CHAPTER-I

INTRODUCTION

1.1 THE PROLOGUE

Today, businesses are facing aggressive competition and they have to make efforts to survive in a competitive and uncertain market place. Modern organizations have realized that managing customer relationships is a very important factor for their success. Customer Relationship Management (CRM) is a strategy that can help them to build long-lasting relationships with their customers and increase their profits through the right management system and the application of customer-focused strategies. CRM is a combination of people, processes, and technology designed to understand and manage a company’s relationship with customers by focusing on relationship development and customer retention. Scholars have rightly emphasized that customer-centric business philosophy, work culture, customer-centric goods and services, effective marketing and scientific assessment of customer satisfaction would safeguard the interest of modern organizations including hotel industry. The present study evaluates the effectiveness of customer relationship management in star hotels in Karnataka. The history of customer relationship management, salient features of customer relationship management, the new millennium customer, theoretical foundation of customer relationship management, star hotels in contemporary society, tourism and hotel industry in India, tourism and hotel industry in Karnataka, CRM in star hotels in Karnataka, significance of the study, statement of the problem, need for the study, objectives of the study and presentation of the study are furnished in this chapter.

The hotel industry cannot survive without the customer because customers have more choices today and the targeted customers are most valuable for star hotels. Customer service and customer care must receive high priority within the hotel industry. CRM practices particularly in star hotels are very challenging. Merely installing and integrating software packages in star hotels cannot implement a successful CRM strategy. It needs to be coordinated with the business operations,
strategy and employee and customer acceptance. If star hotels develop and sustain a solid relationship with their customers, their competitors cannot easily replace them and therefore this relationship provides for a sustained competitive advantage. CRM in star hotels is a key element that allows star hotels to develop their customer base and sales capacity. With the help of CRM, the star hotels can manage all aspects of customer interactions in a manner that enables star hotels to maximize profitability from every customer.

1.2 OPERATIONAL DEFINITIONS OF THE TERMS USED IN THE STUDY

1.2.1 Customer Relationship Management

Customer Relationship Management is widely used to create a personalized experience that will give the individual customer a sense of being cared for, thus opening up new marketing opportunities. CRM is a business strategy, which is adapted by modern organizations to select and manage the most valuable customer relationships since they require a customer-centric business philosophy and culture to support effective marketing, sales and service strategies. The practice of customer relationship management requires right leadership, strategy and culture.

Mahatma Gandhi understood the need for CRM. He firmly advocated that CRM was a strategy that can help modern organizations to build a long-lasting relationship with their customers and increase their profits through the right management system and the application of customer-focused strategies. He observed: “Customer is the most important person for a business. He is not an interruption to our work but the purpose of it. He is not an outsider; he is a part of it. We are not doing him a favour; he is doing us a favour by giving us an opportunity to serve him”.

1.2.2 Star Hotels in Karnataka

Hotels are increasingly challenged to find ways to reduce costs without sacrificing the quality standards imposed to consistently meet guest expectations. The idea of "doing more with less" requires managers to think about ways to operate more effectively (in other words to "do the right things in the right way") and to examine possibilities for cost saving that will not affect the guest’s perception of value. Thus, though cost reduction is a key profit maximization factor in the hospitality industry, customer satisfaction should not be undermined.
Karnataka is known for a large number of star hotels that cater to the needs of tourists coming from other parts of the country and the globe. According to Karnataka Department of Tourism, there are 903 star hotels in Karnataka boasting of 21 five-star hotels, 63 four-star hotels, 162 three-star hotels and 657 budget hotels (two-star and one-star categories) as on March 2013. The hotels also offer attractive packages, which include accommodation, travel and allied facilities. The Tourism of India.com provides all the travel services.

Star hotels in Karnataka systematically practice the art and craft of CRM in the new millennium. It is rightly believed that the practice of CRM would boost the image, popularity, status and business prospects of star hotels in the state of Karnataka. In the era of globalization, liberalization and privatization, CRM is a new tool of organizational development. The practice of CRM has become an important source of income generation for the star hotels in Karnataka.

1.2.3 Personnel of Star Hotels

The managers of star hotels were classified into senior managers (Top Management), junior managers (Middle Management) and supervisors (Lower Management) in order to elicit their opinions on the practice of CRM.

