

## CHAPTER-ONE

### AN OVERVIEW OF HOSPITALITY, TOURISM & HOTEL INDUSTRY

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## **CHAPTER-ONE**

# **AN OVERVIEW OF HOSPITALITY, TOURISM & HOTELINDUSTRY**

### **EXECUTIVE CHAPTER SUMMARY:**

The chapter number one is written keeping in mind that organizations consider service as a process. Customers' perceive service mostly based on his or her experience. It has become extremely important for marketers to understand the prevailing knowledge of customers for developing insights regarding the differences based on varying customers' segments. The researcher has tried to throw light on the term hospitality while reviewing the hotel as well as hospitality and tourism industry of India. The researcher has put efforts to provide bird-eye view on hotel as well as hospitality and tourism industries at the global level, and also its glimpses in India & Gujarat has been given in it. The researcher has reviewed diverse areas concerning to it viz., the evolution of word Hotel, its growth, characteristics, classification, and finally reviewing hotel industry of the Gujarat State along with various other crucial aspects pertaining to these industries have been covered in it. It has also highlighted Government of India's initiatives for promoting Tourism & Hospitality industry of India. Overall as well as city wise prevalent trends amongst Hotel Industry, its key problems, future prospects and challenges too have been discussed in it. At last but not the least, the researcher has also offered SWOT Analysis of the Hotel Industry of India.

# AN OVERVIEW OF HOSPITALITY, TOURISM & HOTEL INDUSTRY

## **1.0: PROLOGUE:**

Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others (Philip Kotler, 2009)<sup>1</sup>. A service can be described as process by marketers. Customers' view services as per his or her experience. Marketers' design service and service processes considering the quality of the experience that they wish to offer for implementing consistent service procedures for keeping high standards of training and automation. The physical environment of services consists of viz., look of building, equipment, landscaping, interior furnishing, uniforms, signs, printed materials, and other evident cues that shall offer evidence of service quality to customers. It has a deep impact on customer satisfaction and service productivity. The frontline employees having positive attitude should be properly trained and well-equipped with required technical and inter-personal skills. They serve as a major tool of competitive advantage companies. Marketing of services includes viz., building customer loyalty, handling complaints, building and sustaining relationships, enhancing productivity and service quality, and productivity for building customer loyalty in the hotel industry (Lovelock, Christopher and Wirtz, Jochen, 2011)<sup>2</sup>. Creating and maintaining customer loyalty has become a strategic directive in marketing of services. Customers differ in their value to a firm, and therefore customer retention and loyalty-building efforts call for customized efforts on the part of service marketers who should be having complete understanding about bases of customers. It has been felt that current knowledge of customer is found to be limited in providing insights to service marketers regarding the differences within the diverse bases of customers (Jaishankar Ganesh, Mark J. Arnold, Kristy E. Reynolds, 2000)<sup>3</sup>.

## **1.2: A BRIEF OUTLINE OF HOSPITALITY INDUSTRY:**

The term 'hospitality' refers to the cordial and generous reception and entertainment of guests or strangers, either socially or commercially. Indians are known the world over for their hospitality 'Atithi Devo Bhavah' ('The Guest is like a God'). It has been our adage from ancient time. It is because of this heritage that India, with its numerous hotels, has been considered as one of the world's leading hospitality venues (Raghubalari & Smritee Raghubalan 2010)<sup>4</sup>. Accommodation is a basic need of tourism activity. Without accommodation, it would not be easy to build up tourism even in the world's most beautiful places. (David Carr, 2011)<sup>5</sup>.

The service industry also includes hospitality industry which is bifurcated into viz., lodging, and restaurants, planning an event, theme parks, transportation, cruise line, and additional fields in the tourism industry.

There are various units of hospitality viz., restaurant, hotel, servers, housekeepers, porters, kitchen workers, bartenders, etc. which requires proper management, marketing, and human resources (www.wikipedia.org)<sup>1</sup>.

Indian hospitality industry enjoys second place in the rapidly growing tourism market in the world. It has been estimated that Indian hospitality industry is likely to grow at a rate of 8.8 per cent between years 2007 to 2016. It shall double the number of branded hotel rooms from 100, 000, and shall also add over 300 hotel properties. It had estimated 55,000 rooms in the year 2013 (www.thehospitalityindia.com)<sup>2</sup>. It contributes approximately 6.23 percent to the national GDP, and 8.78 percent in the total employment generation of the Indian economy. India annually receives around 6 Million overseas tourists, and nearly 562 Million domestic tourists. According to the prediction of the World Travel and Tourism Council (WTTC), India has the potential to become the number one tourist destination in the world with. Its demand is growing at 10.1 per cent per annum. The WTO (World Travel Organization) has predicted that India is to likely receive 25 Million tourists in year 2015(www.hostsindia.in)<sup>3</sup>. The hospitality industry of India is expected to witness high growth over the long term. Its domestic travel is expected to be the primary driver of its growth, and high disposable incomes coupled with an initiation of better locations are expected to drive this growth. Business travellers are expected to be the possible growth segment. Its evolution into a multi-location and multi-format player is emerging as one of the key strategy for the hospitality industry. Budget segment and mid-market segments have emerged as the most preferred investment categories. It has raised the need and pressure for granting it an infrastructure status. Inadequate supply of quality talent and increased competition for talent within the industry has led attrition as significant issue being faced by the hospitality industry of India (Hospitality insights, 2012)<sup>6</sup>.

### **1.2.1: Reviewing Trends in the Hospitality Industry of India:**

An attempt has been made to provide brief review on emerging trends in the hospitality industry of India. Tourists now look for comfortable, simple, high-quality pleasant experiences. The hospitality industry should exploit this opportunity and to handle intense competition, it should put efforts for increasing brand awareness supported with a multi-channel environment.

**Some of the emerging trends of the hospitality industry of India have been outlined in brief as follows.**

#### **1.2.1.1: Renewed Focus on Property Websites:**

The hoteliers have begun to arrange for direct online bookings by developing their own customized user-friendly websites, and have been trying to influence travellers to opt for it.

#### **1.2.1.2: Greater Emphasis on Content Marketing:**

The hospitality marketers have realized that to attract and retain a large number of tourists, developing brand awareness is crucial. Besides, content marketing is the ultimate way to reach and influence such target audience instead of making use of conventional advertising.

### **1.2.1:3: Quality:**

Tourists lay increased reliance on emotional value of their trip in order to strive to better and exciting experience resultant into a better quality of life during leisure travel.

### **1.2.1:4: Quality Food:**

Tourists look for quality food with organic ingredients instead of celebrity chefs.

### **1.2.1:5: Social Network Integration:**

The use of social media has become normal trend in this industry. Tourists tend to read and compare reviews before deciding about their trip. The hospitality marketers therefore need to update their blogs continually. They should also display testimonials of hotel guests and celebrities who have visited their hotels. The meeting planner tool can also strengthen the professional relationships with customers.

### **1.2.1:6: Mobile Trend:**

The hospitality marketers should also focus on different ways to make best use of various mobile applications and social medias.

### **1.2.1:7: Embarking Visual Media:**

In order to attract hotel guests, the hospitality marketers should design and upload videos and also photos in photo gallery on their websites.

### **1.2.1:8: Increase in the Number of International Visitors:**

As the number of overseas hotel guests' have begun to increase, the hospitality marketers also explore for getting refinance for expanding business to strengthen their competitiveness ([www.hotelcluster.com](http://www.hotelcluster.com))<sup>4</sup>.

## **1.3: A BRIEF OUTLINE OF TOURISM INDUSTRY:**

An attempt has been made to offer a brief outline on the tourism industry covering topics such as viz., its meaning & characteristics, mission and objectives of the tourism industry as well as tourism organizations as follows:

### **1.3.1: An Introduction of Tourism Industry:**

The word tourism is derived from the French word 'Turisme', literally meaning is to tour and travel. It is the process of temporary movement in the particular destination undertaken by the human that starts from one point, and ultimately ends at the point where one started the journey from. It is a phenomenon of human character related to tour and traveling at a particular area, locality, sites, places, etc. But traveling without any reason for temporary stay cannot be termed as tourism ([www.blogspot.in](http://www.blogspot.in))<sup>5</sup>.

Tourism is about people who travel away from their familiar home environment for many reasons. In order to know the meaning of tourism, one should also know the simple ideology of tour. Tour is derived from the Latin word toumel or tourness Greek word, which refers to circle. The oxford dictionary relates tour as a journey for pleasure, during which one visits several areas.

The suffix “ism and ist” refers to the movement around the circle by the people. Like a circle, a tour represents a journey that is a round trip (Ibid).

Therefore, one who undertakes such a journey is called as tourist. The word tourism came to be added in the English dictionary only after 19<sup>th</sup> Century ([www.blogspot.in](http://www.blogspot.in))<sup>5</sup>.

According to the Tourism Society of United Kingdom [UK], tourism has been described as the temporary movement of people to destination outside of the places where they normally live and work, and their activities during their stay at these destinations. The purpose of journey can be classified in to different headings. First, leisure tourists or visitors who travel to destinations with a reason to spend time to get enjoyment and entertainment. The activities of their movement can be planned and managed as per the likes and interest for pleasure and fun of individual desire. To illustrate, recreation, holiday, health, study, religion, sports, education, etc. Second, business tourists or visitors who travel to destinations with a reason to spend time to get optional enjoyment and entertainment. To illustrate, business meeting, convention, conference, seminar, any special mission, etc. (Ibid).

The concept of tourism has been characterized by certain features viz., movement of people, and their stay at various destination; giving rise to activities at the destinations; developing social and physical infrastructure, and amenities to facilitate visitors; giving rise to various service demands which are provided by commercial sense of two tourism industry; developing pleasure activities, and professional service providers and give rise to recreational and other cultural events to attract tourists ( Singh& Mulla,2011)<sup>7</sup>.

### **1.3.2: Reviewing Tourism Industry of India:**

Tourism Industry of India is one of the largest service industries of India. It contributes 6.23 percent in the National Gross Domestic Product (GDP), and 8.7 percent in the total employment generation of Indian economy. In the year 2010, total numbers Foreign Tourist Arrivals (FTA) in India were 5.78 Million. It generated about 200 Billion US\$ in the year2008, and is expected to reach figure of US\$375.5 Billion by the year 2018 at 9.4 percent annual growth rate. The majority of overseas or outbound tourists come from USA and UK ([www.wikipedia.org](http://www.wikipedia.org))<sup>1</sup>.

The top five States of India that attracts overseas tourists consists of viz., Kerala, Tamil Nadu, Delhi, Uttar Pradesh, and Rajasthan respectively. The domestic tourism had reached the figure of 740 Million in the year 2010. Andhra Pradesh, Uttar Pradesh, Tamil Nadu and Maharashtra receive the big share of these visitors. The Ministry of Tourism is the nodal agency for formulating national policies and programmes for the development and promotion of tourism in India (Ibid).

In the process, the Ministry of Tourism consults and collaborates with other stakeholders in the tourism sector including various Central Ministries Agencies as well as the State Governments and Union Territories, and also representatives of the private sector are part of it.

The rigorous efforts have been made by the Ministry of Tourism to promote new forms of tourism such as viz., Rural, Cruise, Medical and Eco-Tourism respectively. It has also launched the Incredible India Campaign. According to World Travel and Tourism Council, India is to emerge as key tourism destination by the year 2018([www.wikipedia.org](http://www.wikipedia.org))<sup>1</sup>.

According to the Ministry of Tourism of India: 2012-2013, the tourism industry expects to attain the level of 11.24 Million foreign tourists, and 1450 Million domestic tourists by the year 2016. Tourism development has been regarded as a national priority activity. It has put efforts to improve and sustain the competitiveness of India's tourism Industry by improving its existing tourism products, and expanding those to better meet tourists' requirements. It aims to design and provide world class infrastructure for expansion of the tourism industry of India. It expects to enlarge human resource base in this industry, and shall integrate development of major tourist destinations or circuits for promoting viable tourism in India (Results-Framework Document for Ministry of Tourism (2012-2013))<sup>8</sup>.

It has planned to develop tourism infrastructure in India including developing of niche products, and increasing the visibility of Indian tourism. It has resolved to develop Human Resource Development (HRD) infrastructure to better meet the growing demand of quality human resources, and also to effectively implement campaign clean India. It has planned to develop hotel accommodation of requisite standards in India to meet the growing demand, and also to undertake surveys, studies and compilation of statistics in the field of tourism for policy advice and knowledge sharing with its diverse stakeholders. It has decided to improve quality of services and offerings to tourists in India for attracting more overseas tourists to India by improving performance of Public Sector Units (PSU) and responsibility centres and through increasing use of Information Technology (IT) in promotion and development of tourism sector in near future (Ibid).

