Chapter 1
Introduction
Service Sector has played the major role in growth of Indian Economy in recent times. The share of services in India’s GDP at factor cost (at current prices) rose from 33.3 per cent (1950–1951) to 56.5 per cent in 2012–13. During FY 2014–15, the sector is projected to grow at a healthy 5.6 per cent, according to National Council of Applied Economic Research (NCAER)\(^1\). Such phenomenal growth rate of India’s service sector; contribution to Indian GDP and ever increasing percentage share in trade and commerce has brought India’s service sector in the global limelight. Unlike global precedents of economic growth shifting from agriculture to industries, in India there was a major shift from agriculture to the service sector itself. In this context, some economists (Ansari 1995)\(^2\) consider India as an outlier among South Asian countries and other emerging markets. It has also been pointed out that India is not an outlier as the share of services sector in GDP has increased with rise in per capita income. Kochhar et. al. (2006)\(^3\) argued that India was a negative outlier in 1981 compared to other emerging markets as the share of services in value added and employment was below that of other countries. Post the liberalization of economy and following subsequent reforms, in 1990s, services sector grew and in 2000 India became a positive outlier in terms of the share of services in value added but continued to be a negative outlier in terms of its share in employment.

In India, growth in services sector has been linked to the liberalization and reforms of the 1990s. In the first three decades (1950s to 1970s) after India’s independence in 1947, GDP grew at an average decadal growth rate of less than four per cent. India was largely an agrarian economy. The share of services sector was small and a large number of services were government monopolies. Services sector started to grow in the mid - 1980s but growth accelerated in the 1990s when India


initiated a series of economic reforms after the country faced a severe balance of payment crisis. Reforms in the services sector were a part of the overall reform process, which led to privatization, removal of FDI restrictions and streamlining of the approval procedures, among others. Existing studies show that liberalization and reforms is one of the important factors contributing to the growth of services sector in India (Chanda 2002⁴, Gordon and Gupta 2003⁵, Banga and Goldar 2004⁶ and Jain and Ninan 2010⁷). With economic growth and rise in per capita income, there is a change in demand pattern from necessary to discretionary consumptions like education and personal and health care services (McKinsey & Company 2007)⁸. High income elasticity of demand for services has contributed to the high growth of this sector (Bhattacharya and Mitra 1990⁹ and Gordan and Gupta 2003). Technological progress and availability of high skilled manpower has led to growth of services like information technology (IT) and IT enabled services (ITes) (Chanda 2002). Developed countries outsource its services to developing countries like India leading to a rise in demand for services from the developing market (Bhagwati 1984¹⁰.

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Gordan and Gupta 2003 and Hansda 2001). High government expenditure on certain services like community, social and personal services has also led to high growth of services (Ansari 1995).11

There has been a lot of debate on employment generating capacity of services sector. It has been argued that employment growth in services sector has not been commensurate to the income growth in the sector (Bosworth and Maertens, 2010)12 or the rise in its share in India’s GDP (Kochhar et. al.2006).13 The change in the production structure from agriculture to services has not been reflected by a proportionate change in the occupational structure (Bhattacharya and Mitra 1990).14 As a result, services led growth has been a jobless growth (Banga, 2005 and Bhattacharya and Sakthivel 2004). In terms of size of total employment (both organized and unorganized), in 1993-94, close to 63% of the population was engaged in agriculture sector and around 21% in services. Over the years, the percentage of people employed in agriculture has declined and employment in services has increased, though the broad pattern of employment has remained the same with agriculture having the highest share. However, there has been a change in the pattern of employment within the services sector in the recent years.

**Indian Banking Sector**

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Indian banking sector has always been a huge sector. Penetration of technology has also been seen recently. Recent times witnessed a significant upsurge in transactions through ATMs, as well as internet and mobile banking. The country’s banking industry looks set for greater transformation. With the Indian Parliament passing the Banking Laws (Amendment) Bill in 2012, the landscape of the sector has duly changed. The bill allows the Reserve Bank of India (RBI) to make final guidelines on issuing new licenses, which could lead to a greater number of banks in the country. The style of operation is also slowly evolving with the integration of modern technology into the banking industry.

In the next 5-10 years, the sector is expected to create up to two million new jobs driven by the efforts of the RBI and the Government of India to expand financial services into rural areas. Two new banks have already received licenses from the government, and the RBI's new norms will offer incentives to banks to spot bad loans and take necessary recourse to curb the practices of rogue borrowers.

