CHAPTER-I

INTRODUCTION

In this modern world services are widely used by people in all aspects of life. They are largely used from education to entertainment, finance to fast food, travel to telephone, advertisement to amusement parks, market research to maintenance services, retailing to recreation and so on. Now-a-days services are increasingly being used by the corporate as well as the household sector. This emphasis on services and its increasing use has not happened started in the twentieth century especially after the end of the II world war. In the developed societies, service is one of the targeted growing sectors and is becoming more and more pronounced vis-à-vis agriculture. In the developing countries too, service industry is becoming one of the major employers.

Today, the fastest growing segment of the US economy is services. The economies of other countries are also dominated by services. This trend has been so strong that some people term it as ‘the second industrial revolution’.

Services’ marketing has occupied a vital place in business studies all over the world. The concept was conceived in advanced countries in 1970s. Marketers in these countries were applying the traditional marketing techniques for marketing the services. Actually they were not differentiating between the marketing of physical goods and of services. The paid service organizations like financial institutions were also thinking that service was just an augmentation of the physical product, or that
could be considered a product itself if no physical product was involved. In reality, they were performing the marketing of services. They never considered this as a separate powerful activity which could bring more income and increase the standard of living. This sector started contributing mainly for the gross domestic product (GDP). In many advanced countries, the contribution of service sector to GDP is 75%. As early as in 1948, 54% of the GDP of United States was generated by services which have increased to 80% in the year 1999.

In 1990s and particularly at current juncture “quality” concept was introduced in services marketing. A feeling is also developing that services marketing is important not only in services sector but also in every business enterprise. Enterprise which deals with physical products and some services are an integral part of business operations. The success of marketing depends upon the quality of service rendered by each service provider. Several physical products need the help of service sector to reach the consumers. Many developed countries have realised that service sector is vital for the economic development. For example, without the development of transport system – Air, water or land, physical products would not have been moved from production points to the markets and ultimately to the target consumers. Without the financial services, many industries would not have emerged. The recession experienced recently in the economies world over is due to the failure of the financial services. Today every economy in the world continues to depend on the service sector to faster the manufacturing, farm and trade sectors. Hence, service sector is now recognized as a vital sector of the economy.
On the whole, service marketing is emerging in a big way. Service sector is also contributing largely for GDP of many countries. There are very many reasons as to why service sector is growing and has become a vital sector of the economy.

Economic reasons include the fast growth in world market due to globalization of business by many countries of the world. Globalizing the business activity has created greater demand for services such as communication, transport and information services.

Politically every country is growing because of splits like the one in Russia. Besides the emergence of new countries, the governments of different countries are expanding their activities. The expansion activities are giving scope for the creation of huge infrastructure and in turn creating a great demand for legal and transport services. Even the financial services are assuming new dimensions in the process and these create more employment opportunities.

Demographic changes are also providing scope for expansion of some services. Raise in life expectancy has expanded the retired population. The growing number of retired people has given scope for raising health care services, nursing, and tourism and hospitality services.

A social change has taken place in every society and is continued at a faster rate. Today, female population is increasing in the employment sector. Majority of the families in domestic front have working women. This has created two things - i) increased income to the family a positive factor and ii) heavy workload for these working women. Many services areas have emerged to help these women
work force. With the increased income, a portion of it can be spent for their welfare and new food habit is emerging in the society i.e., “Eat Out”. The fast food industry is growing on this count.

As a part of social change, international tourism is on the increase giving scope to sophisticated financial services and developing hospitality industry by creating international chain of hotels. These have created more consumer tastes demanding high quality services domestically and internationally.

In the ultimate analysis, we observe that many service sectors are emerging due to complexity of life, increased disposable income and change in quality of thinking.

Communication services and wide travel have changed the life style of people, giving scope for creation of more services and strengthening of the service sector. Many business houses today have developed a tendency to hire specialist service providers for their operations. Specialized services like advertising, recruitment, transport, computer services, catering, and training the employees have gained recognition and every business house is looking for such services to professionalize their business operations. Thus, services’ marketing occupies a significant place in marketing system.

The service sector is assuming increasing importance in the Indian economy. The share of agriculture sector, which constituted over 50 percent of GDP in 1960s, has now come down to around 24 percent in 2000-2001. There has been substantial increase in the manufacturing sector but the bulk of transformation has
been in the service sector. The weightage of service sector is an indication that in future, India's GDP growth will be influenced considerably by the service sector.

The service sector dominates the Indian economy today, contributing to more than half of our national income. It is also the fastest growing sector, with an annual growth rate of 8% per year. In the 90s, one in every two Indians earned his livelihood by providing services. India ranks fifteenth in the services output and it provides employment to around 23% of the total workforce in the country.

Though service sector is India’s number one sector contributing to more than 40% of GDP, it contributes less than one per cent of the gross tax structure. With economic reforms, the tax structure in the manufacturing sector is being rationalized and in order to widen the tax base, service sector is being increasingly included in the tax net. Since the budget presented in 1994, more and more services are being taxed. While services such as insurance, advertising, brokerage, telephones, paging and couriers have been taxed in budgets prior to 1997, six more broad categories have been included in the 1997 budget. The proposals on service tax are estimated to yield revenue of ` 1,200 crores in a fiscal year.

Service tax is fast turning out to be an important tool of revenue collection for the central government. The directorate of service tax, which began with a modest collection of ` 410 crores in 1994-95, expects to mop up nearly ` 5,000 crores in 2001-2002, twice the amount collected in 2000-2001. Interestingly 83% of the total revenue is contributed by only five sectors. Of these, telecom services have
contributed to 51% of the total revenue during 2000-2001. Insurance, advertising agencies, courier services and stock brokers are the other major contributors.

The importance of service sector in Indian economy can be further gauged by the fact that the majority of new employment in the organized sector has come in the service sector only. Whereas the total employment in the organized sector in the last 25 years has increased by around 57%, the increase in employment in service sector in the corresponding period has been around 70%. The details of some of the fastest growing services sectors in India are given in the following figure:

![Services Sector Diagram]


“Establishments primarily engaged in providing a wide variety of services for individuals, business and government establishments, and other organizations like hotels and other lodging places, establishments providing personal business, repair and amusement services, health, legal and engineering and other professional services, educational institution, membership of organization and other miscellaneous services are included.”¹
DEFINITION AND CHARACTERISTICS OF SERVICES

According to Kotler, a service is “any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”. ²

According to Stanton, “Services are identifiable, intangible activities that are the main object of a transaction designed to provide want satisfaction to customers”.³

According to Adsin Palmer, the services constitute “the production of an essentially intangible benefit, either in its own right or as a significant element of a tangible product, which through some form of exchange, satisfies an identified need.”⁴

The American Marketing Association defined services as “activities, benefits, or satisfactions which are offered for sale, or provided in connection with the sale of goods.”⁵

Robert Judd defined service as “a market transaction by an enterprise or entrepreneur where the object of the market transaction is other than the transfer of ownership of a tangible commodity”.⁶

Another approach to understanding services is to compare them with goods or products. Thus in relation to goods or products, goods may be defined as the “Articles of trade, merchandise or wares”. Alternatively something which can be physically touched, verified, and seen or exchanged with or without making a profit
on such exchange is a product while the services may be defined as the organized system of apparatus, and/or employees for supplying some accommodation and activities required by public. Thus it is clear that goods are like food, clothes, books, etc. that can be carried home, they are stored in a place and tangible while on the other hand hotel business, haircut, auto repair, legal work are all services. These services can't be stored at any place and one has to hire someone else to perform services. They are not taken home but consumed in the process of production. Similarly, one only carries home the effect of hire of service. The effect of service may be enjoyment, entertainment or recreation or a clean house, or a relief from legal problem or from an ailment.

