A study on the effectiveness of Relationship Marketing on Customer Loyalty during COVID in 5-star hotels in Pune

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Abstract - The hotel industry in India and worldwide has been drastically affected due to the COVID-19 pandemic. Businesses had to be shut down because the revenue generation had been greatly impacted. However, when the first wave of the pandemic subsided and things seemed to be going back to normal, the businesses could see a ray of hope for their existence. Even so, the new normal was a lot different than the "pre-pandemic normal". A lot of changes had to be made in order to attract the customer and ensure them their safety and only by doing so the customers could be retained and the business could flourish.

For the hotel industry, safety and hygiene has had to be put as the priority above everything else because no customer would want to go a hotel which did not follow the safety norms. But just the changes in the safety and hygiene protocols were not enough to attract the customer. The hotels have had to change their marketing approach too. For any business, and especially for the hotel industry,customer loyalty is the key to success in the overly competitive market environment. One of the key components that helps gain customer loyalty is relationship marketing.

This paper is going to analyze the changes in the relationship marketing strategies, the importance of those strategies, and the effectiveness of those on customer loyalty during the pandemic.

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INTRODUCTION TO RELATIONSHIP MARKETING

The concept of relationship marketing was first introduced by an American marketing scholar, Berry. In 1983, in a conference about the field of service marketing, Berry laid forth the argument that relationship marketing is a marketing activity for enterprises to obtain, maintain, and promote effective relationships with customers.

To put it simply, relationship marketing is a form of marketing developed to create, maintain, and enhance strong and valuable relationships with customers and other stakeholders of the business. It is based on the assumptions that the customers need focus and continuous attention to improve business performance.

Relationship marketing is all about making long-term associations with the target customers. It is about catering to the ever-changing needs of the customers and keeping them happy. Relationship marketing has to be in synchronization with the company's vision and ideation. The customer should genuinely enjoy their connection to the company and the brand.

With the growth of the Internet and mobile platforms, relationship marketing has continued to evolve as technology opens more collaborative and social communication channels that go beyond demographics and customer service data collection. Relationship marketing uses information from several generations of customer relationship management stored in software that tracks and analyzes each customer's preferences and activities. Various web applications and software have been developed to help track consumer behaviour. Making use of software that helps with keeping a record of past consumer behaviour patterns helps to build consumer shopping profiles and then use it to predict the consumer's likely preferences. The predicted preferences can further be offered through cross-selling, email recommendations, and various other channels.

Scope of Relationship Marketing

Relationship marketing has been heavily influenced by Business Process Re-engineering [(BPR) is a business management strategy that focuses on the analysis and design of workflows and business processes within an organization]. According to BPR theory, organizations should be structured according to complete tasks and processes rather than functions. Cross-functioning teams should be responsible for a whole process from beginning to

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end rather than having the work go from one functional department to another.

Traditional marketing uses the functional department approach where the different stages of production are handled by different departments. Relationship marketing, on the other hand, is cross-functional, organized around processes that involve all aspects of an organization. Some commentators prefer to call relationship marketing "relationship management" because it involves a lot more than just what is included in general marketing.

Martin Christopher, Adrian Payne, and David Ballantype at the Cranfield School of Management claim that relationship marketing has the potential to forge a synthesis between quality management, customer service management, and marketing.

Importance of Relationship Marketing

Relationship marketing is the essence of today's competitive business environment. Maintaining relations with the customers, enhancing their experience is equally important as just creating new customers for an organization.

One of the major challenges faced by high-performance companies is creating and maintaining operable businesses in the ever-changing market. Organizations need to recognize the core values of their business and create strategies to maintain a viable fit between their stakeholders, processes, resources, and organizational capabilities and culture.

In order to create customer satisfaction, companies must manage their value chain as well as the whole value delivery system in a customer-centred way. The goal of a company is not only to gain customers but also to retain them and create loyalty. Relationship marketing provides the key to retain customers and create structural ties with them. Companies need to decide how much they would like to invest in relationship marketing into different market segments and individual customers. A lot depends upon the estimation of customer lifetime value against the cost required for customer acquisition and retention.

Pros and Cons of Relationship Marketing

Relationship marketing, as good as it sounds, comes with its pros and cons.

Some pros of relationship marketing may be as follows:

1. **Increase in Sales Volume:** Once the customer experience is enhanced it would mean that upselling and cross-selling of goods and services becomes easier. This will ultimately increase the sales volume.

