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## THE CHANGING FACE OF THE INDIAN HOSPITALITY INDUSTRY

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**Abstract:** *Innovation and Creativity are the keys for the survival of any business. Hospitality Industry is no exception. The Indian hospitality industry is witnessing a major shift wherein apart from traditional business or leisure travel, India's hospitality sector has been witnessing interest from various segments like meetings, incentives, conferences and exhibitions (MICE), eco tourism, wellness tourism, spiritual and pilgrimage tourism.*

*This upcoming demand in new segments comes from both foreign as well as domestic tourists. In order to match up to this varied and rising demand of the tourists the hospitality industry is also looking at creating relevant products to service the varied tourist requirements. The Indian government has taken up various reforms to bring the pace in the industry growth with liberalisation in the regulatory framework, investment friendly schemes, extensive support for creating a world class infrastructure, initiating better air and land connectivity, incentivising regional set-up in tier III and IV cities, exploring the untapped geographical resources which has led to a comprehensive growth of the Indian hospitality industry.*

*This research paper focuses on these upcoming trends in the hospitality industry in India which have transformed the scenario of the industry altogether. It also attempts to study the impact of these trends on the hospitality industry and the Indian economy at large.*

**Keywords:** *Innovation, Hospitality industry, Competitiveness.*

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## **1. INTRODUCTION**

Innovation is being practised in the business world for more than a hundred years .It is considered as a powerful tool to compete in crowded marketplaces or to destroy the existing markets by making them less appropriate for the customer.

Given the expected rapid growth of the hospitality industry across the globe it is expected that the industry will be crowded with competing businesses, necessitating the introduction of innovative products and services in the market. A few innovative and successful ideas which have recently been introduced in the industry include Asian-style restaurants (YO!, Sushi shop) and affordable modular type hotels (Citizen M, Yotel) along with state-of-the-art ideas such as Burj-al-arab in Dubai and Skypark in Singapore.

In the Indian scenario the competition in the industry has become increasingly fierce due to the entry of more and more international players who provides sophisticated services at affordable prices. This has led to a high degree of professionalism in the industry. The upcoming demand in new segments as meetings, incentives, conferences and exhibitions/events (MICE), eco tourism, wellness tourism, spiritual and pilgrimage tourism from both foreign as well as domestic tourists has created an environment conducive to innovation.

Against this backdrop, the purpose of this research paper is to analyze the changing practices in the hospitality business through innovation and the effect of all these changes on the industry and the Indian economy at large.

## **2. TRENDS IN THE INDIAN HOSPITALITY INDUSTRY**

The hospitality industry in India is changing at a very fast pace. Innovation is the buzzword in the industry. As the industry is witnessing a shift in demand towards the aforesaid new segments the hospitality business demands that the entrepreneurs should continuously provide improved ways of providing existing services, introduce new services, focus on new ways of delighting the increasingly demanding clientele and introduce new processes which economise operations. Many innovations are currently being used as the entrepreneurs are well aware of the fact that in the absence of innovative products and services they may become obsolete ultimately driving them out of business. A few of these trends which have changed the face of the Indian hospitality industry have been discussed below.



## **2.1 MICE Tourism**

The Indian hospitality industry is experiencing innovative concept of MICE i.e. Meeting, Incentive, Conferences and Exhibitions. It is a type of tourism in which planning is done in advance for a particular purpose either for profession or for entertainment. MICE are one of the countless ways through which India can attract international tourists. There exists a dynamic business opportunity as a splendid venue for international conferences and conventions of no less than global standards as India offers cultural and heritage sites, the imperial and spiritual, excellent services of beach and adventure holidays which can be combined as pre and post conference tours.

Another aspect of MICE is the incentive tourism. It is managed for the employees by the companies to offer them as a reward reward their performance. In the Indian framework, incentives is at present the largest part of MICE but in a growing market, it's only a matter of time before the entire gamut of MICE activities are undertaken by the Indian corporate world.

Currently India holds 27<sup>th</sup> position in the global MICE market. India has an Infrastructure that provides notable grouping of somewhere to stay and other conference support facilities to hold a successful Conference. A few examples of the same are Vigyan Bhawan here in New Delhi, Centre Point, Renaissance Hotel and gathering Centre in Mumbai, the BM Birla Science and Technology Centre in Jaipur, the Jaypee Hotels & International meeting Centre, Agra and the Cochin meeting Centre, etc together with facilities in the business hotels and resorts at various centres in the country. India is going the global way and MICE is fast becoming a major part of its travel and promotional budgets.

