Chapter 1

INTRODUCTION

1.1 INTRODUCTION

Hospitality Industry is one of the fastest expanding Industries in the Service Sector. In terms of the gross output, it is the leading contributor to the economies around the world. Apart from the employment generation, revenue and foreign exchange earnings are the other important aspect of this industry. Its further contribution in providing services like food and beverages, sightseeing, accommodation etc are also of great significance. No other industry generates the amount of jobs it does against each million of investment made. The industry is not only playing very vital role in the economic growth of almost every country but also is the highest revenue and foreign exchange generator in the tourism oriented countries.

1.2 HISTORICAL BACK GROUND

1.2.1 A snapshot on the Worldwide Growth of the Hotel Industry

- Beginning of formal Hotel Industry - from Britain’s industrial revolution in 1760.
- First boom in the hotel Industry – with the establishment of the Royal Hotel in London in the year 1800.
- Second boom: 1920 to 1930 - A large number of hotels were inaugurated worldwide during this decade.
- Third boom: Mumbai witnessed mushrooming of two Centaur Group of Hotel under Hotel Corporation of India in 1980s.
- Gulf War – in early nineties.
- Super Luxury (Six-star and Seven-Star) Hotels: The year 1995 witnessed Jumeirah Beach (a Seven-Star) Hotel in Dubai.

We will now discuss above points in detail as under:-
1.2.2  Beginning of the formal hotel business

The beginning of industrial revolution in 1760s in United Kingdom was in fact the beginning of the hotel business everywhere in the Europe which gradually spread over America and other parts of the globe. Industrial revolution of United Kingdom followed by the large scale production and excess production was required to be traded in other parts of the Europe. On the one hand the traders started visiting the United Kingdom to have a look at the plants and machineries used for the mass production and on the other hand the Traders from United Kingdom started visiting European Countries with their boats and sell their goods. As the sailors or Traders required to stay in other countries for days together, the local natives started letting out their additional Bungalows or Houses to the overseas Traders on daily or weekly rental basis. The natives who were not having additional houses or bungalows started letting out one of the rooms or some portion of their own accommodation. Apart from the accommodation, the guests were also provided with food and eatables prepared by the households.

1.2.3  First boom in the hotel Industry

Beginning of 1800 AD marked the establishment of the Royal Hotel in London. Moreover the holiday resorts and hotels started mushrooming on the coastline of France and Italy. Dak Bungalows, run by the then government, provided regular accommodation to the travelers in India. This period was thus considered to be the first boom in the hotel industry in the nineteenth century.

1.2.4  Second boom in the Hotel Industry - The twentieth century

Early twenties in the twentieth Century witness a boom inn the hospitality Industry. A large number of hotels were inaugurated during this decade i.e. between 1920 to 1930. Apart from cities, the Hotels were made in mountains as well. In Switzerland, the ski resort was the first to welcome the tourists in this region. Even the depression after 1929 could not put a spanner in the growth of the hotels. After the war, the Fifties in the 20th Century witnessed a second boom in the industry. In sixties, the area around Mediterranean sea
became the hub for the new tourists resorts. The beach hotels in these area became a must visit place for the tourists in these regions. 1970 saw the construction of hotels for business travelers. It was during this decade only that Airline companies started thinking of setting up hotels of their own.

1.2.5 The third boom in the hotel industry – 1980s
The hotel industry witnessed a third boom in early 1980s. The beginning of 1980, marked by more inventive marketing and flexibility. New trend encouraged the mushrooming of hotels near the airports and commercial centers in the cities. Mumbai witnessed mushrooming of two Centaur Group of Hotel under Hotel Corporation of India in 1980s. Hotel Corporation was the subsidiary of Air India under Civil Aviation Ministry. Both the properties were located at the prime locations of Mumbai western suburbs. While one was bang opposite to the Domestic Airport known as Centaur Hotel Mumbai Airport and another one was Centaur Hotel Juhu Beach, overlooking the Arabian Sea. It is said that both the properties used to have occupancy close to 100%. At times, these hotels witnessed the occupancy level surpassing more than 100%. That was possible because those days, Centaur Group of hotels had a tie-up with many domestic and international Airlines and their crew members as well as delayed flight passengers were given accommodation by the airlines free of cost. At times, the stay of the delayed passengers was limited to a few hours, hence, both the hotels used to sell some of the rooms twice a day.

In early 1990s the hotel industry became more and more competitive and the business as well as leisure travelers became the important hotel clients. During this time only the international chains of hotels, especially from America, began to expand their business in Europe, middle east and the Far East. In India also, due to economic liberalization and cessation of licence-raj, a large number of MNCs started opening their offices in metro cities specially, Mumbai, Delhi, Kolkata and Chennai. Economic Liberalization in India also paved the ways for Airlines business and many private players were issued licenses to operate within India and also internationally.
1.2.6  The Early nineties & the Gulf War

The Gulf War dealt a great blow to the Hotel Industry worldwide. In Hotel business, the year 1991 is considered to be the black year. During this period, every hotel had to resort to the innovations so as to retain the existing guests and attract more and more new guests. The Industry finally emerged from this crises without much damage. The eco-friendly trend and the energy conservation became one of the most effective tools of the marketing during this period. Online bookings and loyalty programs gave a new dimension to the hotel business.

The year 1995s, saw the first “Hotel Room Management System”, a software program that made the front desk more efficient and also brought the guests closer to them.

1.2.7 Extravaganza- the concept of Six-star and Seven-Star Hotels

The year 1995 witnessed the construction of Jumeirah Beach Hotels in Dubai. The people, the businesses as well as the leisure travelers, began to talk about six-star or seven-star hotels. These super-luxury hotels offered to their guests the luxury of the bedrooms, impeccable service, modern technology and a high quality and eco-friendly environment.

1.3  HOSPITALITY INDUSTRY IN INDIA

1.3.1 Hospitality Industry in India - Before World War-II

- Most hotels in India were developed by the British, Indian Aristocracy or Entrepreneurs.

- The important Hotels built during this period were:-
  - The Rugby – Matheran (1876)
  - The Taj Mahal Hotel – Mumbai (1900)
  - The Grand – Calcutta (1930)
  - The Cecil Hotels – Shimla & Muree (1935)
  - The Savoy – Mussoorie (1936)
Only a few companies were owning hotels in India:

- The Taj Group-Indian Hotel Company (owned by J. R. D. Tata).
- Faletti’s Hotel, East India Hotel - Oberoi Group.

1.3.2 Hotel Industry in India - Post Independence Era

- After 1956, Ashoka Hotel in New Delhi by Government of India

- In 1966, The ITDC was set up - with the merger of “Janpath Hotel India Ltd” and “India Tourism Transport Undertaking Ltd”

- In 1967, Government created the Ministry of Tourism and Civil Aviation.

- In 1970, East India Hotels Ltd., (Oberoi Group) constructed New Delhi’s hotel, franchised to US-based Inter-Continental Hotels.

- In 1970, The Taj Mahal Hotel, Bombay took Inter-Continental hotel franchise.

- The Oberoi Tower Hotel, Bombay took franchise of Sheraton.

