## CHAPTER-IV

CRM AND STAR HOTELS IN KARNATAKA

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CHAPTER-IV

CRM AND STAR HOTELS IN KARNATAKA

In the post World War-II period many countries in the world became politically independent and established their own legislative systems to facilitate good governance. Planning commissions were also established to prepare grounds for the achievement of the goals of national development in accordance with the constitutional norms and provisions. Several countries also explored the possibilities of generating income through tourism promotion activities. The national governments and provincial governments also established tourism promotion ministries and tourism development corporations in order to open up new vistas for the promotion of tourism industry. India also has joined the bandwagon of the prominent countries, which earn a sizable chunk of revenue through tourism promotion and hospitality management activities.

4.1 TOURISM AND HOTEL INDUSTRY IN INDIA

India has become a prominent center of tourism promotion in the world over a period of time. India has better infrastructural facilities in regard to hotels, transportation and allied amenities. Many prestigious hotels have also grown in India in order to cater to the needs of the domestic and foreign travelling public. There are hotels ranging from luxury hotels to economy hotels across the country.

The Indian tourism and hospitality industry has emerged as one of the key industries of driving growth of the service sector in India. Tourism in India has registered significant growth in the recent years and the country has tremendous potential to become a major global tourist destination. Indian tourism industry is thriving due to an increase in foreign tourist arrivals and greater number of Indians travelling to domestic destinations than before. In the past few years the real growth has come from within the domestic sector as around 30 million Indians travel within the country in a year. Strong growth in per capita income, rising young population coupled with changing lifestyles are leading to greater expenditure on leisure services.

The Indian tourism industry has outperformed the global tourism industry in terms of growth in the volume of international tourists as well as in terms of revenue
generation through lodging, transportation, boarding and other sources of hospitality management. The World Travel and Tourism Council (2008) has named India along with China as one of the fastest growing tourism industries in the new millennium. According to the assessment of WTTC, the travel and tourism industry contributes 2.5 percent to India’s GDP through an active involvement of hospitality management workforce of about 30,000,000 in 2010. In the era of economic liberalization, the Indian tourism industry has been a fast growing economy during the last one decade. Despite inadequate basic infrastructure, manpower and allied resources the Indian tourism industry is marching towards remarkable progress by showing an impressive double-digit growth. In order to sustain this growth and meet the expectations, it is essential for the Government of India to invest in infrastructure such as transport and accommodation.

Scholars have identified and analyzed the factors, which are responsible for the growing tourism industry in their writings and speeches. Prominent among them include - India's strong GDP performance, strengthening of ties with the developed world, and opening of sectors of the economy to the private sector/foreign investment. The Ministry of Tourism and Culture in the last few years have had a salutary effect on India's tourism industry. Remarkable achievements have been made in the tourism sector on account of the increasing foreign tourists, growth of foreign exchange earnings, creation of jobs and active public-private partnership. In reality, the tourism and hospitality sector cuts across the rural-urban divide, and bridged economic boundaries. The World Travel and Tourism Council (2008) has also reported that India’s tourism revenue accounted for nearly 5.3 percent of GDP and 5.4 percent of total employment. The Indian tourism sector grew at a rate of 8.5 percent in 2008 and is expected to grow by 10 percent, in real terms, between 2010 and 2020.

4.2 POLICIES AND INITIATIVES

The Central and State Governments are responsible for the promotion of the tourism sector since it is a concurrent subject under the Indian Constitution. The regulations include statutory and regulatory sanctions (or approvals and licenses) from the Central and State departments or agencies. This includes license to operate a restaurant, a hotel license (issued by municipal authorities), license from the police (issued by local police) and a bar license (issued by excise department). The
government formulates several norms and guidelines in order to ensure healthy growth and development of the tourism sector in India.

The National Tourism Policy was formulated by the Government of India in 2002 in order to prepare ground for the development of tourism sector as an important component of national development endeavors. The salient features of the Act include - position tourism as a major engine of economic growth, harnessing direct and multiplier effects of tourism for employment generation, economic development and providing impetus to rural tourism, focus on domestic tourism as a major driver of tourism growth, positioning India as a global brand to take advantage of the burgeoning global travel trade and the vast untapped potential of India as a destination, acknowledging the critical role of private sector with government working as a pro-active facilitator and catalyst, creating and developing integrated tourism circuits based on India’s unique civilization, heritage and culture in partnership with states, private sector and other agencies ensuring that the tourist to India gets physically invigorated, mentally rejuvenated, culturally enriched, spiritually elevated and ‘feel India from within’.

The major policy initiatives of the Government of India also include liberalization in the aviation sector, pricing policy for aviation turbine fuel which influences internal air fares, rationalization in tax rates in the hospitality sector, tourist friendly visa regime, immigration services, procedural changes in making available land for construction of hotels and allowing setting up of guest houses. The government has also identified certain tourism promotion destinations and allocated funds for the development of infrastructural facilities and basic needs. About 31 villages across the country have been developed as tourism hubs. The states in which these villages have been identified include Himachal Pradesh, Gujarat, Maharashtra, Bihar, Karnataka, Madhya Pradesh, Andhra Pradesh, Kerala, Tamil Nadu, Orissa, Assam, Sikkim, Rajasthan and West Bengal.

The Government’s Open Skies Policy (GOSP) has also attracted the attention of professionals since it has accorded necessary permission for domestic airlines to commence international flights and start-up of various low-cost carriers. The fleet expansion by domestic players has created a huge incentive for domestic travellers to explore far-off destinations within and outside India. The booming aviation business
is bringing an ever-increasing number of passengers to India, and pulling Indians out of their homes and into hotels. The number of domestic and international passengers has increased fifteen-fold to 80 million in 2010 since 1990. The domestic air passenger traffic grew by 18 percent in 2010 compared to 2001. The international passenger traffic also observed growth to 20 percent in the same period and private airlines accounted for 80 percent of the total domestic traffic across the country.

The Foreign Trade Policy (FTP), 2006 also offered certain incentives to the hospitality industry. The hotels and restaurants were allowed to import duty free equipment and other items including liquor, against their foreign exchange earnings under the Served from India Scheme. As in previous years, this entitlement is 5 percent of the previous year’s foreign exchange earnings for hotels of one-star and above (including managed hotels and heritage hotels) approved by the Department of Tourism and other service providers in the tourism sector registered with it. The stand-alone restaurants were entitled to duty credit equivalent to 10 percent of the foreign exchange earned by them in the preceding financial year (instead of the earlier 20 percent).

Remarkable improvements were also made in regard to service exports in Indian Rupees, which were otherwise considered as having been paid for in free foreign exchange by Reserve Bank of India. Besides this, the foreign exchange earned through International Credit Cards and other instruments as permitted by RBI for rendering of service by the service providers was considered for the purposes of computation of entitlement under the scheme. Benefits of the scheme earned by one service provider of a group company could be utilized by other service providers of the same group company including managed hotels according to the new provision. These new initiatives allowed transfer of both the script and the imported input to the Group Service Company. The earlier provision allowed transfer of imported material only, according to Juwaheer (2004).

4.3 CONTEMPORARY HOTEL INDUSTRY IN INDIA

India is a favourite holiday destination in the world, and provides ample facilities as far as lodging is concerned. It has state of the art hotels to cater to its ever-booming travel and tourism industry. The hotel industry comprises a major part of the tourism industry, which provides a luxury service valuable to the economy only as a
foreign exchange earner. The hotel industry presently contributes directly to employment generation by providing jobs to around 15 million people in different capacities. The Indian hotel industry started growing remarkably in the early 1990s following the initiatives taken to liberalize the Indian economy as per the recommendations of the International Monetary Fund (IMF). In the decade of 1990s, new entrants and international chains to chalk out ambitious capacity additions, especially in the metropolitan cities were developed in order to attract the business travellers and foreign clientele.

In the present times, the hotels sector has grown at a faster rate than GDP. As a result, the share of hotels and restaurants in GDP at current prices has increased from 1.2 percent in 2000 to 2 percent in 2010. In constant, the GDP from hotels and restaurants has increased from ₹ 222.65 billion in 2000 to ₹ 385 billion in 2010. As a result, the share of hotels and restaurants in total GDP at constant prices has increased commendably over a period of time, observe Kamath et al. (2008).

Hotels in India provide detailed overview of the various categories of hotels, and the important groups of hotels that play a major role in the field of tourism. Located in all major tourist and commercial destinations of India, the hotels are known for their warm hospitality and pleasant ambience. According to Raghunath and Shields (2001), the hotel industry consists of the following segments:

- **Premium and Luxury Segment** (comprising high-end five-star hotels, which mainly cater to the business and upmarket foreign leisure travellers and offer a high quality and range of services),

- **Mid-market Segment** (comprising three-star and four-star hotels, which cater to the average foreign and domestic leisure travelers who belong to the middle level business travellers),

- **Budget Segment** (comprising one-star and two-star hotels referred to as ‘Budget Hotels’ which provide inexpensive accommodation to the highly price-conscious segment of the domestic and foreign leisure travellers), and

- **Heritage Segment** (comprising certain architecturally distinctive properties such as palaces and forts which have been converted into hotels).
Raghunath and Shields (2001) comment that the prominent consumer segments include:

- **Business Travellers** (comprising corporates, both domestic and foreign, who open offices in the hotel premises during start-ups, corporate executives who have an extended stay either for long duration projects or while waiting for permanent accommodation (primarily expatriates) and convention arrivals),

- **Leisure Travellers** (comprising non-business foreign tourists who have the primary motivation for visiting India in account of cultural and academic reasons) and

- **Airline Cabin Crew** (comprising the personnel of various airways who make use of certain number of rooms provided on demand for cabin crew).

