CHAPTER 3
THEORETICAL PERSPECTIVE
OF INDIAN HOTEL INDUSTRY PROFILE
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3.1 HISTORY & EVOLUTION OF THE HOTEL

The Hotel Industry that exists today can be traced back to 3000 B.C., where the earliest inns were homes with rooms provided for the travelers. Conditions improved in 1700s England when the Renaissance sparked the desire to travel. The United States saw its Hotel Industry created a century later. By this time they had revolutionized many firsts in the industry including private rooms with locks and doors, free soap, trained staff, and a pitcher of water in each room. Indoor plumbing and the creation of the lobby followed shortly thereafter. The business of providing strangers with hospitable means has come a long way. What once was service to fellow man is now the foundation for numerous economies throughout the world.

The modern era of the Hotel Industry saw its beginnings in 1794 at New York where the first ever Hotel was built. Profit potential was recognized with the inception of the Industrial Revolution. Stock companies invested in the hotels seeking profit from property value appreciation and room occupancy revenue. The surrounding communities were promised an increase in sales by means of higher volume of people passing through. The Industry creates a multitude of opportunities which now saturate the Industry in the form of spin-offs of these top four hotel companies creating the most common chains we know of today. History has proven that the success of this industry has largely to do with two factors, Location and Innovative Integration, the
combination of these two has created a margin between the larger chains and those who operate on a smaller scale. Soap and locks on doors were the innovation for their day. The Strategic placement and the Product differentiation once again guide the success of this industry.

The word, “Hotel” is derived from the French word ‘Hotel’. which referred to a French version of a townhouse or any other building seeing frequent visitors, rather than a place offering accommodation. Hotel is an establishment that provides paid lodging on a short-term basis. The provision of basic accommodation, in times past, consisting only of a room with a bed, a cupboard, a small table and a washstand has largely been replaced by rooms with modern facilities, including en-suite bathrooms and air conditioning or climate control. The additional common features found in the hotel rooms are a telephone, a wall clock, a television, and Internet connectivity; snack foods and drinks may be supplied in a mini-bar, and facilities for making hot drinks. Larger hotels may provide a number of additional guest facilities such as a restaurant, a swimming pool or childcare, and have conference and social function services.

Some hotels offer meals as part of a room and board arrangement. 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 the business opportunities in India have served as a boon for the 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 Industry. According to a report, the Hotel Industry in India currently has a supply of 110,000 rooms and there is a shortage of 150,000 rooms fuelling hotel room rates across India. According to estimate, demand is going to exceed supply by at least 100% over the next 2 years.

The future scenario of Indian Hotel Industry looks extremely rosy. It is expected that the budget and the mid-market hotel segment will witness a huge growth and expansion while the luxury segment will continue to perform extremely well over the next few years. According to the British laws, a hotel is a place where a “bonafied” traveller can receive food and shelter provides he is in a position for it and is in a fit condition to receive.

Hotels have a very long history, but not as we know today, way back in the 6th century BC when the first inn in and around the city of London began to develop. The first inns catered to travellers and provided them with a mere roof to stay under. This condition of the inns prevailed for a long time, until the Industrial Revolution in England, which brought about new ideas and progress in the business of inn-keeping.

The invention of the Steam Engine made travelling even more prominent, which had to more and more people travelling not only for business but also for leisure reasons. This leads to the actual development of the Hotel Industry as we know of it today.
A Hotel today not only caters to the basic needs of the guest like food and shelter but also provides much more than that, like personalized services and so on.

A Hotel today is “Home away from home”.

3.2 OVER VIEW

The global Hotel Industry appears to be now on a path of slow recovery, having coming out of two exceptionally bad years (2009-2010). While the main recovery leaders are the emerging countries in the Asia-Pacific region, the developed luxury hotel markets of the USA and Europe have also reported signs of demand recovery during the past 12 months.

In India, the demand - or occupancy - led recovery that started with the return of domestic travellers late in calendar 2010, received a boost with Foreign Tourist Arrivals (FTAs) picking up in the subsequent months. The latter half of 2010-11 saw the industry push for higher tariffs, although pricing recovery for the whole of 2010-11 stood at a tepid 5-8%. From our analysis of demand, supply and industry profits, and considering the fact that the previous recovery cycles lasted six to eight years, ICRA believes that the current recovery is still in a nascent stage and yet to make the transition from an occupancy-led up-cycle to a more convincing ARR-led recovery. The market requires further improvement in occupancy and confidence to be able to gain real pricing power. Overall, ICRA expects the Indian Hotel Industry to post a modest recovery in performance during the next three quarters, aided by high single-digit ARR growth.
One of the key risks to recovery comes from demand dampeners, namely, expectations of relatively mute corporate performance in fiscal 2011-12 (which could slow down corporate spending), increase in interest rates, rise in fuel and food prices (which would impact disposable incomes), and subdued macroeconomic signals from the developed markets. For recovery to be sustained, it must be supported by gains in the underlying economy. Additionally on the supply front, heavy supplies in markets like the National Capital Region (NCR), Hyderabad, Pune, Bangalore and Chennai are expected to suppress pricing power.