The size of banking assets in India totaled US$ 1.8 trillion in FY 13 and is expected to touch US$ 28.5 trillion in FY 25. Bank deposits have grown at a compound annual growth rate (CAGR) of 21.2 per cent over FY 06-13. In FY 13, total deposits were US$ 1,274.3 billion. The revenue of Indian banks increased from US$ 11.8 billion to US$ 46.9 billion over the period 2001-2010. Profit after tax also reached US$ 12 billion from US$ 1.4 billion in the period. Credit to housing sector grew at a CAGR of 11.1 per cent during the period FY 08-13. Total banking sector credit is anticipated to grow at a CAGR of 18.1 per cent to reach US$ 2.4 trillion by 2017.16

In FY 14, private sector lenders experienced significant growth in credit cards and personal loan businesses. ICICI Bank saw 141.6 per cent growth in personal loan disbursement in FY 14, as per a report by Emkay Global Financial Services. The bank also experienced healthy growth of 20.8 per cent in credit card dues, according to the report. Axis Bank’s personal loan business also grew 49.8 per cent, with its credit card business expanding by 31.1 per cent.17

India's banking industry could become the fifth largest banking sector globally by 2020 and the third largest by 2025. These days, banks in India are turning their focus to servicing clients and improving their technology infrastructure, which can help better customer experience and give them a competitive edge. The popularity of internet and mobile banking is at an all-time high. Customer relationship management (CRM) and data warehousing are anticipated to drive the next wave of banking technology in the country.

**Indian Hotel Industry**

By 2015, the Indian Hotel Industry is expected to reach Rs. 230 billion, growing at a robust CAGR of 12.2 per cent. India will be investing approx. Rs. 448 billion in the hospitality industry in the next five years. India is currently ranked 12th in the Asia Pacific region and 68th overall in the list of the world's attractive destinations, according to the Travel and Tourism Competitiveness Report 2011 by the World Economic Forum (WEF).

Despite global economic woes, development of hotels in India has been one of the most lucrative investments. As per Cygnus estimates, total supply (number of hotel rooms) in India is expected to reach more than 180,000 within five years. Various domestic and international brands have made significant inroads into this space and more are expected to follow; around 40 international brands will enter the country in the next five years.

The Indian hotel industry is dominated by an unorganized sector which contributes 70 per cent and the remaining 30 per cent comes from the organized sector. In terms of revenues, Mid-Market hotels and premium segment hotels contributed 22 per cent and 60 per cent respectively to the overall hotel industry revenues in the financial year 2009-10. Maximum foreign tourists and business guests choose premium segment of hotels in India. The occupancy of India had shown improvement and reached to 68 per cent in 2010-11 almost similar to 68.8 per cent nationwide occupancy attained in 2007-08; however Average Rate per room has grown by 5.8 per cent and

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RevPAR increased by 10.7 per cent in the year 2010-11\textsuperscript{19}. Indian Hospitality Industry is optimistic as they expect further increase in the rates despite new supply entering their markets.

The Indian hotel industry is an oligopoly, with a few key players grappling for control. The Indian Hotels Company Ltd or Taj Group is the largest hotel operator in India with a 34.58 per cent market share in India. EIH LTD has a 21.59 per cent market share. ITC Ltd has a 20.68 per cent market share\textsuperscript{20}. Other players include Hotel Leela, followed by smaller entities such as Taj GVK, Asian Hotels and Royal Orchid. Indian Hotels' Taj and EIH's Oberoi, Indian Tourism Development Corporation (ITDC) and Hotel Corporation of India (HCI) are among the leading hotel chains in the Indian market. Hotel Leela Venture, Asian Hotels (Hyatt International Corporation) are among the small chain in India. Many international companies have entered into India in different ways like joint ventures with Indian partners or by entering into management contracts or franchisee arrangements, Marriott, Starwood, Berggruen Hotels, and Emaar MGF have already entered into Indian market.

According to the Department of Industrial Policy and Promotion (DIPP), foreign direct investments (FDIs) in the Indian travel and tourism sector touched US$ 2.35 billion between April 2000 and February 2011. Indian hotel industry is largely dependent on domestic tourists. The number of domestic tourist arrivals and foreign tourist arrivals stood at 650 million and 5.17 million respectively in the year 2009\textsuperscript{21}. During the year, Tamil Nadu attracted maximum foreign tourists followed by Maharashtra, Delhi, Uttar Pradesh and West Bengal. Foreign tourists mainly come from UK and USA. Business Travelers account more among foreign tourists.

The Indian hotel industry, which was estimated at about Rs.145 billion in 2010-11, is projected to touch the Rs.230 billion mark by the year 2014-15, growing at a robust CAGR of over 12.2 per cent during the period 2010-11 to 2014-15\textsuperscript{22}. Demand for hotel rooms is likely to improve in future as economic growth gathers momentum and companies increase spending on travel. Discretionary

spending is expected to increase, especially on leisure travels as a result of a healthy salary increase in the corporate world.

Hotel room supply was about 62,000 during 2010-11, covering major and emerging cities across the country. However, to meet the growing demand, there is a need to add around 151,853 room supplies in next five years, which would call for a total investment of around Rs.462.3 billion. Out of this, Rs. 163.76 billion will be pumped in Luxury segment and Rs.162. 29 billion will be invested towards First class segment of hospitality industry.  