The demand and supply scenario in regard to international tourist traffic is quite encouraging since the bulk of international arrivals into India have been business travellers who are influenced by India’s strong GDP growth, expansion of sectors of the economy to private sector/foreign investment, strengthening of ties between India and other nations of the world, introduction of reforms in aviation sector which has led to better connectivity with many countries, introduction of low cost airlines, development of infrastructure, provision for state of the art facilities, emergence of India as an outsourcing hub and other innovative and rewarding measures of the government.

4.4 CLASSIFICATION OF HOTELS IN INDIA

Hotels can be classified in the following ways: 1) On the basis of size, 2) On the basis of level of service, 3) On the basis of location, 4) On the basis of ownership, 5) On the basis of length of stay, and 6) On the basis of clientele.

- **On the basis of size:** Size refers to the number of rooms. Various categories on the basis of size are:
  - **Small hotel:** a hotel with 25 rooms or less is called a small hotel.
  - **Average hotel:** a hotel with 26 to 99 rooms is called an average hotel.
  - **Above average hotel:** a hotel with 100 to 299 rooms is called above average hotel.
Large hotel: a hotel with more than 300 rooms is classified as large hotel.

Mega hotel: a hotel with more than 1000 rooms is classified as mega hotel.

Chain hotel: a group that has hotels in many numbers of locations in India and international venues is a chain hotel.

On the basis of level of service (Star System): The star categories to the hotels are given by the committee called “Hotels and Restaurants Approval and Classification Committee (HRACC)”.

Economy/Budget hotels (1 and 2 star): These hotels meet the basic need of the guest by providing comfortable and clean rooms for a comfortable stay.

One star: Hotels in this classification are likely to be small and independently owned, with a family atmosphere. Services may be provided by the owner and family on an informal basis. There may be a limited range of facilities and meals may be fairly simple. Some bedrooms may not have a suite bath/shower rooms. Maintenance, cleanliness and comfort should, however, always be of an acceptable standard.

Two star: In this classification hotels are typically small to medium sized and offer more extensive facilities than at the one star level. Some business hotels come into the two star classification and guests can expect comfortable, well-equipped, overnight accommodation, usually with an en-suite bath or shower room. Reception and other staff will aim for a more professional presentation than at the one star level, and offer a wider range of straightforward services, including food and drink.

Mid-market hotels (3 and 4 star): It is a suite hotel that offers small living room with appropriate furniture and a small bedroom with a king sized bed.

Three star: At this level, hotels are usually of a size to support higher staffing levels, and a significantly greater quality and range of facilities than at the lower star classifications. Reception and the other public rooms are more spacious and the restaurant normally also cater to non-residents. All bedrooms will have fully en-suite bath and shower rooms and offer a good standard of comfort and equipment.

Four star: Expectations at this level include a degree of luxury as well as
quality in the furnishings, decor and equipment, in every area of the hotel. Bedrooms usually offer more space than at the lower star levels, and well-designed, coordinated furnishings and decor. The en-suite bathrooms have both bath and fixed shower. There is a high enough ratio of staff to guests to provide services. The restaurant demonstrates a serious approach to its cuisine.

香水 hotels (5 star): These offer world-class service providing restaurant and lounges, meeting rooms, dining facilities. These guest rooms contain furnishing, artwork etc., and the prime market for these hotels are celebrities, business executives and high-ranking political figures.

Five star: Here you should find spacious and luxurious accommodation throughout the hotel, matching the best international standards. Interior design impress with its quality and attention to detail, comfort and elegance. Furnishings are immaculate. Services are formal, well supervised and flawless in attention to guests' needs, without being intrusive. The restaurant demonstrates a high level of technical skill, producing dishes of the highest international standards. Staff is knowledgeable, helpful, well versed in all aspects of customer care, combining efficiency with courtesy.

On the basis of location: There are many different types of locations as follows:

- City Center hotels: These hotels are generally located in the heart of the city within a short distance from a business center, or shopping arcade. Rates are normally high due to their location advantages. They have high traffic on weekdays and the occupancy is high.

- Commercial hotels: They are situated in the heart of the city in busy commercial areas so as to get good and high business. They cater mostly to businessmen.

- Suburban hotels: These hotels are located in the suburb of cities, moderately priced and are of mostly medium, large or small size. It is ideal for budget travellers. These types of hotels generally have high traffic on weekend.

- Airport hotels: These hotels are located near the Airports, especially international airports. They have transit guests who stay over between flights, and vary widely in size level of services.
Motels: Motels are also called Motor Hotels or transit hotel and are located alongside the highways. They are normally economical and provide lodging to highway travellers and also provide ample parking space. The length of stay is usually overnight.

Resort hotels: They are also termed as health resort or beach hill resort depending on their position, and located in places of tourist interest like hills, forests, beaches, on an island, or in some other exotic location away from crowded residential areas. They cater to people who want to relax, and enjoy themselves at hill stations.

Rotels: The hotels, which rotate on wheels, are called rotels. It is also called motel on wheels. These novel variants are hotels on wheels. Our very own "palace on wheels" and "Deccan Odessey" trains provide a luxurious hotel atmosphere. Their interior is done up like hotel rooms. They are normally used by small groups of travellers.

Floatels: The hotels, which float on water, are called floatels. As the name implies these hotels are established on luxury liners or ships. It is located on rivers, seas or big lakes. In cruise ships, rooms are generally small and all furniture is fixed down. It is for long stay. The houseboats of Kashmir Dal Lake is an example of floatels in India.

Boatels: These are luxury boats/yachts, which can ferry people from one place to another. The Shikaras of Kashmir and Kettuvallam of Kerala are houseboats in India, which offer luxurious accommodation to travellers.

On the basis of ownership: There are different kinds of hotels on the basis of ownership as follows:

Time share: This is a new concept in India but is picking up very fast. This is also known as ‘Vacation Ownership’ or ‘Holiday Ownership’ concept and involves individuals who purchase the ownership of accommodation for a specific week or weeks. The price of the property depends on the week, one tends to buy and it is in resort areas with hills, beaches, forests etc. The owner pays a fixed price for certain number of years say 20 to 30 years and has a right to stay at the hotel during a rented week. The guest also is required to pay an annual contribution towards the maintenance of apartment and public
areas, electricity, gas, water, safety, insurance etc. Best example of Time share in India are Mahindra Holidays, Sterling Holiday Resorts, Avelon Resort, Nanda Tourist Corporation etc.

- **Condominium hotels:** These are quite similar to Time share. These units are developed on joint ownership basis. Each owner can occupy or sell his unit independently but is required to follow the rules and regulations laid by the management. Usually the management requests the owner to rent out in case of major conferences.

- **Chain hotels:** A chain is usually classified as operating under a management contract or as a franchise or referral group. Chains usually make certain rules regarding standards, rules, policies, procedures of affiliation etc. In general, the more centralized the organization the stronger the control over the individual property.

- **Independent hotels:** Independent hotels do not have ownership or management affiliation with other properties. They have no relationship to other hotels regarding policies, procedures, financial obligations, management, accounting etc. These may be registered as sole proprietor-ship or a private limited company.

- **Management contract:** Management companies are organizations that operate properties owned by others. Those other hotels may be owned by individual persons, partnerships or private limited companies. The individual hotel, under construction, may contract with a professional hotel management company to operate the proposed property. These contracts are normally on a long-term basis.

- **Franchise:** Franchise is a system in which the franchise owner grants another the right or privilege to merchandise a product or service for a specified return. Franchise Agreement is an agreement under which the owner operates as a member of the chain, utilizing the brand image, name, goodwill and obtaining for a certain fee some services of marketing and operating nature support from resources of a large organization, advertising, sales promotion, technical and financial help etc. The best-known franchising companies are Holiday Inn, Choice International, Quality Hotels and Inns etc.
Referral Groups: Referral Groups consists of independent hotels, which are grouped together for some common purpose. Though the properties in the referral group may be different from each other there is sufficient consistency in the quality of service to satisfy guest expectations. Best Western International, one of the largest hotel chains is the best example of referral groups. The referral groups also extend benefit of more extensive reservation and expanded advertising through pooled resources.

On the basis of length of stay: There are many different kinds of hotels on the basis of length of stay as follows:

- Transit hotels: Motels and airport hotels are the best example of these hotels. These hotels are patronized by those guests who are in transit and will be travelling further to their destinations. Some times these hotels also charge room rent for half a day, as guests would like to stay just for a few hours. In India the motels have not become very popular, as people do not travel very long distances by their own vehicles.

- Transient hotels: Rest houses, Government guesthouses etc. are the best examples of transient hotels. In these hotels one is not allowed to stay for a very long time as these hotels are very economical and are patronized by government employees either on transfer or on tour or on vacations.

- Residential hotels: These hotels offer rooms/apartments on monthly basis and even if a guest stays for a part of the month, is normally charged for the full month. The best examples for these hotels are hostels, paying guest houses for students, trainees, working people etc. Some big companies also hire them for months/years for their company executives for pleasure, business, training etc.

- Semi residential hotels: Most of the hotels at present are semi residential hotels and are located throughout the country. The guests, staying in these hotels, are required to pay room rent on daily basis. The guest may hire the accommodation for months or years together but the rent charged will be on daily basis.

On the basis of clientele: There are many different kinds of hotels on the basis of clientele as follows:
Hostels: The student hostels are very common both in schools and colleges. They can only be patronized by the students of a particular school or college and charged on monthly, half yearly or yearly basis. These hostels provide nutritive food, keeping in view the needs of the residents.

Heritage hotels: The Government of India to boost tourism and to preserve Indian heritage has started a scheme, where old heritage buildings, palaces constructed before 1935 have been converted into hotels. Heritage Grand Hotels are those, which are more than 100 years old.

Boutique hotels: These are very small and very expensive hotels and mainly cater to the elite class and have more number of restaurants. Each one is decorated keeping in view a theme and the food served.

Ecotels: These are environment friendly hotels, which use eco friendly items in the room. Orchid Mumbai is Asia’s first and most popular five star ecotel.

