E-CRM IN THE TOURISM SECTOR

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Abstract

E-tourism offers the potential to make information and booking facilities available to large numbers of consumers at relatively low cost. It enables the tourism sector to make large-scale savings on the production and distribution of print and other traditional activities such as call centers and information centers. It also provides a tool for communication and relationship development with the end-consumers as well as tourism suppliers and market intermediaries.

E-CRM and ICTs adoption is the key to the e-tourism growth. Considering the fierce market competition it is a competitive advantage and it must be seen as a new business model which enhances a customer centric culture within destination organization. In this paper I will focus on the issues related to e-CRM and ICTs and their adoption and implementation in e-tourism.

Key words: e-CRM, ICT, tourism sector.

JEL classification: L83, L86, M10.

1. INTRODUCTION

Tourism can be viewed as very different from most other sectors of e-business as the consumer goes and collects the product at the point of production which is the destination. Consequently, the tourism avoids the need to deliver products around the world.

The Internet can be considered as the last revolution in the distribution of tourism information and sales. Internet is even becoming the primary channel for business to business communication. It offers the suppliers the potential to by-pass intermediaries in the value chain and thus increases their revenue base. Consequently, new business models must be developed by tourism companies in order to manage their relationships with intermediaries and final customers. It is obvious that the application of e-business methods in Customer Relations Management (e-CRM) provides such an opportunity.

E-CRM can be defined as the translation of existing techniques for finding customers in the electronic environment. It provides products and services customized to the needs of the customers. It helps to retain customers' loyalty and attend the needs for information and support in the use of the tourism products. Many e-CRM techniques are already employed by businesses using non-electronic methods. Intelligent agent technologies, the linking of call centers to web sites, and the use of data warehousing techniques to perform detailed analysis of customer needs are among the new opportunities offered by the Internet and other advanced information and communication technologies (ICTs) (Constantelou, 2002).

KPMG's survey reflects the increasing importance of CRM within the travel industry and shows that:

- Over 80% of travel companies now view CRM as important, or even critical, to the success of their business;

- Increasing competition has galvanized travel companies' financial investment in CRM initiatives. Over a third of surveyed companies have embarked on CRM programs, while 20% of companies are planning CRM initiatives;

- CRM now matches the Internet as the primary area for investment within the travel industry (KPMG, 2001).

2. THE CHARACTERISTICS OF THE TRAVEL INDUSTRY

2.1. The travel industry value chain

Five main types of actors intervene in the traditional value chain of the travel and tourism industry:

▪ The suppliers including airlines, transportation companies and accommodation service providers;

▪ The tour operators, whose role is to pack the offerings of the suppliers;

▪ The Global Distribution Systems (GDS) which are used by other actors to manage prices and inventories in real-time;

▪ The Travel agents who are playing the role of intermediaries. They distribute travel products from carriers, receivers and tour operators to the final customer; and
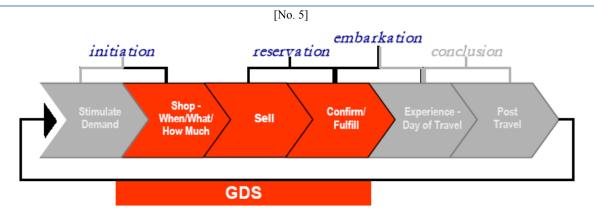
▪ The final customer or the traveler. (Constantelou, 2002)

Figure 1. Travel Value Chain
Source: Speck Eric, *New world of travel, marketing and distribution* (www.sabreairlinesolutions.com)

2.2. Providing the overall travel experience

The tourism most specific feature is its various components which are creating and delivering the overall "travel experience." Along with transportation, it includes such things as accommodations, food and beverage services, shops, entertainment, aesthetics and special events. It is rare for one business to provide the variety of activities or facilities tourists need or desire. This adds to the difficulty of maintaining and controlling the quality of the experience. To overcome this difficulty, tourism related businesses, agencies, and organizations need to work together to package and promote tourism opportunities in their areas and align their efforts to assure consistency in product quality.

Tourism is usually defined as services for people traveling to and staying outside their usual environment for not more than one consecutive year for leisure or for business purposes. It covers four main activities:

- Transportation;
- Accommodation;
- Restaurants; and
- Cultural activities and leisure.