Thus we can finally differentiate between the definitions of goods and services on the basis of:

1. Tangible physical objects,
2. Transferability, and
3. Existence.

But here it is maintained that even if one buys goods or a product which are tangible, he also buys services. On the other hand services rendered involve purchase of goods, either directly or indirectly. For example services of car Rental Company are based upon its purchase of car. Therefore it can be said that whenever one buys any goods he buys some services along with the goods and if he buys services, he indirectly buys goods too.
Similarly, when one takes meals at expensive restaurant, he does not pay only for eatables but also for many such things such as environment, aroma provided by food items, services of waiters, surroundings of fellow diners etc. It is difficult, if not impossible to find out how such weight does each of the above factors get. It calls for an evaluation of the relative importance of goods and services content in restaurant so that due attention could be paid to obtain components of products and services in the overall package.

Unlike that of goods or products, services have some distinct characteristics which call for separate attention with respect to delivery system, organization, and all other areas of management. The important characteristics of services are given below.

One cannot physically touch the services like that of goods. According to Carmen & uhl \(^7\) a buyer of a product normally has an opportunity to see, touch, hear, smell, and taste them before buying. But in the case of services, the buyer has no opportunity to see, touch or smell before he uses. They are even more difficult to describe except illustrating them in promotional material. Services carry with them a combination of intangible perceptions. For example when an airline sells a seat from destination X to destination Y, it is a matter of consumers' perception of the services than touching, smelling or tasting etc.

Like Labour, services are also perishable. Once a labourer stops working, he can't store the services that he was rendering. Similarly, services can't be inventoried. Examples of perishability of services may be given as a seat of an
airline, room of a hotel, and an hour of a lawyer’s day. In services organizations there is no store for services, in fact these are consumed during the process of manufacturing and hence leave no chance to set off shortage of demand with high demand. There is no difference between stages of production too.

Yet another characteristic of service is that, it is not separable from the seller. In other words it can be said that services and service provider are almost the same. One can easily understand it in the words of Donald Cowell that “goods are produced, sold and then consumed whereas the services are sold and then produced and consumed.”

Another characteristic of the service is that of ownership. After the sale has taken place goods are transferred to the name of buyer and he becomes owner which is not there in the case of services. The buyer has only the access to the services. He simply uses them. For example, a customer can use a hotel room or swimming pool but the ownership rests with the hotel.

According to industrial classification establishments engaged in providing services for individuals, business and government establishments, and other organizations—hotels and other lodging places, establishments providing personal, business, repair and amusement services, health, legal, engineering and other professional services, educational institutions, membership organizations and other miscellaneous services are included.

Looking at the definition and characteristics, one can observe that companies engaged in tourism business provide a wide variety of services like air
ticketing, hotel booking, arranging transports and guides, selling package tours and arranging visa, etc, which are perishable.

**IMPORTANCE OF SERVICES MARKETING**

The services sector if marketed in a right fashion, contributes substantially to the process of development. The speed of socio-economic transformation can be increased sizeably if the innovative marketing principles are practiced. We can’t deny the fact that in the years to come the services sector would get a conducive environment with profitable opportunities. The following facts about the optimal development of the services sector would pave copious avenues for the development of national economy:

- Creation and expansion of job opportunities.
- An optimal utilization of Resources.
- Paving avenues for the formation of capital.
- Increasing the standard of living.
- Environment friendly technology.

**SERVICE – BASED ECONOMICS**

There is a growing market for services and increasing dominance of service in economics worldwide, not just in India. This tremendous growth and economic contributions of the service sector have drawn increasing attention to the issues and challenges of services sector industries worldwide.
<table>
<thead>
<tr>
<th>Country</th>
<th>Percent of GDP Attributed of services (2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>78.6</td>
</tr>
<tr>
<td>France</td>
<td>77.2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>73.9</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>73.4</td>
</tr>
<tr>
<td>Japan</td>
<td>43.1</td>
</tr>
<tr>
<td>Sweden</td>
<td>70.9</td>
</tr>
<tr>
<td>Australia</td>
<td>70.0</td>
</tr>
<tr>
<td>Germany</td>
<td>70.0</td>
</tr>
<tr>
<td>New Zealand</td>
<td>70.0</td>
</tr>
<tr>
<td>Canada</td>
<td>68.8</td>
</tr>
<tr>
<td>Singapore</td>
<td>68.5</td>
</tr>
<tr>
<td>India</td>
<td>66.2</td>
</tr>
<tr>
<td>Brazil</td>
<td>60.7</td>
</tr>
<tr>
<td>China</td>
<td>40.0</td>
</tr>
</tbody>
</table>

Source: Services Marketing Valarie Zeithml world fact book published by Central Intelligence Agency.

**ROLE OF SERVICE SECTORS IN INDIA’S GDP**

Service Sector in India today accounts for more than half of India’s GDP. According to data for the financial year 2006-2007, the share of services, industry, and agriculture in India’s GDP is 55.1 per cent, 26.4 per cent, and 18.5 per cent respectively. The fact that the service sector now accounts for more than half of the
GDP marks a watershed in the evolution of the Indian economy and takes it closer to
the fundamentals of a developed economy.

<table>
<thead>
<tr>
<th>YEARS</th>
<th>AGRICULTURE</th>
<th>INDUSTRY</th>
<th>SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>20</td>
<td>26</td>
<td>54</td>
</tr>
<tr>
<td>2006-07</td>
<td>19</td>
<td>26</td>
<td>55</td>
</tr>
<tr>
<td>2007-08</td>
<td>17</td>
<td>29</td>
<td>54</td>
</tr>
<tr>
<td>2008-09</td>
<td>15</td>
<td>28</td>
<td>57</td>
</tr>
<tr>
<td>2009-10</td>
<td>14</td>
<td>29</td>
<td>57</td>
</tr>
<tr>
<td>2010-11</td>
<td>13</td>
<td>28</td>
<td>59</td>
</tr>
</tbody>
</table>


The hotel and tourism industry’s contribution to the Indian economy by way
of foreign direct investments (FDI) inflows were pegged at US$ 2.35 billion from April
2000 to February 2011, according to the Department of Industrial Policy and
Promotion (DIPP).

The service quality (SERVQUAL) Model offers a suitable conceptual
frame for the research and service quality measurement in the service sector. The
model has been developed, tested and adopted during various researches in co-
operation. The model is based on the defunction of quality as a comparison to the
expected and the obtained as well as a consideration of service quality in the
process of service provision. SERVQUAL is based on the clients’ evaluation of service quality.

The described concept is based on the services’ quality between expectations and perception of the clients. Service quality represents a multidimensional construction. The choice of the most important characteristics was an issue dealt with in various ways. One of them is a logical attempt to work out a list of desirable attributes from the basic needs of the customers. A variant of a scale containing desirable characteristics of services, known as SERVQUAL scale, is currently quite popular in literature.

It was developed in marketing circles with the aim to measure service quality. In the original SERVQUAL instrument, Parasuraman (1985) define service quality through five dimensions which they sum up in 1988.

