

Exertion Hindering the Escalation of Hotel Industry in India

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Abstract: The economic, political, social, scientific and technological changes that are taking place in the universe decide the prospects of any industry. The hotel industry is very much sensitive and change in any sphere of the universe or in any branch of human activity will immediately reflect upon this industry. Employees are primarily responsible for providing a sustainable competitive advantage for the hotels. Therefore, success in the hotels depends on managing and retaining employees. The hotel industry in India is facing a number of problems such as low occupancy rate, increasing competition, high taxes, increasing cost, fuel shortage and low profitability.

Keywords: hotel industry, competitive advantage, problems.

I. INTRODUCTION

Foreign tourists have special attractions in India for centuries and Indian hospitality is a legend by itself. Apart from ancient culture and civilization, the diverse natural beauty of India can hardly be seen elsewhere in the world. The traditional stereotyped image of India as a cultural destination is being replaced with the image of diversified tourism products after liberalisation and tourism has been declared as an industry. Both central and state governments have identified tourism as a priority sector. Therefore in coming years, tourism may emerge as a major foreign exchange earner and employment generating industry.

However, the hotel and tourism industry has been declared a high priority industry for foreign investment. But, to make tourism industry globally competitive there is a need to create adequate infrastructure. Government should also provide this industry the infrastructure status and income tax, custom duty, sales tax and excise duty benefits. Huge investment is required to improve communication, transport and accommodation facilities for various categories of tourists.

Therefore, apart from government investment, large-scale private investment is also required. In a nutshell, it may be said that there is a lot of potential for the growth of tourism industry in the country and this will boost hotel business too. The demand of hotel rooms is expected to increase in future and the supply is expected to grow faster to meet the increased demand. Therefore, tourism and hospitality industry has a lot of potential for large-scale investment, employment and earnings in recent times any discussion on the hotel industry only veers around the falling occupancy rates and average room rates and the trying times that the Indian hotel industry is going through. It is expected that in the metro cities, after three to four years, the hotel industry is expected to face major problems on the supply side. Major hotel chains have unveiled plans to expand into the three to four star segments in smaller towns. As the growth in metro cities approaches stagnation, hotel chains are looking at the smaller towns segments for future growth.

India's booming hospitality industry has transformed into a veritable basket of the choicest of rooms, food and beverage, health and business facilities, travel packages and everything that you can think of. New global entrants are vying with existing local players to provide world-class services at prices suited to every pocket. The spurt in India's tourism industry growth has had a ripple effect on its hospitality sector. Rising income levels and spending power along with the governments open sky policy have provided a major thrust.

II. HOSPITALITY INDUSTRY – DEMAND AND SUPPLY

There are more than 100,000 rooms (all categories put together) expected to be added up in the Indian Hospitality Market by the year 2011. Average Employee to Room ratio across luxury hotels is 1.8: 1. Manpower requirement in Delhi alone will be around 31,398 compared to 12,303 now (according to the leading National Dailies) Small and budget hotels have flat organisation and need more multi-skilled employees at associate level and fewer managers. Therefore, 80% of the required staff would be kitchen staff, food service associates, front desk assistants, concierge staff, bellboys, room boys etc.

The industry offers more career options than most: - “No matter what kind of work we enjoy and wherever our aptitudes lie, there is a segment of the industry that can use our talents.” says Hospitality HR. The work is varied: - Because hotels and restaurants are complete production, distribution and service units, and managers are involved in a broad array of activities. There are many opportunities to be creative: - Hotels and restaurants managers might design new products to meet the needs of their guests; produce training programs for employees; or implement challenging advertising, sales promotions and marketing plans.

