CHAPTER 2

PROFILE

OF THE

HOSPITALITY

INDUSTRY
Chapter 2
PROFILE OF THE HOSPITALITY INDUSTRY

This chapter attempts to offer an idea of the hospitality industry in general and that of India in particular. Besides, attempt has been made to offer highlights about the industry in North East India, the location of this study. These deliberations offered in this Chapter should lead towards better understanding of the problem related to customer delight (as discussed in section 1.2 in Chapter 1) with respect to the hospitality industry.

2.1 Hospitality Industry:

Hospitable refers to the act of being "kind, welcoming and generous to strangers or guests" (Chambers Twentieth Century Dictionary 631). Webster Comprehensive Dictionary (611) describes hospitable as the disposition to "behave in a warm manner or to entertain with generous kindness". Hospitable also means "having an open, generous and receptive mind". It also refers to being "well behaved towards strangers" and "welcoming them with warmth and generosity" (Ingram, Hospitality: A framework 140; Reader's Digest Universal Dictionary 745).

Hospitality means the "act of being hospitable or tendency towards being hospitable" thereby providing "entertainment to guests" (Brotherton 165; Chambers Twentieth Century Dictionary 631; Webster Comprehensive Dictionary 611). Reader's Digest Universal Dictionary (745) describes hospitality as the "spirit or practice" of being hospitable. In short, hospitality refers to the act of being kind, generous and welcoming towards strangers or guests. It is considered to be one of the most important virtues in the human society.

Thus hospitality industry refers to all those institutions that offer hospitality to strangers or guests. Such institutions or organisations "offer shelter or food or both to people away from their homes" (Malhotra 4-5). Such an industry is also characterized by presence of welcoming atmosphere, kindness and generosity besides food and shelter so as to make the guests' stay comfortable with homely experience (Ahmed 70-91; Gill 28-77; Hsu and Powers 1-62; Malhotra 4-5).

Hospitality industry as a whole consists of the following establishments (Hsu and Powers 66-265; Malhotra 4-5):
i. **Hotels and Motels:** Hotels refers to a building or establishment that provides food, accommodation etc. to travelers and others (Ahmed 1-5; Chambers Twentieth Century Dictionary 632; Gill 28, 33; Hsu and Powers 66-265; Ingram, *Hospitality: A framework* 140; Jha 28-257; Malhotra 4-5; Reader’s Digest Universal Dictionary 746; Webster Comprehensive Dictionary 611). Motels refer to a hotel for motorists typically with rooms adjacent to a parking area (Ahmed 70-91; Chambers Twentieth Century Dictionary 858; Gill, 28-77; Hsu and Powers 66-265; Jha 1-10; Malhotra 4-5).

ii. **Restaurants:** Restaurants are places where refreshments or meals are provided to people (Blum 354; Chambers Twentieth Century Dictionary 1151; Hsu and Powers 177-178, 236-237; Jha 28-257; Malhotra 4-5).

iii. **Reception/ Conference Centres/ Exhibition centres:** Such centres are places where social gatherings and events like marriage and birthday parties, conferences, exhibitions etc. are held (Gill 37; Hsu and Powers 172; Malhotra 4-5).

iv. **Self Service Outlets:** Self service outlets are specific type of “café, restaurants or stores where patrons (customers) serve themselves” (Blum 354; Gill 37; Hsu and Powers 172, 184, 215; Malhotra 4-5).

v. **Clubs (Service Clubs and Sports Clubs):** Such clubs refer to a room, building or other facilities used by a group or association of people for special purposes like rendering services or playing sports (Hsu and Powers 83-84; Malhotra 4-5; Reader’s Digest Universal Dictionary 306).

vi. **Fast Food Outlets:** Fast food outlets are places or institutions specializing in food “prepared and served quickly” (Blum 354; Gill 37; Hsu and Powers 184, 189, 215; Malhotra 4-5).