1.3 SIGNIFICANCE OF THE STUDY

The practice of CRM is crucial for the modern corporate sector in order to achieve the goal of business promotion and facilitate the delivery of customer-centric goods and services and maximize the corporate reputation, according to Brown (2000). In modern organizations, the CRM initiatives are intended to drive better relationships with customers since customer relations are most vital to modern organizations in order to understand value, needs, requirements and behavioural patterns of the customers, justify Cross and Janet (1996). This understanding juxtaposed with business needs, helps build systems and processes based on customer requirements and to better returns. The key to effective relationship management is crafting a comprehensive customer view, emphasizes Eckerson (1997).

Scholars have also emphasized in their writings that customers should be involved actively in the design and practice of CRM since it helps the modern companies financially and otherwise, states Greenberg (2002). He called upon the
modern organizations to involve their customers in the process of designing customer-friendly goods and services since customers have become an integral part of modern organizations.

The hotel industry is experiencing increased globalization, competition, higher customer turnover, growing customer acquisition costs and rising customer expectations, meaning that hotels’ performance and competitiveness is significantly dependent on their ability to satisfy customers efficiently and effectively, observe Olsen (1996).

The adoption of CRM in the hospitality industry has been impeded by a number of factors. These include the persistently fragmented nature of the industry, the disparate, proprietary and relatively immature nature of IT systems, and the additional complexity associated with managing a perishable product that is sold through a variety of distribution channels. Experience reveals that systematic adaption of CRM strategies and application of CRM technologies would bring about rapid progress in the hospitality management sector, opine Sigala and Christou (2002).

In a competitive business environment, hotel industry is required to meet every single customer’s needs and expectations. It is important to understand the aspects of business performance that persuade customers to become repeat purchasers, and to exhibit behavioural loyalty. Modern hotels should also focus on the effective practice of CRM which aims 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, observe Sigala and Christou (2002).

Few researchers in India have examined the financial aspects such as profitability, productivity and financial performance with reference to hospitality management sector without much concentration on customer satisfaction, loyalty and retention. Karnataka has emerged as a prominent tourism promotion center in India. Certain features of CRM have been examined by the past generation of researchers in public and private sector undertakings in India. The major deficiency observed in their works is the lack of emphasis on analyzing the effectiveness of customer relationship management in the hotel industry in Karnataka. Further, the past studies have not indicated the effectiveness of customer relationship management in star
hotels. Hence, it was decided to study the practice of CRM as an instrument of development of star hotels. As the thematic perspective is ambitious, setting CRM in the context of hospitality management with reference to star hotels, the study is limited to the state of Karnataka.

This study is significant for three reasons. Firstly, it fills a knowledge gap about CRM practices in Karnataka. It aims to identify the effective factors for encouraging star hotels to practice CRM. Few prior studies in recent years in India focus on the research of critical success factors of CRM in Services Marketing (Kamath et al., 2002), and Telecom Companies (Puranik 2013), and some of the studies focus on CRM implementation strategies in hotel industry (Kumar Yadav 2013), CRM practices in hospitality (Tanvi, 2013), and service quality of hotel industry (Kumar et al., 2012). Therefore, this study attempts to uncover the factors’ effectiveness on CRM practices in star hotels in Karnataka.

Secondly, this study focuses on the barriers of CRM practices in star hotels in Karnataka. No research has been conducted in recent years in India. Therefore, this study attempts to investigate the barriers of CRM practices in star hotels.

Finally, it is hoped that this new knowledge will help future researchers and practitioners alike to better understand CRM practices in star hotels in Karnataka. Such an understanding will be useful for hotel owners specially the management of star hotels for their customer relationship policy. The findings and recommendations of this study are important for the Government of Karnataka specially the Department of Tourism in drawing guidelines on how to encourage and motivate widespread practices of CRM to empower star hotels to compete in the global business environment. This information will be relevant to them because, it is expected that the effective CRM practices in hotel industry will have a positive effect on tourist attraction in the country.

The primary aim of the present study is concerned with identifying a reasonably representative sample of professionals involved in the practice of CRM in order to assess their views on the role of CRM in the process of hotels’ progress in general and effectiveness of CRM in the enhancement of the business status of star hotels in particular. Hence, the problem “Effectiveness of Customer Relationship Management in Star Category Hotels in Karnataka” was chosen for the present study.
1.4 STATEMENT OF THE PROBLEM

Customer focus and attention to customer service is not a new concept. It is certainly a business dynamic that has been recognized for a long time. CRM is more evolution than revolution. Thus, achieving the full potential of each customer relationship should be the major goal of every business (Boxwell, 2000). The role of CRM in the tourism sector in India is recognized and modern hotels realize the importance of quality of service and customer satisfaction. Scholars have suggested that the modern Indian hotel sector should create sustainable competitive advantage through customer centric services and marketing communication strategies (Kamath et al., 2008).