III. GROWTH OF HOTEL INDUSTRY

According to (Chakravarti. B.K), hotel is an establishment that makes profit by providing basic amenities like food and shelter. Hotels also provide other services that make the guests comfortable. Hotel is a commercial establishment. The ultimate goal of the hotel is to provide the customers with lodging, food and related services in order to please them. This helps in building goodwill of the hotel and the guests to carry happy memories. According to (Ghosh, Biswanath 1998) hotel is defined as a public establishment that offers the basic services like accommodation and catering to the customers for payment

The entry of hotel industry in India is in par with the history of travel and tourism industry. Both the industries act as the two sides of a coin. In ancient times, people used to travel for pilgrimage or business purposes. For ages, India is famous for its hospitality culture. India remained the biggest attraction for foreign tourists as it is flourished with rich historic heritage, cultural diversity, natural resources and geographical advantage.

During the ancient times, accommodation and food for the travellers was met mainly by hospitable householders which are still in existence in interior areas of the country. Pandas or Priests looked after domestic travellers. Their guests were accommodated in dharamshalas or in their own houses at places of pilgrimage like Banaras, Haridwar, Puri and Mathura etc. In general, the attitude of the ancient Indians towards visitors was influenced by the 'Atithi Devo Bhavah'. It means guest is like God and should be treated accordingly (R.N. Kaul, 1928). These lines indicate the importance that Indians give to guests in olden times. Improvements in the transport and communication facilities resulted in the establishment of inns and taverns in main cities of the country.

In the eighteenth century, long distance travellers used taverns which were huge in numbers in the country (a tavern means an archaic or literary inn) for taking shelter and food. In order to encourage travel, Kings built enormous number of dharamshalas all over the country. The Muslim rulers, provided the best possible services like food, accommodation etc. to travellers through **sarais**, apart from dharamshalas (R.N. Kaul, 1928).

During the onset of British rule in India, the sarais were replaced by the hotels of western style in major cities like Mumbai and Kolkata. The period saw two styles of hotels. One was the western style that suits for foreigners and on the other was Indian style suitable for middle and upper class people of India. The older types of dharamshalas still exist to cater the needs and requirements of the poor. (Negi Jagmohan).

In the nineteenth century, British and Swiss families developed western style residential hotels in India mainly for their own use or for foreign visitors. Mr. Pallonjee Pestonjee is the pioneer of the western style hotel in India. The first western style hotel was launched in 1840 under the British name in Mumbai. The end of nineteenth century saw many western style hotels established in India. The popularity of these hotels increased for their effective style of management, variety of cuisine and the excellent collection of beers and wines (Negi Jagmohan, 1982).

The number of visitors crossing international boundaries increased as the result of industrial revolution and trade expansion. As travel became easier, inns grew in size and number. The competitive spirit raised the standard of inns. The furnishing of rooms and catering services were paid greater attention. Guest accommodation with large and spacious

assembly hall and dining hall for organising functions and parties etc were given greater emphasis. The scope of hotel industry has seen immense changes for the past few years. Huge number of hotels flourished with different types and grades came into existence in different countries to meet the requirements of different categories of visitors.

Modern hotels provide variety of services to the customers. The services vary according to the aim, location, type, size and grade of the hotel. As per Negi Jagmohan, generally, the important activities of a hotel include –(1) Direction (2) Reception (3) Provision of accommodation rooms/floors (4) Cuisine Meals and Refreshments (5) Restaurant (6) Bar (7) Bell to provide information to the guests (8) Entertainment and Recreation (9) Sightseeing (10) Transport facilities (11) Parking space (12) Swimming pool (13) Bathroom facilities (14) Lounge facilities (15) Garden (16) Shopping facilities (17) News stand (18) Tobacco and Cigarettes (19) Telephone (20) Television (21) Radio (22) Laundry and Cleaning (23) Telex service (24) Sporting installations, Tennis court, Golf and Squash (25) Installation for children (26) Banquet hall (27) Conference facilities (28) Convention facilities (29) Exhibition areas (30) Health club (31) Business centre etc.

