

**A Work Project, presented as part of the requirements for the Award of a Masters  
Degree in Management from the Nova School of Business and Economics.**

**CUSTOMER RELATIONSHIP MANAGEMENT MODEL – A  
STRATEGIC AND ANALYTICAL APPROACH FOR AMORIM  
TURISMO**

**TATIANA LIMA COELHO**

**Nº 813**

**A Project carried out on the Field Lab of Entrepreneurial Innovative Ventures,**

**with the supervision of:**

**Professor Filipe Castro Soeiro**

**7<sup>th</sup> January of 2013**

## **Table of Contents**

1. Executive Summary	2
2. Literature Review	3
3. Scope of the Project	5
4. Methodology	5
5. Amorim Turismo Description	6
5.1 Historical Background	6
5.2 Products and Services Offerings	7
5.3 Mission and Vision	8
6. Business Opportunity and Strategic Objectives	8
7. Blue&Green Business Model	10
7.1 Value Proposition	10
7.2 Operating Model and Value Chain	11
7.3 Key Resources – VRIO analysis	12
7.4 Environmental Context	13
8. Industry Mapping	15
9. Competitors' analysis	16
10. SWOT Analysis	18
11. Implementation Plan	18
12. Risk Assessment	19
13. Recommendations for the CRM Model	20
13.1 Organizational Culture and Human Resources	20
13.2 Marketing	22
13.3 Communication	24
13.4 Operations and Quality Management	25
14. Conclusion	25
15. Bibliography and References	26

## **1. Executive Summary**

This work project analyzes the current situation and proposes recommendations for the customer relationship management model for the company Amorim Turismo, in Portugal, over the Blue&Green hotels. These recommendations aim to improve the relationship of the hotels with their customers, by attracting and retaining them, offering valuable propositions continuously, in alignment with their needs. First of all, a literature review is provided with the evolution of the hospitality industry in general, and a benchmarking of customer relationship management strategies and tools. Then, a deep analysis of the company and the Blue&Green hotels is made, with its historical background, products and services offerings and the mission and vision. The core business of Amorim Turismo is the hotels business area, which is the Blue&Green brand with three hotels in Portugal. The business opportunity lies on improving the customer relationship management model for the hotels, due to the importance of differentiation in this market, as well as the trend for customers' sophistication and quality of services. The strategic objectives were defined based on this preference for quality tourism and customized service. After defining the strategic objectives, it is important to understand the business model of the Blue&Green hotels, as well as the environmental context with a PEST and market trends' analysis and the competitive advantages with the VRIO analysis. The analysis of the industry mapping of the Blue&Green hotels and the Porter's Five Forces allow to understand and discuss the structure of the industry and to support the competitive strategy for the Blue&Green hotels. Finally, the SWOT and TOWS analysis is provided to understand the strengths and weaknesses of the hotels and the potential threats and opportunities in the external context, as well as to support the implementation plan, risk assessment and the recommendations. These recommendations will improve the customer relationship management model, focusing mainly the areas of Human Resources, Marketing, Communication and Operations and Quality Management.

Keywords: Customer Relationship Management Strategies, Hospitality Industry, Customization of Marketing and Communication

## **2. Literature Review**

The evolution of tourism, which includes and affects the hospitality industry, follows a positive trend. Starting in 1950's, the number of international tourists was around 25.5 million in the world (Tirados, 2010). However, the rise of tourists was suddenly so big that it reached 170.6 million in the 70's, just in two decades, and 278.1 million in the 80's (Tirados, 2010). In the year of 2000, we have 687.8 million of travelers in the world, which was negatively affected by the Twin Towers attack in 2001, the pneumonia in Asia and the Iraq War, causing a small drop (Tirados, 2010). Yet, in 2005 the tourism was already increasing, reaching 806.8 millions of travellers, generating 548.7 billion euros in earnings (Tirados, 2010). This evolution is explained by the necessity of people to relax from the daily work, "society has converted it into an almost peremptory need to survive the chaos in which twenty-first century society is apparently going to be immersed" (Tirados, 2010). Besides this evolution in the number of travellers in the world, there is also an evolution in the type of tourism, from mass tourism to quality tourism. This means that people are now more interested in having high quality services, which explains the current focus on customer relationship management in the hospitality industry, to improve those services. Moreno and Meléndez (2011) argue that "CRM is extremely important in the tourism sector, and in particular in the hotel sector due to the necessary close relation with customer". Customer Relationship Management is considered to be a "business strategy that aims to establish and develop value-creating relationships with customers based on knowledge (...) by personalizing its products and services, the firm can optimally satisfy customer needs and thereby generate long-term, mutually beneficial, loyalty relationships" (Moreno and Meléndez, 2011). Nonetheless, in order to successfully implement a CRM strategy it is crucial to align all the company's

departments, and take into account several aspects, such as loyalty strategies and employees' training. Starting with the human resources department, it is of utmost importance to have the best training and incentives, because "a good employee training program provides a less formal, more flexible structural design and more highly skilled, motivated workers to achieve the final objective: to provide better services and achieve differentiation from rivals in a higher standardized competition" (Ros and Sintes, 2011). After implementing a good training program with incentives and motivations, the focus must turn to the loyalty and marketing strategies. Yoo and Bai (2007) state that "it becomes essential for hospitality professionals to explore the underling strategic alliance concepts of loyalty programs to assess business strategies as a source of competitive advantage that improve and sustain customer loyalty and eventually bring growth to the company". Among the loyalty strategies, "one of the most dominant trends of loyalty programs is the coalition model (...) hotels are partnering with other airlines, rental cars, restaurants and even credit car companies" (Yoo and Bai, 2007). Through this coalition model, companies are able to offer more value to the customers with the loyalty cards and programs, using the services of their partners. "One of the world's most recognized rewards program, the Marriot Rewards, has partnerships with Boston Coach, Chase, Hertz, Skymall, Air Canada, British Airways, American Airlines, and numerous other airline companies" (Yoo and Bai, 2007). In addition to all of this, and "to enhance profitability and guest loyalty, hotels must nowadays focus on implementing CRM strategies that aim to seek, gather and store the right information, validate and share it throughout the entire organization and then use it throughout all organizational levels for creating personalized, unique guests' experiences" (Sigala, 2004), which is aligned with the market trends.

### **3. Scope of the Project**

The research question of this work project is: How to optimize the Customer Relationship Management Model for Amorim Turismo over the Blue&Green hotels?