Successful tourism development shall depend on effective functioning of tourism organization therefore, a number of core operators and activities, need to be considered by each of the tourism groups, including coordination and leadership, policy, marketing and communications, hospitality and training and customer care and monitoring and reach that are crucial for sustainable development of tourism sector in India.

In brief, tourism organizations can be classified as viz., Travel agency; Tour operators; Hotels and other accommodations; Road & Railways, Transport Agencies ; Air and Sea Transport agencies; Information centres; Tourism development Corporations Tourism and Travel Organizations Travel Associations respectively (Singh & Mulla, 2011)<sup>7</sup>.

### **1.3.3: Reviewing Tourism Industry of Gujarat State:**

Gujarat is the 7<sup>th</sup> largest State of India, located in the western part of India. It has a coastline of 1600 kilometers longest in India. It is placed at the 10<sup>th</sup> rank and receives annually 18.9 Million tourists.

It provides scenic beauty from Great Rann [Desert] of Kutch to the hills of Saputara. It is the only home of the pure Asiatic lions that is considered as one of the most important protected areas in Asia.

Many structures in the Gujarat State are built in this fashion. It is the birth place of Mahatma Gandhi & Sardar Vallabhai Patel, the great freedom fighters of India. It provides diverse type of tourism such as viz., Business Tourism, Archeological & Heritage Tourism, Cultural Tourism, Religious Tourism, Wildlife Tourism, and Medical Tourism respectively. Amitabh Bachchan has been chosen as the brand ambassador for promoting Tourism in the State of Gujarat ([www.wikipedia.org](http://www.wikipedia.org))<sup>1</sup>.

#### **1.4: A BRIEF OUTLINE OF HOTEL INDUSTRY:**

An attempt has been made to offer a brief sketch of the hotel industry covering its evolution, growth and development of hotel industry of India as well as Gujarat with a brief sketch on key players of hotel industry of India.

##### **1.4.1: Evolution of Hotel Industry:**

The origin of the hotel industry can be found back to 3000 B.C. The conditions improved in 1700s when the new start sparked that is the desire of people to travel in England ([www.scribd](http://www.scribd))<sup>6</sup>. Early travellers were found to be people who were soldier or people who used to move out for trading purpose that is buying or selling or those who wanted to explore their knowledge. This was prior to the commencement of hotels. Thus, for accommodation, tents were made by the warriors and vanquishers, but in case of people travelling for exploration of knowledge and those who were traders, had positioned more importance for hospitality, and in certain circumstances they even traded their products for accommodation. The first commercial enterprise was Inn-keeping, and the first service for which money was exchanged was hospitality. In olden day Inns only gave bed or a bench in a corner for the travellers. The guests were accommodated in large rooms which were common for all guests with no privacy and common sanitation. The tariff charged from such guests was very reasonable.

Travellers were used to part common space with their horses and animals. In the third century AD, the Roman Empire made a widespread system of brick-paved roads in the entire Europe and Asia, and a sequence of wayside small cabins were created to serve the travellers from Spain to Turkey ([www.expresshospitality.com](http://www.expresshospitality.com))<sup>7</sup>. No significant improvement was made in the inns and tavern still the industrial revolution of the 1700s. To accommodate wealthy travellers, luxurious structures were constructed with private rooms, individual sanitation and the comforts in a European Castle (Ibid).

##### **1.4.2: Origin, Growth & Development of Hotel Industry:**

The word hotel is derived from, the French hotel coming from hotel meaning host, which was referred to as a French version of a townhouse or any other building seeing frequent visitors, rather than a place offering accommodation. A hotel is an establishment that provides paid lodging on a short-term basis.

In past, the facility of basic accommodation comprised of only of a room with a bed, a cupboard, a small table and a washstand which was largely replaced by rooms with modern facilities including en-suite bathrooms, and air conditioning or climate control (www.scribd.com)<sup>6</sup>.

After 2<sup>nd</sup> World War, one can find distinct trends that had emerged in the hotel industry. First, hotel industry had become highly profitable mainly because of auxiliary services. Another feature was the growth of hotel chains. In most chain operations, some hotels were owned by the corporation while others were leased for operation to the group having experience in hotel business. The high cost of land had always forced a successful hotel to maintain auxiliary shops such as Drug Stores, Flower Shops and Dress Shops, Beauty Salons, and Newsstands to serve both hotel guests and the city residents who live or work near the hotel. The shops and staffs were operated by the hotel. But, most of the times, it was outsourced to the concerned party (Madanlal, 2007)<sup>9</sup>.

Subsequently, this stage of the evolution of the hotel industry was led by the Motor Car which made movement of people possible surrounding to various parts of the country where Railways failed to reach for them. It had also led to the emergence of inland resorts and the growth of hotel industry. International Air Travel had paved towards the contemporary stop-over hotel with the addition in international traveler, the number of hotels which were built close to Airports had multiplied. Another trend in hotel keeping was the Motel, which was the 20<sup>th</sup> Century version of the old Coach Inn. It was late back when people used to travel the country by car, stopping overnight at one place or the other which had enhanced the necessities of refreshment for travellers, which also necessitated the parking space which was safe for their cars.

Trust houses Forte Group developed Post houses in the form of new version of the old Coaching Inns. It was considered as the main reason for Great Britain to be considered as the 'Motherland of Hotel Industry'(www.expresshospitality.com)<sup>7</sup>.

#### **1.4.3: Meaning of Hotel:**

A hotel can be defined as a place that offers accommodation, food, and beverages at a cost that enables it to make a profit. It was also defined a house for accommodation of paying travellers. According to the Webster's Dictionary (1978), hotel has been described as a building or institution providing lodging, meals and service for the people is termed a hotel (Raghubalari & Smritee Raghubalan,2010)<sup>4</sup>.

It is an establishment that offers paid lodging on a short-term basis. It provides basic accommodation, in a room having a bed, a cupboard, a small table and a washstand has largely been replaced by rooms with modern facilities, such as viz., en-suite bathrooms and air conditioning or climate control. Now, other common features that have been added in hotel rooms includes viz., a telephone, an alarm dock, a television, a safe, a mini-bar with snack foods and drinks, and facilities for making tea and coffee.

Its luxury features includes viz., bathrobes and slippers, a pillow menu, twin-sink vanities, and Jacuzzi bathtubs. Larger hotels also offers additional guest facilities viz., a restaurant, swimming pool, fitness center, business center, childcare, conference facilities and social function services respectively (David Carr, 2011)<sup>5</sup>.It would be apt to state that hoteliers try to replicate hotel as the home for the guests when s/he is away from his or her home. It is the place where the tourist changes his role from a traveler to a guest. The basic purpose of a hotel is to provide accommodation to those who were away from their residence and supply them according to their requirement and match up to the level of what they expect. To a greater extent the facilities of the hotel is also present to meet to the requirements of many, and also to provide service to the local population. It is this basic function of the hotel, which makes it quite distinct from other types of business and to which its other functions are supplementary. Besides, there is also another identification problem. It is not very easy to draw a line between a hotel and a lodging house, a motel, and dharmasala, a railway dormitory, guest-house, or any other similar establishment (S.Kannan, 2005)<sup>10</sup>.

**1.4.3.1: Characteristics of Hotel:**

The hotel compared to other establishment is having certain specific characteristic, which makes it distinguishable some of these are viz, a hotel is a fixed, immobile installation a building. It is a lodging open to public, accessible to all except to minors or unaccompanied children for reason of public morality. It is an enterprise which sells goods and services requiring payment of the price necessary to reimburse general costs and realize an adequate profit. Financial autonomy is a characteristic trait of hotel enterprise. In certain countries state loans, grants or subsidies, benefits etc., are granted to encourage hotel activity to help it become more profitable. It should be able to provide individual services for a person as well as for a family or a group. It provides uniform overall services of average or superior quality, rooms with or without bath, meals at various prices, thy-cleaning, laundry, sale of picture post cards and souvenirs tobacco and drink (Ibid).

**1.4.3.2: Departments of Hotel:**

An attempt has been made to give bird eye view of different types of departments of hotel as follows.

**Table Number: 01: Departments of Hotel**

<b>Primary</b>	<b>Ancillary</b>	<b>Support Services</b>
Rooms	Guest Laundry and Valeting	Marketing
Food	Guest Telephones	Property Operation
Beverages	Other Guest Services	Maintenance and Energy
General Up-keep		Administrations and General

**Source:** S.Kannan, 2005<sup>10</sup>

#### **1.4.3.2.1: The Kitchen or Food Production of Hotel:**

This department caters various aspects relating to food in a hotel. To illustrate, hotels offer 24x7 Coffee Shop to its hotel guest.

#### **1.4.3.2.2: Engineering in Hotel Industry:**

This department 24x7 deals with technical problems likely to be faced by the hotels such as TV or A/C and other equipments, if becomes out of order in that case, the maintenance staff looks after its immediate repairs in the hotel.

#### **1.4.3.2.3: Hotel Industry Front Desk:**

It creates long lasting impression on hotel guest and should therefore be equipped with young and energetic hotel staff to serve them 24x7. Their task is to make the stay of the hotel guests comfortable by providing required assistance such as business support services, use of Internet, and in few cases even safety lockers to them hotel guest.

#### **1.4.3.2.4: Hotel Industry Housekeeping:**

The housekeeping is available 24x7 for hotel guest, making their Bedroom, Bathroom, clean and comfortable etc. They should also offer services such as viz laundry services, daily room cleaning services as case may be.

#### **1.4.3.2.5: Food & Beverage Service:**

It delivers services to hotel guest in his or her room or at the restaurants or banquets and or in the conference rooms as case may be.

#### **1.4.3.2.6: Travel Desk:**

They arrange for daily travel, ticket booking, approval of ticket, and other assistance for exploration and shopping to the stayers of hotel which differs as per the requirement of guest.

#### **1.4.3.2.7: Health Club/ Physical fitness centre:**

It comprises of various facilities comprising of viz., gyms, swimming pool, health club, beauty parlor, saloon, billiards, pool, etc. facilities for its guests.

#### **1.4.3.2.8: Space for Parking:**

In star category of hotels facilities like space for vehicle parking, space for restaurant is provided for the comfort of the hotel guest, so that they can get the things in hotel itself ([www.scribd.com](http://www.scribd.com))<sup>6</sup>.

#### **1.4.3.3: Classification of Hotels:**

**An attempt has been made to provide brief idea about classification of hotels as follows:**

The hotels can be classified in many ways considering criteria such as viz, location; size of property; length of stay; target market; level of service, and theme respectively.

**Table Number: 02: Classification of Hotels**

Location	Target market	Size and Number of Properties	Level of Service	Length of Stay	Themes
<ul style="list-style-type: none"> <li>•City centre/downtown Hotel</li> <li>•suburban Hotel</li> <li>•Motels</li> <li>•Airport Hotels</li> <li>•Resort Hotels</li> <li>•Forest Hotels</li> <li>•Floatels</li> <li>•Boatels</li> <li>•Rotels</li> </ul>	<ul style="list-style-type: none"> <li>•commercial hotels</li> <li>•conventional hotels</li> <li>•Resort hotels</li> <li>•Suite hotels</li> <li>•B&amp;B hotels</li> <li>•Extended-stay hotels</li> <li>•Casino hotels</li> <li>•Timeshares</li> <li>•Service apartments/corporate lodgings</li> </ul>	<ul style="list-style-type: none"> <li>•small hotels</li> <li>• medium-sized hotels</li> <li>•Large hotels</li> <li>•Very large hotels</li> <li>•Mega hotels</li> <li>•Chain hotels</li> </ul>	<ul style="list-style-type: none"> <li>•Economy/budget hotels</li> <li>•Midscale/midmarket hotels</li> <li>•Luxury hotels</li> </ul>	<ul style="list-style-type: none"> <li>•Transient hotels</li> <li>•Residential hotels/apartotels</li> <li>•Semi-residential hotels</li> </ul>	<ul style="list-style-type: none"> <li>•Heritage Hotels</li> <li>•Ecotels</li> <li>•Boutique Hotels</li> <li>•Spas</li> </ul>

**Source:** Raghubalari&SmriteeRaghubalan, 2010<sup>4</sup>

A brief explanation on classification of hotels has been given as follows.

#### **1.4.3.3.1: Location**

##### **1.4.3.3.1.1: City Centre:**

The hotels should be preferably are located in the centre of the city near to shopping areas, theatres, public buildings, business centre, and rates in such hotels are high due to its location advantage.

##### **1.4.3.3.1.2: Suburban Hotels:**

These are located in the suburbs, having advantage of quieter surroundings. Rates are comparatively moderate to low that hotels are ideal for budget travellers.

##### **1.4.3.3.1.3: Motels:**

It is derived from the phrase ‘Motor Hotels’, being located primarily on highways that is motor ways. It offers modest lodgings to highway travellers for an overnight stay. Most motels provide ample parking space, and may be located near a clean fuel station.

