Cooperative Customer Relationship Management (CRM) in Alpine Tourist Destinations

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COOPERATIVE CUSTOMER RELATIONSHIP MANAGEMENT (CRM) IN ALPINE TOURIST DESTINATIONS

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Abstract

Internet technology is a major enabler for collaboration in customer-oriented processes; in this case a corporate CRM infrastructure for tourist destinations. Besides this crucial technological driver, the need for an increased customer-orientation in marketing activities through the utilization of knowledge about customers forces a change in marketing communications. This adaptation is required in a context of increased competition among tourist destinations and augmented problems of small- and medium tourism enterprises (SMTE) in handling customer-oriented processes in an electronic environment. By implementing a cooperative CRM initiative, a lacking motivation to cooperate of SMTE and technical interoperability of existing information systems, have to be considered as impedimental factors.

Cooperation in CRM between tourism organizations and service providers requires coordination on strategy, processes and systems. In the current model of collaboration in marketing campaigns, the service providers and the destination management organization determine a common understanding about the strategic objectives and their roles in the destination network. From a process perspective, it is defined how the involved actors are planning, executing and analyzing marketing campaigns. These processes are supported by an inter-organizational CRM infrastructure, consisting of analytical, operational and collaborative system components.

Keywords: CRM, Cooperation, Marketing Campaign, Destination Management Organization (DMO), Small and Medium-Sized Tourism Enterprises (SMTE)
1 INTRODUCTION

The success of tourist destinations depends to a large extent on effective relationships between destination management organizations (DMO) and enterprises. In alpine regions, these are mainly small and family-managed service providers. The use of internet technologies offers vast potential for developing a process of cooperative promotion of a region in order to attract travellers (Palmer & McCole, 2000, p. 91; Williams & Palmer, 1999). Whilst online booking and reservation services can be said to have been accepted by service providers, the ‘e-Business Scoreboard 2005: Tourism’ indicates that technologically enhanced customer relationship management (CRM) is not ‘widely diffused among the smaller firms’. However, according to an explorative study in the tourism sector in Austria and Switzerland, expenditure on electronic marketing instruments, such as e-mail marketing, is expected to increase by up to 30% from the present state. A vast potential for improvement shows up in the performance measurement of marketing communication. In Switzerland and Austria, four hotels in ten do not have processes for measuring the success of marketing activities (Post & IHA-GfK, 2006).

In addition to enterprise-specific marketing activities, cooperative marketing arrangements are quite common in tourist destinations and offer clear advantages for all involved participants. In particular, the field of web-enabled cooperation between the DMO and the local service providers is broad and cooperative initiatives to build websites for tourist destinations are often seen. What is now required are equal cooperative efforts to unleash the potentials of collaboration in CRM.

This paper is structured as follows: in the first chapter the paradigm model of grounded theory (Strauss & Corbin, 1998) and secondary data are used to develop a framework for cooperative CRM in alpine tourist destinations. The second chapter proposes a cooperative approach for marketing campaigns by addressing strategic objectives, process management and the supporting information systems. Conclusions and issues for further research conclude the paper.

2 THE PARADIGM MODEL OF COOPERATIVE CRM IN ALPINE TOURIST DESTINATIONS

The paradigm model is fundamental in helping to interlink concepts in grounded theory. The central component of the paradigm model is the phenomenon in question, which is characterized by causal conditions, context, intervening conditions, action/interaction strategies and consequences (Strauss & Corbin, 1998; Scott, 1998).

2.1 Phenomenon

In the early days, destination management systems (DMS), viewed as the common information and communication infrastructure of the DMO and cooperating service providers, consisted mainly of content management applications and reservation and booking functionalities with a web interface for customers. At present, CRM applications supporting marketing, sales and services functions are integrated in DMS. The inter-organizational nature of DMS applications enables new forms of cooperation between service providers and the DMO in the mentioned functions. In the envisioned initiative, the DMO and service providers use a corporate web-based CRM solution with centralized customer data warehouse. The use of a destination-wide CRM system brings about a standardization of processes and reengineering possibilities for existing procedures. In this case, the service providers enter into a cooperative agreement with the DMO and may decide to outsource specific CRM activities to the DMO.
To understand the growth and development of new practices in CRM in alpine tourist destinations, technological and organizational drivers are taken into account. This typology of drivers is established in previous research about similar technological innovations like Intranets (Scott, 1998) and centralized information systems in the lodging industry (Beldona et al., 2006).