This research question arose during a meeting with Mr. Alfredo Reis, member of the Board of Directors of Amorim Turismo, on the 13<sup>th</sup> of July of 2012. In the meeting, Mr. Alfredo Reis, demonstrated his concerns about services' quality and customers' satisfaction in the Blue&Green hotels, as he considers customer relationship management a priority for the company, as a management process, given the environmental context, customer focus and competitors. Based also on the global trend for investing in customer relationship management as a competitive advantage, which could make Blue&Green hotels stand out from competition. Additionally, Mr. Alfredo Reis highlighted the importance of the development of customized marketing and communication, and make the customers feel recognized by the company. The work project was developed according to a strategic approach as aligned with the company's objectives for future approval by its board of directors.

### **4. Methodology**

For the purpose of optimizing the customer relationship management model of Amorim Turismo it was of utmost importance to do an internal and external analysis. The internal analysis was conducted with several meetings with Amorim Turismo member of the Board of Directors, Mr. Alfredo Reis, with whom I also had the opportunity to visit the Tróia Design Hotel in order to understand and have a generic and clear perception about the environment, key human resources and the products and services offering. Additionally, I also had meetings with the Marketing Director, Mrs. Teresa Barros, and the Human Resources Director, Mrs. Paula Cordeiro. These meetings were crucial to understand the Marketing and Human Resources departments and debate their practices in the Blue&Green hotels. The external analysis was essentially based on

the literature review of books, articles and papers. This analysis helped me to better understand the hospitality industry and its major trends, benchmarking the best practices to support recommendations and also to explore the customer relationship management strategies and tools that could be applied to Blue&Green hotels. Moreover, a survey was also conducted to Portuguese's travelers, as a way to understand their preferences and their perception of the Blue&Green hotels and its competition. This survey was developed in alignment with the Marketing department of Amorim Turismo.

## **5. Amorim Turismo Description**

### **5.1 Historical Background**

Amorim Turismo is a Portuguese company that was created in 1997 as a subsidiary of the sub-holding company, Amorim Investments and Participations, which belongs to Grupo Amorim<sup>1</sup>. The latter was created in 1870 as a small familiar enterprise in the cork production, and today it is the major producer in the world<sup>2</sup>. In 2005 Amorim Turismo acquired its autonomy as a result of the reorganization of Grupo Amorim, and also due to its specific and valuable activity, the tourism<sup>3</sup>. The company had a partnership with Accor Group, a French hotels group, with which had managed 33 hotels in Portugal, Cuba and Mozambique<sup>4</sup>. This partnership allowed Amorim Turismo to be present in other countries and acquire different experiences, knowledge and customer basis. After twenty years, when Mr. Jorge Armindo became president of Amorim Turismo, this joint venture came to an end, as both companies had different perspectives for the business' future. It was also a strategic option for the company, as it felt the need to direct its efforts to its own hotels. Regarding the organizational model of Amorim Turismo, all the competencies and activities are focused on the Blue&Green hotels and the casinos (see *Appendix*

---

<sup>1</sup> Source: Amorim Turismo: [www.amorimturismo.pt](http://www.amorimturismo.pt)

<sup>2</sup> Source: Amorim Turismo: [www.amorimturismo.pt](http://www.amorimturismo.pt)

<sup>3</sup> Source: Amorim Turismo: [www.amorimturismo.pt](http://www.amorimturismo.pt)

<sup>4</sup> Source: Amorim Turismo: [www.amorimturismo.pt](http://www.amorimturismo.pt)

*I*). Moreover, from an internal perception, Amorim Turismo is not considered a customer-centric company. Though, following the market trend for investing in customer relationship management as a competitive advantage, Amorim Turismo bought CRM software in 2005. However, this software proved to be a bad investment, as it did not have the right interface with the company system making it not suitable. Despite this failure, the company believes that they should define their customer relationship management model with the macro objective of making the customers feel satisfied and recognized. In fact, the current Business Intelligence platform of Amorim Turismo, allows for CRM data analysis, based on customers' preferences. But it is not used due to the fact that CRM needs are not clearly defined yet. Finally, Amorim Turismo has a social capital of 35 million euros, and the key stakeholders are the customers, travel agencies, suppliers, employees, shareholders and the society and is operating in a very competitive segment on the hospitality industry, in which high value for customer and excellence of service are the drivers.

## **5.2 Products and Services Offerings**

Amorim Turismo has two business areas: hotels and casinos, being the hotels management the core business. Regarding the company's portfolio of hotels, we have three: Tróia Desgin Hotel, Vilalara Thalassa Resort and The Lake Resort, which are located in Portugal and belong to the brand Blue&Green<sup>5</sup>. The latter is a concept of excellence and uniqueness, characteristics that we can find on the three resorts that are targeted to people who appreciate high quality and sophistication. Even though the three resorts are five stars and close to the beach, their target customers differ in age group, nationality and lifestyle (please see the table in *Appendix 2* for more detail). These differences across the hotels' customers lead to differentiated Marketing and Communication strategies. Moving on to the casinos, Amorim Turismo has two casinos – Figueira da Foz and Tróia – but it also holds a percentage in other three casinos – Estoril, Póvoa

---

<sup>5</sup> Source: Amorim Turismo: [www.amorimturismo.pt](http://www.amorimturismo.pt)



de Varzim, and Lisbon – due to its partnership with Estoril Sol<sup>6</sup>. All of the casinos are also located in Portugal. The current hub of Amorim Turismo is the brand Blue&Green, under which the hotels are managed, and that should be focus for future investments. This emphasis on the hotels business area is the reason why the business opportunity lies on it.

### **5.3 Mission and Vision**

Mission: to *offer the highest standards of specialization and excellence in its main business area of leisure hotels*<sup>7</sup>. Two conclusions from this statement:

1. *Highest standards of specialization and excellence*: shows the company concern about services' quality and sophistication.
2. *Main business area of leisure hotels*: the focus for future investment lies on the Blue&Green brand.

Vision: Amorim Turismo wants to be the Portuguese leader of beach resorts, also increase its brand awareness in three years, and being recognized as its high level of quality of service and differentiated services.

Since the hospitality industry is getting more and more competitive, the company truly believes that its effort of offering a unique experience on their hotels will make the difference. “The tourism is one of the principal competitive advantages of Portugal, the quality and exclusivity are two adjectives that guide our action”<sup>8</sup>.