##### **1.4.3.3.2: Airport hotels:**

Such hotels are located near to Airports. It caters to mainly transit hotel guests, who might have to stay over at the hotel between flights.

#### **1.4.3.3.3: Resort Hotels:**

It caters to those people who want to relax and enjoy themselves at a hill station near the seashore as well as to the people who are looking for a change for health reasons. Therefore, resort hotels may be variously called health resorts, Hill Resorts, Beach Resorts, Summer Resorts, Winter Resorts and so on depending on their location and positioning. Most resorts, particularly those in hill stations work to full capacity only during the clement seasonal periods, and hence undergo fluctuations in sales revenue from season to season.

Such hotels are mostly used by vacationers for recreation and refreshments. Guests may stay for a week or up to even a month. The numbers vary with the season. There are peak seasons and off seasons. In order to boost business during the Off Season, Special Off-Season Packages are being offered. The atmosphere is more relaxed and laidback.

Since resorts are usually spread out over a large area, commuting from one room or cottage to another, and transporting amenities takes more time and effort. The time taken to clean rooms for instance is longer.

#### **1.4.3.3.4: Forest Hotels:**

These are located within a forest range and cater to tourists those visiting the forest area.

#### **1.4.3.3.5: Floatets:**

Such hotel establishments offer luxury facilities on rivers, big lakes, and water ways seas are ideal spots for such hotels. In cruise ship, rooms are smaller, and all furniture rooms are smaller and all furniture is fixed down.

#### **1.4.3.3.6: Boatels:**

A houseboat hotel is referred to as a boatel. The Shikaras of Kashmir and the Kettuvalams of Kerala are houseboats that offer small but luxurious accommodations to travellers in midst of lakes and waterways.

#### **1.4.3.3.7: Rotel:**

These are hotels found on wheels. It also comprises of big trucks wherein the inner part of truck is imitated like hotel rooms which is generally benefitted by a small group of travellers (Raghubalari & Smritee Raghubalan, 2010)<sup>4</sup>.

#### **1.4.3.3.8: Based on Target Market**

The classification of hotels on the basis of their target market has been described in brief as follows:

##### **1.4.3.8.1: Commercial Hotels:**

It caters mostly to businessmen and is typically designed on the European plan, and located in the centre part of the city surrounding to commercial areas for increasing business. To illustrate, The Oberoi Towers, Mumbai.

#### **1.4.3.8.2: Convention Hotels:**

These hotels consists of big convention complex and meant for those people who wishes to either organize or attend a Convention, Conference, or similar event as the case may be.

#### **1.4.3.8.3: Suite Hotels:**

Such hotels provide rooms having a compacted kitchen having Utensils, Refrigerator, and Microwave Oven, as well as a Wet Bar. They have very few guest services in comparison to other hotels. It takes care of that guest who wishes to relocate and is away from home who are also frequent travellers such as viz., Lawyers, Accountants, and Executives during a longer business stay. Most conventional hotels have a few rooms that can be classified as suites.

#### **1.4.3.8.4: Bed and Breakfast Hotels:**

It is a European concept, Bed-and Breakfast hotels ranges from houses with a few rooms converted into overnight facilities to small commercial buildings with twenty to thirty guestrooms.

The owner normally lives in the same premises, and is responsible for serving breakfast to guests that may range from a simple continental to a multi-course meal. Most of them provide only lodgings and limited breakfast. But, it also offers facilities such as viz., meeting rooms, laundry and dry-cleaning services at relatively lower prices.

#### **1.4.3.8.5: Extended-Stay Hotels:**

These hotels are like suite hotels and offer kitchen, amenities in the room which suite hotels do not offer. They are meant for that tourist who wishes to stay for five days or longer, and need few hotel services. It might not provide food, beverages, or guest laundry services. Its room rates are determined on the basis of the length of stay of the tourists as the case may be.

#### **1.4.3.8.6: Casino Hotels:**

These are distinctive type of hotels that offers gambling facilities. It also provides guest rooms; Food and Beverages (F&B) and its operations are quite luxurious. It serves to leisure and vacation tourists. It also provides extravagant floor shows and chartered flights for hotel guests.

#### **1.4.3.8.7: Timeshares:**

These type of hotels are also called as ‘Vacation-Interval Hotels’ and offers accommodation facilities to those who wishes to have it for a tenure of one or two weeks a year. Once they occupy the unit can also be rented out it to them by Management Company that operates the hotel. To illustrate, Club Mahindra Holiday Resorts across India.

#### **1.4.3.8.8: Service Apartments/Corporate Lodgings:**

These are designed for those guests who wish to stay for longer periods of time up to six months or longer.

It often include viz business executives who move from one city to another as well as consultants on temporary assignments, corporate training programmes, and special projects connected with movie or sporting events. Corporate lodgings usually provide fully furnished apartments for guests (ibid).

#### **1.4.3.3.9: Based on Size of Property**

The capacity of a hotel in terms of the number of rooms is one of the key yardsticks for classifying hotels based by only size of the property (Raghubalari&SmriteeRaghubalan, 2010)<sup>4</sup>.

##### **1.4.3.3.9.1: Small Hotels:**

In India, hotels having 25 or less rooms are regarded as small. However, outside India, hotels having less than 100 rooms are considered as small.

##### **1.4.3.3.9.2: Medium-Sized Hotels:**

The hotels with 25 to 100 rooms may be called medium-sized in India. Abroad, hotels with 100 to 300 rooms are termed medium-sized hotels.

##### **1.4.3.3.9.3: Large Hotels:**

In India, hotels with 101 to 300 rooms are called large hotels whereas hotels with 400 to 600 rooms are termed as large hotels.

##### **1.4.3.3.9.4: Very Large Hotels:**

These hotels in India have more than 300 rooms. Abroad, hotels with 600 to 1,000 rooms may be considered as very large hotel.

##### **1.4.3.3.9.5: Mega Hotels:**

Mega hotels are those which have more number of rooms that is greater than 1,000 rooms called as Mega Hotels.

##### **1.4.3.3.9.6: Chain Hotels:**

These are groups that have hotels at multiple locations within and outside India. In India, there are mainly 03 hotel chains viz., The Taj group of hotels (Taj Hotels Resorts and Palaces), The Oberoi Group (Oberoi Hotels & Resorts), and the ITC-Welcome Group Hotels. To illustrate, few foreign chains includes viz., Hyatt, Marriott, InterContinental, Le Meriden, and Sheraton who have entered India either through tie-ups with local partners or as self-operated properties.

#### **1.4.3.3.10: Based on Level of Service**

The hotels can be classified as per Economy, Mid-Scale, and Luxury hotels on the basis of the level of services it offers to hotel guests (Raghubalari&SmriteeRaghubalan, 2010)<sup>4</sup>.

##### **1.4.3.3.10.1: Budget Hotels:**

Budget hotels offers the very basic requirement such as cleanliness, comfortable, and inexpensive properties that mainly focuses on basic needs of hotel guests by providing rooms.

It caters primarily to budget-minded travellers who want rooms with all the amenities required for a comfortable stay, but without the extras they do not really need or want to pay for it.

#### **1.4.3.3.10.2: Mid-Scale/Mid-Market Hotels:**

These hotels offer mid-market services which is mostly meant for those who travel a lot for some or the other reason. Mid-Market services are modest but sufficient and the staffing level is moderate but not huge. A fast-growing segment in the Mid-Market category is that of suite hotels that offers a small living room or parlor area with a grouping of appropriate furniture often including a sofa bed and a small bedroom with a king-size bed. Some hotel guest suites include a compact kitchen, complete with Cooking Utensils, Refrigerator, Microwave Oven, and Wet Bar.

#### **1.4.3.3.10.3: Luxury Hotels:**

It provides world-class services by providing expensive restaurants and lounges, beautiful decor, caretaker services, luxurious meeting rooms, and dining facilities. Bath linen too is replaced twice daily, and a nightly turndown service is usually provided.

In addition, its guestrooms' contain furnishings, decor, and expensive artwork. It mainly caters to Business Executives, Celebrities, and high-ranking political figures. To illustrate, The Hyatt Regency, New Delhi (ibid).

#### **1.4.3.3.11: According to Length of Stay**

Such hotels are classified as viz., Transient, Residential, and Semi-Residential hotels, depending upon the period for which a guest wishes to stay in hotel (Raghubalari & Smritee Raghubalan, 2010)<sup>4</sup>.

##### **1.4.3.3.11.1: Transient Hotels:**

These are hotels where a hotel guest can register for a day or even less. They are usually situated near Airports and Seaports. They are usually Five-Star hotels. They may have travel agencies and offer car rentals. The occupancy rate is usually very high, going up to more than 100 per cent, since each room can sometimes be sold more than once each day.

##### **1.4.3.3.11.2: Residential Hotels:**

These hotels that guest who normally wishes to stay for a minimum period of one month and up to two years, and the hotel signs a detailed lease agreement with the customer. The rent is paid either monthly or quarterly, but never on a daily basis. The guestrooms include a sitting room, a bedroom, and a kitchenette. They cater to clients staying away from home for long periods for various purposes.

##### **1.4.3.3.11.3: Semi-Residential Hotels:**

It consists of features of both transient and residential hotels respectively (ibid).

##### **1.4.3.3.11: Based on Theme**

One can divide hotels based on the theme called as viz., Heritage Hotels, Ecotels, Boutique Hotels, and Spas respectively.

#### 1.4.3.3.12: Heritage hotels:

'Heritage Hotels are the different categories of hotels in India. These hotels are found in following varieties such as palaces, forts, or havelis, the mansions of erstwhile aristocratic families.

Further sub-divisions of the heritage hotels category are given as follows.

**Table Number: 03: Heritage Hotels**

Category	Description
Heritage	It includes following such as Residences, Lodges, Forts and Palaces that were constructed before 1950 but after 1935.
Classic category of Heritage	It includes following such as Residences, Hunting Lodges, Castles, Forts and Palaces that were constructed before 1935 but after 1920.
Grand category of Heritage	It includes following such as Residences, Lodges, Castles, Forts and Palaces constructed before 1920.

**Source:** Government of India, Annual Report 2001-2002, India Tourism<sup>11</sup>

In this category of hotel, the guest can imagine to get grand welcome in the rooms allotted to them, as each room in this category has its own historical past, the guest are obliged with different varieties of food that have traditional taste, and even the necessities of international taste were also considered. The guests were also amused by traditional artistes who contributed in various ways and also portrayed picture of the traditional environment their life styles and traditional culture. To illustrate, Jai Mahal Palace in Jaipur (Ibid).

#### 1.4.3.3.13: Ecotels:

Ecotels are environment-friendly hotels and the Environmentally Sensitive Hotels. This is so because no hotel can be friendly to the environment, since in one way or the other they will be though in a small way harming the environment; hence, the use of the term environmentally sensitive. To illustrate, The Orchid, Mumbai.

#### 1.4.3.3.14: Boutique Hotels:

The accommodation provided by boutique hotels are special in nature, as these hotels are well equipped, where in every room is different and fashionable from the other, in such hotels tailored services and facilities are provided. It is generally meant to accommodate corporate travellers who placed greater importance on delivery of services, maintenance of privacy and availability of luxury.

Boutique hotels target customers who are in their early twenties to mid-fifties and are in the middle to upper income bracket. To illustrate, The Park, Bangalore.

#### 1.4.3.3.15: Spas:

The word 'spa', has been taken from the name of the famous mineral springs in Spa, Belgium, which has become a common noun denoting any place with a medicinal or mineral spring. The term also refers to a tub for relaxation, including a device for raising whirlpools in the water. A spa resort is a resort hotel that provides therapeutic baths and massages offers various facilities of a luxury hotel. To illustrate, The Ananda Spa in the Himalayas and Angsana, Bangalore (Raghubalari&SmriteeRaghubalan, 2010)<sup>4</sup>.

#### **1.4.3.4: Star Rating of Hotels:**

The Indian hotel industry has adopted the star rating system which indicates the number and standard of facilities as provided by the hotel.

The Hotel and Restaurant Approval Classification Committee (HRACC) with its headquarters in New Delhi comprises of representatives who are chosen from the Government and the trade. It takes on the task of rating hotels against set criteria of standards. The star classification of the hotels is a function of the services provided by them. But, the present star category classification norms in India have been so haphazard that some hotels claim to be six-star or seven-star, when the global norm classifies hotels as one-star at the lower end and five-star deluxe at the luxury end. With the entry of foreign hotel chains, the norms in India will have to be reset to reflect the new services offered by foreign chains, which follow a standard set of service offerings across their properties ([www.businessdictionary.com](http://www.businessdictionary.com))<sup>8</sup>

Although, hotels are classified into 'Star' categories from amongst as 1-Star to 5-Star, no standard method of assigning these ratings and compliance with customary requirements is available and it is purely voluntary.