## **2.2 Hospitality Sector-A High Priority Sector for the Government**

The government of India expects the Hospitality sector to serve as an economic multiplier. Being one of the high priority sectors for the government it has stepped up various reforms to accelerate the industry growth with liberalisation in the dogmatic structure, venture friendly schemes, far-reaching support for developing a world rank infrastructure, initiating healthier air and land connection, incentivising regional set-up in tier III and IV cities, exploring the untouched environmental resources which has led to a wide-ranging growth of the Indian hospitality industry. The government wishes to further eradicate systemic



impediment so that the huge potential of this sector can be efficiently utilised in the concern of the nation.

### **2.3 Eco-Tourism**

Eco-Tourism can be understood as a responsible travel wherein the tourists visit natural areas which helps in environment conservation and improvement in the well being of native cultures, thus contributing to the diversity of our world's natural and cultural environments.

According to the World Tourism Organization, Eco-Tourism is the rapid on the increase market in the complete tourism industry. since the 1990s, the overall Eco-Tourism sector has practised an twelve-monthly growth rate of between 20% and 34%, thereby growing three times as fast as the tourism industry as a whole.

Initially India did not show much enthusiasm regarding ecological hospitality and focussed on mass tourism. But the ill effects of mass tourism were soon realized and the focus shifted towards ecology, to strike a balance between profitability and sustainability. Given the huge potential in this segment the Indian hoteliers have jumped on the bandwagon and are gradually harnessing the potential of some of the most outstanding ecosystems in the world, such the same as in the Himalayas and the Western Ghats.

One of the finest examples in India for ecotourism is the state of Kerala, which is also termed as the God's own country. This state is highly preferred for its houseboats travelling the broad backwaters, Ayurveda retreats, forest lodges in the Western Ghats, faultless beach resorts, eco-lodges, and other eco-tourism initiatives. Its inimitable culture and traditions, tied with its various geography, has made it one of the lucid stories in India.

### **2.4 Agricultural Tourism**

Agricultural tourism is an instrument for economic development and employment invention above all in the remote and backward areas. Agricultural tourism helps to engender additional revenues and makes for the profitable diversity in the rural areas of the country. Agricultural tourism allows the guests to be attached to the nature as well as to feel cultural and traditional aspects of the state, such as the local natural features, food, handicraft, etc.

Agricultural tourism allows the visitors to reside in farms which are in the form of stud farms, dairy farms or agricultural farms. This kind of tourism is a perfect fit for urbanites who wants to spend some time away from their busy calendar and get back to natural world.

The Indian government has come in touch with the United Nations Development Program



(UNDP) to encourage rural tourism and also approved more than 100 rural tourism infrastructure projects to expand tourism and socio economic benefits to identified rural sites.

### **2.5 International Events**

International actions have a constructive force in enriching the shape of emerging markets for global tourists. They also encourage investments in new hotels, present support to the actions and develop the brand awareness both domestically and internationally. A few examples of these events are Commonwealth Games 2010 hosted by India and Winter Olympics 2014 to be hosted by Russia.

### **2.6 Creating a Unique Sales Proposition (USP)**

"Atithi Devo Bhava" is the longstanding tradition of India and the hoteliers here have embarked on this tradition as their USP. Their key focus is not on the high tech facilities to outstand in the tough competition. Rather they believe that hospitality is all about providing "feel-good-effect" to the tourists by providing them personalised services.

### **2.7 Shifting Focus to Tier II and Tier III Cities**

Tier II and Tier III cities are being recognised as the key drivers of our future growth and will be major beneficiaries of the current buoyancy in domestic tourism. The industry plans to expand by adding 23,000 rooms by 2017-18, in these cities. Besides the domestic players, the international hospitality chains are also optimistic for this shift and are increasingly willing to invest in tier II and tier III cities by introducing well-known budget/economy brands from their global bouquet.

### **2.8 Use of Social Media**

Social media has proven to be a boon and a curse for the Indian hospitality industry. On the constructive side, it is being used as a tactical business tool to provide personalised services to consumers, for receiving constructive reaction from the customers, for grievance redresses and for increasing brand fame in the mobbed marketplace. But, in many instances social media has been misused to cause harm to the reputation of hospitality establishments. It has led to lasting loss in terms of goodwill and profits for the wounded organization.

### **2.9 Super-Luxury Hotels**

India is witnessing the organization of various super luxury hotels, some of which are located



in the metro cities and others are situated somewhere close to the nature. One of the finest examples of a super luxury hotel is the Sahara Star Hotel in Mumbai. It features the 3-floor Sahara collection, which may well be most precious suite of India by INR 400,000 per night (about USD 8,600). The price is warranted by a secret elevator; a personalised spa station along with floatation tank, a glass-roofed lounged with fake rainfall, etc. Another example of this category of hotels is the Aman Bagh in Alwar.