- Holiday Inn entered Indian market through franchising its hotel project in Bombay

1.3.3 Top 10 Hotel Chains in India in the year 2000

As can be seen from the Table 1.1 on the next page, in the year 2000 Indian Hotel Company (Taj Group) had the maximum number of hotels in India i.e. 51 hotel properties with 5,832 Hotel Rooms in all these 51 hotels put together. At second place was the ITDC (Ashok Group) which had 33 hotels and 3,903 hotel rooms. At the third place was East India Hotels (Oberoi or Trident Brands of Hotels) which had 18 hotels and 2,860 rooms. Fourth place was that of ITDC Hotels (Welcome, Sheraton and Fortune Group) which had 31 hotels and 2,738 rooms.
Table 1.1  Top 10 Hotel Chains in India in year 2000

<table>
<thead>
<tr>
<th>SN</th>
<th>Name of the Hotel Chain</th>
<th>Hotels</th>
<th>Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Indian Hotel Company (Taj Group)</td>
<td>51</td>
<td>5832</td>
</tr>
<tr>
<td>2</td>
<td>ITDC (Ashok Group)</td>
<td>33</td>
<td>3903</td>
</tr>
<tr>
<td>3</td>
<td>East India Hotels (Oberoi, Trident)</td>
<td>18</td>
<td>2860</td>
</tr>
<tr>
<td>4</td>
<td>ITDC Hotels (Welcome, Sheraton, Fortune Group)</td>
<td>31</td>
<td>2738</td>
</tr>
<tr>
<td>5</td>
<td>Six Continents (Inter Continental Crown Plaza Holiday Inn)</td>
<td>14</td>
<td>2108</td>
</tr>
<tr>
<td>6</td>
<td>Hotel Corp. Of India (Centaur Hotels)</td>
<td>5</td>
<td>1310</td>
</tr>
<tr>
<td>7</td>
<td>Choice Hotels (Quality Inn, Comfort Inn)</td>
<td>19</td>
<td>1019</td>
</tr>
<tr>
<td>8</td>
<td>Hyatt International (Hyatt Regency, Grand Hyatt)</td>
<td>2</td>
<td>920</td>
</tr>
<tr>
<td>9</td>
<td>Le Meridian (Le Meridian, Le Royale Meridian)</td>
<td>4</td>
<td>909</td>
</tr>
<tr>
<td>10</td>
<td>Clarks Hotels (Clarks)</td>
<td>4</td>
<td>677</td>
</tr>
</tbody>
</table>

(Source: Lazard India)
At number 5, was the Six Continent (Inter Continental Crown Plaza or Holiday Inn) group of Hotels, which had 14 Hotels and 2,108 rooms spread all over India. Sixth place was that of Hotel Corporation of India which in all had 5 hotels spread all over the country and had 1,310 rooms at various locations in India. At seventh place was Choice Hotels (Quality Inn and Comfort Inn) group of hotels which had 19 hotels and 1,019 rooms spread all over India.

Similarly, at eighth places stood Hyatt International (Hyatt Regency and Grand Hyatt chain of hotels) group of hotels which had two hotels with 920 rooms. Ninth place was that of Le Meridien (Le Meridien, Le Royale Marridien ) Group of hotels which had Four hotel properties with 909 hotel rooms spreading all over India. Last and 10th place was that of Clarks Hotels which had 4 hotels and 677 rooms.

1.3.4 Growth of Hotel Industry in India upto the year 2000

As can be seen from the below Table 1.2 in the year 1996, there were only 1,158 hotels in India with 63,671 number of rooms spread all over India in various categories of hotels. In a year’s time the Industry registered 8.49% growth and in the year 1997 the number of hotels went up to 1,299 with total number of rooms went up to 69,076. But for the next 12 months, the hotel industry witnessed a comparatively slower growth of just 5.45% and the number of hotel went up to 1,392 in the year 1998 with total number of 72,839 hotel rooms.

But next year was good for the hotel industry and it registered the highest ever growth of 11.7%, hence, in the year 1999 the total number of hotels went upto 1,567 and total number of rooms 81,373. Once again the growth in terms of number of hotels as well as number of hotel rooms all over India slowed down and the industry registered a meager growth of only 6.14% during the next year. Consequently, in the year 2000, there were 1,672 Hotel and 86,374 hotel rooms in India.
Table 1.2 Growth of Hotel Industry in India upto the year 2000

<table>
<thead>
<tr>
<th>Year</th>
<th>Hotels</th>
<th>Rooms</th>
<th>Growth in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1,672</td>
<td>86,374</td>
<td>6.14%</td>
</tr>
<tr>
<td>1999</td>
<td>1,567</td>
<td>81,373</td>
<td>11.7%</td>
</tr>
<tr>
<td>1998</td>
<td>1,392</td>
<td>72,839</td>
<td>5.45%</td>
</tr>
<tr>
<td>1997</td>
<td>1,299</td>
<td>69,076</td>
<td>8.49%</td>
</tr>
<tr>
<td>1996</td>
<td>1,158</td>
<td>63,671</td>
<td>-</td>
</tr>
</tbody>
</table>

(Source: FHRAI)

1.3.5 Total Number of Hotels and Rooms in various categories of Hotels in India upto 2000

As can be seen from the below Table 1.3, by the year 2000, the Hotel Industry in India had 1,672 Hotels with 86,374 rooms in various categories of hotels put together. The detailed bifurcation of the hotels and rooms in different categories is as under :-
Table 1.3  Total number of Hotels and Rooms in India upto 2000

<table>
<thead>
<tr>
<th>Category</th>
<th>Hotels</th>
<th>Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Star Deluxe</td>
<td>41</td>
<td>10,574</td>
</tr>
<tr>
<td>5-Star Hotels</td>
<td>59</td>
<td>8,028</td>
</tr>
<tr>
<td>4-Star</td>
<td>77</td>
<td>5,586</td>
</tr>
<tr>
<td>3-Star</td>
<td>256</td>
<td>13,231</td>
</tr>
<tr>
<td>2-Star</td>
<td>208</td>
<td>8,023</td>
</tr>
<tr>
<td>1-Star</td>
<td>49</td>
<td>2,472</td>
</tr>
<tr>
<td>Heritage</td>
<td>34</td>
<td>965</td>
</tr>
<tr>
<td>Approved Unclassified</td>
<td>112</td>
<td>6,009</td>
</tr>
<tr>
<td>Sub-total</td>
<td>836</td>
<td>54,888</td>
</tr>
<tr>
<td>Unapproved</td>
<td>836</td>
<td>31,486</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1672</td>
<td>86,374</td>
</tr>
</tbody>
</table>

(Source: FHRAI)
1.3.6 Growth in Domestic / Foreign Tourists & Foreign Exchange Earnings – 1996 to 2000

As can be seen from the below Table 1.4, in 1996, the Domestic and Foreign Tourists arrivals in India was 14.01 lacs & 2.12 lacs respectively with foreign exchange earning of Rs. 9,150 Crores. By 2000 it went up to 33.30 lacs and 2.47 lacs respectively with Foreign Exchange earning of Rs. 12,496 Crores.

