.*, 2005). Correspondingly, Chang *et al.* (2010) stated that CRM technology develops marketing capabilities by offering valuable customer information that facilitates managers and employees to accomplish their marketing objectives in the most effective and efficient manner. They demonstrated that CRM technology is positively related to marketing planning and implementation capabilities.

Based on these arguments, the following hypotheses have been formulated:

H2: CRM dimensions have an effect on marketing planning capability.

H3: CRM dimensions have an effect on marketing implementation capability.

2.10.3 Marketing Capabilities and Hotel Performance

According to the RBV theory, marketing capabilities affect organizational performance and create competitive advantage (Barney, 1991). In line with this argument, Gursoy and

Swanger (2007) found that marketing capabilities have a significant and positive impact on financial success in hospitality organizations.

The dissemination of marketing intelligence enables managers to make better-informed strategic decisions, and provides guidance to other departments in matching the changing needs and wants of customers more competitively than other players in the market. All this leads to the development of new or improved services.

Several studies have also found that marketing capabilities have a positive impact on organizational performance (Abdul Manan & Jan, 2010; Azizi, Movahed, & Khah, 2009; Krasnikov & Jayachandran, 2008; Morgan *et al.*, 2009; Qureshi & Mian, 2010; Ramaswami, Srivastava & Bhargava, 2009; Vorhies & Morgan, 2005). This is true of both marketing planning capability (Chang *et al.*, 2010; Morgan *et al.*, 2009; Slotegraaf & Dickson, 2004; Vohies & Morgan, 2005) and marketing implementation capability (Salter *et al.*, 2010; Vorhies & Morgan, 2005). Cizmar and Weber (2000) asserted that marketing implementation capability positively affects marketing effectiveness in the hotel sector, which ultimately leads to improved hotel performance. Consequently, based on the previous arguments, this study formulates the following hypotheses:

H4: Marketing planning capability has an effect on hotel performance.

H5: Marketing implementation capability has an effect on hotel performance.

2.10.4 CRM Dimensions, Marketing Capabilities and Hotel Performance

It is believed that CRM can play a vital role in developing marketing capabilities that lead to better organizational performance (Krasnikov *et al.*, 2009). In other words, CRM precedes the development of marketing capabilities in the organization, because marketing capability is an incorporated process designed to utilize skills, resources and corporate knowledge, and enable businesses to better satisfy the needs of customers through adding value to their products (Azizi *et al.*, 2009).

Vorhies *et al.* (2009) also found that marketing capabilities are influenced by an organization's business strategies, and that their integration with business strategies are significant drivers of market effectiveness. Thus, an organization's strategies influence the marketing capabilities in an organization, leading to improved organizational performance. Meanwhile, Gulati and Oldroyd (2005) observed that the execution of CRM should support the aim of getting closer to customers, and that in order to succeed, the organization as a whole must engage in a learning process. This means learning about the customers and organizations and how the techniques of doing business can be developed. However, if this activity is only regarded as a functional or departmental responsibility, CRM efforts will fail.

That is, CRM dimensions have to engage with all organizational resources and capabilities to ensure long-term success. The integration of CRM dimensions with marketing capabilities can thus lead to improved organizational performance. Several studies contended that knowledge is the main source of marketing capability. In other words, knowledge precedes the development of marketing capabilities in the organization (Fahy *et al.*, 2000; Slater & Narver, 1995). Meanwhile, marketing capabilities are known to affect performance under the RBV theory (Barney, 1991). The literature, e.g. Moore and Fairhurst (2005), and Zehir, Acar, and Tanverdi (2006), showed that marketing capabilities have a positive relationship with performance. Thus, it can be assumed that KM will lead to the development of marketing capabilities, and, hence performance. In this case, Chang *et al.* (2010) argued that marketing capabilities play a mediating role between CRM technology and organizational performance.

Therefore, based on these arguments and the literature, the following hypotheses are formulated:

H6: Marketing planning capability mediates the relationship between CRM dimensions and hotel performance.

H7: Marketing implementation capability mediates the relationship between CRM dimensions and hotel performance.

The seven hypotheses, summarized below in Table 2.1, are tested against data collected from 3- to 5- star hotels in Malaysia. Sub hypotheses, derived from the main hypotheses, are presented in section 4.6.2. The research design for the data collection and the process discussed in the methodology section.

Table 2.1
List of Hypotheses

NO	Hypothesis statement
1	CRM dimensions have an effect on hotel performance.
2	CRM dimensions have an effect on marketing planning capability.
3	CRM dimensions have an effect on marketing implementation capability.
4	Marketing planning capability has an effect on hotel performance
5	Marketing implementation capability has an effect on hotel performance
6	Marketing planning capability mediates the relationship between CRM dimensions and hotel performance.
7	Marketing implementation capability mediates the relationship between CRM dimensions and hotel performance.

2.11 Summary

This chapter provided a review and integrates current theories presented in previous studies on the issue of CRM dimensions, marketing planning capability, marketing implementation capability and hotel performance. It also discussed the research model that uses RBV as its underpinning theory. The development of hypotheses was based on the research questions and objectives of this study. The following chapter describes the research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Following the review of relevant literature and discussion of the model for this study, the next step is to determine the research methodology. This chapter concerns the design of the research, which ensures that the requisite data could be gathered and analyzed to answer the research questions and achieve the objectives of the study. The chapter opens with a discussion of the research philosophy, for a better understanding of the research design. Specifically, the chapter discusses the research design, population and sampling procedures, measurement and questionnaire design, validity and reliability of the study instrument, pilot study, data collection, and the data analysis methods used to test the hypotheses.

3.2 Research Philosophy

As already mentioned, there is a shortage of studies concerning the influence of CRM dimensions on hotel performance, including the need to investigate the mediating role of the marketing planning and implementation capabilities on the relationship between the CRM dimensions and hotel performance. Thus, the main objective of this research is to investigate empirically the impact of CRM dimensions on hotel performance and examine the influence of the marketing capabilities on the relationship between CRM dimensions and hotel performance. With regards to the objective presented above, this section discusses the philosophical approach to this research.

According to Easterby-Smith, Thorpe, and Jackson (2008) the main reason why examination of the philosophy, especially the research methodology, may be important is to allow and help the researcher to assess various methods and avoid unsuitable use and unnecessary work by recognizing the limitations of particular approaches at an early stage.

Saunders, Lewis, and Thornhill (2011) stated that the four dominant opinions about the research process are positivism, realism, interpretivism and pragmatism. There are also three philosophical methods: ontological, epistemological and axiological. Ontology concerns the researcher view's of the nature of reality or being (Saunders *et al.* (2009); epistemology indicates the researcher's view regarding what constitutes acceptable knowledge; and, finally, axiology considers the researcher's views of the role and value of the research.

The first of the four research philosophies is positivism, whose basic principle is that "the researcher is independent and neither affects nor is affected by the subject of the research" (Remenyi, Williams, Money, & Swartz, 1998, p. 33). Positivism emphasizes a highly structured method to enable replication and quantifiable explanation, which leads to statistical analysis (Gill, Johnson, & Clark, 2010). Thus, positivism supposes that an objective reality exists that is independent of human behaviour and, consequently, is not subject to the influence of the human mind. Furthermore, the main goal of the positivist philosophy is to obtain reliable and valid knowledge as a set of general principles that can clarify, forecast, and manage human behaviour across individuals and organizations. The second philosophy, interpretivism, concerns discovering the details of the situation to determine the reality and to identify the subjective meanings inspiring people's actions (Remenyi *et al.*, 1998). Therefore, interpretivism is an epistemology in which it is crucial for the researcher to recognize the differences between humans in their role as social actors.

Thirdly, realism assumes that a reality exists that is independent of human opinion and beliefs (Saunders *et al.*, 2011). Similar to the interpretivist position, realism recognizes that the natural and social sciences are diverse, and that social reality is pre-interpreted. However, realism is consistent with positivism, supporting scientific, empirical and objective investigation, and arguing that social objects need to be studied 'scientifically' and not only through language and discussion (Blaikie, 1993).

The final research philosophy is pragmatism, which argues that the most significant determinant of ontology, axiology and epistemology is the research question; this determines what may be most useful in answering a particular question.

If the questions of the study do not clearly indicate whether a positivist or interpretivist philosophy is used, it verifies that the pragmatist's view is perfectly suitable to work with differences in the ontology, axiology and epistemology (Saunders *et al.*, 2011).

Based on the previous arguments, the research philosophy relates to the expansion of knowledge and the nature of that knowledge, and contains important assumptions about the way in which the researcher views the world. The selection of the approach may depend on the nature of the questions being asked and the context of the study.

Regarding the current study, the philosophical approach is positivist since it is a quantitative approach; the main purpose of this research is to measure the influence of CRM dimensions on hotel performance, as well as to measure the mediating role of marketing capabilities on the relationship between CRM dimensions and hotel performance.

3.3 Research Design

In essence, the research design provides a general plan of how the researcher will conduct his study to answer the research questions (Saunders *et al.*, 2011). It also provides the glue that holds the research project together (Trochim & Donnelly, 2008). The best method is determined by the purpose and associated objectives of the research (Yin, 2003). In this case, the most appropriate method to explain the relationships among measurable variables is the quantitative research method (Leedy & Ormrod, 2005).

The quantitative approach is also important for analyzing and proving theories, for discovering variables for future research, and for relating variables raised by the questions or hypotheses. More importantly, the quantitative research method uses standard tests of validity and reliability and statistical procedures (Creswell, 2009). In addition, the use of quantitative methods is appropriate when the developed conceptual model needs to be tested across a wider sample of the population (Deshpande, 1983).

Therefore, the study utilized the survey method to investigate the influence of the four dimensions of CRM on hotel performance, and examine the mediating role of the marketing capabilities in the CRM dimension-hotel performance relationship.

Thus, this study employed the quantitative approach with a cross-sectional survey method. The cross-sectional survey method was selected because it enables the collection of a large amount of data from a sizeable population in a highly economical way. It is also likely throughout the survey strategy to generate findings that are representative of the whole population.

3.4 Population and Sampling Procedure

According to Saunders *et al.* (2011) sampling reflects the process used to select cases from an entire population. In this case, Churchill and Iacobucci (2010) proposed a six-step procedure that can be utilized as a guideline for the sampling process in this study.

(1) Define the population. The population refers to the whole group of people or organizations of interest to the researcher (Sekaran & Bougie, 2010). In the present study, the population is defined as hotels with 3- to 5-star ratings in Malaysia.

The population comprises 447 hotels listed by the Malaysian Association of Hotels (MAH) in February 2012. This category of hotels was selected because it is only within these larger establishments that an interest in CRM is likely to be expected (Kasim & Minai, 2009). In line with this argument, previous studies contended that within this category of hotels the implementation of CRM plays a vital role to enhance customer value, increase customer satisfaction, and, consequently, achieve competitive advantage and maximize profit (Daghfhous & Bakhri, 2009; Lin & Su, 2003; Wu & Lu, 2012).

(2) Identify the sampling frame. The sample frame is a list from which a sample can be taken and which, ultimately, leads to the sample of units about which information is to be obtained. In this study the sample frame is the membership directory of MAH.

(3) Select a sampling procedure. The step of choosing a sampling procedure is inextricably intertwined with the identification of the sampling frame because the choice of sampling method is based on what the researcher can develop for a sampling frame (Churchill & Iacobucci, 2010).

(4) Determine the sample size. The sample size refers to the number of units that need to be surveyed to obtain precise and reliable findings (Fink, 1995). Zikmund (2003) stated that when the sample units in the population are limited, the researcher may decide to study the whole population rather than taking a sample for the study. Due to the relatively small number of 3- to 5-star Malaysian listed hotels (447), it was decided to include the entire population.

(5) Select the sample elements. One of the main variables in this study is hotel performance. Therefore general or senior managers in the selected hotels are considered appropriate as the element of the present study.

There is empirical evidence from previous research that used hotel managers as main respondents (Daghfous & Barkhi, 2009; Garrido-Moreno & Padilla-Meléndez, 2011; Wu & Lu, 2012). Yim *et al.* (2004) stated that these senior-level respondents are highly knowledgeable about CRM implementation and practice within their companies, as indicated by their ability to fully answer virtually all questions.

(6) Collect the data from the designated elements. A questionnaire survey was conducted for the pilot and main study between 28 April and 24 September 2012. Since hotels in Malaysia are located throughout different regions, questionnaires were distributed by mail to the managers of 410 hotels; the 37 hotels used in the pilot test were excluded. This method was also thought to cover a geographically

spread sample at minimal cost. The researcher also used various methods to increase the response rate, such as research assistants and visiting hotels located in the north of Malaysia as well as in Kuala Lumpur.

Having discussed the population and sampling issues the study moves to present the measurements of the constructs under investigation and the questionnaire design used as the data collection approach.

3.5 Measurement and Questionnaire Design

3.5.1 Measurement of Variables

The dependent variable is hotel performance, the mediating variables are marketing planning capability and marketing implementation capability, and the independent variables are the four CRM dimensions: customer orientation, CRM organization, KM, and technology-based CRM. The specific variables are discussed in detail below.

3.5.1.1 Customer Relationship Management Dimensions

The four CRM dimensions, customer orientation (CO), CRM organization (CRMO), knowledge management (KM), and technology-based CRM (TCRM) were adopted from previous studies (Garrido-Moreno & Padilla-Meléndez, 2011; Sin *et al.*, 2005; Yim *et al.*, 2004).

Customer orientation has been defined as the degree to which an organization emphasizes meeting the needs and expectations of customers in order to offer them greater added value and establish a long-term relationship (Garrido-Moreno & Padilla-Meléndez, 2011; Narver & Slater 1990; Sin *et al.,* 2005).

For this study, the operationalization of customer orientation measurement was based on seven items adapted from Garrido-Moreno and Padilla-Meléndez (2011), who adapted it from Narver & Slater (1990), and Sin *et al.* (2005).

Table 3.1 below lists the seven measurement items for customer orientation.

Table 3.1
Measurement Items of Customer Orientation

Code	Items	Sources
CO1	Organization's business objectives are oriented to customer satisfaction.	(Garrido-Moreno & Padilla-Meléndez, 2011)
CO2	Organization closely monitors and assesses its level of commitment in serving customer needs.	
CO3	Organization's competitive advantage is based on understanding customer needs.	
CO4	Organization's business strategies are driven by objective of increasing value for customers.	
CO5	Organization frequently measures customer satisfaction.	
CO6	Organization pays great attention to after-sales service.	
CO7	Organization offers personalized products and services for key customers.	

Secondly, CRM organization has been defined as the alignment of viable business strategies, human resource management, organizational structure and culture, with the primary aim being to build a strong relationship with the customer and achieve long term customer satisfaction (Sin *et al.*, 2005; Yim *et al.*, 2004). For this study, the operationalization of the CRM organization measurement was based on seven items drawn from Sin *et al.* (2005), and Yim *et al.* (2004). See Table 3.2.

Table 3.2
Measurement Items of CRM Organization

Code	Items	Sources
CRMO1	My organization has the sales and marketing expertise and resources to succeed in CRM.	(Sin *et al.* 2005; Yim *et al.*, 2004)
CRMO2	Our employee training programmes are designed to develop the skills required for acquiring and deepening customer relationships.	
CRMO3	My organization has established clear business goals related to customer acquisition, development, retention, and reactivation.	
CRMO4	Employee performance is measured and rewarded based on meeting customer needs and on successfully serving the customer.	
CRMO5	Our organizational structure is meticulously designed around our customers.	
CRMO6	Customer-centric performance standards are established and monitored at all customer touch points.	
CRMO7	My organization commits time and resources to managing customer relationship.	

Thirdly, knowledge management is defined as the way in which companies utilize the customer information that is collected, captured, organized and shared to serve each customer in her/his preferred way (Sin *et al.*, 2005; Yim *et al.*, 2004), and this study selected the measurement items for KM from these studies. See Table 3.3.

Table 3.3
Measurement Items of Knowledge Management

Code	Items	Sources
KM1	My organization's employees are willing to help customers in a responsive manner.	(Sin *et al.* 2005;Yim *et al.*, 2004)
KM2	My organization fully understands the needs of our key customers via knowledge learning.	
KM3	My organization provides channels to enable ongoing, two-way communication with our key customers and us.	
KM4	Customers can expect prompt service from employees of my organization.	

Finally, technology-based CRM is described as any technology or system that enables organizations to collect, store, analyze, and share information regarding the current and potential customers in ways that influence the employees' ability to satisfy the requirements of the individual customers, resulting in attracting and retaining customers more effectively (Garrido-Moreno & Padilla-Meléndez, 2011; Sin *et al.*,2005; Yim *et al.,* 2004). Table 3.4 lists the six items of measurement for technology-based CRM.

Table3.4
Measurement Items of Technology-Based CRM

Code	Items	Sources
TCRM1	Organization has the right technical staff to provide technical support for use of CRM technology in building customer relationships.	(Garrido-Moreno & Padilla-Meléndez, 2011; Sin *et al.* 2005; Yim *et al.*, 2004)
TCRM2	Organization has the right hardware to serve its customers.	
TCRM3	Organization has the right software to serve its customers.	
TCRM4	Organization's information systems are integrated across the different functional areas.	
TCRM5	Individualized information about each customer is available at all contact points.	
TCRM6	Organization is able to consolidate all information acquired about customers in a comprehensive, centralized, and up-to-date database.	

3.5.1.2 Marketing Planning Capability

Marketing planning capability is defined as the ability of the organization to expect and react to changes in the market environment. The marketing planning capability scale comprises five items, which measure organization skills and resources to set and develop marketing planning and strategies (Vorhies & Morgan, 2005; Morgan *et al.*, 2003). The measurement items were adapted from Chang *et al.* (2010) after Vorhies & Morgan (2005), and Morgan *et al.* (2003). Table 3.5 lists the five measurement items for marketing planning capabilities.

Table 3.5
Measurement Items of Marketing Planning Capability

Code	Items	Sources
MPC1	My hotel has superior marketing planning skills.	(Chang *et al.*, 2010; Morgan *et al.*, 2003; Vorhies & Morgan, 2005)
MPC2	My hotel sets clear marketing goals.	
MPC3	My hotel develops creative marketing strategies.	
MPC4	My hotel segments and targets markets effectively.	
MPC5	My hotel has thoroughness in the marketing planning process.	

3.5.1.3 Marketing Implementation Capability

The marketing implementation capability scale is also made up of five items, measuring the skills and abilities of an organization to allocate marketing resources and implement marketing programmes quickly and effectively (Vorhies & Morgan, 2005; Morgan *et al.*, 2003). The items, adapted from Chang *et al.* (2010) after Vorhies & Morgan (2005), and Morgan *et al.* (2003), are shown in Table 3.6.

Table 3.6
Measurement Items of Marketing Implementation Capability

Code	Items	Sources
MIC1	My hotel allocates marketing resources effectively.	(Chang *et al.*, 2010; Morgan *et al.*, 2003; Vorhies & Morgan, 2005)
MIC2	My hotel delivers marketing programmes effectively.	
MIC3	My hotel translates marketing strategies into action effectively.	
MIC4	My hotel executes marketing strategies quickly.	
MIC5	My hotel monitors the performance of marketing strategies.	

3.5.1.4 Hotel Performance

Hotel performance is measured by the four dimensions of the balanced scorecard: financial, customer, internal process, and learning and growth. These dimensions are adopted from the work of Kaplan and Norton (1996, 2004). However, the operationalization of these measurements is adapted from Wu & Lu (2012), the items selected because of their association with the hotel industry. They are listed in Table 3.7.

Table 3.7
Measurement items of Hotel Performance

Code	Dimensions	Items	Sources
FP1	Financial Perspective	Reduce total cost of the company.	(Wu & Lu 2012)
FP2		Reduce unexpected losses.	
FP3		Increase sales growth rate.	
FP4		Increase return on assets.	
FP5		Increase net profit margin.	

(Table 3.7 Continued)

CP1	Customer Perspective	Satisfy needs of various types of customer.
CP2		Increase customer intention to purchase.
CP3		Increase customer satisfaction.
CP4		Increase market share.
IP1	Internal Process Perspective	Increase operating efficiency.
IP2		Reduce customer complaints.
IP3		Improve the ability to retain old customers.
IP4		Improve the ability to confirm target customers.
LGP1	Learning and Growth Perspective	Improve employees' problem-solving ability.
LGP2		Improve employees' service quality.
LGP3		Improve employees' intention to learn.
LGP4		Effectively promote corporate culture.

In terms of scale design, the researcher has structured all constructs in the measuring instrument to use a 5-point Likert type of scale for the independent, mediating and dependent variables. According to Cooper and Schindler (2008), a Likert scale has many advantages over other scales, such as being easy and quick to construct, probably more reliable, providing a greater volume of data than other scales, and producing interval data. As a result, Likert scales are the most frequently used in measuring attitudes and behaviour in organizations (Sekaran & Bougie, 2010). Furthermore, using a 5-point

Likert for all the items measured ensures consistency among variables and avoids confusion among respondents (Ackfeldt & Coole, 2003; Mckelvie, 1978).

3.5.2 Questionnaire Design

A structured questionnaire was designed to measure the variables under investigation. Specifically, the questionnaire is divided into four parts. Part one contains items regarding the demographic information pertaining to the personnel and hotels. Part two has two sections, the first concerning the use of CRM in hotels and the second measuring the CRM dimensions. Part three investigates the mediating role of the two marketing capabilities. Part four measures hotel performance and contains items relating to the dimensions of performance: financial perspective, customer perspective, internal process perspective, and learning and growth perspective. The questionnaire is shown in Appendix 1.

The following section briefly discusses reliability and validity issues.

3.6. Reliability and Validity of Instrument

To ensure high-quality data during the real data collection phase, the instrument must have an acceptable level of reliability and validity in measuring the variables under investigation. Reliability evaluates the stability of the scale based on an evaluation of the internal constancy of the items measuring the construct, while validity evaluates the degree to which the items measure the theoretical construct.

3.6.1 Reliability

Reliability refers to the consistency of the measures of a concept (Bryman & Bell, 2011). In this case, to forecast the scale reliability for each factor, the recommended measure for the internal consistency of a set of items is Cronbach's alpha coefficient, which must be counted for each indicated factor (Churchill, 1995). The more consistent the answers to the items for each factor, the higher is Cronbach's alpha coefficient. According to Nunnally and Berstein (1994) and Sekaran and Bougie (2010), an alpha coefficient value of 0.70 is considered good, while a value of more than 0.60 is acceptable. In other words, the value of alpha increases with the increase in correlation among the items and the number of items; thus a high alpha indicates that the items correlate well with the true scores while a low alpha indicates that the items perform poorly on the construct of interest (Nunnally & Bernstein, 1994).

3.6.2 Validity

Validity refers to whether or not an indicator that is devised to gauge a concept really assesses that concept (Bryman & Bell, 2011). The validity of the scores in a survey assists in recognizing whether the instrument might be a good one to employ in survey research or not (Creswell, 2009). A means of measure is valid when it actually gauges what it is intended to measure. There are three kinds of validity: criterion, content and construct validity. They are discussed in more detail in section 4.4.1.

After discussing the importance of the reliability and validity of the instrument, it is necessary to test the research questions before they are sent to the actual respondents to collect data. In this case, Churchill (1995) contended that researchers must pre-test the questionnaire before beginning to collect data. The process of rectifying the questionnaire can help to validate the instrument utilized for the actual study. Therefore, a pilot study is crucial to avoid mistakes in the questionnaire arising from misunderstandings and improve the wording of the questions. In the following section the researcher discusses the pilot test and its results.

3.7 Pilot Study

The pilot study used the data collected from a sub-set of the participants to test for the validity and reliability of the measure (Sproull, 2004). To improve the reliability of the instruments, participants were asked to comment critically on the clarity of the scales. In other words, the aims of the pilot study were to estimate the reaction of the potential respondents to the length, format and content of the instruments, to ask them to comment critically on the clarity of the scales, and to improve the reliability of the instrument. Generally, a suitable size for a pilot test is around 30 cases (Malhorta *et al.*, 2008; Sekaran & Bougie, 2010), while Cooper and Schindler (2008) stated that it may range from 25 to 100 subjects. Based on this, the sample size (37 questionnaires) was suitable for a pilot test in this study. The managers of 37 hotels were asked to respond to the questionnaire, and also to comment on the questions asked, and whether or not they were easily understandable, to reduce the possibility of misunderstanding.

As widely recommended in the literature, modification was made following the feedback received from the managers; some of the questions were rephrased to eliminate confusion and increase the quality of the data.

Specifically, the respondents commented that the measurement scales for hotel performance were confusing; the five-point Likert scale (1 = Decrease significantly, 5 = Increase significantly) measured the respondents' opinion about change in their hotel performance. Following the respondents' comments, the researcher changed the Likert scale responses to (1 =Strongly Disagree, 5 = Strongly Agree).

Based on the data collected from the pilot study, the reliability of the instrument was performed. Table 3.8 shows the results.

Table 3.8

Reliability Analysis of Pilot Study

Constructs	No. of original items	Cronbach's Alpha
Customer orientation.	7	0.94
CRM organization.	7	0.90
Knowledge management.	4	0.85
Technology-based CRM.	6	0.83
Marketing planning capability.	5	0.89
Marketing implementation capability.	5	0.82
Hotel performance.	17	0.92

The overall results of the pilot survey as seen in Table 3.8 was satisfactory where variables with Cronbach's alpha greater than 0.7. Following modification, the final draft was used to collect data from the actual respondents. The following section describes the data collection process.

3.8 Data Collection

Data collection involved mailing questionnaires and a covering letter clarifying the purpose of the study to the managers of 410 hotels. The respondents were managers or senior managers knowledgeable on CRM practices and hotel performance. The unit of analysis was the organization, and a single questionnaire was sent to the hotel manager or a senior manager for each hotel on a list compiled from the directory published by MAH in February 2012.

The general/senior managers of the hotels are knowledgeable about their individual hotel property's CRM, marketing capabilities and performance. Therefore, the researcher followed the key-informant methodology in this work, choosing hotel managers as informants, as in previous studies (Garrido-Moreno & Padilla-Meléndez, 2011; Kasim & Minai, 2009; Zhou, Brown, & Dev, 2009).

