

## Major shift in the Indian hospitality industry: An assessment study

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**Abstract:** Hospitality industry in India has generated enormous potential in the area of employment and has been the bigger contributor of foreign exchange. Governments are extending various tax incentives, policy formulations and other various relaxations to promote both domestic and international flow of tourist. The objective of the paper is to present challenges of the present Indian hotel industry and to highlight the major shift of the Indian hospitality industry.

**Keywords:** Re-branding; Hospitality, Foreign Exchange, Tax Incentives, Policy Formulations.

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### I. Introduction

The hospitality and tourism industry has emerged as one of the major drivers in the growth of the services sector in India. The inflow of international tourist to the country has given impetus to the hospitality industry and has emerged as key players in the global scenario. While inflow of international tourists is directly proportionate to the fluctuations in the economic scenario and threat perceptions and these tend to majorly affect specific countries. The increasing purchasing power of customers in developing countries is one of the major new trends driving demand for travel experiences. The Tourism and Hospitality Industry is contributing majorly to the economy of India. The tourism and hospitality Industry is playing the dominating role in the employment of India. The travel and tourism industry contributed Rs 2.21 trillion (US\$ 36.21 billion) or 2.3 per cent to the country's gross domestic product (GDP) in 2013. The figures are expected to rise to Rs 4.44 trillion (US\$ 72.19 billion) by 2024. The Indian hospitality sector has been growing at a cumulative annual growth rate of 14.12 per cent every year adding significant amount of foreign exchange to the economy. India's contribution to GDP in 2015 was ranked 11<sup>th</sup> among 184 countries in the area of Tour and Travel. It is predicted that GDP is to increase by 7.5 percent per annum to USD 275.2 billion by 2025. As per the Planning Commission, the sector creates more jobs per million rupees of investment than any other sector of the economy. It is capable of providing employment to a wide spectrum of job seekers, from the unskilled to the specialized, even in the remote parts of the country. The sector's employment-generation potential has also been highlighted by the World Travel & Tourism Council (WTTC), which says India's travel and tourism sector is expected to be the second-largest employer in the world, employing approximately 52 lac people, directly or indirectly by 2019.

### II. Objectives Of The Study

- To emphasize on the various aspects responsible for the growth of hospitality industry Performance Indicators.
- To find out Growth Drivers for the Tourism Market
- To analyze the contribution of employment in hospitality sector.

### III. Literature Review

CSR has emerged as a forceful public debate for over recent decades keeping in view mounting public concern about adverse consequences of globalization. Issues of rights violations have under public scrutiny, especially of those suppliers who are located in developing countries. An increasing demand is now being made by different interest groups across nations for transport corporate governance. Public demonstrations by public in Europe and America have repeatedly protested against predatory and monopolistic exploitations by multinational corporate which also includes hospitality sector. The consequences of opening up of unregulated market in wake of globalization were deeply felt by common man on the streets across nations irrespective of their system of governance. This has resulted in undermining of the past achievements of corporate social responsibility spanning over 3 decades or so. Therefore, a renewed attention of both practitioners and scholars attempting yet again to respond to core issue of strategic implications of CSR. On the global economic scenario, hotel and tourism industry is among the world's fastest growing sectors with around 9.8 percent contribution to

the global GDP, amounting to US \$7.2 trillion (World Travel & Tourism Council, 2016 report). This industry therefore cannot afford to stay affluent without addressing to genuine new stakeholder requirements. At present hospitality industry is a multibillion-dollar industry catering to millions of tourists in India as well world and is expected to significant growth over the next few decades. Requirement for hotel accommodation in India is increasing day by day with the corresponding expansion of travel industry. As per United Nation World Tourism Organization (UNWTO), there would be 1580 million tourist arrivals by the year 2020 which would create intense pressure on the hospitality industry to enhance their businesses. Recent development of hospitality industry is responding to imperatives of Corporate Social Responsibility (CSR) is now to pay better attention on sustainability issues (Kumar and Sharma, 2014). Various authors further argues that hotel needs to provide transport facility, accommodation to their employees, reasonable cost of food, clean and hygiene environment not only to clients but also extend same facilities to their staff so that attrition rate is minimised, which otherwise is very high. In order to foster such a work culture hotels, need to adopt corporate social responsibility in an appreciative essence so that employees demonstrate work culture which is as per international standard. This is primarily driven by sustainability considerations, cost effectiveness, equal opportunities and equal chances to enhance career avenues over a period of time (Ali, 2013). The body of present literature on CSR therefore significantly focuses on variety of theoretical propositions, which often question each other's position. in contradiction to each other. Singh (1986) in his paper "Geography of tourism and recreation" said that hoteliers must understand the significance of satisfaction of every guest and should frame suitable after sale services too. In their paper Smith, A.K. et al (1999) titled "A Model of Customer Satisfaction with Service Encounters Involving Failure and Recovery" concluded that the interaction between the guest and the organization can be triggered by a failure in service. Customer satisfaction has been found to mediate the effect of service quality on customer responses including loyalty (Su et al. 2016). Relevant studies have determined that corporate social responsibility can impact consumer assessments by improving the company's image and trustworthiness and increasing customer satisfaction (Wan et al. 2016).

