



## HOSPITALITY INDUSTRY IN INDIA: A BLOOMING SECTOR

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### **ABSTRACT**

*Traveling for business and recreation is a need of today. Over the last few years, Travel and tourism industry has experienced persistent growth and diversification and now it's among the major revenue contributing sectors in the world economy. As growth has been high in the world's emerging economies, the share in international tourist arrivals received by developing economies has steadily risen. The Indian tourism and hospitality industry has emerged as one of the key drivers of development among the services sector in India. The objective behind this paper is to highlight the contributing factors, significance trends and challenges associated with hospitality industry in context of India.*

**Key words:** Hotel, Tourism, Communication, Hospitality

### **Introduction**

Oxford English Dictionary online defines a hotel as 'an establishment providing accommodation, meals and other services for travelers and tourists, by the night'. Significant developments in the field of transportation and communications, growing importance of sophisticated information technologies in the business scenario, viable changes in industrialization and urbanization, increasing share of corporate sector contribution in national and international economies, and changing lifestyles are certain reasons cemented avenues for the growth of hotel industry all over the world. Certain measures like VISA on arrival scheme by the Government of India have a

positive influence on foreign travelers. The industry is estimated to touch US\$ 1.8 billion by 2016, up from a current total size of US\$ 800 million, according to a recently released report from ICRA<sup>1</sup>. In 2012, India secured 12<sup>th</sup> position among 184 countries in terms of contribution of travel and tourism industry in GDP<sup>2</sup>.

With the entry of international brands, the customers experienced a large range of product options and facilities. Consumers are getting better educated and aware of several issues that affect them. There is an upward trend on spending on leisure activities. There is also an increasing blend of business travel with leisure travel. To capture the market share and sustain in competitive era, Hotels have brought blend of marketing elements from the customer's context and develop competitive advantage by focusing on innovation too.

### **Review of Literature**

Over the past few decades, the marketing components influence the hotel industry, so there is a need to study and research not only the impact of traditional marketing mix but also extended marketing mix in today's scenario. Hospitality sector as industry has the potential of being the top sector of Rajasthan economy and has the potential to supply a high chunk in national Income. The hotel product is primarily a mix of five characteristics: its location, its mix of facilities, its image, the services it provides and the price it charges (Holloway and Taylor, 2006; Page, 2003). The expected growth of the industry in future has provided its players with an opportunity to invest in new technologies such as digital menu card, CRM tools and latest security systems and to venture into nice tourism segments like eco tourism, medical tourism, wild tourism, star cruise etc. in today's scenario the visitors are not satisfied with the core product and services provided by the hotel but they also look after other products and services, Security, complaint treatment and front desk facilities are the prime factors to influence the satisfaction level of guests in five star and five star deluxe hotels.(Kumar, Dr. Sanjeev, 2013)<sup>3</sup>

Negi, M.S., Tiwari, M. and Singh, T.(2014)<sup>4</sup> studied the impact of various trends like globalization, security and protection, technology along with new dimensions in context of

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<sup>1</sup> <http://www.ibef.org/blogs/indian-hotel-industry-online-bookings-to-double-by-2016>

<sup>2</sup> IBEF Report on India: Tourism and Hospitality sector August 2013 retrieved from <http://www.slideshare.net/IBEFIndia/tourism-and-hospitality-august-2013>

<sup>3</sup> Kumar, Dr. Sanjeev(2013), "Do the facilities matters in Guest Satisfaction : A study of hotel industry". S S International Journal of Economics & Management. ISSN No. 2231-4962

<sup>4</sup> Negi, M. S., Tiwari, M., & Singh, T. Indian Tourism and Hospitality Industry-Trends and Development. Applied Hospitality and Tourism Research, 52, 52.

tourism and hospitality industry as this sector is contributing significantly in national economy and job creator in present scenario. They suggested hotel management to go for eco practices in routine functioning, use of advance technology, virtual and social networking as distribution network and retain competent and diverse staff to serve guests better.