2. **Low Advertisement Cost:** Successful relationship marketing would mean long-term retention of customers which, in turn, would gain repeat business for the organization. Hence, the efforts for customer acquisition would be reduced and the cost of advertisement would reduce as well.

3. **High Profit and Better Price:** Satisfied customers tend to bargain less and are ready to pay a fair price for the goods and services. This, in turn, will increase the profit margin for the organization.

4. **Creates Brand Image:** Happy and satisfied customers will spread the word and promote the product and service among their own circle of friends and family. This word of mouth shall create a strong brand image for the organization.

5. **Customer Retention:** Customer retention is not an important thing for an organization. Meeting the customer needs, creating value for the customers, and gaining repeat business is essential which is made possible through relationship marketing.

6. **Gaining a Competitive Edge:** A loyal customer feels comfortable buying goods and services from a single store rather than going around to various places. This is beneficial for the organizations over their competitors.

Some cons of relationship marketing may be as follows:

1. **New customers are treated as a secondary commodity:** By implementing relationship marketing, a brand and/or business first focuses on retaining and supporting the current and existing customer base. This, sometimes, results in overlooking and ignoring the new, potential customers.

2. **Risk of spread of negative information:** In today's era, everyone is connected to each other through the internet. Each day, there is a huge amount of information shared with each other over various platforms. This is why it would only take one negative experience to be shared with others that will cause this type of marketing to fail. Many customers are focused on immediate and short-term values. If a company fails to provide those short-term values, then those customers will not look at long-term benefits. Along with that, the dissatisfied customer will share their experience which will spread negative word about the brand and this is going to lead to a loss of potential customers as well.

3. **Involvement of High Cost for Training and Software:** To ensure the effectiveness of relationship marketing, it is required to

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recognize the different cultural elements. For this reason, the employees need to go through stringent training processes. The high costs related to relationship marketing generally arise from the recruitment and proper training of the staff. Furthermore, relationship marketing is not just limited to customers and businesses; it has further expanded to maintaining relationships with other stakeholders who have different levels of integration and different ways of operation. This has led to further complexities. The organizations recognizing these complexities are utilizing integrated Relationship Management software to simplify their business operations and effectively manage multiple relations. Acquiring these kinds of software and technologies contributes to ongoing operating costs for the organization.

Importance of Customer Loyalty

For many businesses, new customers are harder to convince because they are not familiar with the products and services offered by them. The strategies need to be more funnelled and with extra effort.

Identified and loyal customers, on the other hand, are efficiently dealt with and spend 67% higher than the new guests.

Following are some reasons why customer loyalty is important:

1. **Business Growth:** A lot of businesses, through various experiences, have concluded that acquiring new customers and converting them into loyal customers is expensive compared to maintaining relationships with loyal customers. The more the business focuses on maintaining a loyal customer, the easier it is for that business to grow.

2. **Higher Profits:** Loyal/Repeat customers bring more Return on Investment (ROI) as compared to the new customers who first need to be acquired with chances that they may never be converted into loyal customers. The efforts and resources spent on loyal customers may be less but they are more proactive in terms that they provide feedback and spend more than the new customers.

3. **Higher Conversion Rate:** According to statistics, loyal customers can convert at a rate of 60% to 70% as compared to the conversion rate of a new customer, which lies in the range of 5% to 20%.

4. **Effective Planning:** Marketing teams identify and stay in touch with loyal customers for feedback. This feedback is essential for the prediction and planning of budgets and strategies.

About the Research

The COVID-19 pandemic has been quite a tough time for every business industry. The hotel industry, without a doubt, was greatly affected but was also one of the industries that were revived almost instantly when things seemed to be going back to normal. In order to retain customers/guests, the hotels use different strategies of relationship marketing to increase customer loyalty towards their brand. During the pandemic, the hotel industry suffered a great loss and had to put all its efforts into retaining its already existing customers and work even harder to acquire new ones. This study intends to shed light on the importance of relationship marketing for the hotel industry during the COVID-19 pandemic. Along with the importance, the effectiveness of the strategies to earn customer loyalty will be discussed.

LITERATURE REVIEW

Jagdish N. Sheth and Atul Parvatiyar (1995)state that the "relational orientation to marketing existed until the early years of industrial development. It was only when mass production led to an oversupply of goods that marketers became transaction-oriented". It was observed that the relational perspective in marketing has re-emerged due to the return of direct producers to consumer marketing.