3.3 GROWTH OF THE INDUSTRY

3.3.1 Rate of Growth

According to a report, Hotel Industry in India currently has a supply of 10,000 rooms and there is a shortage of 150,000 rooms fuelling hotel room rates across India. According to estimates demand is going to exceed supply by at least 100% over the next 2 years. Five-star hotels in metro cities allot same room, more than once a day to different guests, receiving almost 24-hour rates from both guests against 6-8 hours usage. With demand-supply disparity, hotel rates in India are likely to rise by 25% annually and occupancy by 80%, over the next two years. This will affect the competitiveness of India as a cost-effective tourist destination.

To overcome this shortage the Indian hotel industry is adding about 60,000 quality rooms, currently in different stages of planning and development, which should be ready by 2012. The Hotel Industry in India is also set to get a fillip with Delhi hosting 2010 Commonwealth Games.
The future scenario of the Indian Hotel Industry looks extremely rosy. It is expected that the budget and mid-market hotel segment will witness huge growth and expansion while the luxury segment will continue to perform extremely well over the next few years.

The hotel industry in India is going through an interesting phase. One of the major reasons for the increase in demand for hotel rooms in the country is the boom in the overall economy and high growth in sectors like Information Technology, Telecom, Retail and Real estate.

Rising stock market and new business opportunities have also been attracting hordes of foreign investors and international corporate travelers to look for business opportunities in the country. The arrival of low cost airlines and the associated price wars have given domestic tourists a host of options. The opening up of the Aviation Industry in India has led the way for exciting opportunities for the Hotel Industry as it relies on airlines to transport 80% of international arrivals.

Moreover, the government’s decision to substantially upgrade 28 Regional Airports in smaller towns and privatization and expansion of Delhi and Mumbai airport will improve the business prospects of the Hotel Industry in India. Substantial investment in tourism infrastructure is essential for Indian Hotel Industry to achieve its potential. The upgrading of National Highway connecting various parts of India has opened new avenues for the development of Budget hotels here.
The Government of India’s Incredible India Destination Campaign and the Atithi Devo Bhavah campaign have also helped the growth of domestic and International Tourism and consequently the Hotel industry.

In order to increase the stock of hotel rooms, the Federation of Hotel and Restaurant Associations of India suggested to the government that the floor area ration of the existing hotels should be increased. This was a couple of years before and will help create additional rooms in the existing properties and ease the burden of shortage of hotel rooms in the country. The proposal is yet to be implemented.

3.3.2 Pattern of Growth (Seasonal & cyclic)

The Pattern of growth in the hotel industry is both seasonal and cyclic as Hotel Industry is inter-related and based on the Tourism Industry. As the Industry is related and run on the demand based on the location in some regions like historical places and business centers (e.g., Delhi, Hyderabad, Tirupathi, etc.,) the demand for the hotels are cyclical and for few places the demand is seasonal. Seasonal demand depends on the weather location (e.g., beaches in India are mostly visited in summer because of weather and vacations)

3.4 GROWTH DETERMINANTS

3.4.1 Location

Location is a critical consideration because if affects the hotel’s ability to draw the customers. It is important that hotel location be visible, accessible, convenient and attractive to market. The surrounding land uses are important for all types of lodging operations. Aesthetics of the area, noise, safety and other factors should be considered.
3.4.2 Commercial Locations

By location along major highways or in business or industrial districts, hotels and motels benefit from high visibility and proximity to generators of room night demand. Local colleges, hospitals, attractions, services and entertainment are examples of “room night” demand generators.

3.4.3 Resort Locations

Hotels and motels in resort areas generate most of their business form leisure travelers who see the lodging facility and surrounding area as their “destination.” Access and visibility, while important, are secondary to the quality of the facility, services, amenities, and nearby attractions.

3.4.4 Local Market Area

A lodging facility must be located in a market area that attracts overnight visitors.

3.4.5 Business Climate

Hotels and motels which primarily serve business travellers usually rely on the strength of the local business community.

3.4.6 Tourism Activity

Hotels and motels in resort areas typically rely on the local attractions to bring in the customers. Attractions can include both natural and man-made places of interest.
3.4.7 Business Travellers:

Business travellers represent a large portion of lodging demand in many market areas. They include people travelling on business representing commercial, industrial and governmental organizations. Peak business demand is usually experienced from Monday through Thursday nights.

3.4.8 Leisure Travellers:

Leisure travellers may visit an area for a vacation, to attend sporting or social events, to shop, or to visit friends and relatives. They might be staying over simply because they are travelling to other destinations. Leisure travellers may be individuals, couples, families, or small groups. Travellers visiting hospitals and universities are typically included in this market segment. Leisure room demand is often seasonal. In larger, more urban market areas, leisure room demand may be limited to weekends, summer months and holiday periods.

3.4.9 Other Travellers:

Various lodging customers cannot be classified under the categories of business, leisure, or group. These travellers may include construction workers, truckers, utility crews and others.

3.5 CHARACTERISTICS OF HOSPITALITY INDUSTRY

Perishability: If the full capacity of the services is not utilized the services becomes perishable.

Variability: The Quality of Service varies to a great extent.
Inseparability: Service is inseparable from the provider.

Intangibility: Hospitality is intangible but Hotel Industry is tangible as one can touch, taste and feel the product.

