Chapter 1

INTRODUCTION

1.1 INTRODUCTION

The Tourism industry has gone through many ups and downs in the recent years. While recording a significant contraction in 2009, international tourist arrivals picked up again slowly and have now returned to their pre-crisis peak level as shown in figure-1.1 (WEF, 2011, WTO, 2012a). The World Travel & Tourism Council (WTTC, 2012a) estimates that, from direct and indirect activities combined, the Tourism and Travel sector now accounts for a remarkable 9.2 percent of global GDP, 4.8 percent of world exports, and 9.2 percent of world investment. With growing economic activity in the emerging markets, the Tourism industry provides an important opportunity for developing countries to move up the value chain toward the production of innovative tourism products and higher value-added services.

[Source: WTO, 2012a]
Tourism industry possesses a vast intrinsic potential to act as a catalyst for generating employment and promoting equitable and inclusive economic growth. It encourages socio-economic progress by opening up new avenues for economic progress and development by creating more businesses and employment. In several destinations, the tourism industry in general and the accommodation sector is particular, is characterized by the Small and Medium Enterprises (SMTEs). The SMEs deliver a variety of benefits for the destinations by providing tourists direct contact with the local character and also by facilitating rapid infusion of tourist spending into the host community, stimulating the multiplier effects (Buhalis, 1996). They also contribute significantly to the range, variety, authenticity and quality of the ‘tourism experience’ (Anandkumar, 2007).

India's rich cultural heritage and history, food, diverse landscape, architectural monuments, friendly people and hospitality are its unique selling propositions as a tourism destination. This is attested by the recent recognition bestowed by World Travel Awards (WTA, 2012) on Destination India in the form of three prestigious awards – Asia’s Leading Destination - India, Asia’s Leading Tourist Board - Incredible India and Asia’s Leading Tourist Attraction – Taj Mahal. The Incredible India campaign has been ranked as the Highest Recall Advertisement worldwide by Travel and Leisure. It has also bagged the coveted PATA (Pacific Asia Travel Association) Grand Award for Marketing (IBEF, 2010).

In India, the tourism and hospitality industry has witnessed an increased growth in recent past. As per the World Travel and Tourism Council, the tourism industry in India is likely to generate US$ 121.4 billion of economic activity by 2015 and accommodation sector has the potential to earn US$ 24 billion in foreign exchange by 2015 (Sharma et al., 2012). The booming tourism industry has had a cascading effect on the accommodation sector with an increase in the occupancy ratios and average room rates.
Accommodation is an important aspect of a destination’s offering (Henning and Willemse, 1999) and plays an important role in the destination experience. While tourist accommodation typically refers to traditional hotels of several categories, Alternative Accommodation refers to establishments such as Guest houses, Service apartments and Commercial homes. The concept of Alternative Accommodation is not new. While the practice originated in Europe, it has always been a fixture in popular American vacation areas (Nuntsu et al, 2003). However, in India, the practice is a decade old. The Ministry of Tourism (Government of India) introduced and promoted the concept of Alternative Accommodation as part of its globally acclaimed Incredible India campaign in 2001-12. This research pertains to the Alternative Accommodation sector in Pondicherry, a Union Territory of India.

1.1.1 GLOBAL TOURISM INDUSTRY

Over the decades, Tourism has experienced continued growth and widening diversification to become one of the fastest growing economic sectors in the world. Modern tourism is closely linked to the development and economic growth of the destination. On the occasion of the World Tourism Day 2011, the United Nation’s Secretary-General Ban Ki-moon noted: At a time of profound global economic uncertainty, tourism’s ability to generate socio-economic opportunities and help reduce the gap between rich and poor, is more important than ever (UN, 2011).

Travel and Tourism continues to be one of the world’s largest industries. The recent years, notably 2009-12 were one of the most challenging years ever experienced by the global Travel and Tourism industry due to political upheaval, economic uncertainty and natural disasters in different parts of the world. The year 2009 registered a revenue decline of 10.7 per cent as the global economy plunged into recession and tourist numbers fell sharply (IBISWorld, 2012). Yet, the industry staged a remarkable recovery (as shown in figure -1.2) riding on the rising household incomes and growing international trade from the emerging markets.
In the year 2012, travel and tourism industry had outperformed the global economy – growing faster than several key industries such as manufacturing, retail, financial services and communications. More than 10 per cent of all new jobs created in 2012 were from the industry. According to the World Travel & Tourism Council’s economic research (WTTC, 2012a), Travel and Tourism’s total economic contribution - taking account of its direct, indirect and induced impacts - was US$6.6 trillion in GDP (a rise of US$500 billion year-on-year), US$765 billion in investment and US$1.2 trillion in exports. This contribution represents 9 per cent of total GDP, 5 per cent of total investment and 5 per cent of world exports. It is predicted that the Travel and Tourism industry will expand its total contribution to GDP by 3.2% in 2013, faster than the 2.4% predicted for global economic growth. The industry is expected to support nearly 266 million jobs in 2013 and again outperform many other industries. David Scowsill, Chief Executive Officer of WTTC, while applauding the resilience of the Travel and Tourism industry, has stated: ‘Despite many economic difficulties, last year, for the first time, we saw more than one billion international travellers cross an International border. This industry is an important driver for countries' economic development and growth strategies, and is responsible for
creating jobs, lifting people out of poverty, and broadening horizons’ (WTTC, 2012b).