KINDS OF SERVICES

Sky is the limit for marketing services. Almost all the countries of the world, of late, have been seen assigning transcendental priority to the development of services sector. In the advanced countries of the world, we find the services sector contributing to about 70 percent in the job marketers. The public as well as the private sector, the domestic as well as the foreign companies, the national as well as the multinationals need to focus on the services sector.

There are a number of services likely to be productive if the policies and strategies are innovated. The kinds of services are Banking services, Insurance services, Transport services, Tourism services, Consultancy services, Hospital
services, Personal Care services, Education services, Entertainment services, Electricity services, Telecom services and Hotel services. Of all other services tourism industry is the service which the present study concentrates on.

TOURISM SERVICES

In the Indian perspective, we find Seventh Five Year Plan as a water-shed in the development of tourism industry. For the first time, the vast potential of tourism as a foreign exchange earner and generator of employment opportunities was recognized. Several policy initiatives were taken up to develop the tourism sector. In the development of tourism, the public sector has made a significant contribution. Of late, the industry is equipped with a reasonable infrastructural base and is poised for a self-sustained growth. The future growth of tourism is required to be activated with the support of the private sector. The strategy for the development of tourism is required to be designed on the basis of low-cost economy, higher level of productivity, efficiency in the use of infrastructure and sophisticated tourist facilities. In the Eighth Five Year Plan (1992-97), the special tourism areas have been selected and in the Ninth Five Year Plan (1997-2002), we look forward to energizing the process of development but the image problem is found complicating the task of professionals. The success of tourism industry is considerably influenced by consumer orientation which necessitates integrated development of all the related components like transportation facilities, hotel, communication, availability of travel agents, tourist guides etc. Among all other tourism products this study focuses only on the hotel industry, because it is one of the most essential components of the tourism industry.
The emerging positive trends in the tourism industry indicate that hotel industry is like a reservoir from where the foreign exchange flows. This naturally draws our attention on hotel management. In addition, the domestic tourism also
indicates a positive sign of development. Thus the emerging new developments in the socio-economic environment open new vistas for the development of hotel industry. Of late, the organizations engaged in the hotel business are required to conceptualize modern marketing principles. This makes it essential that they formulate a sound marketing mix that makes possible an optimal development of the marketing resources and makes the process of development cost effective. Like other industries, the hotel industry also needs to explore avenues for innovation, so that a fair blending of core and peripheral services is made possible.  

ORIGIN AND EMERGENCE OF HOTEL INDUSTRY

COMPANY HISTORY - INDIAN HOTELS COMPANY

1902

The Company was incorporated on 1st April 1902 and till 1965 owned and managed two hotels, viz., the Taj Mahal Hotel and the Green’s Hotel, with a view to construct a modern and much larger hotel on that site. The Company started the business of hotel, restaurant, cafe, tavern, beer house, refreshment room & loading house keepers. The Company owns two other properties known as Willington Mews and Mandalik House in Mumbai which are used for parking cars and accommodating some staff members.

1972

The hotel under the name and style Taj Intercontinental Hotel was formally opened on 1st August, and progressively commissioned thereafter.
1978

Taj Investment & Finance Co. Ltd. became a subsidiary of the Company with effect from 7th December. The Company holds the entire capital of 2, 46,110 equity shares of `10 each of this subsidiary.

1979

The Company finalised negotiations with the Government of Sri Lanka for putting up, in the first phase, a 400 room hotel of international standards at Colombo, to be owned by Taj Lanka Hotels, Ltd. 20, 16,000 Bonus Equity shares issued in prop. 4:5.

1980

The Company started providing technical know-how and consultancy services in the operation of a 186 room hotel known as Taj Sheba Hotel at Sanaa, capital of North Yemen Republic. The Government of India approved the joint venture project and permitted the Company to invest in it an amount equivalent to U.S. Million partly by way of subscribing to shares in cash and partly by way of earnings from export of Indians goods like furniture, fittings, carpets and hotel operating equipment. The Company borrowed an offshore loan of U.S.50 million from the Hongkong & Shanghai Banking Corporation for the purpose of making the cash investment in the equity share capital of Taj Lanka Hotels, Ltd.

1981

The Company undertook to set up a hotel of international standards at Calcutta. The hotel was commissioned during 1988-89. 18, 14,400 Bonus Equity shares issued in prop. 2:5.
1982

Delhi Development Authority (DDA) accepted the Company's offer of collaboration for the construction of a 500 room hotel in Delhi for use by the delegates and visitors to the ASIAD '82 to be conducted towards the end of the year. In the second quarter of the year, the Company made a rights-cum-public issues of secured convertible bonds of the total for putting up, in the first phase, a 400 room hotel.

1983

The Company signed an agreement with Spencer International Hotels, Ltd. a wholly owned subsidiary of Spencer and Company, Ltd., to get licenses to operate Connemara Hotel at Chennai, West End Hotel at Bangalore and Savoy Hotel at Ootacamund.

1986

The Company had taken over Hotel Chandela at Khajuraho on leave & license basis with effect from 18th December. The Company commissioned the Jai Mahal Palace Hotel at Jaipur during the year with 103 rooms.

1989

An agreement was signed with the USSR state committee for foreign tourism to establish a joint venture to start hotels in Tashkent, Samarkand and Bukhara. It was also proposed to start another joint venture in India with Lub Mediterranean Group of France known as Club Med', to set up beach resorts in India.
In addition, it was also proposed to set up a joint venture with Maharashtra State Tourism Development Corporation to establish beach resorts and hotels in Government owned lands in Maharashtra to be operated by the Company.

1994

The 110 room Taj Luxury Hotel at Lucknow was commissioned. The hotel was promoted by Taj Kerala Hotels and Resorts Ltd. at Kumarakom in Kerala. A joint venture Company with Government of Karnataka viz. Taj Karnataka Hotels & Resorts, Ltd. was incorporated for undertaking development of tourism. Taj Mumbai would operate all the hotels that would be commissioned by the new Company. Another joint venture with Oriental Hotels Ltd., viz Taj Chennai Flight Kitchen Pvt. Ltd., Singapore, Malaysian Airline System Berhad, KulaLumpur is the foreign partners. The joint venture would set up an Air Catering Unit initially in Chennai to be operated by the Company.

1995

Two new hotels of associated companies were commissioned viz., a 50 rooms Taj Garden retreat at Varkala (new Trivandrum) located on a cliff overlooking the sea and a 100 rooms business class hotels, Taj residency at Nashik, Maharashtra. The Company undertook to set up (i) Two new luxury hotels in Mumbai and one in Chennai; (ii) Land admeasuring 11 acres was acquired at Calcutta for setting up a hotel of International Standard; (iii) Taj residency in Calicut.

1996

The Company has entered into a business profit sharing agreement with H.E.H. Nizam of Hyderabad to develop Falaknuma Palace as a 5 Star deluxe
Heritage Hotel. The Company executed a Memorandum of Understanding with Rajah Muthiah Chettiar Charitable and Educational Trust for the construction of a first class international standard hotel on an area of 5 acres which is located in Adayar in the vicinity of Chettinad Palace.

The Company entered into a technical assistance agreement with Covelong Beach Hotel (India) Ltd. which was putting up a beach resort to be known as Fishermen's Cove at Covelong, about 20 miles from Chennai. This hotel was to have about 80 rooms with all related facilities.