Sharma, Dr. Anukriti (2013)<sup>5</sup> carried out her study to know about the satisfaction level of foreign and domestic tourists who have visited Rajasthan. The tourists visited this state to gain knowledge, enjoyment and relaxation, medical treatment, royal wedding, adventure and sports, cultural events, pilgrimage places, and also for MICE and literacy tourism. Good accommodation, proper transport connectivity and diversity in tourist destinations are the strength of Rajasthan while lack of professional tourism guide and tourism courses, lack of safety and security measures and use of different language in the tourist literatures are the weakness of this place. Initiatives and support by state government, promotional campaign, eco and literacy tourism and development of new tourism products can give a boom to Rajasthan tourism but to maintain it, state need to develop proper infrastructure and bring political stability

Bergsman, S.(2004)<sup>6</sup> stated the importance of keeping the guests loyal and emotionally bonded to the hotel because it increases footfalls as well as help to increase hotel's viability. The hospitality industry is dominated by well known brands and large hotel in present scenario as they are able, to provide better infrastructure, standardization, expertise, marketing intelligence and recognition to their customers which is not possible in case of small and mid size hotels. In present picture the hospitality industry, hotel brands seem to be proliferate and for this the mid size hotels need to build a competitive edge which can help to develop brand uniqueness. The traditional distribution channels are threatened by online sellers and new brands, therefore it seems important for a hotel to build and strengthen its own brand and minimize the threat to be commoditized and equalized with its competitors.

### **Objectives of the Study:**

Identifying and better understanding of changing scenario in Hospitality industry and its contribution in Society upliftment.

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<sup>5</sup> Sharma, Dr. Anukriti (2013), "A SWOT analysis of Rajasthan Tourism"; Spectrum: A Journal of Multidisciplinary Research ISSN no. 2278-0637

<sup>6</sup> Bergsman, S.(2004), "Inn Stability – With consolidation spreading like wildlife among the mega brands, what will happen to the smaller hotel companies?" Lodging Magazine, November 2004, pp. 38-42

**Research Design:** Descriptive

**Sources of Data Collection:** Secondary data is used. Data is obtained from management books, business magazines, Journal publications and internet. (List enclosed)

**Main Body:**

India holds a distinctive place in the global world of hospitality and tourism. Culturally the country might very well be the most assorted place in the planet. It is intermingle of landscapes, magnificent historical sites and royal cities, murky mountain retreats, vibrant people & their rituals, rich cultures and festivities. Lavish and needy, hot and cold, chaotic and calm, ancient and modern - India's extremes rarely fail to leave a lifelong feeling. The hospitality industry is defined as "hosts offering services to guests", which includes greeting, amusement, relaxation and other services for travelers and tourists. Hospitality is a primeval running belief in India. From the majestic Himalayas and the austere desert of Rajasthan, over attractive beaches and flourishing tropical forests, to pleasant villages and lively cities, India have inimitable opportunities for every individual preference. Therefore India is ranked 42<sup>nd</sup> in the world rankings as per foreign tourism arrivals in the country.

The third-largest sub-segment of the services sector comprising trade, repair services, hotels and restaurants contributed nearly US\$ 187.9 billion or 12.5 per cent to the Gross Domestic Product (GDP) in 2014-15, while growing the fastest at 11.7 per cent Compound Annual Growth Rate (CAGR) over the period 2011-12 to 2014-15.<sup>7</sup> The contribution of the entire travel and tourism sector in India to Gross Domestic Product is estimated to rise from 8.6% (USD 117.9 billion) in 2010 to 9.0% (USD 330.1 billion) by 2020. Between 2010 and 2019 the demand for travel and tourism in India is expected to grow annually by 8.2%, which will place India at the third position in the world<sup>8</sup>. 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 50 lac people, directly or indirectly by 2019.

**Factors Responsible for expansion of Indian Hospitality Industry**

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<sup>7</sup> <http://www.ibef.org/industry/tourism-hospitality-india.aspx>

<sup>8</sup> [http://www.academia.edu/385814/Innovations\\_in\\_the\\_Indian\\_Hospitality\\_Industry](http://www.academia.edu/385814/Innovations_in_the_Indian_Hospitality_Industry)

- Increasing earnings in households
- Boost in niche tourism such as eco-tourism, opulence tourism and medical tourism
- Attracted second highest FDI i.e. US \$3.2 billion by Tourism and hospitality division in the year 2013
- 100 percent FDI allowed through automatic route in hospitality and tourism sector
- Diversity of the country attracts an ever increasing number of tourists every year
- Central and State Government initiatives in improvement of infrastructure like airports, highways, ports and railways
- India has been ranked as the fourth most preferred travel destination by Lonely Planet selecting the country among the top five destinations from 167 countries.<sup>9</sup>

**The Government of India has adopted various policies, taxes, regulations for development of the Hotel Industry. Few of these are mentioned below:**