The year 2012 witnessed a symbolic landmark of one billion tourists having travelled the world in 2012, marking a new record for global tourism that accounts for one in every 12 jobs and 30% of the world’s services exports (WTO, 2012b). Refer figure -1.3.

Figure 1.3. Global Inbound Tourism

![Graph showing international tourist arrivals, 1995-2012 (million)]

[Source: WTO, 2012a]

1.1.2 INDIAN TOURISM INDUSTRY

India as a destination was frequented by visitors from afar even as early as in the pre-Christ era. As documented by the National Council of Educational Research and Training (NCERT, 2012), the prominent early visitors include explorers, pilgrims and traders, such as Megasthenes (302-298 BC) from Greece, Fa-Hien (405-411 AD) from China, Al-Masudi (957 AD) from Arabia, Marco Polo (1292-1294 AD) from Italy, Vasco De Gama (1498-1524 AD) from Portugal and so on. Later the colonial rulers from Europe visited and occupied India.

Figure -1.4 describes the evolution of the Indian tourism and hospitality sector in the independent India. Post the country’s independence, the Government of India
focused on developing other industries, such as agriculture, irrigation, power and infrastructure (HVS, 2012). It was only in 1982, three decades ago, that the first Tourism Policy was drafted and it provided the much needed impetus to the industry. During the economic liberalization in the early 1990s, the tourism industry experienced its share of reforms and progress. A new National policy on Tourism was unveiled in 2002 along with the globally acclaimed *Incredible India* campaign. It sought to position tourism as a major engine of economic growth and to harness its direct and multiplier effects for employment and poverty eradication in an environmentally sustainable manner (GOI, 2008). The new policy focused on developing a robust tourism infrastructure which resulted in massive investment in and rapid development of the accommodation sector in the Indian Tourism industry.

Figure 1.4. Evolution of the Indian Tourism industry

![Evolution of the Indian tourism and hospitality sector](source: IBEF, 2012)

India is one of the favourite tourist destinations around the world, according to world travel and tourism Council (WTTC, 2013). Further, the Travel and Tourism Competitiveness Report by World Economic Forum, has ranked India among the Top
10 destinations in terms of natural and cultural attractions (WEF, 2011). Today, India is the second-fastest growing tourism market in the world. Tourism in India is the largest service industry contributing up to 6.23 per cent to the National Gross Domestic Product (GDP) and providing 8.78 per cent of the total employment opportunity in India (IBEF, 2013). Travel and tourism industry is also one of the most profitable industries in India and it is credited with contributing a substantial amount of foreign exchange to the national exchequer.

The tourism sector's direct contribution to the GDP of India in 2011 was estimated at US$ 32.7 billion. It registered a compounded annual growth rate of 13 per cent during the period of 2006-11. Total contribution increased to US$ 76.7 billion in 2011 from US$ 56.3 billion in 2009. Foreign Tourist Arrivals (FTAs) and Foreign Exchange Earnings (FEEs) during the period of 2011-2012 also registered a steady growth (GOI, 2011a; IBEF, 2013). Please refer Tables 1.1 and 1.2.

Table 1.1. Foreign Tourist Arrivals (FTAs) in India during 1997-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>FTAs in India (in million)</th>
<th>Percentage (% change over the previous year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>2.37</td>
<td>3.8</td>
</tr>
<tr>
<td>1998</td>
<td>2.36</td>
<td>-0.7</td>
</tr>
<tr>
<td>1999</td>
<td>2.48</td>
<td>5.2</td>
</tr>
<tr>
<td>2000</td>
<td>2.65</td>
<td>6.7</td>
</tr>
<tr>
<td>2001</td>
<td>2.54</td>
<td>-4.2</td>
</tr>
<tr>
<td>2002</td>
<td>2.38</td>
<td>-6.0</td>
</tr>
<tr>
<td>2003</td>
<td>2.73</td>
<td>14.3</td>
</tr>
<tr>
<td>2004</td>
<td>3.46</td>
<td>25.8</td>
</tr>
<tr>
<td>2005</td>
<td>3.82</td>
<td>13.5</td>
</tr>
<tr>
<td>2006</td>
<td>4.45</td>
<td>13.5</td>
</tr>
<tr>
<td>2007</td>
<td>5.08</td>
<td>14.3</td>
</tr>
<tr>
<td>2008</td>
<td>5.26</td>
<td>4.0</td>
</tr>
<tr>
<td>2009</td>
<td>5.17</td>
<td>-2.2</td>
</tr>
<tr>
<td>2010</td>
<td>5.78</td>
<td>11.8</td>
</tr>
<tr>
<td>2011(P)</td>
<td>6.29</td>
<td>8.9</td>
</tr>
<tr>
<td>2012 (Jan-June) (†)</td>
<td>3.24</td>
<td>7.4@</td>
</tr>
</tbody>
</table>

(P) Provisional, † Growth rate over Jan-June, 2011.