1998

Indian Hotels Company Ltd, an off-shoot of the Tata Group which owns the Taj Group of Hotels, has signed a joint venture with the Pune-based Dynamic Logistics for setting up a 125 room five star hotel in Pune Christened Taj Residency. Indian Hotels has become the first hospitality company to begin offering stock options to its top employees. Taj Palace Hotel was the only Indian hotel to win the Best Business Hotel in Asia 1998’ award.

1999

Indian Hotels & Health Resorts (IHHR) is setting up a destination resort and spa called `Ananda-in the Himalayas', in Narendra Nagar near Rishikesh. The company, set up to develop health resorts, spas and city centre luxury boutique hotels in India and the rest of south-east Asia, is planning to set up a series of destination spas on the lines of the famous Chiva Som of Thailand.

The company is also looking for a joint venture with an international partner to manage and run the group's London-based St. James Court. Indian
Hotels proposes to buy 6.3% stake in Oriental Hotels. Indian Hotels Company Ltd (IHCL) proposes to buy 6.28 per cent stake in the Chennai-based Oriental Hotels Ltd, from its wholly-owned subsidiary, Taj Investment and Finance Company Ltd (TIFCO).

2002

The Indian Hotels Company, planned to re-enter the budget hotel categories in Gateway Name. Indian Hotels company has announced for the investment of million to acquire international hotel chains abroad. Indian Hotel Company has passed a resolution to raise the long term debt funds for the company’s modernization and expansion programme. Indian Hotel Company has returned back its 8 acre hotel site in the city to Kolkata Municipal Corporation. Indian Hotel Company Ltd is in talks with Chaudhary group of Nepal and an African company to make its debut in environmental/wildlife tourism in India.

2003

The Indian Hotels Co. Ltd has embarked upon major renovation and upgradation of its leading leisure hotel properties in Kerala, Goa, Rajasthan and Tamil Nadu, which costs around ` 1,00,00,00,000.

2004

American Express, the travel-related services company, has tied up with Taj Hotels Resorts and Palaces for a money-saver programme for holders of the AmEx corporate card. Taj Hotels inks pact with CC Africa to promote wildlife tourism in India Taj Hotels partners with Denis Island
The Company delists shares from Madras Stock Exchange Ltd (MSE) w.e.f. October 13, 2006. Indian Hotels attempts to set up three hotels in South Africa. Indian hotel may tie up with EMKE Group.

2008

Dun & Bradstreet was awarded the American Express Corporate Awards 2007 among India's Top 500 Companies in the Hotels category - The Indian Hotels Company Ltd. Launches the Gateway Hotel Chain.

2009

Apart from featuring in the Guardian Newspaper's Top 10, the Bombay Brasserie has also been awarded during the British Curry Awards 2009. The Bombay Brasserie got the most coveted award of the night as the best restaurant in London. Jiva Spa is nominated for the award of 'Best Spa Treatment – Ventoz. Asia Spa India Awards held on 8th April 2009 held at Delhi.

2010

Taj Hotels Resorts & Palaces wins Gallup Great Workplace Award 2010, among the 25 distinguished organizations that will receive the 2010 Gallup Great Workplace Award at a gala during the Gallup Summit 2010, April 27-29 held at Omaha, Nebraska, US.¹¹

Taj Hotels Resorts and Palaces, one of Asia's largest and finest group of hotels, and victoria-jungfrau collection, an exclusive hotel group comprising four of Switzerland's leading luxury hotels have entered into a strategic joint marketing
alliance to develop cross-promotional opportunities for both companies to harness each other’s strengths in their respective markets.

The Gateway Hotel Beach Road Calicut has been voted India’s Best Five Star Hotel in the National Tourism Awards 2008-2009 by The Ministry of Tourism, Government of India.

2011

Taj Hotels Resorts and Palaces opens a new hotel - Vivanta by Taj-Dal View, Srinagar. ¹²

EMERGENCE OF HOTEL SERVICES

From time immemorial, Hotel or Hotel Industry provides both safe food and safe accommodation to the customers. Food, Clothing and Shelter are the three basic needs of any human being. Of these Hotel Industry alone provides the two basic things: - Food and Shelter (accommodation).

In ancient days, many types of facilities are provided to the pilgrims to stay at pilgrimage centres. Dharmashalas were the main places to stay at pilgrim centers. The facilities in these dharmashalas were provided by local philanthropists or by temple authorities free of cost or on minimum charges to the pilgrims. These facilities were provided by all religions of the world. Churches, Cathedrals and Buddhist monasteries were providing facilities to the pilgrims. Inns and taverns emerged on the scene and were doing well up to the downfall of Roman Empire. Inns could not do well as travel of traders was infrequent. The crusades in Europe in
1095 A.D. laid the foundation for social revolution. This provided a firm base for the development of trade business. In this period, inn-keeping became a prosperous activity and was quite remunerative for people. The first tavern came into being in 1634 in the USA. The “Hotel” emerged from these taverns. In the beginning of nineteenth century, the term ‘Hotel’ was accepted to describe “A Place where people stayed for the night and took their meals on a payment basis”. Then onwards hotel assumed different dimensions of service and emerged as an industry.

The common law says that hotel is a place where all conduct themselves properly and are able and ready to pay for their entertainment, accommodation and other services including the boarding like a temporary home. It is a home away from home where all the modern amenities and facilities are available on a payment basis.

Hotel Industry belongs to the service sector. As everyone understands, hotel is a place where people will stay by paying the prescribed charges. They get personal comforts like comfortable living for any number of days, for which they have to pay on daily basis, and also avail other services like delicious food, calm and independent ambience. Besides basic living amenities, one can get entertainment, sport facilities, sight-seeing and various other comfort services on paid basis.

In our modern day thinking, the extending of hospitality appears merely as a result of “give” and “take” philosophy. Gradually, the hospitality emerged as an industry as we professionalized the concept and accepted it as a way for generating profit - in other words, as a service industry. The hotel industry has played a significant role as a leisure industry and has developed in a sophisticated fashion. This has benefited
good number of industries like airlines, cruise ships, motor coaches and rail roads. In addition, the travel agents and tour operators have also been found developing professional excellence.

The Indian hotel industry, like any other industry, is facing changes in policy, technology, and customer aspirations. With the opening of the Indian economy in 1991, leading chains have been entering Indian market through joint venture options and franchising.

One of the chief trends being witnessed in the Indian hotel industry is the increasing competition. With the influx of international brands in India, the consumer experiences a wide variety of product options and facilities. Consumers are getting better educated and aware of the issues that affect them. There is an increased amount of spending on leisure activities. There is also an increasing blend of business travel with leisure travel.

Too many hotels are being built up with a rapid increase in the metros and as a result of which supply would outpace demand. At locations like Mumbai, Delhi, Chennai, and Khajuraho, existing capacity outpaces the demand as a result of which there are empty rooms available at most times. Many new projects in the country are being delayed or are stalled due to cash crunch. The main reason for the cash flow problem is that the investor’s confidence in big hotel projects is very low, mainly because of the fear of increased supply; whereas in smaller towns, there is a dearth of quality hotels in the mid-priced segment. Oberois in India has come up with Trident as a leading brand in the mid-sized segment.
The occupancy levels on an average in Indian hotel industry vary between 51 percent in September to 63.9 percent in December. And average daily occupancy varies from 49.1 percent on Sunday to 59.9 percent on Thursday. Net income, as a percentage of revenue, was lower for independent hotels as compared to chain affiliated hotels, though independent hotels spend negligible amount on management fee and franchise fee.