Spa hotels: These are resorts, which provide therapeutic bath and massage along with other features of luxury hotels in India. Ananda spa in Himalaya is the most popular Spa.

All suite hotels: The All-suite concept is a new addition to the hotel industry. These suites provide a living room, bedroom, kitchenette etc.

The advantage of adopting international classification system is that the travel trade and international customers can easily recognize the codes and/or ranking systems developed. Consumers expect certain accommodation standards regardless of the locations of the property. Classification systems are also developed by the national governments, which are usually designed to set minimum operational standards, counteract generalizations in international standards and offset the cost of training and maintainence inspectors who qualify to international standards.

The Department of Tourism, Government of India has evolved a scheme for classification of fully operational hotels in Star Hotel and Heritage Hotel categories. The Hotel and Restaurant Approval and Classification Committee (HRACC) conduct inspection and assessment of the hotels based on services and facilities offered by them. The star hotels are classified into five-star deluxe, five-star, four-star, three-star, two-star and one-star categories.
4.5 HOTEL RATING

Hotel ratings are often used to classify hotels according to their quality. The development of the concept of hotel rating and its associated definitions display strong parallels. From the initial purpose of informing travellers on basic facilities that can be expected, the objectives of hotel rating has expanded into a focus on the hotel experience as a whole. (Hensens et al., 2012) Today the terms 'grading', 'rating', and 'classification' are used to generally refer to the same concept that is to categorize hotels, mostly using stars as a symbol.

There are a wide variety of rating schemes used by different organizations around the world. Many have a system involving stars, with a greater number of stars indicating greater luxury. Forbes Travel Guide, formerly Mobil Travel Guide, launched its star rating system in 1958. The AAA and their affiliated bodies use diamonds instead of stars to express hotel and restaurant rating levels.

The emergence of tourism in the latter half of the 19th century brought with it an improvement of the standards of the early hotels and inns. Prescribed standards were made available to ensure healthy and positive maintenance of hotels. This also led to the establishment of rating systems such as the Automobile Association (AA) and its American counterpart (AAA). In the present times, AA rating system (British System) and AAA system (American System) are generally followed by the hotel industry all over the world.

Food services, entertainment, view, room variations such as size and additional amenities, spas and fitness centers, ease of access and location may be considered in establishing a standard. Hotels are independently assessed in traditional systems and rest heavily on the facilities provided. Some consider this disadvantages to smaller hotels whose quality of accommodation could fall into one class but the lack of an item would prevent it from reaching a higher categorization. (Vine, 1981)

In recent years hotel rating systems have also been criticized by some who argue that the rating criteria for such systems are overly complex and difficult for laypersons to understand. It has been suggested that the lack of a unified global system for rating hotels may also undermine the usability of such schemes.
4.6 STANDARDS OF HOTEL CLASSIFICATION

The more common classification systems include ‘star’ rating, the letter grading from “A” to “F”, the diamond system or simply as ‘satisfactory’ or ‘unsatisfactory’ footnote to accommodation such as hostels and motels. Systems using terms such as Deluxe/Luxury, First Class/Superior, Tourist Class/Standard, and Budget Class/Economy are more widely accepted as hotel types, rather than hotel standards. These ratings classify hotels by their quality depending on the basic facilities that can be expected.

Some countries have rating by a single public standard — Belgium, Denmark, Greece, Italy, Malta, Netherlands, Portugal, Spain and Hungary have laws defining the hotel rating. In Germany, Austria and Switzerland, the rating is defined by the respective hotel industry association using a five-star system — the German classifications are Tourist (*), Standard (**), Comfort (***) First Class (****) and Luxury (*****), with the mark "Superior" to flag extras beyond the minimum defined in the standard, but not enough to move the hotel up to the next tier ranking.

In France, the rating is defined by the public tourist board of the department using a four-star system (plus "L" for Luxus) that has changed to a five-star system from 2009 on. In South Africa and Namibia, the Tourist Grading Council of South Africa has strict rules for a hotel types granting up to 5 stars.

The European Hotel-stars Union system is based on the earlier German hotel-stars system that had widely influenced the hotel classifications in central Europe, with five stars and a Superior mark to flag extras. The main criteria are in quality management, wellness and sleeping accommodation. In the catalogue of criteria each entry is associated with a number of points - each Hotel-stars level requires a minimal sum of points besides some criteria being obligatory for the level. The minimum requirement for the Superior flag requires the same sum of points as for the next Hotel-stars level. (Hotel-stars Union, 2012)

In Great Britain, hotels are rated from one-star to five stars, as in many other countries. The RAC pulled out of accommodation grading in 2008 so the only grading schemes in operation are those operated by the AA (Automobile Association) and the national tourist boards; Visit England, Visit Wales, the Scottish Tourist Board and the
Northern Ireland Tourist Board. The schemes were all 'harmonized' to ensure consistency between the schemes. This applies to all accommodation types apart from Self Catering that the AA have recently (2009) started offering. The AA criteria is available on its website. (AA Hotel Recognition, 2012) In addition to the usual black stars (ranging from one (the lowest) to five (the highest), the AA awards red stars to the highest-rated, which are deemed 'Inspectors' Choice'. Each of the national tourist boards has grading explanations on their web sites.

In India, hotels are an important component of the tourism product. They contribute in the overall tourism experience through the standards of facilities and services offered by them. With the aim of providing contemporary standards of facilities and services available in the hotels, the Ministry of Tourism in India has formulated a voluntary scheme for classification of operational hotels, which will be applicable to the following categories:

- **Star Category Hotels**: 5-Star, 4-Star, 3-Star, 2-Star and 1-Star.
- **Heritage Category Hotels**: Heritage Grand, Heritage Classic and Heritage Basic.

The advantage of adopting international classification system is that the travel trade and international customers can easily recognize the codes and or ranking systems developed. Consumers expect certain accommodation standards regardless of the locations of the property. Classification systems are also developed by the national governments, which are usually designed to set minimum operational standards, counteract generalizations in international standards and offset the cost of training and maintaining inspectors who qualify to international standards.

The policy makers, administrators, law enforcement authorities, professionals and others have used certain parameters for the classification of hotels such as:

- **Hotel Quality** (e.g. luxury, first class, mid-range and economy)
- **Hotel Location** (e.g. city center, rural, seaside)
- **Hotel Style** (e.g. traditional hotel, resort hotel, all-suite hotel, motel)
- **Hotel Usage** (e.g. business, leisure, convention)
4.7 REQUIREMENTS FOR STAR HOTELS

There are some common requirements for star categories of hotels as follows:

3 star (Category III) hotel:

- Reception open 14 hours,
- Equipped conference hall,
- Telephone in the room,
- Internet availability at the lobby,
- Heating facility in the bathroom, hair-dryer, laundry and ironing service,
- Beverage offer in the room,
- Breakfast room or cafeteria and restaurant, and
- Lunch and dinner served at restaurant.

4 star (Category IV) hotel:

- Reception open 24 hours,
- 24-hour room service,
- High quality furniture and equipment in common style,
- Several equipped conference and seminar rooms are available,
- Safe in the room,
- Air conditioning in all rooms,
- Swimming pool and fitness center,
- Currency Exchange,
- Travel assistance and car hire service,
- Minibar or 24 hour beverages via room service,
- Internet and e-mail connection in the guest rooms,
- Night Club,
- Shopping arcade and beauty salon, and
- “A la Carte” restaurant and bars.
5 star (Category V) hotel:

- Reception open 24 hours, multilingual staff,
- Doorman-service and valet parking,
- 24-hour room service,
- High quality exclusive furniture and equipment in common style,
- Several conference halls with catering possibilities,
- Minibar, ice machine, food and beverage offer via room,
- Safe in the room,
- Laptop on hire,
- Air conditioning in all rooms,
- 24-hour Internet and e-mail connection as well as fax/telex facilities,
- Shopping arcade and beauty salon,
- Express laundry/dry cleaning,
- Several “A la Carte” restaurants and bars,
- Doctor-on call,
- Night Club,
- Currency Exchange,
- Travel assistance and car hire service,
- Swimming pool and fitness center as well as sauna and relaxation area,
- Arrangements made for golf and tennis, and
- A playground or play area for children.

The active involvement of various foreign and domestic corporate houses in the expansion of hotel industry in India has contributed significantly towards tourism promotion during 1990-2010. Several organizations have also managed the hotels on the basis of build-operate – transfer in different parts of the country. The hotel industry mainly has the following major players:

- **Hotel Chains:** They comprise major players including Indian Hotels Company Limited (the Taj Group) and associate companies, EIH Limited (the Oberoi
Group), ITC Hotels Limited (the ITC Welcome Group), Indian Tourism Development Corporation (ITDC) and Hotel Corporation of India (HCI) (the latter two being under the Public Sector). Most of these chains had an established presence in one or more metro cities prior to the tourism boom of the 1980s. Subsequent to the tourism boom, these chains aggressively expanded their presence in other locations. The private players among the hotel chains are industry leaders and have well-established brand identities across the different industry segments.

- **Small Chains:** They are companies that have come up after the tourism boom of the 1980s and 1990s. Due to lack of prior experience in the hotel industry, these players have preferred to opt for operating/management arrangements with international players of repute. Some of the companies in this category are Hotel Leela Venture (with Kempinski), Asian Hotels (Hyatt International Corporation), Bharat Hotels (formerly with Holiday Inn and Hilton and now with Intercontinental). As late entrants, most of these hotel companies have fewer properties, compared with the big chains. However most of these players initiated expansion plans during the late 1990s.

- **Public Sector Chains:** ITDC and HCI, boast of some of the best locations in major cities but are relative under-performers, as compared with their private sector counterparts.

- **International Hotel Chains:** They are also looking at India as a major growth destination. These chains are establishing themselves in the Indian market by entering into joint ventures with Indian partners or by entering into management contracts or franchisee arrangements. Some of the players who have already entered or plan to enter the Indian market include Marriott, Starwood, Berggruen Hotels, Emaar MGF. Most of these chains have ambitious expansion plans especially with a strong focus on the budget segment and tier II cities.