[Source: GOI, 2011a]
Table 1.2. Foreign Exchange Earnings (FEEs) (in US$ Million) from Tourism in India during 1997-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>FEE from Tourism in India (in US$ million)</th>
<th>Percentage (% change over the previous year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>2889</td>
<td>2.0</td>
</tr>
<tr>
<td>1998</td>
<td>2948</td>
<td>2.0</td>
</tr>
<tr>
<td>1999</td>
<td>3009</td>
<td>2.1</td>
</tr>
<tr>
<td>2000</td>
<td>3460</td>
<td>15.0</td>
</tr>
<tr>
<td>2001</td>
<td>3198</td>
<td>-7.6</td>
</tr>
<tr>
<td>2002</td>
<td>3103</td>
<td>-3.0</td>
</tr>
<tr>
<td>2003</td>
<td>4463</td>
<td>43.8</td>
</tr>
<tr>
<td>2004</td>
<td>6170</td>
<td>38.2</td>
</tr>
<tr>
<td>2005</td>
<td>7493</td>
<td>21.4</td>
</tr>
<tr>
<td>2006</td>
<td>8634</td>
<td>15.2</td>
</tr>
<tr>
<td>2007</td>
<td>10729</td>
<td>24.3</td>
</tr>
<tr>
<td>2008</td>
<td>11832</td>
<td>10.3</td>
</tr>
<tr>
<td>2009</td>
<td>11136</td>
<td>-5.9</td>
</tr>
<tr>
<td>2010 #</td>
<td>14193</td>
<td>27.5</td>
</tr>
<tr>
<td>2011 #</td>
<td>16564</td>
<td>16.7</td>
</tr>
<tr>
<td>2012 # (Jan-June)</td>
<td>8455</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

# Advance Estimates, @ Growth Rate over Jan-June, 2011

[Source: GOI, 2011a]

The India Brand Equity Fund (IBEF, 2012) identifies four factors of advantage for Destination India. The factors of advantage include a growing demand from both foreign and domestic tourists, attractive opportunities through diverse offerings including the fast growing medical tourism, diverse attractions in the form of world heritage sites, bio-geographic zones and a long coastline, and policy support through successful Destination Marketing initiatives by both the National and State Governments.

However, in spite of these advantages, the Travel and Tourism Competitiveness Report from the World Economic Forum (WEF, 2011) ranks India at 68th position which is six positions behind the 2010 rankings. Among the 14 pillars considered in the Travel and Tourism Competitiveness Index, India’s poor ranking is attributed to the low score in the Tourism Infrastructure component. Tourism Infrastructure remains somewhat underdeveloped with very few hotel rooms per capita by international comparison and low Automatic Teller Machines (ATM) penetration.
The Federation of Indian Chambers of Commerce in India (FICCI) in a collaborative study with the investment bank, Yes Bank suggested a ten-point agenda to make ‘Incredible India’ campaign live up to the image (FICCI, 2011). One of the suggestions is to enhance hotel infrastructure by introducing Alternative Accommodation concepts such as Bed & Breakfast (B&B) across all the Indian states besides encouraging increase in the number of hotel rooms.

1.1.3 ACCOMMODATION SECTOR IN INDIAN TOURISM

Tourism is an intensely competitive, inter-connected, focused, rapidly evolving business sector. The qualitative and quantitative characteristics of the supply of accommodation have a direct bearing on the overall development of tourism and success of the destination. Consequently, in order to ensure that the supply of accommodation contributes effectively to tourism development plans and objectives, it is imperative that the development of the accommodation sector should be the primary element of the overall destination planning process (HVS, 2012).

With the phenomenal increase and prospects in tourism, the accommodation sector has evolved in its form and nature, and thus providing a bouquet of choices to the tourists depending on their taste and budget. There is no tourism without the accommodation sector because it is this sector that provides the tourists what they basically need when they travel.

Accommodation sector in India is growing. The sector is concentrating on different types of accommodation products including Alternative Accommodation products. However, compared to global standards, India still requires a lot of efforts to increase the quality and quantity of accommodation available for the tourists to meet the growing demand. Presently, India is not able to meet the growing demand of rooms in hotels for the tourists (Please see Figure 1.5). Therefore, there is a need for capacity addition in terms of rooms and the types of accommodation. The President of the Federation of Hotel & Restaurant Associations of India, Mr. Vivek Nair, is his inaugural remarks commented that the Indian hotel industry is poised to commit a huge capital investment to bridge the projected shortfall of over 1,80,000 rooms in the
country over the next decade (FHRAI, 2012). A greater need is being felt in the mid-market and budget hotels segment in which a shortfall of around 100,000 rooms is estimated (India Biznews, 2011; GOI, 2011b).