Traditionally, Indian hotels have been room oriented. The Taj group has a 35:65 F&B to room’s ratio. The Oberoi properties in New Delhi and Mumbai also have a similar ratio. Room revenue is considered to be the most important source of a hotel’s profitability, representing 56.4 percent of total revenue across all hotels.

In India, the market for budget segment hotels is growing. Indian hotels Co. Ltd. Owns the luxury brand Taj in India. The market leader in hotel industry through its subsidiary has ventured into the budget hotel segment. In July 2004, they launched a new economy hotel product catering predominantly to business travellers. The debut hotel has been opened in White field, Bangalore. The target market where future expansion would take place is between $27 and $33 for the 100 to 200 room properties.

LEVEL OF FOREIGN DIRECT INVESTMENT AND EMPLOYMENT GENERATION

FOREIGN DIRECT INVESTMENT (FDI)

The hotel and tourism industry is growing faster for the past few years, bringing in large revenues through foreign as well as domestic tourists in various parts of the country. The major rise in the tourist arrivals in India has led to an
increase in India’s share in world arrivals from 0.37 percent in 2001 to 0.53 percent in 2006.

Tourism industry contributes to around 5.9% of India GDP. With the advent of foreign tourists, the foreign exchange earnings also witnessed a growth of 25.6 % in 2007 and reached USD 6.32 billion as against USD 5.03 billion in 2006. The foreign exchange earnings grew by 14.6 % in 2006 to reach USD 6.56 billion as against USD 5.73 billion in 2005.

Table No. 1.2
SECTOR WISE FDI INFLOWS
FROM APRIL 2000 TO NOVEMBER 2011

<table>
<thead>
<tr>
<th>S.NO.</th>
<th>SECTOR</th>
<th>AMOUNT OF FDI INFLOWS (In ` Crore)</th>
<th>% WITH TOTAL FDI INFLOWS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Services sector</td>
<td>117,114.37</td>
<td>21.07</td>
</tr>
<tr>
<td>2.</td>
<td>Computer software &amp; Hardware</td>
<td>46,464.07</td>
<td>8.40</td>
</tr>
<tr>
<td>3.</td>
<td>Telecommunications</td>
<td>45,667.64</td>
<td>8.06</td>
</tr>
<tr>
<td>4.</td>
<td>Housing and Real estate</td>
<td>41,938.00</td>
<td>7.53</td>
</tr>
<tr>
<td>5.</td>
<td>Hotel and Tourism</td>
<td>10,109.19</td>
<td>1.81</td>
</tr>
<tr>
<td>6.</td>
<td>Consultancy services</td>
<td>7860.08</td>
<td>1.40</td>
</tr>
<tr>
<td>7.</td>
<td>Food processing industries</td>
<td>5,344.22</td>
<td>0.94</td>
</tr>
<tr>
<td>8.</td>
<td>Education</td>
<td>1,787.67</td>
<td>0.31</td>
</tr>
</tbody>
</table>

Source: RBI fact sheet.

Table No.1.2 reveals the various services sector’s Foreign Direct Investments (FDI) inflows into India. It includes hotel and tourism industries’ FDI at 1.81% with total inflows.
EMPLOYMENT GENERATION IN INDIA

- Hospitality industry provides employment around 41.8 million people in India.
- Hotels and other accommodations provide 1.9 million wage and salary jobs in 2008.
- The world Travel and Tourism Council has estimated that by 2012, tourism can support 25 million jobs in India through 8% annual growth.
- According to the report by Ma Foi Management Consultants, the hospitality sector is expected to provide over 4,00,000 jobs.
- According to Department of Tourism estimates, the hospitality industry supports 48 million jobs, directly or indirectly or 8.27 percent of total employment and accounts for 5.83 percent of GDP.
- For every room constructed, 3-5 jobs are created. The World Travel and Tourism council has estimated that by 2012, tourism can support 25 million jobs in India through 8% annual growth.
| **SWOT ANALYSIS** |
|-------------------|-------------------|
| **STRENGTH**      | **WEAKNESSES**    |
| 1. A wide variety of hotels is present in India | 1. The cost of land in India is high. |
| 2. International chains are there such as Taj & oberoi. | 2. The hotel industry in India is heavily staffed. |
| 3. Manpower cost in the Indian hotel is very low | 3. High tax structure in the industry. |
| 4. India offers a ready made tourist destination. | 4. Limited hotel rooms are available in India today. |
| 5. Natural and cultural diversity. | 5. Only limited value added services. |
| 6. Demand-supply gap. | 6. Poor support infrastructure. |
| 7. Government support. | 7. Slow implementation. |
| 8. Increase in the market share. | 8. Susceptible to political events. |

<table>
<thead>
<tr>
<th><strong>OPPORTUNITIES</strong></th>
<th><strong>THREATS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. National and inbound tourists can be easily managed due to difference in the period of holidays.</td>
<td>1. Guest houses replace the hotels.</td>
</tr>
<tr>
<td>2. The hotel industry in India has latent potential for growth.</td>
<td>2. Political turbulence in the area reduces tourist traffic.</td>
</tr>
<tr>
<td>4. Rising income.</td>
<td>4. The economic conditions of the country.</td>
</tr>
<tr>
<td>5. Open sky benefits</td>
<td>5. Lack of training manpower in the hotel industry.</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
TRENDS IN HOSPITALITY SECTOR

- Low cost carriers are a good option for business travelers, as they have advantages like low costs, more options and connectivity.
- More than 50% of occupancy of a majority of hotels comes from the business travel segment.
- Ideally suited for medium-to-long staying guests, service apartments are a natural choice for corporate employees.
- Travel and technology have become inseparable. Technology is making its own advances with high-tech video conferencing facilities, web cameras and virtual reality mode of conferencing, on-line bookings, e-ticketing, Wi-Fi Internet connectivity, easy access to information, etc. are just a few areas where technology has completely changed the way we travel.
- Today, airline-credit card company tie-ups have brought a whole range of benefits to the travelers. These include insurance cover, upgrades, free tickets, access to executive lounges etc.

CHALLENGES OF HOSPITALITY INDUSTRY

- One of the greatest challenges plaguing the hospitality industry is the unavailability of quality workforce in different skill levels.
- Retention of the workforce 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.
• The hotel industry facing heavy shortage of rooms. It is estimated that the current requirement is of 1,50,000 rooms. Though the new investment plan would add 53,000 rooms by 2011, the shortage will still persist.

• The industry is witnessing 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 tourism. The image of India as a country overrun by poverty, political instability, safety concerns and diseases also harms 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.

• 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. The shortage of blue collar employees will pose various threats to the industry.

FACTS AND FIGURES OF INDIAN HOSPITALITY INDUSTRY

• The hospitality industry is second only to the global oil industry in terms of turnover, and it is the largest employer around the world.

• The hotel and tourism industry’s contribution to the Indian economy by way of foreign direct investments (FDI) inflows were pegged at US$ 2.17 billion from April 2000 to September 2010, according to the Department of Industrial Policy and Promotion (DIPP).
India’s hospitality sector is expected to see an estimated investment of US$ 11.41 billion in the next two years, and around 40 international hotel brands making their presence in the country by 2012. Moreover, the sector is expected to provide over 4,00,000 jobs.