NagasimhaKanagal (2009) reveals that relationship marketing practices in hotels include loyalty programs, frequency marketing, and tie-up with credit card companies, database marketing, direct marketing, guest relationship program, preferred partner programs, direct mail, newsletter, food festivals. Relationship marketing is merely a supporting pillar that provides a competitive edge to the companies only when the quality of the products and services is good, along with excellent operations and a great service delivery backing it up.

Adrian Payne (1994) enunciates that the key to success for a business in the service sector is paying attention to—and retaining—the existing customers. Relationship marketing is the ladder of progression that is going to convert a prospect into a customer, then into a client. This ladder of relationship marketing further turns a client into a supporter, to an advocate, and finally into a partner.

Lenna Nitin Fukey*et al.* (2016)state, "relationship marketing is a topic that extensively deals with customer loyalty". Relationship marketing aims to earn the customer's loyalty, convince them to keep buying further products from the company, and recommend others to do the same. This is achieved by satisfying the customer's needs. Relationship marketing is an essential marketing strategy that needs to be used with every product and service, in today's scenario, for the "parent company" to remain successful in the competitive market environment.

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The effects of relationship marketing in the business world are clearly visible.

R. Wangchan and T. Worapishet (2019) describe the factors that affect customer loyalty (in the hotel business). The factors that they talk about are as follows:

1. Hotel Location: It has been explained that if the guest is satisfied with the hotel's location, they will be satisfied with their stay to a certain level, and in turn increase their loyalty towards the hotel. It is important to provide adequate information about the prime location of the hotel such as nearby tourist attractions, necessary facilities in the surrounding area, usual traffic situations around the hotel, and local transportation facilities.

RESEARCH GAP

Through the literature review, it has been discovered that there have been various papers based on the impact of relationship marketing on multiple aspects; however, there has been no study conducted during the times of the COVID-19 pandemic. This study intends to explore the impact of COVID-19 on customer loyalty towards a 5-star hotel in Pune. Along with that, this study will also examine whether the past efforts put into retaining customers have been effective or not. The current scenario of the pandemic has caused hotels to change their strategies and the effectiveness of those new strategies will also be analyzed in this paper.

OBJECTIVES OF THE STUDY

- To understand the relevance and importance of relationship marketing (RM) for 5-star hotels.
- To understand the impact of the COVID pandemic on customer loyalty.
- To examine the effectiveness of RM on customer retention and acquisition during COVID.
- To know the most effective RM strategies for customer retention during the COVID pandemic.

SCOPE OF THE STUDY

- This research aims at finding out the effectiveness of relationship marketing on customer loyalty during the COVID-19 pandemic.
- This study is specifically conducted on 5-star hotels in Pune.
- The data will be collected from the employees of 5-star hotels in Pune and from the consumer base in Pune who visit the 5-star hotels.
- This study will explore the importance of relationship marketing and customer loyalty.
- This study will find out the various strategies used by 5-star hotels to retain their customers and also to gain new ones.

- The respondents were given enough time to fill out the structured questionnaires.
- This research is descriptive in nature.

RESEARCH DESIGN

This study has the descriptive research design. It helps answer questions of "who", "what", "how", "when", and "where" associated with a particular research problem. Descriptive research is used to obtain information concerning the current status of the phenomena and to describe "what exists" with respect to variables or conditions in a situation.The sample size consists of people living in the Pune region and the employees in 5-star hotels in Pune. The sample size can be categorized thus—54 people (citizens) of Pune and 22 employees from 5-star hotels in Pune. The type of sampling used was c convenience sampling. The data required for this study were collected in two methods: Primary and Secondary.In this study, the primary data was collected through a structured questionnaire administered to 54 citizens of Pune and 22 employees of 5-star hotels in Pune.Secondary data is one which is already in the records and used in the past. The secondary data for this study was collected from various research papers published on reliable sources on the internet, blogs, articles, and government websites.The data collected were classified and tabulated with the help of some statistical tools. Those are:

- Percentage analysis
- Pie-chart and bar graphs (used to explain the tabulated data)

LIMITATIONS

- This research is limited to the region of Pune city.
- Extensive research could not be undertaken due to time constraints.
- The lockdown due to the pandemic has been a huge obstruction. Many hotels had to stop their operations and were unable to participate in the survey.
- Not all the 5-star hotels in Pune have been recorded in the data collection. The responses could only be collected from four 5-star hotels in Pune.
- In the case of the employees from the 5-star hotels, the fear of expressing detailed facts may be a limitation.
- The data was collected only from a particular category of hotels and from a particular region; hence, it may not represent the status of the entire industry and nation.