vii. **Snack Bars:** Snack bars are “café or counters” wherein light meals are provided (Chambers Twentieth Century Dictionary 1277; Gill 37; Hsu and Powers 172; Malhotra 4-5).

viii. **Private Catering Firms:** Private catering firms “supply and serve food and drinks” for “large social gatherings, banquets” etc. (Gill 37; Hsu and Powers 215; Ingram, *Hospitality: A framework* 141; Malhotra 4-5).
ix. **Transport Services (Road, Railway, Ship and Airline Services):**
Transport services carry or convey people or goods from one place to another by road, railway, ship, airplanes and helicopters or similar other means of movement. Transport services may also provide food, entertainment or other services during movement of people or goods (Gill 36; Hsu and Powers 232; Malhotra 4-5).

x. **Hospitals:** Hospitals are institutions providing reception, care, medical treatment and surgery for ill and wounded people (Dittmer 5-105, 201-288; Hsu and Powers 90; Malhotra 4-5; Severt, Aiello, Elswick and Cyr 665).

### 2.2 Hospitality Industry and Hotels:

The global hospitality industry employs around 8% of the total workforce worldwide (LRGUAS). The same study also stated that this industry may employ around 303 million people worldwide by 2020. Besides, this industry is witnessing significant growth in the recent years (CTH 17; Ernst and Young 1-2).

The hospitality industry in India has contributed around 8.6% of India’s Gross Domestic Product (GDP) in 2010 (Thadani, Tuli and Karulkar 1) up from 6.1 % in 2007 (Thadani, *Critical Issues* 4). In fact, Thadani et al. have mentioned that the hospitality industry happens to be the most important component of the Indian travel and tourism industry. In 2011, India obtained the 68th position among all countries in the Travel and Tourism Competitiveness Report 2011 (Blanke and Chiesa 15).

It is to be noted that hotels constitute the most critical segment of the entire hospitality industry as it is the base wherein all specialist skills related towards courting and satisfying guests (tourists*) lie (Thadani, *Critical Issues* 1-4). The same author has highlighted that infrastructure of the hotels is essential for the hospitality industry particularly in nations like India. Thadani et al. (1-11) have heavily focused on hotels as the most important segment of the hospitality industry in their study. In fact, the entire study on hospitality revolved around the hotel industry only. The same authors in yet another study have emphasized on increased availability of hotel

---

* As per UN and WTO (5-7), tourists are described as "overnight visitors". Again, Doering (3) in his study has described guests as visitors to whom hospitality or "generosity" is extended. This viewpoint has also been emphasized by Bemo (656-674) in his study. Therefore, in case of the hospitality industry (particularly hotels), guests may also be referred to as tourists.
rooms and improved infrastructure as the most important requirement for developing the Indian hospitality and tourism industry (Thadani, *An HVS* 6). Again, in another research work, hotels were taken as the only entities of study concerning the hospitality industry (HVS, FHRAI and ECOTEL 1-50). Similar methodologies have been noted in case of studies by few scholars (Bowen 334-344; Blum 350-361; and Ingram, *Hospitality and tourism* 44-54). In similar studies, required data on the hospitality industry have been collected from guests in hotels only (Harkinsson, Poulston and Kim 377-392; Mei, Dean and White 136-143). The study by Mei et al. (138) involved development of a scale for measuring quality of hotels called “HOLSERV Scale” based on the SERQUAL Scale for measuring service quality. Countryman, DeFranco and Venegas (577-578) have stated that the two top categories in the hospitality industry are hotels and clubs. They have also established that hotels happen to be most important part of the hospitality industry. Jayawardena (259) has emphasized only on education in hotel schools in his study on creating hospitality management educational programmes in developing countries. Ingram (*Hospitality: A framework* 140-141) has stated that hotels and catering forms the essence of the hospitality industry. In fact, he has greatly focused on hotels as the indispensable segment of this industry. Thereby, hotel industry can be taken as the sole most important component representing the entire hospitality industry. This fact has been further supported by some other researchers as well (Hsu and Powers 66-265; Stutts 22-23; Reid and Bojanic 31-57, 63-86). Costa, Eccles and Teare (293), MKono (857-865), Purcell (17-20), Teare (55-65), and Zopiatis and Constanti (135-153) have also shared the same views.