## **6. Business Opportunity and Strategic Objectives**

Once the Blue&Green hotels are five stars resorts, the target customers will expect something unique and customized to their preferences, “because new tourists are more demanding as they are well informed before travelling somewhere” (Tirados, 2010). Therefore there is the need to

---

<sup>6</sup> Source: Amorim Turismo: [www.amorimturismo.pt](http://www.amorimturismo.pt)

<sup>7</sup> Source: Amorim Turismo: [www.amorimturismo.pt](http://www.amorimturismo.pt)

<sup>8</sup> Source: Amorim Turismo: [www.amorimturismo.pt](http://www.amorimturismo.pt)

differentiate from the competition by offering something special, by making customers feel comfortable and extremely satisfied. In order to accomplish such objectives, the company needs to improve the relationship with the customers, so that every little detail counts. With customer knowledge, the company will be able to create a learning and loyal relationship, and “in order for a firm to build customer value through managed relationships, the company must identify customers, differentiate them, interact with them, and customize some aspect of its behavior toward them” (Peppers and Rogers, 2011). Following this reasoning, a customer relationship management model approach for the Blue&Green hotels, will allow the company to increase customer loyalty and customer satisfaction, and ultimately to grow the value of the customer base leading to higher revenues. Related to this business opportunity, the strategic objectives for Blue&Green hotels are based on increasing the revenues by focusing on the customer relationship management model. The strategic objectives are defined by area: organizational culture and human resources, marketing, communication, and operational and quality management. These will be gradually implemented in a timeline of three years, when the final objective of achieving an increase in revenues of 5% will be accomplished as a consequence of the combination of all the other objectives. In Figure 1 it is presented the initiatives by area with their target and KPI's<sup>9</sup> to monitor their efficiency.

Area	Initiative	Target / KPI's
<b>Organizational Culture and Human Resources</b>	<ul style="list-style-type: none"> <li>- Implement the Customer-Centric culture</li> <li>- Develop and implement the best selection, recruitment and training process</li> <li>- Develop and implement an incentives and motivation, and a career management system</li> </ul>	<ul style="list-style-type: none"> <li>- Customers (Mystery shopping) and employees' satisfaction index</li> </ul>
<b>Marketing</b>	<ul style="list-style-type: none"> <li>- Develop and implement marketing strategies to increase brand awareness</li> <li>- Develop and implement loyalty strategies (exclusive benefits and rewards for the high value customers, cross and up-selling strategies to increase the value of other customers)</li> <li>- Develop and implement customized marketing strategies</li> </ul>	<ul style="list-style-type: none"> <li>- Brand awareness (regular surveys)</li> <li>- Sales revenues</li> <li>- Customer satisfaction (%)</li> <li>- ARPU<sup>10</sup> increment (%)</li> </ul>

<sup>9</sup> Key Performance Indicators

<sup>10</sup> ARPU – Average Revenue Per User

<b>Communication</b>	<ul style="list-style-type: none"> <li>- Develop and implement a communication system through e-mail and SMS</li> <li>- Customize the communication for target's customers</li> </ul>	<ul style="list-style-type: none"> <li>- Campaigns efficiency, Mystery shopper (%)</li> </ul>
<b>Operations and Quality Management</b>	<ul style="list-style-type: none"> <li>- Improve the services' quality in order to reach a level of 85% in the customer satisfaction</li> <li>- Reduce the percentage of complaints</li> </ul>	<ul style="list-style-type: none"> <li>- Percentage of complaints</li> <li>- Internal cost efficiency</li> <li>- Customer satisfaction (Mystery shopper) and employees satisfaction index</li> </ul>

Figure 1: Strategic objectives for Blue&Green hotels

## 7. Blue&Green Business Model

The Business Model analysis, presented in Figure 2, regards only the hotels' business area, because the scope of this work project is on the Blue&Green hotels. For a better analysis, this will be divided into the main aspects that compose and/or contribute for the business model discussion. Furthermore, this analysis will also be relevant for the implementation plan and CRM recommendations.

COMPETITIVE ADVANTAGE

Value Proposition		
Target Segment:	P&S Offerings:	Revenue Model:
B2C Medium/High Class	Three Five Stars Resorts (Restaurants, Spa,...)	Accommodation 60% F&B 30% Spa 5% Others 5%
B2B		
Business Model		
Value Chain:	Cost Model:	Organization and Partnerships:
HR Operations Procurement Marketing & Sales	Employees 44% Operations 47% Sales 9%	Altis Ambitious and motivated organization
Operating Model		

ENVIRONMENTAL CONTEXT

Figure 2: Business Model of Blue&Green hotels

### 7.1 Value Proposition

For the value proposition of Blue&Green hotels, we start by the target segment. This is business-to-consumers of medium/high class, who value high quality services, and business-to-business because of companies' events at the hotels (e.g. lunches and/or dinners) and also due to the conferences' room in Tróia Design Hotel, which attracts several companies. As aforementioned, the target customers are sophisticated and appreciate differentiated and customized products and

services, which will be discussed in the CRM recommendations. Regarding the products and services offerings, as already mentioned, these are the three resorts in Portugal under the brand Blue&Green. Tróia Design Hotel is located in the region of Alentejo, and Vilalara Thalassa Resort and The Lake Resort are both located in the region of Algarve. The last aspect of the value proposition is the revenue model, which in the Blue&Green hotels is 60% composed by accommodation, 30% by food and beverages, 5% for the Spa, and 5% in other services.

## **7.2 Operating Model and Value Chain**

For the Operating Model, starting with the cost model, the highest percentage belongs to operations (47%), followed by employees (44%), and sales with 9%. The organization considers itself ambitious and motivated to be better than the competition. The Blue&Green hotels have several partnerships that allow the hotels to offer services they do not have (e.g. rental car). Though, I believe the most important partnership is with the hotels' group, Altis, which is recent and allows the combination of city hotels, from Altis, with the beach and sun resorts from Blue&Green. This partnership only allows for the combination of marketing strategies, the management of the groups is done separately.

Moving on to the value chain, this gives us the percentage of cost contributions from each activity. From the value chain presented in Figure 3, it can be seen that it is mainly composed by Operations (19%), Procurement (16%), Human Resources Management and Marketing & Sales both with 15%. While the competitive advantage related to costs is on the services, firm infrastructure, technology development and logistics (both inbound and outbound). In order to increase the value generated and the profit margin there is the need to optimize the costs, for instance by externalizing through partnerships with other companies able to provide such activities for a lower cost.