- **Localized Hotel Companies:** They mainly comprise early entrants who have an established localized presence and who preferred not to expand during the tourism boom but focus on building and catering to a loyal customer base.
Profiles of some of the major players in the Hotel Industry:

➢ **The Indian Hotels Company:** The Indian Hotels Company and its subsidiaries are collectively known as Taj Hotels Resorts and Palaces, recognized as one of Asia's largest and finest hotel company. Incorporated by the founder of the Tata Group, Jamsetji N Tata, the company opened its first property, The Taj Mahal Palace Hotel, Bombay, in 1903. The Taj, a symbol of Indian hospitality, completed its centenary year in 2003. Taj Hotels Resorts and Palaces comprises 59 hotels at 40 locations across India with an additional 17 international hotels in the Maldives, Mauritius, Malaysia, The United Kingdom, The United States of America, Bhutan, Sri Lanka, Africa, the Middle East and Australia.

The sector has had a long-standing commitment to the continued development of the Indian tourism and hospitality industry. From the 1970s through the 1990s, the Taj played an important role in launching several of India's key tourist destinations. Working in tandem with the Indian government, the Taj developed resorts and retreats while the government developed roads and railways to India's hidden treasures.

➢ **ITC/ Sheraton Corporation:** ITC's Hotel division was launched on October 18, 1975, with the opening of its first hotel - Chola Sheraton in Chennai. ITC – Welcome group Hotels, Palaces and Resorts, is today one of India's finest hotel chains, with its distinctive logo of hands folded in the traditional Namaste widely recognized as the ultimate in Indian hospitality. Each of the chain's hotels pays architectural tribute to ancient dynasties, which ruled India from time to time. The design concept and themes of these dynasties play an important part in their respective style and decor. With more and more hotels being added at strategic destinations, the group has joined hands with the Sheraton Corporation to strengthen its international marketing base. A successful marketing franchise for almost 25 years now, there are currently 10 ITC – Welcome group Sheraton hotels, and more in the pipeline.

➢ **The Leela Group:** Founded in 1957 by Capt. C.P. Krishnan Nair, the ₹ 4.5 billion Leela Group is engaged in the business of ready-made garments and luxury hotels and resorts. The Leela Kempinski in Mumbai and The Leela in Goa are two
of the best hotels in India, and have also won considerable international acclaim. For this to have been achieved in 12 short years is nothing short of remarkable. Recently in 2001 Capt. Nair fulfilled his longstanding dream of constructing a palace hotel in the garden city of Bangalore. The Leela Palace Kempinski, Bangalore is built in art deco style recreating the grandeur of The Mysore Maharajas Palace. It is set amidst 8 acres of landscaped garden and waterfalls. It is a palace with the heart of a modern hotel. Its 254 rooms are opulently furnished and are befitting royalty. The newest addition The Leela Kovalam is Kerala’s largest resort, built on a rock face cradled between two wide sweeping beaches with a stunning view of the famous Kovalam coastline.


- **The EIH Ltd (The Oberoi Group):** Asian elegance is the key to running hotels, if you ask EIH (better known as The Oberoi Group). The company owns and operates about 20 luxury hotels, about 10 mid-range hotels, and two inland cruises; The Oberoi Group operates mainly in India, but also in Australia, Egypt, Indonesia, Mauritius, and Saudi Arabia. Most of the company's luxury properties bear the Oberoi banner. The company in 2004 joined forces with Hilton International to rebrand most of its mid-range hotels as Trident Hiltons (the former Oberoi Towers is now known as the Hilton Towers Mumbai). The Oberoi Group also operates luxury cruises of the Nile River and India's Kerala region.

- **India Tourism Development Corporation (ITDC) / The Ashok Group:** ITDC was established in 1966 as an autonomous public sector corporation, entrusted with the task of helping develop tourism infrastructure and promoting India as a tourist destination. The ITDC Ashok Group of hotel chains manages some of the
best five star and luxury tour hotels in the Indian hospitality industry. The hotels run by the ITDC Ashok Group of hotel chains may be divided into different categories, these are elite hotels, comfort hotels and classic hotels. The ITDC Ashok Group of hotel chains manages 33 hotels in 26 different tourist destinations all over India. The management of Ashoka Group believes in offering the best in the hospitality industry and the staff at each of the hotels run by the group is especially trained to be courteous and efficient. The Ashok Group of hotel chains boasts of running some of the best hotels in the Indian hotel industry. The hotels that are a part of the elite and classic category of the ITDC Ashok Group are the Ashok Hotel in New Delhi, the Kovalam Ashok Beach Resort in Kovalam, Kerala, the Agra Ashok in Agra, Hotel Jaipur Ashok in New Delhi and the Qutab Hotel in New Delhi. Most of the hotels managed by the ITDC Ashok Group have had the privilege of playing host to several international and national dignitaries.

- **The Hotel Corporation of India (HCI):** The Hotel Corporation of India Limited (HCI) is a public limited company wholly owned by Air India Limited and was incorporated on July 8, 1971 under the Companies Act, 1956 when Air India decided to enter the Hotel Industry in keeping with the then prevalent trend among world airlines. The objective was to offer to the passengers a better product, both at the International Airports and at other places of tourist interest, thereby also increasing tourism in India.

- **Jaypee Hotels Ltd.:** Jaypee Hotels Limited primarily engages in the ownership and operation of hotels in India. The company owns three Five Star Deluxe Hotels, namely Jaypee Palace Hotel at Agra, and Jaypee Vasant Continental and Jaypee Siddharth Hotel at New Delhi. It also manages the operation of the hotels Jaypee Residency Manor at Mussoorie and Jaypee Green Resorts. In addition, Jaypee Hotels is involved in construction operations. The company is headquartered in New Delhi, India. Jaypee Hotels Limited is a subsidiary of Jaiprakash Associates Limited.

The major players of hotel industry in India include - Indian Hotels Company Limited (Taj Group) and associate companies, EIH Limited (the Oberoi Group), ITC Hotels Limited (the ITC Welcome Group), Indian Tourism Development Corporation (ITDC) and Hotel Corporation of India (HCI) (the latter two being under the Public
Most of these major chains had an established presence in one or more metro cities prior to the tourism boom of the 1980s. Subsequent to the tourism boom, these chains aggressively expanded their presence in other locations. The private players among the hotel chains are industry leaders and have well-established brand identities across the different industry segments.

The professionally trained hotel staff believes in maintaining a strong bond of trust and reliability with their customers through customer friendly services. Hotels in India have come a long way since Independence and they have been offering world-class services to tourists visiting the country.

4.8 THE FUTURE OF TOURISM INDUSTRY

The Indian hospitality sector is expected to show a healthy growth in the medium term. Strong economic growth increased FDI, greater emphasis on tourism development, favourable Government policies, 2010 Commonwealth games, 2011 Cricket World Cup and other international events, were the major drivers for growth. There exists a lot of scope for growth in tourism sector. According to the Ministry of Tourism, the contribution of tourism to India’s GDP is only 5.9 percent as compared to the worldwide average of 11 percent.

By 2020, the Government of India expects travel and tourism to contribute ₹ 8,500 billion to GDP, almost four times the value of 2005. With successive Governments committed to reform, a strong manufacturing sector and a private sector that already has a critical mass that is needed to drive growth, it is unlikely that the strong growth in GDP is likely to be reversed. The rising middle class is also becoming increasingly affluent, mobile, Internet savvy and more sophisticated in terms of what is demanded in terms of tourism products and services, and more importantly the price they are willing to pay.

There is a wide scope for the expansion and development of the tourism promotion sector in India because of the cultural diversity, geographical locations, artistic excellence, innovative policies and meaningful programmes. There is commendable travellers’ surge into India, which has increased the demand for rooms, transportation services, boarding facilities and so on. Hotels in the luxury and business traveller segment are recording nearly 100 percent occupancy, spiraling
tariffs, and a strain on capacity and manpower. The expected growth of the industry in future has attracted its players with an opportunity to invest in new technologies such as CRM tools and latest security systems, and to venture into niche tourism segments like medical, religious, cruise, casinos etc.

India can also develop infrastructure to host international conferences and trade shows, thus increasing its share of tourist traffic from such activities:

➤ **Health Tourism:** India is gradually gathering popularity as a health tourist destination. At its current pace of growth, healthcare tourism alone can rake over USD 1.7 billion additional revenues by 2012. Medical tourism is now a USD 299 million industry, as about 100,000 patients come each year. The country needs to exploit the cost advantage it can offer to a health tourist. The introduction of yoga, meditation, Ayurveda, allopathy, and other systems of medicine has offered a unique basket of services to an individual that is difficult to match by other countries. Clinical outcomes in India are at par with the world's best centers since India has internationally qualified and experienced specialists.

➤ **Critical Success Factors:** The site and location, positioning of the hotels, financial flexibility, brand equity, social security, cultural heritage, active involvement of local community, public-private partnership and other factors have boosted the progress of tourism industry in India. The policy makers and builders of tourism industry are also aware of the prevailing social, economic and political constraints from tourism development point of view. Despite these limitations, the Indian tourism industry and hospitality sector are expected to achieve a healthy growth in future. The rising middle class is also becoming increasingly affluent, mobile, Internet savvy and more sophisticated in terms of what is demanded in terms of tourism products and services, and more importantly the price they are willing to pay. The entry of foreign brands through joint ventures and tie-ups is likely to enhance the service levels and will narrow demand-supply gap of basic amenities and infrastructural facilities.

### 4.9 THE CHALLENGES OF TOURISM INDUSTRY

India’s poor domestic tourism infrastructure is leading to a threat of losing foreign tourists to other competing countries. India is highly prone to prevailing
socio-economic and political conditions like terrorist strikes, riots, epidemics, political uncertainty, slowdown in reforms etc. The growth in the Indian tourism sector is accompanied by the imminent destruction of local ecology and an increase in pollution, which, in the long run, is going to negatively impact the tourism industry.