2.2.1 Technological Drivers

From a technological perspective, the wide reach of the internet broadband connection ensures access to applications and data from multiple properties which are geographically dispersed. The diffusion of data transfer technologies and the development of secure technologies like SSL or VPN allow collaboration over the internet - even with heavy and sensitive data. These technological advancements led to the emergence of the hosted application model, where application service providers (ASP) deliver information systems to different customers via distant data centres (Paraskevas & Buhalis, 2002a). On the marketing side, developments in the field of database marketing, such as advanced segmentation techniques, allow firms to adopt individualized customer-oriented strategies (Peters, 1997).

2.2.2 Organizational Drivers

As in other industries, service providers in the tourism sector face the challenge of personalized customer communication. Because of an information overflow on the customer side, the relevance of marketing communication is a crucial success factor and requires innovative strategies towards a one-to-one marketing approach. Traditional mass-marketing practices lead to high customer acquisition costs and are not an adequate means for combating decreasing brand loyalty. To improve marketing efficiency, it will be crucial to build in-depth knowledge of customer needs, motivation and behaviour, in order to match demand and supply. Each campaign requires accurate definition of the target group, content customization and performance measurement (Peppers et al., 1999; Sheth & Sisodia, 2001; Sheth et al., 2000).

CRM methods are considered as strengthening customer loyalty by fostering customer relationships. Acquiring and applying knowledge about customers is critical in CRM practices, in order to improve performance (Sigala, 2005). In the context of tourist destinations, customer information is typically available at the accommodation provider level, but the lack of data management and data analysis capabilities mean that this resource remains unexploited. Profound knowledge of marketing is gathered at tourist organizations, but knowledge about the individual customer is missing, hindering a more customer-oriented approach in pro-active matching a destination's service providers and individual tourists. This data-ownership dilemma calls for “value-added scenarios based on the new potential of information and communication technologies” (Pechlaner & Raich, 2001, p. 91) to meet the market in an efficient and effective manner (Pechlaner & Tschurtschenthaler, 2003).

2.3 Context

Although CRM and cooperation in realizing it is a strong issue in different industries, we turn our attention to alpine tourism destinations. To understand the situation in alpine tourist destinations we look closer at the environmental, the organizational, and the ICT contexts. According to the technology-organization-environment framework (TOE) of Tornatzky and Fleischer (1990), factors of these three contexts may influence the adoption and the further diffusion of technological innovations.
2.3.1 Environmental Context

Together with changing market conditions, such as internationalization and the increasing mobility of customers, the commoditization of tourism products proceeds. As result of these changes, competition between tourism destinations is increasing. Without developing relationship capabilities, it is almost impossible for ‘small players’ to survive in this globalized environment (Rodríguez-Díaz & Espino-Rodríguez, 2006). It is essential for business practices in tourism in alpine regions to be adapted to the new environment in international tourism markets. To sustain competitiveness with ‘global players’ such as large, centrally managed resorts and hotel chains, it is necessary to collaborate and to support a common strategy in alpine tourist destinations (Pechlaner & Tschurtschenthaler, 2003).

In alpine regions, the tourist market is related to ‘do-it-yourself tourism’, characterized by tourists who do their own planning and book services directly with the local service providers. Accommodation providers are considered as the most important players in a tourist destination in ‘do-it-yourself’ tourism. Many hotels have an established and loyal clientele, and personal relationships between the customer and the accommodation provider play an essential role (Franch et al., 2006).

2.3.2 Organizational Context

The tourism industry in alpine destinations normally consists of lots of small and medium-sized (SME) service providers, few larger service providers, such as hotel chains, and a destination management organization (DMO). Various empirical studies indicate that SME were not able to stay apace of the new requirements, especially in the field of marketing and sales in a web-based environment. New internet-enabled marketing instruments are not widely used and the reallocation of resources to the electronic channel is hesitant (Schegg et al., 2006; Franch et al., 2006).