To survive in the global markets, focusing on the customer is becoming a key factor for the hotel industry. It is known that it takes up to five times more money to acquire a new customer than to get an existing customer to make a new purchase. CRM is an emerging marketing activity or function, which has gained prominence among academics and practitioners. The adaption of CRM as tool of competitive edge is in ascendance worldwide (Parvatiyar and Sheth, 2001). There is no doubt that an effective and efficient practice of CRM is crucial in the successes of a firm. CRM practice of a firm can be thought of as a continuum ranging from very low CRM practice conscious firms to very high CRM practice conscious firms (Grönroos 1994; Webster 1992).

Traditional communication and management tools and techniques cannot deliver goods in the age of information technology and competitive organizational development. Therefore, in this way CRM could be a good solution often the decision and practice for a CRM system is handled as a standard procedure without specific care and investigation. CRM is a strategy that can help modern organizations to build ever-lasting relationships with their customers who matter most from the point of view of organizational development in this age of competitiveness.

Karnataka as a developing state in India needs a greater portion of hotel industry. By reviewing literature review of CRM and using CRM concepts, this study tries to find some solutions for decreasing barriers and restrictions to develop the hotel industry and attract guests and please them. Therefore, this study focuses on factors’ effectiveness on CRM practices among star hotels and the barriers of CRM
practices among star hotels.

The present study was carried out to evaluate the effectiveness of CRM in star hotels in Karnataka not as a means of communication but as a support to sustainable hotel industry development. Indeed, this study is to identify the needs of star hotels for practicing CRM in Karnataka, the factors’ effectiveness on CRM practice among star hotels and the barriers of CRM practices in order to make recommendations for improvement.

Therefore, it is essential to have a vision backed up by appropriate research action on the role of CRM in the process of star hotels development in a model state like Karnataka in order to achieve resounding success in the field of hospitality management through systematic adaption of tested and tried principles, practices and technologies of CRM. To a rise the efficiency of CRM practices with reference to star hotels in Karnataka, its present level of management efficiency has to be assessed and suitable methods be designed to increase the same. In the absence of suitable research support, it would be difficult to achieve this goal.

Finally, research indicates that customers are vital for star hotels in Karnataka and there is a deep gap to satisfy customers due to many reasons ranging from economical to social principles to complicated tools for customer satisfaction, from legislation to practice. Therefore, this study intends to understand the current practice of CRM, the factors’ effectiveness on CRM practice, and the barriers of CRM practices among star hotels in Karnataka according to the perception of star hotels' personnel. To reach this purpose, the following research questions emerge:

1. What is the status of CRM practices in star hotels?
2. What is the influence of factors on CRM practices among star hotels?
3. What are the barriers of CRM practices among star hotels?
4. What is the relationship between CRM practices and influence on the category to which they belong?
5. What is the relationship between elements of CRM and CRM practices in star hotels?

The present study, was therefore, designed to cover all these dimensions and make it more comprehensive, purposeful and effective.
1.5 NEED FOR THE STUDY

CRM in star hotels is fundamental to building a customer-centric organization. CRM in star hotels is a key element that is allowed to develop its customer base and sales capacity. The hotel industry cannot survive without the customers, because the customers have more choices today and the targeted customers are most valuable for star hotels. With the help of CRM, star hotels can manage all aspects of customer interactions in a manner that enables the hotels to maximize profitability from every customer. A successful CRM strategy can be practiced by coordinating with the business operations, strategy and employee and customer acceptance.

The present study attempts to evaluate the effectiveness of customer relationship management in star hotels in Karnataka as well as making policy recommendations for the improvement of CRM practices in star hotels. This study is also to classify star hotels into a category of low, middle, or high CRM consciousness. The present study would throw light on:

- CRM as an important component of organizational management process in star hotels in Karnataka,
- This age of economic liberalization, where star hotels are required to cater to the increasing needs and demands of the customers,
- The need for scientific practice of CRM in star hotels which is strongly felt in the present age of competitiveness,
- Star hotels in Karnataka that have adapted certain CRM practices with a view to build and promote mutually beneficial relationships with the customers,
- Other states in the country, who are following the attempts made by the state of Karnataka to expand the base of tourism promotion in a systematic way,
- CRM, which cannot remain as a neglected sector of integrated development of star hotels in Karnataka.
- A constant and continuous research on the changing economic scenario subject to rapid progress in tourism promotion and hospitality development sector imperative in a model state like Karnataka.
The result of the present study according to the managers’ perspectives would help star hotels to formulate suitable CRM strategies and use appropriate methods to improve the effectiveness of CRM toward attaining the goals of organizational development, business promotion, customer retention and corporate reputation management in Karnataka.

