A Study on Relationship between Customer Relationship Management (CRM) and Customer Satisfaction in Malaysia's Service Sector

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Abstract

The main purpose of this study is to investigate the relationship between customer relationship management (CRM) and customer satisfaction in Malaysia's service sector. In this study, CRM is discussed in three dimensions: employee behaviour, service quality and customer orientation. This study used 5 point Likert scale questionnaire and Pearson's Correlation Coefficient data analysis technique to assess the relationship between independent and dependent variables. Findings of this study demonstrated that there is relationship between three CRM factors and customer satisfaction within hotels in Johor Bahru area. This study also showed that employee behaviour contributed the most on customer satisfaction.

Key words: customer relationship management, employee behaviour, service quality, customer orientation, customer satisfaction

Introduction

Khalaf (2013) admits that long term creation of value for customers is more important than just simple transactions. Therefore, CRM plays an important role for an organization to stand out from those ordinary businesses. CRM enables companies to communicate with their customers effectively and keep updated with customers' information as growing customer data is utmost important to cope with changing people's environment (Didi, 2014).

Oliver (1997) discusses satisfaction as "a general psychological state which is about the expectation for feelings and experience from shopping behavior." Customer satisfaction in service context is similar to overall evaluations of service quality. Francken and Raaij (1981) noted that satisfaction is determined by the perceived discrepancy between the actual and the desired situation and by perceptions of internal and external barriers that block the attainment of the desired situation. Many researches show that if customers receive services which exceed their expectation, the repurchase rate is much higher.

Given the intense competition in service industry such as hotels, most of the firms are facing the problem of retaining their customers. Competition offers customers many alternatives which makes it hard for middle and lower level hotels to hold on their customers and ensure patronization. It is difficult for those hotels to build strong customer base if they just provide similar products and services. In this case, the only way to attract customers and ensure customer satisfaction is through CRM. By collecting and analyzing customers' data, company can understand customers' preference deeply and thus forecasting and designing system that tailor the needs of each customer (Rigby, Reichheld, & Dawsan, 2003).

The main purpose of this research is to analyze the relationship between CRM and its relational variables which are service quality, customer orientation and employee behaviour on customer satisfaction in service sector which is hotels industry. This study also would like to determine which CRM factors contribute most to hotels guests' satisfaction.

Literature Review

Service Quality

Service quality is developed from the association between customer prior outlook about a product and service and their observation after actual experiences of that particular product and service. "No matter how superior marketing mix a firm offers, there is always a scope for customer grievances." (Ankita, 2012). Hence, CRM helps hotels to handle customers' complaints and grievances tactfully. Hotels then able to improve their service quality by meeting customer expectation, solving customers' doubts and lowering their rooms price so that it is affordable.

Customer Orientation

According to Mohammed, Rashid, and Tahir (2013), customer orientation refers to employee's predisposition to meet customers' needs. The stronger the customer oriented behavior in hotels, the more satisfy the customer is. Customer oriented can be achieved through a positive relationship between hotel guests and service provider (Asikhia, 2010). Customer orientation is market beneficial sources that helps hotels to understand their customers and hence helps in delivering an appropriate plan to satisfy customer needs (Liu, Luo, & Shi, 2003). When hotels employees provide service in term of customer oriented aspect, the service image of hotels are improved and will have a direct relationship with process fit after system implementation (Fan & Ku, 2010).

Employee Behaviour

Employee who conforms with organization behavior and value is more likely to strengthen the connection between customers and the firm and thus enhancing customer satisfaction. Hotels shareholders and employees should put themselves at customer perspective and consider whether customers will acquire their services or visit hotels which having fierce looking employees or hotels with welcoming employees. According to Hanley and Leahy (2008), positive employees' behavior can be expressed by increasing speed of response to hotel guests. Most importantly employees must have product and service knowledge and outstanding communication skills that can create a relationship with hotel guests. When customers are well treated, they feel satisfied, fully trust the company and thus bringing customer satisfaction to another level.

Studies on Relationship between CRM and Customer Satisfaction

Azmian, Nasrinahr, and Foroughi (2012) studied the relationship between relationship marketing and customer satisfaction in hotel industry Malaysia. 200 questionnaires were distributed to hotel guests in Klang (North), Ampang (South), Gombak (East) and Petaling Jaya (West). The finding found that there is a positive relationship between CRM dimensions (service quality and personal connections) with customer satisfaction. This means the higher the service quality and personal connections, the higher the customer satisfaction and retention would be. It can be concluded that development of customer relationships is looked up as an important factor in a range of markets and particularly so in organizational and service markets especially hotels.