DATA ANALYSIS AND INTERPRETATION

Q1. Age:

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Sr. No.	Options	No. of Responses	% of Respondents
1	18-30	40	74.1
2	31-40	1	1.9
3	41-50	10	18.5
4	51-60	3	5.6
5	Above 60	0	0

Q2. Gender:

Sr. No.	Options	No. of Responses	% of Respondents
1	Male	29	53.7
2	Female	25	46.3
3	Prefer not to say	0	0

Q3. Have you visited any 5-star hotels in Pune?

Sr. No.	Options	No. of Responses	% of Respondents
1	Yes	41	75.9
2	No	13	24.1

Q4. If "Yes" then state the name of the hotel:

Sr. No.	Options	No. of Responses	% of Respondents
1	Conrad, Pune	7	17.1
2	Sheraton Grand, Pune	5	12.2
3	JW Marriott, Pune	15	36.6
4	The Ritz Carlton, Pune	3	7.3
5	Westin, Pune	6	14.6
6	Hyatt, Pune	5	12.2

Q5. How many times in a month do you visit the above-mentioned hotel?

Sr. No	Options	No. of Responses	% of Respondents
1	1-2 times	32	88.9
2	3-4 times	3	8.3
3	More than 5 times	1	2.8

Q6. Purpose of visit to the above-mentioned 5-star hotel:

Sr. No.	Options	No. of Responses	% of Respondents
1	Business Meeting	5	12.5
2	Family Events/Dinner	17	42.5
3	Leisure Stay	2	5
4	Casual Dinner/Brunch	8	20
5	For Spa/Gym/Pool Facilities	1	2.5
6	All of the above	1	2.5
7	Other	6	15

Q7. On a scale of 1-5, how would you rate the PR (public relations) maintained by the above-mentioned hotel during COVID?

(5 being "Very Good" and 1 being "Very Bad", a linear scale had been provided for the rating.)

Q8. Would you recommend the above-mentioned 5-star hotel to your friends/family?

Sr. No.	Options	No. of Responses	% of Respondents
1	Yes	40	97.6
2	No	1	2.4

Q9. What do you like the most about the above-mentioned 5-star hotel?

Sr. No.	Options	No. of Responses	% of Respondents
1	Ambiance and Service Quality	15	36.6
2	Cleanliness and Hygiene	2	4.9
3	Offer/Discounts	1	2.4
4	Food and Beverage Outlets	3	7.3
5	Rooms and Food Quality	0	0
6	All of the above	20	48.8

Q10. Are you enrolled in the loyalty program of the above-mentioned 5-star hotel?

Options	No. of Responses
Yes	6
No	32
Maybe	4

Q11. During COVID, did you receive emails, SMS, and phone calls about offers from the hotel that you mentioned?

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Sr. No.	Options	No. of Responses	% of Respondents
1	Yes	28	68.3
2	No	13	31.7

Q12. During COVID, did you receive any personalized offers, discounts, coupons from the above-mentioned hotel?

Sr. No.	Options	No. of Responses	% of Respondents
1	Yes	14	34.1
2	No	27	65.9

Q13. During COVID, did you shift from the above-mentioned hotel to another hotel?

Sr. No.	Options	No. of Responses	% of Respondents
1	Yes	5	12.2
2	No	36	87.8

Q14. Please state your reasons for shifting to another hotel:

Sr. No.	Responses	No. of Responses	% of Respondents
1	Better offers from other hotels	2	40
2	For new experience	1	20
3	Economic alternatives	1	20
4	Better facilities for meetings in other hotels	1	20

OBSERVATIONS AND FINDINGS

After analyzing and interpreting the collected data, certain could be extracted. Those findings are as follows:

- From the 4 hotels that the data could be collected, the defection rate of guests due to the pandemic has been 26% - 85%. Due to this, they have had a change in their regular marketing strategies. A lot of the employees were reluctant to expose the new strategies. However, from those who did give a rough idea about the new strategies, it could be concluded that the new strategies included social media campaigns, change in the safety and hygiene protocols which were also communicated with the guests through social media for their assurance, and starting home delivery of food orders. The effectiveness of these strategies was mainly neutral to effective enough to retain 46% - 65% of the guests.