2.3. The impact of the information and communication technologies

Considering the so-called globalization of our society and the knowledge-based information structure of the economy, information and communication technologies are tightly linked with tourism. In fact, since the implementations of the first computerized reservation systems (early 1960's), the tourism sector is one of the most extensive "user" of the information and communication technologies (ICTs). The gathering, processing and communication of information are the key to the sector.

The wide range of action and approach possibilities made available by the ICTs provoked a great change in the attitudes and behavior of both consumers and producers of the tourist's services. Sophisticated software applications are available, they are called: CRM (customer relationship management), SCM (supply chain management), ERP (enterprise resource planning), and KM (knowledge management). Nowadays, it's obvious that any advanced and experienced organization cannot survive, in our dynamic economy, without making a good use of these techniques.

CRM seems to be the most important software application to be used in the tourism sector. In combination with business intelligence software, CRM software helps firms to use more efficiently the information gathered about their customers. The analysis of transaction data, website visits, and destination information usage allow revealing behavioral patterns of tourists. Consequently, the tourism managers can better meet their customers and thus customize the offerings and services. This way it is possible to increase the profitability of loyal returning tourists.

3. TOURISM'S POTENTIAL FOR DEVELOPING COUNTRIES

Developing countries do have potential as tourism destinations. Tourism industry is a demand-driven GVC, which makes sound marketing research key in any local tourism industry initiative. Integration of developing country destinations in tourism GVC through "backward linkages" of hotels and through direct sales to tourists of primary suppliers. Standard upgrading is inevitable but difficult. Chain governance remains with lead firms in the chain (tour operators and hotel chains). Reputation mechanism may be used by consumers to press for more corporate social responsibility by leading companies.

The tourism potentials for the developing countries are identified bellow:

- Transfers capital, technology, organizational expertise, and institutions to developing countries;
- A major export earner for many developing countries and an important source of foreign exchange;
- An export sector not affected by trade barriers and opportunities for local linkages;
- Depends on natural resources(wildlife & scenery) and culture; and
- A labor-intensive industry, with opportunities for marginalized labor (http://www.sabreairlinesolutions.com/news/pdfs/001002_Speck.pdf, 2008)

Remaining competitive in the tourism industry means that the interaction with customers is the key of success. That is the reason why the tourism destinations have started to implement CRM programmers and techniques in order to match the consumer needs and to customize the offer.

4. E-CRM ADOPTION

4.1. The perceived barriers to the adoption of e-CRM solutions

According to Constantelou, the most important barriers to the adoption of e-CRM solutions are: the maturity of the market, the financial resources required and the prevailing structures and modes of practices within organizations.

Considering that the tourism industry operates with low margins, the important financial investments in the introduction of e-CRM solutions is a barrier to the adoption of these systems. For some companies the investments must be justified to shareholders and thus compensated in a reasonable period of time.

The tourism organizations culture and organizational structure is another barrier to the adoption of e-CRM solutions. The organizations are not always ready to adopt these solutions as some departments show a resistance to change and slow down the adoption. That is the reason why a common vision must be developed in order to eliminate conflicts between new and traditional sale methods.

The complexity of travel products and the periodic changes in consumer tastes and behaviors are considered as additional barriers to the adoption of e-business methods in CRM. As a matter of fact, some destinations become fashionable for a certain period of time while travelers' tastes and demands evolve over time. Consequently, the "industrialization" of tourism products is a difficult task to handle.

KPMG's survey shows that CRM adoption within the travel sector is primarily driven by three key factors:

- The industry's developing understanding of the business benefits that can be derived from CRM.
- Travel companies' increasing inability to compete in terms of price, as the profit margins within the industry are already low. A company's key differentiators, or unique selling points, will then stem from customer rather than price-focused strategies in the near to mid-term.
- The prioritization of customers retention within travel companies agendas (KPMG, 2001).

4.2. The step-by-step implementation of e-business methods

Considering all the barriers described above, many tourism organizations remain cautious in the implementation of the e-business methods. That step-by-step approach aims to take into account the company's identity and image with customers (Constantelou, 2002).

Even if e-business implies cost savings and the deepening of relationships with regular customers, some companies consider that their adoption of e-CRM solutions must follow the market and the industry circumstances which are highly impacted by unforeseeable events (e. g terrorist attacks, tsunamis, Sras).

Nevertheless, the vast majority of the tourism organizations are willing to extend e-business in their organization. They believe that as customers will get more used and confident in the Internet, they will extend the implementation of their e-business solutions. Some companies consider that the expansion of e-business is the strategic choice which would help them becoming the leading players in the online market.