3.6 CLASSIFICATIONS OF HOTELS

India’s Hotel Industry comprises the following four main categories:

3.6.1 Star hotels

This category is based on the standards of location, facilities, infrastructure and amenities provided. Star rating is given by HRACC (The Hotel & Restaurant Approval & Classification Committee of Ministry of Tourism, India). They form 30% of the industry size. The star ratings are Five Star Deluxe, Five Star, Four Star, Three Star, Two Star and One Star. The first 2 types are usually located in business areas of Metro cities and cater to foreign tourists, business travellers, top government officials and political brass, offering luxury at a high price. The next two types are in tier II cities and tourist destinations preferred by midlevel executives and leisure tourists. The last two types are found in smaller cities and around tourist spots, preferred by domestic tourists. Reputed Indian veterans include ITC, Indian Hotels Company (Taj group), East India Hotels (Oberoi group), Hotel Leela Venture and ITDC hotels. Foreign hospitality players include Marriott, Radisson, Sheraton, Meriden, Hyatt, Four Seasons Regent, Carlton group, Jumeirah and Mandarin Oriental and Dubai’s Istithmar luxury hotels.

3.6.2 Heritage Hotels

This category is on the basis of the nature. They operate from forts, palaces, castles, jungles and river lodges and heritage buildings. These are ideally suited for
vacations, relatively affordable and fun places. The classification includes Heritage Classic, constructed between 1920 and 1935, Heritage Grand, existing before 1920, and Heritage, set up around 1935 to 1950. Most Indian hotel groups mentioned above operate Heritage hotels at historical sites across India. The other types in this category include Beach resorts and wildlife resorts.

### 3.6.3 Budget Hotels

They are usually preferred by the domestic travellers seeking economical accommodation. These are reasonably priced, offer limited luxury, seasonal discounts and decent services. Some new global entrants include UK’s Dawnay Day and Whitbread Premier Travel Inn, Shangri-la, Aman resorts, Golden Tulip budget hotels, Fairfield inns, Country inns and suites, Courtyard by Marriott, Hometel, Ibis and Kamfotel among others. Budget hotels are preferred by business travellers contributing to greater ARR (average room rate) than leisure travellers. Increased demand and healthy Occupancy have fuelled the growth of budget hotels in a short time.

### 3.6.4 Unclassified Hotels

They are motels spread across the country. They form 19% of the industry size. Low price is their only USP (unique selling proposition). Some other such categories include: Airport Hotels, Ecotels, Service Apartments, Timeshare, Modular Hotels, Forest Apartments, Agriculture destination resorts, condotels, Holiday homes and Spas (residential, urban, ayurvedic, Medi, chocloate etc)
Diagram 3.1 Classification of Hotel


3.7 RECENT TRENDS IN INDIAN TOURISM AND HOSPITALITY INDUSTRY

The Asian games in 1982 provided an opportunity to travel agents and tour operators to market India abroad and they grabbed it well. Encouraged by some incentives announced by government, Five Star hotels began growing all over the India. All these helped a lot in the healthy growth of tourism in our country. In fact, tourism business and hotel business go side by side and both are complementary to each other. In India, both approved and unapproved hotels are found but approved hotels have an edge over unapproved hotels in several respects. Hotels are granted approval from the Department of Tourism, Government of India at project stage and then are classified in one of the star categories.
It is voluntary for a hotel to get approved status from the government, but only approved hotels can avail the various income tax incentives, import licences and other approvals.

There were 1300 approved and 477 unapproved hotels offering 98515 rooms in 2004 as against 1285 approved and 452 unapproved hotels offering 95722 rooms in 2003. The Indian hotel business is focused largely on foreign tourists with almost 70 percent business coming from this segment. The key operating characteristics of the hotel business are the occupancy rate and the average room rate. The room rates depend on the class, location and the image of the hotel. The occupancy rate is dependent primarily on the seasonal arrivals as well as the location of the hotel. Occupancy level of 70 to 80 per cent is considered good by industry standards. The Average occupancy in India was 59.7 per cent in 2004 as against 54.8 per cent in 2003 and average room rate was Rs.2689 in 2004 as against Rs.2004 in 2003 (FH&RA). The position has been improving continuously.

Diagram 3.2 International Tourist arrivals in India

(Source : WTTC, Planning Commission Business Press, TSMG Analysis)
The hotel industry and the 5-star hotels in particular are concentrated in the four Metros, especially in Mumbai and Delhi. As many as 75 per cent of the 5 Star Deluxe rooms, 47 per cent of the 5 Star ordinary rooms and approximately 35 per cent of all the registered rooms are in the four Metros. Due to the phenomenal increase in tourism activities, the hotel business has grown beyond expectations. This is particularly true about international tourism and star hotel business.

At present, about 789 million tourists are crossing international border every year and they are spending nearly 685 billion US Dollars. This figure was just 100 million in 1964. The figure swelled to 1 billion by 2010 and will be 1.5 billion by 2020 as per projection by World Tourism Organization. International tourists here in India were 3.5 million in 2004 as against 2.78 million tourists in 2003. The Foreign exchange earnings from these tourists were about 23000 crores of rupees in 2004 as against Rs.16429 crores in 2003. During the year 2005, about 4 million foreign tourists came here and India earned 5 billion US Dollars from them. In the first 6 months of the year 2006, about 2.16 million foreign tourists visited India and foreign exchange earnings from these were 13441 crores of rupees.