According to Department of Tourism estimates, the hospitality industry supports 48 million jobs, directly or indirectly or 8.27 percent of total employment and accounts for 5.83 percent of GDP.

In the FHRAI’s memorandum presented to the government recently, it is said that at least 1,50,000 additional rooms are required to meet the target of 5 million foreign tourist arrivals. This entails an investment to the tune of over `15,000 crore.

To set up a 5-star deluxe hotel with 250-300 rooms will cost approximately `300 crore excluding the land cost.

There are about 1,285 approved budget hotels across the country with about 51,000 rooms apart from guest houses, dharmsalas and devasthans in the unapproved sector.

The tourism ministry has proposed a cash subsidy of `2 lakhs per room for one-star category and `3 lakhs per room for two and three-star hotels to facilitate their growth.

For every room constructed, 3-5 jobs are created. The World Travel and Tourism council has estimated that by 2010, tourism can support 25 million jobs in India through 8% annual growth.
- The average duration of stay of a foreign tourist in India is one of the highest in the world. On an average, it exceeds 27 days in the case of non-package tourist and is 14 days in the case of package tourist.

**INTERNATIONAL RECOGNITION**

1. India has been elected to head the UN World Tourism Organization, the highest policy making world tourism body represented by 150 countries.
2. The world’s leading travel and tourism journal, Conde Nast Traveller, has ranked India as the 'numero uno' travel destination in the world.
3. India was adjudged Asia’s leading destination at the regional World Travel Awards.
4. India’s Taj Mahal continues to figure in the Seven Wonders of the World.
5. Bangalore-based Leela Palace Kempinski was voted the favourite business hotel in the world in a reader’s choice Awards by Conde Nast Traveller in 2007.
6. India bagged the world’s leading destination Marketing Award for the Incredible India campaign.

**GOVERNMENT INITIATIVES ON HOTEL SERVICES**

**INDIAN GOVERNMENT INITIATIVES**

1. Incredible India campaign was launched to promote tourism both in domestic and international markets.
2. Guidelines were issued for classification of apartment hotels.
3. The ministry of tourism had sanctioned 781 projects in 34 states/Union Territories in the country amounting to US$ 511.82 million during the last three years up to June 2010.

4. According to the FDI policy, the Ministry of Commerce and Industry, had allowed 100 per cent foreign investment under the automatic route in the hotel and tourism related industry.

5. Social awareness had been created among Service providers and capacity building of Taxi drivers and Guides through “Atithi Devo Bavah” Campaign.  

TAMIL NADU GOVERNMENT INITIATIVES

TAMILNADU TOURISM DEVELOPMENT CORPORATION (TTDC)

TTDC was incorporated during July 1971 under the Companies Act 1956. The entire share capital of `678.63 lakhs has been subscribed by the State Government. TTDC was formed with the objective of promoting tourism in Tamilnadu by providing infrastructure facilities of transport and accommodation. To fulfill this objective, TTDC has expanded its activities into three main operations, namely, Hotels, Transport and Fairs.

Hotels of TTDC at present have 78 outlets. Out of the 54 hotels under the control of TTDC, two hotel units have been handed over on long term lease of 30 years during the year 1995. The Government of Tamilnadu has already approved the proposal of franchising 30 hotel units and 7 Restaurants of TTDC. Efforts are
being taken to franchise these hotels on a long term basis for 10 years with respect to small hotels with 5 rooms and 15 years with respect to other hotels.

Hotels of TTDC at present have 78 outlets as indicated below:

<table>
<thead>
<tr>
<th>Hotels</th>
<th>54</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boat Houses</td>
<td>11</td>
</tr>
<tr>
<td>Restaurants</td>
<td>3</td>
</tr>
<tr>
<td>Snack Bar</td>
<td>3</td>
</tr>
<tr>
<td>Telescope Houses</td>
<td>4</td>
</tr>
<tr>
<td>Landscaping &amp; Gardening</td>
<td>2</td>
</tr>
<tr>
<td>Tourists Service Centre</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>78</strong></td>
</tr>
</tbody>
</table>

The Youth Hostels cater to the needs of budget tourists with very low tariff of `50/- per bed. Franchising of the hotel units would improve the overall profitability of the hotels division and help TTDC to concentrate on the major hotels at Ooty, Kodaikanal, Yercaud, Madurai, Thanjavur, Coimbatore, Rameswaram, Kanniyakumari and Mamallapuram.¹⁴

The state of Tamil Nadu is indeed a tourist's destination. Tamil Nadu offers the terrific combination of tradition with trend. There are the filter coffees, dosas, Bharat Natyam performances, breathtakingly beautiful beaches and the magnificent
temples. The exciting past and the beauty of the nature make Tamil Nadu worth for more than a visit.

The entire state of Tamil Nadu reveals the beauty of the Indian temple architecture in its various structures. The capital city of Chennai is renowned for its beautiful beach resorts. Then there is the marvelous village of Mamallapuram. At Mamallapuram one must check out the terrific temples made in the Pallava rock-cut architecture along the beautiful beach. The kaleidoscopic Kanchipuram reveals its rich heritage and attracts thousands of tourists. The pilgrim centre of Rameshwaram has several spots associated with the Ramayana and terrific temples too. At the southernmost tip of the Indian mainland is Kanyakumari. Kanyakumari is the auspicious meeting point of the Bay of Bengal, the Indian Ocean and the Arabian Sea. Amidst the traditional towns like Thanjavur and Tiruchirapalli are the new age destinations of Pondichery and Auroville.

The state of Tamil Nadu boasts of two terrific hill stations, Kodaikanal and Ooty. The marvellous mountains, the fabulous forests, and the tea and coffee plantations add to the magic of the serene yet beautiful surroundings.

There are enough decent accommodation options in Tamil Nadu and the scene is getting better every passing day. There are a number of star category hotels catering to the needs of tourists coming to explore Tamil Nadu or interested in exploring the scenic region around.

The Chola regime brought glory to Thanjavur in the period between 10th and 14th centuries. It is situated at 55km east of Trichy and is also the headquarters
of the district of the same name. Thanjavur is well known for its traditional handicrafts—art plates, bell metal castings, silk carpets, pith work, bronze icons, and classical Indian musical instruments.

It is also famous for Sri Brihadisvara Temple, which was built by Raja Raja Chola I in the 10th century. The frescoes of the sanctum are comparable to those in the Ajanta Caves. One cannot escape the view of a gigantic statue of Nandi Bull that protects the sanctum.

Kumbakonam, known as the Temple city because of the presence of 108 temples in this town, is also the second bigger town in Thanjavur district. It is located about 313 kilometers away from Madras on the south, about 90 kms from Trichy on the east and about 40 kms from Thanjavur on the North East. The town is bounded by two rivers—“River Cauvery” on the north and “River Arasalar” on the south. The city is famous for the “Mahamaham” festival that is celebrated once in 12 years in the Mahamaham tank located in the heart of the town. Kumbakonam is flooded with temples of large size. There are as many as sixty temples, in and around Kumbakonam within 40 kms radius.

Pattukottai is famous for 8 storeyed towers were built by king Serfoji in 1814 (Manora) and Udhayamarthandapuram birds’ sanctuary.

In Tamil Nadu there are a number of tourist places and temples. Among these Thanjavur district is also an important place for visit. Many people from various parts of our country visit many places in Thanjavur district and they select different kinds of hotel for their stay.
STATUS OF THE INDUSTRY IN THE INDIAN ECONOMY

Hospitality in India is based on the Sanskrit adage ‘Atithi Devo Bhava’ or ‘Guest is equal to God’. The concept was adapted by the Ministry of Tourism, Government of India which aims at creating awareness on the rich variety of tourism in India.