Once all the respondents (hotel managers) had been identified, the next procedure involved the distribution of the questionnaires. As already mentioned, a mail survey was used to cover the wide geographical area. However, this method has the disadvantage of a low response rate, so techniques were employed to increase the rate. These included sending a postage-paid envelope to return the questionnaires, visiting some hotels located in the north region of Malaysia (Pinang, Kedah, and Perlis) as well as Kuala Lumpur, using a research assistant to cover some places (e.g. Sabah, Sarawak, Kuala Lumpur, Johor and Kelantan) and sending with the questionnaire a covering letter from the Malaysian Association of Hotels (MAH). Overall, the data collection process was completed within approximately three months, i.e. from 27 June to 24 September 2012.

3.9 Techniques of Data Analysis

The data analysis focuses on testing and interpreting influence relationships between CRM dimensions, marketing planning capability, and marketing implementation capability on hotel performance.

This study utilized several tools from the Statistical Package for Social Science (SPSS), version 19. Five major techniques were used: descriptive statistics, factor and reliability analysis, correlation analysis, and regression analysis.

3.9.1 Descriptive Statistics

The researcher analyzed the data for the demographic profile from part 1 of the questionnaire, and frequency, mean, standard deviation, range and percentage were used to present the demographic data.

3.9.2 Goodness of Measures

Even though this study used instruments that have already been investigated by other studies, factor analysis was performed to determine the set of common underlying dimensions or factors representing the various constructs of this study (Hair *et al.*, 2010). Factor analysis was also used to test whether all the theoretical constructs converge, according to the perception of the respondents. The main purpose of this is to reduce the number of variables to a meaningful and interpretable set of factors (Cavana, Delahaye, & Sekaran, 2001).

3.9.3 Correlation Analysis

Correlation analysis was performed in this study to examine the linear relationship between continuous variables, basically between the independent and dependent variables (Coakes & Steed, 2003).

3.9.4 Regression Analysis

Simple and multiple regression analysis utilized in many steps to test the hypotheses for the study. Simple regression tests the relationship between a single dependent variable and a single independent variable, while multiple regression analysis tests the relationship between a single dependent variable and several independent variables (Hair *et al.*, 2010; Field, 2009). Multiple regression analysis was used to make a prediction concerning the dependent variable based on the available predictor variables (independent variables). In addition, the mediator relationship was tested according to the four steps suggested by Baron & Kenny (1986):

1. The independent variable (IV) has to affect the dependent variable (DV) significantly (β1 should be significant).
2. The IV has to affect the mediating variable (MV) significantly (β2 should be significant).
3. The MV has to affect the DV significantly (β3 should be significant).
4. To determine whether the MV fully mediates the relationship between the IV and the DV, the influence of the IV on the DV must be zero or β4, which is not significant; partial mediation exists when β4 is significant but decreased.

Table 3.9 summarizes the main statistical techniques used in this study, and their purpose.

Table 3.9
Data Analysis Techniques

Statistical technique	Purpose
Descriptive analysis	To present the demographic data.
Factor analysis	To test construct validity and to measure the degree to which the items are tapping the same concept.
Reliability analysis	To measure the internal consistency between the items.
Correlation analysis	To test the direction and strength of the relationship between variables.
Regression analysis	To test the influence of independent variable(s) on dependent variable.

3.9.5 Hypothesis Testing

Hypotheses 1 through 7 were tested using the simple and multiple regression techniques. Mediated regression was used to evaluate the impact of marketing planning capability and marketing implementation capability on the relationships between CRM dimensions and hotel performance.

The main functions established in this study were:

H1: HP = f (CO, CRMO, KM, TCRM)

H2: HP = f (MPC)

H3: HP = f (MIC)

H4: MPC = f (CO, CRMO, KM, TCRM)

H5: MIC = f (CO, CRMO, KM, TCRM)

H6: HP = f (CO, CRMO, KM, TCRM, MPC)

H7: HP = f (CO, CRMO, KM, TCRM, MIC)

In the above equations, HP is the dependent variable, hotel performance. CO, CRMO, KM, and TCRM are the independent variables (i.e. customer orientation, CRM organization, KM, and technology-based CRM); MPC and MIC are mediator variables (i.e. marketing planning and implementation capability) respectively.

3.10 Summary

This chapter explained the methodology utilized in this study and provided a description of the research philosophy, research design, population of study, method of data collection, and analysis. Specifically, it discussed the measurement of variables and instrumentation, data collection procedures and the data analysis techniques employed.

CHAPTER FOUR

RESULTS AND DATA ANALYSIS

4.1 Introduction

This chapter describes the data analysis and presents the findings of the study. Following an overview of the data collection, it describes the profiles of the respondents, and the goodness of measures analysis to test the validity and reliability of the variables. Finally, the results of the regression analysis and hypothesis testing are discussed.

4.2 Overview of Data Collected

As described in Chapter 3, researcher used different methods to collect data (i.e. mail survey, visiting hotels, and research assistants). Questionnaires were mailed to managers of 447 hotels throughout Malaysia; 37 of these were used during the pilot test and therefore were excluded to avoid bias. The questionnaires were accompanied by covering letters from UUM and MAH (shown in Appendix 1), and pre-paid addressed envelopes. By using mail method, only 79 questionnaires had been returned. By visiting most of the hotels located in Northern Malaysia (Pulau Pinang, Kedah, and Perlis) and some of hotels in Kuala Lumpur, the researcher obtained another 37 questionnaires.

Ten research assistants also were appointed to distribute questionnaires to places located outside Northern Malaysia (Johor, Sabah, Sarawak, Kelantan, Kuala Lumpur, and Negeri Sembilan). They were briefed on the questionnaires and the researcher's criteria, given a list of the selected hotels in their area, and informed of the correct way to approach the respondents and how to clarify any ambiguous questions raised by the respondents. Finally, the importance of checking that all the questions were answered properly was stressed. From this strategy the researcher obtained another 48 questionnaires.

Of the 164 questionnaires collected, nine were received from hotels that did not use CRM, two from hotels that had been in operation for less than three years, and one questionnaire was incomplete. The remaining 152 questionnaires were accepted and used for further analysis.

According to Hair *et al.* (2010) and Coakes and Steed (2003), a good sample size should be 100 or more, or ten times more than the variables to be analysed. Since the sample size of 152 meets the above criteria, the researcher decided it was appropriate to perform factor analysis and other tests. Table 4.1 summarizes the survey responses.

Table 4.1
Summary of Survey Responses

Description	N	%
Total of 3- to 5-stars hotels.	447	100
Total of hotels used during pilot test.	37	8.3
Total questionnaires sent via post after pilot test	410	91.7
Total questionnaires received via post.	79	19.3
Total questionnaires received via visiting hotels.	37	9.02
Total questionnaires received via research assistants.	48	11.7
Total questionnaires rejected.	12	2.93
Total usable questionnaires.	152	37.07

4.3 Profile of the Respondents

Table 4.2 presents detailed profiles of the respondents. There were 69.1% male respondents and 30.9% female respondents. Most of the respondents were aged 36-45 years. All respondents held a managerial position and the majority (59.2%) were in the divisional manager category, so all were considered suitable to answer questions regarding the performance and CRM practice of their respective hotels. They were also considered to be knowledgeable about CRM practices, since the average tenure at the current organization was nine years, while the average working experience in the hospitality industry was nearly 16 years. In respect of the hotel profile, 47% of the hotels in the survey were 3-star. 80% had been operating for more than 10 years, suggesting that they could be considered as mature hotels. Most of these hotels had more than 200 rooms and were located in city areas. The largest group of respondents came from Kuala Lumpur, (15.6% of the 3- to 5-star hotels in Malaysia being located in this area (MAH, 2012). The average occupancy rate of most hotels was around 60%; this result is in line with the statistics published by Tourism Malaysia (2013).

Table 4.2
Profile of Respondents (n= 152)

Variable	Description	Frequencies	%
Gender	Male	105	69.1
	Female	47	30.9
Age	18-25	6	3.9
	26-35	63	41.4
	36-45	54	35.5
	46-55	22	14.5
	56-64	7	4.6
	Over 65	0	00
Position	Hotel owner	1	.7
	General manager	23	15.1
	Resident manager	37	24.3
	Division manager	90	59.2
	Supervisor	1	.7
	Others	0	00

(Table 4.2 Continued)

Variables	Mean	Standard deviation
Tenure at current organization (Years).	9.4	5.96
Working experience in hospitality industry (Years).	15.6	8.12

Variables	Description	Frequencies	%
Star rating	3-star	78	51.3
	4-star	55	36.2
	5-star	19	12.5
Category	City – Business Hotel	94	61.8
	Hill Resort	10	6.6
	Beach Resort	48	31.6
Hotel's affiliation	Chain	72	47.4
	Independent	80	52.6
	Others	0	00
Location	Kuala Lumpur	33	21.7
	Selangor/Putrajaya	10	6.6
	Johor	9	5.9
	Pinang	17	11.2
	Negari Sembilan	9	5.9
	Perak	6	3.9
	Melaka	6	3.9
	Kedah	15	9.9
	Pahang	8	5.3
	Terengganu	7	4.6
	Kelantan	7	4.6
	Perlis	2	1.3
	Sabah/ Labuan	15	9.9
	Sarawak	8	5.3
Hotel operation	<5Years	5	3.3
	5-9 Years	26	17.1
	10-15 Years	40	26.3
	>15Years	81	53.3
Number of Rooms	100 and below	24	15.8
	101-200	35	23.02
	201-300	29	19.08
	301-400	39	25.7
	401 and above	25	16.4
Number of employees	100 and below	41	26.97
	101-200	32	21.05
	201-300	29	19.08
	301-400	31	20.4
	401-500	17	11.18
	501 and above	2	1.32
Average occupancy rate	50% and below	11	7.2
	51% - 60%	41	27.5
	61% - 70%	63	41.4
	71% - 80%	31	20.4
	81% and above	6	3.9

In conjunction with this descriptive analysis, the goodness of measure is required in order to examine the reliability and validity of each construct. This is important, since the model in this study was developed from a group of multi-item constructs.

4.4 Goodness of Measures

Generally, in empirical research, the measurement instruments must have an acceptable level of validity and reliability for two main reasons. Firstly, valid scales can increase the confidence that the empirical research findings accurately reflect the proposed construct. Secondly, reliable scales ensure that the measures produce identical results if used repeatedly in different countries, different fields and for longitudinal studies.

4.4.1 Validity

As mentioned in Chapter 3, validity refers to how well a test measures the particular concept it is supposed to measure (Sekaran & Bougie, 2010). In general, there are three types of validity: criterion, content and construct.

Criterion validity focuses on the relationship between the scale scores and some measurable, specified criterion; in other words it concerns the ability of a measurement to make accurate prediction (Pallant, 2007; Saundres *et al.,* 2009). According to Malhotra (2004), criterion validity is classified into two types: concurrent and predictive. Hence, based on the time period, it involves comparison of two research outcomes: the predicted and the actual outcome.

Concurrent validity concerns the relationship between the predictor variables and criterion variables when both are evaluated at the same time. The aim is to assess the accuracy of the predictor to explain the criterion. On the other hand, in predictive validity, the data are tested for their ability to predict the criterion in the future. Churchill

(1995) asserted that this is rarely the most important type of validity because researchers are often concerned with what the measure in fact measures rather than simply whether or not it predicts accurately. Furthermore, although the relationships between the predictors and outcomes are explored, they are not time-related or intended to establish the accuracy of the predictions. As a result, this study only employed content and construct validity to investigate the ability of the measure to examine the constructs under study, as reported in the CRM literature.

Content validity is defined as the adequacy with which a measure or scale samples the things it is intended to measure (Pallant, 2007). This means that there is agreement between judges, indicating that the instruments of the study include items which have captured all the variables being measured. Thus, the research instruments are said to have content validity (Sekaran & Bougic, 2010).

Sekaran (2007) also recommended three steps to measure content validity, namely: (1) the judgement of researchers who construct the instrument, or other experts who are familiar with the topic of research; (2) definition of the behavioural domain, or universe of interest; and (3) high internal consistency reliability.

Since all the items included in this study were carefully chosen from previous empirical studies (Chang *et al.*, 2010; Garrido-Moreno & Padilla-Meléndez, 2011; Sin *et al.*, 2005; Wu & Lu, 2012; Yim *et al.*, 2004), it can be argued that the content of the individual constructs is valid. Additionally, discussing the instrument in depth with some managers (divisional manager in some hotels) during the pre-testing stage ensured that the instrument items were relevant from their perspective.

Construct validity concentrates on the ability of items to measure the concept they are supposed to measure (Sekaran & Bougie, 2010). In other words, it is the degree to which a measurement instrument represents and connects the observed phenomenon to the construct. The literature describes two types of construct validity: convergent and discriminant. Convergent validity refers to the extent that there is a high correlation between an item and other measures of the same construct, while discriminant validity is established when there is a lack of correlation between different constructs.

Generally, construct validity can be tested by using factor analysis (Hair *et al.* 2010; Sekaran & Bougie, 2010), which provides an accurate means of conceptualizing unobservable constructs (construct validity), and is capable of grouping items or factors that are highly correlated (convergent validity) as well as separate factors that differ from each other (discriminant validity) (Rashid, 2007). Based on previous arguments, factor analysis can be utilized to examine both types of construct validity (convergent and discriminant).

4.4.2 Factor Analysis

According to Bryman and Cramer (2009), factor analysis involves a number of related statistical methods that assist researchers to determine the characteristics that go together to constitute a factor. They provided three main reasons why researchers use factor analysis. First, the researcher can evaluate the degree to which items are tapping the same concept. Second, if the researcher has a large number of variables, factor analysis can decide the degree to which they can be decreased to a smaller set. Third, the goal of factor analysis is to try to make sense of the complexity of social behaviour by decreasing it to a more fixed number of factors.

The literature suggests that factor analysis has two main forms: exploratory factor analysis and confirmatory factor analysis, depending on the purpose of the research (Hair *et al.,* 2010; Pallant, 2007). In cases when the number of variables extracted is not set or is less certain, the researcher can adopt the exploratory approach. On the other hand, the confirmatory approach is used in situations where the researcher has a predetermined structure of variables based on theoretical support. This means it can be used to assess the extent to which the variable meets the expected structure.

For this research, the items used in the questionnaire were gathered from prior research. In cases where the variables are adapted from previous studies, it is suggested that different research conditions and research areas may influence the choice of variables to represent the research constructs (Pizam & Ellis, 1999). Therefore, there is a tendency for the items used to measure the differences in the construct due to the differences in the context and area of study. In line with this thinking, Gunasekaran (1999) indicated that when items have been borrowed from the literature to measure variables, it is deemed necessary to re-examine the validity of the measures because they will be examined in a different context. Since there is a need to be context specific, such as the hotel industry in Malaysia, exploratory factor analysis (EFA) was deemed appropriate. This helps to identify the structure of a set of variables that are utilized to describe the constructs in this model.

In other words, in order to ascertain whether the measurement used in this study has construct validity, EFA was used on all items measuring the constructs of CRM dimensions, marketing planning capability, marketing implementation capability, and hotel performance. Subsequently, the underlying factors from this analysis can be used for further analysis in terms of estimating the research model and testing the hypotheses. Based on these points, it was felt that exploratory factor analysis would be beneficial.

A number of requirements should be met before factor analysis can be performed. First, the minimum sample size must be at least ten times as large as the number of variables to be analyzed (Hair *et al.*, 2010). In this study there are seven variables; therefore, the minimum sample size required was 70 observations. As there were 152 observations in this study, the first requirement was met.

The second requirement is the type of data used for factor analysis. Data should be a metric measurement. That means if the data can be justified as approximating an interval level, such as Likert-type data, then it is appropriate to use in factor analysis (Walker, 2005). In this study, metric scales were used for all the variables; hence, factor analysis was appropriate.

The final requirement is the factorability of the correlation matrix. To justify the use of factor analysis, the data matrix must have adequate correlations. A matrix correlation in excess of 0.3 should be found, otherwise the use of component factor analysis should be reconsidered (Coakes & Steed, 2003; Pallant, 2007). The anti-image correlation should also be more than 0.5 to reveal that all the measures of sampling adequacy are acceptable. In addition, according to Hair *et al.* (2010), the Bartlett Test of Sphericity and the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy (MSA) are two familiar tests utilized to test the correlations among the variables.

According to Kaiser (1974) and Field (2009) the KMO is the index used to compare the magnitude of the observed correlation coefficient to that of the partial correlation coefficient. The smaller the sum of the partial correlation between all pairs of variables, the closer the KMO will be to 1.0 and, hence, the more appropriate factor analysis will be. Moreover, Kaiser (1974) described the KMO measure based on its closeness to one as marvellous if it is around 0.90; meritorious if it is around 0.80; middling if it is around 0.70; mediocre if it is around 0.60; miserable if it is around 0.50; and unacceptable if it is below 0.50. Thus, factor analysis can be performed if the Bartlett Test of Sphericity is significant and the KMO measure of sampling adequacy is greater than 0.6.

Once the above conditions have been met, the next step in factor analysis is to select the number of items relating to the number of factors that are given by the model. A number of points were considered in order to obtain meaningful results, including the method of extraction, method of rotation and number of factors to be extracted.

In terms of the method of extraction, the literature recommends two main methods using SPSS: principal component analysis (PCA) and principal axis factoring (PAF) (Field, 2009; Hair *et al.*, 2010). The researcher used PCA because, in this method, all of the variances of a score or variable are analyzed, including its unique variance; also, it is the typical default method of most statistical programs when conducting factor analysis (Hair *et al.*, 2010). In other words, it is a sum that the test employs to ensure that the variable is perfectly reliable and without error (Bryman & Cramer, 2009).

Rotating the solution alters the factor loading but improves the interpretation of the solution. In this case, Hair *et al.* (2010) declared that the un-rotated solution is not sufficient. Therefore, the rotation factor will enhance understanding by decreasing some of the ambiguities that often accompany the preliminary analysis. The main goal of the rotation is to obtain some theoretical meaningful factor.

According to Hair *et al.* (2010) and Bryman and Cramer (2009), the two main methods to rotate factors are orthogonal rotation and oblique rotation. Orthogonal rotation produces factors that are uncorrelated or independent and the methods for doing this are varimax, quartimax or equamax.

In other words, an orthogonal solution may be more artificial and not necessarily an accurate reflection of what occurs naturally in the world. On the other hand, oblique rotation can be used in situations where the factors are correlated; the methods for doing this rotation are promax and direct oblimin. The differences between promax and direct oblimin tend to be fairly small. However, promax is better than direct oblimin because of its relative conceptual and computational simplicity. This aligns with the purpose of factor rotation, which is to produce a simple structure solution in which each variable is defined by only a few factors.

In line with this thinking, Field (2009) suggested that the selection of the orthogonal or oblique rotation method may depend on whether there is a theoretical assumption that the factors should be related or independent. This study aims to investigate the impact of CRM dimensions on hotel performance and the mediating role of marketing capabilities on the relationship between CRM dimensions and hotel performance; thus it was presented by a group of constructs. The literature suggested that CRM dimensions must work together in order to implement CRM successfully in an organization (Akroush *et al.*, 2011; Sin *et al.*, 2005; Yim *et al.*, 2004). In addition, hotel performance has four dimensions that reflect the comprehensive image of organizational performance.

In other words, to measure organizational performance, all its perspectives must be evaluated together to provide a clear image about the performance of an organization (Kaplan & Norton, 2001, 2004).

In this case, Mastunaga (2010) recommended that any exploratory factor analysis should employ the oblique-rotation method, because almost all phenomena that are studied in social sciences are more or less related to one another and completely orthogonal relationships are rare; therefore, imposing an orthogonal factor solution is likely to result in biasing the reality. Hence, in relation to this matter, it is appropriate to use the oblique rotation (promax) method for the analysis; the factor analysis of each construct was examined separately.

In terms of the number of factors that must be extracted, researchers seldom utilize a single criterion (Hair *et al.*, 2010). In this study, the latent root criterion (eigenvalues) is used based on the criteria that only the factors that have eigenvalues of 1 and above are considered significant (Pallent, 2007). In addition, the variable rotated loading will be inspected to provide a clear image for the factor extraction.

Regarding the loading factor, only factor loadings that are equal to or more than 0.4 should be chosen. According to Field (2009) and Carver and Nash (2000), it is recommended that only factor loadings with an absolute value of 0.4 and above should be used. In this case, Hair *et al.* (2010) stated that a factor loading with a value of 0.40 or greater is considered very important. Accordingly, items with loadings less than 0.40 are deemed meaningless and eliminated from their respective constructs.

Thus, all the previous requirements and critical points were considered in running factor analysis for the variables: CRM dimensions, marketing planning and implementation capability, and hotel performance. The analysis of this measure will be discussed in the following sections; the results of factor analysis for all variables are provided in Appendix 2.

4.4.2.1 Factor Analysis for CRM Dimensions

Originally the CRM dimensions were measured using 24 items in the research framework. See Table 4.3. The correlation matrix shows that a considerable number of correlations exceed 0.3, thus it can be assumed that the matrix is suitable for factoring.

The Kaiser Meyer Olkin Measure of Sampling Adequacy is 0.84, which means it is more than adequate. Bartlett's test of sphericity is very significant at $p <.001$. Thus, the study can also assume that the data is suitable for analysis. Inspection of the anti-image of the correlation matrix also shows that all the measures of sampling adequacy are well above the acceptable level of 0.5.

A critical look at the results of exploratory factor analysis shows that all the items but one met the prescribed 0.4 loading as the cut-off criterion. The exception, TCRM1 (the organization has the right technical staff to provide technical support for the use of CRM technology in building customer relationships), was deleted. Table 4.3 shows the factor loading, eigenvalue, and % variance for all CRM dimensions.

Table 4.3
Results of Factor Analysis for CRM Dimensions

Factors and items	Factor loading	Eigenvalue	% variance
Customer orientation		6.78	28.24
Organization's business objectives are oriented to customer satisfaction.	0.71		
Organization closely monitors and assesses its level of commitment in serving customer needs.	0.82		
Organization's competitive advantage is based on understanding customer needs.	0.68		
Organization's business strategies are driven by objective of increasing value for customers.	0.64		
Organization frequently measures customer satisfaction.	0.77		
Organization pays great attention to customer after-sale service.	0.58		
Organization offers personalized products and services for key customers.	0.61		
CRM Organization		2.45	10.22
My organization has the sales and marketing expertise and resources to succeed in CRM.	0.42		
Our employee training programmes are designed to develop the skills required for acquiring and deepening customer relationships.	0.58		
My organization has established clear business goals related to customer acquisition, development, retention, and reactivation.	0.75		
Employee performance is measured and rewarded based on meeting customer needs and on successfully serving the customer.	0.75		
Our organizational structure is meticulously designed around our customers.	0.61		
Customer-centric performance standards are established and monitored at all customer touch points.	0.69		
My organization commits time and resources to managing customer relationship.	0.66		

(Table 4.3 Continued)

Technology-based CRM		1.83	7.63
Organization has the right hardware to serve its customers.	0.70		
Organization has the right software to serve its customers.	0.65		
Organization's information systems are integrated across the different functional areas.	0.69		
Individualized information about each customer is available at all contact points.	0.72		
Organization is able to consolidate all information acquired about customers in a comprehensive, centralized, up-to-date database.	0.79		
Knowledge Management		1.58	6.57
My organization's employees are willing to help customers in a responsive manner.	0.82		
My organization fully understands the needs of our key customers via knowledge learning.	0.78		
My organization provides channels to enable ongoing, two-way communication with our key customers and us.	0.82		
Customers can expect prompt service from employees of my organization.	0.68		
KMO	**0.844**		
Bartlett's of sphericity Approx. Chi square	**1337.713**		
df	**276**		
Sig	**.000**		

The results shown in Table 4.3 indicate that all four dimensions of CRM have a loading of more than 0.4; thus, all of them have a significant value and can be used for further analysis.

4.4.2.2 Factor Analysis of Marketing Planning Capability

Marketing planning capability was assessed by five items. The correlation matrix reveals that a considerable number of correlations exceed 0.3, thus it can be assumed that the matrix is suitable for factoring. The KMO is 0.82, which means it is very adequate, and the Bartlett's test of sphericity is significant. Thus, the study can also assume that the data are appropriate for analysis. Assessment of the anti-image of the correlation matrix also shows that all the measures of sampling adequacy are well above the satisfactory level of 0.5. The results of the exploratory factor analysis indicate that all the items have a factor loading more than 0.4. The eigenvalue is 3.04, which is greater than 1.0, and the variance is 60.79%. A summary of the analysis is shown in Table 4.4.

Table 4.4
Factor Analysis of Marketing Planning Capability.

Factor and items		Factor loading	Eigenvalue	%variances
Marketing Planning Capability			3.04	60.79
My organization has superior marketing planning skills.		0.78		
My organization sets clear marketing goals.		0.79		
My organization develops creative marketing strategies.		0.77		
My organization segments and targets markets effectively.		0.73		
My organization makes a thorough marketing planning process.		0.82		
KMO	**0.82**			
Bartlett's of sphericity Approx. Chi square	**277.993**			
df	**10**			
Sig	**0.000**			

4.4.2.3 Factor Analysis of Marketing Implementation Capability

The marketing implementation capability was also assessed by five items. Again, the correlation matrix illustrates that a considerable number of correlations exceed 0.3, thus the results can suppose that the matrix is suitable for factoring.

The KMO is 0.81, which means it is very adequate, and the Bartlett's test of sphericity is significant. Thus, it can be assumed that the data are appropriate for analysis. Assessment of the anti-image of correlation matrix also reveals that all measures of the sampling adequacy are well above the acceptable level of 0.5.

The results of the exploratory factor analysis indicate that all the items have a factor loading more than 0.4. The eigenvalue is 2.70, which is greater than 1.0, and the variance is 54. 08%. A summary of the analysis is given in Table 4.5 below.

Table 4.5
Factor Analysis on Marketing Implementation Capability

Factors and items	Factor loading	Eigenvalue	% variances
Marketing Implementation Capability		2.70	54.08
My organization allocates marketing resources to implement marketing strategies effectively.	0.69		
My organization delivers marketing programmes effectively.	0.79		
My organization translates marketing strategies into action effectively.	0.77		
My organization executes marketing strategies quickly.	0.70		
My organization monitors the performance of marketing strategies.	0.72		
KMO	**0.81**		
Bartlett's of sphericity Approx. Chi square	**192.16**		
df	**10**		
Sig	**0 .000**		

4.4.2.4 Factor Analysis for Hotel Performance

According to Kaplan and Norton (1992), integrating the four perspectives of BSC (financial, customer, internal process, and learning and growth) can help managers to understand the cross-function relationships in the organization and ultimately lead to improved problem solving and decision making.