It is expected that this growth will continue during the next couple of years if no adverse incident happens in India or the South East Region. According to an estimate of CII, the number of foreign tourists visiting India is likely to increase to 50 million by 2020. As per estimates of Ministry of Tourism, 1,50,000 hotel rooms of different categories are required to be added to the existing available rooms in the next couple of years to accommodate all the foreign tourists and this will involve an investment of Rs. 35,000 crores.
Obviously, there is a good scope for hotel business all over the world including India and these estimates will boost hotel business in India.

The key factors spawning India’s hospitality industry growth are a booming economy and steady political scene, soaring service industry, FDI inflow, infrastructure growth and a boost for the tourism sector due to government funding. An estimated 4.4 million tourists are expected to visit India with an annual average growth rate of 12% in the next few years. The domestic tourist market is also flourishing. The commonwealth games in 2010 have also added to the demand for quality accommodation.

The hospitality and leisure industry comprises of mostly chains/multiple business units, widely scattered across the globe. With the advent of the Internet and the latest technologies, the industry is facing a constantly changing business environment requiring immediate and proactive adaptability in operations, customer relationship management and back office processes. Products and service offerings differentiation has been diminishing leading to consumers demanding fast and highly personalized services.

3.8 SIGNIFICANCE OF HOSPITALITY INDUSTRY

Tourism and Hospitality Industry may help the underdeveloped/developing countries more in resolving their various problems as this industry today has emerged as one of the fastest growing industries in terms of capital invested, foreign exchange earnings and providing jobs. In India, it is considered as highly labour intensive service industry, where the employment-investment ratio is higher than any other
industry. One of India’s biggest problems is to find ways to employ its ever-growing population. Travel and tourism directly create employment opportunities in hotels, restaurants, airlines, travel agencies, passenger ships, and as a result of the spread effect creates jobs in industries like construction, telecommunication, manufacturing and the retail trader.

According to Ministry of Tourism, an investment of Rupees one million in the hotel and restaurant sector may create 89 jobs as against 44 jobs in agriculture sector and 12.5 jobs in the manufacturing sector. Investment required to create one job in manufacturing sector is around Rupees 79,000 whereas in Hospitality Industry it is only Rupees 11,200. At present about 20 million persons are directly or indirectly employed in tourism related industry and this figure is likely to increase to 40 million by 2020. It amply proves the job potential of Hospitality Industry in India.

3.9 TRENDS IN REVENUES AND PROFITS FOR THE INDIAN HOTEL INDUSTRY

Diagram 3.3 Trends in Revenues and Profits for the Indian Hotel Industry

(Source: ICRA’s estimates, Capitaline Database. Sample of selected hotels)
The Hotels Industry is characterized by seasonality, with the second half of a financial year being the peak season. The Industry’s quarterly performance in 2010-11 when compared with that in 2009-10 shows steady improvement—an indication that the industry is in the early stages of recovery. The overall revenues and the revenues per available room in Q3 and Q4, 2010-11, are however still lower than the respective figures reported by the same quarters in 2007-08, which remains one of the best periods for the Indian Hotels Industry in recent times. Although ARRs posted some improvement, cost pressures (employee, fuel and F&B expenses) muted margin recovery during H2, 2010-11.

3.10 CHENNAI HOTEL MARKET PERFORMANCE

The hotel inventory in the city in the financial year 2008 was approximately 3,800 keys (including branded and unbranded stock), which increased to approximately 4,200 keys in the financial year 2009, showing an increase of 11% and a further 400 rooms in the financial year 2010, registering a growth of 21% over 2008 levels.

To meet the surging demand in the Hospitality Sector, the hotel room inventory in Chennai is graduating from a nascent stage with considerable hotel development activity planned and ongoing.

Approximately 5,000 to 6,000 new rooms are anticipated to enter the Chennai Hotel Market over the next five years. While not all these rooms are under active development, it is likely that a considerable proportion of the supply will translate into quality accommodation product.
Operators likely to enter the market include Hilton, Marriott, Accor, ITC (with a new property with a considerable room inventory), InterContinental, Sarovar, Leela and Krism.

The city is a key business hub for south India and demand here has historically been driven by the Banking, Financial Services and Insurance (BFSI), IT/ ITeS, the automobile manufacturing industry and leisure.

Nearly 75% to 80% of the city’s demand base is of corporate/ business origin, with the remaining being Meetings, Incentives, Conventions and Exhibitions (MICE), Leisure as well as Airline driven.

The Chennai Hotel Market, similar to other markets in India, experienced a considerable growth in ARR and occupancy levels over the three years upto 2008. While the economic slump resulted in demand depletion across all market segments and hotel categories, the overall performance of the city for the fiscal year 2010 is not likely to be detrimental to hotel performance.

The competitive market occupancy rate (for organised and unorganised hotel rooms) declined from 69% in the Financial Year 2008 to 65% in 2009 and marginally increased to 66% in the year 2010.

While the occupancy rate experienced a minimal growth between 2009 and 2010, the ARR has experienced improvements, highlighting the occupancy and pricing strategies undertaken by hotels to maintain profitability. The ARR grew from approximately INR 4,300 in 2008 to approximately INR 4,800 in 2008 and a further growth to approximately INR 5,200 in 2010.
3.11 OUTLOOK

Despite the economic slump, the Chennai hotel market appears to be showing signs of positive growth in relation to hotel performance and hotel development activity. A number of developers are currently exploring new hotel development options in the city.