1.6 OBJECTIVES OF THE STUDY

The objectives of the study are:

1) To study the current CRM practices in star hotels in Karnataka.
2) To measure the factors’ effectiveness on CRM practices among star hotels.
3) To examine the barriers of CRM practices as perceived of respondents.
4) To evaluate the relationship between CRM practices and influence on the category to which they belong.
5) To analyze the relationship between elements of CRM and CRM practices in star hotels.
6) To give suggestions based on findings from the research study.

1.7 RESEARCH HYPOTHESES

The study aims to test the following hypotheses to measure the effectiveness of CRM in star hotels in Karnataka:

H1: There is a significant difference in the current practices of CRM among star hotels.
H2: There is a significant difference between factors’ effectiveness and CRM practices in star hotels.
H3: There is a significant difference between barriers of CRM practices and star hotels as perceptions of managers.
H4: CRM practices are different among respective star hotels.
H5: There is a significant difference between elements of CRM and CRM practices in star hotels.
1.8 RESEARCH METHODOLOGY

The present study is both descriptive and exploratory. The research approach is quantitative because relationship can be expressed in numbers. In this study both primary and secondary data was used for a specific purpose.

1.8.1 Data Collection and Analysis

a) Primary Data

The primary data was collected through interviews, questionnaires and observations from the sample units of star hotels. In addition to questionnaire, schedules were used to collect unpublished information from the management and authorities of star hotels.

b) Secondary Data

The secondary data was collected to supplement the questionnaire and schedule survey information. The annual reports, prospectus and brochures of star hotels, publications of Tourism, books, research papers, articles, periodicals and statistics on star hotels and hotel websites were used as important sources of secondary data.

1.8.2 Population

The population of this study consists of all registered star hotels in Karnataka. The population that is being studied is also called the target population. According to Karnataka Department of Tourism, there are 903 star hotels in Karnataka boasting of 21 five-star hotels, 63 four-star hotels, 162 three-star hotels, and 657 budget hotels (two-star and one-star categories) as on March 2013. The sample units in this study consist of 213 of three categories (20 five-star, 54 four-star and 139 three-star). The respondents are a composition of males and females of varied ages, levels of education and experiences. Table No. 1.1 shows top three cities in Karnataka namely Bangalore, Mysore and Mangalore considered in this study because of more star hotels.
### Table 1.1: List of Hotels in Karnataka

<table>
<thead>
<tr>
<th>City</th>
<th>5-star</th>
<th>4-star</th>
<th>3-star</th>
<th>Budget (2-star &amp; 1-star)</th>
<th>Total</th>
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<th>3-star</th>
<th>Budget (2-star &amp; 1-star)</th>
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<th>3-star</th>
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<th>Budget (2-star &amp; 1-star)</th>
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<td><strong>Total</strong></td>
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<td>17</td>
<td>40</td>
<td>239</td>
<td>299</td>
</tr>
</tbody>
</table>

| KARNATAKA          | 21     | 63     | 162    | 657                      | 903   |

Source: Karnataka Department of Tourism (March 2013)

### 1.8.3 Sample Selection

According to Holme and Solvand (1991) the selection of respondents is crucial. If the wrong persons are being interviewed, the research may turn out to be ineffective or worthless. In order to fulfill the purpose of this research it was of great
importance to get in contact with the persons with the most knowledge and experience of working with CRM among star hotels. The chosen respondents were classified into: hotel senior managers, hotel junior managers and hotel supervisors.

In this study, the simple random sampling techniques have been used and the study proposed for 213 units of star hotels in Karnataka (20 five-star, 54 four-star and 139 three-star).

1.8.4 Sample Size

Several qualitative factors should be taken into consideration when determining the sample size. These include the importance of decision, the nature of research, the number of variables, the nature of analysis, sample sizes used in similar studies, incidence rate (the occurrence of behaviour or characteristics in population), completion rates and resource constraints. In commercial marketing research, limits on time, money and expert resources can exert an overriding influence on sampling size determination.