The biggest challenge in the Indian tourism sector is that of entry of new players, the country’s growing economy has attracted a host of new players, the number of which is expected to increase further. Aman Resorts, Shangri-la Hotels, Four Seasons Hotels and The Hilton group are some of the international players that are at various stages of establishing their presence in India. As the number of players increase, the competitive intensity in the sector is likely to increase. Remarkably, unlike earlier, many new entrants are reportedly considering entry into the mid-market segment, which is currently dominated by non-chain properties.

In order to develop tourism in India in a systematic manner, to position it as a major engine of economic growth and to harness the direct and multiplier effects for employment and poverty eradication in an environmentally sustainable manner, the National Tourism Policy (NTP) was formulated in the year 2002. Broadly, the “Policy” attempts to:

- Position tourism as a major engine of economic growth
- Harness the direct and multiplier effects of tourism for employment generation, economic development and providing impetus to rural tourism
- Focus on domestic tourism as a major driver of tourism growth
- Position India as a global brand to take advantage of the burgeoning global travel trade and the vast untapped potential of India as a destination
- Acknowledges the critical role of private sector with government working as a pro-active facilitator and catalyst
- Create and develop integrated tourism circuits based on India’s unique civilization, heritage, and culture in partnership with States, private sector and other agencies
- Ensure that the tourist to India gets physically invigorated, mentally rejuvenated, culturally enriched, spiritually elevated and “feel India from within”.

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The Government’s major policy initiatives include:

- Liberalization in aviation sector
- Pricing policy for aviation turbine fuel which influences internal air fares
- Rationalization in tax rates in the hospitality sector
- Tourist friendly visa regime
- Immigration services
- Procedural changes in making land available for construction of hotels

4.10 TOURISM INDUSTRY IN KARNATAKA

4.10.1 The State of Karnataka

Karnataka is well known in the country for its natural beauty, historical significance and social harmony, which have boosted tourism industry. By virtue of its varied geography and long history, Karnataka hosts numerous spots of interest for tourists. There is an array of ancient sculptured temples, modern cities, scenic hill ranges, unexplored forests and endless beaches. Karnataka has been ranked as the fourth most popular destination for tourism among the states of India. Karnataka has the second highest number of nationally protected monuments in India, second only to Uttar Pradesh. In addition to 752 monuments protected by the State Directorate of Archaeology and Museums, Another 25,000 monuments are yet to receive protection, according to scholars.

<table>
<thead>
<tr>
<th>Bangalore Division</th>
<th>Belgaum Division</th>
<th>Gulbarga Division</th>
<th>Mysore Division</th>
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<tbody>
<tr>
<td>. Ramanagara</td>
<td>. Uttara Kannada</td>
<td></td>
<td>(Dakshina Kannada)</td>
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<td>. Shimoga</td>
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<td>. Mysore</td>
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<td>. Tumakuru</td>
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<td></td>
<td>. Udupi</td>
</tr>
</tbody>
</table>

The state of Karnataka has four revenue divisions namely Gulbarga, Dharwad, Bangalore and Mysore. The districts are further divided into sub-divisions, which are governed by sub-divisional magistrates. The sub-divisions comprise blocks containing panchayats (village councils) and town municipalities. At present there are 30 districts shown in the table No. 4.1.

**Figure 4.1: Map of Districts in Karnataka State**


4.10.2 Economy of Karnataka

Karnataka with a population of approximately 6.11 Crores, also enjoys better status economically and otherwise. It is recognized as a model state in the country. The state which had an estimated GSDP (Gross State Domestic Product) of about ₹2152.82 billion ($51.25 billion) in the 2007-2008 fiscal year, is one of the more economically progressive states in India. The state registered a GSDP growth rate of 8 percent for the year 2009-2010. Karnataka's contribution to India's GDP in the year 2009-10 was 62 percent. Karnataka is the fastest growing state over the past decade in terms of GDP and per-capita GDP. With GDP growth of 56.2 percent and per-capita GDP growth of 43.9 percent, Karnataka now has the sixth highest per-capita GDP of...
all states. Nearly 56 percent of the workforce in Karnataka is engaged in agriculture and related activities. A total of 12.31 million hectares of land, or 64.6 percent of the state's total area, is cultivated. Much of the agricultural output is dependent on the southwest monsoon as only 26.5 percent of the sown area is irrigated.

Karnataka is the manufacturing hub for some of the largest public sector industries in India, including Hindustan Aeronautics Limited, National Aerospace Laboratories, Bharat Heavy Electricals Limited, Indian Telephone Industries, Bharat Earth Movers Limited and Hindustan Machine Tools, which are based in Bangalore. Many of India's premier science and technology research centers, such as Indian Space Research Organization, Central Power Research Institute, Bharat Electronics Limited and the Central Food Technological Research Institute, are also headquartered in Karnataka. Mangalore Refinery and Petrochemicals Limited is an oil refinery located in Mangalore.

Since the 1980s, Karnataka has emerged as the pan-Indian leader in the field of IT (Information Technology). As of 2007, there were nearly 2,000 firms operating out of Karnataka. Many of them, including two of India's biggest software firms, Infosys and Wipro are also headquartered in this state. Exports from these firms exceeded ₹ 60,000 Crores in 2009-10, accounting for nearly 40 percent of all IT exports from India. All this has earned the state capital, Bangalore, the sobriquet Silicon Valley of India. Karnataka also leads the nation in biotechnology. It is home to India's largest bio cluster, with 158 of the country's 320 biotechnology firms being based here. The state also accounts for 75 percent of India's floriculture, an upcoming industry that supplies flowers and ornamental plants worldwide.

Seven of India's leading banks, Canara Bank, Syndicate Bank, Corporation Bank, Vijaya Bank, Karnataka Bank, Vysya Bank and the State Bank of Mysore originated in this state. The coastal districts of Udupi and Dakshina Kannada have a branch for every 500 persons—the best distribution of banks in India. As of March 2002, Karnataka had 4767 branches of different banks with each branch serving 11,000 persons, which is lower than the national average of 16,000.

A majority of the 3500 Crore silk industry in India is headquartered in Karnataka, particularly in the North Bangalore regions of Muddenahalli, Kanivenarayanapura, and Doddaballapura the upcoming sites of a 70 Crore ‘Silk
City’. Recently Karnataka has emerged as a hot spot for health care tourism. Karnataka has the highest number of approved health systems and alternative therapies in India. Along with some ISO certified government-owned hospitals, private institutions, which provide international-quality services, have caused the health care industry to grow by 35 percent during 2009-10. Hospitals in Karnataka treat more than 25,000 health tourists every year.

4.10.3 Transportation Facilities

Karnataka also has adequate transport facilities, national highways and other amenities, which have boosted tourism sector. Air transport in Karnataka, as in the rest of the country, is still a fledgling but fast expanding sector. Karnataka has airports at Bangalore, Mangalore, Hubli, Belgaum, Hampi, Bellary and other places with international operations from Bangalore and Mangalore airports. Airports at Mysore, Gulbarga, Bijapur, Hassan and Shimoga became operational by the end of 2010. The major airlines such as, Air India, Kingfisher Airlines and Air Deccan are based in Bangalore.

Karnataka has a railway network with a total length of approximately 3,089 kilometers (1,919 mi). Until the creation of the South Western Zone headquartered at Hubli in 2003, the railway network in the state was in the Southern and Western railway zones. Several parts of the state now come under the South Western Zone, with the remainder under the Southern Railways. Coastal Karnataka is covered under the Konkan railway network, which was considered India's biggest railway project of the century. Bangalore is extensively connected with inter-state destinations while other important cities and towns in the state are not so well connected.

Karnataka has 11 ports, including the New Mangalore Port, a major port and ten other minor ports. The New Mangalore port was incorporated as the ninth major port in India on May 4, 1974. This port handled 40 million tones of traffic in the fiscal year 2009-10 with 20 million tons of imports and 15 million tons of exports. The port also handled 1050 vessels including 20 cruise vessels during the year 2009-10. The inland water transport within the state is not well developed.

The total length of National Highways and state highways in Karnataka are
3,973 kilometers (2,469 miles) and 9,829 kilometers (6,107 miles), respectively. The KSRTC, the state public transport corporation, transports an average of 2.2 million passengers daily and employs about 25,000 people. In the late nineties, KSRTC was split into three corporations, viz., The Bangalore Metropolitan Transport Corporation, The North-West Karnataka Road Transport Corporation and The North-East Karnataka Road Transport Corporation with their headquarters in Bangalore, Hubli and Gulbarga respectively.

4.10.4 Tourism Promotion in Karnataka

As per the 2001 census, Karnataka has six largest cities, which attract large number of travellers on the basis of infrastructural facilities, civic amenities, lodging facilities, boarding services, transportation facilities and other salient features of tourism promotion. They include Bangalore, Hubli-Dharwad, Mysore, Gulbarga, Belgaum and Mangalore. Bangalore is the only city with a population of more than one million. Bangalore Urban, Belgaum and Gulbarga are the most populous districts, each of them having a population of more than three million. Gadag, Chamarajanagar and Kodagu districts have a population of less than one million, according to recent statistics.

Karnataka also has famous waterfalls, national parks, tiger development project and other interesting tourism centers. Jog Falls is India's tallest single-tiered waterfall with Gokak Falls, Unchalli Falls, Magod Falls, Abbey Falls and Shivanasamudra Falls among other popular waterfalls. Several popular beaches dot the coastline including Mangalore, Murudeshwara, Gokarna and Karwar. In addition, Karnataka is home to several places of religious importance. Several Hindu temples including the famous Udupi Krishna Temple, the Marikamba Temple at Sirsi, the Sri Manjunatha Temple at Dharmasthala, Sri Subramanya Temple at Kukke, Chamundi temple at Mysore and Sharadamba Temple at Sringeri attract pilgrims from all over India. Most of the holy sites are also found in Shravanabelagola, Mudabidri and Karkala, which are famous for Jain history and monuments.