The paper presented by Malthouse, E.C. et al (2003) titled "Customer Satisfaction across Organizational Units" in detail evaluated examined customer satisfaction in various hospitality units. "An Analysis of the Gap between Management Perceptions and Customer Expectations" paper by Karnikeya Budhwar (2004) assessed the crucial aspects that would impact the restaurant's success or failure. In the report by Green Hotelier in 2015 state that "There can be no doubt that the corporate social responsibility programs of large hotel groups have a substantial reach and impact on the local and global environment and upon surrounding communities world-wide. But the collective efforts of smaller scale establishments are no less significant." Hospitality sector in India is poised to be expanding at rapid pace and is one of the significant contributors to the country's economy prosperity and overall social enrichment. (Kaur, 2016). On the global economic scenario, hotel and tourism industry is among the world's fastest growing sectors with around 9.8 percent contribution to the global GDP, amounting to US \$7.2 trillion (World Travel & Tourism Council, 2016 report). Encouraging adoption of green practices is also intended to reduce the negative impact towards the local surroundings by identifying ethically conscious customers and recycling the waste for differentiating the organization from its competitors (Kumar and Sharma, 2014). In early 2014, the global sustainable investment market has continued to grow both in absolute and relative terms, rising from \$13.3 trillion<sup>1</sup> at the outset of 2012 to \$21.4 trillion at the start of 2014, and from 21.5 percent to 30.2 percent of the professionally managed assets. In his paper "Tourism Marketing" Anurag Kothari (2011) observed that for a tourist product, the raw materials are the country's natural beauty, climate, history, culture and the people. In his book "The integrity dividend" Tony Simons (2012) studied approximately six thousand eight hundred employees at seventy six holiday inn hotels and concluded that there is a close correlation between the manners and behaviour of each hotel manager and that of the profit of hotel. Maria-Cristina, Sidonia, Ravar, et al (2013) underlined the significance of innovation in the tourism industries in their paper "challenges and trends. Roches (2014) in his study "5 hotel industry trends" concluded that the hotel and service industry will continue to increase globally. Kelly Mc Guire (2015) in her study "Top 10 global trends that will impact hospitality in 2015" researched on the trends of tourism industry and underlined that the exploration and emotional experience is going to be landmark factor in exploration of hospitality industry.

#### **IV. Methodology**

Secondary data has been collected from the books, journals, government notifications, etc.

#### **V. Notable Trends In Industry**

The word "Innovation" is the key word in the hospitality sector. Every organization in its own way is trying their best to design tailor made products to attract tourists worldwide. Because Industry knows it well that, if they don't keep pace with the emerging market, they will become obsolete. Some of the unique trends in Industry are mentioned below:-

**a. Wellness Tourism**

The worldwide trend of yoga, naturopathy and ayurveda makes India a famous destination complimented by the philosophy of spirituality.

**b. Cruises**

It has been estimated by Government of India that India would emerge with a market size of 1.2 million cruise visitors by 2030-31. There are ample virgin spots in remote rural areas in India which are ideal for camping. The promotion of these camping in the recent past has been encouraged along with sanitizing the tourist with responsible camping.

**c. Women only Floors**

This concept is yet to hit the Indian Market but aboard this practice have been well received and started by many hotels. The Naumi Hotel in Singapore and the crown plaza group of hotels of Washinton DC are few examples where floors have been exclusively being allotted for female guests. This specially crafted innovation has been done to ensure that female guests experience secured and have pleasure of enjoying amenities which are specially designed keeping in view the female clientele.