Figure 1.5. Hotel Rooms in India

![Figure 1.5. Hotel Rooms in India](image)

[Source: HVS, 2011]

In the Indian hospitality industry, the major players in the accommodation sector are Indian Hotels, EIH, ITC hotels, Hotel Leela Ventures, Bharat Hotels and Asian Hotels, ITDC and Orient Hotels Ltd. The booming industry has attracted many international players as well. A number of global players are already well established in India. These include Hilton, Shangri-La, Radisson, Marriott, Meridian, Sheraton, Hyatt, Holiday Inn, InterContinental and Crown Plaza. New brands such as Amanda, Satinwoods, Banana Tree, Hampton Inns, Scandium by Hilt and Mandarin Oriental are also said to be planning to enter the Indian hospitality industry in joint ventures with domestic hotel majors (India Biznews, 2011).

With 740 million domestic travellers and over 6.3 million FTAs in 2011, India, after China, is considered one of the most lucrative hotel markets in the world and has the second largest construction pipeline in Asia (ICRA, 2012). Growing affluence and the increasing role India is expected to play in the global economy are likely to drive
both leisure and business travel in the coming years. For most global hotel majors a significant part of their hotel pipeline is centred on emerging markets like India.

The Ministry of Tourism, Government of India introduced the concept of Alternative Accommodation such as Commercial homes (specifically, the Bed & Breakfast and Homestay establishments) as part of its globally acclaimed Incredible India campaign in 2001-12. This is intended to help bridge the demand-supply gap and cater to specific target segments, such as the middle-class tourists. By providing credit and tax incentives, the Government – both at centre and state levels - has induced the entry of new Alternative Accommodation service providers.

1.1.4 ALTERNATIVE ACCOMMODATION IN INDIA

Hotels and other Alternative Accommodation are an integral part of a tourist's visit to a place and the services offered by them can make his/her visit memorable. With the aim of providing comfortable Home Stay facilities of standardized world class services to the tourists, and to supplement the availability of accommodation in the Metros and tourist destinations, Ministry of Tourism, Government of India has classified fully operational rooms of Bed and Breakfast (B&B)/ Homestay establishments as Incredible India Bed-and-Breakfast and Homestay Establishments (GOI, 2010). The basic idea is to provide a clean and affordable place for foreigners and domestic tourists alike including an opportunity for foreign tourists to stay with an Indian family to experience Indian customs and traditions and relish authentic Indian cuisine. The Incredible India Bed & Breakfast/Homestay facilities are categorized as Silver or Gold category depending on the amenities (such as parking) offered and other pre-defined criteria.

A classic case of promotion of Alternative Accommodation such as bed-and-breakfast and homestay by the Ministry of Tourism, Government of India happened during the Commonwealth games in New Delhi in 2010 to meet the increased demand of accommodation. To motivate house owners to apply for this scheme, an integrated publicity campaign was launched. Such registered houses were promoted through the e-commerce platform of the ‘Incredible India’ website (India SME, 2011). On the
request of the Ministry of Tourism, the Government of Delhi had exempted such establishments from various taxes by treating them residential.

According to the Statistical Year Book from the Ministry of Statistics and Programme implementation (GOI, 2013), there were 2483 Government approved hotels as on 31st December 2010 with about 118,000 rooms. The distribution of approved hotels and the number of rooms in approved hotels are shown in Figures 1.6 and 1.7. As can be inferred from these figures, Alternative Accommodation such as Bed and Breakfast establishments have grown rapidly. Bed and Breakfast establishments have one-fourth share in the total number of hotels but only two per cent share in total number of rooms. This is attributed to their smaller size as they are usually family-run, home-based facilities.

Figure 1.6. Distribution of approved hotels in India

[Source: GOI, 2013]
1.2 STATEMENT OF THE PROBLEM

The Government of India’s Incredible India destination promotion initiative since 2002 has provided an impetus for Alternative Accommodation sector in Indian Tourism industry. While this sector has been in organized business for over a decade now, there are no scientific studies on this unique accommodation product. Hence, the present study aimed to understand Alternative Accommodation from the supply side (that is, service providers) and demand side (that is, the guests). In supply side, it was aimed to study the business perspective and opinion of hosts/managers in the Alternative Accommodation. In demand side, it was aimed to investigate the perception of guests/travellers staying in Alternative Accommodation establishments. Such a unified view serves as a comprehensive study offering actionable findings and suggestions, besides adding up as a pioneering study in the literature.