Chennai’s strong demand base is driven by the BFSI, port, automobile manufacturing and IT/ITeS sectors. A sizeable proportion of room night demand is likely to be driven by non-local manpower involved in projects (architects, designers, project management teams, quantity surveyors, etc) who essentially stay over relatively longer periods of time.

The outlook for the city’s hotel market is neutral -- while demand is likely to experience growth following the economic slump, although at a lower pace, supply growth is likely to outpace demand in the short term. Some correction in the ARR is anticipated, particularly from 2012 to 2015 when majority of the rooms are likely to enter the market.

The long-term outlook for the city is positive with the anticipated quality supply likely to enhance Chennai’s profile on the national and international market.

The business and industrialization boom in Chennai is growing bigger year after year. Catering to the business needs there is an equivalent boom in the hospitality industry. Business customers account for around 75% of the business of the branded hotels in Chennai.
Owing to this promising market many big players in the hospitality both Indian and foreign have made huge bets on Chennai. The number of five star hotels in Chennai is set to double in a year with hotels from Hilton, Hyatt, Leela and ITC are about to get operational by the year end.

Currently Chennai has 29 branded hotels with more than 4500 rooms. 17 new hotels with almost 3500 rooms are under construction and will be operational in the next 2-3 years. This continual increase in supply has impacted the occupancy rate of the hotels. The occupancy has come down to 64% from 68% a year earlier. Similarly the revenue from each room has also come down. The average room rent has come down from Rs.7000/- to Rs.6100/-

Chennai is the capital city of the Indian state Tamil Nadu, in the south of India. It is the fifth most populous city in India and one of the fastest growing cities in the world. According to the Confederation of Indian Industry, the city is estimated to grow to a $100–billion economy, almost 2.5 times its present size, by the year 2025.

Diagram 3.4 Hotel Performance in Chennai city

Source: Colliers International Research 2012
Nearly 75% of the city’s demand base is of business origin, with the remaining being MICE and leisure. Relative to other cities in India, Chennai has performed well, achieving occupancy rates of 66% in 2009, 62% in 2010 compared to 66% in 2011, representing an increase of 3% despite a 12% growth in additional available rooms during the same period. The decline in 2010 was due largely to the global economic crisis, but the market fully recovered in 2011 despite the addition of the new supply to the market. The average room rate for the Chennai hotels market was $162 in 2009, $140 in 2010 and $129 in 2011. Chennai’s hotels have witnessed an increasing business demand, which is expected to grow mainly driven by corporate travel budgets leading to higher business travellers. In addition, the already well-established tourist industry continues to be promoted and facilities improved to increase tourist visitor numbers.

The city has recently started segregating into distinctive micro areas, with the regions of Sri perumbudur (Chennai’s industrial hub) and OMR (Chennai’s IT corridor) attracting significant investments into hotels, primarily in the budget and mid-market segments.

Given the number of existing and new companies setting up their offices in the city and its micro areas, there is a significant extended-stay demand, which will result in a strong growth of extended stay products. New upscale and luxury hotels with extensive meeting facilities are expected to boost the MICE demand. Expansion of the existing airport indicates the growing need to boost the capacity to cope with the increased air demand in the area. With strong growth in visitor numbers and as economic climate improves the long-term outlook for the Chennai hotel market will remain strong and positive.
Chennai has witnessed an evolution of sort. From a traditional and rather close set-up the change over the years has been quite vivid and contemporary. Investments in sectors, automobiles, Information Technology, etc, has brought in a new dimension to the city and has also changed its demographic set-up to some extent. Further, the expatriates brought in their preferences and globalisation did make an impact on the cities.

3.11 MAJOR DEPARTMENTS WITHIN A BIG HOTEL

The departments are classified on account of its function as Core or Support. These include:

- Rooms Division or Accommodations
- Food & Beverage Operations
- Marketing and Sales
- Front Office/ Bell Desk
- Human Resources and Training
- Production or Kitchen
- Finance and Purchases
- Security and Safety
- Engineering and Maintenance
3.11.1 Food and Beverages

F & B deals mainly with food and beverage service allied activities. Different divisions are there in F & B like Restaurants, Speciality Restaurants, Coffee Shop (24 hrs.), Bar, Banquets, Room Service etc. Apart from that they have Utility services (Cleaning).

3.11.2 Front Office Department:-

The Front Office is the command post for processing Reservations, Registering guests, Settling guest accounts (cashiering), and Checking out guests. The Front Desk agents also handle the distribution of guestroom keys and mail, messages or other information for guests. The most visible part of the Front Office area is of course the Front Desk. The Front Desk can be a counter or, in some luxury hotels, an actual desk where a guest can sit down and register.

3.11.3 Housekeeping Department:-

The Housekeeping Department is another important department in Hospitality world. Housekeeping is responsible for cleaning the hotel’s guestrooms and public areas. This department has the largest staff, consisting of an assistant housekeeper, room inspectors, room attendants, a house person crew, linen room attendants and personnel in charge of employee’s uniforms. They may also have their own laundry and valet service. Hotels with laundry and valet equipment may use it only for hotel linens and uniforms and send guest clothing to an outside service where it can be handled with specialized equipment.
3.11.4 Food Production Department

Food production deals with the preparations of food items. It is basically engaged in preparing those dish, which are ordered by the guest and afterwards is catered by the F&B Department. Cuisines like Indian, Continental, Thai, Italian, Konkani (Coastal Sea Food), South Indian, Chinese, Mexican, etc., have different Chefs appointed for the speciality cuisine.