### 2.3 Hotel Industry in India:

Hotels are essential part of the tourism industry. Hotels, through proper facilities and services for guests, can provide significant contribution to the overall services offered under the broad purview of tourism (Ahmed 70-91; Gill 28-77; Hsu and Powers 66-265; Jha 28-257; Ministry of Tourism, Government of India (HRACC Division)).

Hotels existed long ago in the Indian subcontinent in the form of dharamsalas (known as inns in other parts of the world). These provided meals and “accommodation” as monasteries, rest houses, taverns etc. (Kannan 1-3). With the
passage of time, there has been tremendous development in the hotel industry particularly in the last century. Early hotels in India included Hotel Taj Mahal and the British Hotel in Bombay (now Mumbai) and the Great Eastern Hotel and Esplanade Hotel in Calcutta (now Kolkata). Later on many new hotels were set up involving both the private and public sectors (Kannan 1-10). In fact, the Government of India set up the following for aiding the hotel industry in the country (Kannan 1-86; Mohanty 1-115):

i. Indian Tourism Hotel Corporation (later named as Hotel Corporation of India (HCI) Limited): It was set up on January 21, 1965 to look after construction and management of hotels in the public sector.

ii. Indian Tourism Corporation Limited: It was set up on March 31, 1965 to produce material for publicity of tourism in the country.

iii. Indian Tourism Transport Undertaking Limited: It was set up on December 1, 1964 to provide transport facilities to tourists visiting the country.

After around one year of working, the above three organizations were amalgamated into one single entity, namely, the Indian Tourism Development Corporation (ITDC). The ITDC started functioning from October 1, 1966. Still, before 1980, the Indian hotel industry comprised mainly of single hotel companies. During this period this industry was lagging behind in comparison to its counterparts in western countries due to bottlenecks in developing crucial infrastructure sector such as airports, railways, roadways, communication etc. (Kannan 1-86).

However with the Asiad held in New Delhi in 1982 and subsequent liberalization of the Indian economy in 1991, there was a tremendous improvement in these hotels including related infrastructure all throughout the country particularly in the metropolitan cities (Corporate Catalyst India). In recent years, the Indian hotel industry has seen satisfactory growth due to increasing number of foreign and domestic tourists as well as growth in the economy (Kumar 17-41). In fact, during the financial year 2010-2011, the Indian hotel industry registered a modest growth rate of 7 percent (Maps of India). The same author has also stated that arrival of low cost airlines, “Incredible India” destination campaign and the “Atithi Devo Bhava” campaign has also greatly helped in this regard. Besides, the Government of India has
also taken up the following steps to boost “travel and tourism” that will ultimately help the hotel industry (Bureau of Immigration; Kumar 17-41):

i. Abolishment of inland air travel tax of 15%.

ii. Reduction in the excise duty on aviation turbine fuel to 8%.

iii. Removal of number of restrictions on outbound charted flights.

iv. Treating “convention centres as a part of core infrastructure”.

v. Implementation of Tourist Visa-on-Arrival facility with a maximum validity of 30 days with single entry facility issued by the Immigration officer at Delhi, Mumbai, Chennai and Kolkata Airports.

A report prepared by Hospitality India in 2012 laments that the total number of available rooms in all categories of hotels and guest houses in India is 200,000 with a shortfall of around 100,000 rooms. The same report has stated that there are 1285 approved budget hotels across the country with around 51,000 available rooms apart from dharamsalas, devasthan and guest houses. As mentioned earlier, India obtained the 136th position among all countries in terms of hotel rooms in the year 2011 as per Travel and Tourism Competitiveness Report 2011 (Blanke and Chiesa 217).