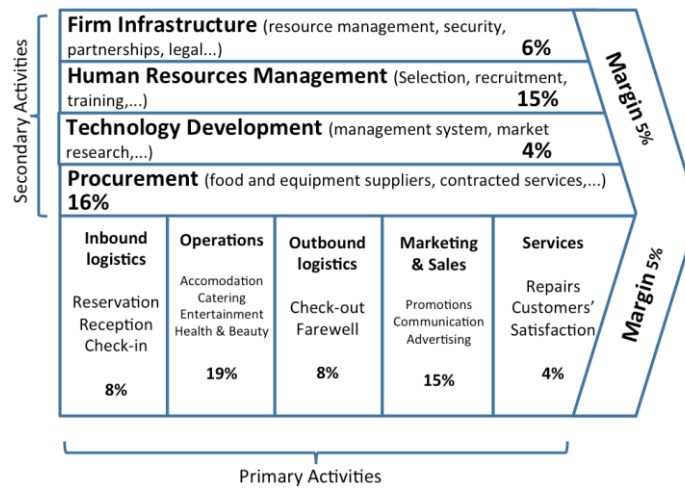


Figure 3: Value Chain of Blue&Green hotels

### 7.3 Key Resources – VRIO analysis

Resource/Capability	V	R	I	O	Competitive Implications
Strategic Partnership	✓	✓	✓	✓	Sustainable Advantage
Strong Reputation (national and international awards)	✓	✓	✓	✓	Sustainable Advantage
Operational efficiency	✓	✗	--	--	Parity
Geographic Location	✓	✓	✓	✓	Sustainable Advantage
Services' quality	✓	✗	--	--	Parity
Property Management System Software	✓	✗	--	--	Parity

Figure 4: VRIO analysis of Blue&Green hotels

Subtitle: V – Valuable, R – Rare, I – Inimitable, O – Organizational

From the VRIO analysis it is worth to mention that Blue&Green hotels have three sustainable advantages. The first one is the strategic partnership with Altis, which is inimitable by any competitor, and it will be sustainable as long as it brings value for both companies, and this is considered a cost advantage. Another important sustainable advantage is the strong reputation of Blue&Green hotels, achieved through several national and international awards, such as the Best Spa Resort in Portugal by the World Travel Awards given to Vilalara Thalassa Resort in 2012, which represents a differentiation advantage. Finally, the geographic location of the resorts is also a sustainable advantage, as two hotels cannot be in exactly the same space, and Blue&Green hotels are close to great beaches, this also represents a differentiation advantage. Blue&Green hotels have a hybrid competitive advantage, see the table below in Figure 5.

Hybrid Competitive Advantage	
Differentiation Advantage	Cost Advantage
Sources: Strong reputation (national and international awards) Geographic location (close to the beach)	Sources: Strategic Partnership with Altis group of hotels

Figure 5: Table with the sources of competitive advantages of Blue&Green hotels

#### **7.4 Environmental Context**

In order to analyze and understand the environmental context of Blue&Green hotels, a PEST analysis (please see *Appendix 3*) and a market trend analysis were conducted. The latter gives a benchmarking of the market trends, both internal and in Portugal that are affecting the demand. This analysis will be helpful in designing the recommendations for Blue&Green hotels.

#### **Market Trends Analysis**

The World Tourist Organization expects 1561 million of tourists around the world in the year of 2020 (Tirados, 2010). According to the same source the three principle trends will be: quality and sustainability-focused tourist; good value for money; and a full use of information technologies for properly identify and communicate with customers (Tirados, 2010).

At an international level, the more relevant tools are: consumer centric tourism marketing, which represents techniques for customer relationship management, based on knowing the customers, personalizing the messages and develop meaningful communication with them (Buhalis and Costa, 2006). Cross-cultural Marketing, which adapts the marketing strategies to the cultural preferences and tastes of the target market (Buhalis and Costa, 2006). Finally, there is also the tool of Information Communication Technology, these ICT's techniques support the interaction between tourism enterprises and consumers (Buhalis and Costa, 2006).

Moving on to the Portuguese case, the evolution of the number of guests in Portugal from 2006 until 2010 follows a positive trend (see *Appendix 4*), registering a total of 13.6 millions of guests

in 2010<sup>11</sup>. Moreover, the forecast until 2015 also shows a rising trend, meaning that investing in hospitality industry is worthwhile. This forecast analysis is divided in Portuguese and foreign guests, and both have the pessimistic and optimistic scenarios. Starting with the Portuguese guests, the forecast is to reach an increase of 5,3% and 7,4% in 2015 from 2010, pessimistic and optimistic scenarios respectively (see *Appendix 5*)<sup>12</sup>. Likewise, the forecast of foreign guests is an increase of 6,9% and 9,9% from 2010 until 2015, pessimistic and optimistic respectively (see *Appendix 6*)<sup>13</sup>.

When analyzing the hospitality industry in Portugal it is also important to find out what are the major trends. According to the last analysis from Turismo de Portugal, the major trends are: the rising importance of internet (e.g. online buying); a change in the competitive context due to low costs flights, which facilitates the accessibility to the touristic destinies; the emphasis on the customer's experience and the customization of services; the significant role of social networks as a way of exchanging experiences/recommendations among customers; and, at last, the digital marketing that changed the interaction between supply and demand<sup>14</sup>. There is also a substantial change in the customers' profile, as customers are giving value to different things than they used to do in the past. As of so, according to the same source, six new tendencies were identified in the demand pattern that will have an impact on the Portuguese Hospitality Industry<sup>15</sup>:

1. Customer are more and more informed and demanding, giving more value to quality and personalized service – better brand loyalty.
2. Value for money: customers want to monetize their spending. More demand for short traveling and last minute opportunities.

---

<sup>11</sup> Source: Plano Estratégico Nacional do Turismo: Propostas para revisão no horizonte 2015 – VERSÃO 2.0

<sup>12</sup> Source: Roland Berger analysis in Plano Estratégico Nacional do Turismo: Propostas para revisão no horizonte 2015 – VERSÃO 2.0

<sup>13</sup> Source: Plano Estratégico Nacional do Turismo: Propostas para revisão no horizonte 2015 – VERSÃO 2.0

<sup>14</sup> Source: Plano Estratégico Nacional do Turismo: Propostas para revisão no horizonte 2015 – VERSÃO 2.0

<sup>15</sup> Source: Roland Berger analysis in Plano Estratégico Nacional do Turismo: Propostas para revisão no horizonte 2015 – VERSÃO 2.0

3. Diversification of motives of traveling as well as focus on customized and specialized supply.
4. Switch from the destiny focus to the experience focus, seek for new and authentic experiences.
5. Aging of the population in the main markets and greater individualization of the society.
6. Sustainable tourism: greater environmental and cultural awareness of the travelers.

