

9. Hospitality Industry of India - Its present status and future prospects

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Abstract

The Industry of Indian Hotels is quickly developing. This is attributable to Government of India's interventions to promote structural reforms, amendments to various fiscal policies, the allowance of foreign direct investment and so forth. This essay charts the history of the Indian hotel industry in India from colonial periods so that its various phases of development are recognizable to the reader. This paper would also stress the position that the Government of India has played and influenced these decisions in the growth of this industry in various stages of history. Indian hotel firms have been exploring the role they have played in building hotels and introducing these hotels to global markets. Readers would be made acquainted with the problems faced by the advent of international hotels in India and what it means for Indian Hotel Industry. They also explored thoroughly the means and approaches to join global methods and the explanations for this. The history of the classification of hotels in India has been addressed, and how it took on the modern type and how it was published. The paper examines the literature evaluation from different sources to evaluate the important structure and dynamics of hotel industry in India in the 20th century.

Keywords: Hotel, Hospitality, Foreign, Industry, FDI

Foundation of Professional Hotel Industry in India

In colonial times in towns like Calcutta, "Mumbai and Delhi the professional hotel industry in India was founded by British citizens. The Shimla & Mussourie hilltops also bear witness to the establishment of hotels for visitors who search for cooler summer destinations. Chales Ville in 1861

and Savoy in 1895 are part of the hotels that were built at the beginning of the XVIIIth century. Hotel Shimla Clarkes was founded in 1898 and hotel Savoy was founded in 1902 (Bond 2003).”

In 1903, in a large scale hotel was founded by Jamshedji Tata, creator of the Tata Empire in Mumbai, the first hotel ever to be designed by the Indian business manager (Allen 2008). “He took over Clarkes Hotel (formerly known as Carlton Hotel) in Shimla and Delhi from Rai Bahadur Man Singh, the promoter in 1934, and took over Grand Hotel in Calcutta in 1938. The Rugby, Matheran (1876), the Grand Calcutta 1930, the Cecil, Mussoorie were some other big hotels constructed during the Indian British time (1936).”

The first Prime Minister of India, Jawaharlal Nehru, recognized the need to construct hotels for international dignitaries and this contributed to the construction of Hotel Ashok in New Delhi's first government. Indeed, since independence, India has seen phenomenal economic development. Indian Tourism Development Company was founded by Indian Government (ITDC) built and operated hotels across India in 1966 (the Ashok group, 2014). “In 1982, several hotels were established in India hostel Asian games and to receive tourists. Seven Hotels have been designed by ITDC alone, including Kanishka, Ashok Yatri Niwas, Akbar Hotel, Lodhi Hotel, Ranjit Hotel and Qutab Hotel” (Davendra 2011).

Taj Palace, Asian Hotels-Hyatt Regency, Le Meridien and the Surya Sofitel hotels established in New Delhi have been given a license by the Government of Indian Republic. The transition that happened was another enormous leap that contributed to the development of the hotel industry in India. In the 1990's, India, which historically was a socialist nation, began economic reforms to render investment more desirable. This contributed to the hotel industry's massive growth.

Growth of Indian Hotel Industry

The overall amazing development culminated in major investments in the hotel industry, with new Indian and international hotel chains taking part in the Indian landscape. Hotel development in India is powered by the growth in tourism. The recent campaign by the Government of India on "Incredible India" has strongly influenced Indian tourist visits (Thadani2005). “The 2013 Annual Summary of Crisil Report highlighted the following information regarding the Indian hotel industry. The hotel



industry has an annual growth rate of USD 3.8 trillion, which stands at 12 percent.” The hotel room stock is reportedly about 110,000, and the current requirement is around 150,000.

However, rising information technology and associated facilities are main explanations for the boom in the hotel industry. “Foreign portfolio buyers, funds, equity and investment capitalists are also drawn by growing stock and new market prospects. However, such causes, such as Extremism, H1N1, Travel Advisories and other diseases, are major challenges to the industry. The growing industry of BPO is also leading to the development of the Nassco hospitality industry (2013). The visitor influx felt by 3.3 per cent in the years 2009-10, according to the annual study of Taj Hotels in 2009. Indian Hotels' successful commercialization culminated in global growth in these hotels. In Foreign Markets, several of these hotel chains are respected.” This optimistic picture of Indian hotels led to the world popularity of hotel chains and a variety of hotel chains such as Taj, Oberoi, ISTA Hotels etc. have forged on the global market.