Table 1.4 Growth in Domestic / Foreign Tourists & Foreign Exchange Earnings – 1996 to 2000

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Tourists (Lacs)</th>
<th>Foreign Tourists (Lacs)</th>
<th>Foreign Exch. Earnings (Rs. In Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>33.30</td>
<td>2.47</td>
<td>12,496</td>
</tr>
<tr>
<td>1999</td>
<td>19.90</td>
<td>2.35</td>
<td>12,011</td>
</tr>
<tr>
<td>1998</td>
<td>16.69</td>
<td>2.37</td>
<td>10,879</td>
</tr>
<tr>
<td>1997</td>
<td>15.98</td>
<td>2.28</td>
<td>10,232</td>
</tr>
<tr>
<td>1996</td>
<td>14.01</td>
<td>2.12</td>
<td>9,150</td>
</tr>
</tbody>
</table>

(Source: FHRAI)
1.3.7 Boom of Indian Hotel Industry in the year 2000

Indian hotel industry witness a boom in the year 2000 after reeling under the stagnant business during the previous five years due to political uncertainty. After 2000, not only the ARR (Average Room Revenue) began to get stable or increase, but there was also seen the increase in the occupancy level. But there was another aspect of the industry bothering the hoteliers – and that was mushrooming of new hotels leading to fierce competition and inter-hotel poaching of staff. The shortage of the trained and skilled staff reached to its peak. As new players were entering into the hotel business through franchise arrangement, the experienced hotel staff at middle level were too much in demand. A new hotel could not run the show with all fresher candidates from the Hotel Management Institutes. Since, they needed the trained staff, the poaching of the hotel staff from the existing hotel was witnessed to be at its highest level. As the business was good, these new entities were offering good salary packages, hence, the temptation was to strong to resist. This led to large scale exodus of staff towards newly come up hotels. This also resulted in the high rate of attrition that time.

1.3.8 Impact of 9/11 Terrorist Attack(USA) on Hotel Business in India

11th September, 2001 witnessed a big terrorist attack in the Twin Towers in USA. This resulted into the war against terrorism by the US Administration. Americans and Europeans around the world were the targets of the terrorist organizations and the outfits. Western countries placed advisories on their respective website and advised their citizens to avoid travelling abroad until and unless it was very essential. That is the reason why the number of foreign tourists in India reduced by around 20% immediately after the twin tower terrorist attack in USA and went further down in the following months and years.

This changed the business dynamics in the tourism industry in India and there was more emphasis to develop and promote domestic tourism. Occupancy level also gone down drastically and the Hotel's Association in India was compelled to form a “Crisis Management Team” which came out with
following suggestions to improve upon the overall hotel business and tourism sector in India:

- Travel Agencies assumed greater importance during this time of crises and hotels decided to give the best possible lower rates to these agents for the domestic market. The travel agency business in India was so far not very organized. But with this sudden reduction in the inflow of foreign tourists in India, now the local travel agents had a very vital role to play in the Hospitality Industry in India.

- Earlier, to avail of a group discount in the hotel industry, the group needed to be that of more than 15 members. This number was brought down to “Eight Members”. Group discounts were the bonanza offered to the people travelling with their families and friends. Small kids upto the age of 5 or 6 years sharing the bed with parents were not charged by the hotel. Even the children between the age group of 5 to 12 were either charged a nominal rent or at times were not charged provided they were travelling with a group – now eight or more people.

- To give a boost to the domestic clientele, sales teams were told to resort to the aggressive marketing especially to attract corporate clients. Before 2001, the hotels in India used to get travelers from around the world but with the attack on twin-towers in USA, the inflow of foreign tourists dropped drastically. Hence, on the once hand the travel agencies assumed prominence to boost the domestic demands of leisure tourist, and on the other hand a professional approach was adopted to attract corporate clients. For this, the number of marketing team was increased so as to cover the maximum of the geographical area of the city, the hotel was located in.

- The hotels even opened up Regional Sales Offices, especially in the big metro cities like Chennai, Kolkata and Delhi. Marketing personnel were given individual and collective monthly, quarterly and yearly targets. Some of the hotels adopted hire and fire policy while dealing with the sales staff, but many of the hotels introduced incentives schemes for their sales team. Sales
personnel were given liberty to invite corporate guests to come and have dinner or lunch with their families at the weekend. The bookers, who were responsible for giving hotel bookings to the hotels were given tour packages with their families for out of city locations like Goa Mahabaleshwar or a few locations in nearby states.

- Complimentary rooms, lunch or dinner or even short-family-trips were offered to the persons responsible for giving bookings in the corporate houses. Heavy corporate discounting and credit facilities to the reputed and well established corporate clients was also one of the bonanzas suggested by the crisis management team. Most of the hotels implemented these suggestions.

- It was also suggested to tie up with the airlines and big travel agencies to organize all-inclusive package tours to promote the domestic tourism. With a move to control cash-outflow, barter system amongst the hotels, travel agencies and the airline was also one of the suggestions mooted out by the team. At the time of declining occupancy and overall business, the barter system adopted by the these three segments of hospitality (Airlines, Hoteliers and Travel Agency) Industry was of a great relief. While the airlines are always in need of hotel rooms not only for their crew but also for the delayed flight passengers,

- This scenario therefore proved to be a boon for them. On the one hand they had the advantage of availing of hotel facilities on a sort of credit and that’s too at a lower prize and on the other hand the hotels were also indirectly compelled to travel by that airline only so that the book-entries may be set off. Between these two segments were the Travel Agents, who needed the services of both, the Airlines as well as the hotels. To sum up, all of these segment were in a win win situation.

- Finance and Accounts departments of the hotels were directed to improve relations with the banks and manage to get enhanced credit limits. During this period of cash crunch, the CFOs role in the hotel industry assumed greater importance. As the corporate clients were also facing the cash crunch
and were requesting for the credit facilities from the hotels, CFOs were given the responsibility to get enhanced credit limits from the banks.

1.3.9 Hospitality Sector is the Second Largest Employer in India

In India, after the government of India, being the largest employer, hospitality industry is the second largest employer in the country providing direct and indirect employment to lacs of people here. The term hospitality is very vast and covers everything and anything related to tourism and much more than that. For example, hotel rooms, resorts, guest houses, travel agencies, tour operators, airlines, other means of transportation etc.

1.3.10 Some facts related to the Hospitality & Tourism Sector in India

- During the calendar year 2015, more than 7 million foreign tourist arrived in India. Today, the foreign exchange reserves of India is all time high. Hospitality industry is one of the major contributors to the foreign exchange reserves in India. India provide a wide range of landscape and variety of terrain suitable to different kinds of tourist from across the globe. Moreover, with the appreciation of USD against INR, the travelling to India has become cheaper and cheaper with every passage of year.

- As can be seen from the Figure 1.1 on the next page, the number of Foreign tourists visiting India has been continuously going up. The total number of foreign tourist arrival in the year 2015 was 7 million, if this ascending trend continues, the arrival will of foreign tourists in India will shoot up to more than 15 million by 2025.

- Moreover, With the new slogan and Make in India program launched by the Central Government in September, 2014 in the National Capital New Delhi and again the Make in India week organized in the commercial capital of Mumbai in February, 2016, the number of foreign tourist arrival in India is continuously going up at an alarming rate.
Figure 1.1 Projection of Foreign Tourists arrival in India

Year 2015 (Actual)
7 Million

Year 2025 (Projection)
15 Million
As can be seen from the Figure 1.2, the Restaurants and Hotels contributed around 188 Billion USD that was around 12.5% of the GDP in 2014-15. It grew @ around 11.7% during the period 2011-2012 to 2014-2015. This means that if Indian economy grows at an annual rate of 8%, the 1% of the GDP growth shall be contributed by the hospitality industry.