Because of such a huge opportunity, the Indian service sector has become highly competitive. To survive in such competitive scenario, the key differentiating factor required is the manpower (i.e. the knowledge executive). By its nature, services cannot be separated from the person who is delivering the service. For customer, the personal banker of HDFC Bank is the Bank itself. For customer, the Sales executive of Pantaloons is the Retail store itself. In this type of scenario, it becomes very critical to ensure that the employees live the brand itself. Before promoting the brand to customer, the brand should be promoted to the employees. Each employee should understand the value system of the organization and the brand deliverables. If this does not reflect in the behavior of the employees, the customer will have a brand disconnect. This phenomenon is referred to as employee branding or internal marketing (Czaplewskim, Ferguson and Milliman, 2001).

Employee branding touches upon two different aspects of business management i.e. Human resources management and Marketing. A huge amount of literature is available on both of these individual streams but integration of both these is not available in abundance. Even the results on the application side of Employee branding leaves a lot to desire. Amongst the very first attempts to define employee branding or internal marketing, one was attributed to Berry, Hensel and Burke (1976). They commented that to satisfy the final customer, a company needs to first satisfy their


own employees (Internal customers). Thompson, Berry and Davidson (1978)\textsuperscript{26} stated that the job of an employee should be treated as an internal product. They opined that if the internal product ensures good quality the final product will definitely reflect the same. Czaplewski et.al (2001) in recent times attempted to define internal marketing. They reported that it is a tool to deliver quality services to customer by attracting, retaining, training and motivating the employees. Beagrie (2003)\textsuperscript{27} defined internal marketing as a tool to achieve the goals of the organization by motivating employees to change their cognition and behavioral processes.

Mullich (2003)\textsuperscript{28} stated that companies should not be looked upon as bundle of products or services. They should be defined by the performance of their human capital. If the projection of the company by the employees is not in tune with the external communication of the organization, then it will create a brand disconnect with the customers. Mitchell (2002) holds a strong opinion that employees should know about the company more and before the external customers. Brands are highly intangible and abstract concepts. Pine and Gilmore (1998)\textsuperscript{29} state that brand experience can be very useful in connecting with the customers and transferring the abstract brand values and concepts to the target customers. It is very important for employees to understand and experience the brand to ensure that customers have a unique and consistent brand experience. This requires employees to live the brand itself. This requires the employees to become the brand ambassadors of their own company’s brand (Mitchell 2002)\textsuperscript{30}. Bendapudi (2005)\textsuperscript{31} reconfirms the same idea by saying that employees should live the brand of their organization. It means that employees should behave in such a manner which reflects the basic values of the brand and culture of the

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\item Thompson, T., Berry, L. and Davidson, P(1978), “Banking Tomorrow: Managing markets by Planning”, Van Nostrand Reinhold, New York, pp. 243
\item Beagrie, S. 2003. ‘How to influence employee behavior through internal marketing’, Personnel Today, August: 35.
\end{itemize}
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organization. Human capital branding was the term tossed by the author as a synonym of employee branding.

To achieve such commitment from the employee (where they change their behavior and start living the brand of their organization), managers need to provide appropriate incentives to the employees. Das (2003)\textsuperscript{32} proposes t main elements of employee engagement; namely say, stay and strive. Wellbourne (2003)\textsuperscript{33} proposes that to achieve good employee engagement, the performance of employees should be evaluated on regular basis and they should be given an honest feedback on regular basis. Loyal employees become internal brand champions. They become the core strength of the business and shape a favorable image of the organization in the local community. But all the above mentioned tactics will not result in human capital branding (employee branding) if it is not supported by the Top Management (James 2000)\textsuperscript{34}. Many other authors too confirm that many organizations talk about aligning the individual and corporate goals, but actually very few are able to do it. Employee branding will never take place if employees are unable to see how their work contributes to the overall organization. Thus employee branding will never take place if it is not considered as the top priority by the management (Beagrie 2003)\textsuperscript{35}.

Joshi(2007)\textsuperscript{36}, in his work on Need of Reorientation of Internal Marketing in Service Organization, emphasizes that Marketing orientation should be dominant instead of HR in terms of giving responsibility of employee branding. Joshi has described the various organizational hurdles in effective implementation of employee branding practices and also provided key guidelines to


\textsuperscript{34} James, D. 2000. ‘Don't forget staff in marketing plan’, Marketing News, 34(6):10-12.

\textsuperscript{35} Beagrie, S. 2003. ‘How to influence employee behavior through internal marketing’, Personnel Today, August: 35.

overcome these hurdles and make the process effective. According to Joshi, successful internal marketing depends on

- Internal relationship building
- Internal communication system
- Inter and intra departmental collaborative efforts and teamwork
- Enhancing capabilities, competencies, skills and knowledge of service employees

Thus in a nutshell, it can be concluded that, Employee branding has evolved over a period of time as a differentiating tool with service providers to deliver quality service and a unique brand experience to their consumers. Although, on the implementation aspect, research seems to be less and companies are yet to fully understand and internalize the concept of employee branding. Majority of the services companies are satisfied with highly courteous employees, but they lack the desire to have an employee team which is a fanatical ‘Brand Champion’. Hence this research study was conducted to understand the impact of Employee branding on Consumer buying behavior and how to apply Employee branding in practice in the Hotel and Banking Industry in Gujarat.