2.3.3 ICT Context

Tourism is often characterized as ‘information business’ (Werthner & Klein, 1999) and therefore ICT is demonstrated to be of supreme importance for the marketing and distribution activities of businesses in the tourism sector. According to research at independent hotels, lack of financial resources, inadequate knowledge or even ‘technophobia’ cause a reluctance to invest in ICT (Siguaw et al., 2000; Main, 1995; Franch et al., 2003).

The use of information systems and the analysis of customer data in CRM processes offer considerable potential for efficiency improvement. But in many small and medium-sized hotels, information is still recorded by hand on index cards, or a simple database of guests is used to record customer addresses (Minghetti, 2003). Therefore service providers seem to be unable to cope with using ICT in CRM processes and cannot exploit their potential.

In fact, destination management systems hold the potential for uniting different services and products offered by a tourist destination and presenting the destination on the web as a holistic entity (Buhalís & Licata, 2002; Collins & Buhalís, 2003; Lewis, 2002).

2.4 Action / Interaction Strategies

On the basis of the presented phenomenon, conditions and contexts, the driving interaction strategy is to establish a cooperative CRM initiative to unleash the potential of a corporate CRM infrastructure. Next to the mentioned aspects, collaboration between the DMO and the individual businesses seems valuable, because they are not competitors and follow congruent CRM objectives; e.g. strengthen the customer retention.

Strategy development includes establishing a common understanding of what the main objectives of the CRM initiative are. The customer equity concept designed by Blattberg et al. (2001) could be
taken as a starting point for developing a strategic framework. They see the (re-) acquisition of customers, using cross and up-selling potential, enhancing customer loyalty and commitment, together with raising customer satisfaction as significant means of raising profitability.

Cooperation on a process level requires a consistent design for inter-organizational planning and implementation workflows and, thus, integration of the partial processes used by the various participants. The businesses involved in the cooperation must agree on how customer-oriented processes should be implemented and how responsibilities for complete, or partial, processes should be regulated (Geib et al., 2005). On the basis of definitions of processes, requirements can then be transferred to the supporting information systems.

The key to a successful CRM strategy is in establishing comprehensive knowledge of the customer by means of a customer profile. A cooperative CRM approach requires an inter-organizational CRM system which enables integration of various sets of data and which facilitates standardization of processes. In order to automatize the integration of customer data from various participants in a tourist destination as far as it is possible, attempts should be made to implement a common data model, with a uniform customer name record, for all information systems used by tourist organizations and service providers (Geib et al., 2005).

2.5 Intervening Conditions

Intervening conditions are grouped into two sections: technological impediments and organizational impediments.

2.5.1 Technological Impediments

In addition to some security concerns, integration of customer data held in different applications at service providers constitutes one technological impediment. Every business in a destination usually maintains their own system for managing customer data. These existing applications need to be integrated within the CRM system, in order to ensure that data can be easily exchanged. Although initiatives like the Open Travel Alliance developed industry communication specifications, most of the existing interfaces need further adaptation (Paraskevas, 2001). This type of technical interoperability needs to be solved in order for efficient CRM collaboration to be possible.

The utilization of web-based applications at accommodation providers is in an early development phase and the acceptance rate is low due to certain scepticism (Beldona et al., 2006; Paraskevas, 2003). Major concern surrounds the idea that confidential data is hosted by an external server provider (Paraskevas & Buhalis, 2002b). Moreover, on the one hand, it is necessary to assure that no-one can access another's data without permission; and on the other hand, ownership of cooperatively generated data has to be clarified.

2.5.2 Organizational Impediments

Successful cooperation in CRM is primarily dependent on the human factor, i.e. the willingness and ability of stakeholders, especially of accommodation providers and tourist attractions, to participate in a joint CRM initiative. Their willingness to cooperate with DMOs is often lacking. Reasons are that, SME are not intensely engaged in networking and do not consider themselves as part of a destination network. Barriers to entering cooperative initiatives are cultural factors, on the one hand and deficient resources, such as time and staff, on the other (Evans, 1999). Essential cultural barriers are politically shaped structures in DMO which hinder efficient decision-making. Another reason for the lack of commitment to cooperation may be the absence of strategic long-term goals (Pechlaner & Tschurtschenthaler, 2003).
2.6 Opportunities

The most significant factor is increasing the occupancy rate through returning guests, as the result of individualized marketing. Best practice can be found at international hotel chains, where content of marketing campaigns is based on customer’s socio-demographic and behavioural characteristics (Siguaw & Enz, 1999).