Figure 1.2 Restaurants and Hotel's Contribution to the Indian GDP
Among Service Sector, the Hospitality Industry in India is one of the key drivers of the growth. As discussed in the previous paragraph, apart from the generation of foreign exchange, this sector contributes significantly in revenue generation for the country, not only through direct/indirect taxes (Income Tax, Excise duty on sale of liquor in hotels, entertainment tax, luxury taxes, Service tax, VAT) and various license fees paid to central and state governments to run their hotel business.

Keeping mind the rich historical and cultural heritage, places of natural beauty and variety of landscape the Indian Tourism Industry has a lot of potential. NDA Government has announced the development of tourist places in association with ITDC and State Tourism Development Corporations. This will not only attract foreign tourist to visit India but will also give a boost to the domestic tourism sector. People seldom repeat a tourist destination and try to cover as many places as possible. Hence, plan to visit an altogether new place every year and once they are done with domestic travels, look out for foreign destinations. The discovery and development of new tourist places within India will not only be able to generate additional revenue but also will put a check on the depletion of our foreign reserves.

Tourism in India not only generates employment but also adds up in the kitty of foreign exchange. The Restaurants and Hotels put together, generating around 13 million jobs in India. During the year 2015, the Foreign Exchange earnings were more than 17 billion USD.

As can be seen from Figure 1.3, in the “Tourism and Travel Competitive Index”, India has shot up to 52nd position in 2016, i.e. 13 positions up from the last year and it will go further up keeping in mind the development of hundred smart cities in India. The beginning has already been done with the inauguration of the Smart city program by the Prime Minister of India in June, 2016, in Pune. On account of the ever increasing use of the internet, the online hotel booking will be doubled by 2016 end, compared to the last year. Now, even for the online bookings, one need not to look out for a, personal
There are a large number of mobile Apps and hotel booking portals available in the market that hotel room booking is just a click away.

Figure 1.3  India's Position in "Tourism and Travel Competitive Index"
Moreover, the airlines and hotel business to hand in hand and an increase in one segment gives rise to the boost or increase in another one. To come to the point, booking of Airline ticket has also become more and more easier. Every airline today is encouraging the usage of their mobile apps and even throwing freebies or points if the booking is done through their mobile apps.

From the year 2000 till 2015, the Hospitality and tourism sector in India attracted around 8.50 billion USD under Foreign Direct Investment. Once can imagine the amount of foreign exchange the industry is generating without any extra efforts. Keeping this aspect of foreign exchange generation in mind, the NDA government has announced a number of reforms in financial sector. A 100% FDI into hotel industry under automatic route has been announced by the government. Under automatic route, there is no need to obtain prior approval of the RBI before any investment is made by individuals or institutions located outside India.

1.3.11 An era of Individual hotel promoters - pre-franchise era

There are mainly two types of people have ventured into the hotel business, i.e. either those who had a good hang of property business or those who had an expertise in handling the kitchen department or F&B production or services – to be precise running the restaurant business. In the beginning, the investors in real estate sector entered the hotel business and continued to operate independently for years without affiliation to any well established international of Indian hotel chains. It was a big challenge to maintain the occupancy level between 60% to 80% without the support of overseas bookings. Even amongst the domestic travelers, these hotels were not the first choice of the guests as they lacked professionalism in almost every department of operations.

But gradually they themselves realized the fact that the occupancy level in the hotels associated with one or another foreign or domestic chain of hotels was always higher. Moreover, they are not at par with their foreign counterparts when it comes to maintenance of hygiene, safety norms, advanced soft-wares and operating systems, availability of finance, prevalence of credit cards and
online bookings etc. Furthermore, once a hotel gets affiliated with some foreign hotel chain, it instantly give a boost to its goodwill in the market. It also brings about professionalism amongst its staff, exposure to the world market or customers and the recognition.

Furthermore, the biggest advantage of the franchise organization was the access to the central reservation system. In earlier time, the booking could be done by calling a single toll free call center number and now through online booking. Central reservation was not only beneficial to the travelers but also

1.3.12 An era of Franchise Management Contracts

Keeping in view the advantages attached, the majority of the international hotel chains entered Indian hospitality through franchises management contracts. They have been able not only to make an inroads in the Indian hospitality arena but also have established themselves and targeting almost every segment here.

However, after the launch of e-visa for the maximum number of countries by the new government in India and also due to devaluation of rupee against USD, there has again been a surge in the number of foreign tourists.

1.3.13 Present Scenario and opportunities in Hotel Segment

Younger generation, with a view to have a break in the routine and hectic life are preferring these kind of hotels for the weekend outings. The new government at the centre is also very aggressive on tourism development front and marketing Indian destinations not only amongst domestic tourists but also amongst foreign tourists via its much relaxed and popular e-visa program. E-visa which was introduced to 150 countries in November, 2014 not has been extended to 36 more countries in July, 2016.

When it comes to domestic tourists, the level of income has drastically gone up in India and young generations are more and more inclined to travel around and enjoy the life then to invest for the future. The devaluation of the
INR against USD has also played a positive role as major hotels in India are generating 70% of their revenue from foreign tourists. This has given a boost, not only to the number of tourist but also to the foreign exchange earnings of the country

1.3.14 Government of India’s Initiatives

Keeping in mind the enormous potential of tourism, the government of India established India Tourism Development Corporation in the year 1966 that was followed by the establishment of State Tourism Development Corporations by the respective State Governments. Apart from this, is has been continuously endeavoring to make it the most attractive and sought after tourist destination since then. Recently, Central Government has taken following steps in this direction:

- Union Government has approved the MOU between the Indian Tourism Ministry and their counterpart in Colombia to help enhance the tourism in both the countries. It will be mutually beneficial for the both the countries to develop tourism in their respective countries and thereby, increase their revenues and foreign exchange earnings. The Central Ministry has also approved an MOU between Cambodia and India to promote tourism between these countries.

- During the financial year 2014-15, Ministry of Tourism had sanctioned Rs. 845 crores i.e. around 142 million USD to the Union Territories and various States of India for development of tourism in their respective states or Union Territories. The National Empowered Committee (HRIDY), known as Heritage City Development and Augmentation Yojana, has also approved development of eight cities i.e. Dwarka, Mathura, Varanasi, Ajmer Vellankini, Warangal and Amaravati at the cost of 65 Million USD keeping in mind their potential of being tourist hubs. This has encouraged the Central Government to extend this facility to more countries and as a result, this facility of e-tourist visa has been extended to 36 more countries in July, 2016 – thus making the total of 186 countries.
As can be seen from the Figure 1.4, from January to April, 2015, there were 94,998 foreign tourists arrivals in India on e-tourist visa. This number went up to 3,91,094 during the same period (January to April, 2016) this year, thus registering a growth of 311% in foreign tourists arrival on e-tourist visa.