Al Sawalqa *et al.* (2011) asserted that the BSC as a performance measurement approach aims to provide management with a set of measures that combine to give a "comprehensive but quick" view of the business. Therefore, the study combines the four dimensions to measure hotel performance as one construct.

Hotel performance was measured by four factors: financial perspective (FP), customer perspective (CP), internal business perspective (IBP), and learning and growth perspective (LGP). The total items measuring these dimensions numbered 17. After running the factor analysis steps, all the items for the dependent variable remained because all of the factors loaded above 0.40. The KMO value is 0.90 and Bartlett's test of sphericity is significant.

The eigenvalues for all the factors are greater than 1. The percentages of variance for the factors (i.e. LGP, IBP, CP, FP) are 36.73%, 7.57%, 6.12% and 5.90%, respectively. The total variance explained for all dimensions is 56.232. In addition, two items were moved from one dimension to another. Item FP3 (Increase sales growth rate) was moved to the customer perspective factor. As mentioned in the literature, one indirect measure of customer satisfaction is increasing sales, since this indicates satisfied customers, while decreasing sales are a sign of customer dissatisfaction (Mill, 2001). In addition, item

CP4 (Increase market share) was moved to the internal business factor. Table 4.6 illustrates the results of factor analysis for hotel performance.

Table 4.6
Results of Factor Analysis for Hotel performance

Factors and items	Factor loading	Eigenvalue	% variances
Learning and Growth perspective		6.24	36.73
Improve employees' problem-solving ability.	0.54		
Improve employees' service quality.	0.74		
Improve employees' intention to learn.	0.82		
Effectively promote corporate culture.	0.85		
Internal Business perspective		1.29	7.57
Increase market share.	0.42		
Increase operating efficiency.	0.94		
Reduce customer complaints.	0.55		
Improve the ability to retain old customers.	0.72		
Improve the ability to confirm target customers.	0.44		
Customer perspective		1.04	6.12
Increase sales growth rate.	0.86		
Satisfy needs of various types of customer.	0.61		
Increase customer intention to purchase.	0.43		
Increase customer satisfaction.	0.45		
Financial perspective		1.00	5.90
Reduce total cost of the hotel.	0.75		
Reduce unexpected losses.	0.62		
Increase return on assets.	0.72		
Increase net profit margin.	0.50		
KMO	**0.90**		
Bartlett's of sphericity Approx. Chi square	**843.5**		
df	**136**		
Sig	**0.000**		

The objective of this study is to investigate the impact of CRM dimensions on hotel performance overall. The researcher followed previous studies; a mean score was calculated for each of the four dimensions, and an aggregate mean was calculated to represent overall BSC dimensions. Thus, the overall rather than the individual dimensions of BSC were used in the analysis to reflect the overall performance of the organization (Hsin Chang & Ku, 2009; Jusoh, 2008).

Subsequent to the factor analysis, it is also important to test the reliability of the data. In this case, the need for reliability analysis is to evaluate the degree of consistency between multiple measurements of variables (Hair *et al.*, 2010). Therefore, the next section explains the reliability tests of the measures used in this study.

4.4.3 Reliability Test

As mentioned in Chapter 3, the study utilized Cranach's alpha coefficient to measure reliability. Based on the results presented in Table 4.7, it can be seen that the Cronbach's alpha coefficients for all the constructs under study are at an acceptable level of internal consistency. Clearly, all of the tabulated values of the coefficient alpha exceeded the agreed upon lower level for alpha (that is 0.7) (Nunnally & Beinstein, 1994).

Table 4.7

Reliability Analysis

Factors	Cronbach's Alpha
Customer orientation	0.84
CRM organization	0.78
Knowledge management	0.84
Technology-based CRM	0.77
Marketing planning capability	0.84
Marketing implementation capability	0.79
Hotel performance	0.89

Although it was argued by Hair *et al.* (2010) that 0.6 is the minimum acceptable level for Cronbach's alpha for any construct to possess an acceptable reliability, in fact the coefficient alpha for all constructs (i.e. customer orientation, CRM organization, knowledge management, technology-based CRM, marketing planning capability, marketing implementation capability, and hotel performance) are higher than 0.7, demonstrating that all the variables have a very good strength of relation for Cronbach's alpha

It can also be seen that no items needed to be deleted to improve the internal consistency of the constructs. In general, all the items included in the study have proven to show a good level of internal consistency in their respective intended measures. Thus, in line with the abundant scale measurement literature (Field, 2009; Hair *at al.*, 2010; Pallant, 2007), it is possible to conclude that the reliability of the research instruments in terms of their internal consistency is satisfactory.

The results of the reliability analysis for all variables are provided in Appendix 3.

4.5 Correlation Analysis

Correlation analysis was performed to decide if there were any relationships among the independent variables, mediators and dependent variable. It is a statistical method employed to explain the strength and direction of the linear relationship between two variables (Hair *et al.*, 2010; Pallant, 2007; Tolmie, Muijs, & McAteer, 2011).

The degree of correlation between variables refers to the strength and importance of the relationship. To examine this, the current study employed bivariate correlation, which involves the use of Pearson's correlation coefficient.

Pearson correlation analysis produces coefficient values ranging from - 1 to +1. The perfect correlation of 1 or -1 indicates that the value of one variable can be determined exactly by knowing the value of another variable. The correlation value 0 indicates no relationship between the two specified variables. Tolmie *et al.* (2011) provide some rules of thumb to explain the strength of the relationship between two variables (*r*), as shown in Table 4.8.

Table 4.8
Rules of Thumb of Correlation Strength

r values	Strength of relationship
$r \leq 0.1$	Weak relationship
$0.1 < r \leq 0.3$	Modest relationship
$0.3 < r \leq 0.5$	Moderate relationship
$0.5 < r < 0.8$	Strong relationship
$r \geq 0.8$	Very strong relationship

(Source: Tolmie *et al.*, 2011)

Table 4.9 presents a summary of the relationships of the independent variables, mediators, and dependent variable in this study. Generally, the table reveals that there are significant and positive relationships between the CRM dimensions, marketing planning capability, marketing implementation capability and hotel performance.

Table 4.9
Pearson Correlations of Study Variables

	1	2	3	4	5	6	7
(1)Customer orientation	1						
(2)CRM organization	0.52**	1					
(3)Knowledge management	0.40**	0.45**	1				
(4)Technology based CRM	0.30**	0.35**	0.36**	1			
(5)Marketing planning capability	0.47**	0.53**	0.48**	0.43**	1		
(6)Marketing implementation capability	0.46**	0.55**	0.48**	0.45**	0.62**	1	
(7)Hotel performance	0.53**	0.60**	0.51**	0.42**	0.71**	0.75**	1

**Significant level 0.01; n =152

Based on Tolmie *et al.'s* (2011) guidelines for correlation strength, Table 4.9 shows that the association is moderate between customer orientation and both mediators; marketing planning capability and marketing implementation capability with $r = 0.47$ and 0.46, respectively, at $p < 0.01$, and strong with hotel performance with $r = 0.53$ at $p < 0.01$.

The table also shows the strong association between CRM organization and marketing planning capability, marketing implementation capability, and hotel performance: 0.53; 0.55 and 0.60, respectively, at $p < 0.01$. The correlations between knowledge management and marketing planning capability and marketing implementation capability, respectively, are medium, $r = 0.48$ at $p < 0.01$. However, knowledge management has a strong relationship with hotel performance, $r = 0.51$ at $p < 0.01$.

Technology-based CRM has a medium relationship with marketing planning capability, marketing implementation capability, and hotel performance, with $r = 0.43$, 0.45 and 0.42, respectively, at $p < 0.01$. Marketing planning capability and marketing implementation capability also have a strong relationship with hotel performance, with $r = 0.71$ and 0.75 respectively, at $p < 0.01$.

Thus, the correlation among CRM dimensions, both marketing capabilities and hotel performance presents initial support for the hypotheses in this study.

Even though correlation is reliable, statistical significance does not imply causation. Furthermore, the indication of correlation coefficient (r) does not explain the variance in the dependent variable hotel performance, when several dependent variables, CRM dimensions, are utilized simultaneously. Accordingly, further analysis was conducted using multivariate analysis, such as multiple regression.

4.6 Hypothesis Testing and Regression Analysis

Upon completion of the correlation analysis, simple and multiple regression analysis performed to test the relationship between CRM dimensions, both marketing capabilities and hotel performance.

Although the model in this study is as a path model, which may use Structural Equation Modelling (SEM) to test the hypothesis, because of the sample size issue, multiple regression analysis was used. Since there were 51 attributes in the survey questionnaire, a minimum sample size should be at least 510 to meet the requirement of SEM.

A total of 152 responses were received by the end of the survey, which does not meet the criterion of the statistical power of SEM recommended by Kline (2011) and Stevens (2002). In this case, Field (2009) mentioned that a minimum sample size of regression with six or fewer predictors will be satisfactory with a sample of 100. Therefore, the study used multiple regression to test the relationships among variables. In addition, as the main concern here is to examine the relationship between constructs, it was believed that regression analysis would be sufficient for this purpose.

The multiple regression technique is utilized to analyze the relationship between a single dependent variable and several independent variables (Field, 2009; Hair *et al.*, 2010). This technique is also used for its ability to predict the dependent variable based on the available predictor variables (independent variables).

Thus, multiple regression provides the relative contribution for each variable and shows which among a set of variables is the best predictor of an outcome. However, the literature recommended that some assumptions of regression must be met in order to avoid misinterpretation of a regression analysis. Specifically, the data should be checked for a number of important assumptions: the normality of the data, the linearity of the phenomenon, constant error variances (homoscedasticity) and multicollinearity.

4.6.1 Testing the Assumptions of Regression Analysis

4.6.1.1 Normality Tests

The normality test was performed to determine whether or not the sample data are normally distributed. This is considered an important assumption in multivariate analysis and statistical tests (Hair *et al.*, 2010; Pallant, 2007), as data may produce invalid results if this assumption is substantially violated.

There are many ways that can be used to test the data distribution if it deviates from the normal. Skewness and kurtosis are the most popular, used by many researchers to describe the shape of the data distribution; these values were obtained using SPSS (descriptive statistics).

Skewness is an indicator that shows to what extent a distribution of data leans from the centre (symmetry) around the mean (George & Mallery, 2006). Kline (2011) suggests that a higher level of +3 to -3 is acceptable. In this study, the skewness values were investigated and all the variables were found to be within the -3 to +3 limit.

Kurtosis is a test of flatness or peakedness in the data distribution. A negative value for kurtosis refers to a flatter shape than normal while the positive value refers to a data distribution that is more peaked than normal (George & Mallery, 2006). In this case, kurtosis was recommended to be in the range of +3 to -3 (Coakes & Steed, 2003).

Although some studies recommend that it be in the range of +7 to -7 (Hu, Bentler & Kano 1992), a higher level of +10 to -10 has also been suggested (Kline, 2011). In the current research, all of the values fall within the recommended range of +3 to -3, indicating that the data set has conformed to the assumption of normality. It further indicates that all the variables are approximately normally distributed. As Table 4.10 shows, the skewness and kurtosis ratios are within the normal distribution ±3. Consequently, the assumption of normality is adequately met.

Table 4.10
Statistical Values of Skewness and Kurtosis Ratios

Variables	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Customer orientation	-0.02	0.20	0.18	0.39
CRM organization	0.28	0.20	0.17	0 .39
Knowledge management	0.22	0.20	-0.40	0 .39
Technology-based CRM	0.94	0.20	0.15	0 .39
Marketing planning capability	0.13	0.20	0.64	0 .39
Marketing implementation capability	0.48	0.20	-0.81	0 .39
Hotel performance	-1.15	0.20	2.94	0 .39

Other methods (graphically tested) to inspect the data normality assumption of the regression model are the histogram and a normal probability plot of the distribution of the residuals. This study requires the building of seven models in order to estimate the research model. Hence, the histograms and a normal probability plot of these models were obtained using SPSS. The histogram should look like a normal distribution (a bell-shaped curve) and it is not extremely skewed (asymmetric). The normal probability plot depicts a straight line with points that represent the observed residuals. In normally distributed data, the residual will lie along the line test. In other words, in the plot, the dots are not very distant from the line. Based on an inspection of these diagrams, the data did not violate the assumption of normality (see Appendix 4).

4.6.1.2 The Linearity of the Phenomena

Regression analysis is essentially based on the concept of linearity, which means there is a straight relationship between variables; hence, it is crucial to test this assumption. The assessment of partial plot (scatter plot) is the common method to examine linearity in regression analysis. In this study, in addition to the probability plots, all relevant scatter plots were produced. The result of examining the linearity through scatter plot diagrams for the models is shown in Appendix 5; there is no evidence of a non-linear pattern to the residuals. Visual inspection of the plots indicated that there was no obvious U-shaped or other curvilinear relationship; hence, the linearity of the noted phenomena is assumed.

4.6.1.3 Homoscedasticity (Constant error variance)

The existence of homoscedasticity means that the variance of the dependent variable is the same for all the data (Hair *et al.,* 2010). Homoscedasticity is important because the variance of the dependent variable being explained should not concentrate on an independent value. It is suggested that a scatter plot may be used to examine homoscedasticity (Field, 2009; Pallant, 2007).

In this case, the assumption is determined by observing that the points are randomly and evenly dispersed throughout the plot. In this study, the observation was carried out and no evidence of heteroscedasticity was noted. The results of testing homoscedasticity through scatter plot diagrams for the main models are shown in Appendix 6.

4.6.1.4 Multicollinearity

Multicollinearity is usually regarded as a problem because it means that the regression coefficient may be unstable (Bryman & Cramer, 2009). This is related to the strong relationship between two or more independent variables, the situation where independent variables are highly correlated ($r > 0.80$), where there is little point in treating them as separate entities and it becomes impossible to obtain unique estimates of the regression coefficient that would work equally well.

In general, there are many methods to assess the multicollinearity assumption, such as tolerance value, variance inflation factors (VIF), and Pearson correlations. Pearson correlations reveal the association between two or more independent variables in which the correlation is significant at the 0.01 level. As a general rule of thumb, multicollinearity between the independent variables exists if the correlation between the independent variables is significant with a value higher than 0.80 (Cooper & Schindler, 2003; Kennedy, 1985; Sekaran, 2007).

In this study, multicollinearity between the independent variables was tested using three methods: Pearson correlation, tolerance value, and VIF, as shown in Table 4.9 above. The results reveal that there is no multicollinearity between independent variables because the Pearson correlation values for all the independent variables were less than 0.80. Furthermore, as recommended in the literature, multicollinearity exists if the tolerance value is less than 0.10 and the VIF value is above 10 (Field, 2009; Pallant, 2007). Table 4.11 presents the tolerance and VIF values for the independent variables.

Table 4.11
Tolerance Value and the Variance Inflation Factor (VIF)

	Collinearity statistics	
Independent variables	Tolerance	VIF
Customer orientation	0.65	1.53
CRM organization	0.57	1.76
Knowledge management	0.65	1.54
Technology-based CRM	0.75	1.34
Marketing planning capability	0.52	1.93
Marketing implementation capability	0.49	2.06

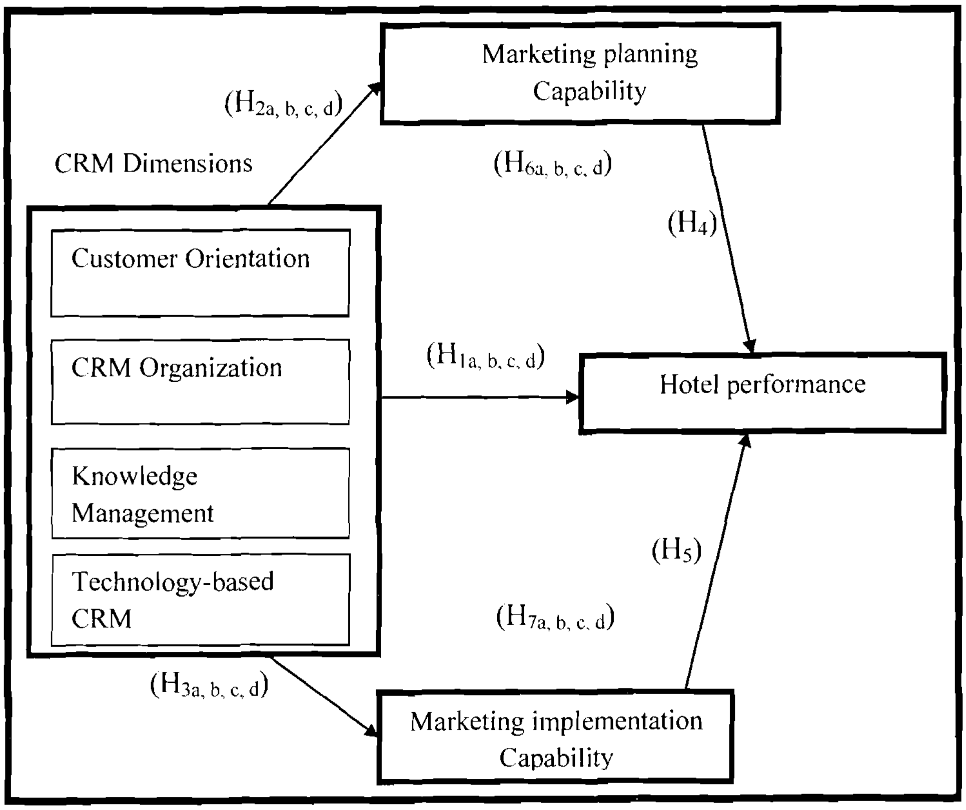
The results in Table 4.11 show that there is no multicollinearity among all the independent variables because the tolerance values are more than 0.10 and the VIF values are less than 10. The results suggest that the current study does not have any problem with multicollinearity.

The overall examination of the data shows that there is no contravention of the basic assumptions (normality, linearity, homoscedasticity and multicollinearity). Therefore, regression analysis for subsequent analysis is appropriate. The standardized coefficient beta (β) and R^2 were used in explaining the regression results to indicate whether or not the formulated hypotheses are supported, as well as whether the predictor variable is considered to significantly predict the outcome variable if the p value is less than 0.05 (Field, 2009).

4.6.2 Testing of Hypotheses

In light of the results of the factor analysis, the framework and hypotheses of the study were formulated.

Figure 4.1
Research Framework after Factor Analysis



Marketing planning Capability
$(H_{2a,\,b,\,c,\,d})$
CRM Dimensions
$(H_{6a,\,b,\,c,\,d})$
(H_4)
Customer Orientation
CRM Organization
$(H_{1a,\,b,\,c,\,d})$
Hotel performance
Knowledge Management
Technology-based CRM
(H_5)
$(H_{7a,\,b,\,c,\,d})$
$(H_{3a,\,b,\,c,\,d})$
Marketing implementation Capability

Based on the model in Figure 4.1, the hypotheses tested in this study are as follows:

1) CRM dimensions have an effect on hotel performance

Hypothesis 1a: Customer orientation has an effect on hotel performance.

Hypothesis 1b: CRM organization has an effect on hotel performance.

Hypothesis 1c: Knowledge management has an effect on hotel performance.

Hypothesis 1d: Technology-based CRM has an effect on hotel performance.

2) CRM dimensions have an effect on marketing planning capability.

   Hypothesis 2a: Customer orientation has an effect on marketing planning capability.

   Hypothesis 2b: CRM organization has an effect on marketing planning capability.

   Hypothesis 2c: Knowledge management has an effect on marketing planning capability.

   Hypothesis 2d: Technology-based CRM has an effect on marketing planning capability.

3) CRM dimensions have an effect on marketing implementation capability.

   Hypothesis 3a: Customer orientation has an effect on marketing implementation capability.

   Hypothesis 3b: CRM organization has an effect on marketing implementation capability.

   Hypothesis 3c: Knowledge management has an effect on marketing implementation capability.

   Hypothesis 3d: Technology-based CRM has an effect on marketing implementation capability.

4) Hypothesis 4: Marketing planning capability has an effect on hotel performance.

5) Hypothesis 5: Marketing implementation capability has an effect on hotel performance.

6) Marketing planning capability mediates the relationship between CRM dimensions and hotel performance

   Hypothesis 6a: Marketing planning capability mediates the relationship between customer orientation and hotel performance.

   Hypothesis 6b: Marketing planning capability mediates the relationship between CRM organization and hotel performance.

   Hypothesis 6c: Marketing planning capability mediates the relationship between knowledge management and hotel performance.

   Hypothesis 6d: Marketing planning capability mediates the relationship between technology-based CRM and hotel performance.

7) Marketing implementation capability mediates the relationship between CRM dimensions and hotel performance.

   Hypothesis 7a: Marketing implementation capability mediates the relationship between customer orientation and hotel performance.

   Hypothesis 7b: Marketing implementation capability mediates the relationship between CRM organization and hotel performance.

   Hypothesis 7c: Marketing implementation capability mediates the relationship between knowledge management and hotel performance.

   Hypothesis 7d: Marketing implementation capability mediates the relationship between technology-based CRM and hotel performance.

4.6.3 Regression Analysis concerning the Influence of CRM Dimensions on Hotel Performance

Table 4.12 provides evidence of the influence of CRM dimensions on hotel performance.

Table 4.12
Summary of Multiple Regression Analysis for CRM Dimensions Influencing Hotel Performance

Variables	B	SE B	β	Sig
Customer orientation	0.11	0.06	0.22**	0.00
CRM organization	0.33	0.07	0.33**	0.00
Knowledge management	0.16	0.05	0.21**	0.00
Technology-based CRM	0.17	0.07	0.17*	0.01

Note: $R = 0.70$; $R^2 = 0.49$; $F = 35.93$; Significant level: $*p<.05$, $**p<.01$ B = Unstandardized coefficient; SE B= Standard error of coefficient; β = Beta coefficient.

The F-statistics ($F= 35.93$, $p = 0.000$) indicate that the relationship between CRM dimensions and hotel performance is significant. The R^2 also indicates that the 0.49 variation in hotel performance is explained by the CRM dimensions. In the regression equation, all CRM dimensions emerged as significant predictors of hotel performance. Consistent with the hypotheses, customer orientation, CRM organization, knowledge management, and technology-based CRM are found to have a positive influence on hotel performance. Based on the results, the study failed to reject H1a, H1b, H1c and H1d. This leads to the conclusion that all four dimensions of CRM play a vital role in determining hotel performance. To investigate which of the dimensions has the most influence, we referred to the beta values. Based on the size of the beta, the predictor variables exercising the most influence on hotel performance were CRM organization (β

= 0.33), followed by customer orientation (β = 0.22), knowledge management (β = 0.21), and technology-based CRM (β = 0.17).

4.6.4 Regression Analysis on the Influence of CRM Dimensions on the Marketing Planning Capability

It is hypothesized that CRM dimensions influence marketing planning capability. The results are summarized in Table 4.13. The regression analysis shows that the model significantly explains 0.41 of the variance in the marketing planning capability, with F = 26, p = 0.000. In this case the four dimensions of CRM (i.e. customer orientation, CRM organization, knowledge management, and technology-based CRM) contribute significantly towards the prediction of marketing planning capability, with beta 0.19, 0.27, 0.21, and 0.20, respectively. Thus, the study failed to reject H2a, H2b, H2c, and H2d. Therefore, the results confirm that CRM dimensions have a positive and significant influence on marketing planning capability. The beta coefficients indicate that CRM organization is the main contributor to predicting the marketing planning capability (β = 0.27).

Table 4.13
Summary of Multiple Regression Analysis for CRM Dimensions Influencing Marketing Planning Capability

Variables	B	SE B	β	Sig
Customer orientation	0.19	0.08	0.19*	0.02
CRM organization	0.33	0.10	0.27**	0.00
Knowledge management	0.19	0.07	0.21*	0.01
Technology-based CRM	0.25	0.09	0.20**	0.00

Note: R= 0.64; R^2 = 0.41; F = 26.00; Significant level: *p<.05, **p<.01. B = Unstandardized coefficient; SE B = Standard error of coefficient; β= Beta coefficient

4.6.5 Regression Analysis on the Influence of CRM Dimensions on Marketing Implementation Capability

In the model, it is estimated that the marketing implementation capability is explained by the CRM dimensions. Based on the results of the regression analysis presented in Table 4.14, the model significantly explains 0.45 of the variance in marketing implementation capability, with F = 30.40, p = 0.000. All of the CRM dimensions are significant in predicting marketing implementation capability with beta coefficients 0.15, 0.28, 0.26 and 0.21. Thus, the study failed to reject H3a, H3b, H3c and H3d. The results confirm that CRM dimensions have a positive and significant effect on marketing implementation capability.

In addition, the beta coefficients indicate that CRM organization and knowledge management are the main contributors to predicting marketing implementation capability: β = 0.28 and 0.26, respectively.

Table 4.14
Summary of Multiple Regression Analysis for CRM Dimensions Influencing Marketing Implementation Capability

Variables	B	SE B	β	Sig
Customer orientation	0.14	0.07	0.15*	0.04
CRM organization	0.32	0.09	0.28**	0.00
Knowledge management	0.22	0.06	0.26**	0.00
Technology-based CRM	0.24	0.08	0.21**	0.00

Note: R = 0.67; R^2 = 0.45; F = 30.40; Significant level: *p<.05, **p<.01, B = Unstandardized coefficient; SE B= Standard error of coefficient; β= Beta coefficient

4.6.6 Regression Analysis on the Influence of Marketing Planning Capability on Hotel Performance

In order to test the fourth hypothesis, "marketing planning capability has an effect on hotel performance", simple regression analysis was conducted. Marketing planning capability was regressed on hotel performance. Table 4.15 shows the relationship between marketing planning capability and hotel performance.