The aim of this research is to assess the marketing practices in Alternative Accommodation sector and also the motivations and perceptions of the guests in Alternative Accommodation sector. The main research questions are: How is marketing practiced by Alternative Accommodation sector? How do they differentiate the Alternative Accommodation product from traditional accommodation? What
factors determine a guest’s choice for Alternative Accommodation and the subsequent satisfaction or otherwise?

1.2.1 WHY STUDY ALTERNATIVE ACCOMMODATION

1. Importance of Alternative Accommodation

   Reynolds and Emenheiser (1996) in their pioneering study had suggested a future trend wherein Alternative Accommodation providers such as Bed and Breakfast operators would be achieving a more significant role in the hospitality industry. Alternative Accommodation is an emerging sector with socio-economic significance for the local population by fuelling small- and medium-scale entrepreneurship opportunities and socio-cultural significance for the tourists by providing an authentic local touch and cultural experience.

2. Under-researched nature of Alternative Accommodation

   Although Alternative Accommodation accounts for a quarter of the available accommodation facilities (GOI, 2013), there is a paucity of studies about their marketing approaches or activities. In the marketing literature, there has been a steady growth in interest in Small and Medium Enterprises (SMEs) since the late 1980s, but there has not been a concomitant growth in marketing-related studies (Anandkumar, 2007). Not to mention, very few studies have adopted a unified view approach, thereby incorporating both demand- and supply-side perspectives.

3. Opportunities for Alternative Accommodation

   The Small and Medium Tourism Enterprises (SMTEs), including Alternative Accommodation facilities, hitherto had little means to communicate directly with customers. With the advent of Information and Communication Technologies (ICT) for Tourism and most notably, the Internet, SMTEs enjoy a level-playing field with increased visibility and reach. The Government of India and the State Governments have actively promoted the concept of Alternative Accommodation as part of the Incredible India campaign by offering credit and tax incentives and marketing support. The existing gap in the demand and supply of hotel rooms in India calls for capacity addition and augurs well for Alternative Accommodation.
In the light of these reasons, a study on Alternative Accommodation will be a worthy addition to the existing knowledgebase and serve as a useful frame of reference in drawing policy and marketing guidelines for Alternative Accommodation and in directing their marketing initiatives.

1.2.2 **Rationale and significance of the study**

Alternative Accommodation represents a growing sector within the Tourism and Hospitality industry. According to Novelli (2005) and Scarinci and Richins (2008), the reasons for the growing popularity of niche segments such as the Alternative Accommodation include increased competition and market fragmentation, more discerning and difference-seeking customers and communication technology. As described earlier, this sector has socio-economic significance for the local population and offers authentic destination experience for the tourists.

Puducherry is a heritage destination on the south-east coast of India with a vibrant tourism industry and has an ancient history dating back to 200 B.C. The recent years have seen a mushrooming of Alternative Accommodation facilities such as guesthouses, commercial homes and service apartments in Puducherry region. This is largely driven by an increase in the tourist arrivals, coupled with a growth in the accommodation sector that is driven by incentives from the local Government. Alternative Accommodation, given its unique product appeal and alignment with the destination’s ‘heritage’ positioning, can emerge as a popular choice for the tourists.

The fact that this sector has not been researched in the Indian context and the unique appeal of the chosen destination offer a research opportunity to study the Alternative Accommodation sector.

1.2.3 **Expected contributions of the study**

This study represents a pioneering, industry-oriented research with serious implications for the destination. At the conceptual level, this research will be useful in
developing marketing guidelines for Alternative Accommodation sector. At the research level, it is a worthy addition to existing knowledgebase of Tourism research by filling a distinct research gap. At the implementation level, the research findings will help the industry practitioners to design and market Alternative Accommodation by creating meaningful points of differences. At the policy level, this research will aid the Regional Marketing Organization, namely Puducherry Tourism Development Corporation (PTDC) and the Ministry of Tourism to provide institutional direction and support for the Alternative Accommodation sector.

1.3 Scope of the study

1.3.1 Location and study area definition

- The Union Territory of Puducherry was chosen as the study location to represent the Alternative Accommodation sector. Administratively, the region of Puducherry has four districts, namely Puducherry (on the South-east coast of India), Karaikal (located in the state of Tamil Nadu), Mahe (located in the state of Kerala) and Yanam (located in the state of Andhra Pradesh).
- Figure 1.8 represents the study area definition, highlighted as the subset of Accommodation as part of the Tourism and Hospitality industry.

**Figure 1.8. Study area definition**
1.3.2 Sample and respondent selection

- Only the Alternative Accommodation businesses (such as Guesthouses, Commercial homes (including Bed and Breakfast) and Service apartments) are taken into consideration for this study. Businesses with a diverse portfolio of accommodation facilities are not considered.

- This study covers the marketing practices of Alternative Accommodation businesses in the chosen destination. The marketing decision makers at these businesses have been considered as key informants for obtaining the required information.

- The data from the Guests is assessed from their recall of perceptions and experiences of the tourists. The goal is to arrive at sector-specific rather than product-specific findings. All guests, irrespective of their status as group or independent travellers, are included for the study.