The twentieth century may be called as the beginning of star hotels in India. Due to the advent of big businessmen and new entrepreneurs, the century saw big and modern hotels (Negi Jagmohan, 1982). The affluent tourists contributed to the star culture in India. The major star hotels in India are in private sector. The high profile hotels include The Indian Hotels Company Ltd., East India Hotels Ltd., ITC Hotels Ltd., Bharat Hotels Ltd., Asian Hotels Ltd., Hotel Leela venture Ltd. and Jay Pee Hotels Ltd. etc.

The only public sector enterprise is India Tourism Development Corporation Ltd. which runs country's largest accommodation chain, The Ashoka Group of Hotels. The hotel industry in India is making a remarkable progress in private sector. The hotels have shown distinct improvement in operating techniques, catering and service. Prior to the 1980's the Indian hotel industry was a nascent and slow growing industry primarily consisting of relatively static, single hotel companies.

The fortunes of the hotel industry are tied to the fortunes of tourism and the general business climate in the country which is why the economic liberalization initiatives implemented since 1991, led to a soaring demand and supply gap in the hotel industry. This enabled Indian hotel companies to increase their average room realizations (ARR) by almost 50% between April 1994 and April 1997 and still enjoy extremely high occupancies of above 80% for most of this period. During this time the ARR's of Indian 5 Star hotels were comparable to those prevailing in Singapore and Hong Kong and were among the highest in the region.

Hotel Industry in India has witnessed tremendous boom in recent years. Hotel Industry is inextricably linked to the tourism industry and the growth in the Indian tourism industry has fuelled the growth of Indian hotel industry. The thriving economy and increased business opportunities in India have acted as a boon for Indian hotel industry. The arrival of low cost airlines and the associated price wars have given domestic tourists a host of options. The 'Incredible India' destination campaign and the recently launched 'Atithi Devo Bhavah' (ADB) campaign have also helped in the growth of domestic and international tourism and consequently the hotel industry.

Over recent years government has taken several steps to boost travel & tourism which have benefited hotel industry in India. These include the abolishment of the inland air travel tax of 15%; reduction in excise duty on aviation turbine fuel to 8%; and removal of a number of restrictions on outbound chartered flights, including those relating to frequency and size of aircraft. The government's recent decision to treat convention centres as part of core infrastructure, allowing the government to provide critical funding for the large capital investment that may be required has also fuelled the demand for hotel rooms.

IV. PROBLEMS FACED BY THE HOTEL INDUSTRY IN INDIA

India's share in tourism business at global level is far below than its capacity to develop this industry. Data available from the World Tourism Organisation available till 2003 shows France continued to maintain top slot with almost 75 million international tourists in 2003. Spain and USA consolidate the second and third position having 52.5 million and 40.4 million foreign tourists respectively. Even smaller countries like Singapore, Indonesia and Thailand etc. are doing much better business than India from tourism. It is because of the number of problems faced by tourism and hotel industry in India.

These problems can be discussed under the following heads:

Problem of Seasonality:

Hotel is indeed a seasonal business. There is seldom 100 per cent occupancy except in peak season. In India on an average, it is 59.7 per cent. Therefore, a hotel cannot use its property fully and it accounts for low income. The problem is aggravated in case occupancy is adversely affected owing to bad weather or any other reason such as slump in business, international crisis or disturbances etc. Food cannot be stored due to its perishable nature. Similarly, hotel staff cannot be reduced temporarily at the time of poor demand of rooms. All these account for poor earnings.

High Consumer Expectations:

Consumer satisfaction is the key reason for the success of hotel industry. In these days, consumers are well informed and their expectations go on changing very frequently. Therefore, satisfying a consumer is a most challenging task as it depends not only on tangible but on intangible factors as well. The best of room comfort and the choicest products of culinary art fail to satisfy some people. Services have to be highly personalised in this industry. This makes the hotel industry the most difficult one from the marketing point of view.

Low Profitability:

Revenue mainly comes from the rooms and sale of food & beverage in the hotel industry. Average occupancy level and average room rate have been found very low as indicated in table 1.2. However, slight increase has been noted in both in 2003-04. But it is not sufficient to increase the profitability level of the hotel industry upto mark. Further, on one hand food & beverage revenue is low while on the other hand food & beverage cost as well as labour cost is high as shown by below table which affect the profitability of the hotel industry adversely.