Table 4.15
Summary of Regression Analysis for Marketing Planning Capability Influencing Hotel Performance

Variable	B	SE B	β	Sig
Marketing planning capability	0.57	0.05	0.71**	0.00

Note: $R = 0.71$; $R^2 = 0.50$; $F = 148.03$; Significant level: $^*p<.05$, $^{**}p<.01$. B = Unstandardized coefficient; SE B= Standard error of coefficient; β= Beta coefficient

The model of the relationship between marketing planning capability and hotel performance with $p < 0.001$ indicates that marketing planning capability significantly influences hotel performance. The model also reveals that marketing planning capability explains 0.50 of the variation in hotel performance. Furthermore, as shown in Table 4.15, marketing planning capability positively influences hotel performance with $\beta = 0.71$. Therefore, the study failed to reject H4.

4.6.7 Regression Analysis on the Influence of Marketing Implementation Capability on Hotel Performance.

It is hypothesized that marketing implementation capability has an effect on hotel performance.

Table 4.16
Summary of Regression Analysis for Marketing Implementation Capability Influencing Hotel Performance

Variable	B	SE B	β	Sig
Marketing implementation capability	0.67	0.05	0.75**	0.00

Note: R= 0.75; R^2 = 0.57; F = 197.06; Significant level: *p<.05,**p<.01. B = Unstandardized coefficient; SE B= Standard error of coefficient; β= Beta coefficient.

From Table 4.16, it can be noted that the model is significant (p = 0.000). The variable marketing implementation capability is found to have a positive influence on hotel performance (β = 0.75). This model indicates that the marketing implementation capabilities explain 0.57 of the variation in hotel performance and, therefore, the study failed to reject H5.

4.6.8 The Mediating Effect of Marketing Capabilities (Planning and Implementation)

The recommendations by Baron and Kenny (1986) were used to test the mediating impact of marketing planning and implementation capabilities between the CRM dimensions and hotel performance. The four steps recommended by the authors are as follows:

1. The independent variable (IV) must influence the dependent variable (DV) significantly (β1 must be significant).
2. The IV must influence the mediating variable (MV) significantly (β2 must be significant).
3. The MV must influence DV significantly (β3 must be significant).

4. To establish that the mediating variable fully mediates the relationship between the IV and DV, the impact of the IV on the DV should be zero or β4, which is not significant; a partial mediator exists when β4 is significant but reduced.

Thus, three regression equations should be estimated to test mediation: first, regressing the dependent variable on the independent variable; second, regressing the mediator on the independent variable; and third, regressing the dependent variable on both the independent variable and on the mediator, and in the third regression equation the effect in both step 3 and step 4 are estimated. Baron and Kenny (1986) also mentioned that separate coefficients for each equation should be estimated and tested. There is no need for hierarchical or stepwise regression.

The next section discusses separately the mediation effect of marketing planning capability and marketing implementation capability on the relationship between CRM dimensions and hotel performance.

4.6.9.1 The Mediating Effect of Marketing Planning Capability on the Relationship between CRM Dimensions and Hotel Performance.

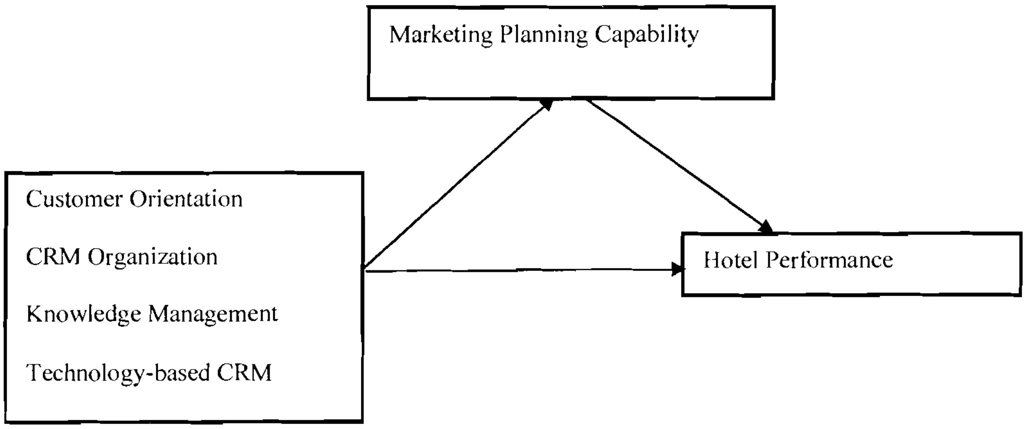
As mentioned above, the mediation analysis used in this study is based on the suggestions of Baron and Kenny (1986), and involves four steps. The two assumptions (CRM dimensions ⟶ Hotel performance; CRM dimensions ⟶ Marketing planning capability) were described above in sections 4.6.3 and 4.6.4. The results of the direct path between CRM dimensions and hotel performance reveal that CRM dimensions have a positive and significant impact on hotel performance, with $R^2 = 0.49$, and the significant β value for the CRM dimensions (customer orientation, CRM organization, knowledge management, and technology based CRM) were 0.22, 0.33, 0.21 and 0.17, respectively. This shows that CRM dimensions have a significant influence on hotel performance. Thus, the first assumption was confirmed.

The second assumption is the relationship between the independent variables (CRM dimensions) and mediating variable (marketing planning capability). The results reveal that the CRM dimensions significantly influence marketing planning capability (R^2= 0.41) with β coefficient values at 0.19, 0.27, 0.21 and 0.20. Thus the second assumption was fulfilled.

Next in the third assumption, the effect of CRM dimensions must be controlled; as such CRM dimensions and marketing planning capability are regressed together against hotel performance.

In the third assumption, the final regression coefficient was conducted using CRM dimensions and marketing planning capability as independent variables and hotel performance as the dependent variable to establish the mediation effect of marketing planning capability, as represented in Figure 4.2.

Figure 4.2
Mediation Effect of Marketing Planning Capability


Marketing Planning Capability
Customer Orientation
CRM Organization
Knowledge Management
Technology-based CRM
Hotel Performance

The results in Table 4.17 reveal that marketing planning ($\beta = 0.43$, $p < 0.01$), is significant which indicates the third assumption was fulfilled.

Table 4.17

Summary of Multiple Regression Analysis for CRM Dimensions and Marketing Planning Capability Influencing Hotel Performance

Variables	B	SE B	β	Sig
Customer orientation	0.12	0.05	0.14*	0.03
CRM organization	0.21	0.07	0.22**	0.00
Knowledge management	0.09	0.05	0.12^{ns}	0.07
Technology-based CRM	0.08	0.06	0.08^{ns}	0.18
Marketing planning capability	0.35	0.06	0.43**	0.00

Note: R = 0.70; $R^2 = 0.49$; F =35.93; Significant level: *p<.0.05,**p<0..01; ns= Non-significant; B = Unstandardized coefficient; SE B= Standard error of coefficient; β = Beta coefficient

In other words, CRM dimensions were found to influence the marketing planning capability and hotel performance, while marketing planning capability also influences hotel performance. This reveals that there is a possible mediation effect of marketing planning capability on the relationship between CRM dimensions and hotel performance.

As suggested by Baron and Kenny (1986), step 4 is to ascertain whether partial mediation or full mediation has occurred. Table 4.18 shows the beta value of CRM dimensions before and after marketing planning capability was added to equation.

Table4.18

Summary of Mediation Test of Marketing Planning Capability on the Relationship between CRM Dimensions and Hotel Performance

	Dependent variable		
	Hotel performance		
Independent variables	Without	With	Results
Customer orientation	0.22**	0.14*	Partial mediation
CRM organization	0.33**	0.22**	Partial mediation
Knowledge management	0.21**	0.12^{ns}	Full mediation
Technology-based CRM	0.17*	0.08^{ns}	Full mediation
Marketing planning capability		0.43**	

Note: *P < 0.05, **P < 0.01; ns= Non-significant

The results reveal that after marketing capability was added to the equation, the beta value of customer orientation ($\beta = 0.14$, $p < 0.05$) and CRM organization ($\beta = 0.22$, $p < 0.01$) were still significant but have decreased as such the conclusion that marketing planning capability plays a partial mediation role in the relationship between the two dimensions of CRM (i.e., customer orientation and CRM organization) and hotel performance.

On the other hand, after marketing planning capability was added to the equation the beta value of knowledge management and technology-based CRM became non significant, as such the conclusion that marketing planning capability plays a full mediation role in the relationship between knowledge management and technology-based CRM and hotel performance. This implies that CRM dimensions indirectly influence hotel performance through the marketing planning capability. Therefore, the study failed to reject H6a, H6b, H6c and H6d.

4.6.9.2 The Mediating Effect of Marketing Implementation Capability on the Relationship between CRM Dimensions and Hotel Performance.

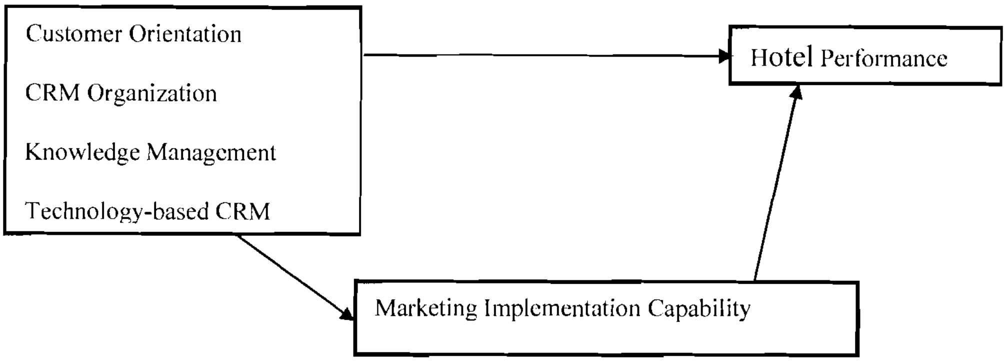
A similar procedure was carried out to examine the effect of marketing implementation capability on the relationship between CRM dimensions and hotel performance. The results of the three assumptions (CRM dimensions ⟶ Hotel performance; CRM dimensions → Marketing implementation capability) were described in sections 4.6.3 and 4.6.5. The results of a direct path between CRM dimensions and hotel performance are a regression coefficient of 0.49, and the significant β value of CRM dimensions (customer orientation, CRM organization, knowledge management, and technology based CRM) are 0.22, 0.33, 0.21 and 0.17. This shows that CRM dimensions have a significant influence on hotel performance. Thus, the first assumption was confirmed.

The second assumption is the relationship between the independent variables (CRM dimensions) and the mediating variable (marketing implementation capability). The results reveal that the CRM dimensions significantly influence the marketing implementation capability with the regression coefficient at 0.45, and significant β coefficient values at 0.15, 0.28, 0.26 and 0.21. Thus, the second assumption was confirmed.

Next in third assumption, the effect of CRM dimensions must be controlled; as such CRM dimensions and marketing implementation capability are regressed together against hotel performance. The final regression coefficient was conducted using CRM dimensions and marketing implementation capability as the independent variable and hotel performance as the dependent variable to establish the mediation effect of marketing implementation capability, as presented in Figure 4.3.

Figure 4.3:

Mediation Effect of Marketing Implementation Capability


Customer Orientation
CRM Organization
Knowledge Management
Technology-based CRM
Hotel Performance
Marketing Implementation Capability

The results in Table4.19 reveal that marketing implementation capability ($\beta = 0.52$, $p < 0.01$), is significant which indicates the third assumption was fulfilled. In other words, CRM dimensions were found to influence marketing implementation capability and hotel performance, while the marketing implementation capability also influences hotel performance.

Table 4.19

Summary of Multiple Regression Analysis for CRM Dimensions and Marketing Implementation Capability Influencing Hotel Performance

Variables	B	SE B	β	Sig
Customer orientation	0.12	0.05	0.15*	0.02
CRM organization	0.18	0.06	0.19*	0.01
Knowledge management	0.06	0.05	0.07^{ns}	0.23
Technology-based CRM	0.06	0.06	0.06^{ns}	0.31
Marketing implementation capability	0.46	0.06	0.52**	0.00

Note: R = 0.70; $R^2 = 0.49$; F =35.93; Significant level: *p<.0.05,**p<0..01; ns= Non significant; B = Unstandardized coefficient; SE B= Standard error of coefficient; β = Beta coefficient.

This reveals that there is a possible mediating effect of marketing implementation capability on the relationship between CRM dimensions and hotel performance.

As suggested by Baron and Kenny (1986), step 4 is to ascertain whether partial mediation or full mediation has occurred. Table 4.20 shows the beta value of CRM dimensions before and after marketing implementation capability was added to equation.

Table4.20

Summary of Mediation Test of Marketing Implementation Capability on the Relationship between CRM Dimensions and Hotel Performance

	Dependent variable		
	Hotel performance		
Independent variables	Without	With	Results
Customer orientation	0.22**	0.15*	Partial mediation
CRM organization	0.33**	0.19*	Partial mediation
Knowledge management	0.21**	0.07^{ns}	Full mediation
Technology-based CRM	0.17*	0.06^{ns}	Full mediation
Marketing implementation capability		0.52**	

Note. *P < 0.05, **P < 0.01; ns= Non significant.

The results reveal that after marketing implementation was added to the equation , the beta value of customer orientation ($\beta = 0.15$,$p < 0.05$) and CRM organization ($\beta = 0.19$, $p< 0.05$) were still significant but has decreased as such the conclusion that marketing implementation plays a partial mediation role in the relationship between these two dimensions and hotel performance. However, the beta values of knowledge management and technology-based CRM became non significant, after marketing implementation capability was added to the equation as such the conclusion that marketing implementation capability plays a full mediation role in the relationship between the two dimensions of CRM (i.e., knowledge management and technology-based CRM) and hotel performance. Therefore, the study failed to reject H7a, H7b, H7c and H7d. The full SPSS output of the regression analysis is presented in Appendix 7.

4.7 SUMMARY

The data were generated from 152 usable questionnaires, representing a 37.1% response rate. The results of factor analysis suggest that CRM dimensions (four factors), marketing planning capability and marketing implementation capability remain as one factor, respectively, and hotel performance has four factors which are combined to reflect a single construct. Cronbach's alpha for all the variables indicate values higher than 0.70, showing that all factors are reliable.

To examine the relationship between CRM dimensions and hotel performance as well as the mediating effects of marketing capabilities on the relationship between CRM dimensions and hotel performance, regression analysis was conducted; a summary of the findings from the hypotheses testing, relating to the strength of the relationships and the assumption of hypotheses, is presented in Table 4.21.

Table 4.21
Summary of All Tested Relationships

Hypothesis	Description	Results
H1	CRM dimensions have an effect on hotel performance.	Failed to reject
H1a	Customer orientation has an effect on hotel performance.	Failed to reject
H1b	CRM organization has an effect on hotel performance.	Failed to reject
H1c	Knowledge management has an effect on hotel performance.	Failed to reject
H1d	Technology-based CRM has an effect on hotel performance.	Failed to reject
H2	CRM dimensions have an effect on marketing planning capability.	Failed to reject
H2a	Customer orientation has an effect on marketing planning capability.	Failed to reject
H2b	CRM organization has an effect on marketing planning capability.	Failed to reject
H2c	Knowledge management has an effect on marketing planning capability.	Failed to reject
H2d	Technology-based CRM has an effect on marketing planning capability.	Failed to reject

(Table 4.21 continued)

H3	CRM dimensions have an effect on the marketing implementation capabilities.	Failed to reject
H3a	Customer orientation has an effect on marketing implementation capability.	Failed to reject
H3b	CRM organization has an effect on marketing implementation capability.	Failed to reject
H3c	Knowledge management has an effect on marketing implementation capability.	Failed to reject
H3d	Technology-based CRM has an effect on marketing implementation capability.	Failed to reject
H4	Marketing planning capability has an effect on hotel performance.	Failed to reject
H5	Marketing implementation capability has an effect on hotel performance.	Failed to reject
H6	Marketing planning capability mediates the relationship between CRM dimensions and hotel performance.	Failed to reject
H6a	Marketing planning capability mediates the relationship between customer orientation and hotel performance.	Partially mediate
H6b	Marketing planning capability mediates the relationship between CRM organization and hotel performance.	Partially mediate
H6c	Marketing planning capability mediates the relationship between knowledge management and hotel performance.	Fully mediate
H6d	Marketing planning capability mediates the relationship between technology-based CRM and hotel performance.	Fully mediate
H7	Marketing implementation capability mediates the relationship between CRM dimensions and hotel performance.	Failed to reject
H7a	Marketing implementation capability mediates the relationship between customer orientation and hotel performance.	Partially mediate
H7b	Marketing implementation capability mediates the relationship between CRM organization and hotel performance.	Partially mediate
H7c	Marketing implementation capability mediates the relationship between knowledge management and hotel performance.	Fully mediate
H7d	Marketing implementation capability mediates the relationship between technology-based CRM and hotel performance.	Fully mediate

The results in Table 4.19 show that all the hypotheses of the study are failed to reject, since all four CRM dimensions (i.e., customer orientation, CRM organization, knowledge management, technology-based CRM) have an influence on both marketing capabilities (planning and implementation) and hotel performance. Marketing capabilities also have an effect on hotel performance as well as play a mediating role in the relationship between CRM dimensions and hotel performance.

These findings are in line with the main premise of RBV theory, which contended that organizations can improve their performance based on their internal resources, and the integration between an organization's resources and capabilities enables it to create a competitive advantage and consequently improve its performance.

Following these results of the data analysis. The next chapter presents the discussion of empirical finding, and the theoretical and practical implications of this research. It also discusses the study's limitations and, finally, draws a conclusion and makes recommendations for further research.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion of the findings relating to the association between CRM dimensions and hotel performance as well as the mediating effect of marketing capabilities (planning and implementation) on the CRM dimensions-hotel performance relationships. The chapter starts with a recapitulation of the study followed by a discussion of the study findings. Additionally, the theoretical and practical contributions of the study are presented in detail. Finally, the limitations, suggestions for further research and overall conclusion are explained.

5.2 Recapitulation of the Study's Findings

The overall purpose of this study is to understand the relationship between CRM dimensions and hotel performance, and the mediating role of marketing capabilities (planning and implementation) on the relationship between CRM dimensions and hotel performance in the Malaysian hotel sector. The main research question is to study how CRM dimensions are related to marketing capabilities and hotel performance. By studying this link, the hotel performance may be improved.

This framework was supported by the Resource-Based View (RBV) theory, which states that organizational performance is influenced by organizational resources and capabilities. In this case, CRM dimensions (customer orientation, CRM organization, knowledge management and technology-based CRM) were the resources, while marketing planning and marketing implementation were the capabilities.

In general, the objectives of this study were assessed through the following research questions:

(1) Is there a significant relationship between CRM dimensions and hotel performance?
(2) Is there a significant relationship between CRM dimensions and marketing planning capability?
(3) Is there a significant relationship between CRM dimensions and marketing implementation capability?
(4) Is there a significant relationship between marketing planning capability and hotel performance?
(5) Is there a significant relationship between marketing implementation capability and hotel performance?
(6) To what extent does marketing planning capability mediate the relationship between CRM dimensions and hotel performance?
(7) To what extent does marketing implementation capability mediate the relationship between CRM dimensions and hotel performance?

This study employed statistical analysis – descriptive statistics, exploratory factor analysis, reliability analysis, correlation analysis, and finally simple and multiple regression – to answer the research questions.

Table 5.1 reveals the results of the main hypotheses, indicating that all hypotheses are failed to reject.

Table 5.1

The Results of the Main Hypotheses

No.	Hypothesis statement	Results
1	CRM dimensions have an effect on hotel performance.	Failed to reject
2	CRM dimensions have an effect on marketing planning capability.	Failed to reject
3	CRM dimensions have an effect on marketing implementation capability.	Failed to reject
4	Marketing planning capability has an effect on hotel performance.	Failed to reject
5	Marketing implementation capability has an effect on hotel performance.	Failed to reject
6	Marketing planning capability mediates the relationship between CRM dimensions and hotel performance.	Failed to reject
7	Marketing implementation capability mediates the relationship between CRM dimensions and hotel performance.	Failed to reject

In the following sections, each of these hypotheses is presented in further detail in terms of existing knowledge and the contribution of the findings to furthering understanding in the area.

5.3 Discussion of Findings

This section discusses the findings in terms of CRM dimensions and hotel performance, CRM dimensions and marketing capabilities, marketing capabilities and hotel performance; marketing capabilities mediate the relationship between CRM dimensions and hotel performance.

5.3.1 Effect of CRM Dimensions on Hotel Performance

There has been limited research on CRM dimensions, especially in the hotel sector; this study focuses on the lack of attention given to the CRM issues in the hotel industry in

Malaysia, as Malaysia is an important tourist destination. The study adopted the CRM multi-dimensions of Sin *et al.* (2005), namely key customer focus, CRM organization, knowledge management and technology-based CRM. However, this study used customer orientation instead of key customer focus, since customer orientation is a more comprehensive concept than key customer focus and several studies observed that it is one of the most important factors in the successful implementation of CRM in an organization. This study draws attention to the importance of the relationship between CRM dimensions and organizational performance in the hotel sector.

The main findings from a survey conducted in Malaysia are summarized below.

In assessing the hypothesis relating to the association between CRM dimensions and hotel performance, it was found that, overall, CRM dimensions have a significant and positive relationship with hotel performance ($R^2 = 0.49$).

That is, a mean of 0.49 of the overall hotel performance variance can be explained by CRM dimensions. Thus, the finding in this study is in line with the long-held belief that CRM plays a vital role in improving business performance (Akroush *et al.*, 2011; Attharangsun & Ussahawanitchaki, 2008; Day & Van den Bulte, 2002; Dutu & Halmajan, 2011; Kasim & Minai, 2009; Ramani & Kumar, 2008; Sin *et al.*, 2005; Sirinvasan & Moorman, 2005).

These results are also in line with the arguments put forward by Kim, Shu, and Hwang (2003), in that, when an organization combines all the relevant information on each customer across the organization, this supports more successful planning of marketing activities and services; in addition, when the organization reacts with the customer, it can understand the customer's needs and requirements and, consequently, can meet them, thus creating customer loyalty. Kim *et al.* (2003) also stated that understanding and gathering customer needs are vital in conducting value-adding activities, since service and product customization, additional information, and quality improvement are fundamental factors used to add value to customers. Thus, by managing and maintaining CRM more effectively, hotels can meet the needs and requirements of their customers and accomplish operational excellence.

The results are also in line with the arguments made by Wu and Li (2011), in that when customers who come to an organization have a more positive reception in respect of the CRM actions offered by that hotel, then the relationship quality will be better. Consequently, customer loyalty and profitability will be increased. Furthermore, Ryals (2005) contended that CRM activities create better company performance when managers concentrate on maximizing the value of the customer. Hence, as a result of increasing customer value, customer satisfaction and loyalty will be improved and profit will be generated accordingly.

As mentioned above, the results indicate that CRM dimensions (customer orientation, CRM organization, knowledge management, and technology-based CRM) have a positive and significant relationship with hotel performance.

More details about the influence of each dimension of CRM on hotel performance are discussed below.

Regarding the influence of the customer orientation dimension, the results reveal that it has a positive and significant impact on hotel performance ($\beta = 0.22$; $p < 0.01$). This result is in line with previous studies that indicate that customer orientation plays a key role in improving organizational performance (Asikhia, 2010; Rindfleisch & Moorman, 2003; Sin *et al.*, 2006; Sing & Ranchhod, 2004; Zhou *et al.*, 2009).

In this case, Kirca, Jayachandra, and Bearder (2005) and Sin *et al.* (2006) argued that the rationale for expecting a strong relationship between customer orientation and performance in the hotel industry is explained by the concept of a sustainable competitive advantage. That is, competing organizations strive to satisfy their customers better in order to have an advantage over competitors. Hence, the use of customer orientation can help hotel managers to create and provide a good service mix that is perceived by its key customers to be of superior quality, while building competitive advantage and making reasonable profit. This result is also supported by Tajeddini (2010), who contended that hotel owners and managers who place the needs and the satisfaction of the customer as the priority of their organization are capable of achieving their sales, profit, and return on investment (ROI) objectives.

Generally, in the hotel sector the face-to-face connection between customers and workers is very important for delivering hotels' products and services, therefore the services provider must have a customer-orientated manner to provide high quality service. As a result of the customer-oriented behaviour of hotel employees, the relationship with customers will be maintained and, consequently, customer satisfaction, loyalty and overall hotel performance will be improved.

In short, like any other business organization, hotels exist to make profits. Hence, in order to actualize this objective, continuous customer value creation becomes an important key. Changes in the hotel industry and macro-environment pose both opportunities and threats. Thus, in today's volatile business environment, hotels have to continuously accumulate intelligent information about the market's current and future needs, as well as disseminating this information to all the organization's departments, thereby responding to changes promptly.

Another important finding is related to the dimension of CRM organization. The current study provides empirical evidence concerning the strong influence of CRM organization on hotel performance ($\beta = 0.33$; $p < 0.01$).

The results are similar to those of other CRM studies (e.g. Akroush *et al.,* 2011; Yim *et al.,* 2004), which draw attention to the success of CRM undertaken by the organization, through which the organizing function of management entails allocating the required resources and aligning the essential capabilities necessary to transform customer-related objectives into strong and profitable relationships with the customer.

The finding is also in line with the argument of Rigby *et al.* (2002) who asserted that successful CRM is more dependent on strategy than on the resources spent on technology. Thus, determining the customer strategy and aligning business practices with the strategy prior to implementing technology are believed to be some of the ways to implement CRM successfully (Rigby *et al.*, 2002).

Therefore, organizational factors, such as organizational structure, top management support and human resources play a vital role in the success of CRM in the hotel industry. Such actions undertaken under CRM collectively play an important role in achieving concrete results on the ground, which translate into financial gains that appear in the organization's financial performance (e.g. sales amount, profitability, ROI) (Akroush *et al*., 2011; Garrido-Moreno & Padilla-Meléndez, 2011; Homburg, Workman, & Jensen, 2000; Sigala, 2005; Yim *et al.*, 2004).

In the course of explaining the essential role of CRM organization, top management must provide resources and make serious ongoing efforts to organize all the organization's resources towards a CRM orientation, and accordingly their performance will be improved.

With respect to the relationship between knowledge management and organizational performance, the results reveal a positive and significant relationship ($\beta = 0.21$; $p < 0.01$). This finding validates the results of previous studies which found that knowledge management has a positive and significant relationship on organizational performance (Daud & Yusoff, 2010; Sin *et al.*, 2005; Yim *et al*., 2004). These results are also consistent with the findings of Yang and Wang (2004), which show that knowledge management can benefit hotels not only financially but in terms of the functioning of the organization and welfare of the staff.