3.11.5 Marketing & Sales Department:-

Sales and marketing have become one of the most vital functions of the Hotel business and an integral part of modern Hotel Management. It includes packaging for selling, sales promotion, advertising and public relations. The Marketing Division is charged with the responsibility of keeping the rooms in the hotel occupied at the right price and with the right mix of guests.

3.11.6 Engineering and Maintenance Department:-

The energy crisis throughout the world has given a great importance to the engineering department of a hotel. This department provides on the day-today basis the utility services, electricity, hot water, steams, air-conditioning and other services and is responsible for repair and maintenance of the equipment, furniture and fixtures in the hotel. The engineering department has an important role in satisfying the guest-demand and helping to maintain the profit level of the hotel. The cleaning, up-keep, repair, replacement, installation and maintenance of property and its furnishing, machinery and equipment are the joint responsibilities of Engineering/Maintenance and the Housekeeping Department.
3.11.7 **Finance, Accounting and Control Department**:-

A hotel’s Accounting Department is responsible for keeping track of the many business transactions that occur in the hotel. The Accounting Department does more than simply keep the Books. Financial Management is perhaps a more appropriate description of what the Accounting Department does. Whereas the control department is concerned with cost control guidelines by way of reducing in investment, reduction in operating cost, control of food service costs, control of beverage costs, labour cost control etc.,

3.11.8 **Safety and Security Department**:-

The security of guests, employees, personal property and the hotel itself is an overriding concern for today’s hoteliers. In the past, most security precautions concentrated on the prevention of theft from guests and the hotel. However, today such violent crimes as murder and rape have become a problem for some hotels. Unfortunately, crime rates in most major’s cities are rising. Hence today Security department also concentrates on these additional criminal activities too.

3.11.9 **Administration Department**:-

Top organizational members usually supervise the Administration Department in a hotel. This Department is responsible for all the work connected with Administration, Personnel, Manpower, Employee’s Welfare, Medical, Health and Security.
3.11.10 Human Resource Development:

This department started getting importance only few decades before in Hotel Industry and within a short span of time it has become a very important part of the organization. It plays the role of a facilitator between the bargainable cadre and non-bargainable cadre. This department is the topic of discussion. The practice, which this department and their staff perform, is going to be learned in the light of the present Study.

The Researcher can conclude from the review of Hospitality Industry, its growth and characteristics that this industry is very peculiar and driven mainly by the people who are serving for the Industry. This service is the only experience that a customer carries with himself. Hospitality is an intangible experience. The success of this Industry depends on capable and trained employees. Hence training in Hospitality Industry is an important aspect of its success and growth. Training in Hospitality Industry is also a crucial function of its managers.

3.12 LIST OF PLAYERS IN THE INDUSTRY

- Taj Group
- Inter Continental
- Le Meridien Group of Hotels
- Oberoi Group of Hotels
- The Park Group of Hotels
- Welcome Heritage Group of Hotels
- ITC Welcome group of Hotel
3.12.1 Brief profile of Players in the Industry

The best Hotel Chains of India Mentioned below are the significant hotel chains of India,

*Taj Group of hotels in India:*

The most popular name that is almost synonymous with hospitality in India is that of the Taj Group. Offering the best hotels across various genres like Business Hotels, Heritage Resorts, Luxury Hotels and even Sea Resorts, the Taj Group is definitely the best in the field.

*The Oberoi Group of Hotels in India:*

One of the most prominent names among the hotel chains of India is the Oberoi Group. It also owns several properties in exotic places like Australia and Mauritius. With its world class facilities and efficient staff to manage and play the perfect Indian hosts, the Oberoi hotels is no doubt a great feather on the grand cap of tourism in India.

*Le Meridien Group of Hotels:*

The Le Meridien Group of Hotels has played an instrumental role in playing the perfect host to the millions of tourists and guests coming here. It is a luxury brand of great fame and reflects the inherent Le Meridien touch of elegance and class through all its properties in India. It is no wonder, one of the exclusive hotel chains of India.
**Best Western Group:**

A world famous name when it comes to hospitality and service, the Best Western Group owns several properties across India. Each of the hotels has been equipped with numerous features to enable a cozy stay to the guest.

3.13. Categorization of Players in the Hotel Industry

3.13.1 Based on location

**City center:** Generally located in the heart of city within a short distance from business center, shopping arcade. Rates are normally high due to their location advantages. They have high traffic on weekdays and the occupancy is generally high.

**Motels:** They are located primarily on Highways, they provide lodging to highway travellers and also provide ample parking space. The length of stay is usually overnight.

**Suburban Hotels:** They are located in suburban areas and generally have high traffic during weekend. It is ideal for budget travellers. In this type of hotel, rates are moderately low. Airport Hotels: These hotels are set up near the airport. They have transit guests who stay over between flights.

**Resort hotels:** They are also termed as health resorts or beach /Hill resorts and so on depending on their position and location. They cater to a person who wants to relax, and enjoy themselves at hill station. Most resorts work to full capacity during peak season. Sales and revenue fluctuate from season to season.
**Floating hotels:** As the name implies these hotels are established on luxury liners or ships. It is located on rivers, seas or big lakes. In cruise ships, rooms are generally small and all furniture is fixed down. It has long stay guests.