**Figure 1.4 Number of Foreign Tourists Arrival in India**

<table>
<thead>
<tr>
<th></th>
<th>January to April, 2015</th>
<th>January to April 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Arrivals</td>
<td>94,998</td>
<td>3,91,094</td>
</tr>
</tbody>
</table>
• An additional Airport is also planned in NCR to share the workload of Delhi Airport. The scheme of e-visa has already caught up with foreign travelers and the number of tourist has gone up drastically. As the inclusion of more and more countries is on the card, we can expect the inflow of increased number of foreign tourist in the coming years.

• The Tourism and travel industry of India has huge potential for growth as the medical tourism market is expected to hit around 4 billion USD this year registering a growth rate of around 27% as per the report submitted by KPMG and FICCI. While the inflow of medical tourists was 85 million in 2012, it is expected to cross 350 million in 2016. Considering the overwhelming response to the e-visa launched by the Government of India, the revenue growth rate registered by 31st March, 2016 was around 11%.

1.4 HOSPITALITY INDUSTRY IN MAHARASHTRA

Maharashtra is one of the largest states of India which also houses the Commercial Capital of India. There are variety of tourists attractions in Maharashtra for domestic as well as foreign travelers. Apart from the colonial landmark, Gateway of India, the state has a number of hill stations and religious places. Maharashtra is called the land of sages and saints where many of the prominent saints of India have spent their lives on the bank of sacred river Godavari & Indrayani. To name a few are Sant Dhyaneswar (Gyaneshwar), Sant Nivrutinath, Muktabai, Sopan, Sant Tukaram, Eknath, Namdev, Gajanan Maharaj, Swami Samartha and Sai Baba of Shirdi. No other state of India has given birth to so many saints like Maharashtra. Moreover, the places blesses by these saints are visited by lacs and lacs of people every year.

The people come from every nook and corner of India to pay respect and have a glimpse (Darshan) of the shrines of these saints. These places also attracts NRI tourists from all over the world. Moreover, Maharashtra is also known as the winery of India. 90% of the country's wineries are located in Maharashtra, especially in Nashik and Pune district. Apart from this, the
Mumbai being the financial capital of India, plays a significant role in India’s constantly growing “Hospitality and Tourism Industry”. With a view to attract more and more tourists in Maharashtra, the state government has thrown out bonanza to the hotel industry by reducing the number of licenses required to start and operate the hotel. After the establishment of BJP-Shivsena government in the state, the applications for obtaining required licenses can be made online. This has not only cut many red tapes, but also has ensured transparency in the allotment of licenses. This has resulted into the saving of a lot of time and efforts on the part of new entrants in the industry.

1.5 PROBLEM ON HAND

1.5.1 High rate of Employee Attrition

In spite of all above positives, the Hospitality Industry is having very high rate of employee attrition all over the world when compared with other industry. Whereas globally the average rate of employee attrition in other industries is around 15%, the rate of attrition in hospitality industry is around 29%. This problem of high rate of attrition is even more serious in Indian Hotel Industry. Here, while the average rate of employee attrition ranges between 25% to 30%, the Budget Hotels in India are worst affected, where it goes beyond 30%. In some of the hotels in Mumbai, it has been recorded between 30% to 35%.

1.5.2 What is Employee Attrition

The total number of employees leaving or quitting an organization within a period of twelve months’ time us usually termed as employee attrition during that year in that particular organization or a company. For example, supposed there are a total of 100 employees working in a particular organization or a company on the 1st of January. In case, out of these 100 employees in the beginning of the year, if only 75 employees remain by the year end, the there was considered to be an employee attrition of 25% in that company during that year.
1.5.3 Formula of calculating Employee Attrition Rate

To arrive at the rate of attrition, the number of people quitting the organization in a given year is divided by the Average Headcount in that particular. Once we multiply the figure arrived at with the 100, the rate of attrition is attained.

\[
\text{Attrition per year(\%)} = \frac{\text{No. of separations in the given year}}{\text{Average Headcount in the given year}} \times 100
\]

\[
\text{Attrition per year(\%)} = \frac{20}{100} \times 100 = \text{Attrition Rate} \ 20\%
\]

1.5.4 Normal or Healthy rate of Attrition

As stated in above paragraph, 10% attrition in any industry or organization is an optimum number. But whether that “number” is healthy or not, again depends more on as to “who is leaving” or has left the organization. In case those 10% who have left the job or planning to leave are mostly consists of top performers or from top-tier people, then it is not a healthy sign for the organization and the management should try to control it. But on the contrary, if there has been a mistake at the time of Recruitment and selection process and some inefficient staff have made inroads in the organization then their exit is always welcome. It is good for the organization if such person quits the job and the sooner the better.

There have also been the cases, especially where the Trade Unions are calling the shots and interfering in recruitment and selection process, where the appointment of a staff took place purely on recommendation and not on merits. To sum up, the regular exodus of inefficient staff is always beneficial for the good health of the organization. Such employees either leave the job on their own as were not able to cope up with the work culture or their services are terminated by the management by giving them proper notice etc.
1.5.5 Employee Attrition is higher in Hospitality Industry

Compared with other industries, the rate of Attrition in Hospitality Industry is very high. The industry-wise total Employee Turnover Rate was recently reported as under:-

**Table 1.5 Employee Attrition rate in different industries**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Description</th>
<th>% Attrition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Banking &amp; Finance</td>
<td>17.2%</td>
</tr>
<tr>
<td>2</td>
<td>Healthcare</td>
<td>16.8%</td>
</tr>
<tr>
<td>3</td>
<td>Hospitality</td>
<td><strong>29.2%</strong></td>
</tr>
<tr>
<td>4</td>
<td>Insurance</td>
<td>10.4%</td>
</tr>
<tr>
<td>5</td>
<td>Manufacturing &amp; Distribution</td>
<td>13.3%</td>
</tr>
<tr>
<td>6</td>
<td>Not-for-Profit</td>
<td>15.3%</td>
</tr>
<tr>
<td>7</td>
<td>Services</td>
<td>15.2%</td>
</tr>
<tr>
<td>8</td>
<td>Utilities</td>
<td>7.2%</td>
</tr>
<tr>
<td></td>
<td><strong>Average of all Industries</strong></td>
<td><strong>15.58%</strong></td>
</tr>
</tbody>
</table>
whooping 29.2% means almost a double. Even while comparing with the 
average of all other industry (15.58%), the rate of attrition in hospitality 
industry worldwide was almost double at 29.2%

Figure 1.5 Employee Attrition rate in different industries
As can be seen from the above Diagram 1.5, the average rate of attrition in all above industries is around 15%, whereas in Hospitality Industry it is almost the double i.e. 29%. The other section like Insurance 10.45%, Manufacturing and Distribution sector 13.3%, Not for profit organizations 15.3%, Services 15.2%, Utilities 7.2%, Banking and Finance sector 17.2% . and healthcare 16.2%

1.5.6 Higher rate of Attrition in Budget Hotels

While the average rate of employee attrition in Hospitality industry is around 30%, in Budget Hotels, it goes up to 35%. The apparent reason for such a high rate of attrition in Budget Hotels can be summarized as under :-

- Large number of students joining Hotel Management Courses but number of Luxury hotels are not adding up on the industry at that speed to accommodate all Hotel Management Graduates in the Luxury Hotels. Hence, there is a imbalance of demand and supply. While the Hotel Management Institutes are churning out a large number of graduates or workforce every year, due to economic slowdown, the number of new hotels are not adding up in the industry at that speed.