In hotels, product and service quality depend strongly on the ability of management executives to acquire, develop, accumulate and share knowledge assets. This is the reason why knowledge management seems to play an important role in hotel management. In line with this argument, Hallin and Marnburg (2008) stressed that knowledge management is considered relevant for building the competitive advantage for hospitality companies. Intensive use of technology and the nature of the service product that depends on the interaction between hospitality employees and customers are largely considered to be the consequence of the sector becoming knowledge-intensive.

The results regarding the influence of technology-based CRM on hotel performance are consistent with those identified by Kasim and Minai (2009) in their study of the Malaysian hotel sector. In line with expectations, the findings show that technology-based CRM has a positive and significant impact on hotel performance ($\beta = 0.17$; $p < 0.05$). This result supports previous studies that found that CRM technology can lead to enhanced organizational performance (Akroush *et al.*, 2011; Sin *et al.*, 2005).

In this case, Camisón (2000) stated that information technology can be an element in creating added value within the hotel company. Hence, the maturity of information technology brings convenience to both employees and customers in the hotel sector (Tavitiyaman *et al.*, 2011).

From the employees' perspective, advanced information technology reduces work procedures and permits them to work efficiently and effectively despite time constraints. Specifically, hotel reservation systems help marketing personnel to keep a record of loyal customers and provide statistical forecasts for strategic plans. Regarding customer perspectives, information technology enhances customer service by providing up-to-date forms of service delivery, customer intimacy, speed of response to the needs of the customer, and opportunity for customers to assist themselves (Mulligan & Gorgon, 2002).

In summary, the study has found that overall hotel performance is significantly influenced by the four dimensions of CRM (customer orientation, CRM organization, knowledge management, and technology-based CRM), with CRM organization having the highest impact on overall hotel performance. Thus, the findings support the first hypothesis, that CRM dimensions have an effect on hotel performance.

5.3.2 Effects of CRM dimensions on Marketing Capabilities (Planning and Implementation)

In testing the hypotheses relating to the association between CRM dimensions and marketing planning and implementation capabilities, it was found that there is a significant and positive relationship between all dimensions of CRM and both marketing capabilities. The results indicate that CRM dimensions explain 0.41 and 0.45 of the variance in marketing planning capability and marketing implementation capability, respectively. Thus, the findings support the second and the third hypotheses, that CRM dimensions have an effect on marketing capabilities.

The results imply that hotels that pay more attention to CRM dimensions would have stronger marketing capabilities since the use of organizational resources, management of customer knowledge and advanced application systems would help hotels to generate crucial information to be used when making and implementing marketing plans. These results are consistent with those demonstrated by previous studies (Nunes & Dréze, 2006; Richards & Jones 2008; Stockdale, 2007), which stated that CRM can support organizations to plan and implement future marketing functions.

Further results show that customer orientation has a significant and positive impact on marketing planning capability ($\beta = 0.19$; $p < 0.05$) and marketing implementation capability ($\beta = 0.15$; $p < 0.05$). The results support prior studies which argue that customer orientation influences marketing planning capability because it helps organizations to understand the market situation and develop appropriate strategies to satisfy customers' needs (Liu *et al.,* 2003; Morgan *et al.*, 2009; Pulendran & Speed, 1996).

Customer orientation also influences the implementation of marketing capability, since organizations that have a customer-orientation strategy can direct resources to satisfy customer needs through the successful implementation of marketing action or innovation (Han *et al.,* 1998; Slater & Narver, 1998).

Regarding the influence of CRM organization on marketing capabilities, the study found that CRM organization has a positive and significant impact on marketing planning capability ($\beta = 0.27$; $p < 0.01$) and marketing implementation capability ($\beta = 0.28$; $p < 0.01$).

The findings are related to the theoretical argument made by Vorhies *et al.* (2009), who asserted that both marketing capabilities are influenced by an organization's business strategies and that these types of marketing capability and their integration are significant drivers of market effectiveness. Thus, organizational policies, strategies, and management support (CRM organization) influence marketing capabilities to improve organizational performance.

The study also found a positive and significant relationship between knowledge management and marketing planning capability ($\beta = 0.21$; $p < 0.01$) and marketing implementation capability ($\beta = 0.26$; $p < 0.01$). These results are in line with the argument of Shi and Yip (2007), who stated that customer knowledge management directly supports an organization's innovation and human resource functions and, hence, results in enhancing capability among marketing staff. In addition, the results support previous findings that indicate that customer knowledge management is associated with marketing capabilities and that knowledge management enables an organization to develop and make strategic management decisions including marketing planning for improving performance (Fan & Ku, 2010).

The results are also in line with previous studies (e.g., Conant & White, 1999; Lee *et al.*, 2011; Noble & Mokwa, 1999) which asserted that the efficiency of hotels to implement their marketing strategies successfully and satisfy their customers' needs and wants is dependent on their ability to collect, manage and share customer knowledge among different departments.

The study also supported the finding of previous studies that contended that technology-based CRM can enable organizations to plan and implement successful marketing action to retain customers and make them more profitable, relying on a customer database and other systems that capture information over time (Chang *et al.*, 2010; Robert *et al.*, 2005). The finding indicates that there is a positive and significant relationship between technology-based CRM and marketing planning capability ($\beta = 0.20$; $p < 0.01$), and marketing implementation capability ($\beta= 0.21$; $p <0.01$).

In summary, the study found that all the dimensions of CRM have a positive and significant impact on marketing capabilities in the hotel sector. Hence, by building a strong relationship with customers, hotel enterprises can encourage customers to purchase services and products that match the customers' thinking, which can help the hotels to target and satisfy their market segments more precisely and accurately. Thus, the generation or actualization and managing of customer knowledge will lead to development marketing planning capability, which will enable hotels to understand their customers.

This is very important since knowing the needs and wants of customers will lead to the introduction of new products or services or modify those already being offered. In other words, by collecting the demographic information of hotel customers and encouraging them to give their opinion and complaints, hotel managers can design the correct message, promotional activities, and implement them efficiently to attract customers to their hotels. In this case, the dimensions of CRM play a superior role in transforming available resources into higher adaptive performance by enabling hotel managers to establish, plan and implement marketing activities in the aggressive competitive environment of the hotel industry.

Additionally, the positive relationship between CRM dimensions and marketing capabilities shows how well or poorly a firm is performing marketing-related functions, which relies on the extent to which they understand and know their customers.

Another explanation of this significant relationship is that CRM can play a key role in improving marketing capabilities by providing valuable customer information that helps managers and employees to plan and implement marketing strategy as well as accomplish specific marketing goals more effectively and efficiently than their competitors.

5.3.3 Effect of Marketing Capabilities (Planning and Implementation) on Hotel Performance

Many studies that examined the effect of marketing capability issues on organizational performance concluded that firms with better marketing capabilities generally have higher business performance (e.g. Dutta *et al.,* 1999; Krasnikov & Jayachandran, 2008; Vorhies & Morgan, 2005).

Based on the typology originally proposed by Morgan *et al.* (2003) and following Vorhies and Morgan (2005) and Chang *et al.* (2010), this study employed two types of capability (planning and implementation) to represent the marketing capabilities that can be used to improve organizational performance.

After the regression analysis, marketing planning capability and marketing implementation capability were found to have a positive and significant relationship with hotel performance, with the R^2 being 0.50 and 0.57, respectively. Thus, the fourth and the fifth hypotheses that marketing capabilities (planning and implementation) have an effect on hotel performance are failed to reject.

The significant relationship between marketing capabilities and hotel performance is in line with previous research (Chang *et al.,* 2010; Morgan *et al.*, 2003; Vorhies & Morgan, 2005) in different contexts (manufacturing and banking); they found that these two types of marketing capability have a positive relationship with organizational performance.

An explanation of these results can be related to the vital role of the marketing function in organizations. Since organizations cannot survive in a highly competitive environment, such as the hotel industry, without them, superior marketing capabilities are very important because differentiation strategies are improved by market information gathering and developing marketing plans based on this information (Kohli & Jaworski, 1990; Morgan *et al.*, 2003). Accordingly, accessing marketing resources at the stage of implementing the marketing strategies largely depends on the harmonization of resources and communication of all planning requirements and objectives.

5.3.4 Marketing Capabilities Mediating the Relationship between CRM Dimensions and Hotel Performance

The sixth and seventh research hypotheses deal with the mediating impact of marketing capabilities on the association between CRM dimensions and hotel performance.

Based on evidence from the available literature (Chang *et al.*, 2010; Payne & Frow, 2006), this study hypothesized two potential mediators: marketing planning capability and marketing implementation capability were theoretically conceptualized and hypothesized as potential mediators of the relationship between CRM dimensions and hotel performance.

The hypotheses testing results of the mediating relationships have empirically shown that the presence of both marketing capabilities within the hotel sector have a significant impact on the relationship between CRM dimensions and hotel performance. These results are consistent with the view of previous studies (Chang *et al.*, 2010 Morgan *et al.*, 2003; Vorhies *et al.*, 2009) that argue that marketing capabilities have a positive influence on organizational performance; this is because marketing capabilities may help hotel managers to differentiate their service and product, and increase customer value through customizing and personalizing their offering to improve customer satisfaction and retention and, consequently, increase their profit.

The finding of this study further confirms the view of Chang *et al.* (2010) that marketing capabilities mediate the relationship between CRM technology and organizational performance. Hence, marketing capabilities may play a vital role in the relationship between CRM dimensions and hotel performance. In light of the previous results, the influence of CRM dimensions on hotel performance increased after including the marketing capabilities.

These results are also in line with previous studies that found that CRM must be integrated with other capabilities in an organization, such as marketing, to become more effective and, consequently, to improve organizational performance (Boulding *et al.*, 2005; Payne & Frow, 2005).

5.3.4.1 Marketing Planning Capability Mediating the Relationship between CRM Dimensions and Hotel Performance

Given the results from the mediating hypotheses testing, marketing planning capability is a partial mediator in the relationship between two dimensions of CRM, customer orientation and CRM organization, and hotel performance. However, it plays a full mediating role in the relationship between the other two dimensions of CRM, knowledge management and technology-based CRM, and hotel performance. Thus, the practical mediating role of marketing planning capability indicates that the impact of CRM dimensions (customer orientation, and CRM organization) on hotel performance could be more significantly by marketing planning capability.

On the other hand, the full mediating effect of marketing planning capability on the relationship between knowledge management and technology-based CRM, and hotel performance reveals the important nature of marketing planning capability in the hotel sector. The effect is so significant that when they were introduced into the equation, the impact of knowledge management and technology-based CRM on hotel performance became non-significant. This shows that the managers of hotel enterprises must have superior marketing planning capability to their competitors to improve their performance, especially if they want to get more benefit from the knowledge management and technology-based CRM dimensions of CRM.

5.3.4.2 Marketing Implementation Capability Mediating the Relationship between CRM Dimensions and Hotel Performance

Tests for the mediating impact of marketing implementation capability on hotel performance revealed the following:

(1) Marketing implementation capability partially mediates the relationship between two dimensions of CRM, customer orientation and CRM organization, and hotel performance, which means that to a certain extent, the effect of customer orientation and CRM organization on hotel performance is due to the marketing implementation capability adopted by managers.

At the same time, customer orientation and CRM organization have a direct impact on hotel performance. This means that both dimensions of CRM and marketing implementation capability are crucial to the performance of Malaysian hotels.

(2) Marketing implementation capability also fully mediates the relationship between the other two dimensions of CRM, knowledge management and technology-based CRM, and hotel performance; these results reveal the crucial role of marketing implementation capability in the Malaysian hotel sector.

The impact of marketing implementation capability is so significant that when introduced into the equation, the impact of these dimensions on hotel performance became non-significant. This reveals that hotel managers should pay more attention to the marketing implementation capability when they want to improve their performance, based on the two dimensions of CRM, knowledge management and technology-based CRM; in addition, they must have more of these types of capability than their competitors to translate marketing plans into real action and efficiency, in order to win a competitive advantage and, consequently, improve performance.

Further, this study empirically argues that the achievements of marketing planning capability ($R^2= 0.41$), marketing implementation capability ($R^2= 0.45$), and hotel performance ($R^2 = 0.49$) significantly depend on the effective implementation of CRM dimensions. In short, Malaysian hotel enterprises must improve their CRM dimensions, so that they can give their marketing activities, both planning and implementation, a scientific guide, integrate their resources effectively, meet customers' needs exactly and create competitive advantage. As a result, hotels can improve their organizational performance. Based on the results, the sixth and seventh hypotheses that the mediating effect of marketing capabilities (planning and implementation) on the relationship between CRM dimensions and hotel performance are failed to reject.

Having discussed the empirical findings, the following section will proceed to discuss the theoretical and practical contributions of this research.

5.4 Research Contributions

The contributions of this study are discussed in terms of their theoretical and practical implications.

5.4.1 Theoretical Contribution

Viewing the results from the academic perspective of CRM dimensions in the hotel sector literature, this study demonstrates the following findings:

First, the study provides empirical evidence to support the resource-based view theory, which allocates a particular role to internal resource and organizational aspects that can be used as determinants of the firm's future success and profit. In consequence, based on this theory, efficiency, effectiveness and firms' success will be a function of their abilities, competences and skills in improving management of the resources that help them to build a sustainable competitive advantage (Barney, 1991; Grant, 1991).

In this case, the results reveal that when the customer orientation strategy, CRM organization, knowledge management, and technology-based CRM are integrated into and internalized by the marketing capabilities, then the firm will generate an organizational capability in CRM that is hard to reproduce and imitate and, consequently, a source of sustainable competitive advantage.

Second, studies on the impact of CRM on organizational performance, especially in the hotel sector, are still in short supply. Thus, this study supports the arguments by Kasim & Minai (2009), Sigala (2005), Wu & Li (2011), and Wu & Lu (2012) that enterprises in the hotel sector can gain a competitive advantage and, consequently, improve their performance, through implementation of CRM. The results of this study show that CRM dimensions (customer orientation, CRM organization, knowledge management, and technology- based CRM) do relate to performance in the hotel sector.

This study also contributes to the literature on performance, especially the performance of the hotel sector, since it helps to fill the gap in the area by looking at the influence of CRM dimensions on hotel performance. It contributes to the understanding of the influence of the CRM dimensions on hotel performance, which is still ambiguous (Akroush *et al.*, 2011; Sin *et al.*, 2005). Furthermore, the findings provide empirical support that CRM dimensions precede marketing capabilities in the hotel sector.

The third significant contribution is confirming the role of marketing capabilities (planning and implementation) as mediators of the relationship between CRM dimensions and hotel performance. This finding helps to fill the gap in the area by looking at the mediating influence of marketing capabilities on the relationship between CRM dimensions and performance. Since previous studies recommended investigating the intervening variables between CRM and hotel performance, it will contribute to understanding how CRM dimensions affect performance (Akroush *et al.*, 2011; Reimann *et al.*, 2010), as well as investigating the two types of marketing capability (planning and implementation) separately, to determine which has the greater influence on the CRM-performance relationship (Change *et al.*, 2010).

In fact, both marketing capabilities appear to be partial mediators in the relationship between two dimensions of CRM (customer orientation and CRM organization) and hotel performance, as well as being full mediators in the relationship between the other two dimensions (knowledge management and technology-based CRM) and hotel performance. Thus, both marketing planning and implementation capabilities have the same influence on the relationship between CRM dimensions and hotel performance.

This is an important finding that adds to the literature in the service sector, and in particular the hotel industry. The next section presents the managerial use of CRM dimensions and other managerial implications of this study.

5.4.2 Managerial Implications

The study aims to enrich managerial understanding regarding CRM, particularly in relation to the model development and results of the hypotheses testing. It provides an insight into hotel performance in Malaysia from the perspective of CRM dimensions and marketing capabilities. Using the findings, managers might improve their hotels' performance, and thereby ensuring the hotels' survival in this highly competitive marketplace.

The study attempts to provide hotels in Malaysia with practical advice on how to implement CRM successfully, through focusing on the integration of its four dimensions (customer orientation, CRM organization, knowledge management, technology-based CRM).

Furthermore, the findings that show which dimension of CRM has the greatest influence on hotel performance can be used by managers to make best use of CRM and improve their hotel's performance. Managers have to create a suitable environment to implement CRM successfully, and all the processes involved in implementing CRM successfully can lead to improved hotel performance. Thus, hotel managers should recognize, first, that to implement CRM successfully they need to transform the organizational structure, strategy, and business process in order to implement CRM; they should also pay more attention to their employees through training, motivation and establishment of a suitable reward system, since even with sophisticated technology and best-defined processes, CRM strategy cannot be implemented without the involvement of employees.

Moreover, the study contends that customer orientation strategy plays a vital role in improving hotel performance. Therefore, managers in 3- to 5-star hotels should orientate both the firm and its workers to make the needs and wants of customers the top priority. By sufficiently understanding the needs and wants of customers, hotel managers can provide products and services agreeable to customers, and must continuously put the customers' requests and interests ahead of those of the organization.

The empirical findings on this study also asserted that knowledge management and technology based-CRM significantly influence hotel performance. For those hotels (usually 4- and 5-star) currently using sophisticated technology and implementing processes to acquire, maintain, manage and share customer information, improving their employees' skills and ability to deal with this sophisticated technology, as well as to identify their customers' needs and wants, would increase efficiency.

On the other hand, hotels that have limited resources to implement sophisticated technology and face difficulties regarding investment in technology, might consider outsourcing. Contracting or renting information technology systems can offer another option for this type of hotel to enhance amenities and facilities. Sophisticated information technology can enable hotels to increase their income and widen their customer market (Tavitiyaman *et al.*, 2011).

The study provides evidence which stressed that marketing capabilities (planning and implementation) can lead to improved hotel performance, as well as playing a key role in the relationship between CRM dimensions and hotel performance. Therefore, hotel managers should equally understand that they can more readily achieve their marketing goals by improving their employees' skills and capabilities, motivating them to be creative, and allocating the necessary resources to help them to design and implement marketing programmes effectively. Furthermore, the study suggests that hotel managers can invest in improving marketing capabilities (planning and implementation) to enhance the effect of CRM dimensions, specifically technology-based CRM and knowledge management.

Overall, the practical findings of the study suggest that hotels that are looking to improve their performance through using CRM strategy should integrate the four dimensions of CRM, and specifically focus on the CRM organization dimension. They should invest in improving their marketing capabilities (planning and implementation) in order to enhance the effect of CRM dimensions and consequently improve their performance.

Having discussed the contributions of this research, the following section addresses the limitations of the study, and makes suggestions for future research.

5.5 Limitations and Suggestions for Future Research

Even though a comprehensive review of the body of literature was conducted, this study is not without limitations as it applies to any other empirical studies.

The first limitation is related to sample size and unit of analysis. The study focused on 3- to 5-star hotels listed in the Malaysian Hotel Association Directory of February 2012, and obtained 164 questionnaires. If the study were conducted throughout all hotels in Malaysia, rather than concentrating on a selection, it could obtain a higher response which might provide a better scenario of the influence of CRM dimensions on hotel performance. Additionally, future studies could investigate the relationships proposed in this study to see if they would be appropriate for other countries and other sectors.

Second, the study was cross-sectional in nature; this means that changes over time that occur in the process of implementing CRM are not captured. In addition, the study used a quantitative approach to accomplish its objectives. Therefore, to understand the changes that occur when CRM dimensions are being implemented, longitudinal studies might be conducted by future researchers to investigate the extent of the CRM benefits actually experienced by users in the organization, as well as using another method, such as qualitative techniques, to provide in-depth knowledge of the issues. This would help to understand how hotels can implement CRM successfully and why some of them do not use the CRM strategy.

Third, this study only examined the relationships between CRM dimensions, marketing capabilities and hotel performance. Future research should investigate other factors that might influence the association between CRM dimensions and hotel performance, such as external environmental factors and hotel attributes. According to previous studies

(Becker *et al.*, 2009; Boulding *et al.*, 2005; Sin *et al.*, 2005), the situation of the organization and the market environment may influence the effect of CRM on the performance of organizations.

5.6 Conclusion

The current study investigated the relationship between CRM dimensions (customer orientation, CRM organization, knowledge management, and technology-based CRM) and hotel performance in Malaysia. It also examined the mediating effect of marketing capabilities (marketing planning capability and marketing implementation capability) on the relationship between CRM dimensions and hotel performance. It has made a significant contribution by offering an increased understanding of the influence of CRM dimensions on organizational performance and the mediating role of marketing capabilities on that relationship in the hotel sector, which has to date received little attention in the literature. The framework of this study is drawn from the perspective of the resource-based view of the firm, which theorized that a firm can utilize its resources to improve its performance.

The study used regression analysis to test the research hypotheses relating to the relationships among the CRM dimensions, marketing capabilities and hotel performance.

The findings achieved the objectives of the study, showing that CRM dimensions have a positive and significant effect on marketing capabilities and hotel performance. In addition, marketing capabilities have a positive and significant influence on hotel performance. The study also reveals the mediating role of marketing capabilities on the relationship between CRM dimensions and hotel performance. Therefore, in an industry that is aggressively competitive, CRM dimensions and marketing capabilities are crucial to survival in the marketplace and to making a profit.

Overall, the findings suggest that the major dimension that influences hotel performance and marketing capabilities among the hotels in the Malaysian context is CRM organization. Although the results generally support the hypotheses that CRM dimensions can influence marketing capabilities and hotel performance, and that marketing capabilities can mediate the relationship between CRM dimensions and hotel performance, more research needs to be conducted to investigate other factors that might influence CRM dimensions and their impact on hotel performance, so that our understanding of the issue of CRM in the hotel sector can be further improved.

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APPENDIX 1:

QUESTIONNAIRE AND COVER LETTERS

UUM
Universiti Utara Malaysia

Attention: Hotel General Manager / senior manager

Dear participant,

I am Abdul Alem Mohammad, a Ph.D. candidate. I would like to take this opportunity to invite you to participate in a research survey entitled "Assessing the impact of Customer Relationship Management (CRM) Dimensions on Hotel Performance in Malaysia". The purpose of this study is to investigate the relationships between CRM dimensions, marketing capabilities, and hotel performance. It will only take **about 10 minutes** of your valuable time to complete this survey.
Your participation is voluntary and your answers will be kept **anonymous and confidential**. Only the researcher will have the right for data access. If you have any questions regarding the survey, you may contact me directly by email at S92968@student.uum.edu.my or by phone at 0147314814.
I would like to thank you in advance for your participation and for volunteering your valuable time.
Sincerely,

ABDUL ALEM MOHAMMAD MOHAMMAD
Ph.D. Candidate
School of Tourism, Hospitality and Environmental Management
College of Law, Government and International Studies
Universiti Utara Malaysia
Kedah,06010.

PART 1: BACKGROUND

SECTION A: **Your background**

1. Please indicate your gender Male ☐ Female ☐

2. Please indicate your age group

18-25 ☐ 26-35 ☐ 36-45 ☐ 46-55 ☐ 56-64 ☐

Over 64 ☐

3. Your current position:

Hotel Owner ☐ General Manager ☐ Resident Manager ☐

Division Manager ☐ Supervisor ☐ Other (please specify): ____________

4. How many years have you been working in hotel industry?
………………years

5. How many years have you been working in this hotel?
……………………years

SECTION B: **Hotel profile**

1. Star rating 3 ☐ 4 ☐ 5 ☐
2. Category : City hotel ☐ Hill resort ☐ Beach resort ☐
   Other (please specify): _____________
3. Type of your Hotel's affiliation:

Chain ☐ Independent ☐ Other (please specify): _____________

4. Location of the hotel (State) ………………………..

5. How many years is your hotel in operation?

1. Less than 5years ☐ 2. 5-9 years ☐ 3. 10-15years ☐
4. More than for 15 years ☐

6. Number of Rooms. 1. 100 and below ☐ 2. 101-200 ☐ 3. 201-300 ☐
4.301-400 ☐ 5. 401and above ☐

7. Number of employees. 1. 100 and below ☐ 2. 101-200 ☐ 3. 201-300 ☐
4. 301-400 ☐ 5. 401-500 ☐ 6. More than 501 ☐

8. Average occupancy rates. 1. 50% and below ☐ 2. 51% -60% ☐
3. 61%- 70% ☐ 4. 71% - 80% ☐
5. More than 80% ☐

PART 2: USING CRM AND ITS DIMENSIONS

SECTION 1: **Using CRM Strategy**

CRM is a business strategy that utilizes organization internal resources (i.e. people, technology, and business process) to maintain and update customer information, and build long term relationship with current and potential customers for creating a competitive advantage and improving hotel performance. ***Based on this definition please answer the following questions:***

1. Is your hotel using CRM?	1. ☐ Yes 2. ☐ No
2. How long has your hotel been using CRM?	1. ☐ Less than 6 months 2. ☐ 6-11 months 3. ☐ 1-3 years 4. ☐ More than 3years (please go to section2)

SECTION2. **Customer Relationship Management (CRM) Dimensions.**

In this section, the researcher is interested in your opinions about the CRM dimensions in your hotel.

Customer Orientation of your hotel
Please mark with " x" one answer that best represents your experiences and opinions for the following statements.
1= Strongly Disagree 2= Disagree 3= Neutral 4= Agree 5=Strongly Agree

	1	2	3	4	5

1. The business objectives of this hotel are customer satisfaction oriented.					
2. The hotel closely monitors and assesses its level of commitment in serving customer needs.					
3. The competitive advantage of this hotel is based on understanding customer needs.					
4. The business strategies of this hotel are driven by objective of increasing value for customers.					
5. The hotel frequently measures customer satisfaction.					
6. The hotel pays great attention to after-sales service.					
7. The hotel offers personalized products and services for key customers.					

CRM Organization in your hotel

Please mark with " x" one answer that best represents your experiences and opinions for the following statements.