According to Kumar (238-327), few favourable prospects for the Indian hotel industry in the near future are:

i. **Availability of Low Cost Carriers:** There has been a noticeable growth in low cost airline services in India. This has stimulated greater demand for travel even if room rents in hotels are increasing.

ii. **Technological Improvement:** In recent years, there has been considerable improvement in technology in case of hotel services relating to information technology, accommodation, traveling, communication etc. Some examples of such technology include e-ticketing, on-line bookings, Wi-Fi internet connectivity etc.

iii. **Large Scale Expansion Plans:** The Indian hotel industry is expected to witness huge expansion in the coming years. In fact, global hotel chains like Hilton, Accor, Marriott International, Berggruen Hotels, Cabana Hotels etc. are likely to enter India in future. Besides, international “hotel asset management companies” are also expected to enter the country in the coming years.
2.4 Hotel Industry in North East India:

As mentioned in sections 2.2 and 2.3 in this Chapter, hotels constitute a major segment of the hospitality industry. In fact, hotels are an important part of the tourism industry. According to the reports in the Vision document 2020 for the North East India (refer to Fig. 2.1) published by Ministry of DONER and NEC (7), there is enormous tourism potential in this region keeping in view its various natural and other resources. Development in the tourism sector can result in the creation of more jobs thereby bringing about development in this region (Ministry of DONER and NEC 25, 49). This has also been mentioned in other reports (Italia 5-7). So, there must be greater emphasis on providing satisfactory services in hotels which are an indispensable component of the hospitality and tourism industry. Already, the Government of India is focusing on development of the required infrastructure for giving a boost to tourism in this region (Ministry of DONER and NEC 52, 104). Hotels have existed in this region for quite a long time. Growth in the hotel industry in this region of India has immensely contributed to Gross Domestic Product (GDP) of almost every state in this region (Ministry of DONER and NEC 185). There are hotels falling into different categories (refer to Appendix-III) as per various records in this region (FHRAI; Ministry of Tourism, Government of India (HRACC Division)). As per Appendix-III during the period of study (2010-2011), there is only one 5 star deluxe hotel in this region but there is no other 5 star hotel. This single 5 star deluxe hotel is Mayfair Gangtok located in Gangtok in the state of Sikkim. There are six (6) 4 star hotels in this region. The prominent among them include Hotel Dynasty and Hotel Rajmahal located in Guwahati in the state of Assam, and Hotel Polo Towers in Shillong in the state of Meghalaya. Besides, there are forty nine (49) 3 star hotels in this region. Some of these include Hotel Nakshatra and Hotel Viswaratna in Guwahati in the state of Assam, and Hotel Royal Demazong and Hotel Saramsa Resort in Gangtok in the state of Sikkim. The rest of the hotels in this region fall in the 2 star, 1 star and unclassified categories. It is to be noted that unclassified hotels are those hotels that have not applied for any type of classification to the competent Government of India authority, i.e., Hotel and Restaurant Approval and Classification Committee (HRACC).
2.5 Classification of Hotels in India:

The Ministry of Tourism, Government of India, has formed a “voluntary scheme for classification of operational hotels” in India based on the following categories in order to provide “contemporary standards of facilities and services available in the hotels” (Ministry of Tourism, Government of India (HRACC Division)):

i. **Star Category Hotels:** Star Category hotels are classified into 5 Star Deluxe, 5 Star, 4 Star, 3 Star, 2 Star and 1 Star hotel.
ii. Heritage Category Hotels: Heritage Category hotels are classified into Heritage Grand, Heritage Classic and Heritage Basic hotel.