1.4 Objectives

This is a two part study covering the Alternative Accommodation sector in Puducherry. Part I deals with studying the host-side and part II deals with the guest-side. Upon integrating these parts, the main objectives of the study were to:

1. Study the Alternative Accommodation in terms of demographic characteristics, operational characteristics, marketing mix and the inter-relationships existing therein.

2. Study the points of differences between Hotels and Alternative Accommodation in terms of their marketing mix.

3. Evaluate the performance of Alternative Accommodation based on the analytical framework of expectation-experience analysis.

4. Study the guests at Alternative Accommodation in terms of their profile characteristics.

5. Identify the underlying factors that influence the tourists to choose Alternative Accommodation
6. Make suggestions for marketing Alternative Accommodation

1.5 Hypotheses

In order to meet the above mentioned objectives, the following hypotheses were tested:

H1: There is a difference in the marketing mix of the Alternative Accommodation based on their demographic characteristics.

H2: There is a difference in the marketing mix of the Alternative Accommodation based on their operational characteristics.

H3: There is a significant difference in the Marketing Mix between the Hotels and Alternative Accommodation.

H4: There is a relationship between the expectation and experience of service quality attributes of Alternative Accommodation.

H5: The experience of the Guest differs based on profile characteristics.

1.6 Research Methodology

1.6.1 Study Area

Puducherry, earlier known as Pondicherry (11.93°N 79.83°E) is a heritage destination on the South-east coast of India with a vibrant tourism industry and an ancient history. The known history of Puducherry dates back to the beginning of the first century. Puducherry also had a flourishing maritime history. Excavations at Arikamedu, about seven kilometres to the south of the town, show that Romans came here to trade in the first Century AD. The Portuguese established a factory in Puducherry at the beginning of the 16th century. After that the Danes shortly set up an establishment, and likewise the Dutch. Later the French arrived to open a trading centre in Puducherry. The French Period of Puducherry began in 1674 and they transformed it from a small fishing village into a flourishing port-town. The French rule ended in 1954 when the French possessions in India were de facto transferred to the Indian Union and Puducherry became a Union Territory (Government of Puducherry, 2006).
Puducherry has a total population of 1,244,464 inhabitants as per the Government of India Census 2011 (GOI, 2011c). Puducherry consists of four small unconnected districts: Puducherry, Karaikal and Yanam on the Bay of Bengal and Mahé on the Arabian Sea. Puducherry and Karaikal are the largest sections in terms of territory and population, both being enclaves of Tamil Nadu. Yanam and Mahé are enclaves of Andhra Pradesh and Kerala respectively. The territory has a total area of 492 km²: Puducherry 293 km², Karaikal 160 km², Mahé 9 km² and Yanam 30 km². Please refer Appendix- I for the maps of these locations.

Puducherry is one of the vibrant tourist destinations for national and international tourists. There are several beaches in this coastal destination. There is also Sri Aurobindo Ashram, where Sri Aurobindo, a prominent thinker and philosopher, spent his last years. There are several heritage buildings, temples, monuments, parks, churches, Auroville and mosques which attract the tourists.

1.6.2 Data and sources

This is a descriptive research aimed at studying two sets of respondents, namely the proprietors/managers at Alternative Accommodation facilities and guests/tourists at these facilities. The background information about the status of tourism industry and the Alternative Accommodation in particular, was obtained through secondary data sources from Puducherry Tourism Development Corporation, the Regional Marketing Organization (RMO). Primary data was collected using survey method. The study was carried out in two parts:

Part I: Study using the survey method to find out the host-side characteristics and points of differences in terms of marketing mix elements.

Part II: Study using the survey method to find out the guest-side characteristics, level of satisfaction and factors of influencing in choosing Alternative Accommodation.
Two questionnaires were developed after an extensive review of the relevant literature and were used for collecting data through personal interviews.

1.6.3 Sampling description

The respondents for this 2-part study included 50 alternative hoteliers and 253 tourists/guests at the predetermined Alternative Accommodation enterprises representing all the three categories, namely Guest houses, Service apartments and Commercial homes (including variants of B&B businesses and Homestays). The respondents were identified using random sampling approach. Suitable inclusion and exclusion criteria were considered in sample selection. The data collection locations were determined to represent the geographical spread of Pondicherry and also the different budget ranges. Sufficient and necessary precautions were taken to avoid sample bias in the data collected.

1.6.4 Period of the Study

The data collection was done from May to August, 2012 in the four districts of the Union Territory of Puducherry. The primary data was collected using survey method using two questionnaires.