1= Strongly Disagree 2= Disagree 3= Neutral 4= Agree 5=Strongly Agree

	1	2	3	4	5
1. The hotel has the sales and marketing expertise, and resources to succeed in CRM.					
2. Our employee training programs are designed to develop the skills required for acquiring and deepening customer relationships.					
3. The hotel has established clear business goals related to customer acquisition, development, retention, and reactivation.					
4. In this hotel, employee performance is measured and rewarded based on meeting customer needs and on successfully serving the customer.					
5. Our hotel structure is meticulously designed around our customers.					
6. In this hotel, customer-centric performance standards are established and monitored at all customer touch points.					
7. The hotel commits time and resources to managing customer relationship.					

Knowledge Management in your hotel

Please mark with " x" one answer that best represents your experiences and opinions for the following statements.

1= Strongly Disagree 2= Disagree 3= Neutral 4= Agree 5=Strongly Agree

	1	2	3	4	5

1. Hotel's employees are willing to help customers in a responsive manner.					
2.The hotel fully understands the needs of our key customers via knowledge leaning.					
3. Our hotel provides channels to enable ongoing and two-way communication with our key customers and us.					
4. Hotel's employees provide customers with prompt service.					

Technology- based CRM in your hotel

Please mark with “ x” one answer that best represents your experiences and opinions for the following statements.

1= Strongly Disagree 2= Disagree 3= Neutral 4= Agree 5=Strongly Agree

	1	2	3	4	5
1. The hotel has right technical staff to provide technical support for use of CRM technology in building customer relationships.					
2. The hotel has right hardware to serve its customers.					
3. The hotel has right software to serve its customers.					
4. Hotel's information systems are integrated across the different functional areas.					
5. In this hotel, individualized information about each customer is available at all contact points.					
6. The hotel is able to consolidate all information acquired about customers in comprehensive, centralized and up-to-date database.					

PART3. MARKETING CAPABILITIES

In this section, the researcher is interested in your opinions about the marketing planning capability and marketing implementation capability in your hotel.

Marketing planning capability in your hotel

Please mark with “ x” one answer that best represents your experiences and opinions for the following statements.

1= Strongly Disagree 2= Disagree 3= Neutral 4= Agree 5=Strongly Agree

	1	2	3	4	5
1. The hotel has superior marketing planning skills.					
2. The hotel sets clear marketing goals.					
3. The hotel develops creative marketing strategies.					
4. The hotel segments and targets market effectively.					
5. The hotel makes a thorough marketing planning process.					

Marketing implementation capability in your hotel

Please mark with " x" one answer that best represents your experiences and opinions for the following statements.

1= Strongly Disagree 2= Disagree 3= Neutral 4= Agree 5=Strongly Agree

	1	2	3	4	5
1. The hotel allocates marketing resources to implement marketing strategies effectively.					
2. The hotel delivers marketing programs effectively.					
3. The hotel translates marketing strategies into action effectively.					
4. The hotel executes marketing strategies quickly.					
5. The hotel monitors the performance of marketing strategies.					

PART3. HOTEL PERFORMANCE

(If your hotel is less than three years in operation, please don't answer this part)

Financial perspective

Please mark with "x" one answer that indicates the changes in performance of your hotel over the past 3 years.

1= Strongly Disagree 2= Disagree 3= Neutral 4= Agree 5=Strongly Agree

	1	2	3	4	5
1. The total cost of hotel has decreased.					
2. The unexpected losses in hotel have reduced.					
3. The rate of sales growth has increased.					
4. The return on assets of hotel has increased.					
5. The net profit margin of hotel has increased.					

Customer perspective

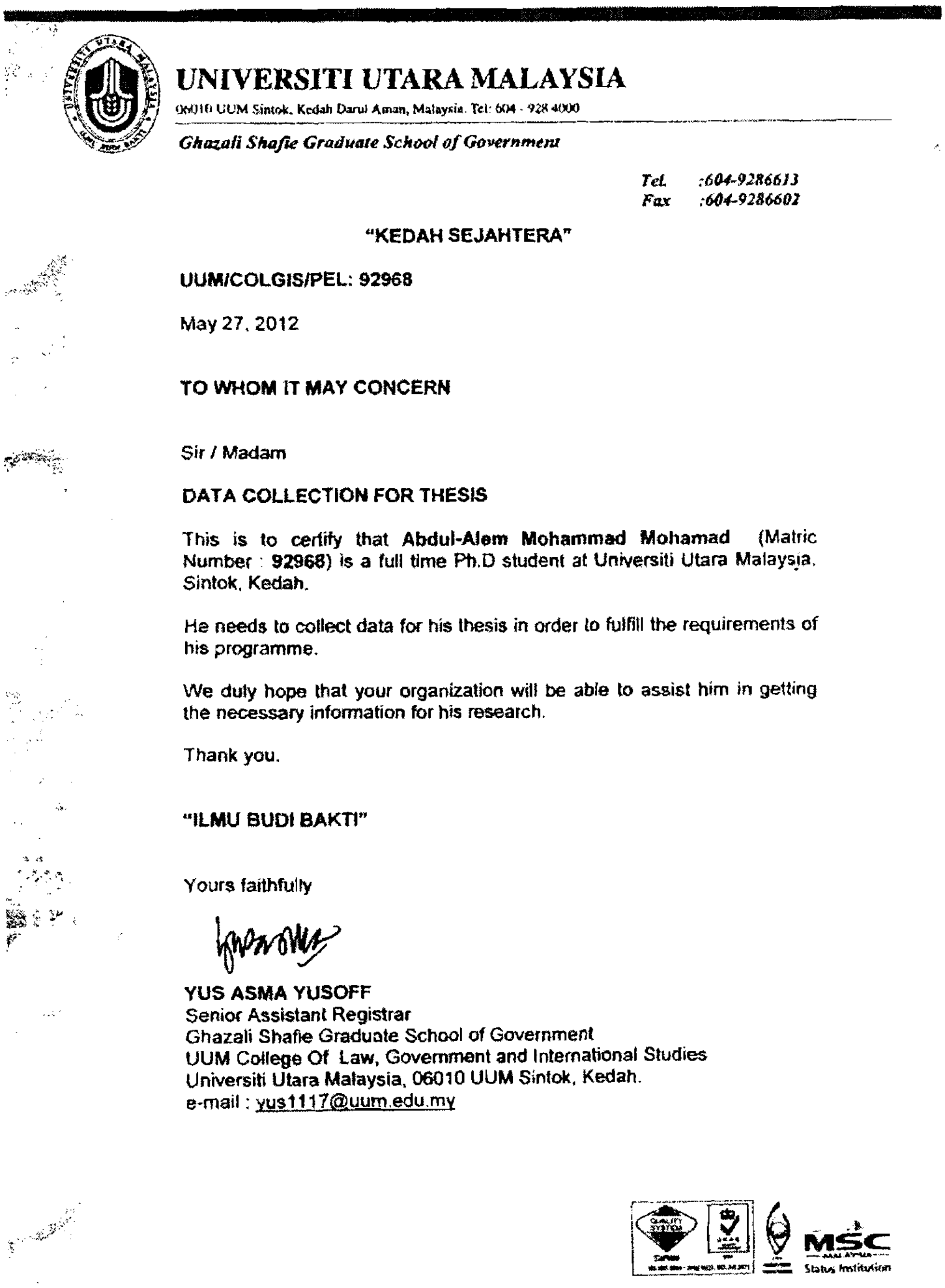
	1	2	3	4	5
1. The needs of various types of customers have satisfied					
2. Customer's repeat to purchase has increased.					
3. Customer satisfaction has increased.					
4. The market share of hotel has increased.					

Internal process perspective

	1	2	3	4	5
1. The operating efficiency of hotel has increased.					
2. Customer complaints have been decreased.					
3. The ability to retain old customers has improved.					
4. The ability to confirm target customers has improved.					

Learning and growth perspective					
	1	2	3	4	5
1. Employees' ability to solve problems has improved.					
2. The quality of employees' service has improved.					
3. The intention of employees to learn has improved.					
4. The corporate culture has promoted effectively.					

THANK YOU VERY MUCH FOR YOUR TIME AND EFFORT USED IN COMPLETING THIS QUESTIONAIRE.



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Fax :604-9286602

"KEDAH SEJAHTERA"

UUM/COLGIS/PEL: 92968

May 27, 2012

TO WHOM IT MAY CONCERN

Sir / Madam

DATA COLLECTION FOR THESIS

This is to certify that **Abdul-Alem Mohammad Mohamad** (Matric Number : **92968**) is a full time Ph.D student at Universiti Utara Malaysia, Sintok, Kedah.

He needs to collect data for his thesis in order to fulfill the requirements of his programme.

We duly hope that your organization will be able to assist him in getting the necessary information for his research.

Thank you.

"ILMU BUDI BAKTI"

Yours faithfully

YUS ASMA YUSOFF
Senior Assistant Registrar
Ghazali Shafie Graduate School of Government
UUM College Of Law, Government and International Studies
Universiti Utara Malaysia, 06010 UUM Sintok, Kedah.
e-mail : yus1117@uum.edu.my

MALAYSIAN ASSOCIATION OF HOTELS
PERSATUAN HOTEL MALAYSIA

26 June 2012

General Manager
MAH Member Hotels

Dear Sirs / Madam,

SUPPORT OF RESEARCH ON ASSESSING THE INFLUENCE OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM) DIMENSIONS ON PERFORMANCE OF HOTELS IN MALAYSIA

Mr. Abdul Alem Mohammad currently pursuing his Doctor of Philosophy with the School of Tourism, Hospitality, Environmental Management, University Utara Malaysia, is conducting a research to complete his study with the topic mentioned above.

This study is an attempt to provide a value conceptual model that explains the theoretical linkages existing between CRM dimensions and hotel performance. It will also enable hotel managers to know the impact of CRM on hotel performance as well as, which dimension has a high influence on hotel performance. Additionally, the study will help them to utilize hotels' internal resources to implement CRM successfully and consequently improve their performance.

On behalf of the Malaysian Association of Hotels (MAH), we would like to express our support for the research conducted by him. Your kind assistance is required to ensure the success of this research.

All responses will be strictly used for research purposes only and once completed, a copy of the final report will be available with MAH.

Should you have any inquiries, please feel free to contact Mr. Abdul Alem Mohammad at abd_102006@yahoo.com.

Thank you.

Best regards,
MALAYSIAN ASSOCIATION OF HOTELS

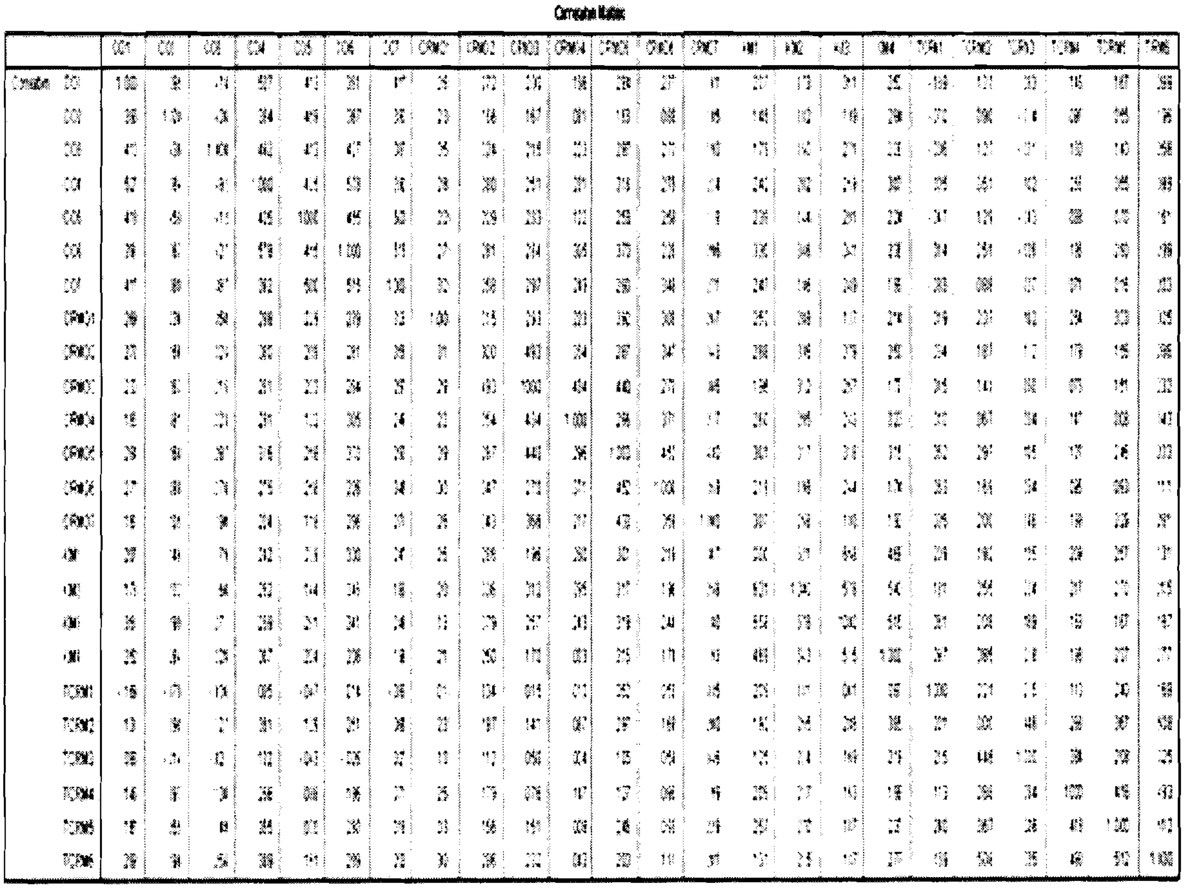
REGINALD T. PEREIRA
Chief Executive Officer

C5-3 Wisma MAH, Jalan Ampang Utama 1/1, One Ampang Avenue, 68000 Ampang, Kuala Lumpur, Malaysia
Tel: 603 4251 8477 Fax: 603 4252 8477 E-mail: info@hotels.org.my Website: www.hotels.org.my

APPENDIX 2

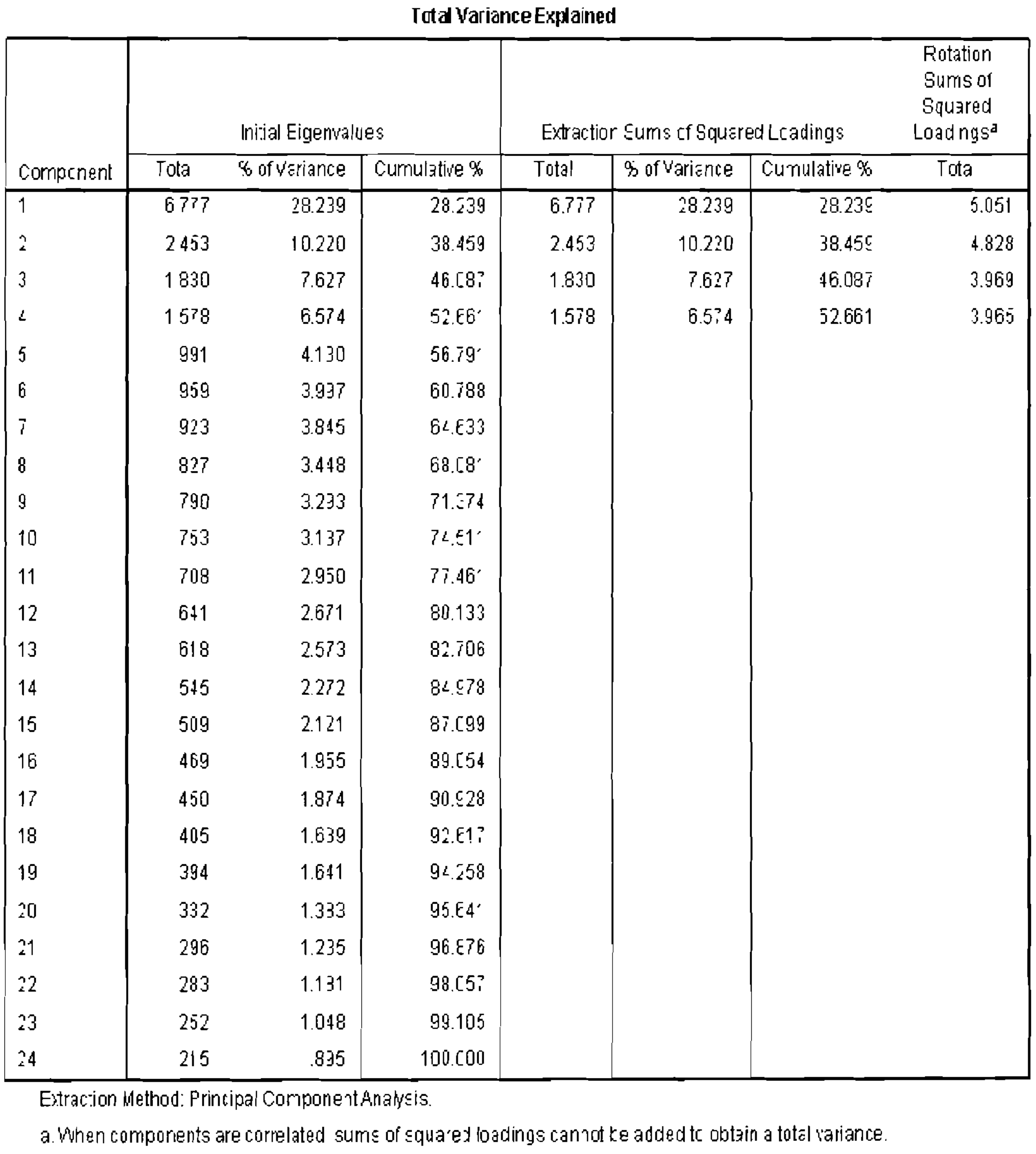
FACTOR ANALYSIS RESULTS

Factor Analysis for CRM Dimensions



KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.844
Bartlett's Test of Sphericity	Approx. Chi-Square	1337.713
	Df	276
	Sig.	.000



Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	6.777	28.239	28.239	6.777	28.239	28.239	5.051
2	2.453	10.220	38.459	2.453	10.220	38.459	4.828
3	1.830	7.627	46.087	1.830	7.627	46.087	3.969
4	1.578	6.574	52.661	1.578	6.574	52.661	3.965
5	.991	4.130	56.791				
6	.959	3.937	60.788				
7	.923	3.845	64.633				
8	.827	3.448	68.081				
9	.790	3.233	71.374				
10	.753	3.137	74.511				
11	.708	2.950	77.461				
12	.641	2.671	80.133				
13	.618	2.573	82.706				
14	.545	2.272	84.978				
15	.509	2.121	87.099				
16	.469	1.955	89.054				
17	.450	1.874	90.928				
18	.405	1.689	92.617				
19	.394	1.641	94.258				
20	.332	1.383	95.641				
21	.296	1.235	96.876				
22	.283	1.181	98.057				
23	.252	1.048	99.105				
24	.215	.895	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

Pattern Matrix[a]

	Component			
	1	2	3	4
CO2	.819			
CO5	.774			
CO1	.713			
CO3	.679			
CO4	.644			
CO7	.613			
CO6	.581			
CRMO4		.752		
CRMO3		.750		
CRMO6		.687		
CRMO7		.660		
CRMO5		.605		
CRMO2		.576		
CRMO1		.417		
TCRM6			.786	
TCRM5			.720	
TCRM2			.698	
TCRM4			.692	
TCRM3			.645	
TCRM1				
KM3				.820
KM1				.819
KM2				.781
KM4				.683

Extraction Method: Principal Component Analysis.
Rotation Method: Promax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Factor Analysis for Marketing Planning Capability

Correlation Matrix

		MPC1	MPC2	MPC3	MPC4	MPC5
Correlation	MPC1	1.000	.442	.501	.514	.593
	MPC2	.442	1.000	.576	.509	.533
	MPC3	.501	.576	1.000	.368	.564
	MPC4	.514	.509	.368	1.000	.490
	MPC5	.593	.533	.564	.490	1.000

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.817
Bartlett's Test of Sphericity	Approx. Chi-Square	277.993
	df	10
	Sig.	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.040	60.792	60.792	3.040	60.792	60.792
2	.650	13.007	73.799			
3	.569	11.388	85.188			
4	.392	7.845	93.032			
5	.348	6.968	100.000			

Extraction Method: Principal Component Analysis.

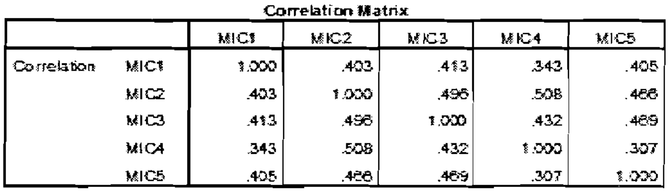
Component Matrix[a]

	Component
	1
MPC5	.822
MPC2	.785
MPC1	.784
MPC3	.773
MPC4	.731

Extraction Method: Principal Component Analysis.

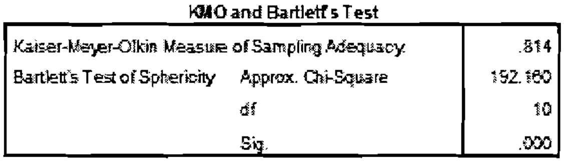
a. 1 components extracted.

Factor Analysis for Marketing Implementation Capability



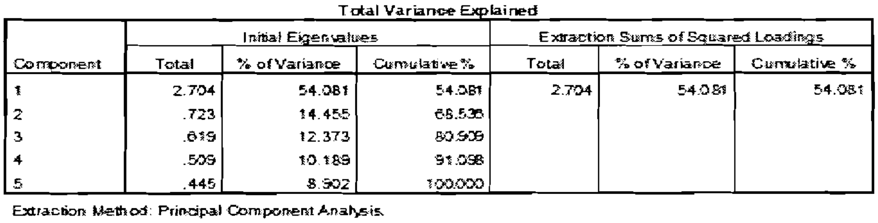
Correlation Matrix

		MIC1	MIC2	MIC3	MIC4	MIC5
Correlation	MIC1	1.000	.403	.413	.343	.405
	MIC2	.403	1.000	.496	.508	.466
	MIC3	.413	.496	1.000	.432	.469
	MIC4	.343	.508	.432	1.000	.307
	MIC5	.405	.466	.469	.307	1.000



KMO and Bartlett's Test

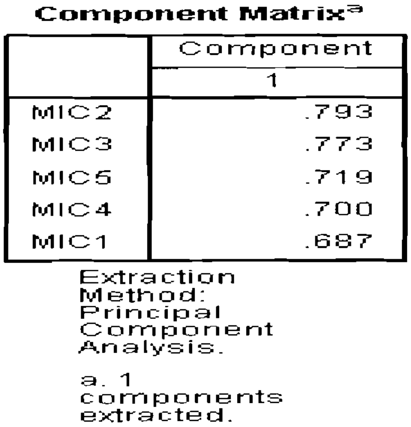
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.814
Bartlett's Test of Sphericity	Approx. Chi-Square	192.160
	df	10
	Sig.	.000



Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.704	54.081	54.081	2.704	54.081	54.081
2	.723	14.455	68.536			
3	.619	12.373	80.909			
4	.509	10.189	91.098			
5	.445	8.902	100.000			

Extraction Method: Principal Component Analysis.