- The importance of relationship marketing for the 5-star hotels of the respondents (employees) is mainly business growth. Relationship marketing turns prospects to customers to clients to advocates to partners. It is essential to maintain customer relations as they will be the ones who will take an active part in the process of "word-of-mouth". Satisfying the customers is essential for a business to continue its existence and to grow in the competitive market environment. For this, the products and services need to be of the best quality and using relationship marketing as a means of gaining repeat business to encourage business growth is essential.

- There have been various new strategies implemented for customer retention and the most effective ones have been: awarding points for giving reference to others, personalized offers, room up-gradation, and loyalty program.

- Home delivery of food orders has been quite effective in gaining repeat business, followed by social media campaigns, complementary products and/or services, loyalty programs, and personalized offers and coupons.

- For acquiring new customers social media campaigns have been rather efficient, followed by points awarded for reservations through OTA platforms and/or hotel websites and promo codes for discounts. Complementary products and services on the first reservation have had a fair share of efficiency for acquiring new customers.

- From the consumer base, which was a total of 54 respondents, 41 respondents were guests of one or the other 5-star hotel in Pune. These 41 people belong to three different age ranges, 18-30, 41-50, and 51-60 who visit the hotels 1-2 times a month for family events, casual dinner and/or brunch, business meetings, the facilities such as a spa, gym, and/or pool. 40 people, from this group, are satisfied with the 5-star hotel they frequently visit and would recommend it to their circle.

- The majority of respondents rate the hotel's PR (public relations) as "Good" which would mean that they are quite satisfied with it. A lot of guests were quite pleased by the ambiance and service quality of the 5-star hotel mentioned by them while a bigger group was satisfied with the overall aspects of the 5-star hotel.

- Nearly 32 people were not enrolled in the loyalty program of the 5-star hotels. Out of those, around 28 people did not receive any promotional phone calls, email, or personalized offers, etc from the 5-star

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hotels during the pandemic. Even so, out of the whole group of 41 people, who have been to 5-star hotels in Pune, 36 people did not shift to another hotel during the pandemic. The reason may be explained as thus—although the respondents did not receive any promotional calls, emails, or personal offers during the pandemic, they were quite satisfied with the service quality and PR (public relations) maintained pre-pandemic hence the goodwill carried on and the satisfaction and customer loyalty remained as it was. As mentioned earlier, during the pandemic, the hotels have had a shift in their marketing strategies, safety and hygiene protocols, and using various ways to stay in touch with their guests; all this has been fruitful in gaining and maintaining customer loyalty.

CONCLUSION

- In this fiercely competitive market, for hotels, customer loyalty is utterly crucial. Customer loyalty is the key to earn more profits and ensure the continuity of the hotel's existence. During the pandemic, the hotels considered in this paper suffered a defection rate of 26% - 85% of guests. Changing and implementing new strategies was one of the important shifts that were needed to be undertaken. After making all the necessary changes, the retention rate was only up to 65%. The new strategies could be said to be effective enough to retain that 65% of guests.
- Relationship marketing is the essence of business in today's era. The efforts put into relationship marketing pre-pandemic and during pandemic have definitely been very fruitful for the hotels. Although the pandemic has reduced the footfall for the hotel, it has not had much of an impact on the loyalty of the customers.
- This research paper has been able to conclude that relationship marketing plays an important role in gaining customer loyalty. However, relationship marketing is not the driver but just a supporting factor for gaining customer loyalty. The prerequisite for successful relationship marketing is products and services of good quality. Relationship marketing helps the hotels with business growth, creating a brand image, increases sales, greater ROI, and increases conversion rate and occupancy.
- During the COVID-19 pandemic, for the 5-star hotels in Pune, relationship marketing has been quite worthwhile and effective on customer loyalty. Customer loyalty is earned through customer satisfaction. The customers, as seen throughout this paper, have been quite satisfied with the services and PR of the 5-star hotels, hence are loyal to the hotel they are pleased by.

SUGGESTIONS

- Although customer loyalty hasn't been greatly affected, the hotels should work on and improve their PR maintenance. Especially during the pandemic, in order to increase the customer retention rate and decrease the defection rate the PR maintenance needs to be better.
- Travelling has been restricted for quite a while now, this being the reason, the hotels should focus on the local consumer base and promote their F&B outlets more for better revenue generation.
- In this paper, we have observed that the new, improvised strategies have had "neutral" effectiveness. The hotels need to think past the conventional strategies and come up with new strategies that are more effective in order to recover their business quickly.

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