The confidence interval approach to sample size determination is based on the construction of confidence interval around the sample means or proportions using the standard error formula. For this study, 639 questionnaires were distributed among 213 star hotels in Karnataka (60 for five-star, 162 for four-star and 417 for three-star) and the responses collected from 607 respondents among three categories (54 for five-star, 162 for four-star and 391 for three-star) have been studied as sample for this research in top three cities namely Bangalore, Mysore and Mangalore.

<table>
<thead>
<tr>
<th>Hotels</th>
<th>Study Area</th>
<th>Total</th>
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</thead>
<tbody>
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<td></td>
<td>Bangalore</td>
<td>Mysore</td>
</tr>
<tr>
<td>5-Star</td>
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<td>1</td>
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<td>4-Star</td>
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<td>7</td>
</tr>
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<td>3-Star</td>
<td>108</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>171</td>
<td>29</td>
</tr>
</tbody>
</table>

Source: Karnataka Department of Tourism (March 2013)

The authority concerned of Karnataka State Tourism Development Corporation (KSTDC) was approached and information gathered regarding the selection of three top cities of Karnataka for the purpose of primary data collection regarding the effectiveness of CRM in star hotels in Karnataka. In this study, 213 star
hotels were considered for the purpose of study in Karnataka and 607 respondents were selected from top three cities which has the highest number of star hotels compared to the rest of the cities in Karnataka, Bangalore (171), Mysore (29) and Mangalore (13) respectively.

The purpose of this chapter is to present the chosen research approach and methods for achieving the research objectives from star hotels' personnel perspectives. Areas such as chosen research purpose, strategy, data collection, sample selection and data analysis will be presented and described. Finally, aspects of reliability and validity will be discussed and a short summary of the chapter will be provided.

1.8.5 Survey Search

Survey Research method is very popular in the field of commerce and management. It is a very widely used research technique for the purpose of conducting any empirical study. It is nothing but surveying the minds of the people who matter most from the point of view of achieving organizational development. It is a systematic and scientific research method, which facilitates generation of comprehensive and authentic data on various aspects of organizational management and development. The present study is based on survey research method primarily. The managers of star hotels representing senior managers, junior managers and supervisors were approached for primary data collection on the current practices of CRM in star hotels in Karnataka.

1.8.6 Sample Size Calculation

Sampling techniques provide a range of methods that enable reducing the amount of data that is needed from a sub group rather than all possible cases or elements. In this study, Cochran formula is employed for sampling and according to the formula,

\[ n = \frac{Z^2pq}{e^2} = \frac{(1.96)^2 (.5) (.5)}{(.05)^2} = 385 \]

which is valid where ‘n’ is the sample size, z is the abscissa of the normal curve that cuts off an area ‘a’ at the tails (1-a equals the desired confidence level, e.g., 95%), ‘e’ is the desired level of precision, ‘P’ is the estimated proportion of attribute that is present in the population and we assume P= 0.5 (maximum variability), and ‘q’ is 1-P.
The value for ‘Z’ is found in statistical tables, which contain the area under the normal curve.

1.8.7 Questionnaire Design

In this study, a self-administered questionnaire has been used for collecting data from the managers’ perspective of star hotels in Karnataka. Salmant and Dillman, 1994 argue that, to achieve as high response rate as possible, researchers need to explain clearly and concisely why they want the respondent to complete the survey on the first page. With reference to this a covering letter is provided on the first page.

The questionnaire was designed to poll the opinions of star hotels’ personnel in Karnataka with respect to:

1. the current practices of CRM
2. the factors’ effectiveness on CRM practices
3. the barriers of CRM practices
4. the relationship between CRM practices and influence on the category to which they belong.

The above opinions were measured by requesting respondents to indicate, on a five-point Likert-type scale, anchored on "1= to strongly agree, 2= to agree, 3= to neither agree nor disagree “NAND”, 4= to disagree and 5= to strongly disagree", their agreement or disagreement with a series of statements that characterize the degree to current practices of CRM in star hotels in part A, the factors’ effectiveness on CRM practices among star hotels in part B, the relationship between CRM and CRM practices in star hotels in part C, and the barriers of CRM practices in part D.

Likert-type scales were developed in 1932 as the familiar five-point bipolar response format most people are familiar with today. These scales always ask people to indicate how much they agree or disagree, approve or disapprove, believe to be true or false. There's really no wrong way to do a Likert-type scale, the most important thing being to at least have five response categories (Likert 1932).
The questionnaire also contained a question about the customer relations’ perspective and some personal questions to reach some contextual sense of the answers collected such as name, age, designation, etc.