To illustrate, a hotel in USA with a certain rating may appear to be very different compared to a European or Asian hotel having uniform rating, though, it shall offer diverse level of amenities, range of facilities, and quality of service. Though, hotel chains promise to offer homogeneous standards within the same country but may not agree on the same standards. To illustrate, a 1-Star hotel provides a limited range of amenities and services, but adheres to a high standard of facility-wide cleanliness. A 2-Star hotel shall offer good accommodation and better equipped bedrooms whereas a 3-Star hotel may provide spacious rooms coupled with high-class decorations and furnishings ([www.businessdictionary.com](http://www.businessdictionary.com))<sup>8</sup>. A 4-Star hotel might be extremely comfortable and shall provide excellent cuisine, room service, and other amenities. A 5-Star hotel shall keep most luxurious premises supported with widest range of guest services as well as swimming pool, sports and exercise facilities.

The Official Hotel Guide published in the US, which has been accepted implemented worldwide has ranked hotels in nine categories viz., (1) Moderate Tourist Class, (2) Tourist Class, (3) Superior Tourist Class, (4) Moderate First Class, (5) Limited Service First Class, (6) First Class, (7) Moderate Deluxe, (8) Deluxe, and (9) Superior Deluxe respectively (Ibid).

#### **1.4.3.5: Key Players (Group) of Hotel Industry in India:**

**An attempt has been made to provide brief idea about the major players of hotel industry in India such as:**

##### **1.4.3.5.1: The Indian Hotels Company:**

The Indian Hotels Company is regarded as Asia's largest and finest hotel company where as Taj Hotels Resorts and Palaces are known as subsidiary of the Indian Hotel company.

The Taj, a symbol of Indian hospitality, finished its Centenary year in 2003. It was built-in by the founder of the Tata Group, Jamsetji N Tata; the Company had opened its first property, The TajMahal Palace Hotel, Bombay, in 1903.

The Indian Hotel company had a very old obligation for the continual development of this industry. The Taj has played a significant role in initiation of India's key tourist destinations from 1970s onwards and this was done by being in collaboration with the Indian Government. It has developed resorts and retreats while the Government has developed Roads and Railways to exploit India's hidden treasures.

Taj Hotels Resorts and Palaces encompasses 59 hotels at 40 locations across India with an additional 17 International hotels in the Maldives, Mauritius, Malaysia, United Kingdom, United States of America, Bhutan, Sri Lanka, Africa, the Middle East and Australia respectively. (www.scribd.com)<sup>6</sup>.

#### **1.4.3.5.2: ITC/Sheraton Corporation:**

In this Group, each chain's hotels give architectural honor to ancient dynasties, which ruled India from time to time. It has been designed based on concept and themes of these dynasties that has played a significant role for decorating and styling such hotels.

ITC's Hotel Division was commenced on October 18, 1975, with the opening of its first hotel named as Chola Sheraton in Chennai. ITC-Welcome group Hotels, Palaces and Resorts, is one of the India's premium hotel chains, with its unique logo of hands folded in the traditional Namaste form which is widely known as the Indian hospitality (Ibid).

#### **1.4.3.5.3: The Leela Group:**

The Leela Group was founded in the year 1957 by Capt. C.P. Krishnan Nair which is also occupied in the business of Luxury Hotels and Resorts and Ready to wear Garments. The two of the best hotels in India that has also won substantial international acclaim were Leela Kempinski, Mumbai and the Leela, Goa.

The Leela Palace Kempinski, Bangalore was built in art deco style recreating the magnificence of the Mysore Maharajas Palace. It is based on 8 acres of landscaped garden and waterfalls. It is a place with a heart of modern hotel .It has 254 rooms which are well furnished and are befitting royalty. The newest addition to the Leela Kovalam is Kerala's largest resort that has been built on a rock face cradled between two wide sweeping beaches with a stunning view of the famous Kovalam coastline (Ibid).

#### **1.4.3.5.4: The Bharat Hotels Group:**

This is one of the key players in India's tourism and hotel sector. It runs its hotels under 'The Grand' banner and its present portfolio of hotels incorporates fourteen luxury hotels in the five-star deluxe segment.

It includes viz., The Grand Temple View Khajuraho, The Grand Ashok Bangalore, The Grand Great Eastern Kolkata, InterContinental 'The Grand' hotels in New Delhi, Mumbai, Goa & Srinagar and the Grand Ahmedabad the Grand Laxmi Vilas Palace Udaipur and the Grand Jaipur, the Grand Resort Bekal, , the Grand Chandigarh, the Grand Noida and the Grand Fort Dubai respectively (Ibid).

#### **1.4.3.5.5: The EIH Ltd (The Oberoi Group):**

The EIH hotel is also known as the Oberoi Group of Hotel. It consists of 20 luxury hotels, 10 mid-range hotels, and 02 inland cruises; it mainly operates in India and also in Australia, Egypt, Indonesia, Mauritius, and Saudi Arabia respectively. The Oberoi banner is accepted by most of the company's luxurious properties. This group of hotel has collaborated with Hilton International to give new image ,sign logo to the majority of its hotels who are in mid-range as Trident Hiltons that is the former Oberoi Towers is now known as the Hilton Towers Mumbai in the year 2004(Ibid).

#### **1.4.3.5.6: The Ashoka Group:**

The India Tourism Development Corporation (ITDC) was established in the year 1966 as an independent public sector corporation, which was handed over with the task of improving tourism infrastructure and promotion of India as a place that tourist can visit. The India Tourism Development Corporation group handles various five star and luxury tour hotels in the Indian hospitality industry. The hotels are being run by the ITDC Ashok Group of hotel chains which are separated into different categories; such as classic hotels, comfort hotels, and elite hotels respectively.

It administers 33 hotels in 26 different tourist destinations in entire India. The management of Ashoka Group considers itself to offer the best in the hospitality industry, and the employees are such who have professional qualification, who are properly trained to be well-mannered and competent in each of such hotels run by the group. The hotels that are a part of the elite and classic category of the ITDC Ashok Group are the Agra Ashok in Agra, Hotel Jaipur Ashok in New Delhi, Ashok Hotel in New Delhi, and the Kovalam Ashok Beach Resort in Kovalam, Kerala (Ibid).

#### **1.4.3.5.7: The Hotel Corporation of India (HCI):**

The Hotel Corporation of India Limited (HCI) is a public limited company completely possessed by Air India Limited, and was integrated on July 8, 1971 under the Companies Act, 1956 when Air India determined their entry to the Hotel Industry for maintaining with the current trend among world airlines.

Its objective is to offer to the passengers a better product, both at the International Airports and at other tourist places for increasing tourism in India (Ibid).

#### **1.4.3.5.8: Jaypee Hotels Ltd:**

Jaypee Hotels Limited primarily is occupied in the ownership and operation of hotels in India. It possessed 03 Five Star Deluxe Hotels, viz., Jaypee Vasant Continental and Jaypee Siddharth Hotel at New Delhi and Jaypee Palace Hotel at Agra.

It deals with the functioning of the hotels like Jaypee Residency Manor at Mussoorie, and Jaypee Green Resorts. In addition, it is involved in construction operations. Its head office is at New Delhi, India, and Jaypee Hotels Limited is a subsidiary of Jaiprakash Associates Limited (Ibid).

#### **1.4.3.6: The Hotel Industry of India:**

India is regarded as one of the very famous holiday destination in the world. It offers sufficient lodging facilities through diverse types of hotels. Many hotels and resorts have emerged in India to better meet the need of accommodation. One finds scattered with hotels that fits in the budget of many people. In India choice of hotels are many as all types of hotels that is Luxury Hotels to Economy Hotels in India that are available and the travel agent act as a guide to help people in finding a suitable accommodation ([www.mapsofindia.com](http://www.mapsofindia.com))<sup>9</sup>.

The hotel industry of India is seasonal and cyclical in nature. Both are inter-related, and its demand and volume of business depends on the climate and locations. To illustrate, tourists visit beaches in India mostly visited in summer considering climatic conditions and vacations. The growth determinants of hotel industry are considered to be Location, Business, Climate, Tourism Activity, Leisure Travellers, Other Travellers respectively ([www.scribd.com](http://www.scribd.com))<sup>6</sup>.

The heavily split hotel industry of India is being dominated by owner operated small to medium-sized enterprises (O'Brien and Jones, 1995)<sup>12</sup>.

Chain hotels can be labeled as national or international with the UK and France now in control of some of the best known chain and brand hotels in the world (Knowles, 1996)<sup>13</sup>. In the context of loyalty programmes, an alternative approach to classification has begun by considering hotels' positioning in terms of two key dimensions of loyalty programmes. First, their information intensiveness, and the extent which they are able or willing to customize their service offer to better meet the needs of individual customers (Adrian Palmer, et; al, 2000)<sup>14</sup>.

According to research conducted by Tourism Satellite Accounting (TSA) published by the World Travel and Tourism Council (WTTC), the demand for travel and tourism in India is expected to grow by 8.2 percent during 2010 and 2019. It expects India to be placed at the third position in the world, and likely to emerge as the second principal employer in the world. The investment of capital in travel and tourism sector in India is expected to grow at 8.8 percent between year 2010 and 2019. The report forecasts India to get more capital investment in this sector and is projected to become the fifth fastest growing business travel destination during the year 2010 to 2020 ([www.equitymaster.com](http://www.equitymaster.com))<sup>10</sup>.

In the long-term, the prospect for the hotel sector is very promising. Demand levels are likely to improve as economic growth has gathered momentum and continued increase in spending on travel. The expectations of people towards well paid salary have gone very high within the corporate world that has increased the discretionary spending, in particular on leisure travel.

The number of overseas tourists had reached was 6.2 Million during 2011 and is likely to reach figure of 11.1 Million by the year 2021. The demand-supply gap in India has been seen as very real and this creates a need for more hotels in most of the cities.

It has revealed the shortages which call for constructing budget hotel and mid-market hotels as travellers look for safe and affordable accommodation in India. The Indian hotel industry is expanding in a big way supported with massive investment plans which was Rs 1.2 Trillion in the year 2011, and is expected to reach figure of Rs 2.8 Trillion by the year 2021 showing a CAGR of 8.7 percent (Ibid).

The hotel Industry by nature and structure is international. It is multi-dimensional and world-wide in its operations and versatile in its objectives. The scope of its earnings is infinite. It constitutes an important sector of the tourism infrastructure of Indian economy. It can employ family members of its owner or can create thousands of jobs. It can be a small or multi-million enterprises. It can be both “labour-intensive”, and “capital-intensive” activities. But, the hotel can function in the smaller settings as effectively and efficiently as in wide-ranging national and multi-national operations. It has thus the flexibility of adjustment to situations which few other economic activities possess (S. Kannan, 2005)<sup>10</sup>.

**Following are the specific traits of the hotel business that are unique compared to any other business.**

There are number of businesses being operated simultaneously in one hotel only and that too under one roof. There is a direct contact with the hotel guests. The hotel business has peaks and valleys with regard to its volume with the result that one has to adjust to busy and quiet cycle of the work. The majority jobs in a hotel are of a semi-skilled nature. In the higher management cadre one must display leadership and persuasive and analytical qualities which is a must for gaining the co-operation and respect of subordinates.

These positions demand special technical know-how. The occupational hazards of the hotel executive are related to ulcers, high blood pressures and coronary thrombosis. The working hours are twenty-four hours’ and it is seven-day week business. The employees have to work while other people are relaxing and enjoying. On the whole, the wages of hotel workers are comparatively lower than those of manufacturing and other types of business. Efforts are being made to increase the wages of the hotel employees and a number of benefits are being given to them in the form of bonus, accommodation, food on duty, and various other social security benefits. The activities of a hotel can be classified as utilizing Guest Rooms, Selling Meals, Selling Alcoholic and other Beverages , and also utilizing rooms for Conventions, Private, Dining, Exhibitions, Concessional Space from Ships, Stores And Kiosk.

Customers’ satisfaction need to be considered as the key aim of the hotel industry, and the motto shall be “Guest is God”. The working conditions in a hotel are the best compared to any other industry. It is expected to a clean, safe and pleasant environment with safety and security.

It is a variable industry. For a hotel to remain static is actually to deteriorate. It has to keep itself according to time. In this industry the ideas, the techniques and the mode of operation undergo continued changes (S. Kannan, 2005)<sup>10</sup>.

The hotel Industry of India has been growing considering upcoming industrial parks, manufacturing facilities, and ports across India which is expected to offer a good opportunity for supplying quality rooms. The increase in room inventories is expected to make the hotel industry increasingly competitive and hotels are under intense pressure to maintain quality and service levels at competitive prices. Competitive pricing, amongst the branded hotels along with the addition of more budget and mid-market hotels, makes this industry cost competitive with other destinations ([www.expresshospitality.com](http://www.expresshospitality.com))<sup>7</sup>.