Source: Plano Estratégico Nacional do Turismo VERSÃO 2.0, Turismo de Portugal

## 8. Industry Mapping

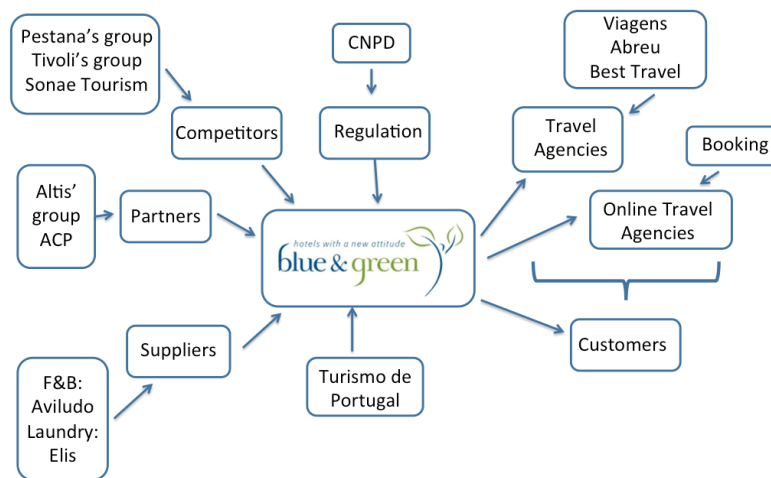


Figure 6: Industry mapping of Blue&Green hotels

The industry mapping analysis is crucial to understand the players in the industry and their interactions with the company, and also to analyze the concentration areas and their changes. Considering the industry mapping of Blue&Green hotels presented in Figure 6, what directly affects them is: the government's regulation, the competitors, the partners, the suppliers, and the Portuguese Tourism. Blue&Green hotels have a direct interaction with customers and/or also through the travel agencies and online websites. It is worth to further analyze this industry mapping in its concentration areas. Starting with the competitors, these have been increasing, and as a result, the competition is lowering their prices, and engaging in partnerships to offer new products and services to their customers. The partners have also increased, as they represent all the services Blue&Green offers that they do not have, such as car rental, which is assured with the partnership with ACP, a Portuguese rental cars' company. These partnerships play an important



role in the variety of products and services offerings, and also to face the competition through differentiation. An important element of this mapping is the government's regulation, with the CNPD<sup>16</sup>, which is responsible for protecting the customers' information. Finally, it is worth to mention that the travel agencies are losing relevance, as people are switching to online travel agencies for booking the holidays. This means that travel agencies are losing influence for the online travel agencies. From this industry mapping it can be concluded that Blue&Green hotels should develop more marketing and communication strategies (e.g. through partnerships) in order to differentiate from the competition that has been increasing over time. These strategies will be further discussed in the recommendations' chapter.

## **9. Competitors' analysis**

The competition for Blue&Green hotels is global, because travelers have access to a large supply of hotels around the world. Nationally and locally speaking, I was able to identify the more relevant competitors, and as Blue&Green hotels, these are five stars' resorts, sharing characteristics like quality and excellence. Starting with the analysis of the distribution of touristic infrastructures in Portugal Continental, we can see that the highest percentage is located on Algarve, with 27%, while the lowest is Alentejo with 8%, being these the regions of Vilalara and The Lake, and Tróia Design Hotel, respectively (see *Appendix 7*). Moreover, we can also analyze the competition within these two regions by having the top 5 of Hotels' Groups according to their number of accommodations. Though, we have to take into consideration that Amorim Turismo only has three hotels, which influences the variable of this analysis. This explains why in Alentejo, Amorim Turismo is in third place, while in Algarve it is not part of the Top 5, as it is competing with Groups with a larger supply of hotels (see *Appendices 8 and 9*). Based on the survey conducted to Portuguese's travelers (see questions 10 and 11 in *Appendix 10*), I was able to

---

<sup>16</sup> Comissão Nacional de Protecção de Dados

develop a perceptual map with the variables price and quality, and using the hotels groups: Pestana, Sonae Turismo, Blue&Green and Vila Galé (see *Appendix II*). From this perceptual map we can conclude that the hotels' group perceived with highest quality level and highest price level is Pestana, followed by Blue&Green hotels, and then by Sonae Turismo. The lowest level of quality and price belongs to Vila Galé.

### Porter's Five Forces Analysis

From the Porter's Five Forces analysis (see Figure 7 presented below) we can conclude that since there are several leisure options, the threat of substitutes is high, leading to a high rivalry in the market. This rivalry leads the players to engage in pricing and campaigns' strategies to attract customers, because these have a high bargaining power due to the low switching costs as well as low loyalty. Blue&Green hotels need to change the low loyalty of customers, by developing strategies to attract and retain them, "customer loyalty has been universally recognized as a valuable asset in competitive markets. Investments in loyalty management is especially important if consumers face low switching costs, because they are not locked in by a contract" (Kumar and Shah, 2004). An example of how Blue&Green hotels can do this is by including loyalty cards in its products and services offering, with new services and discounts for the customers. More details about these loyalty strategies will be provided in the recommendations' chapter.

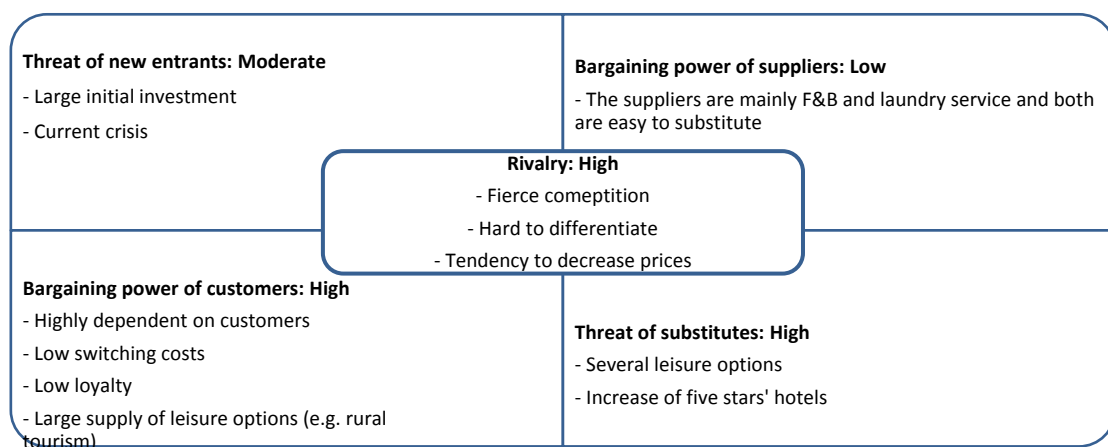


Figure 7: Table with the Porter's Five Forces analysis

## 10. SWOT Analysis

The SWOT/TOWS analysis of the Blue&Green hotels provided in the Figure 8 below is an important assessment of its current situation, regarding the strengths and weaknesses, as well as the external threats and opportunities. This analysis will help designing the implementation plan, the risk assessment and the recommendations for the Blue&Green hotels.