Adalikwu (2012) stresses that CRM implementation is positively associated with customer satisfaction. The questionnaire which incorporated seven nominal-scaled and 40 five point interval scaled questions were sent to 42 respondents who were selected according to data presented in statistics abstract by both registered post and email. Based on the result collected, CRM implementation such as customer-oriented alignment, IT investment and contact rate management has positive moderating effect on customer satisfaction in term of willingness to pay and cross selling. Overall, the more hotels engage in CRM implementation, the better the customer satisfaction is.

Mohammed et al. (2013) investigate the relationship between various CRM dimensions and organization performance towards financial, customer, internal process, learning and growth of three

and five star hotels. The responses were collected from 152 managers of Malaysian hotel sector. The result of this study shows that CRM dimensions like customer orientation, CRM organization, knowledge management and technology based CRM have a positive and significant impact on customer satisfaction and different perspectives of hotel performance.

Choi, Khalafinezhad, Wan Ismail and Abd Rasid (2013) examined the impact of CRM elements on customer satisfaction and loyalty. The study was performed with the involvement of 300 respondents in set of questionnaires. The result clearly showed that CRM elements (behavior of the employees, quality of services and products, relationship development and interaction management) have positive relationship with customer satisfaction. The study also revealed that factor which is behavior of the employees is the most influential factor on customer satisfaction.

CRM can enhance customer satisfaction and therefore contributes to hotel's performance by reducing customer acquisition costs and increasing profitability by customers. Abu Kasim, and Minai (2009) examined the relationship between CRM strategy and performance and determined whether the use of customer performance measures play a mediating role in the relationship between CRM strategy and performance. Questionnaire survey is distributed to 332 hotels which have star rating above 3 star that was listed in membership directory of 2007 Malaysia Association of Hotels Directory Membership. The result showed that there is a significant and positive relationship between CRM strategy, customer satisfaction and hotel's performance.

Nazir, Khan, Ahmed Jamil, and Mehmood (2014) carried out a study to find out the impact of customer relationship management on customer satisfaction. Data was collected from 130 participants from different hotels using standardized questionnaires. The result demonstrated that there is significant correlation between customer satisfaction, service quality, service feature and access to services. The higher the level of service quality, service feature and access to service, the higher the level of customer satisfaction. When hotel guests feel satisfied, they will recommend that hotel to others and would return back to that hotel in the future even the prices are higher.

Madhovi and Dhliwayo (2017) studied the relationship between the practice of CRM, customer satisfaction and hotels' performance. A structured questionnaire was administered to 106 hotels but only 41 responses were received and used in the study. The finding found that there is a positive and significant correlation between CRM, customer satisfaction and hotels' performance. The study indicated that total competitiveness which was the result of customer satisfaction is dependent on the application of CRM. It also revealed that there is a significant difference between the means of CRM levels, customer satisfaction and hotels performance. The more CRM dimensions are being practiced, the higher the customer satisfaction and thus improving hotels performance.

Conceptual Framework

Figure 1 shows the conceptual framework of this research. Conceptual framework demonstrates two main variables in this study which is CRM and customer satisfaction. Independent variable is CRM while customer satisfaction is dependent variable. Service quality, customer orientation and employee behaviour are the factors that influencing customer satisfaction.