The Indian hotel industry has been found to be triggered largely by the revival in domestic travel that is both leisure and business respectively. The return of overseas tourists has enhanced the Average Room Rates (ARR). Increase in the supply of hotel rooms has acted as an anemic to the growth of hotel industry. The high real estate prices and increase in the costs of construction materials and commodities have significantly increased the project costs and break-evens for new hotels.

As long as India is able to maintain a healthy rate of economic growth, demand would absorb new supplies of hotel rooms over the medium term.

Sustained high occupancies will lend some pricing power to the Indian hotels industry, which in turn would dilute the impact of increasing fuel, food and employee expenses ([www.expresshospitality.com](http://www.expresshospitality.com))<sup>7</sup>.

The success of hotel industry had largely to do with two factors, first is location and second one is an innovative integration, the combination of these two has created a margin between the larger chains, and those who operate on a smaller scale. Soap and locks on doors were the innovation at that point of time. Strategic placement and product differentiation acted as the guide for the success of hotel industry ([www.scribd.com](http://www.scribd.com))<sup>6</sup>.

#### **1.4.3.7: Reviewing Hotel & Tourism Industry of Gujarat:**

The hotel industry in Gujarat has anticipated improved rate of occupied room throughout the period of festival with a severe emphasis on national guests than the guest of other countries. In case of star-categories of hotels the number of rooms occupied increased from 60 to 62 per cent to nearby 70 to 75 per cent for the year 2011 ([www.businessstandard.com](http://www.businessstandard.com))<sup>11</sup>.

In case of Gujarat State activities related to various industries combined with the promotion of tourism, activities were supposed to appeal number of travellers. Large numbers of travellers from various parts of India were attracted by the promotional campaign carried out by governments of “Gujarat under, the scheme 'Khushboo Gujarati Ki’,

Supplementary growth of 5 to 7 per cent arrivals of travellers was predicted as a result of the State Government's promotional campaign. It was expected that domestic tourists would visit places of pilgrims and other tourist spots in the festive seasons.

It was understood that more number of tourist arrival would enhance the more number of occupied room proportion creating added business for the hotels in the State ([www.businessstandard.com](http://www.businessstandard.com))<sup>11</sup>. It was found that more and more number of rooms was occupied in the hotels of star-category which became evident through the upsurge of hotel rooms from 60 per cent to 75 per cent during the season of festivals.

The availability of hotel infrastructure in the Gujarat state has increased the burden on the room prices charged which has resultant into competitive environment. In case of Star category of hotels extra requirements of rooms were found, and thus it created price wars in rooms amongst hotels. The room price had reduced to 10 per cent in comparison to year 2011. It was found that huge burden on room prices with more room requirement were operative in a year," in case of Ahmadabad City, Surat City, and Vadodara City which had found greater amount of capacities for fresh rooms in the year 2011-2012([www.businessstandard.com](http://www.businessstandard.com))<sup>11</sup>.

Vadodara is placed at the third rank in the State of Gujarat. Most of the industrial activities are based out in industrial estate called as Gujarat Industrial development Corporation (GIDC) in the peripheral areas of Savli, Halol, Waghodia and Makarpura.

In the year 2009, Larsen & Tourbo (L&T) had set up Knowledge City near Waghodia as the Headquarters of three of its companies. It is expected to grow outside the limits of Vadodara Municipal Seva Sadan [VMSS] because of pressures of local taxation and land availability. Its central part is heavily congested showing limited growth potential (FH&RA Report Indian Hotel Industry Survey 2010-2011)<sup>15</sup>.

Unbranded hotels have enjoyed substantial command in Vadodara City. Only 05 branded hotels operate in the Vadodara City. The Ahmedabad hotel market had witnessed a steady increase in occupancy rate in year 2010-2011. Ahmedabad is being regarded as a business friendly destination with transparent Government policies having certain projects such as viz., the Gujarat International Financial Tec-City (GIFT), and the Sabarmati Riverfront. A hotel room supply pipeline of approximately 2,300 rooms, 73 percent of which has actively developed, serves as evidence to the bullish nature of hotel investors in the Ahmedabad City. The strong demand growth in the market is expected to support the proposed new supply, owing to the price sensitive nature of the Ahmedabad market and supply pressures, only moderate increase in rate is expected in the near future (FH & RA Report Indian Hotel Industry Survey:2010-2011)<sup>15</sup>.

#### **1.4.3.8: Reviewing Crucial Aspects of Hotel Industry:**

**An attempt has been made to review some of the crucial aspects of the hotel industry as follows.**

##### **1.4.3.8.1: Sources of Finance in Hotel Industry:**

The diverse sources used by hotels for raising finance includes viz., share capital, preference share capital, equity share capital, borrowed capital, debenture, mortgage, loan from commercial bank, loan from financial institution, trade debt- credit guaranteed by supplier, intercompany loans, provision for taxation, public fixed deposit, IPO respectively (www.scribd.com)<sup>6</sup>.

##### **1.4.3.8.2: Fund Allocation for the Highly Capital Intensive Hotel Industry:**

Considering capital intensive nature of the hotel industry, it requires vast investment for land, building, furniture furnishing and equipment.

The hotel project shall require finance for land and building, civil works, electric installation and fixtures, sanitary work and fixtures, furniture fixture and fitting, carpeting, air-conditioning, boilers, water treatment plant, filtration plant, water pump, drainage system. The project need financing also for swimming pool, landscaping, shopping malls, kitchen ware etc. as the case may be (Ibid).

##### **1.4.3.8.3: Economies of Scale:**

The hotel industry relishes the economies of scale based on the occupancy rate. In case of high occupancy rate, the hotels will get benefits of economies of labour because fixed cost gets shared over large number of rooms (Ibid).

##### **1.4.3.8.4: Market Segmentation and Guest Analysis:**

According to the Ministry of Tourism, Government of India, the hotels in India are classified into 7 categories viz., Five Star Deluxe, Five-Star, Four Stars, and Three Star, Two Star, and One-Star and Heritage Hotels based on the general features and facilities offered by it (www.scribd.com)<sup>6</sup>.

There exist differences in the guest subdivision in case of star categories of hotel. In case of hotels with lower category a highest contribution was recorded from the inbound segment while the five-star deluxe hotels recorded a highest input from the overseas tourists. It has resulted into the sensitivity of room tariffs of the local traveler. Thus, the demand across star categories of hotel were found more for travellers who were travelling for business purpose but the demand for heritage hotels were low, as they were found to be situated in a destination meant for leisure purpose.

According to results of FHRAI Survey 2012 to 2013 on yearly basis upsurge of 17 percent were found for assembling with the contributors segment in 2011-2012 ( FH&RA Indian Hotel Industry Survey Report: 2012-2013)<sup>16</sup>.

##### **1.4.3.8.5: Segmenting Hotels on basis of Mid-Market:**

**An attempt has been made to segment market on the basis of Mid-Market, Budget and Heritage Hotels as follows:**

#### **1.4.3.8.5.1: Mid-Market Segment:**

It consists of 3 and 4 star hotels that offer services to the average foreign and domestic leisure travellers. It aims at serving mainly to the middle level business travellers considering the fact that it offers most of the essential services of luxury hotels without the high costs as the tax component of this segment that are considered as lower as compared to the premium segment.

#### **1.4.3.8.5.2: Budget Segment:**

It consists of 1 and 2 star hotels called as 'Budget Hotels'. It gives low-cost stay to the segment which is sensitive towards price which may be inbound or outbound travellers.

#### **1.4.3.8.5.3: Heritage Hotels:**

This category of hotel has different type of properties which have unique design and which are historic in nature, such hotels are either Forts or, palaces that were constructed before to 1950, which are now transformed into hotels. The Ministry of Tourism has classified these hotels as heritage hotels (www.scribd.com)<sup>6</sup>.

#### **1.4.3.8.5.4: Projecting Sales Potential:**

Sunmee Choi and Anna S. Mattila (2005)<sup>17</sup> had revealed that hotel industry for long has charged differential prices to different classes of customers, but Revenue Management is a more methodical approach. It was found that in case of Revenue Management different customers were charged different prices for the same type of room at the same hotel, depending on the day of the week, length of stay, and how far in advance the reservation was made. It is also found that sometimes, the same customer was charged different prices by the same hotel for different stays.

The information that a hotel offered to its customers on Revenue Management practices has been categorized as follows: the fact that room rates can vary, the factors that affect room rates, and the way that each of the factors affects room rates.

**Table Number: 04: Information Scenarios**

Category	Scenario
Information is not provided at all	A room tariff is presented, but no information is provided on the pricing policy of hotels.
Restricted Information is provided	The hotel guests were given information related to variation in room tariffs which may take place due to various reasons like, how long guest would stay, and when i.e. at what time reservation is made and what is the gap between booking date and check-in date.
Full Information	The detailed information is given to customer regarding rates of room which opted to be higher for weekday accommodation than for weekend accommodation, for shorter stays than for longer stays, and for rooms booked closer to the arrival day than those booked far in advance.

**Source:**Sunmee Choi and Anna S. Mattila, 2005<sup>17</sup>

The room sales in a hotel or motel are a result of occupancy percent and average room rate. The future performance of hotels would depend on the room rates charged in past and the number of room occupied in past. Such information can also be provided to the staff of present hotel and motel, and thus they can also avail the detailed information through past records. Potential operators must look into comparing of hotels and motels for data on their past performance (www.uwex.edu)<sup>12</sup>.

#### **1.4.3.9: A Brief Overview of Different Types of Rates of Hotels:**

**An attempt has been made to provide brief overview on different types of rates used in hotel as follows.**

##### **1.4.3.9.1: Types of Rates:**

Pricing is considered as one of the biggest challenge for the hotel industry. Two simultaneous factors which may impact the market place and customer buying practices such as viz., the strong fall in demand, and the extensive use of the Internet in of booking rooms. The rack rated customer pays the published rate, which is considered to be the highest rate, in this type of rate there is no affiliation to warrant discounts; consortia rates. The hotel guest who had booked through travel agent receives discount of 5 percent to 10 percent off rack rates and corporate rates respectively (www.scribd.com)<sup>6</sup>.

##### **1.4.3.9.2: Competition:**

The study of current and proposed competition takes place while analyzing hotel industry.

To know the intensity of competition, performance and functioning of other hotels, interviews with the operators of other hotels are carried out. The functioning and performance of hotel industry can be identified through competition analysis that is through approximation of the monthly and annual operation performance of each competitive property.

Performance can be measured in terms of occupancy percent and average daily room rate. Occupancy Percent = Number of Rooms Sold / Number of Rooms Available Average daily room rate = Total Room Revenue / Number of Rooms Sold.

To identify the competitive operation in market one can learn about occupancy and average room rates, in addition to this one can study its strengths, weaknesses and competitive position in the market area (www.uwex.edu)<sup>12</sup>.

##### **1.4.3.9.3: Profitability:**

The hotels affiliated with chain were found to have higher Net Income in comparison to the hotels not affiliated with chains or independent hotel. The reason behind is that affiliated chain hotels were found to have improved management therefore, they have lower departmental costs with standardized operating procedures and competent employees. FHRAI results explored that the larger hotels get the benefit in case of operating expense and departmental cost as its get spread over larger number of units(FH&RA Indian Hotel Industry Survey Report 2012-2013)<sup>16</sup>.

## **1.5: GOVERNMENT INITIATIVES FOR PROMOTING TOURISM AND HOSPITALITY INDUSTRY OF INDIA:**

An attempt has been made to provide brief idea about Government initiatives undertaken for promoting Tourism and Hospitality Industry resultant in facilitating better exploitation of the untapped enormous potential of the hotel industry of India as follows.

In India, the Tourism and Hospitality industry is primarily driven by the private sector service providers, while the public sector contribution is significant through provisions of infrastructure either directly or through Public Private Partnership (PPP) in hospitality and tourism projects. It is found that the Growth of tourism and hospitality industry goes hand in hand with the performance of allied industries such as viz., Aviation, Transport, Basic Tourist Infrastructure and Facilitation Systems, etc., as the growth in these industries cannot be attained unless these industries grow simultaneously (Dinodia capital Advisors, 2014)<sup>18</sup>. To open the huge potential in hotel sector, the Government of India has taken various initiatives for the development of this sector. To illustrate, launch of ‘Incredible India Campaign’ to promote tourism both in domestic and international markets is one such key initiative for it (www.hospitalityindia.com)<sup>2</sup>.

**An attempt has been made to provide brief idea of such initiatives as follows:**

### **1.5.1: Foreign Direct Investment (FDI):**

The hotel and tourism related industry was declared as a high priority industry and Foreign Direct Investment (FDI) of up to 100 percent, under the automatic route, has been permitted for this sector.