India is currently ranked the 12th in the Asia Pacific region and 68th overall in the list of the world’s attractive destinations, according to the Travel and Tourism Competitiveness Report 2011 by the World Economic Forum (WEF).

India is well known for its natural resources (ranked 8th) and cultural resources (24th) with many World Heritage sites, both natural and cultural; rich fauna, many fairs and exhibitions and strong creative industries. India also has quite good air transport (ranked 39th), particularly given the country’s stage of development, and reasonable ground transport infrastructure (ranked 43rd), reports The Travel and Tourism Competitiveness Report 2011 by World Economic Forum 2011.

Investment in travel and tourism in India is has reached US$ 34.7 billion in 2010 and is expected to reach US$ 109.3 billion by 2020.
CONTRIBUTION TO THE ECONOMY

TABLE – 1.3
FOREIGN EXCHANGE EARNINGS FROM TOURISM IN INDIA

<table>
<thead>
<tr>
<th>Year</th>
<th>FEE from Tourism in India (in ` Crore)</th>
<th>Percentage (%) change over the previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>33123</td>
<td>100.00</td>
</tr>
<tr>
<td>2006</td>
<td>39025</td>
<td>117.81</td>
</tr>
<tr>
<td>2007</td>
<td>44360</td>
<td>133.93</td>
</tr>
<tr>
<td>2008</td>
<td>50730</td>
<td>153.16</td>
</tr>
<tr>
<td>2009</td>
<td>54960</td>
<td>165.93</td>
</tr>
<tr>
<td>2010</td>
<td>55444</td>
<td>167.39</td>
</tr>
<tr>
<td>2011</td>
<td>71160</td>
<td>214.84</td>
</tr>
</tbody>
</table>

Source: (i) Reserve Bank of India
(ii) Ministry of Tourism, Govt. of India, for 2009

India’s hotel pipeline is the second largest in the Asia-Pacific region according to Jan Smits, Regional Managing Director, and Intercontinental Hotels Group (IHG) Asia Australasia. He projected the Indian hospitality industry to grow at a rate of 8.8 per cent during 2007-16, making the country as the second-fastest growing tourism market in the world.
The domestic hospitality sector is expected to see investments of over US$ 11 billion by 2012, with 40 international brands making their presence in the country in the next few years.

According to the Tourism Satellite Accounting (TSA) research, released by World Travel and Tourism Council (WTTC) and its research partner Oxford Economics in March 2011:

- The direct contribution of travel and tourism to GDP is expected to grow by 8.1 per cent per annum (p.a.) to US$ 76.65 billion (2 per cent of GDP) for 2011-2021 period, while the total contribution is expected to be US$ 82.61 billion in 2011 (4.5 per cent of GDP). It is forecasted to rise by 8.8 per cent p.a. for 2011-21, accounting for 4.9 per cent of GDP.
- Travel and tourism is expected to generate 24.93 million jobs directly in 2011 (5 per cent of total employment). This includes employment by hotels, travel agents, airlines and other passenger transportation services. By 2021 industry will account for 30.44 million jobs directly, an increase of 5.51 million (22.1 per cent) over the next ten years.
- The industry is expected to attract capital investment of US$ 27.67 billion rising by 8.7 per cent p.a. to US$ 63.47 billion.
- Visitor exports are expected to total US$ 15.23 billion in 2011, rising to US$ 30.18 billion in 2021.  

According to ASSOCHAM Medical Tourism is really gaining momentum in India and soon it will become the highest foreign exchange earner for the nation.
India over the last few years has become a favorite medical tourist spot for millions and is just after countries like Thailand, Philippines, Singapore, Malaysia, Hong Kong and Columbia.

<table>
<thead>
<tr>
<th>Year</th>
<th>FTAs (in Millions)</th>
<th>Percentage (%) change over the previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>3.92</td>
<td>100.00</td>
</tr>
<tr>
<td>2006</td>
<td>4.45</td>
<td>113.50</td>
</tr>
<tr>
<td>2007</td>
<td>5.08</td>
<td>129.59</td>
</tr>
<tr>
<td>2008</td>
<td>5.28</td>
<td>134.69</td>
</tr>
<tr>
<td>2009</td>
<td>5.11</td>
<td>130.36</td>
</tr>
<tr>
<td>2010</td>
<td>5.28</td>
<td>134.69</td>
</tr>
<tr>
<td>2011</td>
<td>5.37</td>
<td>136.98</td>
</tr>
</tbody>
</table>

Source: (i) Bureau of Immigration, Govt. of India

(ii) Ministry of Tourism, Govt. of India, for 2009

According to a study conducted by the World Travel and Tourism Council, the hospitality industry in India is all set to grow at a steady rate of 15 percent per annum. However the growth rate will shoot up in the next few years considering the number of rooms required by both luxury and budget hotels. The growth in the next two to three years is surely going to be stupendous with almost 2,00,000 rooms added to the existing 110,000.
As per expert hoteliers the hotel industry in India is estimated to grow at a rate of 8.8 percent between the years 2007-16. This will place India in the second position in the list of the fastest growing tourism industries in the world. The phenomenal growth of the hotel industry in India would not have been possible without the Initiatives taken by the Government. The open sky policies and the enormous infrastructural investments made by the Indian government have only fastened the development of the hospitality sector in the country.

The Indian hotel industry is affecting the economy both directly and indirectly. The growth of the hotel industry in India has created employment opportunities for millions of Indians. According to estimates almost 20 million people are employed with the hotel industry in India. Over the last decade and half the mad rush to India for business opportunities has intensified and elevated room rates and occupancy levels in India. Even budget hotels are charging USD 250 per day. The successful growth story of 'Hotel Industry in India' seconds only to China in Asia pacific.

'Hotels in India' has a supply of 110,000 rooms. According to the Indian tourism ministry, 4.4 million tourists visited India in 2009 and the figure went up to almost 10 million in 2011. 'Hotels in India' has a shortage of 150,000 rooms fueling hotel room rates across India. With tremendous pull of opportunity, India is a destination for hotel chains looking for growth. The World Travel and Tourism Council, India, data says, India ranks 18th in business travel and will be among the top 5 in this decade.
'Indian Hotel Industry' is adding about 60,000 quality rooms, currently in different stages of planning and development and should be ready by 2012. MNC Hotel Industry giants are flocking to India and forging joint ventures to earn their share of pie in the race. Government has approved 300 hotel projects, nearly half of which are in the luxury range. The manpower requirements of the hotel industry increased from 7 million in 2002 to 15 million in 2012. 'Hotel Industry in India' is set to grow at 15% a year. This figure skyrocketed in the year 2010. Already, more than 50 international budget hotel chains are moving into India to stake their turf. Therefore, with opportunities galore the future 'Scenario of Indian Hotel Industry' looks rosy.15

GROWTH AND DEVELOPMENT OF HOTEL INDUSTRY IN INDIA

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 industries.

In 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 canters as a 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.