4.11 HOTEL INDUSTRY IN KARNATAKA

The 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 Karnataka. In the age of globalization, liberalization and privatization, CRM became a new tool of organizational development. The practice of CRM has become an important source of income generation to star hotels in Karnataka.

**Table 4.2: 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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<tr>
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<td>45</td>
<td>108</td>
<td>259</td>
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<td><strong>Total</strong></td>
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<td>109</td>
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<td><strong>Total</strong></td>
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<td>Mangalore</td>
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<td>2</td>
<td>10</td>
<td>80</td>
<td>93</td>
</tr>
<tr>
<td>Mysore</td>
<td>1</td>
<td>7</td>
<td>21</td>
<td>74</td>
<td>103</td>
</tr>
<tr>
<td>Udupi</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>38</td>
<td>42</td>
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<tr>
<td><strong>Total</strong></td>
<td>3</td>
<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)
Karnataka is known for a large number of star hotels, which cater to the needs of tourists coming from other parts of the country and globe. According to Karnataka Department of Tourism, there are 903 hotels in Karnataka (21 five-star, 63 four-star, 162 three-star and 657 budget hotels) as on March 2013. In Bangalore there are 430 hotels (18 five-star, 45 four-star, 108 three-star and 259 budget hotels), in Mysore there are 103 hotels (1 five-star, 7 four-star, 21 three-star and 74 budget hotels) and in Mangalore there are 93 star hotels (1 five-star, 2 four-star, 10 three-star and 80 budget hotels).

4.12 TOURISM AND HOTEL INDUSTRY IN BANGALORE

Bangalore (the state capital of Karnataka) is known as the Silicon Valley of India because of its position as the nation's leading IT exporter. A demographically diverse city, Bangalore is a major economic and cultural hub and the second fastest growing major metropolis in India. As a large and growing metropolis, Bangalore is home to many well-recognized colleges and research institutions in India. Numerous public sector heavy industries, software companies, aerospace, telecommunications, and defense organizations are located in the city. Bangalore is served by the KempeGowda International Airport, which is the fourth busiest airport in India in terms of passenger traffic and the number of air traffic movements (ATMs) being about 280 per day. There are a huge number of hotels in Bangalore, which cater to the needs of tourists coming from other parts of the country and globe. According to Karnataka Department of Tourism there are 430 hotels in Bangalore (18 five-star, 45 four-star, 108 three-star and 259 budget hotels).

The star hotels provide top class comfort and contemporary facilities to the boarders. The excellent service comes at a reasonable price that is quite affordable. The prominent heritage hotels also provide the guests with royal pleasures and bear relics to the rich cultural legacies and traditional architectural splendor of the ancient period. The budget hotels, which are known for their homely ambience and marvelous guest relations, provide high-class accommodation and dining facilities to the customers. These hotels also offer attractive packages that include accommodation, travel and allied services. The Tourism of India.com provides all the travel services like air ticketing, hotel booking, transportation, hospitality and so on.
4.13 TOURISM AND HOTEL INDUSTRY IN MYSORE

Mysore (known as Heritage City) is well known in the country as the fourth best destination in the list of reputed tourism destinations by the New York Times based opinion survey. The city has clinched the enviable position as a prominent yoga center, which attracts thousands of traveling public every year. The yoga boom now has centers from a cozy joint to star hotels. The Mysore Palace gets about 25 lakh visitors annually. This is next to Madame Tussauds Wax Museum in London. Mysore Zoo recorded a new high inflow of visitors in 2010 with the figure touching about 25 lakh per annum.

The hotels in Mysore are some of the best accommodation options in this city. There are many attractions varying between the magnificent palaces of Mysore and its remarkable Dasara Festival to wonderful temples, museums, gardens, pilgrimage centers and other spots. Travellers who visit Mysore have a wide range of hotels to choose from, catering to their needs and requirements. There are a huge number of hotels in Mysore, which can be categorized as five-star, four-star, three-star, heritage and economy hotels. According to Karnataka Department of Tourism there are 103 hotels in Mysore (1 five-star, 7 four-star, 21 three-star and 74 budget hotels).

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An interesting fact about the hotels in Mysore is that some of the palaces of the city are converted into hotels thus providing the common man to enjoy the luxuries of a palace. In the tourist map of India, Mysore is a distinct place and people all around the world come here to witness the grandeur and royalty of the city.
4.14 TOURISM AND HOTEL INDUSTRY IN MANGALORE

Mangalore is located in the Dakshina Kannada district, the largest urban coastal center of Karnataka, and the fourth largest city in the state. It is also situated on the west coast of India, and is bounded by the Arabian Sea to its west and the Western Ghats to its east. The coastline of the city is dotted with several beaches. Mangalore's economy is dominated by agricultural processing and port-related activities. The New Mangalore Port is India's ninth largest port, in terms of cargo handling. It handles 75 percent of India's coffee exports and the bulk of its cashew nuts. Major information technology (IT) and outsourcing companies like Infosys, Wipro, and Mphasis BPO have established a presence in Mangalore. The Mangalore City Corporation (MCC) is the municipal corporation in charge of the civic and infrastructural assets of the city. There are certain kinds of industries such as leaf spring industry, boat building and fishing industry and cotton industry as an important presence in the city. There are many hotels in Mangalore, which cater to the needs of tourists coming from other parts of the country and globe. According to Karnataka Department of Tourism there are 93 star hotels in Mangalore (1 five-star, 2 four-star, 10 three-star and 80 budget hotels).

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4.15 RELATIONSHIP BETWEEN CRM AND STAR HOTELS

CRM brings benefits to the organizations that generate a lot of information about customers. Accordingly, CRM is ideally suited to the hotel industry, especially when practicing it successfully and effectively, taking into account that hotels receive a lot of data about customers. Suffice it to say that the hotel industry, like any business sector has to be highly competitive to be able to do well in the business
environment. Therefore, it is of vital importance for it to encourage behavioural patterns of continuous re-purchase and to retain customers who last longer. Thus, it is evident that such ambitious aims can only be achieved through CRM practices, which will result in establishing fruitful relationship between organizations and their customers.

Moreover, it goes without saying that, Customer satisfaction, Organizational culture, Free access to services, Brand equity of services, Publicity of the services, Quality of services, Customer value, and Business results are all key factors, which strongly urge hotels to focus on CRM as a useful strategy.

Lee and Dubinsky (2005) investigated the relationship between customer relationship management and hospitality management and noted that systematic practice of customer relations enhanced the status of hospitality management in modern society. The scholars suggested that hospitality management should be complemented on the basis of customer-centric delivery of service and systematic practice of customer relationship management.

4.15.1 Customer Satisfaction

Customer satisfaction is one of the most essential elements of customer loyalty and customer retention. Customer satisfaction is difficult to measure because it is hard to quantify the satisfaction level. It represents a modern approach for quality in organizations, and serves the development of a truly customer-focused management and culture. Measuring customer satisfaction offers an immediate, meaningful, and objective feedback about customer preferences and expectations. Customer satisfaction perspective is the most important because customer satisfaction is directly linked to an organization’s profits. Proper CRM practices can potentially impact customer satisfaction ratings and can potentially lead to increased customer retention. Customer satisfaction typically includes the following benefits: a) Improving service quality, and b) Establishing relationships with customers.

4.15.2 Organizational Culture

Organizational culture refers to a pattern of basic shared assumptions, values, and norms that a group learns as it solves its problems of external adaptation and internal integration, and these assumptions and values can be taught to new members
as a correct way to perceive, think and feel regarding those problems (Schein, 1992). Organizational culture also refers to the tacit and underwritten rules that are needed to get along in the organization, it is considered as the ropes that a newcomer must learn in order to become an accepted member since it is the way of doing things around there (Schein, 2004).

Cultural aspects are important in determining the success or failure of CRM practices. CRM will not succeed unless a proper cultural foundation exists; an organizational cultural environment that stresses the importance of customer-focused behaviour, information and knowledge sharing, cross-functional teams, performance-based rewards, supportive relationships, adaptive and responsive attitudes to change, and a higher degree of risk-taking and innovation, is more likely to be associated with successful CRM system implementation (Bentum and Stone, 2005; Iriana and Buttle, 2006).

4.15.3 Free Access to Services

Excellent customer service is vitally important in the hospitality industry. It’s the first point of contact, between the hotel guest and the representative of the hotel. It is the first opportunity an establishment gets to impress and create a lasting great impression.

Star hotels as a hospitality industry provide the opportunities for the customers to access freely to services that sustain customer happiness and satisfaction. That includes any type of business where customers pay attention to the type of service they receive.

4.15.4 Brand Equity of Services

Companies often talk about how they are dedicated to customer service, but apply it is another matter. They are aware their brand makes them a household name. CRM offers a unified strategy to enhance service quality and customer loyalty in the hotel industry. This strategy can help the organization to build a business image that will ensure long-term growth. The brand equity of the services will improve if there is a successful CRM practice in the hotel industry by keeping customer satisfied and retention. Customer satisfaction is one of the key factors influencing any organization brand.
4.15.5 Publicity of Services

Publicity as an unpaid form of persuasive communication plays an incremental role in promoting the hotel business. While publicizing, the hotels’ professionals play a significant role by managing the media personnel or publishing news items related to the hotel. Public relations activities thus become instrumental in the process of publicizing. The vast majority of hoteliers welcome publicity not only because it is free, but also because they know that most people buy a magazine or a newspaper to read articles, news and editorials, rather than the advertisements.

4.15.6 Quality of Services

Service quality is a comparison of expectations with performance. A business with high service quality will meet customer needs whilst remaining economically competitive. Improved service quality may increase economic competitiveness.