	<b>Strengths</b>  S <sub>1</sub> : Excellent location of the resorts S <sub>2</sub> : Good services' quality S <sub>3</sub> : National and International awards (e.g. World Travel Awards – Best Spa Resort in Portugal) S <sub>4</sub> : Knowledge of different customers' cultures	<b>Weaknesses</b>  W <sub>1</sub> : Only three resorts to offer W <sub>2</sub> : Strong seasonality W <sub>3</sub> : Focused only on beach location W <sub>4</sub> : Low levels of profitability W <sub>5</sub> : Weak customer relationship management
<b>Opportunities</b>  O <sub>1</sub> : Cross-selling through other companies (partnerships) O <sub>2</sub> : Increase customer retention O <sub>3</sub> : Differentiate from competition with innovative services O <sub>4</sub> : There exists the opportunity to internationalize to the emergent markets	<b>SO</b>  - Combine the existing knowledge of other cultures to internationalize - Cross-selling opportunities to increase customer retention with good services' quality - Use the good services' quality to differentiate from competition	<b>WO</b>  - Increase customer retention and differentiate from competition in order to increase profitability - Cross-sell through other companies as a way to improve customer relationship management and also reduce seasonality
<b>Threats</b>  T <sub>1</sub> : The current crisis is affecting the business T <sub>2</sub> : International crisis – Lower purchasing power T <sub>3</sub> : Increase of 5 stars hotels and tendency to decrease the prices T <sub>4</sub> : Players are diversifying the supply with promotions and bundles	<b>ST</b>  - There is an increase of 5 stars hotel, but the Blue&Green hotels have national and international awards and an excellent location - Players are diversifying but Blue&Green hotels can do it as well	<b>WT</b>  - Low levels of profitable are related with the current crisis and with the increase of 5 stars hotels and tendency to decrease the prices - Since there are only three hotels to offer, Blue&Green could also diversify as the other players are doing

Figure 8: SWOT and TOWS analysis of Blue&Green hotels

## 11. Implementation Plan

The implementation plan is composed by seventeen activities with a timeline. The timeline suggested is of three years, and the activities are mostly related with marketing, communication and human resources' strategies. Besides these strategies, there is also the implementation of the customer centric culture, which is one of the most important activities and might take a long time

to be well implemented. Many activities are first developed and then implemented. The KPI's (Key Performance Indicators) to monitor the efficiency of the activities will be defined by activity and presented in the risk assessment's chapter. In the Figure 9 presented below we have the implementation plan with the activities and their timing.

Activities	2013												2014												2015
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	(...)
A1: Implementation of the customer centric culture																									
A2: Development of the best selection, recruitment and training practices for the hotel staff																									
A3: Development of an incentives, motivation, and career management system																									
A4: Implementation of the selection, recruitment and training practices																									
A5: Implementation of the incentives, motivation, and career management system																									
A6: Development of a communication system for each hotel's customers through e-mail and SMS																									
A7: Development of cross-selling and up-selling strategies for each hotel's customers to increase their value																									
A8: Development of customized marketing strategies																									
A9: Development of exclusive benefits and rewards for the high value customers																									
A10: Development of strategies for the loyalty card with Altis																									
A11: Establish partnerships for the loyalty card (e.g. TAP)																									
A12: Implementation of all the strategies (cross and up-sellig, rewards and customized) through the communication system																									
A13: Development of strategies to increase brand awareness and motivate engagement through social networks and events																									
A14: Implementation of the strategies to increase brand awareness (e.g. Facebook contest and Fashion Show from Portuguese designer in Tróia)																									
A15: Implementation of the loyalty card with Altis																									
A16: Increase service's quality																									
A17: Reduce the number of complaints																									

Figure 9: Implementation Plan for the Blue&Green hotels

## 12. Risk Assessment

The importance of the risk assessment is to understand which activities are the most critical and also the ones with more dependencies, as these are dependent on other activities to be done. The activities with a high impact (internal and/or external) are: the implementation of the customer-centric culture, as this might take time to be fully implemented; all the activities involving the development and implementation of the marketing strategies (e.g. cross and up-selling); and also the increase in the services' quality that makes all the difference in the hospitality industry and it

depends on several activities. The KPI's (Key Performance Indicators) and objectives to monitor the efficiency of the activities are defined by activity. The final objective is an increase of 5% in revenues by the end of 2015, as a result of all of the activities. In Figure 10 presented below we have the risk assessment, with the criticality, the impact, the KPI's and dependencies of each activity.

Activities	Level of criticality	Impact	Objectives / KPI's	Dependencies
A1	Medium	High Internal and external impact	Increase customers' satisfaction	None
A2	Low	Medium internal impact	Increase employees' satisfaction	None
A3	Low	Medium internal impact	Increase employees' satisfaction	None
A4	Medium	Medium internal and external impact	Increase employees and customers' satisfaction	A2
A5	Medium	Medium internal and external impact	Increase employees and customers' satisfaction	A3
A6	Low	Medium external impact	Increase customers' satisfaction	None
A7	Low	High external impact	Increase customers' satisfaction, sales revenues, ARPU (%)	None
A8	Low	High external impact	Increase customers' satisfaction and sales revenues	None
A9	Medium	Medium external impact	Increase customers' satisfaction and loyalty (retention)	None
A10	Medium	High external impact	Increase customers' satisfaction, loyalty (retention) and sales revenues	None
A11	Medium	High internal and external impact	Increase customers' satisfaction, loyalty (retention) and sales revenues	None
A12	Medium	High internal and external impact	Increase customers' satisfaction, sales revenues, ARPU (%)	A7, A8, A9
A13	Low	High external impact	Increase brand awareness	None
A14	Medium	High internal and external impact	Increase brand awareness	A13
A15	Medium	High internal and external impact	Increase customers' satisfaction, loyalty (retention) and sales revenues	A10, A11
A16	Medium	High internal and external impact	Increase customers' satisfaction	From A1 to A16
A17	Medium	Medium external impact	Decrease the number of complaints, increase customers' satisfaction	All