- Working for an Airlines or similar kind of plush professions in luxury hotels has always been a dream of the youngsters. Keeping this mindsets of the youngsters in mind, almost every big city in India has got flooded with a large number of Airlines Academies or Hotel Management Institutes or colleges. With very high hopes and aspirations these youngsters join these Academies or Colleges. But their dreams get shattered the day they pass out of the colleges or institutions and face the ground reality in the job market. When it comes to the Five-star category of hotels there is a big gap between the supply and demand of the professionals for the last one decade.

Whereas due to the mushrooming of the Hotel Management Institutions, the market has been flooded with professionals in the industry, but the number of Luxury Hotels has not gone up in that proportion. The new pass-outs,
therefore have to console themselves with a job in a Budget Hotel. But they never ever settle here and always on the lookout for a job in a Luxury Hotel. If they fail to get such an opportunity then they quit the industry itself and switch-over to other industry. That’s the reason why there is the highest rate of attrition in the Budget Hotels, especially in the city like Mumbai where there are a lot of job opportunities not only within the industry but in other industries as well.

- As evident from the above explanations, the Hotel Management Graduates use Budget Hotels as stepping stones or stop gap arrangements. In short, so long as they are working with budget hotel, they never ever feel settled and construed to be sitting on the fence. On first available opportunity they jump of the fence and grab a job in a Five Star Hotel category of luxury hotel.

- Hotel industry has the 24x7 of round the clock operations and by rotation, all the operational staff are required to do the first shift, second shift and night shifts as well. The hotels generally follow the weekly rotation. It is not possible for a hotel staff, especially those in operational departments, to avoid night shifts. Previous studies have established that it is one of the main reasons that employees, especially women employees, quit their jobs. Working during the night shifts or during odd hours adversely affects the work-life balance too. In Hotel Industry, the staff need to be not only presentable but also look fresh. After doing night shift, an employee tends to sleep during the day time. He or she must have at least 6 hours sleep so that he or she look fresh and presentable during the next duty hours. If he sleeps during the day and go at work during the night then where is the time for the family. It therefore causes work-life imbalance and in turn the disappointment and frustration among the employees.

- Every day doing the same kind of job and that’s too for hours, months and years together causes monotony and leads to boredom amongst staff. For example, the Front Office Staff, standing behind the Reception Counter have been checking-in and Checking-out the guests for years becomes so
• boring and frustrating that anybody would think of quitting and joining some other companies.

• Compared to the hotel Industry, the salaries and or other compensations offered by other industries are much better attractive. It is a well known fact that the Hotels are the “Least Pay Masters” whereas they have to be on their toes to take care of their guests. At times, they have to bear with the frustration of the guests. To keep the guest happy and delighted, a team of well coordinated and efficient workers is a must. If anything goes wrong with the guest, mostly the Front Office people (Receptionists or Lobby/Duty Managers) are at receiving end. For example, if there is a problem with the Air-conditioning in the guestroom, the guest will complain to the Front office whereas the rectification in the AC will be carried out by the Maintenance Department. Hence, a lack of coordination between these two departments results into the delayed services and a dissatisfied guest.

• What has been inferred or derived from the Review of Literature, that the most of the budget category hotels do not have clearly defined promotion policies or career path for their employees. Employees are not sure whether the future vacancies at the higher level will be filled in by promoting them or through recruitment of new employees from the open market. In absence of the clarity on their growth path, they lose interest in continuance with the present employer and switchover to the professionally managed higher star category of hotels.

• Employees switching over to Cruise Liners or grabbing the overseas opportunities. One of the most coveted and lucrative employment fetches 2 to 4 times of the remunerations they otherwise get in the hotel industry. F&B staff, especially Chefs are too much in demand in developed countries like Dubai, Middle East, South East and European Countries. For hotel employees in India, it is always a dream come true if they come across such an opportunities of working overseas. There has always been more supply of employees in India than their demand overseas. Similar, is the passion for
job on a Cruise Liner. Though there are some negatives i.e. the sea sickness, and remaining on boards for months together resulting into other health problems, associated with cruise line job. Nevertheless, the compensation and allowances are so high that one gets tempted and cannot turn down the opportunity.

• Front Office and Sales Staff are switching over to other industries as they get exposure of influential clients. Front office staff are too much in demand than the employees of any other department in the Hotel Industry. Apart from mushrooming of the shopping malls and high profile showrooms, all big companies have a team of receptionists and have a full-fledged front office. Moreover, the marketing people are mostly out in the market for their routine sales calls. They are the most exposed people to the outside world. They keep coming across many corporate clients and the job offers from them.

• Ever-expanding scope of Security and House-keeping Companies. Hotel Management graduates are nowadays too much in demand in Shopping Malls, Multiplexes and big showrooms, especially in big cities like Mumbai. With the increasing urbanization and mushrooming of towns, the multiplexes, shopping malls, modernized system of Transportation (Metro/monorails), Banks, BPOs, Call Centers, Private Hospitals, Modern and state of art educational institutions, all these places require Front Desk, Housekeeping and Security staff. The Hospitality graduates are therefore in too much demand not only in hotel industry but also other industries too. As the job opportunities in other industries or segments increases, the rate of attrition in hotel industry goes up.

• Ever expanding Hotel industry and the poaching by new players. While the rate of growth in the real estate sector is very slow for the last 4 – 5 years but Hospitality Industry has seen the addition of many new hotels during this period. These new players cannot depends upon the fresh graduates from the Hotel Management Institutions. Hence, the poaching of the senior employees from the existing hotels are rampant.
• Starting their own business – Restaurant, Housekeeping, Security Agencies etc. Encouraged by the commercial success of the celebrity Chef of Sanjeev Kapoor, many hotel employees especially from the kitchen department quit their jobs and started their own restaurant or small scale hotels. The good thing about the restaurant business is that 80% to 90% of the establishment cost is that of shop or a building which are easily available on rent. Even if one plans to buy such place, banks are easily providing loan - upto 90% of the cost. It has therefore become easy for anyone to start the restaurant business without too much of difficulties.

1.5.7 Negative Impact of the high rate of Employee Attrition

• Operational cost goes up as Recruitment and Selection incurred on the employees goes waste and the Human Resource Department has to go through the entire process of Recruitment, Selection and Trainings all over again. Moreover the new employees also take time to get adjusted into the new environment.

• Motivational cost: When the rate of employee attrition is very high the employer has to hike the salaries to retain the existing employees. This increases the wage bill of the hotel. It has been noticed that in spite of increasing the salaries, the employees continue to quit the organization. The management therefore resorts to the more such increases in the salaries. At times, this motivational cost goes so high that it substantially eats up into the profitability.

• Loss of Productivity as new employee takes time to get adapted to the culture at this new place. In case of a fresher, it take considerable time to learn the job itself. In hotel industry, a particular department does not work in isolation but there are many departments involved to provide the seamless services to the hotel guest. New employees therefore take time to get tuned with the new team, new environment, new supervisors and new colleagues.
• Loss of customer base. In service industry, the customers often prefer to interact with familiar people. A corporate guest would always prefer to stay in a hotel where the staff are familiar with his choices and preferences and he need not to brief the staff about them. The role of a regular and permanent staff increases manifold when the conferences are organized by the regular corporate clients. Different companies follow different kinds of sitting patterns, different sets of props and arrangements for their conferences and a regular hotel staff is of great use who is well aware of all this. In such a situation, if the guest comes across an altogether new face every time he organizes a conference or seminar, he develops a cold feet and usually reluctant to repeat this hotel.