**Boatels:** A house boat hotel is referred as boatels. The Shikaras of Kashmir and Kettuvallam of kerala are houseboats in India which offer luxurious accommodation to travellers.

**Rotels :** These novel variants are hotels on wheels. Our very own "palace on wheels “and "Deccan Odyssey" are trains providing a luxurious hotel atmosphere. Their interior is done like in a hotel room. They are normally used by a small group of travellers.

### 3.13.2 Based on Size of Property

The main yardstick for the categorization of hotel is by size or the number of rooms available in the hotel.

**Small hotel:** Hotels with 100 rooms and less may be termed as Small hotels.

**Medium sized hotel:** Hotels which have 100-300 rooms are known as Medium sized hotel.

**Large hotels:** Hotels which have more than 300 rooms are termed as Large hotels.

**Mega hotels:** Hotels with more than 1000 rooms.

**Chain hotels:** These are the groups that have hotels in many of locations in India, international venues as well.
3.13.3 Based on the Level of Service

Hotels may be classified into Economy, and Luxury hotels on the basis of the level of Service they offer:

**Economy/ Budget hotels**: These hotels meet the basic need of the guest by providing comfortable and clean room for a comfortable stay.

**Mid -market hotels**: It is suite hotel that offers small living room with appropriate furniture and small bed room with king-sized bed.

**Luxury hotels**: These offer world class service providing restaurant and lounges, concierge service, meeting rooms and dining facilities. Bath linen is provided to the guest and is replaced regularly. These guest rooms contain furnishing, art work etc., prime market for these hotels are celebrities, business executives and high-ranking political figures. Example: **Hyatt Regency**, New Delhi

3.13.4 Based on the Length of Stay

Hotel can be classified into Transient, Residential and Semi-residential hotels depending on the stay of a guest.

**Transient Hotel**: These are the hotels where a guest stays for a day or even less. They are usually Five Star Hotels. The occupancy rate is usually very high. These hotels are situated near the airport.

**Residential hotels**: These are the hotels where a guest can stay for a minimum period of one month and upto a year. The rent can be paid on monthly or quarterly basis. They provide sitting room, a bed room and a kitchenette.
**Semi-residential hotels:** These hotels incorporate features of both Transient and Residential hotel.

### 3.13.5 Based on Theme

Depending on theme, Hotel may be classified into Heritage hotels, Ecotels, Boutique hotels and Spas.

**Heritage hotel:** In this hotel a guest is graciously welcomed, offered room that have their own history, serve traditional cuisine and are entertained by folk artistes. These hotels put on their best efforts to give the glimpse of their region. Example: Jai Mahal Palace in Jaipur.

**Ecotels:** These are environment- friendly hotels and they use eco- friendly items in the room. Example: Orchid Mumbai is Asia’s first and most popular Five Star Ecotels.

**Boutique hotels:** This hotel provides exceptional accommodation and furniture in a themed and stylish manner and caters to corporate travelers. In India The Park Bangalore is a boutique hotel.

**Spa:** It is a resort which provides therapeutic bath and massage alongwith other features of luxury hotels. In India Ananda spa in the foot hill of the Himalayas as the most popular spa.

### 3.13.6 Based on Target Market

**Commercial hotels:** They are situated in the heart of the city in busy commercial areas so as to get good and rich business. They cater mostly to businessmen.
Conventional hotels: These hotels have large conventional complex and cater to people attending a convention, conference

Resort hotels: These leisure hotels are mainly for vacationers who want to relax and enjoy with their family. The occupancy varies as per season. The atmosphere is more relaxed. These are spread out in vast areas so many resorts have solar powered carts for the transport of guest.

Suite hotels: These hotels offer rooms that may include compact kitchenette. They cater to people who are relocating like lawyers, executives who are away from home for a long business stay.

Casino hotels: Hotels with predominantly gambling facilities comes under this category, they have guest room and food and operation too. These hotels tend to cater leisure and vacation travellers. Gambling activities at some casino hotels operate all 24 hours a day and all 365 days.

3.14 PRODUCT LINES AND CONSUMER BEHAVIOUR

3.14.1 Products

Rooms:

The rooms in hotels are based on the Category of the hotel. The facilities in the rooms are based on the type of hotel and prices of the rooms are based on the type and facilities provided in the room.
Conference Rooms:

The conference rooms are provided by hotels for the meetings and other requirements as per the request by the customers. The price depends on the facilities, space and time utilized.

Banquets & Halls:

Banquet halls are provided by hotels for parties and functions. These halls provide extra revenue for the hotels.

Restaurants & Bar:

Along with the rooms the hotels provide restaurants and bars which are charged separately. This adds revenue as well as a facility for the customers who are staying in hotels.

3.14.2 Product Description

There are several types of rooms provided by the hotels based on their category. Few types of rooms are explained below

Standard: This category usually means the most basic room type offered by the hotel. It has basic, standard amenities and furnishings. Standard rooms in hotels with higher categories often have no view or have a poor view over the dumpster or parking lot.

Moderate: Usually a slight bit better than the standard, but still not deluxe. It may refer to the room view as well as the size and the type of furnishings offered.
**Superior:** This category is always subject to interpretation. It is supposed to mean superior to a standard room in both size and furnishings, but it often refers to just the view. Some hotels have only Superior rooms; the categories then are defined by the view and location of the room.