In 12 nations, Taj Hotel is operating (Taj Party 2014), including the United Kingdom, USA, Malaysia, South Africa, Maldives, Sri Lanka, United African States and Zambian nations. Likewise, In Indonesia, Mauritius, Egypt and Saudi Arabia, Oberoi hotels are present. For world-class hospitality facilities in the host countries these hotels are valued.

In November 2010 Indian hotel leaders such as “P.R.S. Oberoi won in New York's Hotel Magazine 2010 in the form of the vote of the magazine's readers in more than 150 countries.” The award was given to the public. The chain of hotels was also honored as the World's Highest-Rated Luxury Hotel Brand for its outstanding quality, value for money and the cleanliness of hotels and facilities (Oberoi Hotels, 2014).

Indian hotels actively innovate to support domestic and foreign rivalry. “The Indian hotel chains have diversified from super deluxe chain to modest and low-cost locations. Indian Hotels have thus grown into affordable, creative, and highly guest-oriented hotels that have effectively settled on global markets. Indian Hotel chains use state-of-the-art marketing methods such as internet marketing, marketing of social networking, newsletters, direct marketing, travel services (Sufi 2012).”



“In Indian hotels, outstanding quality and guest satisfaction have developed world class brands. Indian hotels at international level have received too many distinctions over the years. In addition to being consistently granted superior services and consumer loyalty by the foreign bodies, hotels like ITC hotels, Taj Hotels, Oberoi Hotels, Ananda In The Himalayas and other hotel chains were also consistently awarded.”

The Galileo-Express Travel won ITC Hotels the World's Premier Name. 2008 & 2006 Global Honors The best heritage hotel brand in 2006 was awarded to ITC Welcome Heritage. “In the April 2004 issue of their industry & travel magazine ITC Sonar, Kolkata was proclaimed to be one of the best hotels on earth by the British Travel Agents Association (ABTA). ABTA has named Dublin as the greatest restaurant in Asia and the world's finest indian restaurant in the top 20 bars and Bukhara as (Itcportal.com, 2014).

Over the years, Indian Hotel Industry has developed immensely. The private initiative contributed to the world's best expectations and global acceptance by various hotel chains. These hotel chains have shown that Indian hotel chains have immense opportunity and have the courage to build on competitive opportunities by expanding in global markets. However, considering the aggressive growth of both Indian and international hotels in the hotel industry in India, competition between the world's top rated hotels is not that impressive. There are few hotels among the best hotels in the world, but they are comparatively lower in size. The success tales of the above select number of hotels reflect a few hotel chains. Hotels in India are awarded by government bodies as five stars and five-star premium brands but are not recognized nationally and internationally. In reality, this has led to concerns about the approval mechanism in India in general. (Nath 2013, Chopra and Sharma 2013 2006).

The Indian Hotels chose to enter in the multinational hotel chain and to become a multi-branding system to stay successful in order to solve those problems. Via their name image, these Multinational Hotel Chains have a lead over independent hotels. Thus the Multinational Hotel Chains religiously boost their quality of service and image through naming and outstanding facilities (Ambwani 2012).” The clients of this Multinational Hotel Chain know the quality levels everywhere and the facilities provided by the hotel please them.

Foreign Hotel Chains in India

India is continuously improving the environment for promoting Hospitality and Tourism sector through economic reforms. This has contributed to the growth of International Hotel Chains in India because of the broad opportunities provided by foreign investors in this market. The influx of USD 6000 million in Indian Hospitality in 2012-2013 (Oifc.in, 2014).

The Government of India has taken several initiatives to make this sector more lucrative and attractive. "This is mainly because it is the second largest employer in the country and has potential to offer job opportunities to large number of population of varied levels of skills. These initiatives include 100% foreign direct investment, concession on income tax paid by employer on salaries and wages to specific cadre of employees" (section 10(5) B), single window system for providing various licenses and grants at Central and state level to reduce the bureaucratic control, Tax Holidays. The result of these initiatives has been the Annual Growth Rate of 14 % for the Hospitality sector-consistently. It is very much clear therefore that Indian Hospitality sector has a tremendous potential of growth.