• Loss of talent and skilled manpower. Wherever the rate of attrition is very high, the hotels is reduced to a training institution which is engaged in training the employees for future employers. In such a situation, the money and resources incurred on the training and development of the employees are also not recovered over a short span of the time the employee stayed with the present employer. The top management get frustrated and raises the doubt over the very necessity of such trainings programs where their own hotel is not able to capitalize upon the talents of the trained employees.

• Big Challenge for the HR Managers to justify to the Higher Authorities. H.R. Departments are accountable to the top management for retention. The higher rate of attrition in an organization puts the Human Resource Managers in a very awkward situation. One the one hand the cost of retention is constantly going up and on the other the high rate attrition is not showing any sign of receding. Though there are a lot of factors responsible for the exodus of the employees, but the Human Resource Management is team is held responsible for their inabilities to retain the employees. In such a situation they start putting blames on other factors and when the things go beyond control, they give up. They themselves start feeling insecure about their job and tend to quit for a more stable employer.
1.5.8 Significance of Budget Hotels

Middle categories of Hotels, or Mid Segment Hotel i.e. mainly Four Star and Three Star Hotels fall in this Category. This is the most sought-after category of hotels in present scenario of economic recession all over the world. Every company is planning of cost cutting in every sphere of their functions. Many companies have a big sales teams functioning at pan India basis and their sales personnel have to travel a lot for the sales and promotion of their product. Such companies spend a big amount of their total budget on travel and stay in the hotel.

These companies cannot afford to make their middle level employees stay in a Five Star hotel as the rooms are very costly in these hotels. Nor they can make their middle management people stay in a very low budget or cheap hotel, as the company has to maintain certain status or standard of their employees. Hence, middle categories of hotels (4-Star and 3-Star) are considered to be the best choice which are not only cost effective but also maintain certain standards of their product and services and claim to be equivalent to Five Star Hotels. Keeping in mind the significance of these hotels, The Taj Group and many other big groups have entered into this segment of budget hotels.

Furthermore, even if a company is able to afford the cost of room in a Five Star hotel for their employees, it becomes very expensive for the company to allow their them to avail of F&B services which are exorbitant. Cost of F&B services in a five star hotels works as a big deterrent. Above certain level, the middle or senior management employees are allowed to stay in five star properties so as to maintain the status and brand image of the company. Hence, their room bill is paid by the employers on actual basis or sometimes the companies are enjoying credit facilities with the hotel and the room charges are directly settled by the company. But for lunch and dinner, however big is the company, they have fixed amount of daily allowances and anything spent over and above that daily allowance, is to be borne by the employee himself from his pocket.
On an average the buffet cost of lunch or dinner in a five star hotel is around Rs.2000/- or more. Moreover, if one feels of chilling himself out with a pint of beer @ Rs. 400/- per bottle of 330 ml, and consumes a couple of bottles, then it burns his pocket with a big hole. In such a situation, the sales or marketing personnel who is on the mover for almost 20 days a month cannot afford shelling out Rs. 2000/- or more every day from his pocket. He himself therefore prefers to stay in a budget hotel where he finds the Food and Beverages cost affordable not only for himself, but at times he can entertain his business guest or friends.

Even for the leisure tour, when they are travelling on their own, a significant amount of people prefer to stay in Budget hotels as they are not only cost effective but also ensure the value for their money. The same thing apply to these leisure travelers and most of the middle class travelers prefer to stay in budget hotels keeping in mind the cost of Food and beverages. In case of package tours organized by Travel Agencies, they also prefer budget hotels to keep the package tour rates low and competitive.

Keeping in mind the enormous potential of tourism, the government of India is endeavoring to make India a global tourism hub and have taken many concrete steps in this direction.

1.5.9 Present Scenario and trends in Budget or Mid-Segment Hotels

Budget Hotels are also called as Mid-Segment Hotels. There has been a major shift in the nature of the hotel industry for the last decade with the mid-market (Budget) hotels now account for nearly half of all the hotel rooms in the country. The segment has witnessed an unprecedented upsurge owing to the rising number of corporate travelers, a large portion of which are mid-level executives, and a fast growing domestic travel segment, largely comprising the middle class. With a current network of 38 hotels spanning seven brands,
Accor Hotels is present in all tier I cities and majority of tier II cities, across India.

Domestic leisure travel is also growing and there is a rise in demand of mid-scale budget hotels in leisure destinations as well. Increase in disposable incomes and the burgeoning middle class have set the progress of tourism in the country. Then there is the growing population of young professionals who are looking to travel extensively and look for safe and affordable stay. Leisure travelers are looking at value for money options. A growing middle class has created demand for affordable avenues for the domestic traveler. At times, with corporates becoming cost-conscious and leisure travelers always looking at value for money options, mid-market budget hotels are emerging as the preferred choice. Choice Hotels cater to both the markets and their present market mix is 75 per cent corporate and 25 per cent leisure. In the coming one or two years, a growth of around 80-85 per cent is forecasted in the business section.

The Indian tourism industry is expected to double in revenues by 2020. The increase in the number of domestic travelers and domestic trips will support the demand for mid-scale hotels. The dependency is largely on business travelers but tourist traffic is also on the rise. Various domestic and international brands investing in this segment signify its potential. Even though the hospitality industry is seeing sluggish demand due to the economic slowdown, the mid-market branded hotels will be the biggest growth driver. Today, you have the young profile of Indians travelling across the country. For them, it is not the luxury segment, but a brand like Lords Hotels and Resorts that is more attractive. Growth of this segment will be helped by the growing number of corporate travelers, patrons of five-star hotels, shifting to these hotels as part of cost-cutting measures. Even as the slowdown has hit construction of the hotel segment, there has been relatively faster growth in this category. According to recent research by HVS India, of the 93,000 hotel
rooms being added to the existing 14,000 hotels by March 2017 across major Indian cities, almost 50 per cent will be in the mid-market and budget range as demand for mid-market hotels is increasing.

1.6 RESEARCH OBJECTIVES

This Research Work attempts to find out and analyze the exact causes of high rate of Employees Attrition in Hotel Industry especially the Budget Hotels in Mumbai Region. It also discusses the issues and challenges faced by the Industry across the country and various strategies employed by the Hotel Industry to overcome this problem of high rate of employee attrition. Following are the main objectives of this research:-

1. To study the concept, origin and history of Employees Attrition in Hotel Industry. It is important to know about the historical background of the problem before we take up any research work in hand. For this, one need to study the literature already available on the subject matter. To have a good hang about the problem in hand, there is a need to review the related literature at least for the last 15 – 20 years. Moreover, it is not enough to list the reviews, but a good researcher has to keep a tab on the gaps. Once the gaps have been determined, he has to prepare the schedule of interview.