The role of service quality in the success of hotel businesses cannot be denied. It is vital for the hotel managers to have a good understanding on what exactly the customers want. Identifying the specific expectations of customers, the dimensions of the service quality, and their relative importance for customers for each specific segment of the hotel industry would definitely help managers in the challenge of improving the service quality.

4.15.7 Customer Value

Consumer value is a marketing and business concept that attempts to analyze the satisfaction received by a customer from a purchase. Businesses analyze "customer value" in an attempt to solidify a customer base, study product performance and to market the product more effectively. Customer value is important for star hotels in order to attract and retain customers.

Customer value describes tangible and intangible benefits gained from CRM activities, which help to arrange the relationship with the customer successfully. Customer value can be achieved through, for example, value added by relevant information in virtual communities, a loyalty programme, and an attractive bundling of different products. In order to determine the customer value, organizations need to analyze such information as marketing campaigns, number of retention customers,
and net sales. CRM initiatives should provide mutually beneficial value to the customer and the organization. Current customer profitability should be calculated, establishing a baseline and comparing new calculations to that baseline periodically.

4.15.8 Business Results

Business results are measurable progress toward the goals of the organization. Organizational efforts do not always produce the results we expect. Sometimes hard work may be more about “busy-ness” than business. Some find it difficult to understand the difference between the two. Results are produced when the right things are done well. Organizations need members to do the right things well to produce results. A key objective of a successful business is to recognize what customers want and to meet their needs. By implementing a plan to measure customer satisfaction results, one will have an effective tool that will help enhance and improve the level of services that is provided.

4.16 BENEFITS OF CRM PRACTICES

The practice of CRM is rightly perceived as an important component of marketing management, which offers several benefits to the organizations concerned. According to Newell (2000), the real value to a company lies in the value they create for their customers and in the value the customers deliver back to the company. Accordingly, it is important to mark that, the value is not in more information and in more advanced technology. The value lies in the customer knowledge and in how the company uses that knowledge to manage their customer relationships. Modern organizations have realized the importance of transforming the customer data into knowledge and then using that knowledge to build relationships in order to enhance customer loyalty. The real value to a company lies in the value they create for their customers and in the value the customers deliver back to the company. Accordingly, it is important to mark that the value does not lie in more information and in more advanced technology. The value lies in the customer knowledge and in how the companies use that knowledge to manage their customer relationships.

CRM systems assists companies evaluate customer loyalty and profitability based on repeat purchases, the amount spent, and longevity. Bull (2003) added that CRM makes it practicable for companies to find unprofitable customers that other
companies have abandoned or jettisoned. This position is supported by Galbreath and Rogers (1999) that CRM helps a business organization to fully understand which customers are worthwhile to acquire, which to keep, which have untapped potential, which are strategic, which are important, profitable and which should be jettisoned.

Greenberg (2004) emphasized that CRM can increase the true economic worth of a business by improving the total lifetime value of a customer, adding that successful CRM strategies encourage customers to buy more products, stay loyal for longer periods and communicate effectively with a company. CRM can also ensure customer satisfaction through the allocation, scheduling and dispatching the right people, with the right parts, at the right time (Chou et al., 2002).

According to Swift (2001), companies can gain many benefits from CRM practice. He states the benefits are commonly found in one of the following areas:

- **Lower cost of recruiting customers**: Costs of recruiting or obtaining customers will decrease since there are savings to be made on marketing, mailing, and contact, follow up, fulfillment services and so on.

- **No need to acquire so many customers to preserve a steady volume of business**: The number of long-term customers will increase and consequently the need for recruiting many new customers will decrease.

- **Reduced cost of sales**: The costs regarding selling are reduced owing to existing customers who are usually more responsive. In addition, with better knowledge of channels and distributions the relationships become more effective, as well as the cost for marketing campaign is reduced.

- **Higher customer profitability**: The customer profitability will get higher since the customer wallet share increases, there are increases in up selling, cross selling and follow up sales and more referrals come with higher customer satisfaction among existing customers.

- **Increased customer retention and loyalty**: The customer retention increases since customers stay longer, buy more and buy frequently. The customer does also often take initiatives, which increase the bounding relationship, and as a result the customer loyalty increases as well.
Evaluation of customer profitability: A firm will get to know which customers are profitable, the one who never might become profitable, and the ones that might be profitable in the future. This is very important since the key to success in any business is to focus on acquiring customers who generate profit and once a firm has found them, never let them go.

Curry and Kkolou (2004) refer to the major benefits of adoption of CRM which include: customers from the competition will come to prefer your organization; a simplified, customer focused internal organization will simplify the infrastructure, shrinking the workflow and eliminating non productive information flow; and profits will increase from more satisfied customers and a more compact, focused company.

Selnes and Sallis (2003) emphasized relationship learning as a way to create differential advantages and supernormal profits in relationships. The authors define relationship learning as an ongoing joint activity between the customer and the supplier organizations directed at sharing information, marketing sense of information, and integrating information into a shared relationship-domain-specific memory to improve the range or likelihood of potential relationship-domain-specific behaviour. Through relationship learning, both parties can benefit from reduced or removed redundant costs, improved quality and reliability and increased speed and flexibility. From the supplier’s standpoint, better knowledge of customers enables them to develop and provide more valuable products.

A comprehensive controlling structure for monitoring the benefits of CRM is measuring the direct impact of the CRM practices. The point of contact quality, process quality, customer cost, customer satisfaction, customer loyalty, customer return (lifetime value) and sales success are the immediate, quantifiable effects of the actions taken in order to build and care for the interaction between company and customer. These elements can then be transformed into direct CRM benefits:

- The image improvement results from the point of contact quality, process quality, customer satisfaction and customer loyalty.
- The efficiency improvement is a combination of the point of contact quality, process quality, customer cost and customer return.
The customer commitment is measurable through customer satisfaction and customer loyalty.

The new acquisitions are directly related to the sales success.

The CRM benefits can be directly associated to the company or product’s success considering that image improvement and new acquisitions have a positive effect on the company’s growth, and the efficiency and customer commitment influences the increase of returns. Reinartz et al. (2004) have shown that a CRM practice has a positive impact on a firm’s market performance, which in turn, is associated with better economic performance.

4.17 EVALUATION/MEASUREMENT OF CUSTOMER RELATIONSHIPS

Jain et al. (2003) claim that popular measures of CRM often used by practitioners are: sales, profits, market share, new customers, customer turnover or defection rate, cost reduction, service time and customer complaints. Data on these factors can be collected from sales reports, balance sheets or field visits. The authors examine how the behavioural dimensions of the customer-supplier relationships can be used to evaluate the effectiveness of suppliers CRM-effort. The authors identify ten factors or behavioural dimensions:

- **Attitude to Serve**: Refers to the great importance of the employees of the selling company. The employees must have an attitude that signals to their customers, that they exist.

- **Understanding Expectations**: Delivering the products and services that meet or exceed customer expectations is the key to winning customers. It places greater emphasis on understanding needs or expectations and tracking the changing preferences and evolving needs.

- **Quality Perceptions**: Customers perceptions about the selling organizations’ efforts to deliver quality.

- **Reliability**: Winning the customers confidence is vital for the selling organization. The ability of the seller’s representatives to establish a relationship of trust and faith greatly influences perceived quality.
➢ **Communication**: The desire to be understood better and informed well is commonly observed among customers. The seller’s representatives are expected to communicate effectively with customers. The content, style and timing of communication need to be managed carefully to avoid over-promising or under-promising to the customers.

➢ **Customization**: Organizations are expected to deliver a product or service in response to a particular customer’s need.

➢ **Recognition**: Showing respect to the customers to make them feel important is an important element in relationship building.

➢ **Keeping Promises**: Organizational commitment has been reported as a major influence on the continuity of relationships with customers.

➢ **Satisfaction Audit**: Obtaining feedback from customers and regularly measuring customer satisfaction is an essential step for successful CRM-practice.

➢ **Retention**: Customer retention is the cornerstone of relationship management and offers immeasurable benefits to both the seller and buyer.

According to a study by Almquist et al. (2002) many companies find it hard to measure the specific financial impact of CRM because there are many variables affecting financial performance that cannot be isolated. As a result, few firms measure the success of their CRM-initiatives. Among the companies that do measure the result of their CRM practice, customer loyalty is a common variable to measure. The authors claim that since profitability varies from customer to customer, the goal should not be to increase customer loyalty across the board, but rather to acquire, retain and develop the most valuable customers. The first step is to understand the costs to acquire and maintain customers and the value created by improvements in customer interactions. The selling enterprise can create metrics such as customer lifetime value and customer-level return on investment that will help to identify the most valuable customers.

Sometimes companies have no defined strategy or the funding is not sufficient. In the latter case, when money is used up, the process is stopped or some
steps are not carried out completely and thus may fail. Without a defined strategy, criteria cannot be determined to decide whether the process was successful or not.

Another often-named problem is that solutions are too complex for the company and therefore the business process differs strongly from the processes that are used in software tools. Companies try to perform too much in one approach and the project complexity makes it almost impossible to predict the potential disturbances to the business process.

According to Bodenberg (2001), those organizations that can re-align themselves culturally, improve technologies and internal operations, and continue the dialogue with their customers are the most successful organizations.

4.18 CRM IN STAR HOTELS IN KARNATAKA

The hotel industry is also experiencing increased globalization, competition, higher customer turn over, 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, according to Olsen (1996). The travellers have become more price sensitive; prefer fewer brands, are loyal and more sophisticated in the present times, The practice of CRM has become a strategic necessity for attracting and increasing guests' patronage in modern organizations including tourism industry and hotels. The modern hotels are dependent on CRM to enhance profitability and guest loyalty.