Small and medium-sized tourism enterprises (SMTE), which typically lack specialized resources in the web-based CRM domain, may profit from a specific DMO’s experience by integrating CRM processes using inter-organizational systems (IOS) within their own business processes. Outsourcing the maintenance of the CRM system and specific customer-oriented tasks to tourist organizations enables smaller firms to concentrate on their own core competences and offers the best chance of improving their efficiency.

The implementation of an inter-organizational CRM system facilitates standardizing processes and enables the establishing of a broad knowledge about customers. A centralized approach facilitates CRM at the destination brand level. Successful CRM initiatives at brand level can be found at international hotel chains (Piccoli et al., 2003; Magnini et al., 2003).

Figure 1. Framework for cooperative CRM in alpine tourist destinations (in accordance with (Scott, 1998; Strauss & Corbin, 1998)).
3 A COOPERATIVE MARKETING CAMPAIGN MANAGEMENT APPROACH

In CRM, in establishing and fostering customer relationships, the focus is on customer orientation. In addition to sales and service activities, marketing plays a central role in this. In marketing, the campaign itself is of particular significance, because it is the use of well-planned, targeted, customer-oriented communication activities which achieve the strategic marketing objectives (Englbrecht et al., 2004).

According to business engineering approaches, designing a cooperative marketing campaign approach affects the strategy, process and system layers. Processes are considered as the link between strategy and systems development (Österle, 1995; Hammer & Chamy, 1993). In the following three chapters these pivotal elements of collaborative business are described in connection with campaign management.

The presentation of the cooperative marketing campaign management approach is related to a CRM initiative in an alpine tourist destination in Switzerland. The intended strategy and processes are of normative nature and will serve as a guideline to realize the collaboration between the DMO and the individual service providers. The facilitating IT infrastructure is already in place and is described in the last paragraph.

3.1 Strategy

In redirecting marketing campaigns, there are two strategic directions of impact: on the one hand, the aim is for greater individualization of marketing activities with regard to the customer; and on the other, the aim is to encourage cooperation between tourist organizations and service providers, and between the service providers themselves.

The main objective is to approach customer's needs individually and to direct campaigns at specific target groups (Meyer et al., 2001). In contrast to transaction marketing and according to the relationship marketing, it is of importance to achieve interactive and individualized customer contacts (Grönroos, 1994). In order to enhance the relevance of the content which is being communicated, ideally the people to be targeted by a marketing campaign should be selected in accordance with their preferences.

Given the background of the legal framework conditions for direct marketing (DSG, 2000) and the low level of acceptance with regard to unsolicited marketing messages, all direct marketing activities follow the permission marketing approach. Only expressly requested information is sent out to the customer and they can revoke consent at any time (Krishnamurthy, 2001).

The process of campaign management is supported by an inter-organizational CRM system. The possibility of inter-organizational use of the system lends itself to cooperation between the DMO and service providers. The aim of this cooperation is to increase the commitment of the customer to the destination as whole, by communicating a holistic picture of the various tourist services offered by the destination, thus strengthening its image and brand. To achieve this, various independent service providers need to participate (Go & Govers, 2000). The tourism organization takes on the role of system provider and coordinates campaign management, and thus becomes a primary marketing partner for the service providers. Duplication in the implementation of processes and redundancies in establishing systems should thus be prevented. These are currently the main problem areas, due to the fact that the roles played by the businesses which are involved in the cooperation, and their areas of responsibility, have not been clearly defined. Responsibility assignment on the basis of core competencies may enhance the professionalism of service provision and reduce costs by means of economies of scale.
3.2 Processes / Organization

Preparing a marketing campaign comprises planning the partial processes, implementation and analysis. During the planning phase, the objectives and the corresponding performance indicators for assessing success are defined, together with the schedule for implementation, content and areas of responsibility. Operative implementation of the specifications from the planning phase then follows. Amongst other things, this includes customer selection and drafting of content. In conclusion, the campaign content is communicated and the response is assessed. Evaluation of the response serves as a means to determine the success of the individual measures and contributes towards the consistent improvement of campaigns and to increasing their efficiency. The aim of a campaign is to generate customer contacts, which are called leads (Schumacher & Meyer, 2004; MacPherson, 2001).