The growth of hotel industries in India has been propelled by the phase of globalization which is described as the 'economic integration process of the world by eliminating barriers to free trade and capital flow, as well as by dissemination of knowledge and information. The globalization's most characteristicly are the emancipation of foreign exchange, FDI's growth and the advent of large transfrontier financial flows (Joshi, 2005) and the globalization's major aspects are well-recognized. This has contributed to more global rivalry. (Bhattacharya & Varshney 2009).

Most markets are internationally controlled by big firms known as foreign businesses, multinational corporations and transnational companies. A substantial proportion of industrial activity in the country, 65,000 MNCs with more than 8 Lakh affiliates are responsible for development, jobs and trade (Cherunilam 2009). In reality, a mixture of 'push' and 'pull' factors are widely used for motivating greater globalization among the foreign hotel companies (Barker and Aydin, 1994).

As mentioned earlier, the multinational hospitality groups head for India utilizing various business penetration techniques. Host countries' needs were grouped into five groups: (1) goods readily

financed (capital, raw materials supply and equipment), (2) manpower resources needs (general managers and other special-functional staff), (3) business access criteria (export and channel access), (4) government and political needs, and (5) information requirements. Beamish (1987) Meleka (1985) has explored the advantages that the host countries are supposed to achieve: national economic development; increasing national jobs; education and governance development; reinforcing domestic industries by co-ventures. The company's requirements go hand and hand and include: access to finance, marketing knowledge, regulatory and tax relief, healthy economic conditions and strong human capital.

Keeping in view the dynamics of Indian market which act towards the growth of Indian Hospitality sector, foreign hotel chains are attracted towards Indian market for growth and diversification. However, these Hotel chains have their own marketing philosophy and use bit different marketing techniques in Indian market. For example Premier Inn Hotels which is a budget Hotel Chain in UK pitches itself as mid market value for money hotel brand. Verma (2013) reported that International Hotel Chains pitch themselves at higher equity in India. These hotels provide restaurants, banquets and in room dining facility in India which these hotel chains do not normally provide in their host countries. Further the costs of the real estate in India is 30-40% higher than in other countries forcing these hotel brands to go for higher level branding so that they can recover the investment faster.

The hotels operate in a specific Indian marketing environment which gives the industry its own opportunities because of the wide gap in various hotel segments. The foreign hotel chains which consider India a favorable place to growth and survive are taking advantage of this opportunity (Varma 2009).

Foreign hotel chains in India are very competitive and use sharp marketing tactics to make a way in the Indian Hospitality Market. These hotels are reaping the full benefit of economic liberalization and reforms in foreign direct investment in this sector. The foreign hotels are reshaping themselves to make them suitable to Indian market. For example, For example Premier Inn Hotels which is a budget Hotel Chain in UK pitches itself as mid-market value for money hotel brand has pitched itself at higher equity in India. Also these hotels provide restaurants, banquets and in room dining facility in

India which these hotel chains do not normally provide in their host countries (Verma 2009).

The Hilton Hotels made a re-entry in Indian market with a bouquet of Hotels from upscale luxury hotels to mid-scale one. The hotel chain has a joint venture with real estate giant DLF. Similarly Intercontinental Hotel Group (IHG) in its annual report (2012) reported that the company is going to reposition itself in India by moving itself from being franchisee to management contracts. The company shall be putting franchise contracts to end and signing new hotels under management contracts in Tier 1 cities of India. "The other hotel chains including Marriott, Hyatt Hotels Corp, InterContinental Hotels Group(IHG), Hilton Worldwide and Accor SA have joined forces with numerous developers and investors in order to open up a number of hotels in the region, among others. It is anticipated that 65,000 to 80,000 rooms in 850 international hotels will be added to the Indian inventory according to the ICRA market research agency (Ghosh, 2012). Apart from luxury and premium segments of the market, the foreign hotel chains are also targeting upscale, mid scale, budget and upper budget segments." These hotel chains are funding the projects as well - otherwise these chains used to enter through management mode to foreign markets. "These hotel chains are pushing for decrease in room rates of premium luxury Indian hotel brands and these Indian Hotel chains are under pressure because of the competition from these foreign hotel chains . It is clear from the discussion that not only are foreign hotel chains increasing in the number, but they are also posing a major threat to Indian Hotel chains within Indian market.

Hotel Classification System

The mechanism of the classification of hotels in India began in 1956 with the government forming under the leadership of M. S. Oberoi a hotel quality and rate structure committee, establishing the following goals (Seth 2006).