1.6.5 Data analysis and statistical tools use

SPSS (version 16.0) was used for data analysis. SPSS software was used to tabulate, cross-tabulate and analyse the data. Factor analysis was used to identify the underlying factors that influence the guests to choose Alternative Accommodation. Expectation-Experience Matrix was used to analyse the gap between the guests’ expectation and experience at Alternative Accommodation. Paired sample t’-tests, Pearson chi-square test and Correlation analysis were used for testing of hypotheses. Descriptive analysis using statistical measures like arithmetic mean, standard deviation and percentages were also used and the results are presented in the form of graphs and tables.
1.7 Operational Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Service apartment</td>
<td>Provides short-term, self-contained accommodation with additional services. Includes 3 sub-types, namely luxury, mid-range and budget apartments</td>
</tr>
<tr>
<td>Guest House</td>
<td>Smaller than average hotel and with a limited number of rooms and facilities</td>
</tr>
<tr>
<td>Commercial home</td>
<td>Home being used on a commercial basis. Provides commercial hospitality within a home setting. Includes 6 sub-types, namely Homestay, Bed &amp; Breakfast, Bed &amp; Breakfast inn, Bed &amp; Breakfast cottages, Bed &amp; Breakfast hotel and Country Inn.</td>
</tr>
<tr>
<td>Homestay</td>
<td>Accommodation where visitors of guests pay directly or indirectly to stay in private (commercial) homes, where interaction takes place to a greater or lesser degree with a host and/or family who usually live upon the premises and with whom public space is shared to a greater or lesser degree.</td>
</tr>
<tr>
<td>Bed and Breakfast</td>
<td>A dwelling used by a resident to provide accommodation for persons (not more than six persons or one family) on a short-term commercial basis and includes provision of daily breakfast</td>
</tr>
<tr>
<td>Alternative hotelier</td>
<td>The proprietor or the manager at an Alternative Accommodation facility</td>
</tr>
<tr>
<td>Guests</td>
<td>Free independent travellers or group of travellers staying at an Alternative Accommodation facility</td>
</tr>
</tbody>
</table>
Marketing Mix elements  The elements that are used to represent each of the 7Ps of Services Marketing, namely product, price, place, promotion, people, physical evidence and process

1.8 Limitations of the study

The findings of this study are specific to place and time. They relate to a destination with a heritage appeal and the data collection spanned over a four-month period. Though this period accounted for the peak tourist season during summer, the effects, if any, of the other seasons, are not included. Interview was the effective data collection option in this setting. Hence the sample size was limited by time constraints of the researcher as well as the respondents, and also access restrictions imposed by the Alternative hoteliers. Moreover, they were also hesitant to disclose financial information related to their operations. Therefore, the study has not included the economic strength and weakness of Alternative Accommodation sector. Though the study investigated at length the demand side of Alternative Accommodation, it did not compare this with the guests at traditional accommodation such as hotels.

1.9 Brief review of literature

Studies related to Alternative Accommodation are based on two broad perspectives, namely the supply-side perspective (hotelier perspective) and the demand-side perspective (guest perspective). This section presents a brief review of the studies done in this area with special reference to the emergence of this sector and the above mentioned perspectives.

1.9.1 Emergence of Alternative Accommodation

Accommodation is a fundamental factor of the tourism product to the tourists. The type, extent and nature of accommodation determine the volume and value of tourism that is possible at any destination (Henning and Willemse, 1999; Nuntsu, Tassiopoulou and Haydam, 2003). While tourist accommodation typically refers to traditional hotels of several categories, Alternative Accommodation refers to establishments such as Guest houses, Service apartments and Commercial homes that
provide paid lodging to the tourists on short-term basis. They differ from the traditional hotels in terms of the limited and personalized services provided with an authentic local touch. Presently, accommodation sector includes such establishments and facilities where tourists stop being travellers and become guests (Mohanty, 1992).

Reynolds and Emenheiser (1996) in their pioneering study had suggested a future trend wherein Alternative Accommodation providers such as Bed and Breakfast operators would be achieving a more significant role in the hospitality industry. According to Novelli (2005) and Scarinci and Richins (2008), the reasons for the growing popularity of niche segments such as the Alternative Accommodation include increased competition and market fragmentation, more discerning and difference-seeking customers and communication technology.

The literature (Foxley, 2001; Canwell and Sutherland, 2003; Professional Association of Innkeepers International (PAII), 2009) on the topic provides a taxonomy of Alternative Accommodation. Accordingly, there are three types of Alternative Accommodation, namely Service apartments, Guest houses and Commercial homes such as Homestay and Bed and Breakfast. Further, the Commercial homes are classified by PAII into six categories such as Homestay, Bed & Breakfast, Bed & Breakfast inn, Bed & Breakfast cottages, Bed & Breakfast hotel and Country Inn.

Several researchers have advocated undertaking serious research on this segment of accommodation providers, taking into consideration the segment’s growth, popularity and appeal (Fleischer and Pizam, 1997; Dawson and Brown, 1988; Ingram, 2002; Morrison, 2002; PAII, 2005). Incidentally, certain categories under this segment are relatively underexplored (Sweeney and Lynch, 2007; McIntosh, Lynch and Sweeney, 2007). In the Indian context, despite the drive by the Destination Marketing Organization to promote Bed and Breakfast and Homestay accommodation, the Alternative Accommodation sector is virtually unexplored in terms of scientific research.
1.9.2 Research related to the hosts

The trends of Alternative Accommodation establishments such as B&B accommodation growth are related to physical, social, economic and technological environments in which supply and demand operate (Burkat and Medlik, 1981).