**Deluxe:** These rooms are supposed to be Deluxe in every way: View, location, furnishings and size.

**Junior Suite:** A "junior" suite is typically a larger room with a separate seating area. Sometimes it has got a small divider between the part of the room that the bed is in and the seating area, but it is not two separate rooms.

**Suite:** A Suite is usually two or more rooms clearly defined; a bedroom and a living or sitting room, with a door that closes between them. Many hotels use the word "suite" to define any room with a sofa in it so be sure to check thoroughly if what the customers really want are the two or more separate rooms.

**Studio:** This is usually configured like a Junior Suite, but has the added advantage of a "kitchenette," or cooking facilities.

### 3.14.3 Complimentary Products

- Swimming pool, Fitness Centre
- Meeting Rooms, Business Centre
- Complimentary High Speed Internet, Free Local Calls
- Superstar Hot Continental Breakfast, Complimentary Morning Newspaper
- Guest Laundry, Dry Cleaning
• Coffee/Tea Maker, Mini Fridge, Microwave
• Complimentary Valet Parking
• Wake Up Service
• Bike rental at the Reception Desk
• Fitness Centre
• Tennis Court
• Beauty parlor Lucie: Lifting Cure, Regeneration Cure, Manicure, Pedicure
• Hair Dresser
• Private Car Park on the Hotel Premises
• Travel Agent
• Airport Pick -up and drop
• Guide Facilities
• Banquet Halls
• Meeting Rooms
• Swimming Pools

3.14.4 Substitutes:

• Friend’s or relative’s houses,
• Youth Hostels,
• Paying Guests
• Dormitories Resorts
• Motels
• Lounges in Airports, Railway Stations, and Bus Shelters.
• Private Guest Houses and R&B Guest Houses
3.15 TRAINING DESIGN OF HOTEL EMPLOYEE

Training Design is an art as well as a science. As a science, it takes into account the purpose the organization wants the training to achieve, appropriate principles from learning theory, and pragmatic considerations, such as cost and organizational sponsorship. As an art the instructional designer provides creative solutions for learning needs.

3.16 ADDIE MODEL

The ADDIE model refers to Analyze, Design, Develop, Implement and Evaluate. Furthermore, it provides a step-by-step process that helps the instructional designers plan and create training programs with a framework in order to make sure that their instructional products are effective and that their processes are as efficient as they can possibly be.

Diagram 3.5 ADDIE Model (Training design of Hotel Employee)
Analyze

- Who is the audience and what are their characteristics?
- Did we identify the new behavioural outcome?
- What types of learning constraints exist?
- What are the delivery options?
- What are the online pedagogical considerations?
- What is the timeline for project completion?

Design

- Documentation of the project's instructional, visual and technical design strategy
- Apply instructional strategies according to the intended behavioural outcomes by domain (cognitive, affective, psychomotor).
- Create storyboards
- Design the user interface and user the experience
- Prototype creation
- Apply visual design (graphic design)

Development

- List activities that will help the students learn the task.
- Select the delivery method such as tapes, handouts, etc.
- Review the existing material so that one need not reinvent the wheel.
Develop the instructional courseware.

Synthesize the courseware into a viable training program.

Validate the instruction to ensure it accomplishes all goals and objectives.

**Implement**

- During the implementation phase, a procedure for training the facilitators and the learners is developed.

- The facilitators’ training should cover the course curriculum, learning outcomes, method of delivery, and testing procedures.

- Preparation of the learners includes training them on new tools (Software or Hardware), student registration.

- This is also the phase where the project manager ensures that the books, hands on equipment, tools, CD-ROMs and software are in place, and that the learning application or website is functional.

**Evaluation**

- Review and evaluate each phase (analyze, design, develop, implement) to ensure it is accomplishing what it is supposed to.

- Perform external evaluations, e.g. observe that the learner on the job can actually perform the tasks that were trained.

- Revise training system to make it better.

The design of the training program can be undertaken only when a clear training objective has been produced. The training objective clears what goal has to
be achieved by the end of training program i.e. what the trainees are expected to be able to do at the end of their training. Training objectives assist trainers to design the training program

3.17 SWOT ANALYSIS

STRENGTHS

- A very wide variety of hotels is present in the country.
- There are international players in the market such as Taj and Oberoi & International Chains
- The manpower cost in the Indian hotel industry is one of the lowest in the world.
- India offers a readymade tourist destination with the resources
- Natural and cultural diversity
- Demand-supply gap
- Government support

WEAKNESSES

- The cost of land in India is high at 50% of total project cost as against 15% abroad.
- The Hotel Industry in India is heavily staffed.
- High Tax structure in the industry makes the industry worse off than its international.
➢ Only 97,000 hotel rooms are available in India today.

➢ Only limited value-added services

➢ Slow implementation

OPPORTUNITIES

➢ Demand between the national and the inbound tourists can be easily managed due to difference in the period of holidays.

➢ In the long-term the hotel industry in India has latent potential for growth.

➢ Unique experience in heritage hotels.

➢ Rising income.

THREATS

➢ Guest houses replace the hotels.

➢ Political turbulence in the area reduces tourist traffic and thus the business of the hotels

➢ Changing trends in the west demand similar changes in India

➢ The economic conditions of a country have a direct impact on the earnings in hotel industry.

➢ Lack of training manpower in the hotel industry.

➢ Fluctuations in international tourist arrivals.

➢ Increasing competition.