The sector contributes 3 percent to the total FDI inflows of India. Due to Government’s initiatives, it had attracted US\$ 17.78 Billion worth of FDI inflows in the financial year 2013.

According to Chris Moloney, Chief Operating Officer InterContinental Hotel Group “To propel the growth of this sector, it is imperative that the hospitality sector is granted Infrastructure status” (Dinodia capital Advisors, 2014)<sup>18</sup>.

### **1.5.2: Tourism Infrastructure Development:**

The 12<sup>th</sup> Five Year Plan too has focused on the development of tourism infrastructure in an integrated manner by identifying the important circuits and the gaps in infrastructure amenities in the convergence of resources of various Ministries or Organizations at the Central and State levels respectively. The States with the maximum number of tourism projects sanctioned are viz., Jammu and Kashmir, Madhya Pradesh, Arunachal Pradesh, Uttar Pradesh, Himachal Pradesh and Nagaland (Ibid).

### **1.5.3: India As 365 Day Destination:**

The government of India aims to make India “A 365 Day Destination” to cater all kinds of tourists’ need and also to offer a vast array of destinations with beautiful locations from peaceful beaches across Kerala to the snow clad mountains of Kashmir.

The Ministry of Tourism and the State Tourism Boards of India have developed new products to capitalize on India's potential as a 365 day destination with an emphasis on positioning India as a unique destination offering something for everyone. India is also one of the most popular health and wellness tourism markets in the world (Ibid).

#### **1.5.4: Visa on Arrival:**

It has been found that 11 countries are allowed Visa on Arrival, by the Ministry of Tourism which is in the process of adding three more countries viz., (France, Germany and Russia) to the list. It has been also found that due to huge demand that originates from tourist expenditure has also created more employment and has generated multiple possible effects (Ibid).

#### **1.5.5: Incredible India International Campaigns:**

The Ministry of Tourism has started its International TV Campaign from the year 2009 which was also extended for 2010-2011 for Europe and Americas region, which finished in the first half of the 2010-2011. In December, 2010, the ministry had launched its International TV campaign 2010-11 in Europe. Leading TV channels of pan region reached as a part of the media plan for the ministry.

The incredible India campaign has also become famous across the world. The Government of India's major policy initiatives includes: viz., 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 available land for construction of hotels; Allowing setting up of Guest Houses (Ibid).

#### **1.5.6: Various Other Government Initiatives also includes viz.**

Incredible India program to promote India through various integrated marketing programs; 'Atithie Devo Bhava (Guests Are Equal To God)' under this program the Government has put efforts to create awareness among Indian people who come in contact with the tourists as well as various Infrastructure building initiatives have been initiated . It encourages religious tourism at various places in India as Buddhist abodes ([www.cci.in](http://www.cci.in))<sup>13</sup>.

### **1.6: REVIEWING TRENDS OF HOTEL INDUSTRY:**

**An attempt has been made by the researcher to provide a brief idea about how Indian hotel industry has followed new trend to go an extra mile to maintain guest loyalty:**

According to hoteliers, demand for extended stays was driven by executives who were on work assignments in far-off cities, people travelling for medical treatments as well as those who were renovating their homes ([www.travelbizmonitor.com](http://www.travelbizmonitor.com))<sup>14</sup>.

The hotels have started the stay more home like with simple home-style food and even going to the extent in making the room resemble like one's home. The hoteliers have tried to understand the cravings of its long staying guest's.

So the Movenpick Hotel and Spa in Bangalore have placed a long stay hamper in the rooms of such guests which included quick eats like chocolates, cookies, cup noodle, corn flakes, milk and juices. Westin Mumbai Garden City begun to offer nanny services on hire, and Sheraton Bangalore has launched a programme called 'Own a guest', under which one of the hotel staff member take personal care of the guests' needs throughout their stay. According to Stephanie Silva, (Director Sales and Marketing at JW Marriott, Mumbai) "An extended-stay guest needs spacious and comfortable rooms in addition to proper food that meets their dietary preferences. The hoteliers are therefore taking special care of the food requirement of such guests. In case of Eros Hotel in New Delhi, 15percent of its long-stay business comes from Japanese guests; so as to fulfill the requirement the hotel had also hired a Japanese chef to whip up new dishes for such guests (Ibid).The hotel restaurants have also started creating special dishes for the guests who would be tired and bored of the usual menu. Since they stay for longer duration, hotels have attempted to customize the packages for each of the guest and offer around 10 to20 percent discount rates on stay. According to Anuraag Bhatnagar, at Westin Mumbai Garden City (Area General Manager) stated that hotel gets a business of almost Rs 3 to 4 lakh from an extended-stay guest who checks-in for a month (www.travelbizmonitor .com)<sup>14</sup>.

According to HVS Report the business climate in India had improved because of the political and economic stability that became evident after the formation of new central government of India in 2014.

The Annual Industry Report has shown that the branded hotel inventory has crossed the landmark figure of one lakh in the year 2013-14. While growth in supply did indeed outpaced growth in demand across some markets, early signs of a recovery are equally evident across others.

In case of financial year 2013 to 2014, there is a marginal improvement in nationwide occupancies, thus breaking three-year downward trends. It was found that the survey was taken from 814 hotels across India which consisted a total room count of 99,301. It resulted into an increase of 97 hotels and about 13,180 rooms compared to 2012 to 2013 survey. It was found that the India-wide occupancies has moved from 59.3per cent in 2011 to 2012 to 57.8 per cent in 2012 to 2013 and had closed at 58.9 per cent in 2013 to 2014.

It was found that the average room rates, went up from Rs`6,032 to `Rs 5,773 and was at Rs`5,531 for the period of April 1, 2013 to March 31, 2014. In 2013 to 2014, branded hotel supply had surpassed the figure of 100,000 rooms' milestone. Nationwide, existing supply has recorded 103,855 rooms as on March 31, 2014, an increase of around 10.2 per cent (9,600 branded rooms) was found in comparison to the year 2012 to 2013.

It was found that the market volatility had lead the hotels across positioning and price points dropped their room rates in a bid to gain business in comparison to past years which had led to rate wars.

In 2013 to 2014, the overall weighted occupancy across categories was 58.9 per cent, which was increased by 1.9 per cent over 2012-13.

The hotels across all categories had witnessed a year-on-year increase in weighted occupancy except for the four-star segment, which had registered a marginal decline of 0.1 per cent. The, weighted average rate across all categories had exhibited a decline other than the two-star segment, that had grown by 7.7 percent (www.travelbizmonitor .com) <sup>14</sup>.According to the report nationwide RevPAR (Revenue Per Average Room) decreased in 2013-2014 with the four-star segment which had registered the maximum decline 5.9 per cent, followed by the five-star deluxe segment (1.7 per cent), and three-star segment (1.5 per cent) respectively. This downswing was attributed to the three categories adding close to 65 per cent of the new supply in 2013-2014. After registering a drop of approximately 2 per cent in 2012-13 over 2011-2012, the two-star category registered the highest RevPAR (Revenue Per Average Room) growth in 2013-14 (12.7 per cent of 2012- 2013 year), owing to around 8 per cent annual increase in average rates, highlighting the acceptance of branded economy and budget hotels across India. India had 103,855 branded and organized hotel rooms as on March 31, 2014. It was found that the supply is estimated to grow by about 10 per cent in the year 2014, 12 per cent in 2015 and approximately 11 per cent in 2016 (Ibid).

It was found that amongst all the key cities in India, Mumbai including Navi Mumbai had maintained its top position with the highest existing supply of branded rooms (13,022) in India, closely followed by Delhi (12,025) excluding Gurgaon, NOIDA and Greater NOIDA and Bengaluru (9,877), Chennai (7,105) respectively.

As per the survey, Taj Hotels, Resorts & Palaces with a cumulative room inventory of over 12,000 across brands remained leading hotel brand in India, followed by ITC Hotels including Fortune, Carlson Rezidor, Starwood Hotels and Marriott International respectively.

While Marriott International displaced Hyatt as the fifth leading hotel brand in terms of existing inventory, Accor has become the seventh largest brand in India, pushing Sarovar Hotels to the eighth position (Ibid).

It was also found that the development of the Internet has played an important role in internationalization of hotel industry their marketing opportunities and their sales efforts. Due to emergence of various travel websites viz., Hotels.com, Expedia.com and Travelocity.com as well as a few other websites like MakeMyTrip and Yatra.com has led to the growth of hotel industry, and it has become easy for traveler to book hotel from any corner of the world. In addition to this opinion of travellers and their review on hospitality can be acquired through websites like Tripadvisor.com which has become very popular with the travelling population of today.

The online feedback given by customer puts lot of pressure on hotels regarding constant delivery of brand promises, which influences and draws the prospective customers' towards the services (www.expresshospitality.com)<sup>7</sup>.

**An attempt has been made to provide bird eye view of trends of hotel industry from the year 2008-2009 to 2012-2013 , which is as follows:**

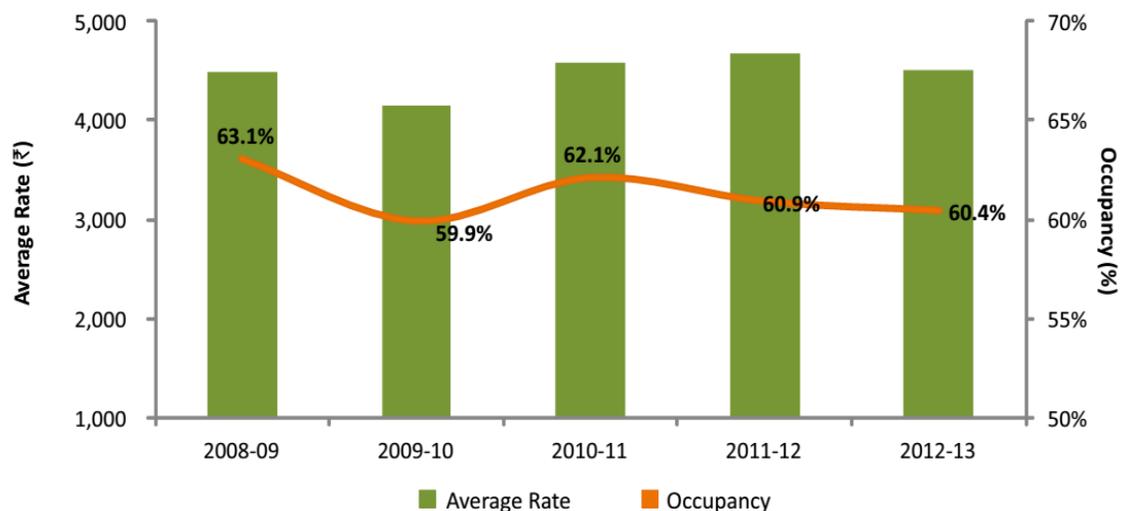
According to estimate of Hospitality Valuation Services, 102,348 new hotel rooms are likely to be built up by the year 2015-2016, out of which approximately 60 percent is expected to be under active state of development. A significant number of these hotels are expected to be affiliated with global brands and shall be of international quality and service offerings. The hotel operators across India have begun to prepare themselves to face competition by improving its operational efficiencies, and also their product and service offerings.

**The following exhibits highlight some key emerging trends pertaining to Indian hotel industry (Report of Indian Hotel Industry Survey 2010-2011)<sup>15</sup>.**

**Figure 1** highlights the trends for Occupancy and Average Rate – 2008-09 to 2012-13.

The performance growth of the hotel industry in 2012-2013, witnessed a reduction in the speed of development in this segment, as showed in India's GDP growth of 5 percent. In spite of reduction in the speed in the growth of hotels , the occupancy level was maintained stable with 60.4 percent in comparison to 60.9 percent of 2011-2012. According to HVS main cities of India had observed development of 11 percent in the supply of room for hotel in the year 2012-2013, whereas demand had increased to 9.2 percent. It was found that nationwide results showed that the normal tariffs had deteriorated by 3.6 percent in comparison to figure of the year 2011-2012.