Component Matrix[a]

	Component
	1
MIC2	.793
MIC3	.773
MIC5	.719
MIC4	.700
MIC1	.687

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

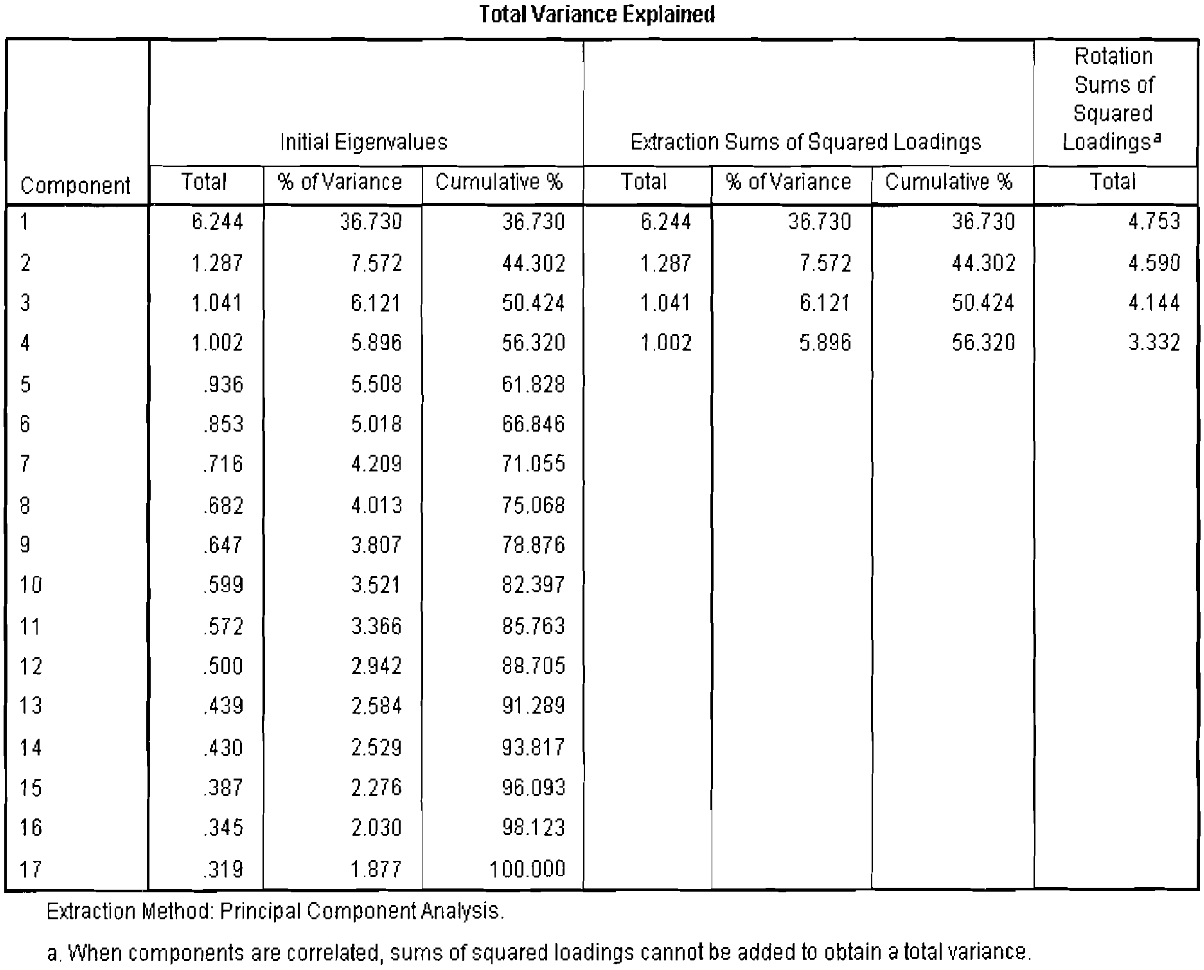
Factor Analysis for Hotel Performance

Correlation Matrix

		FP1	FP2	FP3	FP4	FP5	CP1	CP2	CP3	CP4	BP1	BP2	BP3	BP4	LGP1	LGP2	LGP3	LGP4
Correlation	FP1	1.000	.374	.287	.312	.346	.277	[illegible]	.234	.165	.172	.207	.286	.210	.215	.135	.212	.154
	FP2	.374	1.000	.286	.416	.442	.251	.371	.226	.473	.301	.304	.252	.442	.245	.354	.245	.357
	FP3	.287	.285	1.000	.214	.309	.333	.358	.376	.251	.198	.153	.222	.344	.211	.218	.264	.172
	FP4	.152	.475	.214	1.000	.417	.235	.288	.293	.351	.323	.374	.214	.344	.117	.257	.268	.248
	FP5	.145	.442	.309	.417	1.000	.503	.372	.431	.327	.340	.103	.179	.415	.259	.348	.283	.341
	CP1	.177	.251	.338	.215	.503	1.000	.345	.382	.315	.359	.105	.279	.373	.334	.313	.331	.356
	CP2	.113	.371	.356	.259	.372	.315	1.000	.456	.396	.251	.124	.301	.316	.440	.433	.298	.325
	CP3	.134	.325	.376	.293	.431	.382	.456	1.000	.397	.382	.513	.218	.438	.280	.393	.351	.306
	CP4	.065	.473	.251	.316	.327	.315	.396	.397	1.000	.361	.397	.251	.505	.411	.420	.353	.302
	BP1	.075	.303	.156	.318	.340	.359	.251	.382	.361	1.000	.105	.332	.424	.116	.357	.224	.173
	BP2	.107	.304	.253	.214	.419	.435	.431	.513	.397	.405	1.000	.288	.511	.375	.415	.281	.385
	BP3	.195	.252	.222	.214	.179	.279	.301	.218	.251	.332	.283	1.000	.257	.226	.159	.252	.200
	BP4	.113	.442	.344	.314	.415	.373	.385	.438	.505	.421	.308	.257	1.000	.410	.415	.374	.351
	LGP1	.185	.245	.251	.117	.259	.334	.440	.280	.411	.116	.375	.226	.410	1.000	.379	.223	.232
	LGP2	.035	.354	.248	.217	.348	.313	.433	.393	.420	.357	.115	.159	.415	.379	1.000	.502	.413
	LGP3	.112	.245	.264	.218	.283	.331	.298	.351	.353	.224	.281	.252	.374	.313	.502	1.000	.426
	LGP4	.054	.353	.172	.248	.347	.356	.325	.306	.302	.173	.385	.200	.357	.232	.413	.426	1.000

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.900
Bartlett's Test of Sphericity	Approx. Chi-Square	843.518
	df	136
	Sig.	.000

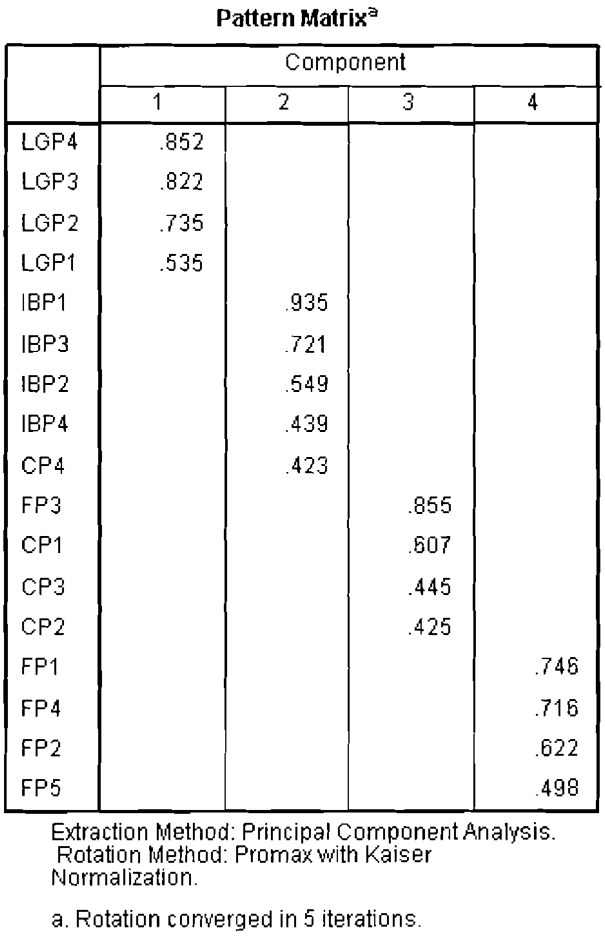


Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings^a
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	6.244	36.730	36.730	6.244	36.730	36.730	4.753
2	1.287	7.572	44.302	1.287	7.572	44.302	4.590
3	1.041	6.121	50.424	1.041	6.121	50.424	4.144
4	1.002	5.896	56.320	1.002	5.896	56.320	3.332
5	.936	5.508	61.828				
6	.853	5.018	66.846				
7	.716	4.209	71.055				
8	.682	4.013	75.068				
9	.647	3.807	78.876				
10	.599	3.521	82.397				
11	.572	3.366	85.763				
12	.500	2.942	88.705				
13	.439	2.584	91.289				
14	.430	2.529	93.817				
15	.387	2.276	96.093				
16	.345	2.030	98.123				
17	.319	1.877	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.



Pattern Matrix^{a}

	Component			
	1	2	3	4
LGP4	.852			
LGP3	.822			
LGP2	.735			
LGP1	.535			
IBP1		.935		
IBP3		.721		
IBP2		.549		
IBP4		.439		
CP4		.423		
FP3			.855	
CP1			.607	
CP3			.445	
CP2			.425	
FP1				.746
FP4				.716
FP2				.622
FP5				.498

Extraction Method: Principal Component Analysis.
Rotation Method: Promax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

APPENDIX 3:

RELIABILITY RESULTS

Reliability Scale for Customer Orientation.

Reliability Statistics

Cronbach's Alpha	N of Items
.843	7

Reliability Scale for CRM Organization

Reliability Statistics

Cronbach's Alpha	N of Items
.784	7

Reliability Scale for Knowledge Management

Reliability Statistics

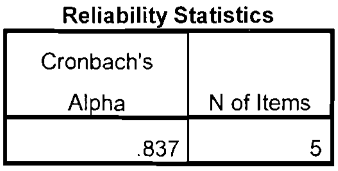
Cronbach's Alpha	N of Items
.838	4

Reliability Scale for Technology-based CRM

Reliability Statistics

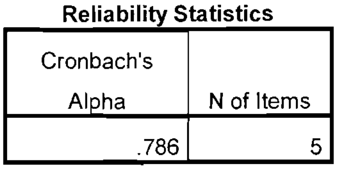
Cronbach's Alpha	N of Items
.765	5

Reliability Scale for Marketing Planning Capability


Reliability Statistics

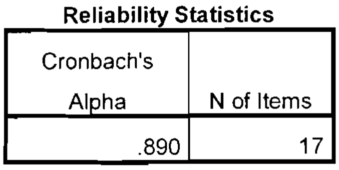
Cronbach's Alpha	N of Items
.837	5

Reliability Scale for Marketing Implementation Capability


Reliability Statistics

Cronbach's Alpha	N of Items
.786	5

Reliability Scale for Hotel Performance

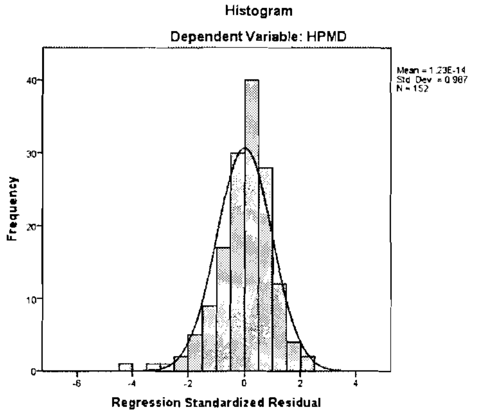

Reliability Statistics

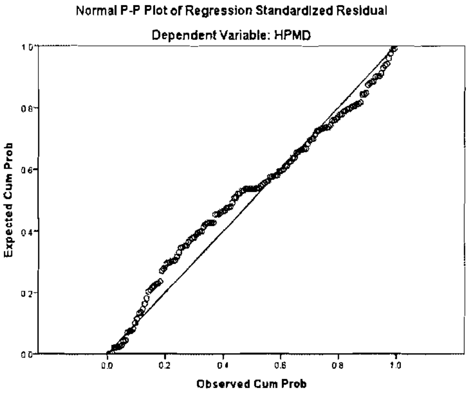
Cronbach's Alpha	N of Items
.890	17

APPENDIX4:

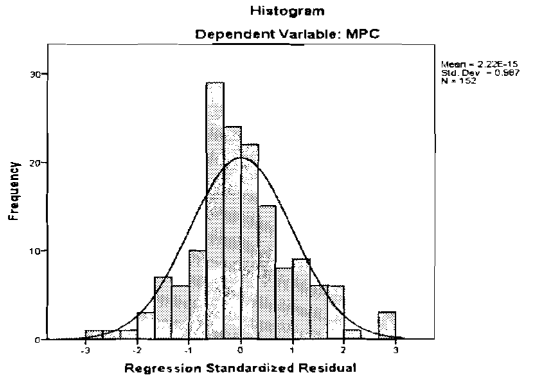
HISTOGRAMS AND NORMAL PROBABILITY PLOTS

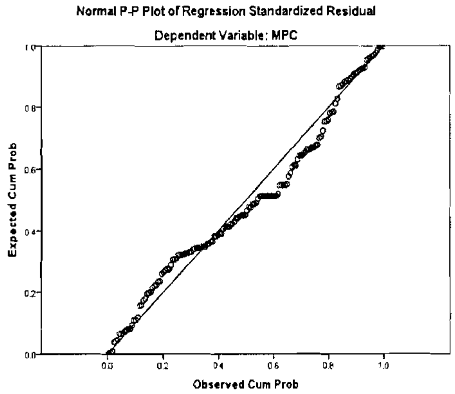
Relationship between CRM dimensions (IV) and hotel performance (DV)



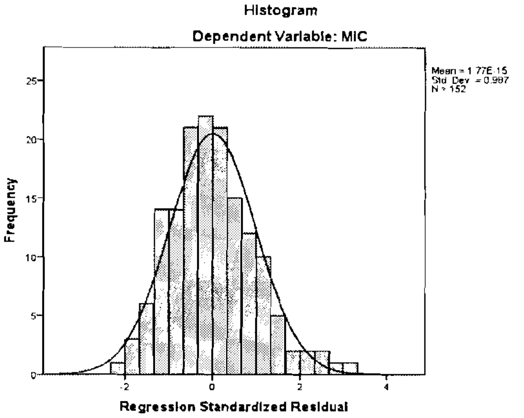


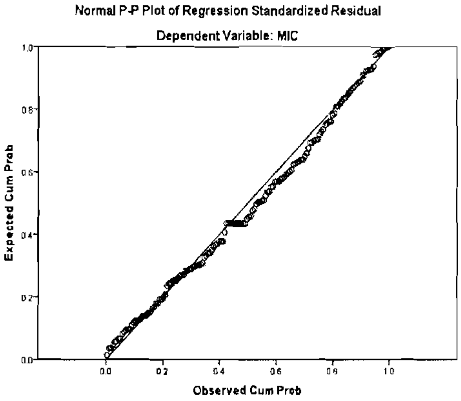
Relationship between CRM dimensions (IV) and marketing planning capability (DV)



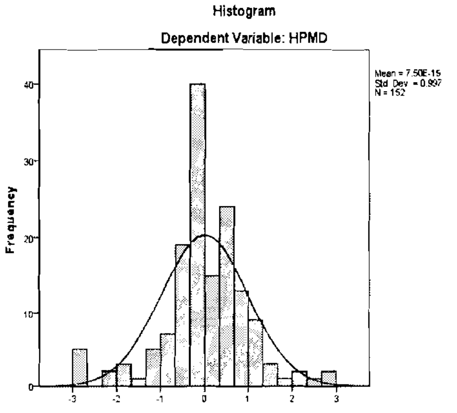


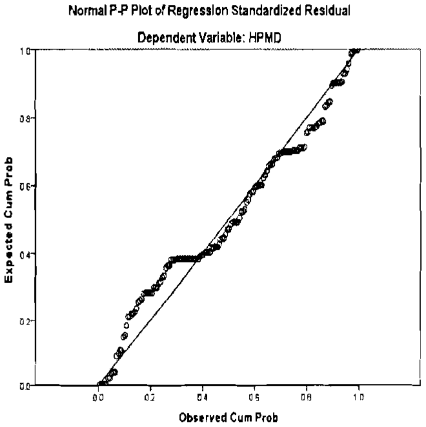
Relationship between CRM dimensions (IV) and marketing implementation capability (DV)



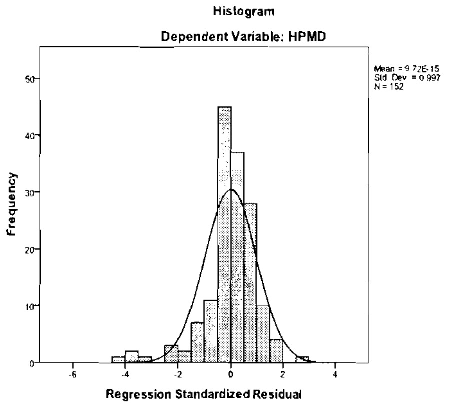


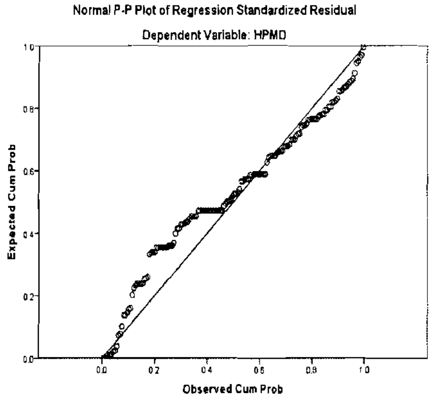
Relationship between marketing planning capability (IV) and hotel performance (DV)



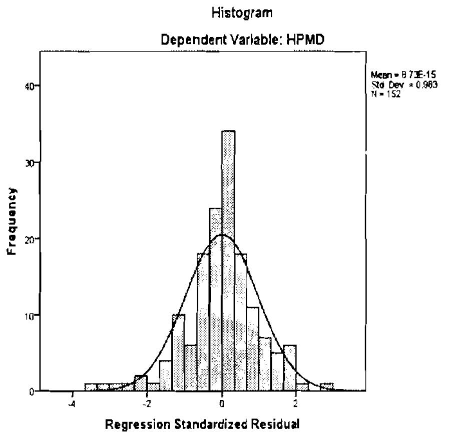


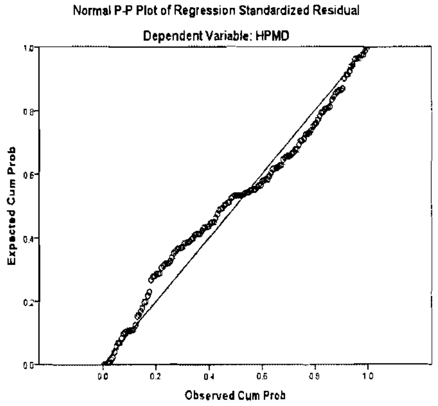
Relationship between marketing implementation capability (IV) and hotel performance (DV)



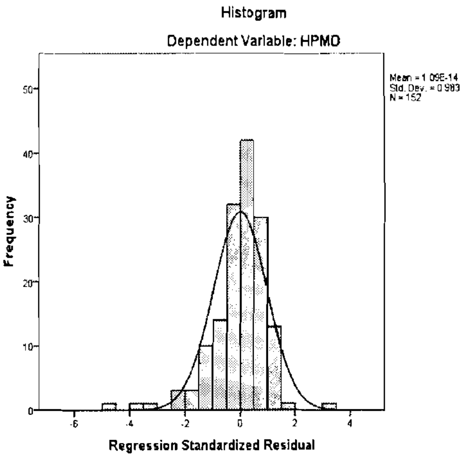


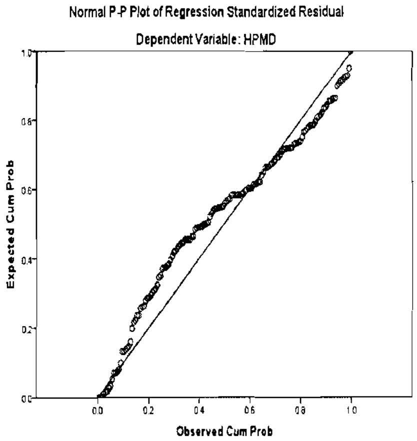
Relationship between CRM dimensions, marketing planning capability and hotel performance





Relationship between CRM dimensions, marketing implementation capability and hotel performance



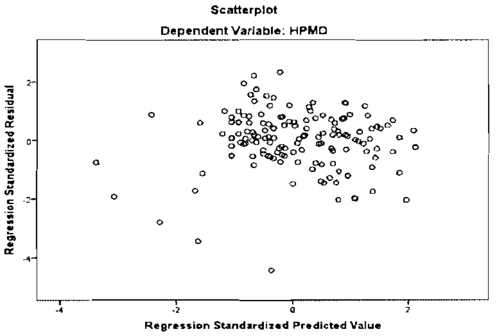


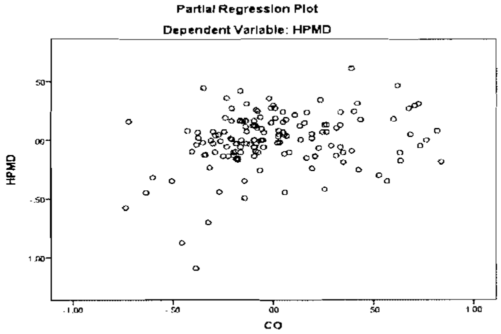
APPENDIX5:

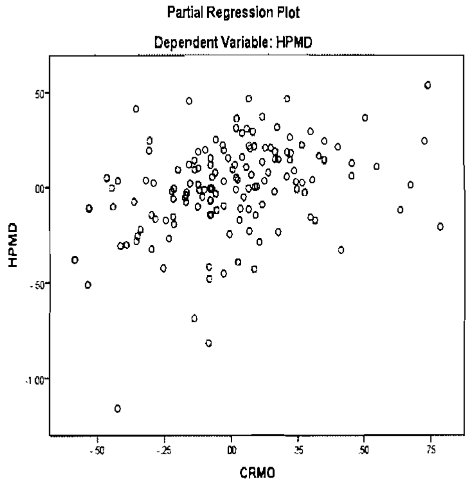
PARTIAL PLOTS

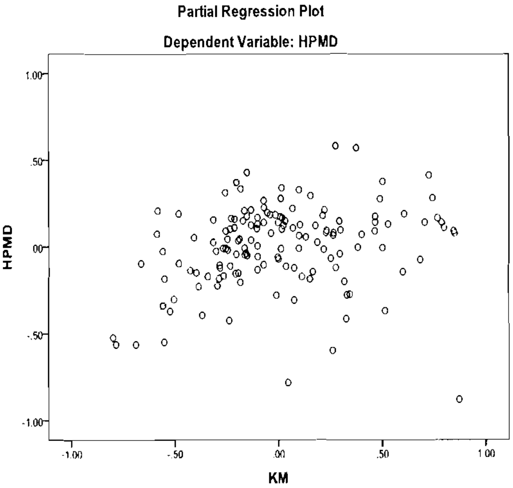
SCATTER PLOTS

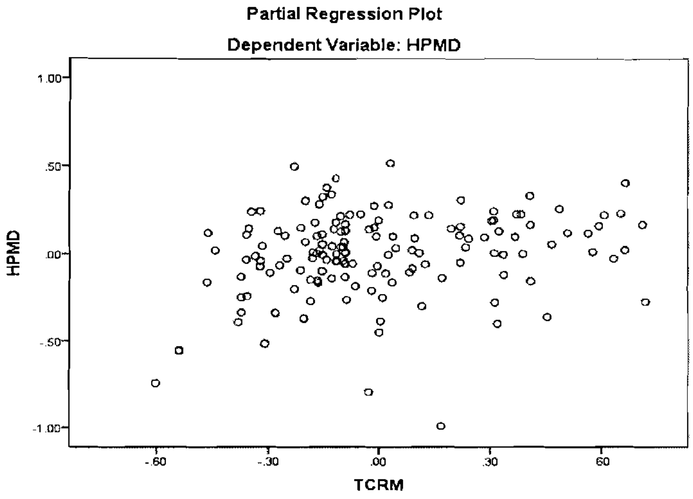
Relationship between CRM dimensions (customer orientation (CO), CRM organization (CRMO), knowledge management (KM) and Technology-based CRM (TCRM)) (IV) and hotel performance (HPMD) (DV).



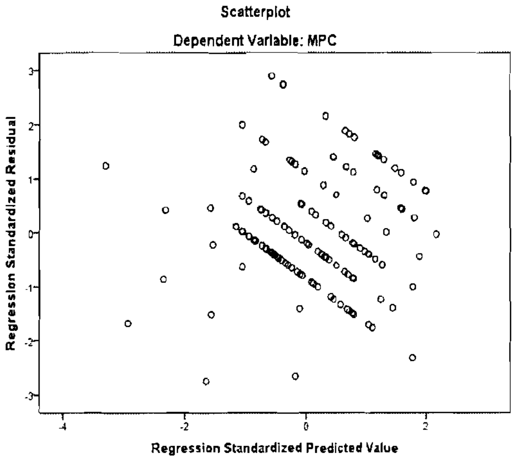


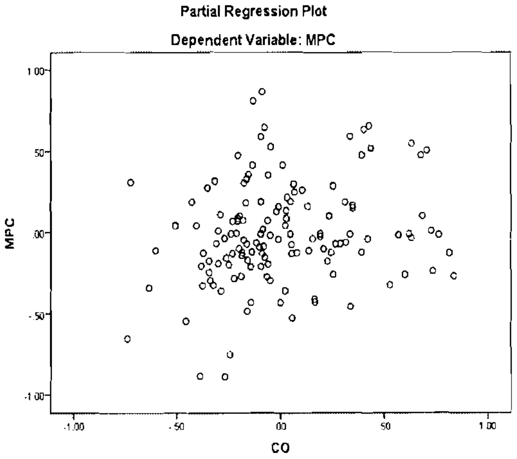


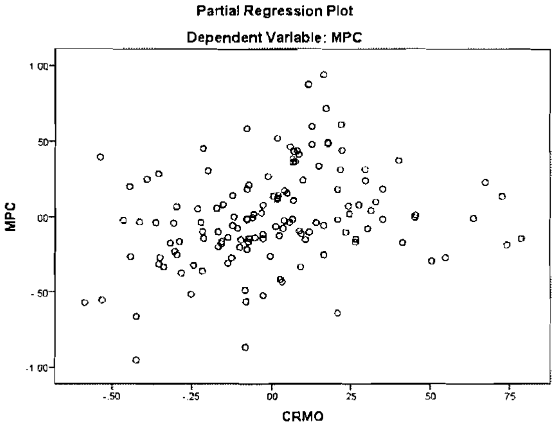




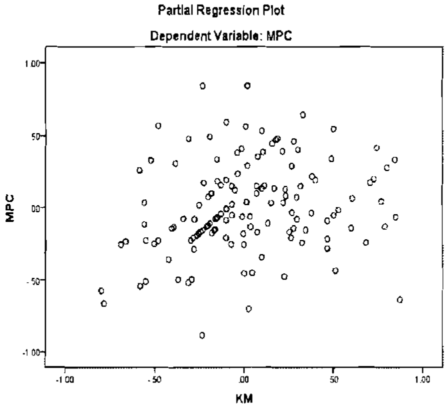
Relationship between CRM dimensions (customer orientation (CO), CRM organization (CRMO), knowledge management (KM) and Technology-based CRM (TCRM)) (IV) and marketing planning capability (MPC) (DV).



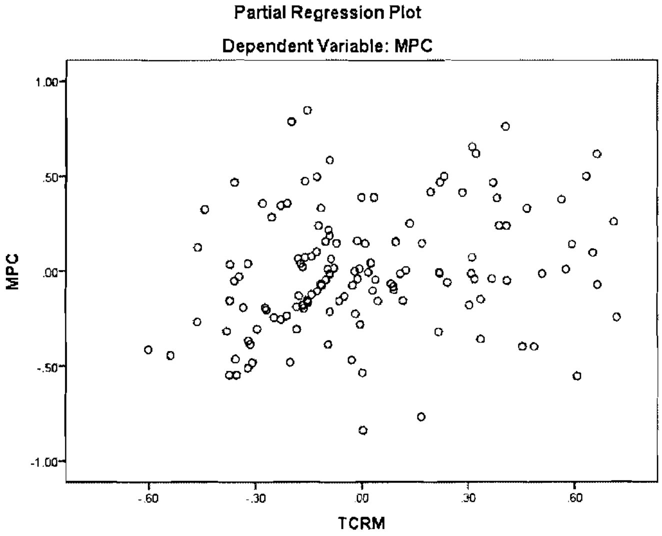



Partial Regression Plot

Dependent Variable: MPC


Partial Regression Plot

Dependent Variable: MPC

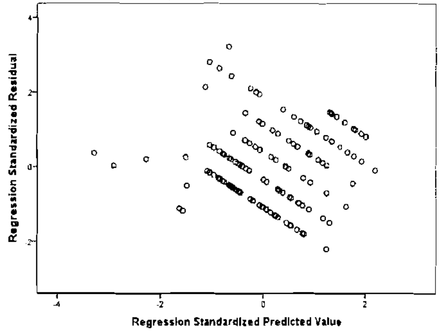

Partial Regression Plot

Dependent Variable: MPC

Relationship between CRM dimensions (customer orientation (CO), CRM organization (CRMO), knowledge management (KM) and Technology-based CRM (TCRM)) (IV) and marketing implementation capability (MIC) (DV).