Deciding on the organization of implementation is fundamental in defining campaign management processes in the context of tourist destinations. Realization of campaigns can be either centralized and undertaken by the tourist organization, or decentralized and undertaken by the single service providers. According to Holmsen et al. (1998), with regard to tourist destinations three different campaign organization models can be identified: centralized campaign planning, implementation and evaluation; a decentralized model and a cooperative approach. The characteristics of the centralized and the decentralized variations are summarized below, whilst the cooperative approach is described in detail.

- In the case of the centralized approach, the entire marketing campaign is handled by the tourist organization. They declare themselves responsible for the planning, implementation and analysis of the campaign. Characteristic for this approach is the clearly defined hierarchy, in which the tourist organization plays the main role, conducting the campaign on behalf of the independent service providers.

- In the case of the decentralized variation, there is no central coordination or support in implementation of the campaign. All assignments are undertaken by the service providers. This form of organization can have positive innovative effects for campaigns; but it also means that each service provider needs to establish parallel development, implementation and analysis capabilities. A further disadvantage in this case is the fact that it is primarily the relationship between the customer and the service provider which is fostered; strengthening the destination's brand receives little support.

In the case of standardized campaigns, planning tends to be rather for the long term; whereas in the case of situation-related campaigns, preparing any action which is to be taken tends to be more short-term. Service providers which are participating in the cooperative system are then invited to take part in the campaign once planning is concluded. If there is willingness to participate, the service provider makes their customer database available for selection of customers and gives the tourism organization specific content relating to the business. During the subsequent campaign implementation, the target group is selected from the portfolio of customer data. The analysis of the service providers’ customer databases by the tourism organization represents a legally valid processing of personal data and is governed by directives. The principal – in this case the service provider – maintains full power of disposal and determines the type, scope and purpose of the data analysis (Isensee & Moos, 2003). After the content of the campaign has been collated and the key figures for determining its success have been identified, the campaign is launched. Customer response to the campaign is systematically recorded and serves as the basis for evaluations. The participating service providers are then informed of the final success analysis.
Figure 2. Cooperative marketing campaign process (following (Schumacher & Meyer, 2004; Merzenich, 2005))
3.3 IT Systems

The basis for a campaign management system is a multi-tenant database in which customer-related data from service providers and the tourist destination are stored. Currently existing records of customer data can by imported into the system either directly, or with the help of adaptation. All relevant customer data is stored in the database. The aim is to build up a comprehensive picture of a customer using demographic data, booking behaviour information and customer interest data. Constructing the profile takes place either manually, by entering personal data; by importing data from existing databases; or automatically using click-tracking from the newsletter or the website.

Each principal (service provider or tourism organization) can only access their own customer data. Although the tourism organization is responsible for operating and maintaining the entire system, they do not have access to service providers' customer data without express permission. All the principals are regarded by the system as having equal rights. However, by means of agreements between the principals, the respective customer data can be used for joint activities. That is the case, for example, when service providers participate in a campaign launched by the tourism organization. In the case of this type of cooperation, the tourism organization simply processes data; they may not transfer data into their own database.

The campaign management system supports the planning of marketing activities by defining parameters such as target group, content, or schedules for the individual campaigns, and the service providers which could be invited to participate. The system supports development of a campaign using existing design templates, with which new campaigns can be more efficiently prepared. The campaign content is compiled in the form of blocks in a separate design template and linked with suitable keywords. The system compares these keywords with the available customer information and generates personalized content for each customer in the target group. In addition to obtaining further information on customer interests, the relevance of individual articles or offers can be determined using click-tracking.

4 FURTHER RESEARCH

The acceptance of the designed cooperative approach of campaign management by local operators depends largely on their understanding of the potential role to be played by new technologies in the creation of new demand and the cultivation of relationships with returning visitors, and willingness to coordinate promotional activities in a larger scheme of destination management. Therefore it is quite interesting to explore factors which determine the intention of cooperating in CRM and, in particular, in campaign management.

5 REFERENCES


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