The opening up of the aviation industry in India has exciting opportunities for hotel industry as it relies on airlines to transport 80% of international arrivals. The government's decision to substantially upgrade 28 regional airports in smaller towns and privatization & expansion of Delhi and Mumbai airport will improve the business prospects of hotel industry in India. Substantial investments in tourism infrastructure are essential for Indian hotel industry to achieve its potential. The upgrading of national highways connecting various parts of India has opened new avenues for the development of budget hotels in India. Taking advantage of this opportunity Tata group and another hotel chain called 'Homotel' have entered this business segment.

GROWTH AND DEVELOPMENT OF HOTEL INDUSTRY IN TAMIL NADU

The Economy of Tamil Nadu is one of the most dependable, consistent and developing factor of our country. The state of Tamil Nadu offers a very bright picture of a progressive economy. The state is well equipped with all the needed infrastructural support to boast economic growth and enhance industrial development of the state. Tamil Nadu has maintained a perfect balance between
agricultural production and industrial development. The state is well equipped with the entire needed infrastructure that will boast of further development in the state.

Tamil Nadu has a great potential for the tourism industry. The state is blessed with picturesque landscape and deep blue sea which makes the place very attractive and appealing to the tourist.\(^{16}\)

**TOURISM IN TAMIL NADU**

Tourists visit Tamil Nadu throughout the year out of their sheer desire. Nature has bestowed Tamil Nadu with bountiful tourism products. To supplement these our ancestors too have given us Temples, magnificent architectures, etc. that serve as great tourists attractions. Tamil Nadu is a fascinating state, virtually invaded by tourists throughout the year. We all know that Tamil Nadu is a place of Enduring Heritage and a higher state of mind where technology co-exists with tradition and where ancient architecture/heritage, social values and contemporary vitality blend extremely harmonious. Tamil Nadu enjoys the third position in India in terms of tourist arrivals. The tourist wealth of Tamil Nadu can be broadly classified under the following heads:

1. Hill resorts
2. Beaches
3. Water falls
4. Dam sites
5. Zoological parks
6. Botanical/Horticulture Gardens
7. Wild life sanctuaries
8. Historical monuments/Heritage sites
9. Pilgrim Centers
10. Leisure tourism (Amusement parks/Theme parks)
11. Adventure tourism (mountaineering and boating etc)
12. Fairs and festivals
13. Monuments

Tamil Nadu Chief Minister Ms. J. Jayalalitha at the annual convention of the Federation of Hotel and Restaurant Association of India said that Chennai would soon have a new master plan to allow for more hotels. Taking note of the hotel industry’s long-standing demand to reduce luxury tax on hotels in Tamil Nadu, the Chief Minister added that her Government would bring down the tax substantially in the year 2013 to facilitate the tax payers. To promote further tax reduction, she said that major investment decisions would be taken in Chennai. She believed that the “basic infrastructures” would be provided to promote Hotel and Restaurants in the service sector, which would increase the demand for hotel industry in the near future. Tamil Nadu was promoting lesser-known destinations like Chettinad and Coimbatore. Efforts are now on to establish a circular “Southern Splendour” tourist train, to promote the development of hotel industry in Tamil Nadu. 

The government had taken up integrated destination development projects at Mamallapuram at a cost of ` 93.2 million and at Yercaud at ` 45 million, she said. She also said that her government is making efforts to develop a common circuit
with Sri Lanka as both places were becoming "twin destinations" for a large number of European visitors,

**STRUCTURE OF THE INDUSTRY**

Hotels in India are broadly classified into 7 categories (five star deluxe, five-star, four star, three star, two star, one-star and heritage hotels) by the Ministry of Tourism, Government of India, based on the general features and facilities offered. The ratings are reviewed every five years. As of December 2010 (latest available figure) these are the following number and category of hotels.

**NUMBER AND CATEGORY OF HOTELS**

<table>
<thead>
<tr>
<th>Star Category</th>
<th>No. of Hotels</th>
<th>No. of Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Star Deluxe</td>
<td>82</td>
<td>18764</td>
</tr>
<tr>
<td>5-Star</td>
<td>92</td>
<td>11332</td>
</tr>
<tr>
<td>4-Star</td>
<td>132</td>
<td>9401</td>
</tr>
<tr>
<td>3-Star</td>
<td>704</td>
<td>31039</td>
</tr>
<tr>
<td>2-Star</td>
<td>587</td>
<td>19031</td>
</tr>
<tr>
<td>1-Star</td>
<td>212</td>
<td>695</td>
</tr>
<tr>
<td>Heritage</td>
<td>83</td>
<td>2216</td>
</tr>
<tr>
<td>To be classified</td>
<td>50</td>
<td>5127</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1934</strong></td>
<td><strong>103973</strong></td>
</tr>
</tbody>
</table>

Source: Ministry of Tourism, Government of India

**POLICIES & INITIATIVES**

Tourism being a concurrent subject under the Indian constitution, both the central and state governments regulates the hotel industry. The regulations
include statutory and regulatory sanctions (or approvals and licenses) from the Central and State departments or agencies.

This includes license to operate a restaurant, a hotel license (issued by municipal authorities), license from police (issued by local police) and a bar license (issued by excise department).

TOURISM POLICY

In order to develop tourism in India in a systematic manner, position it as a major engine of economic growth and to harness its direct and multiplier effects for employment and poverty eradication in an environmentally sustainable manner, the National Tourism Policy was formulated in the year 2002. Broadly, the "Policy" attempts to:

- Position tourism as a major engine of economic growth.
- Harness the direct and multiplier effects of tourism for employment generation, economic development and providing impetus to rural tourism.
- Focus on domestic tourism as a major driver of tourism growth.
- Position India as a global brand to take advantage of the burgeoning global travel trade and the vast untapped potential of India as a destination.
- Acknowledges the critical role of private sector with government working as a pro-active facilitator and catalyst.
• Create and develop integrated tourism circuits based on India’s unique civilization, heritage, and culture in partnership with States, private sector and other agencies.

• Ensure that the tourist to India gets physically invigorated, mentally rejuvenated, culturally enriched, spiritually elevated and “feel India from within”.

**INDIAN GOVERNMENT’S MAJOR POLICY INITIATIVES INCLUDE:**

• 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.

The Indian Ministry of Tourism has identified 31 villages across the country to be developed as tourism hubs. The states in which these villages have been identified include Himachal Pradesh, Gujarat, Maharashtra, Bihar, Karnataka, Madhya Pradesh, Andhra Pradesh, Kerala, Tamil Nadu, Orissa, Assam, Sikkim, Rajasthan and West Bengal.
OTHER INITIATIVES

Government has undertaken following initiatives to attract both inbound and outbound tourists:

• Incredible India - Under this programme the Government promotes India through various integrated marketing programs.

• Athithi devo bhava (Guests are equal to God) - Under this programme the Government create awareness among Indian people who come in contact with the tourist.

• Various Infrastructure building initiatives.

• Encourage religious tourism for instances promote various places in India as Buddhist abodes.

CONCLUSION

This chapter outlines what is analyzed in this thesis. This includes brief introduction about service sector, role of service sector in India’s GDP, kinds of services, origin and emergence of hotel industry, history of development and Government’s initiative for hotel industries. With this background the researcher collected research works related to this study and presented Research design and review of literature.
REFERENCES:

2. Dr. P.N. Reddy, Prof.H.R. Appannaiah, Dr.S. Anil kumar and Dr. Nirmala., Services Marketing., Himalaya Publishing House, Mumbai.
3. Ibid.,
4. Ibid.,
6. Ibid.,
12. www.tajhotels.com
13. www.livemint.com