To measure the effectiveness of CRM in star hotels following variables (elements) were considered:

- **Current Practices of CRM**

  1. Business mission and strategy driven by customers needs.
  2. Top management leadership to build and maintain customer relationship.
  3. Using technology to automate marketing, sales and service functions.
  4. CRM oriented websites influence customers to maintain good relations.
  5. Customer relationships as a business objective.
  6. Customer acquisition, development, retention and reactivation as business goals.
  7. Building and maintaining long-term customer relationships.
  8. To measure and monitor employee/customer satisfaction, loyalty & commitment.
  10. Databases as comprehensive real-time information about customers.
  11. To understand the needs of customers based on knowledge.
  12. To build and manage customer relationships by staff.
  13. The employees at all levels are encouraged and empowered to exceed customer expectations.
  14. Information systems as comprehensive data of customers.
  15. High priority to customer and employee satisfaction by board meetings.
  16. To meet customers regularly.
  17. Appreciating the customers completing surveys or requests for information.
  18. To provide technical support for building customer relationships.
Factors’ effectiveness on CRM Practices

1. Sales Force Automation (SFA).
2. Using Database, Data warehousing and Data mining.
3. Staff training and behaviour.
5. Quality of business activities.
6. Effectiveness of distribution channels.
8. Long-term customer relations.
9. Globalization and advancement in Information Technology (IT).
10. Service quality.

Barriers of CRM Practices

1. Inadequate supporting budgets.
2. Ignorance of senior management to CRM.
3. Lack of communication.
4. Lack of complementary customer management skills.
5. Inefficiency in business processing.
6. Lack of standardizing CRM.
7. Inter departmental conflicts.
8. Lack of cultural readiness.
9. Lack of end-user input at services stage.
10. Lack of technology advancement to use CRM.
11. Fragmentation of customer segmentation.
12. Price competition and lower operating cost.
Relationship between CRM Practices and Influence

1. To execute customer satisfaction through CRM.
2. Customer satisfaction is the key objective of CRM.
3. CRM has changed the culture of hotels positively.
4. CRM provides the customer to free access to services.
5. CRM improves the brand equity of the services.
6. CRM increases the quality of products/services.
7. CRM maintains the best quality of services for customer satisfaction.
8. To assess customer value, end-customer satisfaction and qualities.
9. CRM develops the relationship between customer satisfaction and business results.

The opinions of star hotels’ managers were measured by requesting respondents to indicate, on a Five-Point Likert-type scale, anchored on; “strongly agree, agree, neither agree nor disagree, disagree and strongly disagree” their agreement or disagreement with a series of statements characterizing the degree to current practices of CRM, factors’ effectiveness on CRM practices, barriers of CRM practices and relationship between CRM practices and influence on the category to which they belong.

1.8.8 Statistical Tools and Techniques

To analyze the data collected from respondents and prove hypotheses, various statistical tools and techniques have been applied in this study. Mean and Standard deviation were used for descriptive statistics. Correlation co-efficient, Cronbach's alpha were used for determining the predictive validity and reliability used in the study.

1.8.9 Procedure

There are many aspects within this research area and due to time limitation this thesis is based from the managers’ perspective, and no attention will be given to the customers’ perspective. In order to suit this research purpose, the sample
collection followed some judgmental criteria. The first sample criterion was that the selected star hotels have to be involved in CRM practices. Secondly, the star hotels have to practice CRM in more than one city. The reason for this was that star hotels having international operations are more likely to have wide range customer relationships. The third criterion was that star hotels have to be located in Karnataka. This facilitates the contacting phase and eases the establishment of a good relation with the respondents in this research. 213 star hotels in top three cities in Karnataka were chosen (20 five-star, 54 four-star and 139 three-star), which matched the criteria and which were also willing to participate in this study.

The present empirical study was conducted in Karnataka, India, with a view to understand the nature, scope and status of CRM practices in star hotels which functioned in top three cities namely Bangalore, Mysore and Mangalore. The primary data gathered was from 607 respondents who represented the top, middle and lower management of star hotels (five-star, four-star and three-star categories). The respondents were selected on the basis of simple random sampling techniques. The present study approached the problem through a systematic survey method. Besides survey method informal discussion and secondary sources of information were also used as other methods to study the role of CRM in the management of star hotels. The present study assumes great significance because it evaluated the effectiveness of CRM in star hotels in Karnataka, which has emerged as a leading developing State as well as tourist destination in India.