Figure 10: Risk Assessment of Blue&Green hotels

### **13. Recommendations for the CRM Model**

#### **13.1 Organizational Culture and Human Resources**

For a successful implementation of the CRM model, there is the need to see it as part of the company's culture<sup>17</sup>. This means that, following the market trend, Amorim Turismo needs to develop a **customer centric culture** that should be present across every department of the company. For a company to be customer centric needs to: "focus on customer retention; offer superior products services benefits; pursue long-term vision; emphasize exemplary customer service; engender customer commitment; and ensure that quality is the concern of all" (Luck and Lancaster, 2003). After implementing this customer-centric culture, the next step is to improve the Human Resources department practices: selection and recruitment, training, incentives and

<sup>17</sup> "Corporate culture, staff motivation and attitude, skills and knowledge training, customer segmentation, the retail environment and technical support, all need to be integrated into a changing and adaptable whole." (Oldfield and Say, 2003)

motivation, and career management. This concern about the front-line employees is because they are the ones interacting directly with the customers, and if they are not able to assure the services' quality, customers might not come back again<sup>18</sup>. In the meeting with the Director of the Human Resources department, Mrs. Paula Cordeiro, we discussed all of the company's practices in this department. Starting with the selection and recruitment, Amorim Turismo does, every year, a roadshow in all the Hospitality Universities and Schools in Portugal, as a way to attract new trainees for the Blue&Green hotels. The selection is then based on interviews to assess the attitude and competencies of the trainees, which I believe is a good way to make the selection and recruitment. Moving on to the training, after the trainees are accepted in the Blue&Green hotels they receive a training to learn about the hotel, company's values and how to perform their work in the best possible way. However, I believe there should exist periodic training in order to always improve the staff's performance<sup>19</sup>. Moving on to the incentives and motivations, the Blue&Green hotels do not have any. It is important to develop strategies to keep the employees motivated so that they will give their best at their work place. In the customer satisfaction's survey of the Blue&Green hotels (please see question 15 in *Appendix 12*), there exists the option for the customers, if they want, to give the name of an employee they found really professional. If for instance five customers said the same name, this employee could have a monetary bonus that month, this would incentive employees to be better. Finally, the career management is related with the career progress of the employees in the Blue&Green hotels. In this case, employees can apply to other positions but it is not that common as they only have three hotels.

---

<sup>18</sup> "(...)CRM also largely depends on staff attitudes, commitment and performance." (Sigala, 2004)

<sup>19</sup> "The application of training plans in the hotels, allow them to update the formal education and reformulate resources and capabilities needed for getting innovation, competitiveness and hotel survival." (Ros and Sintes, 2011)

### **13.2 Marketing**

The Marketing department must develop several strategies to increase loyalty, brand awareness, to reward the high value customers and increase the value of others, and also to develop customized products and services that better match the customers' needs.

In the case of Blue&Green hotels, as a result of the partnership with Altis hotels' group, a loyalty card is being developed, and it will allow for cross-selling promotions across hotels. For a good loyalty strategy it is important to have several benefits for customers that spend money in the hotels, and this can be accomplished through partnerships with other companies. Example of a partnership could be with TAP<sup>20</sup>, for some amount spent in the hotels the customer get a discount in the flight ticket, and also the other way around, by flying with TAP customers have a discount at Blue&Green hotels. This would benefit the customers of Blue&Green hotels. Besides the loyalty card, it is also important to segment the customers. The point of this segmentation is to identify the most valuable customers of Blue&Green hotels<sup>21</sup>. Once we identify these *gold customers*, we have to develop exclusive benefits and rewards to make them feel privileged. For the other customers, there is the need to develop cross and up-selling strategies to increase their value for the hotels. After segmenting the customers, the objective is to: "work to retain the valuable ones, try to acquire more customers like gold customers, get other customers to move up to gold, re-price or reconfigure the products and services offered to the worthless customers so as to move them towards profitability (or the exit)" (Mckim and Hughes, 2000). In order to retain and reward the high value customers, there is the need to develop a reward system with several options because "different customers may perceive different value for the same reward" (Kumar

---

<sup>20</sup> Portuguese airline company

<sup>21</sup> "Typically, the top 20 per cent (or some small percentage) of customers of any enterprise (the gold customers) provides 80 per cent (or some large percentage) of the revenue and the profits." (McKim and Hughes, 2000)

and Shah, 2004). The best way to accomplish this is through partnerships with other companies<sup>22</sup>. The rewards for the high value customers should be wow!, which is a current trend for loyalty rewards, and it is an “experiential or aspirational reward” (Capizzi and Ferguson, 2005), based on promoting a great experience to these customers. Examples of such rewards would be a trip in a hot air balloon, a parachute’s jump or kart crossing. These would also work with partnerships with the companies offering such services and products. Another way to reward these customers is also with special benefits such as a bottle of wine or a basket with fresh fruit in the room as a welcome gift<sup>23</sup>. Moving on to the cross and up-selling strategies to increase the value of other customers, the idea is to develop promotions across hotels and also with other services that increase value. Examples of cross and up-selling strategies is to offer a discount in The Tróia Design Hotel for a customer that stayed at The Lake Resort, or a 2-for-1 promotion in one of the Hotels’ restaurant, or a discount in SPA for a customer staying in one of the hotels. Another important aspect of the Marketing practices is the development of customized promotions, meaning that, if a customer does not like SPA, it makes no sense to offer him/her a promotion at SPA. It is really important to direct the marketing promotions to the right customers according to their preferences. So, if a customer enjoys SPA, the promotion for SPA should be targeted at him/her and also to all the customers with the same preferences. Related also with these marketing strategies, there is the need to diversify the offer of products and services. For example, if more than one customer shows interest in doing one activity, such as wine tasting and/or horse riding, these activities should be included in the marketing strategies directed and customized to the customers sharing these interests. Besides these promotions, it is also important to increase brand awareness for Blue&Green hotels. One example for such objective is through social networks, we can create a

---

<sup>22</sup> “Companies develop strategic alliances to obtain the resources needed to increase and sustain competitive advantage.” (Yoo and Bai, 2007)

<sup>23</sup> “Wyndham International, a leading hotel chain, uses customer profile information to surprise high-value members with proactive rewards upon arrival such as a free round of golf or a free wall street journal newspaper in the room for a business traveler and so on.” (Kumar and Shah, 2004)



contest on Facebook to incentive people to take one photo in one of the hotels, and the one with more 'Likes' will win one night for two in one of the hotels. Another initiative must be to create and/or host events in the hotels that potentially attract the target customers, for instance, a fashion show of a Portuguese designer in the Tróia Design Hotel, would attract people who appreciate art and design. With such initiatives, Blue&Green hotels will be able to increase brand awareness and engage new customers. For a proposal of a segmentation of the Blue&Green hotels and CRM activities for each segment please see *Appendices 13 and 14*.