To lay down criteria for the purpose of classification of Hotels in India, keeping in view

International standards that apply to similar establishments elsewhere;

To suggest ways and means for promoting tourist traffic to and in India.

To suggest arrangements or improvements on existing arrangements desirable for promoting international and external tourism.



With this, the process of classification system of Indian Hotels started and the recommendations of the same guidelines were used till 1955 when the revision of the classification norms initiated. The committee was set up to decide the legislation that are necessary for Indian hotel Industry keeping in view price level prevailing in India and also to suggest suitable rate structure for the Hotel Industry.” The committee decided to accept classification system based on star rating system. The recommendations of this committee were accepted by the Government of India. The committee travelled all over India and classified 186 hotels. India adopted the point based system of Hotel classification based on level of facilities available in the Hotel (Bhatia 2008).

However Chopra (2006) has posed doubts that the requirements are haphazard, as “the Indian hotels that claim to be five sterne hotels cannot follow the international standards since they do not provide the quality of facilities that International Hotels provides. In 2003 the Ministry of Tourism renewed the guidelines of hotels so that indian hotels rate high on worldwide scale as well.” There are few five star hotels only which rank on global scale as well, many of our five star rated hotels do not appear anywhere on global scale.

The Ministry of tourism recently revised the norms again in 2013 on the basis of suggestions provided by the Hotel Industry so as to make the Hotel Industry more customers focused with increased level of service. The new guidelines also aim at providing the guest all the information about the services offered by the hotel on their website. However, the market usually did not embrace these recommendations well. Summary of the views of the Hospitality Managers who shared concern that current Rules include minute specifics such as curtain hooks and water spray curtain blackout bathrooms used to test hotels (Sharma 2013) in a study published in Economic Time. It was also found out that the Ministry of Tourism's latest recommendations are too poor for hotel brand standards.

The Ministry of Tourism classifies hotels in the category of hotels and categories of patrimony of (historic, traditional patrimony and traditional patrimony basic) according to the classified stars (one, two, three, four and five star hotels). Hotel and Restaurant Acceptance & Rating Committee shall carry out review of hotels, examining and reviewing hotels according to the amenities and services available. In order to award the rank star to the hotel the committee evaluates the projects according to

the following parameter: (MOT 2013). These parameters include, location details, status of ownership, site details, project details (size, area, facilities, energy conservation, etc), blue Prints of all areas, proposed capital structure, skills development initiatives (running training courses).

The part two of the norms deal with the level of services that the hotel should offer. These facilities are further classified as guest room facilities, bath room facilities, public area facilities, facilities for disabled, food and beverage facilities, facilities in kitchen, guest services, safety and security, communication facility, eco friendly practices etc.

However, the intention of the Ministry to upgrade the level of service and quality of the Hotels through the new guidelines is a question mark. Many of the hotels, which have been allocated as five star statuses seem to be lacking basic levels of service as per the opinion of tour operators. "The Federation of Hotel and Restaurant Association of India in its report on Hotel Classification (Nath 2013) summarized the views of the Hotel General Managers, Tour Operators and other stake holders." The report clearly expressed dissatisfaction with the new classification guidelines on account of the issues like classification being a deterrent for many hotels as tax structure of classified is higher in some states, minimum wages higher for three, four and five star hotels, increase in license fees. "Also the marketing support as claimed by Government for classified hotels is of no real value because the guests do not refer to these guidelines rather they refer to the websites like trip advisor etc. Micromanagement by Ministry in hotel operations like number of hooks hotel should have behind bathroom door etc leave hotel executives frustrated." On the other side, the positive side of the guidelines include, conformity to bench mark, enforcement of laws, enforcement of energy conservation, ensuring safety and security and providing a platform for hotel quality to guest. Many hotels which have been categorized as five star and five star deluxe status lack the service standards and do not deserve such a high level of accreditation.

Conclusion

The debate indicates that the Indian hotel industry is quickly rising. The Indian and international hotel firms have been vying for cheaper room rates. While certain hotel businesses in global markets have won a reputation, many others are suspected of missing the standard of service that may not fit the category of hotel classification stars. The government will play the best role in such circumstances by

promoting external expenditure, reforming tax structures, investing trust among hoteliers, reducing luxury and utility charges so that costs of services provided by hotels are reduced. In order que la transparence be assured and only worthy hotels receive the highest ranks, the government could hand over the phase of classification to private players such as FHRAI.

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