The Hotel and Restaurant Approval and Classification Committee (HRACC), Ministry of Tourism, Government of India, is responsible for inspection and assessment of hotels based on facilities and services offered. Accordingly, it also looks after the following:

i. Approval of hotel projects at the implementation stage

ii. Classification of hotels under various categories

Hotels all over the world including those in India have adopted a formal classification system keeping in view the following objectives (ECC-Net 2-8). This has been supported by Callan (11-17):

i. Obtaining proper customer information.

ii. "Possibility of differentiating hotels to implement differentiated policies".

iii. "Possibility of exercising an increasing tax burden on products of luxury as a special case of the previous target".

iv. "Possibility of regulation of rates"

v. "Steering" and directing hotels towards modernization

vi. Facilitating communication, "conclusion of contracts" and "monitoring their compliance with tourism agencies".

Some scholars have stated that hotels are normally classified on the following bases (Ahmed 71; Gill 28-77):

i. On the basis of size

ii. On the basis of star category

iii. On the basis of ownership

iv. On the basis of other bases of classification

2.5.1 Classification of Star Category Hotels:

Classification of hotels in India is carried out, as discussed earlier, by the Hotel and Restaurant Approval and Classification Committee (HRACC), Ministry of Tourism, Government of India (Ministry of Tourism, Government of India (HRACC Division)) on the basis of star category. As mentioned earlier, Star
Category Hotels are classified into 5 Star Deluxe, 5 Star, 4 Star, 3 Star, 2 Star and 1 Star hotel. The following common characteristics should be present for each of these categories (Ahmed 75-88; Ministry of Tourism, Government of India (HRACC Division)).

i. The “architectural features and general construction of the hotel building should have distinctive features” relevant for any luxury hotel of each these categories.

ii. The locality of such hotels should be of “highest standards” relevant for any hotel of each these categories.

iii. There should be ample space for car parking.

5 Star Deluxe, 5 Star and 4 Star hotels should have the following facilities (Ahmed 75-86; Ministry of Tourism, Government of India (HRACC Division)):

i. There should be full air conditioning facilities in all “public and private rooms”.

ii. There should be sufficient number of 24 hour lifts.

iii. There should be a “well appointed lobby” and cloakrooms for ladies and gents with the highest standards in terms of facilities.

It is to be noted that 5 Star Deluxe and 5 Star hotels should have the following distinct characteristics (Ahmed 75-84; Ministry of Tourism, Government of India (HRACC Division)):

i. There should be “atleast 25 bedrooms with attached bathrooms with long baths or most modern shower facilities”.

ii. There should be a swimming pool with facilities of the highest standards.

4 Star hotels should have minimum “25 bedrooms with attached bathrooms”. Atleast half of them should have “long baths or most modern shower facilities” (Ahmed 84-86; Ministry of Tourism, Government of India (HRACC Division)).

3 Star hotels should have the following characteristics (Ahmed 86-87; Ministry of Tourism, Government of India (HRACC Division)):

i. There should be “atleast 20 bedrooms with attached bathrooms” having all the good quality latest provisions.
ii. There should be air conditioning facilities in at least fifty percent (50%) of the rooms with all the required modern facilities and design.

iii. There should be sufficient number of 24 hour lifts provided the hotel building is more than "two storey including the ground floor".

2 Star hotels should have the following characteristics (Ahmed 87; Ministry of Tourism, Government of India (HRACC Division)):

i. There should be "at least 10 bedrooms with seventy five percent (75%) of them having attached bathrooms" having all the good quality latest provisions.

ii. There should be air conditioning facilities in at least twenty five percent (25%) of the rooms with all the required modern facilities and design.

iii. The rooms should be clean, comfortable, properly ventilated with all the required items for furniture.

iv. There should be a "well furnished lounge".

1 Star hotels should have the following characteristics (Ahmed 88; Ministry of Tourism, Government of India (HRACC Division)):

i. There should be "at least 10 bedrooms with twenty five percent (25%) of them having attached bathrooms" with latest good quality facilities.

ii. There should be air conditioning facilities in at least twenty five percent (25%) of the rooms with all the required modern facilities and design.

iii. The rooms must be clean, comfortable, properly ventilated with comfortable bed and furniture.