### **13.3 Communication**

“The practice of relationship marketing is centered on nothing more than good communications” (Luck and Lancaster, 2003). Communications play an important role in the hospitality industry as a way to interact with the customers and offer them what they value. The communication system for Blue&Green hotels must be composed by mainly e-mails and SMS<sup>24</sup>. Starting with the most basic message, it is e-mail after a customer leaves the hotel, just to thank their choice and ask if everything was as they expected, also send the satisfaction survey in case the customer wants to answer it. Another important e-mail is on the customers' birthday with a small discount to use during that week, and for Christmas, just to show the company remembers their customers. Moving on to the promotional SMS, they must be customized to the right customer, with promotions of his/her interest. For instance, if a customer really enjoys playing golf, we can send him/her an SMS with a discount in the Green fee, or if a customer loves SPA, we must send him/her all the promotions of the SPA. Besides all this targeted communication, the rewards to the gold customers should be communicated by post-mail, because it shows they are special and recognized by the company.

---

<sup>24</sup> “The movement toward one-on-one marketing and customized marketing messages has created both a shift in the function and the organizational structure of marketing departments.” (Richards and Jones, 2006)

### **13.4 Operations and Quality Management**

For the recommendations to work successfully, it is important to get and gather information about the customers' preferences, so that they can properly be satisfied. After developing and implementing all the strategies above it is crucial to control and monitor their quality. This control can be made through surveys to the customers, to measure their level of satisfaction and also the percentage of complaints. These surveys must be targeted to Portuguese customers as well as foreign customers. I believe it is also important to measure the level of satisfaction of the employees, which can also be done through surveys or periodic meetings, so that every opinion counts. For the marketing and communication strategies, it is important to manage the campaigns' efficiency and if the sales revenues increased. Besides, another way to monitor the quality of service and operations' excellence, is to have a Mystery shopper. This would be someone that would go to the hotels in order to assess the services' quality.

### **14. Conclusion**

It is important for a company to have Customer Relationship Management strategies, in order to attract and retain its customers. This makes even more sense for the hospitality industry, where a close relation to the customers can make all the difference. Due to the market trend for investing in CRM, Amorim Turismo also consider it a need for the Blue&Green hotels. After analyzing the Blue&Green hotels in Portugal of the company Amorim Turismo, several strategies were developed and recommended to improve the customer relationship management model of the hotels. The recommendations were made in the departments of human resources and organizational culture, marketing, communication, and operations and quality management, accordingly with an integrative approach because of the impact in the whole company. The main objective of these recommendations is to increase revenues for the hotels, by attracting, retaining and growing the value of the customers. Another important aspect of these recommendations is

the customization of marketing and communication practices, which would be able to respond to customers' preferences and needs, in order to make them feel satisfied. The combination of the already existing strong reputation of the Blue&Green hotels with the customer relationship management recommendations, will differentiate the Blue&Green hotels from the competition.

## **15. Bibliography and References**

### **Reports and Papers:**

- Tirados, R. (2010): Half a century of mass tourism: evolution and expectations, *The Service Industries Journal*
- Yoo, M. & Bai B. (2007): Value Creation, *Journal of Quality Assurance in Hospitality & Tourism*
- Luck, D. & Lancaster, G. (2003): E-CRM: customer relationship marketing in the hotel industry, *Managerial Auditing Journal*
- García, I. and Pérez, R. (2011): Effects of dissatisfaction in tourist services: The role of anger and regret
- Ros, E. and Sintés, F. (2011): Training plans, manager's characteristics and innovation in the accommodation industry
- Moreno, A. and Meléndez, A. (2011): Analyzing the impact of knowledge management on CRM success: The mediating effects of organizational factors
- Sigala, M. (2004): Integrating customer relationship management in hotel operations: managerial and operational implications
- Kung, A. et al. (2010): Marrying CRM analytics with research insights to formulate the best in class customer loyalty strategy
- Richards, K. and Jones, E. (2006): Customer relationship management: Finding value drivers
- McKim, B. and Hughes, A. (2000): How to measure customer relationship management success
- Capizzi, M. and Ferguson, R. (2005): Loyalty trends for the twenty-first century
- Kumar, V. and Shah, D. (2004): Building and sustaining profitable customer loyalty for the 21<sup>st</sup> century
- Otker, T. et al. (2005): True loyalty – The predictive value of customer satisfaction indicators
- Nam, J. et al. (2011): Brand equity, brand loyalty and consumer satisfaction
- MacFarlane, P. and Wibberley, J. (2008): The ROI of customer satisfaction research – a case study proving its value
- Oldfield, S. and Say, M. (2003): The importance of the customer experience
- Rohm, A. et al. (2012): Brand in the hand: A cross-market investigation of consumer acceptance of mobile marketing
- Barros, C. et al. (2001): Managerial efficiency and hospitality industry: the Portuguese case

- Chung, K. et al. (2003): Three representative market segmentation methodologies for hotel guest room customers
- Coltman, T. (2007): Why build a customer relationship management capability?
- King, S. and Burgess, T. (2007): Understanding success and failure in customer relationship management
- Plano Estratégico Nacional do Turismo: Propostas para revisão no horizonte 2015 – VERSÃO 2.0, available at [www.turismodeportugal.pt](http://www.turismodeportugal.pt)

**Websites:**

- Accor Hotels' Group: [www.accorhotels.com/pt](http://www.accorhotels.com/pt)
- Amorim Turismo: [www.amorimturismo.pt](http://www.amorimturismo.pt)
- Turismo de Portugal: [www.turismodeportugal.pt](http://www.turismodeportugal.pt)
- Atlas da Hotelaria 2012 available at [www.deloitte.com/pt](http://www.deloitte.com/pt)

**Books:**

- Buhalis, D. and Costa, C. (2006): *Tourism management dynamics*, Oxford: Elsevier Butterworth-Heinemann
- Peppers, D. & Rogers, M. (2011): *Managing customer relationships*, Second Edition, New Jersey: John Wiley & Sons, Inc.