1. Both central and state governments have profoundly regulated, tourism and hotels but not limited to approvals, licenses and sanctions; Single window clearance system is opened from September 2010, for getting approval for star hotels;
2. The Government's 12th Plan has accorded tourism "high priority" and identified the sector as a key driver for promoting pro-poor and inclusive growth in the country. The Planning Commission has recommended that the Government's policy approach to tourism must focus on achieving a substantially higher growth rate than the aggregate growth rate envisaged for the economy, so as to provide a cushion against any shortfall in other sectors such as manufacturing and agriculture. The gross budgetary support for tourism in the 12th five year plan has increased three folds.<sup>10</sup>
3. As hotel and tourism sector is growing and increasing their contribution in GDP, the government has allowed 100% Foreign Direct Investment in construction development that includes hotels and resorts, recreation facilities, and city level infrastructure.
4. The aviation sector was liberalized, adopting open sky policy, and allowing low cost carriers among ASEAN region;
5. Tourism friendly visa regime has been adopted and medical visa is introduced; Arrival (T-VoA) initiative, a facilitative measure in place since January 2010. Visitors to India can now get a single entry T-VoA, valid for a maximum of 30 days, at the international

<sup>9</sup> <http://info.shine.com/industry/hotels-hospitality/12.html>

<sup>10</sup> 62th Annual Report of Federation of Hotel and Restaurant of India, 2013.

airports in Delhi, Mumbai, Chennai, and Kolkata. This facility is available only to visitors from the following 11 countries, namely, Japan, Singapore, Philippines, Finland, Luxembourg, New Zealand, Cambodia, Laos, Vietnam, Myanmar and Indonesia. The scheme has been a huge success and contributed to increase in the number of tourists from these countries. The Indian Government plans to extend this scheme to visitors from 180 countries<sup>11</sup>; Some of them are Germany, France, Spain, Poland, Sweden and Norway in Europe, Russia, Ukraine, Uzbekistan and Kazakhstan in the Commonwealth of Independent States region, Brazil, South Africa, Thailand, Malaysia, Brunei, Trinidad and Tobago.

6. Procedural changes making land available for hotel construction; 32 villages were identified to become tourist's places. The ministry has sanctioned 102 projects to expand tourism and provide socio-economic benefits to rural areas with tourism potential under "Visit India 2009" scheme.
7. Exemption from Luxury and Sales tax for 5-7 years for new projects and Five year income tax holidays for 2-4 star hotels which has started functioning before 31<sup>st</sup> march 2013 and established in specified districts declared as "World Heritage Sites" by UNESO;
8. Promotion of rural tourism by the Ministry of Tourism in collaboration with the United Nations Development Program; Adopting an aggressive foreign trade policy for investors in hospitality sector;
9. Aggressive marketing campaigns such as "Incredible India" are being adopted; The promotional efforts undertaken in foreign markets, including through the Ministry's 14 overseas offices, include advertising in print & electronic media, participation in fairs & exhibitions, and organizing road shows, seminars, workshops and India evenings<sup>12</sup>.
10. There is an effort to plan and upgrade the infrastructure of the hospitality sector. In the Union Budget 2011-12 the expenditure on infrastructure development has significantly increase up to 23%.

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 managers other

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<sup>11</sup> <http://www.mydigitalfc.com/news/luxury-hotels-see-steep-fall-room-rates-%E2%80%9913-127>

<sup>12</sup> Annual Report on Tourism published by Government of India; retrieved from <http://tourism.gov.in/writereaddata/Uploaded/Tender/051720121254577.pdf>

opportunities await those who are keen on taking up a job in the sector. The new trends that have been emerging off late are as follows:

- Cruise Ship Management
- Club Management and Recreation and Healthcare Management
- Airline & railway Catering and Cabin Service
- Hotel Tourism and Association
- Fast Food Joint Management and Restaurant Management
- Beverage, food and confectionery production
- Institutional and Industrial Catering
- Women and medical tourism and
- Government owned catering departments like state tourism hotels and restarurants, armed forces mess, ministerial conventions and railways services<sup>13</sup>.

## **Conclusion**

The future of Indian hospitality and tourism industry seems to be very positive due to increased flow of business and leisure travelers. The hotel industry in India is making a remarkable progress in private sector. In India, the industry supports 48 million jobs, directly or indirectly or 8.27 per cent of total employment and accounts for 5.83 percent of the GDP, according to Department of Tourism estimates.

The major star hotels in India are in private sector. Gradually the hospitality industry is professionalized and accepted as a way for generating profit- in other words as a service industry. Hospitality industry has played an important role as in a sophisticated fashion and backed by many industries like airlines, cruise ships, rail roads, and motor coaches. This paper is started with significance of marketing mix in hospitality industry which are required to increase market share of the hotels. Based on this premises, this study helps to understand various reasons government initiatives and trends those helps to make hospitality industry more flourish.

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<sup>13</sup> <http://info.shine.com/industry/hotels-hospitality/12.html>

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