### **2.10 Budget Hotels**

The concept of Bed and Breakfast has been well accepted in India. It is a nascent market which has attracted even the big hospitality service providers. A relevant example here is that of Mahindra Group's Mahindra Home stays which has hundreds of rooms on a Bed and Breakfast basis. The Average room rates are around INR 2,500 and the facilities provided are at par with three star category hotels.

Another example which is relevant here is the Ginger hotels launched by the Indian Hotels Company Limited (IHCL), a unit of Tata Group known mainly for its Taj luxury hotels. It is an innovative concept meant for the value segment focusing on key facilities that meet the key needs of the economically conscious traveller. Ginger has undertaken some value based initiatives which allow it to offer rooms at the rate of INR 1,000 to INR 1,500. It has very compact rooms. The furniture, flooring and bathroom fixtures are made of easy to clean materials to save on the costs of cleaning staff. In order to deal with the challenge of expensive real estate rates in India, the company has introduced an innovative strategy of offering landowners a share of the hotels' profits. To cut the need for security, the guests are provided with locker facilities, thus making it affordable for the price conscious customer.

### **2.11 Unconventional Accommodations**

India is offering unconventional accommodation options to tourists in order to provide them with a wide and enriched experience. Unconventional accommodations include religious centres, monasteries and ashrams. Besides being clean and hygienic accommodations they provide unique cultural experience to the tourists, thus making it a high potential segment. A few examples of these accommodations are ISKCON, and Aurobindo Ashram, Ramakrishna Mission, Bharat Sevashram Sangha etc

### **2.12 Better Dining Experiences**



As an outcome of globalization India is witnessing a freer flow of goods across borders. As a result the Indian hospitality industry now has access to imported food items. This has led to an improvement in the dining experiences being provided to the tourists. Fine dining experiences are no more confined to the five star hotels only. The concept of high end stand alone restaurants which offer fine dining experience to the tourists is being welcomed by the Indian hospitality industry. The latest fad of ice bars and ethnic lounges is also getting an overwhelming response from both foreign and domestic tourists.

### **2.13 Women only floors**

Women might have fought long and tough for sameness, but now hotels are presenting floors entirely for female guests, which is the best innovative idea in the hospitality industry. This is developed to provide additional security, hygiene and extra amenities customized to women. The women only floors ensure that the women travellers experience secured and get pleasure from the hospitality and amenities without any apprehension. Many global chains have clinged various amenities such as special hair dryers and toiletries and control women-only lounges on the dedicated floor. The Naumi Hotel in Singapore, the leading Hotel of New York town, and the hotel of Crowne Plaza properties of Washington, D.C. Are among the hotels that feature floors stringently for female visitors.

### **2.14 Responsible and Sustainable Hospitality**

Sustainability of operations has been readily accepted by the players in the hospitality industry. They have adopted a holistic approach to sustainability placing it at the heart of their business strategy. All the industry segments are increasingly adopting these sustainability practices. A few of these practices include reducing their carbon footprint by investing in efficient technologies for waste management, water and power preservation, implementation of green designs and structural design for new projects etc.

These innovative concepts and many others are the key for the survival of the Indian hospitality industry in the long run. The players in this industry are adapting to innovative operating models which has led to an overall improvement in the performance of the hospitality industry and its contribution in the Indian economy.

## **3. PERFORMANCE INDICATORS OF THE INDIAN HOSPITALITY INDUSTRY**

The subsequent performance indicators are used to analyze the performance of the Indian hospitality industry:



### 3.1 Demand and Supply

In 2012-13, the country experienced a slowdown in growth across sectors, as reflected in GDP growth of 5%. Despite this slowdown, the year saw hotels maintain occupancy levels at a steady 60.4% (60.9% in 2011-12). Major cities across the country witnessed a growth of 11% in hotel room deliver in the year 2012-13, while demand exhibited a strong increase of 9.2% during the same period. The nationwide results reveal that the average rates declined by 3.6% when compared to those in 2011-12 (Exhibit 1)

