

mouth (WOM) from those who stay in the hotels, to make customers come back to the hotels and to increase hotel performance and facilities. It can be said that the main objective is to get qualified and loyal customers. Furthermore, she stated that *Marriott Rewards Program* uses *earning points method* for its customers. For every single US\$ spent for *normal room rate charge* in JW Marriott Hotel Surabaya, members of *Marriott Rewards Program* will get additional 10 points and will be multiplied accordingly. These points can be redeemed with rewards provided by the hotels under *Marriott International*.

JW Marriott Hotel Surabaya has provided *Marriott Rewards* for almost 10 years and this program has already been implemented by *Marriott International* hotels around the world for about 50 years. But so far there is no research done to find out the influence of *Marriott Rewards Program* as part of CRM towards customer loyalty in JW Marriott Hotel Surabaya. That is why the writers are interested to explore the influence of CRM, especially *Marriott Rewards Program*, on customer loyalty in JW Marriott Hotel Surabaya. This research is limited to the financial, social benefits and structural ties offered by *Marriott Rewards Program*. Research problem in this study: do financial, social benefits and structural ties influence customer loyalty in JW Marriott Hotel Surabaya?

LITERATURE REVIEW AND HYPOTHESIS

Customer Relationship Management (CRM) is a strategy to maintain relationship with customers in order to get profitable long term relationship between companies and their customers. Each customer wants to be treated differently according to his/ her needs. That is why a lot of companies start to use CRM as a way to maintain their relationship with the customers (Persson, 2004).

In addition, Persson (2004) mentions the objectives of CRM are as follows:

1. Cost savings to get customers
Cost allocation to get customers can be decreased as marketing costs also decrease, including the expenses to get new customers and to serve customers.
2. No need to get new customers in order to stabilize business operation
The number of loyal customers will grow more and automatically the need to get new customers can be less.
3. Reduce promotion costs
Promotion costs can be reduced as existing customers become responsive. Besides that, the growing number of new distributors will make the

relationship between the company and its customers become more effective.

4. More profits from customers
As customers buy more, the company will get more profits. The increasing profits can be from *up-selling, cross-selling, follow-up sales*, and others as a result of the existing satisfied customers.
5. Increase customer satisfaction
Customer satisfaction increases when costumers become loyal to the company, buy more than they use to be and repeatedly. Customers have more initiatives to maintain their relationships with the company so that it increases customer loyalty.
6. Evaluate profits from customers
The company will be able to know which customers are profitable or not profitable as well as which ones are more profitable in the future. It is very important as the key success in every business is to focus on retaining customers who are profitable and maintaining the relationship with them well.

Kotler and Armstrong (2004) also state that Customer Relationship Management (CRM) is a process of building and maintaining long term relationship which is beneficial for customers. There are three approaches to maintain and develop the company's relationship with its customers:

1. Financial benefits
Customers will get financial benefits when the price of the product is lower than other competitors so they can save some money. The implementation of these benefits can be in the form of special discounts as a reward, especially when customers buy in a big volume or when they buy products on a regular basis.
2. Social Benefits
Companies need to provide social benefits to their customers. Social benefits help to improve relations by studying customers' needs and desires and if possible by giving something personal or individual (personalization). Hotel industries have implemented these benefits by remembering the customers' names and putting guest preferences in the database so that hotel staffs can easily access this information when serving the customers.
3. Structural ties
The benefits of structural bonding (structural ties) is to build long term profitable relationships with customers by providing a structural bond that allows customers to transact with the company. These can be implemented by providing online access to the company so that customers can get any information from the company easily. They will feel appreciated and be part of the company.