Inferences have been drawn taking cognizance of current practices of CRM in star hotels, the factors’ effectiveness on CRM practices among star hotels, the barriers of CRM practices as perceived of respondents and the relationship between CRM practices and influence on the category to which they belong, which is intended to promote hotel industry thereby on the basis of authentic data analysis. First, the descriptive statistics are presented and subsequently the data analysis relevant to each hypothesis is presented and at the end the correlation between elements is shown. Finally, a short summary of the results has been provided.

1.8.10 Hypotheses Testing Procedures

Hypotheses testing procedures can be broadly classified as parametric and non-parametric, based on the measurement scale of the variables involved. Parametric
test assumes that the variables of interest are measured on at least an interval scale. The most popular parametric test is the t-test conducted for examining hypotheses about means. The t-test could be conducted on the mean of one sample or two samples of observations. In the case of two samples, the samples could be independent or paired.

The analysis of data was done by both descriptive and inferential, using Descriptive statistics, t-Test, One-way ANOVA, Duncan’s Multiple Range Tests, Pearson Correlation and Contingency Co-efficient Analysis. The percentages were worked out to represent the proportion of respondents to the total sample considered in the study. The collected data for the study was used to compute the statistics using Statistical Presentation System Software (SPSS-version 21.0). The results were obtained as per the plan enunciated.

1.8.11 Study Variables

Keeping the above hypotheses in view, the following variables were selected for the study on the basis of review of literature and discussion with subject experts.

i. Independent Variables

Type of Star Hotel (five-star, four-star and three-star) varied at three categories

ii. Dependent Variables

a. Current practices of CRM
b. Factors’ effectiveness on CRM practices
c. Barriers of CRM practices

1.9 RELIABILITY AND VALIDITY

It is important that a research study has high quality, and this cannot be achieved only through collecting data. The criterion for testing whether a thesis has high quality or not is whether the research methodologies are neutral and if the same conclusions be drawn by other researchers (Denscombe, 1998). To increase the possibility of getting the right meaning of the answers, researchers have to pay extra attention to reliability and validity. (Saunders et al., 2000)
1.9.1 Reliability

Reliability is concerned with whether other researchers would have obtained the same results if they performed the same research with the same methods. In other words, the reliability indicates the stability and consistency with which the used instruments are measuring the issue studied and helps to assess the quality of a study (Sekaran, 1992). The goal is to minimize errors and biases in the study (Yin, 1994). For reducing the subject bias we tried to make respondents certain that their answers were considered confidential. Since the questionnaire was designed as a survey format we did not face observer error or the observer bias.

This is about the results of the investigation, which has to be reliable. It is reliable if nothing changes in a population between two investigations in the same purpose. From a deductive point of view if the measure yields the same results on different occasions, or from an inductive point of view similar observations are made by different researches on different occasions. For reducing the subject bias the researcher tried to make respondents certain that their answers were considered confidential. Since the questionnaire was designed as a survey format the researcher did not face observer error or the observer bias.

Table 1.3: Reliability; Co-efficient for the various elements of CRM questionnaire and total CRM

<table>
<thead>
<tr>
<th>No</th>
<th>Elements</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CRM Practices</td>
<td>0.8792 (very high)</td>
</tr>
<tr>
<td>2</td>
<td>Factors’ Effectiveness on CRM Practices</td>
<td>0.6901 (high)</td>
</tr>
<tr>
<td>3</td>
<td>Barriers of CRM Practices</td>
<td>0.9341 (very high)</td>
</tr>
<tr>
<td>4</td>
<td>Relationship between CRM Practices &amp; Influence</td>
<td>0.9054 (very high)</td>
</tr>
<tr>
<td>5</td>
<td>Total CRM</td>
<td>0.9328 (very high)</td>
</tr>
</tbody>
</table>

Source: Fieldwork

Cronbach Alpha obtained for various variables of CRM questionnaire varied from 0.6901 to 0.9341 for individual variables. A reliability coefficient of 0.9328 with 51 items answered by 20 respondents was observed very high. All together, the reliabilities obtained for individual and total scores showed higher values indicating that the tool employed in the present study were highly reliable.
1.9.2 Validity

Validity is concerned with whether the findings are really about what they appear to be about (Saunders et al., 2000). In the present study the validity of the instrument has been established by face and content validity techniques. There are tests for validity:

- **Construct Validity:** establishing correct operational measures for the concepts being studied.