Figure 1: Conceptual framework

Independent Variable   Dependent Variable

1. Service quality

2. Customer orientation   →   Customer satisfaction

3. Employee behaviour
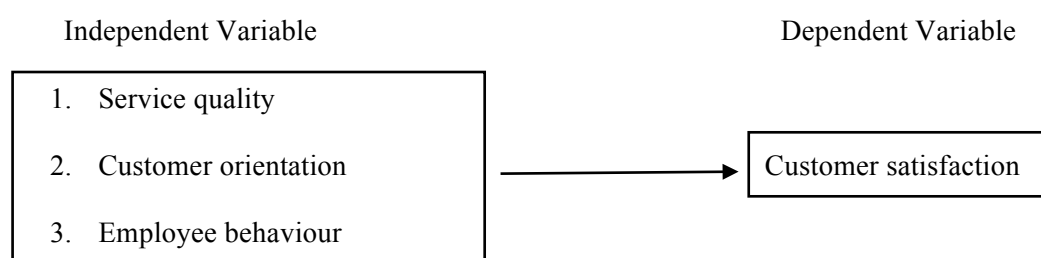
Research Methodology

This study employed quantitative research to confirm relationship between CRM and customer satisfaction as it allowed large quantities of data to be collected. The sample size involved were 143 customers from hotels in Johor Bahru area. Questionnaires from Nazir et al. (2014), Bagdare (2016), Mohsan, Nawaz, Khan, Shaukat, and Aslam (2011), Ahmed, Almomani, Jawaberh and Al Afeef (2012), and Mohammed et al. (2013) were used for the purpose of this study. There are three sections in the questionnaire. Section A is demographic profile, section B tested CRM factors (service quality, employee behaviour, customer orientation) while section C evaluated satisfaction of customers (refer Appendix).

Results of the Study

Table 1 shows the demographic information of respondents which consists of gender, age, marital status, qualification, employment status, monthly salary and allowance. A total of 143 set of questionnaires were distributed but only 100 set of questionnaires were returned which mean the return rate was 70%.

Table 1: Demographic profile of respondents

Demographic	Categories	Frequency	Percentage (%)
Gender	Male	48	48.0
	Female	52	52.0
Age	21-30 years old	38	38.0
	31-40 years old	15	15.0
	41-50 years old	23	23.0
	51-60 years old	9	9.0
	Above 60 years old	15	15.0
Marital Status	Single	47	47.0
	Married	45	45.0
	Other	8	8.0
Qualification	Certificate	24	24.0
	Diploma	12	12.0
	Bachelor Degree/Professional Qualification	41	41.0
	Master/PhD	23	23.0
Employment Status	Part time	44	44.0
	Full time	56	56.0
Monthly Salary and Allowance	Below RM2,500	33	33.0
	RM2,501-RM3,500	9	9.0
	RM3,501-RM4,500	22	22.0
	RM4,501-RM5,500	16	16.0
	Above RM5,500	20	20.0

The assumption of normality is utmost important for a study in choosing the right statistical test (Field, 2013). Table 2 shows the result of normality test. Generally, if the skewness and kurtosis value is within -3 to +3, symmetry can be assumed. Hence, all of the variables in the normal score range are considered as normally distributed.

Table 2: Normality Test

Variable	Skewness	Kurtosis
Service Quality	-0.383	-0.551
Customer Orientation	-0.317	-0.729
Employee Behaviour	-0.132	-0.928
Customer Satisfaction	-0.436	-0.659

Cronbach's Coefficient Alpha is the common indicator used to gauge internal consistency of a scale (Hair, Black, Babin, Anderson, & Tatham, 2006). According to Sekaran & Bougie (2009),

Cronbach's Alpha that is lower than 0.60 is considered poor while Cronbach's Alpha that is over 0.8 is good. It is within acceptable range if the reliability value in the range of 0.7.

Based on table 3, service quality, customer orientation and customer satisfaction achieved Cronbach's Alpha of 0.910, 0.947 and 0.889 respectively. Therefore, it can be concluded that all the variables are good and highly reliable.

Table 3: Cronbach's Alpha Reliability Test

Variable	Cronbach's Alpha	Number of Items
Service Quality	0.910	7
Customer Orientation	0.947	7
Employee Behaviour	0.961	7
Customer Satisfaction	0.889	4

The Relationship between Service Quality and Customer Satisfaction

Table 4 presents the results of regression analysis of overall service quality on customer satisfaction. The results indicate that the adjusted R-square value is at 0.549 which means service quality affects 54.9% on customer satisfaction. The table below shows that service quality has a significant and positive influence on customer satisfaction as $\beta=0.744$ and $p<0.05$.

Table 4: Regression Analysis of Service Quality on Customer Satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate
1	0.744[a]	0.553	0.549	0.60738

	Coefficient				
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.258	0.344		0.751	0.000
Service quality	0.960	0.087	0.744	11.015	0.000

a. Predictors: (Constant): Service Quality
b. Dependent Variable: Customer Satisfaction

The Relationship between Customer Orientation and Customer Satisfaction

Results of regression analysis of overall customer orientation on customer satisfaction are showed in table 5. The results presents that adjusted R-square is at 0.737. It means that customer orientation effects 73.7% of customer satisfaction. Based on the table, customer orientation influences customer satisfaction positively and significantly as $\beta=0.860$ while $p<0.05$.