Sigala (2005) observes: “The hotels must nowadays focus on implementing customer relationship management 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”. The modern hotel industry has abandoned the traditional way of travel agents and other representatives and adopted new CRM practices on the basis of application of Information and Communication Technologies (ICTs). These new channels have emerged as the most effective marketing channels ever invented by mankind. They have been accepted as the ideal media for reaching out to various customers and establishing interactive relationships with them regardless of the nature and business of modern organizations.
CRM has become a strategic necessity for attracting and increasing customer patronage in the present times. CRM is also defined as the application of information technology to increase the extent and scope of customer service with respect to star hotels. CRM has indeed reactive practices, which facilitate the improvement of performance and efficiency in various organizations. Adoption of customer-oriented CRM technique produces favourable results in modern organizations including hotels. Investigations have revealed that CRM has become an important tool of corporate communication management in general and customer relationship management in particular in India and abroad.

The modern hotels need to formulate innovative marketing strategies in a way to not only woo customers toward them but also retain them. The secret here is that retention cost is very low when compared to the cost of attracting new customers. Some of the basic problems facing hotels today are provision of better service alternatives to its customers, generation of more income from non-core based services, improving the profitability of the hotel system and above all ‘Customer Retention’.

Sigala and Christou (2002) state: “The root cause of all these problems lies in the failure to adopt marketing approach. This is so because the marketing concept will facilitate them to be more scientific in solving their business problems, satisfy their customer's requirements or needs and maintain a profitable win-win relation with their customers, which will enable star hotels to stay closer to their customers, maintain as well as increase market share and counter the competition successfully”.

CRM is a reliable strategy that can help the hotel industry to build long-lasting relationships with their customers and increase their profits through the right management system and the application of customer-focused strategies. It provides better insight into the hotel industry and the various measures adopted by them to improve their relationship with the customers who matter most in the present times. CRM practices chiefly focus on customer satisfaction, loyalty and retention. Personalizing marketing messages with information that is relevant to the needs of the customers will result in more premium-driven loyalty for the hotel industry. Several service quality dimensions were identified by the customers through effective CRM practices in hotel industry according to previous investigations.
Sigala et al. (2001) comment: “Certain utilitarian values such as speed, convenience, economy, efficiency, interaction, website service quality and so on were reported by the customers who are associated with star hotels which have adopted CRM in modern society. These advanced facilities have enabled interactive communication and created a feeling of belonging among the customers of hotel industry. The CRM facilities and practices have significantly affected business process, viable substitute and integrated communication”.

The current CRM practices have varied impact on customers in terms of creating and building mutually beneficial relationship between the hotel industry and customers. The CRM practices enable the hotel service providers to engage the customers in strong, personalized and mutually beneficial interactive relationships. Hotel industry has been common earlier for research on service quality to be focused on measures of customer satisfaction. However today, mere satisfaction does not ensure customer retention and therefore, the focus in recent research has somewhat shifted from studying drivers of customer satisfaction to examining drivers of customer behaviour such as repurchase habits”, according to Ranaweera and Neely (2003).

The scholars have identified the advantages of CRM in star hotels in their various investigations. They are as follows:

1) Star hotels acquire more knowledge about their customers and cater to the needs of them without any delay and discrepancies,
2) It facilitates quick enquiry about the quality, location, style and services of star hotels,
3) It facilitates use of self-service tools on the web rather than star hotels’ personnel,
4) There is increase of touch points such as e-mail, website visits, news groups, chat groups and Webcasts,
5) It is superior to traditional customer relationship management because of interactive communication and operations,
6) It is beneficial to both the parties (star hotels and customers),
7) It saves lots of time and energy, which are required for business relations,

8) It strengthens customer loyalty and retention by fostering customer relationships,

9) It increases higher customer profitability, and

10) It helps the hoteliers to judge the attitudes and possible behaviour of customers.

Marketing solution is critical for hospitality sales and marketing professionals to maximize their Return On Investment (ROI) in marketing. Experts agree targeted marketing to existing customers is the best way to increase marketing ROI. Most industry consultants estimate the cost of finding a new customer is between 5 and 10 times the cost of retaining an existing customer. Improvement analysis tool provides with the information to eliminate recurring problems and keep guests coming back, so to lower operating costs and increase guest satisfaction at the same time, according to Raghunath and Shields (2001). Comment card tracking system assists the managements to manage customer feedback in a systematic way. It also improves productivity in the follow-up process and provides valuable management reports to maximize the benefits of surveys. The guest ware enterprise solution maintains a single view of the customers and enhances Property Management Systems (PMS) and Central Reservations Systems (CRS). It allows hotel companies to practice enterprise CRM while leapfrogging existing hotel technology investments.

The communications server integrates two-way messaging (or other types of text-based messaging) with Guest Ware’s Rapid Response. It allows staff to receive and close requests and maintenance issues from a pager or cell phone. The software helps streamline service delivery and uses existing e-mail systems or a modem to communicate with most two-way messaging devices. The application of CRM practices and technologies in star hotels include certain advantages. They develop comprehensive guest profiles from reservation information and demonstrate to guests or customers that the property is in touch with their needs, drive guest-centric data down to the transaction level, allowing employees and guest-facing technology to deliver greater value to the guest/customers and generate a realistic profile on the spending and stay patterns of guests, allowing the property to create guest-centric marketing for increased loyalty and spending.
The modern hotel industry in general and star hotels in particular are increasingly using the advanced database on the customers in order to facilitate product and service improvement, observes Sheth (2001). According to him, star hotels adopted this innovative database since they introduced their welcome break holiday package database and used it to identify and segment the customers on the basis of booking on long weekends, booking on a short term basis and response to promotional campaigns. It is aggressive selling to the potential customers who have particular needs and wants and building a match or fit the needs of the customers.

The hotel industry is also making use of database mining, which is the process to distill the target customer groups out of the massive data files typically found in hospitality operations. In other words, there are systematic ways to distill through a database of a multitude of databases to get the information for which one is reaching. Some hotels outsource these tasks to companies that specialize in this field or at best, do it internally. It enables users to easily integrate company/property management reservations and point of sale systems, automatically extracting operating data from legacy databases for use in the marketing database. The systems analysis tools allow users to profile their most profitable customers, analyze their buying habits, develop & assess the performance of targeted marketing campaigns. The biggest advantage of database mining is that it helps to focus the efforts and available resources into one direction which is most profitable and out-base mining helps to eliminate the non-profitable customers and hence reduces the costs and enhances the profits, according to Ramana et al. (2003).

Relationship marketing depends on the goodwill generated by frequent-buying programmes as well as on the information provided from database marketing efforts. It goes beyond simple short-term awards and involves all the elements of a firm’s and services to encourage a personal relationship with each customer. Relationship marketing is “knowing the customer and using that information to bond with them.” It forms the initial personal contact and then serves as the foundation for nurturing this brief encounter into a friendly and accommodating relationship by focusing on personal guest information. In addition to knowing the purchase habits of members (room selection, certain amenity preferences, and so forth), personal information such as spouse’s name and hobbies are added to a member database, states Swift (2001).
Modern hotels have also developed grievance redress mechanism in order to reduce the number of dissatisfied customers whose problems were not solved. The CRM professionals are sensitized to consciously prevent dissatisfaction among the customers and maximize their association with the hotels through adoption of customers – centric approaches and technologies, observes Schuster (2002). The hospitality management sector has also adopted priority marketing, which focuses on the delivery of customer – friendly goods and services including dietary menu operations, price structure, security and other aspects. Modern hotels can also identify groups of customers who have similar preferences or even similar tastes (such as sharing common perceptions of quality or state) and can target promotions to capitalize on known characteristics and individualize the presentation, opines Ramana et al. (2003).

Tourism promotion has been a priority based economic activity in Karnataka and other parts of the country. Karnataka has emerged as a prominent tourist destination since it has several historically significant monuments and other important centers, which attract large number of visitors both foreign and domestic. A good deal of interest has been aroused in India and abroad on the CRM, which is essential for meaningful transactions between the customers and modern organizations. The crucial role of CRM in the process of organizational development, tourism promotion and hospitality management becomes even clearer as the modern hotels move towards an information technology based organization.

Prominent features associated with a service sector like hotel sector are intangibility of the service performance, greater involvement of the customer in the production of the service, difficulty in maintaining quality control and standards, the inability to maintain inventories and the importance of the time factor as customers limit the amount of time that they are willing to wait for the service to be provided, all of which make the task of service providers even more daunting. In addition to the above aspects, a service provider has to contend with other forces, which affect the very survival of his business. Ever changing customer preferences, competing businesses wooing away clientele, entry of international players providing quality services and changing government policies have had an effect on the quality of the decision-making process. In order to keep their clientele satisfied and maintain effective relationships with their customers, star hotels have to decide about the nature
and extent of the services and facilities they intend to make available to their customers, and to be able to do this, they have to constantly keep themselves informed about changing customer preferences, develop and design services that suit those preferences, inform their customers about their services, suitably price them and deliver them smoothly through a well-established network.

The star hotels are required to reorient their management policies towards greater efforts at customer satisfaction and retention. For helping the hotel industry formulate a customer oriented management philosophy, the adoption of marketing concept can be of definite assistance to the hotel industry. Systematic study of CRM practices with reference to star hotels in Karnataka assumes great social and professional significance in view of the growing demand for tourism promotion, hospitality management, customer relationship management and national development endeavors. The main thrust of the CRM practices with reference to star hotels is closely related to the growth and development of local economy. Cultural promotion, corporate communication, hospitality management, corporate advertising, employment generation and other factors are closely associated with the practice of CRM in hotel management sector and other sectors of the economy.

4.19 SUMMARY

The chapter has highlighted CRM and Star hotels in India, Tourism and hotel industry in India, Tourism and hotel industry in Karnataka, Major facilities in star hotels, Star hotels in Bangalore, Star hotels in Mysore, Star hotels in Mangalore, Relationship between CRM and star hotels, Benefits of CRM practices, Evaluation of customer relationships and CRM in star hotels in Karnataka.