Obviously the increasing maturity of the market and the sufficient number of experienced e-customers are necessary to make the Internet channel a meaningful investment for all the industry players. That is the very reason why CRM strategies are considered as "peripheral activities" to the companies which are operating in the less mature and small markets. Investment in e-CRM solutions is not their top priority as they do not expect a large number of users and thus a very scare return on investment. In spite of the fact that consumers are interested in surfing the Internet, the vast majority of e-customers still prefer the personalized service provided by travel agents. As they are overloaded with information the customers mainly rely upon human interaction with travel agents. If we consider business customers, it seems that human interaction is not going to be replaced by online services as their travel arrangements are complex and often requires the "human touch" of an experienced travel agent (Constantelou, 2002).

However, a new "web-savvy" customer emerges. This "web-savvy" customer uses the web as a rich information medium. He seeks travel information, compares prices, and then proceeds to purchase complex travel products online. That is the reason why the leading players, including airlines and tour operators, have increasingly started to offer a variety of customer services online and they are particularly successful in attracting this "web savvy" customer group indeed.

We can assess that e-business technologies have facilitated the shift in the focus of companies from supply to demand while customer retention and satisfaction are shown to have improved as a result of companies' online presence.

In order to realize productivity gains, the tourism organizations have to increase the efficiency level of their back office operations. As a matter of fact, the value of CRM initiatives depends on back office processes and the flow of information containing important customer data between the front and back offices of a company. This strategy is let as it allows the companies to focus on the key customer groups which can generate additional profits.

For the tourism industry the e-business methods help to transpose the existing techniques on to cheaper distribution channels and thus developing sales potential. However, the e-CRM solutions and ITCs must bring benefits to a supply driven market meaning that it must manage the growth and the maintaining of a stable employee numbers, automate back office and fulfillment operations, and standardize products and operations.

5. THE MACEDONIAN NATIONAL TOURISM PORTAL EXPLORINGMACEDONIA (WWW.EXPLORINGMACEDONIA.COM)

The introduction of the Internet in the early 1990s has changed the way of doing business in the tourism industry dramatically. The adaptation and strategic use of information technologies, including electronic commerce, has become a must. Due to its information-intensive nature, the tourism industry can benefit greatly from the Internet. The Internet platform offers tourism firms new opportunities to keep up with customers' expectations and gain competitive advantage by providing customers with additional value through Internet-based services.

Keeping up with world trends of e-tourism and implementing information communication technologies, improving the relationships with the current customers, new and potential customers are a necessity in order to raise a profitable on line tourism portal. The role of an Internet website has changed from a simple indication of presence on the World Wide Web (WWW) into a vital marketing and customer communication tool. Today, a website represents a new platform for customer interaction.

The continuous delivery of value to customers becomes especially vital in e-business, where your competitor is just "one click" away, so companies must strive to keep their customers satisfied. Customer satisfaction has been recognised as an essential factor affecting long-term relationships between firms and consumers in both traditional and e-business environments for the strategic importance of customer loyalty and the creation and maintenance of long-term customer relationships in the tourism industry. Profitable customer relationships, the ultimate goal of Customer Relationship Management (CRM), can be achieved by obtaining customer satisfaction.

The Macedonian national tourism portal *exploringmacedonia.com* was started as a project that aimed to take advantage of the Internet use to promote the national, cultural and natural treasures of our country.

The Portal was established in February 2005. For the past 3 years, the Portal has progressed significantly. Having in mind that Macedonia is a small country, the following statistics about this portal are really impressive:

- Over 20.000 visits per month;
- Over 200.000 impressions per month;
- Over 4100 sites with a link to ExploringMacedonia.com;
- Positioning on the first pages of top search engines;
- Electronic newsletter;
- Daily update of pages.

The Macedonian National Tourism Portal is a comprehensive one-stop-shop for all travel needs of individuals as well as tour operators. On the Portal customers can find plenty information regarding a numberless of travel areas: General info on Macedonia, Macedonian lakes and cities, cultural and archeological heritage, accommodation, eco- tourism as well as the ever so interesting "Did You Know" section, covering little-known unique information about our beautiful country. That means that it is a one stop shop for your next trip, corporate meeting or conference, or exciting thematic tour through Macedonian secluded and thrilling sites.