EXHIBIT 1: Occupancy and Average Rate – 2008-09 to 2012-13

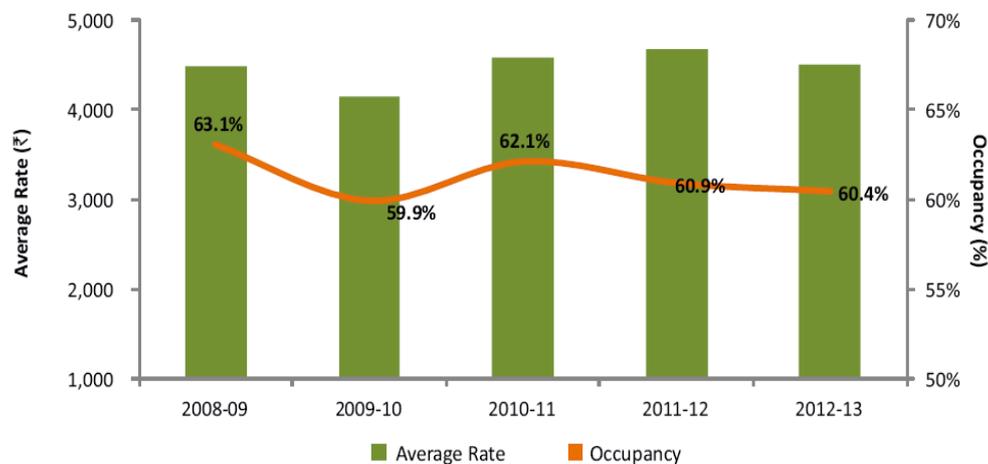


Exhibit 1: Occupancy and Average Rate (2008-2013)

Source: Ministry of Tourism, India.

### 3.2 Foreign Tourist Arrivals (FTAs)

There has been a steady growth in FTAs in India during the year 2008 to 2012. The total foreign tourist arrivals in India in the year 2008 was 563.03(In million) whereas in the year 2012 the total foreign tourist arrival was 1036 (In million). Total tourist visits have increased at a rate of 16.3 per cent per annum from 563 million tourists in 2008 to 1036 million tourists in 2012 (Exhibit).

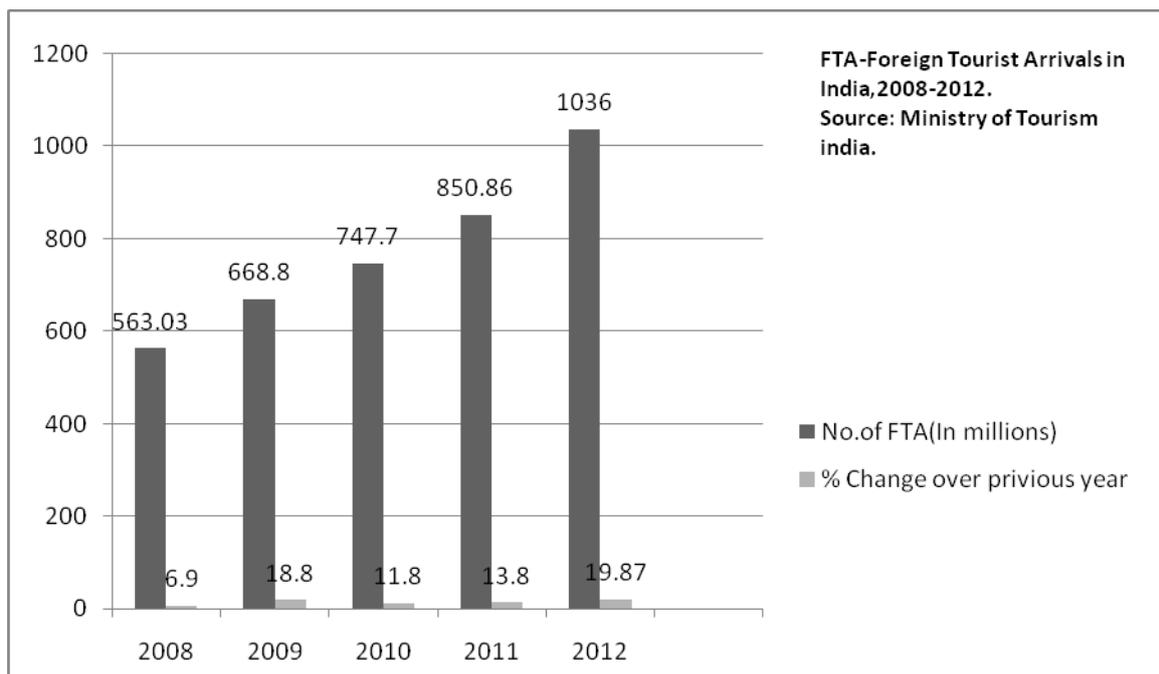
India is hasty emerging as the preferred nation for hosting of key international procedures such as the Commonwealth Games held in 2010. Meetings, Incentives, Conventions and Exhibitions/events (MICE) tourism is on a rise on account of increased business travel in India.