2.5.2 Classification of Heritage Category Hotels:

Heritage category hotels represent those hotels running in palaces, castles, havelis, hunting lodges, forts or royal residences of any size build before 1950 (Ahmed 88; FHRAI). Classification of heritage hotels in India is also carried out by the Hotel and Restaurant Approval and Classification Committee (HRACC), Ministry of Tourism, Government of India (Ministry of Tourism, Government of India (HRACC Division)) on the following basis:

i. Number of rooms
ii. Year of construction of the palaces, castles, havelis, hunting lodges, forts or royal residences of any size that has been converted into a hotel.

Heritage Grand hotels and Heritage Classic hotels are those heritage hotels running in palaces, castles, havelis, hunting lodges, forts or royal residences of any size built before 1935 (FHRAI). Heritage Basic hotels represent similar heritage hotels built before 1950 (FHRAI). All these three categories should have the following common characteristics (FHRAI; Ministry of Tourism, Government of India (HRACC Division)):

i. These hotel buildings should be designed and constructed with distinctive features as per the “traditional way of life in the area”.

ii. There should be no interference with the architecture of the property.

iii. Any kind of “improvement, renovation, extension or change in the existing structures” should be done in line of the “traditional architectural styles and construction techniques harmonizing the new with the old”. In the aftermath of such expansion, “the newly build up area added should not exceed 50% of the total built up (plinth) area including the old and new structures. In such case, facilities like swimming pools, lawns etc. will be excluded”.

iv. There should be proper space for car parking.

v. There should be proper maintenance and cleaning of all public and guests rooms with all the required modern amenities.

vi. A properly attended lobby and cloakrooms for ladies and gents with the befitting facilities should be present in the hotel premises.

Heritage Grand hotels should have the following distinct characteristics (FHRAI; Ministry of Tourism, Government of India (HRACC Division)):

i. There should be minimum 15 rooms with 30 beds with “fifty percent (50%) of the rooms air-conditioned (except in hill stations where there should be heating arrangements)”.

ii. There should be atleast two of the following sporting facilities:
   - Swimming pool
   - Health club
   - Lawn tennis
   - Squash
   - Riding
Apart from the above mentioned facilities, "supplementary sporting facilities like golf, boating, sailing, fishing or any other adventure sports facilities like ballooning, parasailing, wind surfing, safari excursions, trekking, indoor games etc. may also be present.

Heritage Classic hotels should have the following specific characteristics (FHRAI; Ministry of Tourism, Government of India (HRACC Division)):

i. There should be minimum 15 rooms with 30 beds with proper ambience.

ii. Atleast one of the following sporting facilities should be present:
   - Swimming pool
   - Health club
   - Lawn tennis
   - Squash
   - Riding
   - Golf course

Besides the above mentioned facilities, extra sporting facilities like golf, boating, sailing, fishing or any other adventure sports facilities like ballooning, parasailing, wind surfing, safari excursions, trekking, indoor games etc. may also be present.

In case of Heritage Basic hotels, there should be minimum 5 rooms with 10 beds with proper ambience (FHRAI; Ministry of Tourism, Government of India (HRACC Division)).

This chapter has tried to provide an insight about the hospitality industry. It has also tried to give some explanation about this industry particularly hotels in case of India in particular. Besides, a detail explanation about the different categories of hotels in India has been given in this chapter.

References


HVS, FHRAI, and ECOTEL. "Indian Hotel Industry Survey 2009-2010." HVS Hospitality Services, Federation of Hotels and Restaurants Association of India (FHRAI), and ECOTEL, India (2011). 1-50. Print.


Ministry of Tourism, Government of India (Hotel and Restaurant Approval & Classification Committee (HRACC) Division). “Guidelines for Classification of Hotels”, Member Secretary (HRACC)/ Hotel and Restaurants Division, Ministry of Tourism, Government of India, New Delhi, 2011. Print.