**VI. Factors Responsible For Growth Of Hospitality Industry**

Going by the rapid growth of the hospitality industry in the wide spectrum of the globe, it is imperative that some creative ideas and paradigm shift in the approach is required to produce state of the art infrastructure. Viz. a. viz. India, the competition in the area of hospitality has become challenging due to entry of various international leaders in this area, leading to higher level of professionalism. Other factors which are responsible for the growth are as follows:

- Spending power of customers
- Influx of tourist in niche tourism e.g medical, eco-tourism, luxury tourism etc.
- Sanction of 100 percent FDI by government of India on hospitality industry.
- Over the period of time, various initiatives have been taken to invest in various infrastructure projects.
- Because of diversity, the attraction to visit increases every year.
- “Lonely Planet” has ranked India as the fourth most preferred travel destination among the top five destinations from 167 countries.

India’s contribution to GDP in 2015 was ranked 11<sup>th</sup> among 184 countries in the area of Tour and Travel. It is predicted that GDP is to increase by 7.5 percent per annum to USD 275.2 billion by 2025.

**VII. Performance Indicators**

**a. Visitor Export**

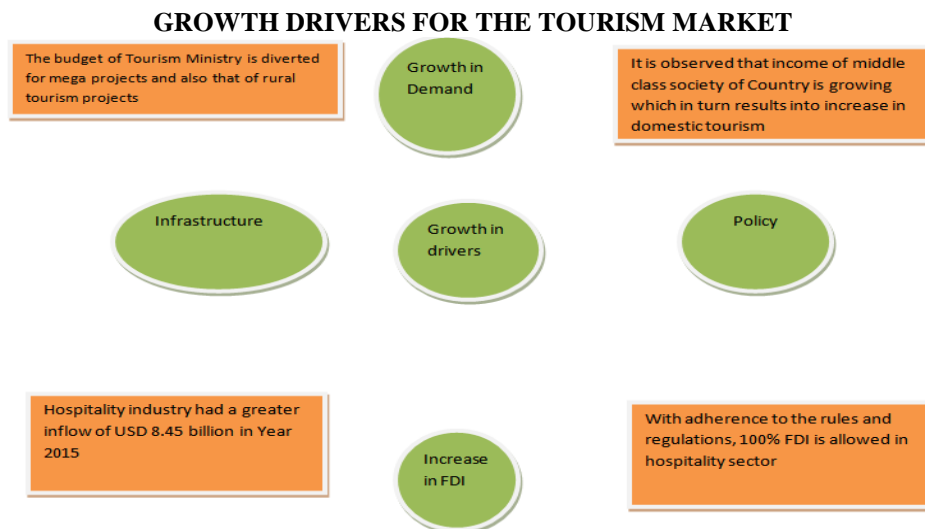
The visitor export contribution to overall export is going to increase by 6.3 percent per annum from 2015 -25 against the global average of 4.2 percent.

**b. Higher Employment**

The employment growth in tourism industry is expected to grow by 2.0 percent per annum, that means 45.56 million jobs in 2025 and alone in 2018 it is estimated to grow by 9 percent of total employment.

**c. Visa Reforms**

The experts are of the opinion that E-Tourist Visa launched by the government is likely to witness a growth rate of 7.5 percent in the tourism industry



### **VIII. Contribution Towards Employment By The Hospitality Sector**

The hospitality industry is a labour intensive one and India has a large concentration of English speaking individuals, which prove as a catalyst in advancement and prosperity of the industry. Besides the regular jobs of a travel agent, tour guide, air hostess, chef, waiter and manager's other opportunities await those who are keen on taking up a job in the sector. The competitive markets and the awareness amongst the guests have made it necessary to put emphasis on and bridge the skill gap in the hospitality sector. The Ministry of Tourism, Government of India has put in place the following strategies to fill the critical gaps as existing IHMs has been directed to start short term courses in Services & Production and a scheme has been dedicated for the training and up grading the skills of the existing service providers e.g. Hunar se Rozgar programme for creation of employable skills. The Ministry of Tourism has also decided to bring courses in Tour and travels into the mainstream through vocational schools, polytechnic institutes, Industrial Training Institutes (ITIs), Government colleges and Universities. Guidelines have also been earmarked for utilization of financial assistance for the creation of infrastructure.

### **IX. Challenge Of Servicing The Sector**

- Upgrading the hospitality Sector with skilled manpower is an uphill task.
- The task of creating a skillful service is essentially challenging for major two reasons because of the gap between Skill and unskilled Labour in this sector.
- Hospitality industry is not reluctant to taking raw hands and they learn function related skills on the job.

### **X. Conclusion**

It can be concluded that by saying that successful enterprises are the reflection of best management practices related to the innovation and market learning orientation and that becomes the basis for competitive advantage. Nowadays the organizations who are sensitive to the perceived products and service to the guests, study market to find present innovations in the sector and accordingly customize the products for the benefit of customers.

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