**Figure Number: 01:** Occupancy and Average Rate of Hotels in India – 2008-09 to 2012-13



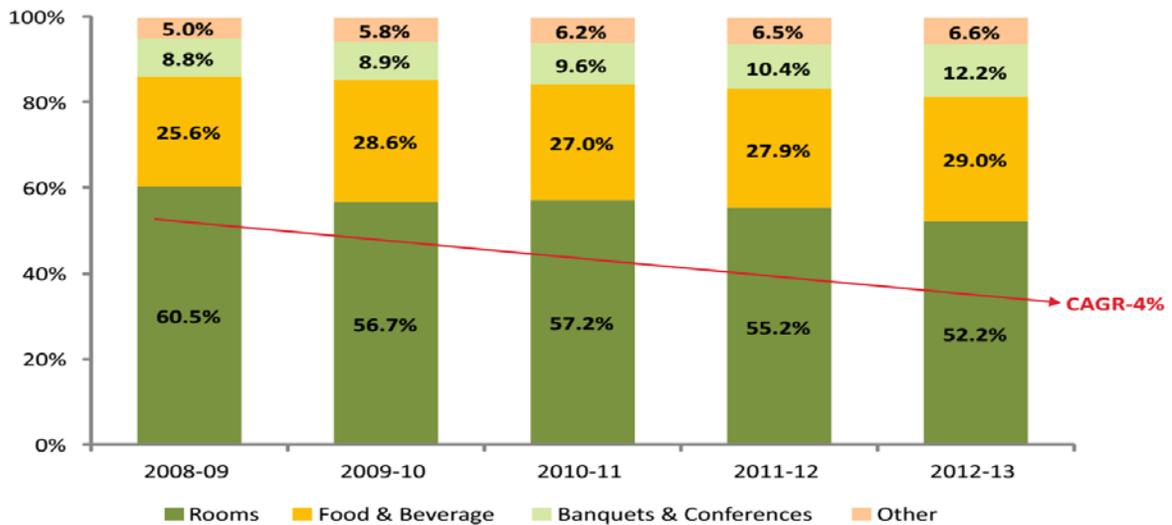
Source: FH&RA Indian Hotel Industry Survey Report 2012-2013<sup>16</sup>

Growing input from the department of Banquets & Conferences and the department of Food & Beverage had led to the enhancement or increase in the income combination (mix) of India. It was also found that F& B departments and B & C had constantly received highest contribution and they performed well.

It was found that the segment of Banquets & Conferences had documented a growth of 17.4 percent in PAR revenue on an ongoing basis in 2012-13 (2,26,793) but in case of the year 2011-12, Food & Beverage had shown an enhancement in PAR(Per Average Room) revenue (5,41,494) i.e.4.2 percent.

**Figure: 2** had illustrated that the revenue contribution in percentage of total income generated from Rooms had found a constant fall, which had recorded as a negative Compound Annual Growth Rate (CAGR) of 4 percent between 2008-2009 and 2012-2013. It was also found that the escalating middle class and its tendency to pay out would persist to enlarge demand for F&B in various cities of India. Whereas, hotels on an ongoing basis had paid attention on the Banquets & Conferences segment in less-seasonal months to strike seasonality, it was expected that this department would add to its input to the total revenue pie (FH&RA Indian Hotel Industry Survey Report 2012-2013)<sup>16</sup>.

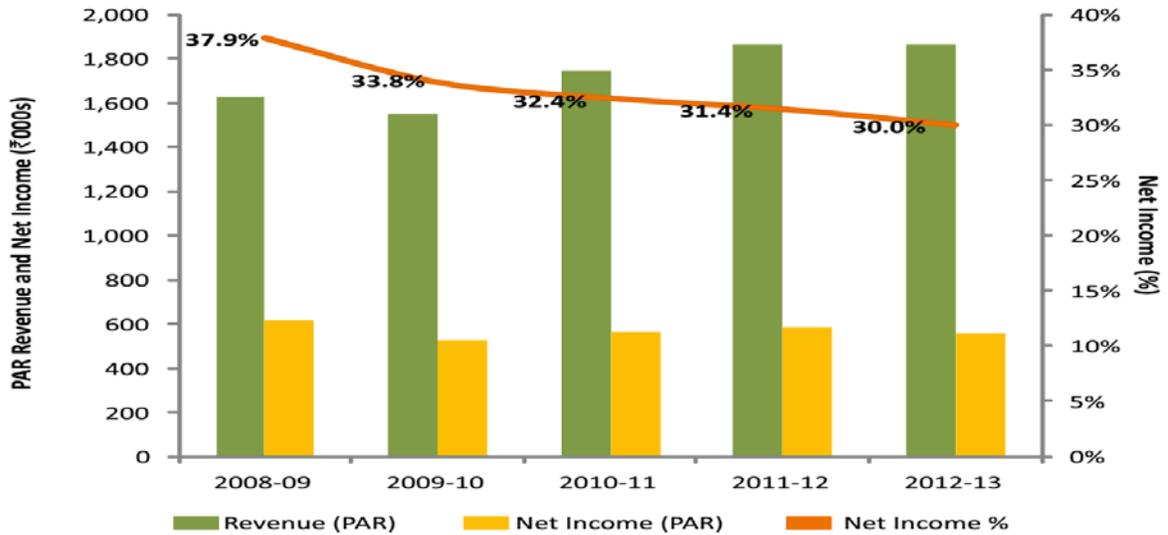
**Figure Number: 02: Source of Revenue and Net Income 2008-2009 to 2012/13 of Hotels in India**



**Source: FH&RA Indian Hotel Industry Survey Report 2012-2013<sup>16</sup>**

According to the results of the FHRAI survey 2012-2013 it was found that net income as a percentage of the total revenue had continuously dropped and witnessed a CAGR of 5.7 percent. A drop of 4.7 percent in net income as a percentage of revenue was found in 2012-2013. It had led to rising departmental costs, which had resulted due to increase in price rises joined with a boost in the costs of energy. The year 2011-2012 had also seen an addition in expenses incurred by departments as a percentage of total revenues, resultant into reduction in profit or slows down in profits (FH&RA Indian Hotel Industry Survey Report 2012-2013).

**Figure Number: 03: Revenue and Net Income 2008-09 to 2012-2013 of Hotels in India**



**Source:** FH&RA Indian Hotel Industry Survey Report 2012-2013<sup>16</sup>

### 1.6.1: Increasing Utility Costs:

It was found that energy costs had continued to increase and posed a challenge to the hotel industry. It was exposed that there was an increase of 13 percent in Per Average Room costs of energy (₹1, 82,067) over that in the year 2011-2012 (₹1, 61,479). It was just 26 percent of the hotels that were reviewed having Energy Management System in all the places of India. Due to the increase in costs of energy and with the restricted preservation measures engaged, it highlighted to the requirement of such a practice that can maintain sustainability in the industry (Ibid).

### 1.6.2: Continuing High Manpower to Room Ratios:

In case of India, employee-to-Room ratio continued to be better and superior in comparison to the benchmarks maintained worldwide. The all India average of employee to room ratio was 1.6. But in case of greater number of four star and three star respondents of hotel, it was revealed that standard employee to room ratio was 1.7. In India majority of hotels provided various services and various facilities over and above their capacity and image maintained in the eyes of guest and so in such hotels the requirement of more number of employees have increased (Ibid).

### 1.6.3: Changing Source Markets:

For the Indian hospitality sector the United Kingdom (UK) and the United States of America (USA) are the largest global source markets that had contributed 23 percent as a whole in the requirement in the year 2012-2013. The hotels of India saw sharp rise in market share from the Russia, Middle East, and the SAARC nations. It was found that enhancement in visitors from Asia and the Middle East had led to the better connectivity, simpler norms for visa and development in infrastructure (Ibid).

#### **1.6.4: Market Mix and Decline in Seasonality:**

The hotel industry of India had constantly served to the travellers travelling for business, as it has contributed the major part to the market mix at 39 percent, and so most of the hotels are situated in business cities.

It was also found that the Domestic Business and Domestic leisure traveler had shown their flexibility and maintained their contribution by staying for a longer period of time in comparison to the nationwide average from 2011-2012. It was also found that the real growth in the year 2012-2013 came from domestic travellers and there were 5.4 percent of tourists' arrivals (FH&RA Indian Hotel Industry Survey Report 2012-2013)<sup>16</sup>.

#### **1.6.1: CITY TRENDS IN HOTEL INDUSTRY:**

The Indian Hotel Industry Survey 2010-2011 Report had categorized Indian markets into Primary Markets. It comprised of the seven major cities described viz., Bengaluru, Chennai, Goa, Kolkata, Mumbai, Delhi-NCR, and Pune. It had also included Secondary Markets comprising of Twelve secondary cities are Ahmedabad, Bhubaneswar, Hyderabad, Indore, Jaipur, Kochi, Kottayam, Mysore, Shimla, Thiruvananthapuram, Udaipur, and Vadodara respectively (Report of Indian Hotel Industry Survey 2010-2011)<sup>15</sup>.

**An attempt has been made to provide brief idea especially about trends in Ahmedabad and Vadodara Cities of the Gujarat State as follows.**

##### **1.6.1.1: Ahmedabad:**

Amongst all the commercial hubs, the growth of Ahmedabad was found as faster and it was also considered as the vital commercial hubs of India. The demand for hotel room in Ahmedabad, has been determined mainly by the industrial group which were located close to CG Road and Ashram road and other commercial or industrial areas of Ahmedabad city which catered to the segment coming for commercial purpose. It has been found that due to the speedy expansion in the commercial sector, the SG Highway that is Sarkhej Gandhinagar Highway next to nearby areas of Prahlad Nagar and Satellite Town has gradually being improved one after another. The industrial clusters of Bol-Sanand and Vitthalapur was also noticed as fast upcoming as various projects were found to be under development like latest automobile hubs with already present Tata Nano plant and Ford and Maruti factories. Various international Corporations like Hitachi, Baosteel, Nestle, and Bosch were also having established units in such industrial estate. The demand for hotels room night had drastically enhanced due to commercial developments in the Ahmedabad City. It was found that 700 rooms in seven new hotels with a shared record has been opened in 2012-2013 in the city of Ahmedabad. Thus the city of Ahmedabad saw double-digit demand growth, supply had outpaced demand which resulted into fall in occupancy and average rate in the year 2012-13.

It was also found that the trend continued for the shorter period as ten hotels in addition with an aggregate supply of 1,500 rooms were found to come, in the market the year 2013 in the month of November (FH&RA Indian Hotel Industry Survey Report 2012-2013)<sup>16</sup>.

Table number: 05: Average Occupancy and Average Room Rate: 33 Cities/Regions in India

City	Occupancy					Average Room Rate(₹)				
	2008-09	2009-10	2010-11	2011-12	2012-13	2008-09	2009-10	2010-11	2011-12	2012-13
<b>All India</b>	<b>63.1%</b>	<b>59.9%</b>	<b>62.1%</b>	<b>60.9%</b>	<b>60.4%</b>	<b>4,487</b>	<b>4,149</b>	<b>4,578</b>	<b>4,677</b>	<b>4,507</b>
Agra	54.8%	57.0%	63.2%	68.3%	60.3%	4,211	2,482	3,968	3,974	4,381
Ahmedabad	63.7%	65.7%	67.6%	65.1%	63.0%	4,039	3,367	3,234	3,650	3,902
Aurangabad	56.5%	57.9%	59.5%	ID	49.0%	2,289	2,850	2,612	ID	3,203
Bengaluru	56.5%	52.6%	53.8%	58.7%	56.6%	9,757	6,766	5,838	6,849	5,533
Bhopal	72.2%	66.1%	ID	78.0%	72.4%	2,639	3,110	ID	3,827	4,300
Chandigarh	79.6%	69.1%	70.4%	ID	65.4%	3,716	4,780	4,544	ID	3,639
Chennai	64.6%	65.6%	64.8%	69.1%	69.8%	4,678	4,083	5,508	4,365	4,345
Coimbatore	72.1%	75.5%	72.8%	66.5%	61.3%	3,255	3,236	3,989	4,100	3,655
Darjeeling	ID	47.2%	ID	ID	ID	ID	3,193	ID	ID	2,253
Delhi - NCR*	64.8%	64.6%	59.0%	61.4%	57.1%	6,087	6,985	6,763	7,319	7,455
Goa	61.7%	63.1%	64.4%	69.5%	67.7%	5,378	4,757	7,807	5,856	5,749
Hyderabad	56.3%	58.8%	53.3%	55.4%	55.7%	4,730	5,137	4,152	4,020	3,856
Indore	68.7%	65.2%	65.4%	57.9%	61.4%	1,933	1,814	1,869	2,590	2,631
Jaipur	61.4%	57.7%	64.0%	59.4%	58.6%	4,472	4,059	3,071	3,447	3,490
Jodhpur	51.0%	43.2%	49.2%	48.8%	46.3%	3,964	4,552	5,519	7,005	8,431
Kochi	67.4%	64.4%	74.2%	81.1%	71.5%	2,062	2,806	1,528	1,536	2,882
Kolkata	69.6%	64.5%	65.4%	67.1%	67.1%	5,342	4,880	4,788	5,302	5,461
Kullu-Manali	50.9%	ID	ID	ID	ID	3,716	ID	ID	ID	ID
Lucknow	63.0%	58.7%	59.8%	63.3%	65.0%	2,491	5,109	2,393	2,966	3,047
Mount Abu	69.4%	67.5%	63.0%	ID	ID	1,823	2,159	2,821	ID	ID
Mumbai	71.2%	67.2%	69.0%	73.5%	71.5%	6,822	5,833	5,087	6,063	5,971
Mussoorie	48.0%	45.9%	52.5%	39.4%	ID	4,099	6,078	5,817	4,807	ID
Mysore	67.7%	67.7%	71.4%	62.4%	65.7%	2,340	2,637	4,634	1,973	3,738
Nagpur	ID	61.5%	76.6%	ID	54.1%	ID	3,132	2,314	ID	3,018
Pune	65.5%	53.2%	53.3%	53.2%	57.8%	4,951	3,921	3,140	3,293	2,724
Raipur	64.3%	39.0%	ID	ID	ID	1,087	1,521	ID	ID	ID
Shimla	52.7%	48.0%	42.7%	47.8%	56.5%	1,766	1,790	2,267	1,904	2,636
Thiruvananthapuram	57.9%	55.3%	61.8%	60.9%	57.1%	1,570	1,422	1,380	2,330	1,474
Ootacamund	58.1%	ID	ID	ID	ID	1,956	ID	ID	ID	ID
Udaipur	51.6%	47.0%	55.2%	52.1%	59.5%	7,319	3,543	7,406	2,081	4,449
Vadodara	77.9%	65.6%	77.8%	71.7%	68.0%	2,779	4,360	3,703	3,901	3,698
Visakhapatnam	69.0%	62.1%	76.3%	ID	63.3%	3,687	2,809	5,431	ID	3,367
Gurgaon				65.5%	61.0%				8,122	7,776