High Direct and Indirect Taxes:

The hotel industry is unfavourably treated from taxation point of view. Hotels do not get tax benefits as enjoyed by other industrial enterprises. Rebates in corporate income tax, service tax, custom duty, municipal taxes etc. are offered to other industries. The hotel industry does not get these benefits despite its low return on investment. Therefore, the industry cannot keep pace with inevitable changes in market trends.

Problems of Raising Funds:

Most of the hotels are built in the heart of towns where land is very costly Further, cost of constructing a new hotel building or renovating an existing facility is also very high. Therefore, huge capital is required to complete construction or to renovate the existing one. It is indeed very difficult to mobilise huge funds from various sources. The poor financial viability of the hotel industry has further aggravated the position. The solution of these problems needs a very high degree of managerial skill and expertise.

V. EMPLOYEE'S ROLE IN HOTELS

Employees in hotels are significant because they are mostly important to the development of the hotels; employees' attitudes and behaviours play a vital role in the quality of work. The hotels are generally the most frequent flows of human resources. The hotels access to the human resources of high frequency compared to the other enterprises. The possibility of a brain drain in hotels is more than for other enterprises.

In Today's world of competitive development, the hotel industry should try to increase the satisfaction of employees by motivating them and at the same time they should aim in developing their business (Aksu, 2000). The most important source for the success of the hotel business are their valuable employees. The efficient and effective performance of an employee is the building block for the success of hotel business. The employees who work effectively and perform well, shows that they are satisfied with their job (Toker, 2007). This implies the growth of hotel business depends on employee job satisfaction.

VI. CONCLUSION

Employee retention is the ability of a business to convince its employees to remain with the business. It is important to remember that all business lose employees for varied reasons. Poor employee retention will lead to problems like increase

in recruitment cost, decrease in employee morale which will result in low productivity. (K.Balanaga Gurunathan et al, 2012)

In the hospitality industry which is labour intensive, demanding, and fast-paced work environment a major struggle is to retain qualified employees. With the growth of tourism nationwide and the progress of hotels, restaurants and resorts there is a limited supply of well-trained and experienced employees for daily activities leading to the demand of qualified employees.

The hotel industry is encountering a highly competitive environment worldwide. The formulations of a marketing strategy, strengthening of hotel operations, and upgrading the quality of service have become essential not only for profitability, but also for a hotel's survival (Hwang & Chang, 2003)

Hotels that provide higher salaries, strong reputation, and benefit-in-kind can easily retain their employees because the employee satisfaction is achieved. Employee satisfaction is the employees who enjoying their positions and feels rewarded for their efforts will ultimately be the most successful, as well as the most beneficial to their companies. Employee satisfaction is also used to describe the employees' happiness, contented, fulfilling their desires and needs at work.

Employee job satisfaction is a factor that motivates employees, helps in employee goal achievement, and boosts employee morale in the workplace. A mediocre employee would like to stay in the organization if the employee satisfied with the workplace environment. Moreover, the longer an employee works for a company, the more valuable they are becoming, especially in the service industry. The employee satisfaction can be increased when team dynamics is taken into account while recruiting. There should be a friendly atmosphere with a positive image. The employees should be duly recognised for their performance.

Heskett et al. (1997) has cited that employee satisfaction will directly affects the employee loyalty in hotel industry. Employee loyalty can be described in terms of a process, where certain attitudes give rise to certain behaviours. Loyalty has two dimensions which is internal and external. Loyalty is a fundamentally of an emotional attachment. The internal dimension is the emotional components. It includes the feelings of caring, of affiliation and of commitment. Employer must understand their employees feeling and the employees who are facing any problem can consult with counsellors that provide by the employer. This can increase the employees' loyalty to the employer by reducing the turnover rate.

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