The host-side studies (Lynch, 1994; Fleischer and Pizam, 1997; Harris, 1999; Blank, 2000; Felsenstein, 2000; Schine, 2003) have extensively investigated the motives and the entrepreneurial spirit demonstrated by the Alternative Hoteliers. In general, both economic and lifestyle (non-economic) motives were found to be the drivers.

Alternative Accommodation at urban areas and rural areas are seen similarly yet differently at times by many (Carmichael, 2005). While studies (Butler et al, 1998; He, 2006; Sun, 2009, Su, 2011) have looked at Alternative Accommodation in the context of rural tourism such as farm tourism, some researchers (Nuntsu et al, 2003; Darkey and Horn, 2009; Batra, 2009; Hsu and Lin, 2011 ) have focused on this sector from a typical urban perspective.

Further, several supply-side studies have identified the perceived motivations of tourists in general (Morrison, Pearce, Moscardo, Nadkarni and O’Leary, 1996; Sallee, 1996; Dawson and Brown, 1988) or that of a specific demographic group, say the business traveller market (Radder and Wang, 2006) or confined to a particular market (Pearce, 1990; Nuntsu et al, 2003). Previous studies have found that alternative hoteliers perceive natural setting (to suggest location and geographic area), quality service, and authentic experience as the main motives which draw tourists.

1.11 Research related to the guests

The demand-side studies have identified the stated motivations of tourists, say among the senior market (Wuest, Tas and Emenheiser, 1996) or from a special interest group, say the rural/countryside tourists (Pearce, 1990; Ingram, 2002). A market-specific study (Gilbert and Terrata, 2001) suggests tourist demographics itself as a motivational factor to choose alternative hoteliers.
An interesting study by Wu and Yang (2010) analyses the motives to revisit a Bed and Breakfast and identifies preference for certain service quality elements as the primary reason. Previous studies have found out that tourists choosing Alternative Accommodation are influenced by factors such as enjoyment of country lifestyle and scenery, alternative to a hotel or a getaway to escape the larger hotel, meet the local people and enjoy the local heritage (Norman, 1988, Upchurch, 1996; Ingram, 2002).

Some researchers have chosen to focus on the motivational pull of unique attractions associated with alternative hoteliers. For example, the influence of the ‘home-like’ atmosphere has been studied in detail (Warnick and Klar, 1991; Emerick and Emerick, 1994; Morrison et al, 1996; Dawson and Brown, 1988; Ingram, 2002).

1.10 Thesis outline and chapter content summary

This thesis titled ‘A study of Alternative Accommodation sector in Puducherry’ has been presented in six chapters. The organization and brief contents of the chapters are as follows:

Chapter I titled ‘Introduction’ presents an overview of the topic, statement of the problem, rationale and significance of the study, scope, objectives, hypotheses and methodology of the study, operational definitions of the terms used, the limitations of the study and a brief review of literature.

Chapter II provides a literature review on Alternative Accommodation from its emergence, classification, characteristics and functional aspects to demographics and motivations of the guests at Alternative Accommodation. The research gaps identified in the review are highlighted.

Chapter III explains the methodological design and execution of the study, including the preparation of the data collection instruments, data collection and sampling procedures followed.
Chapter IV presents to data analysis and findings from the study. It is organized according to the research objectives into five sections. Section-1 describes the findings related to Alternative Accommodation characteristics. Section-2 describes the points of differences between Hotels and Alternative Accommodation. Section-3 analyses the various Service Quality attributes. Section-4 describes the findings related to Guests’ profile characteristics. Section-5 analyses the factors of influence in choosing Alternative Accommodation.

Chapter V titled ‘Discussion and Suggestions’ provides a unified view of the findings incorporating the hotelier’s view and the guest’s view, the interpretation of the findings and the linkage between findings. Suggestions for marketing Alternative Accommodation are given.

Chapter VI titled ‘Conclusion’ gives a brief summary of main conclusions and suggestions based on the study results. The implications for Alternative Hoteliers and Destination Marketers are discussed. Suggestions for future research have been made, keeping in view, the constraints and limitations of this study.

The ‘References’ section lists mainly the books, reports, journal articles, business articles, online resources and references that have been referred for the study.

The ‘Appendix’ contains the maps of the destination studied and questionnaires used for data collection. The figures and detailed tables for the statistical techniques used are also presented here whereas as the summary of the statistical output tables have been presented in the body of the thesis. A list of the Alternative Accommodations surveyed for this research is provided along with select homepages representing the destination and the different Alternative Accommodation categories.