Table 5: Regression Analysis of Customer Orientation on Customer Satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate
1	0.860[a]	0.760	0.737	0.46323

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.650	0.175		3.712	0.000
Customer Orientation	0.859	0.051	0.860	16.705	0.000

a. Predictors: (Constant): Customer Orientation
b. Dependent Variable: Customer Satisfaction

The Relationship between Employee Behaviour and Customer Satisfaction

Results of regression analysis of overall employee behaviour on customer satisfaction are shown in table 6. The results indicate that R-square value is at 0.689 which means employee behaviour has an effect of 68.9% on customer satisfaction. Based on table 4.15, employee behaviour are significantly and positively influence customer satisfaction among hotels in Johor Bahru area as $\beta=0.832$ and $p<0.05$.

Table 6: Regression Analysis of Employee Behaviour on Customer Satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate
1	0.832[a]	0.692	0.689	0.50441

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.138	0.230		0.599	0.000
Customer Orientation	0.911	0.061	0.832	14.832	0.000

a. Predictors: (Constant): Employee Behaviour
b. Dependent Variable: Customer Satisfaction

Main CRM factors That Influencing Customer Satisfaction

Table 7 demonstrates that adjusted R square value was 0.903, which means that CRM factors has an effect of 90.3% on customer satisfaction and therefore all variables under CRM are good in predicting customer satisfaction. Based on the results, employee behaviour is the variable that contribute the most on Johor Bahru hotels' customer satisfaction as employee behaviour has the highest beta value (0.452). Table 4.4 also indicates that tolerance value is higher than 0.10 and VIF value is below than 10.0 and therefore multicollinearity problem is not occurring in this study.

Table 7: Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate
1	0.952[a]	0.906	0.903	0.28092

Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	-0.859	0.171		- 5.018	0.000		
Service Quality	0.294	0.056	0.228	5.276	0.000	0.522	1.916
Customer orientation	0.418	0.048	0.419	8.719	0.000	0.423	2.367
Employee behaviour	0.496	0.044	0.452	11.151	0.000	0.593	1.688

a. Dependent Variable: Customer satisfaction

b. Predictors: (Constant), service quality, customer orientation, employee behaviour

Discussion

A number of studies by Ahmed et al. (2010), Chang (2006), and Lien (2010) found that service quality has positive impact on customer satisfaction. Service quality which is deemed important by hotels guests are the antecedent of satisfaction. Therefore, the level of overall customer satisfaction increased when the quality of service increased. Nevertheless, Sivadas and Baker-Prewitt (2000) found that service quality and customer satisfaction are related, confirming the definitions of both variables which always have been linked. The study also indicated that service quality is an abstract variable as it may be affected by perceptions of value or by the experience of others that may not be so excellent. Customer satisfaction will then reflect their feelings about the experiences encounters with that particular service firm.

Besides, customer orientation has a positive correlation with customer satisfaction. This finding was supported by Sigala (2004) and Sin, Tze and Chan (2006) who found that customer orientation behaviour are a crucial factor in satisfying hotels customers. Determinant of a good product and service lies mostly on individual who involved in delivering the product and service as consumption and delivery happens at the same time in hotels industry. The quality of an experience created during such an encounter will add value towards customer satisfaction and determine the extent experience lasts in a consumer's mind.

The relationship between employee behaviour and customer satisfaction among hotels guests in Johor Bahru is positively correlated. This result confirms the findings of previous studies (Hanley & Leahy, 2008; Szczepanska & Gawron, 2011). The findings implicate that behaviour of employees play a significant role in increasing satisfaction and loyalty. Hotels' employees who have good relation with customer will increase their satisfaction and thus enhance their trust and confident with the organization. Another study that carried out by Kattara, Weheba, and Ahmed (2015) concluded that employee behaviour have great effect on customer satisfaction regardless of hotels guests nationality, gender, length of visit, number of visits and purpose of visit. When customers satisfied with human interaction, they may absolve other problems.

Multiple regression demonstrates that employee behaviour is the main CRM factor that contribute most to hotels guests' satisfaction. This finding was consistent with the finding of Paulin, Ferguson and Payaud (2000) who indicate that employee behaviour appears to be the key element in achieving customer satisfaction as customers encounter employees whenever they enter a hotel and thus even a single employee will determine customer impression. Nam, Ekinci and Whyatt (2011)

found that behaviour of employees especially front line employees play a key roles in brand development because customer satisfaction are developed during direct interaction with front line employees. As the result, employees should themselves be satisfied first in order to maintain high performance and deliver quality services (Spinelli and Canavos, 2000).