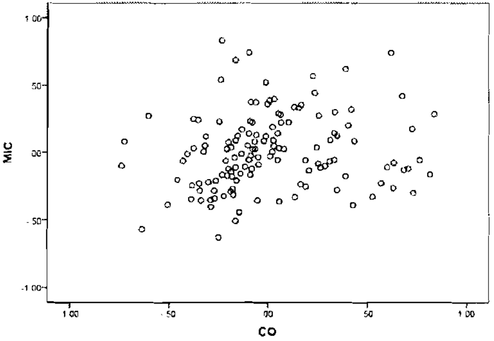
Scatterplot

Dependent Variable: MIC



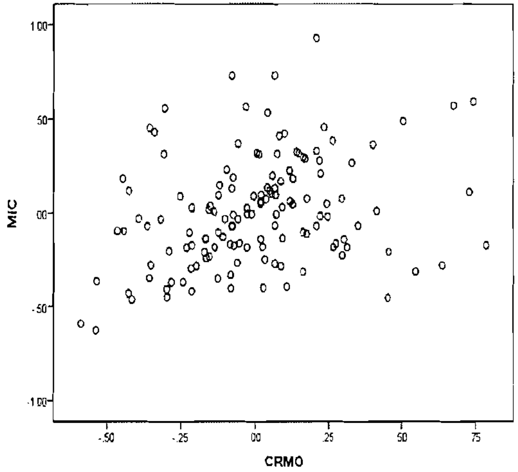
Partial Regression Plot

Dependent Variable: MIC



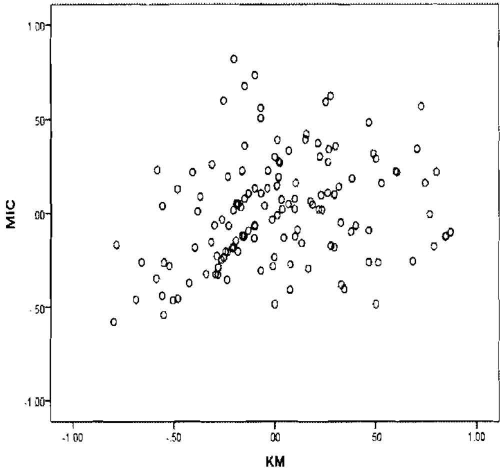
Partial Regression Plot

Dependent Variable: MIC



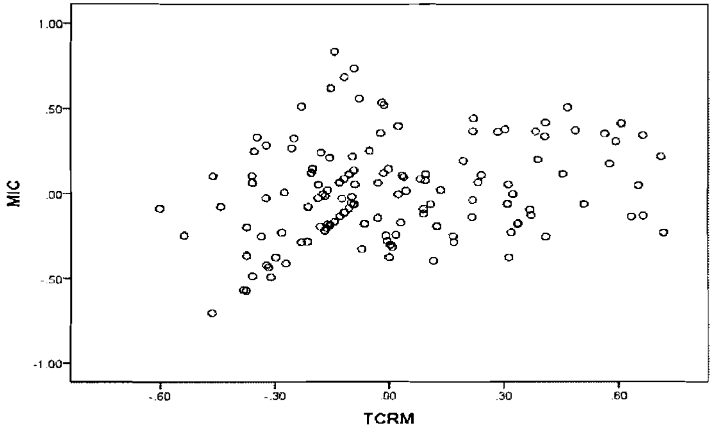
Partial Regression Plot

Dependent Variable: MIC



Partial Regression Plot

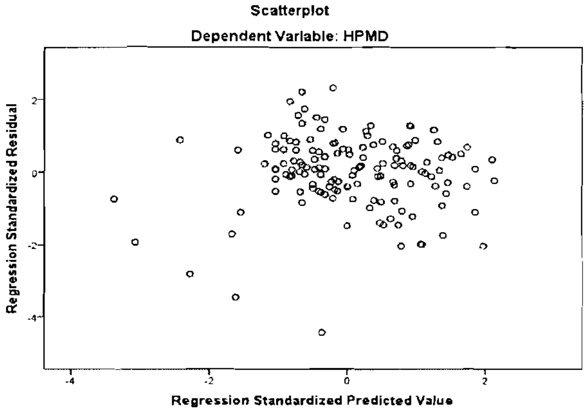
Dependent Variable: MIC



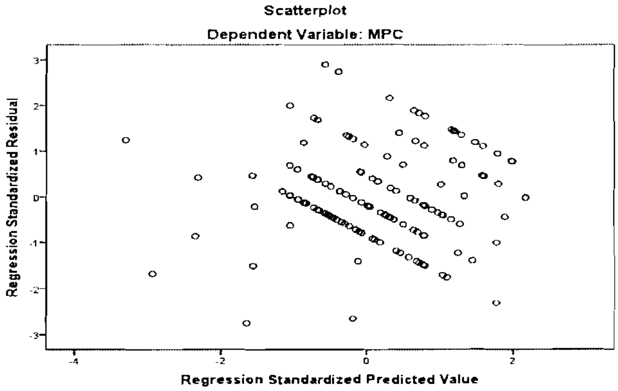
APPENDIX 6

SCATTER PLOTS

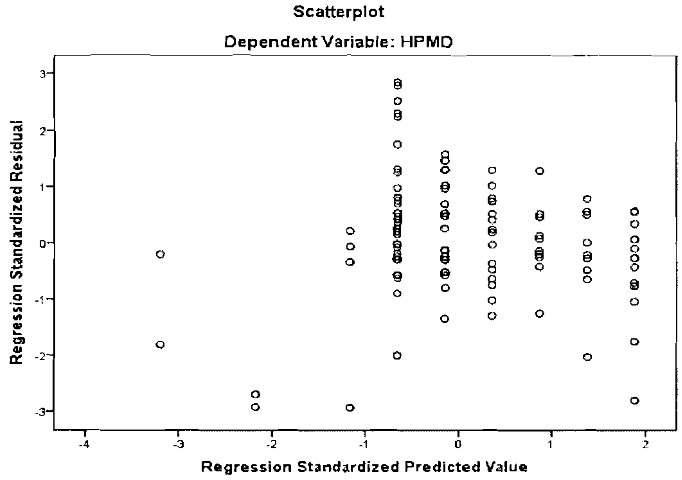
Relationship between CRM dimensions (IV) and hotel performance (DV).



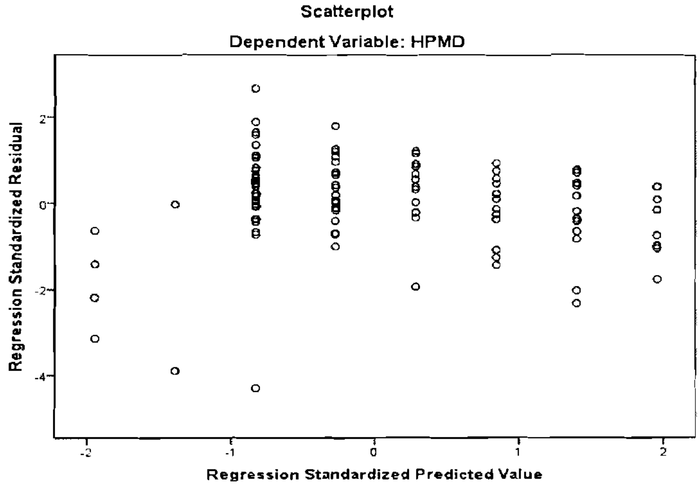
Relationship between CRM dimensions (IV) and marketing planning capability (DV).



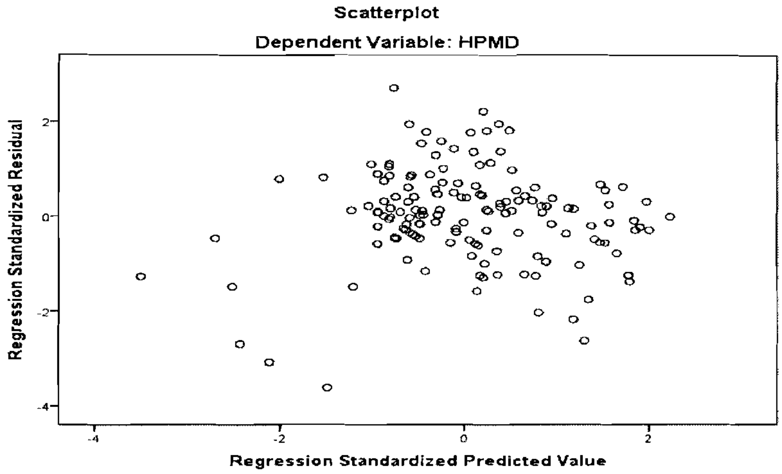
Relationship between marketing planning capability (IV) and hotel performance (DV).



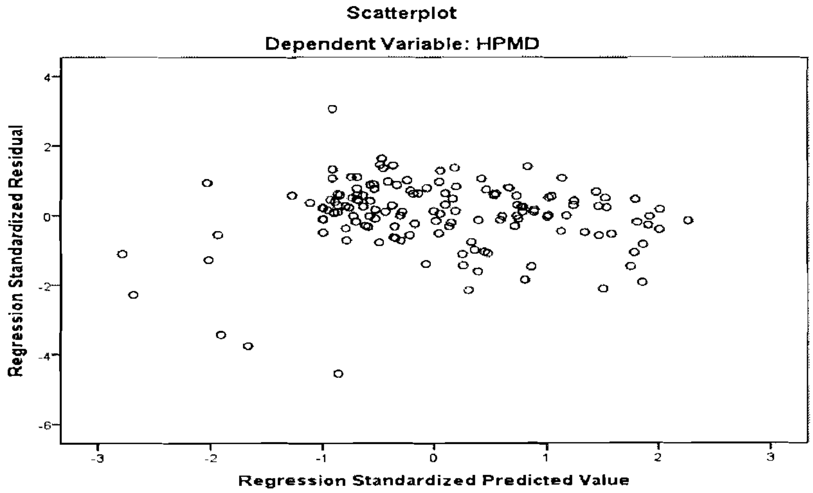
Relationship between marketing implementation capability (IV) and hotel performance (DV).



Relationship between CRM dimensions, marketing planning capability and hotel performance



Relationship between CRM dimensions, marketing implementation capability and hotel performance



APPENDIX 7:

REGRESSION ANALYSIS RESULTS

Multiple Regressions for the Relationship between CRM Dimensions and Hotel Performance

Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	TCRM, CO, KM, CRMO	.	Enter

a. All requested variables entered.

b. Dependent Variable: HPMD

Model Summary^b

					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.703^a	.494	.481	.22937	.494	35.930	4	147	.000	1.751

a. Predictors: (Constant), TCRM, CO, KM, CRMO

b. Dependent Variable: HPMD

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.561	4	1.890	35.930	.000^a
	Residual	7.734	147	.053		
	Total	15.295	151			

a. Predictors: (Constant), TCRM, CO, KM, CRMO

b. Dependent Variable: HPMD

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.608	.314		1.936	.055		
	CO	.187	.059	.224	3.159	.002	.687	1.455
	CRMO	.330	.072	.333	4.565	.000	.642	1.558
	KM	.157	.053	.206	2.979	.003	.719	1.391
	TCRM	.159	.066	.157	2.573	.011	.818	1.223

a. Dependent Variable: HPMD

Multiple Regressions for the Relationship between CRM Dimensions and Marketing Planning Capability

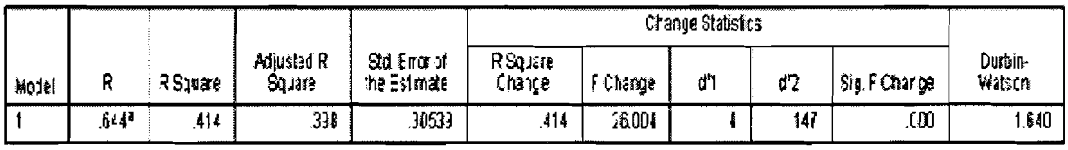
Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	TCRM, CO, KM, CRMO	.	Enter

a. All requested variables entered.

b. Dependent Variable: MPC

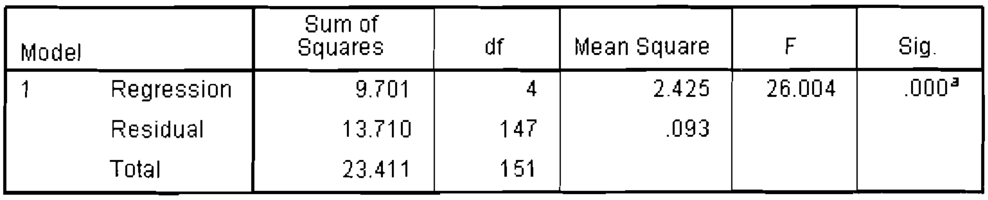
Model Summary^b



Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.644^a	.414	.398	.30539	.414	26.004	4	147	.000	1.640

a. Predictors: (Constant), TCRM, CO, KM, CRMO
b. Dependent Variable: MPC

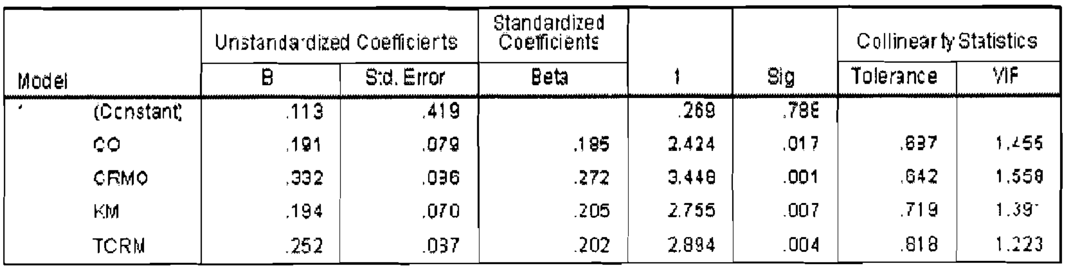
ANOVA^b



Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.701	4	2.425	26.004	.000^a
	Residual	13.710	147	.093		
	Total	23.411	151			

a. Predictors: (Constant), TCRM, CO, KM, CRMO
b. Dependent Variable: MPC

Coefficients^a

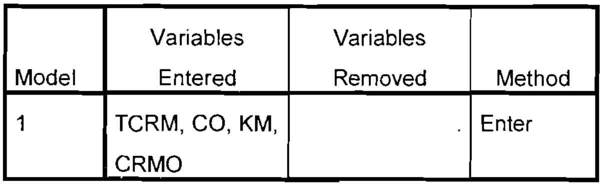


Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.113	.419		.269	.788		
	CO	.191	.079	.185	2.424	.017	.687	1.455
	CRMO	.332	.096	.272	3.448	.001	.642	1.558
	KM	.194	.070	.205	2.755	.007	.719	1.391
	TCRM	.252	.087	.202	2.894	.004	.818	1.223

a. Dependent Variable: MPC

Multiple Regressions for the Relationship between CRM Dimensions and Marketing Implementation Capability

Variables Entered/Removed[b]

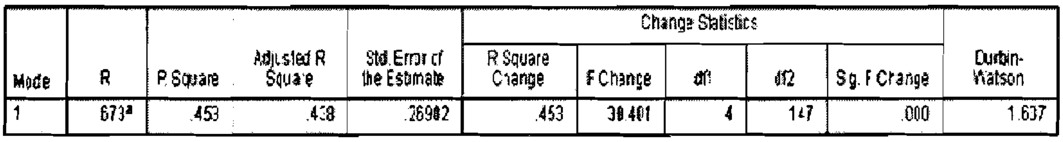


Model	Variables Entered	Variables Removed	Method
1	TCRM, CO, KM, CRMO	.	Enter

a. All requested variables entered.

b. Dependent Variable: MIC

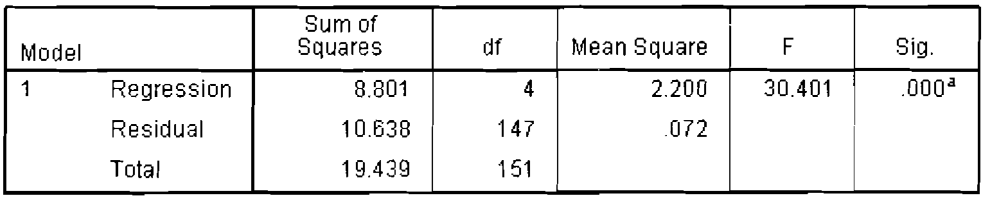
Model Summary[b]



Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.673[a]	.453	.438	.26982	.453	30.401	4	147	.000	1.637

a. Predictors: (Constant), TCRM, CO, KM, CRMO
b. Dependent Variable: MIC

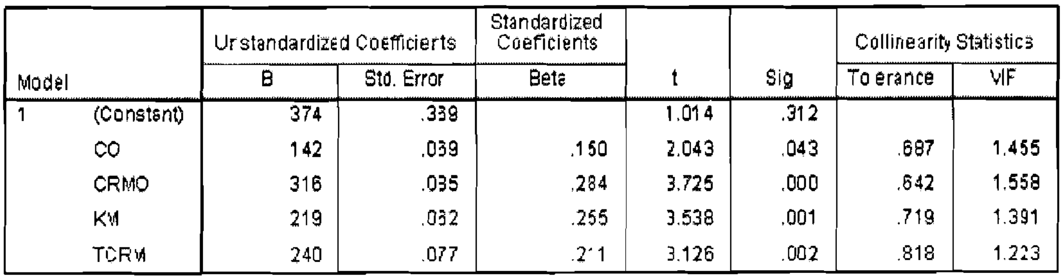
ANOVA[b]



Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.801	4	2.200	30.401	.000[a]
	Residual	10.638	147	.072		
	Total	19.439	151			

a. Predictors: (Constant), TCRM, CO, KM, CRMO
b. Dependent Variable: MIC

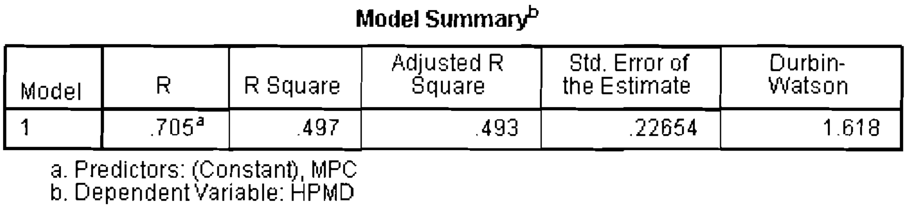
Coefficients[a]



Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.374	.369		1.014	.312		
	CO	.142	.069	.150	2.043	.043	.687	1.455
	CRMO	.316	.085	.284	3.725	.000	.642	1.558
	KM	.219	.062	.255	3.538	.001	.719	1.391
	TCRM	.240	.077	.211	3.126	.002	.818	1.223

a. Dependent Variable: MIC

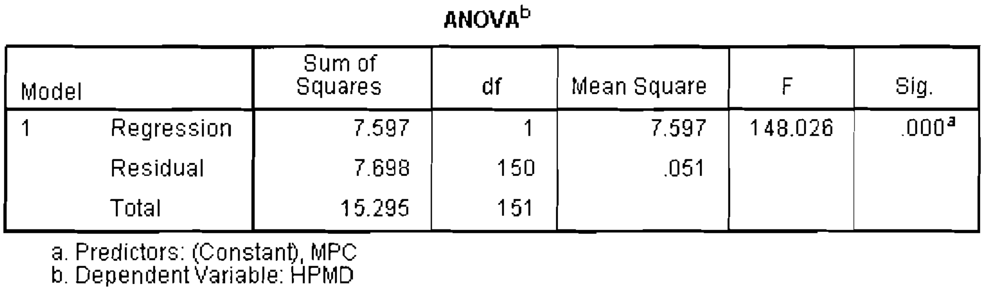
Simple Regression for the Relationship between Marketing Planning Capability and Hotel Performance



Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.705[a]	.497	.493	.22654	1.618

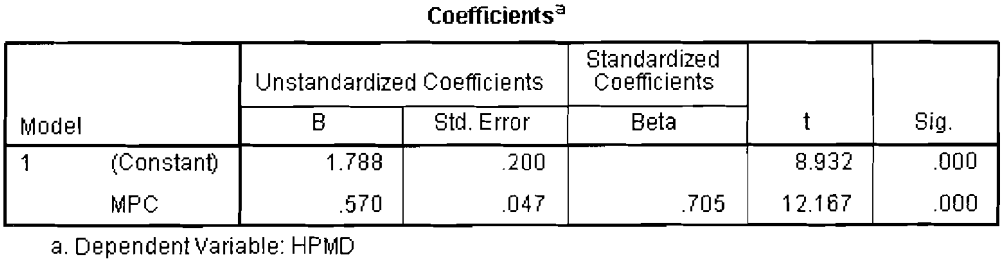
a. Predictors: (Constant), MPC
b. Dependent Variable: HPMD



ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.597	1	7.597	148.026	.000[a]
	Residual	7.698	150	.051		
	Total	15.295	151			

a. Predictors: (Constant), MPC
b. Dependent Variable: HPMD

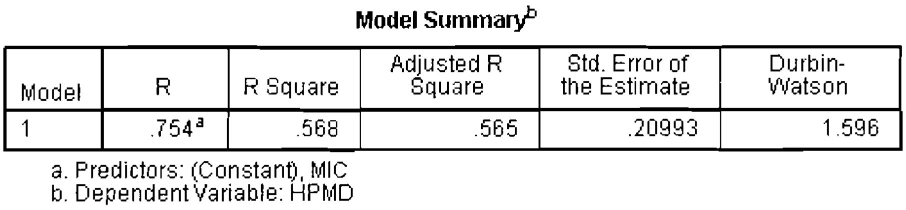


Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.788	.200		8.932	.000
	MPC	.570	.047	.705	12.167	.000

a. Dependent Variable: HPMD

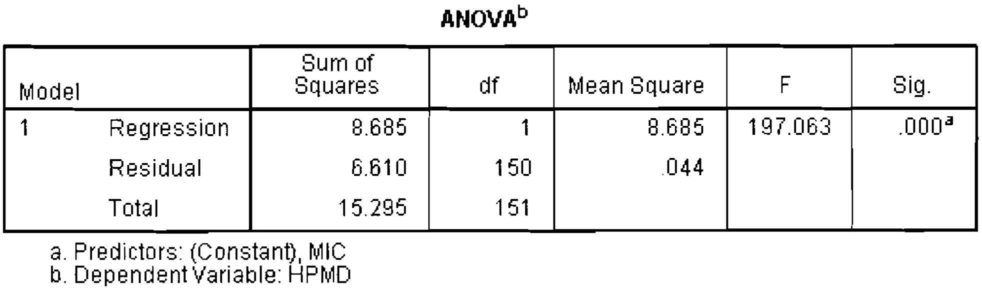
Simple Regression for the Relationship between Marketing Implementation Capability and Hotel Performance



Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.754[a]	.568	.565	.20993	1.596

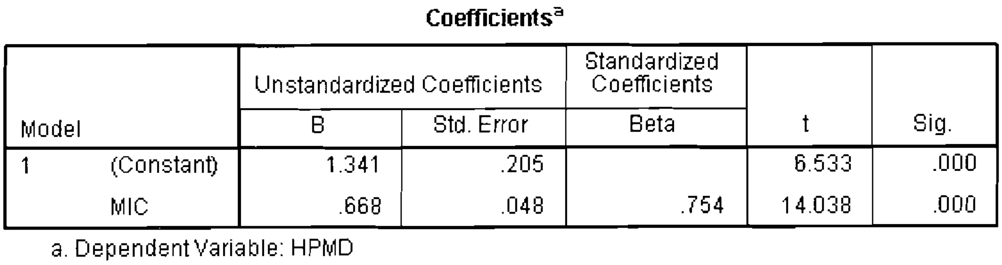
a. Predictors: (Constant), MIC
b. Dependent Variable: HPMD



ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.685	1	8.685	197.063	.000[a]
	Residual	6.610	150	.044		
	Total	15.295	151			

a. Predictors: (Constant), MIC
b. Dependent Variable: HPMD



Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.341	.205		6.533	.000
	MIC	.668	.048	.754	14.038	.000

a. Dependent Variable: HPMD

Multiple Regressions for the Relationship between CRM Dimensions, Marketing Planning Capability, and Hotel Performance.

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	MPC, TCRM, CO, KM, CRMO	.	Enter

a. All requested variables entered.

b. Dependent Variable: HPMD

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.777[a]	.604	.591	.20359

a. Predictors: (Constant), MPC, TCRM, CO, KM, CRMO

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.244	5	1.849	44.603	.000[a]
	Residual	6.051	146	.041		
	Total	15.295	151			

a. Predictors: (Constant), MPC, TCRM, CO, KM, CRMO

b. Dependent Variable: HPMD

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.569	.279		2.040	.043
	CO	.120	.054	.144	2.241	.027
	CRMO	.213	.067	.216	3.194	.002
	KM	.089	.048	.117	1.861	.065
	TCRM	.080	.060	.079	1.341	.182
	MPC	.350	.055	.433	6.371	.000

a. Dependent Variable: HPMD

Multiple Regressions for the Relationship between CRM Dimensions, Marketing Implementation Capability, and Hotel Performance.

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	MIC, TCRM, CO, KM, CRMO	.	Enter

a. All requested variables entered.

b. Dependent Variable: HPMD

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.801[a]	.642	.630	.19360

a. Predictors: (Constant), MIC, TCRM, CO, KM, CRMO

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.823	5	1.965	52.415	.000[a]
	Residual	5.472	146	.037		
	Total	15.295	151			

a. Predictors: (Constant), MIC, TCRM, CO, KM, CRMO

b. Dependent Variable: HPMD

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.436	.266		1.639	.103
	CO	.121	.051	.145	2.400	.018
	CRMO	.184	.064	.186	2.878	.005
	KM	.056	.046	.074	1.212	.228
	TCRM	.058	.057	.057	1.013	.313
	MIC	.461	.059	.520	7.768	.000

a. Dependent Variable: HPMD