- **Internal Validity:** for explanatory and causal studies only (not for descriptive or exploratory studies) establishing a casual relationship, thereby certain conditions are shown to lead to other conditions.

- **External Validity:** establishing the domain to which a study’s findings can be generalized.

If a question can be misunderstood, the information is said to be of low validity. I arranged a formal interview environment and the questionnaires were given to respondents face to face, so that if they came across any difficulties while filling out the questionnaire, the ambiguity could be explained. The validity was thus, increased.

As for external validity, this study could be generalized with a 95% level of certainty and a 5% margin of error. Also the researcher uses correlation coefficients for testing validity of questionnaires.

**Table 1.4: Correlation co-efficient for elements to item total scores**

<table>
<thead>
<tr>
<th>Elements</th>
<th>Correlation Co-efficient</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM Practices</td>
<td>0.966</td>
<td>0.000</td>
</tr>
<tr>
<td>Factors’ Effectiveness on CRM Practices</td>
<td>0.788</td>
<td>0.006</td>
</tr>
<tr>
<td>Barriers of CRM Practices</td>
<td>0.540</td>
<td>0.052</td>
</tr>
<tr>
<td>Relationship between CRM Practices &amp; Influence</td>
<td>0.925</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: Fieldwork

Individual components to total scores correlations resulted in 0.540 to 0.966, again a marked agreement was observed between scores obtained in individual elements to the total scores, indicating higher validity of the tool.
1.10 PRESENTATION OF THE STUDY

The first chapter deals with the introduction, significance of the study, statement of the problem, need for the study, objectives of the study, research hypotheses, research methodology, reliability and validity, presentation of the study and limitations of the study.

The second chapter namely – conceptual framework of CRM, deals with origin and history of CRM, types and components of CRM, objectives and principles of CRM, customer loyalty, satisfaction and retention, CRM and information technology, CRM infrastructure, enterprise resource planning, customer value in CRM process, practices of CRM, parameters to measure CRM success, key factors of CRM practices, factors’ effectiveness on CRM practices, successful and failure practices of CRM and barriers of CRM practices.

The third chapter namely – review of literature presents a brief discussion of the past studies conducted in India and abroad on various aspects of customer relationship with special reference to general organizational development, tourism promotion and hospitality management.

The fourth chapter namely – CRM and star hotels in Karnataka presents tourism and hotel industry in India, contemporary hotel industry, classifications of hotels in India, requirements for star hotels, tourism and hotel industry in Karnataka, tourism and hotel industry in Bangalore, tourism and hotel industry in Mysore, tourism and hotel industry in Mangalore and customer relationship management in star hotels in Karnataka.

The fifth chapter namely – assessment of effectiveness of CRM deals with introduction, demographic features of respondents, current practices of CRM, factors’ effectiveness on CRM practices, barriers of CRM practices, relationship between CRM practices and influence on the category to which they belong, relationship between elements of CRM and CRM practices and verification of the hypotheses. This chapter will show the critical success factors of CRM practices from the perspectives of the managers in star hotels in Karnataka.

The sixth chapter namely – finding and suggestions presents introduction, finding of the study, implications of the study and suggestions of the study on the
effectiveness of CRM in star hotels in Karnataka.

The last part of the thesis indicates the bibliography, appendix A: distribution of study area and appendix B: questionnaire.

1.11 LIMITATION OF THE STUDY

It was not practically possible for the researcher to enjoy the benefit of accessibility of data to all the star hotels studied. It was also not possible to study the perception of all the managers on CRM practices adapted by star hotels. The usual limitations of the survey method such as time, human inadequacies, resource constraints, travelling difficulties, recollection and communication was experienced in this study. It was not possible to contact all the personnel of star hotels in Karnataka. Simple random sampling technique was followed in selecting the respondents. Though much care has been taken to collect the primary data, the memory bias on the part of the respondents cannot be completely ruled out.

1.12 SUMMARY

The present chapter has dealt with the introduction to the study, definitions of CRM, the concept of effective CRM practices, statement of the problem and need of the study. It also has highlighted the objectives, hypotheses of the study and research models developed for measuring effectiveness. Reliability analysis procedure featuring Cronbach's alpha, Correlation co-efficient, t-test, one-way ANOVA have been presented in this chapter to provide a comprehensive view of the planning and execution of the study. To analyze the perceptions of the respondents the various parametric and non-parametric tests used also have been highlighted. It also has presented profiles of the respondents, star hotels and limitations of the study.