2. To study the attitude of employees towards their job in hotel industry. If an employee takes his job very seriously and plans his career path after due deliberations, then he will not switch over jobs very frequently and will stay in a job at least for three years. On the other hand if his attitude towards the job is just money oriented - to earn as much and as fast as possible - and get to the next rung by hook and crook then he will not mind changing his job even twice in a year. It is all about the attitude which varies from person to person and cannot be generalized.

3. To examine the impact of the hire-and-fire policies of the management on the rate of employee attrition. It goes without saying that in the organizations, where the management follows the hire and fire policy, the rate of employee
attrition will be on the higher side. But in long run this policy is not good either from the employee point of view or for the employer himself. In such organizations, the rate of attrition is already high because the employer is not having a patience and fires the employees on flimsy grounds. Moreover, it spreads a sense of job insecurity even among

4. the good performers of the organization. They live in a fear of being sacked any time. Hence, instead of waiting for that fateful day of being sacked by the company, they themselves make their way out and join some other company which ensures more stability.

5. To study the impact of “Terms of Employment” on the Employees Attrition. Means, terms and conditions of the employment which includes number of sick leave, privilege leaves, yearly holidays, bonus, incentives, working hours, whether the office operate 5 days or 6 days a week. Outwardly these factors sound to be very trivial but while taking a decision on the future employment, an employee gives due considerations to these aspects. Many of the employees from the hotel industries have switched over to corporate sectors because they are operating only five days a week. Similar is the case with other factors listed above.

6. To study the impact of the working conditions on Employees Attrition in Hotel Industry. At times, it is noticed that even if the salaries are less, young generations prefer to work at a place where working conditions are pleasant. They give utmost importance to the ambience of the office, sitting arrangements and the fellow workers etc. For example, a company located in an Industrial Area, even paying decent salary to their employees will be less preferred, especially by the young generations compared to a multiplex, mobile gallery or Modern Trade Format Stores, Big shopping malls. The reason being their location in a posh area and also the good ambience of the office.

7. To study the relationship between employee welfare measures and Employees Attrition in Hotel Industry. Means, the welfare measure taken by
some of the employers have really been effective in retention of the staff. To name a few are free or subsidized food, strictly following the welfare acts like workmen compensation act, free medical treatment for self and the family members, free transportation to the employees from their residence and place of work and back, superannuation or retirement benefits, gratuity, old age pension, family pension after the death of the employee, employment of the wards (one of the dependants) in case of premature death of the employee. Most of these benefits are available to the Government or Public Sector Employees but the “Welfare Oriented Employers” usually extend these benefits even in private sector. These benefits plays a significant role not only in attraction of the good and talented employees but also in their retention as well. The best example of this kind of employers in private sector is Tata Group of hotels or Tata Group of Companies.

8. To study the effect of wage and salary administration on employees attrition in Hotel Industry. Means, whether the employees are very sensitive to the compensation alone, or they give equal importance to the other factors too. In this materialistic world, the money is capable to buy anything and everything, hence, it matters the most and the employees, especially the young generation attach a lot of importance to it. But it has been noticed that money alone is not a factor for the employee to take a concrete decision whether to continue with the same company or switchover to other. It therefore cannot be generalized and there is a need of a thorough research and analysis to know the amount of impact does the salaries or compensation have on employees decision to say with the present employer or quit.

9. To study the role of Trade Unions in Employees Attrition. Whether the Trade Unions are playing a positive or negative roles when it comes to the employee attrition.

10. To study the role of Worker’s participation in management activities to maintain employees retention. If an employer treats his employees with dignity and ensures their involvement in formulation of their employment as
well as business policies, the employees also feel a sense of belongingness with the organization. This ultimately leads into the lower rate of attrition.

11. To assess or evaluate the findings and make recommendations not only to the employers, employees, middle or top management but also to the other stakeholders in the hotel industry.

1.7 Scope, Significance & Utility of Research

1.7.1. Scope of the Research
The scope of Hospitality is very vast, it includes everything a traveler avail of during the course of his journey - leisure or business. It includes a lot of independent segments like Hotels, Airlines, Travel Agencies, Boats, Ships, Cruise Liners, Ferries, means of transportation, sightseeing, Amusement parks, safaris etc. It will be impractical to cover all those segments of the hospitality sector without compromising with the quality of research work. Moreover, the results or findings of such research will not be beyond. On the one hand it will be difficult to cover such a vast geographical area and on the other, it will take a lot of time in collection of primary data and their analysis. We will therefore, confine this Research Work to the “Employee Attrition in Budget Hotels”. Again, as the Budget Hotels especially those located in Mumbai are the most adversely affected by the high rate of Employee Attrition, our scope of work will remain confined to the Attrition in Budget Hotels in Mumbai Region.

1.7.2 Significance of the Research
There has been a lot of Research Work when it comes to overall Hospitality Industry and even on the overall Hotel Industry, but there is hardly any Research Work done for this particular segment of Budget Hotels where the rate of Employee Attrition is the highest, not only across the sectors but also within the hotel industry itself. Hence, a thorough and systematic research work in this segment attains significance.
Moreover, as at the time of exit interviews, employees are not giving the true reason of their leaving the job, it becomes imperative know the exact cause of their exit. Employees are usually giving a generalized reply that he or she is leaving the job for better future prospect. It is therefore necessary to conduct a proper research, collect first hand information from the employees through questionnaire or personal interviews, analyze the data collected and come to the conclusion. Finally, to find out the causes of the high rate of attrition in the Hospitality Industry in general and particularly the causes of the highest rate of attrition in Budget Hotels in Mumbai.

1.7.3 Utility of the Research

As this industry provide livelihood to a considerable percentage of population all over the world, the recommendations of this study can be used as guideline for all the stake holders in the Hotel Industry such as the employees, employers, scholars, competitors, students, hotel management schools, Human Resource Managers, existing Entrepreneurs and New entrants in the industry. If the recommendations of this study are implemented by the affected Hotels, they will not only be able to retain the talented employees for a longer period but even the non-performers will be able to groom themselves and turn into an asset for the organization.

The study will throw the light on the existing problem of the high rate of attrition in the industry which will in turn result into the suggestions and recommendations to improve upon the existing scenario. The findings and suggestions will be beneficial not only to the employees, but also to the industry, scholars, competitors in the Hotel Industry, students, hotel management schools, employers in the Hotel Industry, Human Resource Managers, Entrepreneurs, New entrants in the industry etc.

1.7.4 Limitations of the Research

Since Hotel Industry in Mumbai region is very vast, this research will confine to the 97 Budget Hotels i.e. only Four-Star and Three-Star categories of the Hotels. Again, Mumbai is a very big geographical area, hence, entire Mumbai
has been divided into eight clusters based on the concentration of hotel in a particular geographical region and two hotels have been selected from the each cluster, making it 16 hotels. Further, when it comes to the selection of the employees or respondents there are on an average 75 Employees working with each hotel. Hence, 25 Middle Level Employees have been randomly selected from each Hotel making the sample of 400 i.e. 16 (hotels) x 25 (Employees). Middle level employees are consisting of the 80% of the staff strength of a hotel and the attrition rate again is highest amongst these category of employees. Rate of attrition is not that high with the Top Management people and also that of Lowest Category of staff in the hotel industry. Hence, the middle level employee are best representing the sample and are best suitable to this research work.