Management Implication

This study contributed to both academic and business. According to the findings, it showed that there is a positive relationship between CRM factors (service quality, customer orientation, employee behaviour) and customer satisfaction. Hence, it is important for hotels to hire outstanding staffs who able to offer customized services to fulfil every single customer needs and preferences.

Human resources department should provide on-job and off-job training for employee to develop and enhance skill for their job roles and responsibilities. Additionally, hotels have to take top priority and gain the trust from customer regards on product and service safety throughout life cycle for every product and service distributed. Research and development department should take immediate feedback when issue arise during new product and service launch so that to have direction on improving customer satisfaction. Besides, if managers strive to affect customer satisfaction, they should focus on creating committed customers. Attractive pricing policies and loyalty programs with economic incentives are better strategies that can be implemented to increase satisfaction and affective commitment.

Therefore, other hotels shareholders may refer to the finding of this study to improve their CRM aspect in order to enhance customer satisfaction level and most importantly to provide a clearer direction for hospitality service provider on where to improve on their services, attitudes and behaviours.

Recommendation for Future Research

It should be noted that future researches should consider wider geographical location especially with larger sample size as this study was conducted in Johor Bahru area and involved 100 participants only. In addition, the study should have done in different player but in same industry nationwide or state because the results from this study are currently restricted to hotels in Johor Bahru and therefore unable to prove that customer satisfaction in other countries are affected by the same factors.

Further researches should concentrate on exploring other reasons for customer satisfaction that are not cover in this study such as payment method and loyalty programs.
Besides, further study are recommended to conduct the study in other sectors such as manufacturing, retail and banking industry because customers from different industry may have different level of satisfaction and thus other sectors may not able to apply the results of this study within their organization.

Future researchers are recommended to conduct study on relationship between CRM (service quality) and customer satisfaction with use of all SERVQUAL dimension (reliability, tangible, empathy, assurance, responsiveness) at once or test among the dimension which are more important with the use of statistical method so that to understand level of service quality influence customer satisfaction.

Conclusion

This research studied the relationship between CRM and customer satisfaction in hotels located in Johor Bahru area. The results found that service quality, customer orientation and employee behaviour are significantly and positively contributed to customer satisfaction and employee behaviour is the main CRM factor that influence the most on customer satisfaction among hotels in Johor Bahru.

In this new era, it is challenging to retain existing customer than attracting new customers because customers like to compare an organization's service and product quality with another. The measurement of which CRM dimensions play a vital role in determining customer satisfaction not

only enable organization to allocate sufficient resources to provide better services, but also enable them to propose an effective service delivery process strategy plan.

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Appendix (Research Items – Questionnaires)

Customer Relationship Management (CRM)

a) Service Quality

No.	Questions	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1.	Hotel gives welcome note when customer check in.					
2.	Room services of hotels at a single call is prompt.					
3.	Hotel provide 24 hours booking and online reservation system.					
4.	Hotel accepts reserve cancellation.					
5.	There is flexibility in hotel service.					
6.	Hotel able to solve customer problems easily and perfectly.					
7.	Hotel offers quality service consistently.					

a) Customer orientation

No.	Questions	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
8.	Hotel's policy respect customer privacy.					
9.	Hotel offers personalized products and services for customer.					
10.	Hotel fully understands customer needs and preferences.					
11.	Hotel services, products and facilities are updated to meet customer need and preference.					
12.	Hotel commits itself for customer's personal needs.					
13.	Hotels provide channel for two way communication.					
14.	Customer is informed with new hotel products and promotions.					

b) Employee behaviour

No.	Questions	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
15.	Customers are given due attention by hotel's employees.					
16.	Hotel employees are friendly, approachable and polite.					
17.	Customers' complaints are promptly attended by employees.					
18.	Employees are very enthusiastic to serve the customers.					
19.	Employees communicate with customers effectively.					
20.	Employees take interest in understanding customer preferences.					
21.	Employees willing to help customers.					

B. Customer Satisfaction

No.	Questions	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1.	I am satisfied with employees' response and prompt services provided by the hotel.					
2.	I am satisfied with products and services offered by the hotel.					
3.	I am satisfied with hotel customer oriented behaviour.					
4.	Overall, I am happy and satisfied dealing with the hotel.					