ExploringMacedonia.com is Macedonian official tourism portal, a site which incorporates travel information on Macedonia, Macedonian hotels, restaurants, agencies, including off- the- beaten track tours like rock art tours, various Balkan tours, cave safari, paragliding and biking tours. Here the e-customer can find information on Macedonia events, concerts, cultural and historical tours, especially about

the Macedonian pearl Ohrid and the Ohrid Lake, Mavrovo and other less known but exquisite places.

Implementing CRM brought many advantages to the portal *exploringmacedonia.com*. In Figure 2, the

Figure 2. Objectives of implementing the e-CRM system in the tourist portal *exploringmacedonia.com*

The development of the database in order to implement e-CRM stores all the information regarding the customers, and services suppliers. A linkage exists between different databases in order to automatically pass the information to the others whenever the customer's record is updated in one system. A data warehousing system straitened with data mining software is providing the needed data about customers needs and wants versus suppliers offers. In this way customer can choose the best suited offer from many recommended offers.

That database could be used to retrieve information about the past preferences (climate, season, age, income) of each individual customer in order to improve the relationship with the current customer and provide better service for the next visiting. The customer loyalty could be increased by:
➢ Customer segmentation and focused marketing campaigns.
➢ Bulk email sending of the company news and promotions. Automated envelope printing.

The appropriate use of the data stored and the e-CRM techniques will lead to more effective interaction with partners and agents. Using the new technologies information can be provided about price changes, discounts provided, prices for group visits, conjoint offers etc. Also planning could be taken on a larger scale thanks to provision of the analytical reports on partner and agent results and implementing compatible software in order to automate order handling.

goals and objectives of implementing the e-CRM system in the tourist portal *exploringmacedonia.com* are presented.

CRM will increase the manager effectiveness and help the overall planning process. Benefits like these can be provided:
➢ Automated ticket support.
➢ Forming printed documentation on different languages.
➢ Quick tour cost calculation.
➢ Registering and storing visa applications.
➢ Creating statistical and analytical reports on the company sales.
➢ Control over the agents work.
➢ Document visa.
➢ Managing business processes.

The WWW portal can be used for addressing individual needs and wants of consumers, thus creating relationship bonds between an organisation and its customers. E-CRM features in general can have a positive impact on customer satisfaction in the case of Internet-based services. E-CRM features are classified in three groups:
➢ *Contact and information, general e-CRM features* (e.g., site customisation, site search engine, mailing lists, prominently displayed mailing address and company profile, chat, bulletin board);
➢ *E-commerce features* (e.g., online shopping, online product information, product preview, links);
➢ *Post-sales support features* (e.g., complaining ability, extra parts)

During the last 3 years of web presence the portal *exploringmacedonia.com* successfully managed to incorporate several e-CRM features in order to track and retain e-customers such as multimedia, reservation, product customisation, and support:
➢ *Site customisation* (news, destination offerings and other information customised according to the customer's interest);

WEEKEND TOUR; PRICE: 119 € PER PERSON
GALICHNIK WEDDING 2007 /2/

ONE DAY TOUR; PRICE: 23 EUR PER PERSON
GALICHNIK WEDDING 2007 /1/

10:00 Going for the bride. From the bridegroom's house an entourage of over 50 in-laws goes for the bride. The entourage is led by the bajraktar (flag

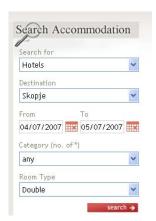Dear friends I'm informing you about this year's date of traditional Galichka wedding. It will be held on 14th and 15th of July 2007.Our arrangement will be one day (the 15th off July), when the actual

➢ *Multimedia* (information about the destination presented through moving pictures, sound and graphics, e.g., Flash animation or a streaming video);

➢ *Reservation* (booking and payment of the trip directly on the website);

➢ *Product customisation* (customised trip according to the customer's needs, e.g., ordering of a king-size bed, non-smoking room, special food or different events);

➢ *Support* (interaction with customer support personnel, e.g., the ability to submit complaints, ask questions and receive help, either directly via chat or later via telephone or e-mail).

6. CONCLUSIONS

As a conclusion we can say that the real challenge is not the implementation of technology-based CRM solutions itself but rather the adoption of the necessary technological, organization and cultural changes within the companies. Data-warehouses adoption must be coupled with customer intelligence systems. Concerning the organization itself, they must be data integration inter-departmental communication and links with distributors and resellers. With regard to the corporate culture, the organization must be customer-centric in order to provide the best service. All the ingredients would allow CRM to contribute to the productivity and profitability of the tourism organizations.

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