Hence we can have a calculated idea that the foreign tourist arrivals in India from 2008-2012 has been enhanced by nearly 97.23% in India. The main reason behind getting the lucrative income by Foreign tourist arrivals (FTAs) in India since the past years to till this date are given



below:-

- Novel and new product offerings
- Rich natural/artistic resources and geographical diversity
- Government initiatives and guidelines support
- Multiple marketing and endorsement activities
- strong economic growth levels
- Host nation for major worldwide events.



**Exhibit 2: Foreign Tourist Arrivals in India (2008-2012)**

Source: Ministry of Tourism, India.

### 3.3 Net Income (as a percentage of total revenue)

The Net Income as a percentage of the total revenue has time after time declined year-on-year, as witnessed by a CAGR of -5.7%. The year 2012-13 has seen a turn down of 4.7% in Net returns as a percentage of revenue over the preceding year. This phenomenon is mainly able to attribute the mounting departmental expenditure, which are a result of rising inflation united with an increase in power costs. The last year also experienced an amplify in departmental costs as a percentage of total revenues, resulting in fading profits. Exhibit 3 illustrates the trends in Revenue and Net Incomes over the past five years.



EXHIBIT 3: Revenue and Net Income – 2008-09 to 2012-13

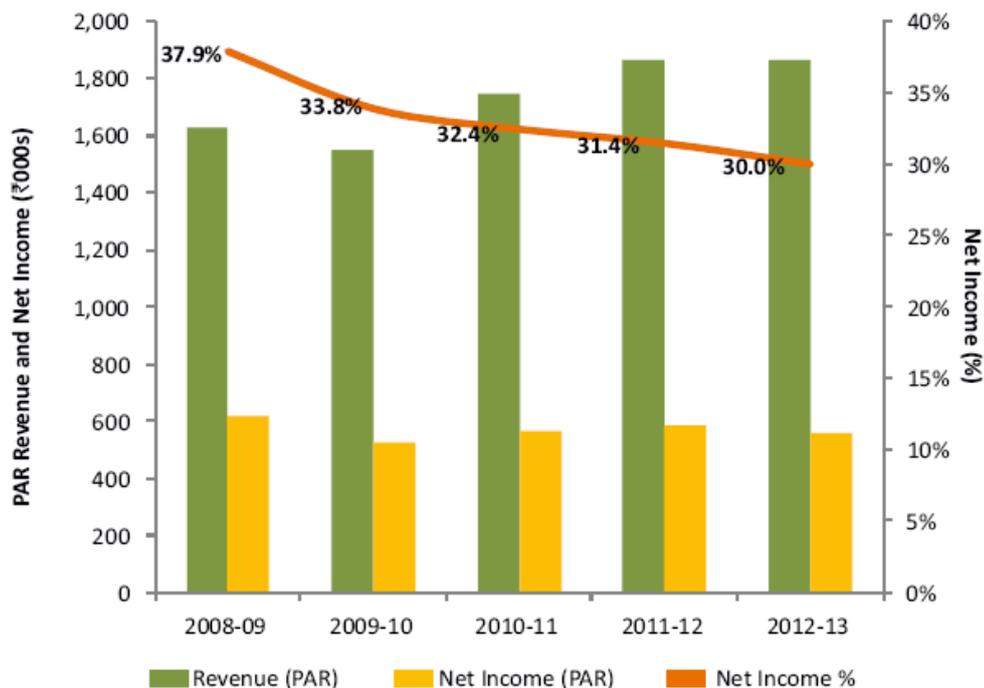


Exhibit 3: Revenue and Net Income (2008-2013)

Source: Ministry of Tourism, India.

The statistics indicate that the key performance indicators of the hotel industry in India have improved considerably during the period 2008-2013. This was the period when many innovations as meetings, incentives, conferences and exhibitions/events (MICE), eco tourism, wellness tourism, spiritual and pilgrimage tourism were introduced in the industry. These upcoming trends in the hotel industry in India have transformed the scenario of the industry altogether.

## CONCLUSION

It can be said that successful organizations are portrait of management practices related to the innovativeness market orientation as well as learning orientation and that facilitates the development of the knowledge which becomes the basis for competitive advantage. Learning orientation can strengthen the innovativeness. The data obtained from the market place helps firms to gauge the present status of the firm to make the innovation to provide the perceived product and services to the customers. For better competitive advantages and business performance, firms must have learning capabilities to innovate the products and services to meet the varying demands in the market place.



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