ID: Insufficient Data

\*New Delhi - NCR data including Faridabad, Ghaziabad, Gurgaon and NOIDA (Shaded Portion), rest excluding Gurgaon data

**Source:** FH&RA Indian Hotel Industry Survey Report, 2012-2013<sup>16</sup>

### 1.6.1.2: Vadodara:

Vadodara is situated on NH-8 between Ahmedabad and Surat and it is considered as one of the significant cities of the Gujarat State in comparison to all the three cities of the State of Gujarat. It was found to have proper linkage of Road, Rail and Air between Delhi and Mumbai that served the city as the top market. It is considered as the way in and way out point for most of the industrial zones such as Halol and Savli which are situated on the edge of the Vadodara city along with other townships for industries located at Dahej, Bharuch, and Ankleswar.

These industrial zones have paid attention on Chemicals, Power, Petrochemicals, and Oil and gas sectors and were also counted as home to manufacturing plants of companies such as Larson and Toubro, ONGC, Alstom, Linde, Bombardier, Adani and Reliance.

Huge development was found in such regions as raw materials were easily available, trained manpower was found and there was Special Economic Zones (SEZ) (Ibid).

### **1.7: PROBLEMS OF THE HOTEL INDUSTRY:**

**An attempt has been made to provide brief sketch of general and managerial problems faced by the hotel industry as follows:**

Among the major problems being confronted by the hotel industry such as viz., declining occupancy rates, increasing competition from budget hotels, over supply, decreasing profitability, increasing taxes, exorbitant interest rates, increasing cost of light, heat and power, the fuel shortage, reduced company standing, non-availability of mortgage and equity hinds. The problems of the hotel industry occur due to the following reasons:

The most serious problem being faced by the hotel industry is that it is not only capital intensive industry but also a high proportion of its capital is locked up in the form of fixed charges and fixed assets like land and buildings. Since most of the hotels are built in the heart of the city where land is more expensive and the construction of hotel building requires large proportion of capital and long gestation period, it causes a financial problem, which is not encountered by other industry (Kannan, 2005)<sup>10</sup>. The hotel is always and everywhere a seasonal business. The industry sometimes suffers from low occupancy. Even in case of most successful hotels, cent per cent occupancy throughout the year is just not possible as it happens in case of Banking and other Tertiary sectors; hotel fails to meet the demand, as it cannot readily vary its operation, or its offerings. Supply of its services is very inelastic. Hotels main product being latent in character can neither be stored, nor can it reduce its staff suddenly. Automation has serious limitation in the hotel industry. It needs considerable amount of information for guidance in operations. In order to exploit the market potentiality it needs guest history file and information about purchases and stock of thousands of items and much more required information to enhance its productivity. There are very few hotels, that can afford a very sophisticated data processing system, but most of the hotels are reluctant to do so because of fear of bringing the confidential matters into limelight; the hotel Industry is treated very unfavourably for taxation purposes. On account of this, growth of hotel industry is not impressive (Ibid). It is being said that a new hotel must go bankrupt before it can pay its wage; it also suffers from an acute shortage of skilled workers at various levels and trained experts for running hotels particularly at executive level; another problem of the industry is with regards to its hotel tariff.

The hotel tariff in India is reported to far higher than many South East Asian countries; it also suffers from the lack of proper safety measures of fire detection and alarming system; the satisfaction of customers in this industry is a highly subjective affair. Satisfying the customers is most difficult because service is highly personalized. Some of the clients are dissatisfied although they are being provided with the best of the room comforts and the choicest product of culinary art.

It makes the most difficult task for the industry from the marketing point of view. It lacks adequate standard of accommodation facilities with the increasing standard of living and greater comforts at home. It has its own economic problems that has never been as profitable as most other industries.

The huge amount of capital once invested cannot be diverted for any other purpose. Besides, the establishment of hotels in the centre of the city leads to severe competition and higher costs and low profitability; In order to meet the expectations of its clientele of the hotel industry it constantly needs, refurbishing, renovation and modernization involving considerable sum of investment; It also lacks proper advertisement network in both domestic and foreign countries due to high cost of publicity. As a result the inflow of foreign tourist traffic is thwarted; lastly, one of the major lacuna, of this is that it suffers from the severe competition between the public sector and private sector hotels, which tends to hamper the effective co-ordination and adequate communication among various constituents units of the industry (Kannan, 2005)<sup>10</sup>.

**The hotel industry also suffers from some of the managerial problems as follows:**

It includes Administrative problems, Low efficiency and profitability, Poor sales and marketing programs, Low occupancy, Problems of Raising Funds. Some of the external problems such as viz., Heightened competition, Global uncertainty, Safety and security, Changing technology, Tough legal and economic environment(Madanlal,2007)<sup>9</sup>.

**1.8: FUTURE PROSPECTS OF THE HOTEL AND TOURISM INDUSTRY:**

**An attempt has been made to highlight future prospect of hotel and tourism industry as follows:**

The future prospect of an industry largely depends upon the economic, social, political, scientific and technological changes that are taking place in the business environment. The hotel industry too is very much sensitive and changes in any of its sphere immediately get reflected upon on it. The techniques, ideas, modes and methods of operation undergo continual alteration in hotel business. The emerging worldwide scenario is very conducive for the growth of hotel and tourism industry.

It is due to worldwide education and industrial development that has led to greater enlightenment, increased earnings of individuals, economic growth of nations having higher number of tourists, medical science's progress leading to longer life, improved infrastructure of communications and improved transport means etc. Similarly increase in holidays, vacations with pay policy of the Government and other employers, increase in pay.

The revolution into the means of transportation including Aeroplanes and steadily reduction in airlines fares has given a boost to the domestic tourism and hotel business in India and worldwide (Madanlal, 2007)<sup>9</sup>. Tourism sector has begun to emerge as a major foreign exchange earner and employment generating industry. However, to make tourism industry globally competitive, a need to create adequate infrastructure and huge investment arises to improve Communication, Transport and Accommodation Facilities for various categories of tourists.

It implies that other than Government investment, large-scale private investment is needed. Government of India has notified the hotel and tourism industry as a high priority industry for foreign investment. The number of foreign tourists is expected to reach figure of 50 Million by the year 2020.

In a nutshell, there exists an enormous potential in the development of hotel and tourism industry of India. The demand of hotel rooms shall increase in near future, and its supply is likely to grow faster to meet the increasing demand. Therefore, the hotel industry has an enormous potential for large-scale investment, employment and earnings in near future (Madanlal, 2007)<sup>9</sup>.

#### **1.9: CHALLENGES FOR HOSPITALITY INDUSTRY:**

**An attempt has been made to outline challenges faced by the hospitality industry of India as follows:**

The hotel industry in India is going through an exciting phase. One of the major reasons for the increase in demand for hotel rooms in India is the boom in the overall economy and high growth in sectors like Information Technology, Telecom, Retail and Real Estate. Rising stock market and new business opportunities are also attracting hordes of foreign investors and international corporate travellers to look for business opportunities in India. But, hospitality industry too would face following serious challenges that need to be addressed and it has been outlined as follows:

It is found that non-availability of skilled and trained manpower in diverse levels is the biggest challenge faced by the hospitality industry. This industry was not much successful in retaining qualified and trained professionals. It was also found that retaining the task force through training and development in the hotel industry is a problem and attrition levels are too high. One of the reasons for this is unattractive wage packages. Though there is boom in the service sector, most of the hotel management graduates are joining other sectors like retail and aviation; the hotel industry is facing heavy shortage of rooms; it has witnessed heightened competition with the arrival of new players, new products and new systems.

The competition from neighboring countries and negative perceptions about Indian tourism product constrains the growth of hospitality and tourism sector of India. The image of India as a country over run by poverty, political instability, safety concerns and diseases also adversely affects the tourism industry; As India is emerging as a destination on the global travel map, expectations of customers are rising.

The companies have to focus on customer loyalty and repeat purchases; though most reputed chains have IT enabled systems for property management, reservations, etc., almost all the data which actually make the company work are filled in manual log books or are simply not tracked; Some of the services required in the tourism and hotel industries are highly personalized, and no amount of automation can substitute for personal service providers. India is focusing more on white collar jobs than blue collar jobs. The shortage of blue collar employees' too poses various threats to industry ([www.scribd.com](http://www.scribd.com))<sup>6</sup>.

### **1.10: SWOT ANALYSIS OF HOTEL INDUSTRY IN INDIA:**

**An attempt has been made to provide brief idea about the Strength(S), Weaknesses (W), Opportunities (O) and Threats (T) [SWOT] of hotel industry of India as follows.**

#### **1.10.1: STRENGTHS OF HOTEL INDUSTRY OF INDIA:**

- ✚ Different varieties of hotels are present in the country that can fulfill the requirement and demand of the domestic and overseas tourists.
- ✚ There are international players in the market such as Taj and Oberoi & International Chains. Thus, the needs of the international tourist's travellers can be met while they are on a visit to India.
- ✚ Manpower costs in the Indian hotel industry are considered as one of the lowest in the world. This can provide better margin for the Indian hotel industry.
- ✚ India offers a readymade tourist destination with its resources. Thus the magnet to pull customers already exists and has potential to grow ([www.gourkanjilal.com](http://www.gourkanjilal.com))<sup>15</sup>.

#### **1.10.2: WEAKNESSES OF HOTEL INDUSTRY OF INDIA:**

- ✚ The cost of land in India is high as 50 percent of total project cost in comparison to the 15 percent in comparison to the other countries.
- ✚ The hotel industry in India is heavily staffed. This can be gauged from the facts that while Indian hotel companies have a staff to room ratio of 3:1, this ratio is 1:1 for international hotel companies.
- ✚ India's High tax structure for this industry makes the industry worse off than its international equivalent. In India, the expenditure tax, luxury tax and sales tax inflate the hotel bill by over 30 percent. Effective tax in the South East Asian countries works out to only 4-5 percent.
- ✚ The services provided by the hotels in India are limited value added services that are incomparable to the present world standards (ibid).

### **1.10.3: OPPORTUNITIES OF HOTEL INDUSTRY OF INDIA:**

- ✚ Demand between the national and the inbound tourists can be easily managed due to difference in the period of holidays. For international tourists the peak season for arrival is between Septembers to March when the climatic conditions are suitable whereas the national tourist waits for school holidays, generally the summer months.
- ✚ In the long-term the hotel industry of India has latent potential for growth. This is because India is an ideal destination for tourists as it is the only country with the most diverse topography. For India, the inbound tourists are a mere 0.49 percent of the global figures.
- ✚ This number is expected to increase at a phenomenal rate thus pushing up the demand for the hotel industry (ibid).

### **1.10.4: THREATS OF HOTEL INDUSTRY OF INDIA:**

- ✚ Guest houses replace the hotels. This is a growing trend in the west and is now catching up in India also, thus diverting the hotel traffic.
- ✚ Political turbulence in the area reduces tourist traffic and thus the business of the hotels. In India examples of the same are Insurgency exists in Jammu Kashmir.
- ✚ Changing trends in the west demand similar changes in India, which at times are difficult to replicate due to high project costs.
- ✚ The economic conditions of a country have a direct impact on the earnings in hotel industry .Non availability of skilled and trained manpower in the hotel industry of India also act as a threat to this industry in India ([www.gourkanjilal.com](http://www.gourkanjilal.com))<sup>15</sup>.

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