

HOSPITALITY INDUSTRY STRUGGLING TO MAINTAIN STANDARDS IN INDIA: A STUDY BASED ON A CASE

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ABSTRACT

India is a developing country. It has a world image of a nation surrounded by low HDI, low PQLI, high poverty, political instability and hygiene issues. Compared to international standards, India's hospitality and tourism industry is far lagging behind. However, India is known for its tourist places and varied culture from north to south, east to west. This creates hope in travelers and guests in spite of the low standards of the hotel industry in the country. India is struggling to maintain a standard in the hospitality and tourism sector when compared internationally. This article analyzes some of the major brands in the hospitality sector and the major opportunities and challenges faced by it with special focus on employee retention and attrition level.

Key words: Hotel Industry, Attrition, Employee Retention.

INTRODUCTION:

As per World Travel and Tourism Council (WTTC), India is one of the celebrated tourist destinations from the year 2009 and will continue to be one. The Travel and Tourism Competitiveness Report by World Economic Forum, has ranked India at the sixth place in tourism and hospitality. However, India is unable to meet the standards of hospitality in accordance with the rising demands in hotels and guest houses for the travelers. The following are the major areas where the tourism industry is suffering a setback:

- **Dearth of high skilled laborers:** "The biggest challenge is to create skills", says Amitabh Kant, CEO and MD of the Delhi Mumbai Industrial Corridor Development Corporation. "Human Resources are critical for the industry. Are we training our people adequately?", he further questioned.

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- **High rate of taxes:** Hotel projects are often viewed as a wonderful prospect to from where maximum can be extracted through taxes. Due to excessive tax rates, prices soar high and it becomes unaffordable for many sections of travelers. Hence, high rate of taxation tends to decrease the demand for hotels.
- **Limited capacity building:** India lacks adequate taxi drivers, tourist guides and travel managers who play key role in facilitating travel. Thus, with limited resources, the hospitality sector restricts its growth and hence most often are unable to meet the demands of the travelers.
- **Sourcing energy costs:** Rising energy costs are becoming a liability for most of the hotels in India. For example, cost of hotel rooms has increased in Mumbai because they provide the promise of 24X7 continuous supply of uninterrupted power.
- **Rising cost of land:** Continuous rise in price of land has caused rise in input cost for the hotel owners. Buying land in urban areas for hotels is surely a “no” for the hotel owners because that will lead to 45% more expenditure for hotel construction.
- **Lack of developing strong brands:** To compete internationally, new hotel campaigns must target niche sectors and segments within specific markets. To remain competitive, the companies should constantly launch new campaigns into the market.

The above are few general areas where the hospitality and tourism industry is suffering a major threat. However, a major problem in the tourism sector is Human Resource Management. Improper employee relations, employee engagement methods, low pay scales and lack of employee retention methods leads to high attrition rate. Is high attrition rate really cause a problem to the hospitality industry? Is lack of skilled labor coupled with attrition rate is a cause for slow growth in the sector? Experts have an answer for this.

The first lesson that one learns in a hospitality industry is to put the customer at the front position. However, most of the companies forget that its own employees are its primary customers. Satisfying the employees will in turn lead to satisfaction of the customers. Because employees are in direct contact with the customers, most of the business in hotel industry is brought in by the employees. Customer

feedback, customer reviews, customer relationships are majorly managed by the employees. In this scenario, if employees leave the company frequently, the relationship with the customers suffers. Customer retention decreases and thus number of loyal customers reduces remarkably which in turn causes a decline in the growth of the industry. The retention rate of employees in Indian hospitality industry is extremely low, mainly due to employee's dissatisfaction with low compensations and long working hours. According to Lalit K. Panwar, the former Vice-chairman and MD of ITDC Ltd., the industry requires 1,50,000 person per year where the supply is only about 50,000. This leads to a shortage of 1,00,000 person per year. The current supply of professionally trained manpower is estimated to be a meagre 8.92% to the total requirement as per a study commissioned by the Ministry of Tourism. The study also predicts a widening gap in the coming years taking into account the attrition rate and retirement from both private and public programs. The high rate of attrition is not at all desirable for the employers because it leads to increased hiring cost as well as training and development costs. It also leads to lack of productivity, lack of company knowledge which the employee takes away with him/her, hindrance in customer services and goodwill of the company. According to recent data, the current attrition rate is around 25-30% across different levels. To bring this situation under control, the hotel companies have announced salary hikes over the past few years which has resulted in employee cost going up.

Two of the effective strategies to check attrition are:

- a. **Train, retrain and retain:** In-house training facilitates the employees to have a knowledge about the recent developments and trends which will not only benefit the hotel but also the employees. To retain the employees focused training and development sessions and overall development shall be incorporated with employee counselling and guidance. It is also necessary to encourage individual development, by providing them with opportunities to increase knowledge through professional programs and courses. Regular and frequent training programs are needed which can provide them greater opportunity for career development.
- b. **Engage employees into activities and create a sense of psychological empowerment:** Frequent employee engagement activities instill

a sense of psychological ownership on the part of the employees. Frequent Employee engagement activities encourages the employees to develop an identification with the company and hence loyalty towards the company.

Overall, greater efforts require to be made by the Indian hospitality industry to keep record of the employee turnover and dig deep into the reasons as to why it is so high. It is not only important for the hotels' management to better understand their role in retaining employees, but they must also pass on this information to their line supervisors so that they too can better understand on how to motivate and treat their respective team members with due respect and recognition.

INDUSTRY PROFILE:

According to IBEF, the tourism and hospitality sector's direct contribution to GDP went up by 23.6% in 2017, raising the market share of the industry (direct and indirect) to 5.9 trillion (US\$ 91.3 billion). Further, tourism sector in India contributes 9.4% of the GDP, being the third largest foreign exchange earner for the country and 7th in terms of total GDP contribution. It is being expected that the major markets in the tourism and hospitality industry to sustain average room rates (ARRs) showing an upward trend and grow at an average of 3.5-4.5% per annum. Finally, the hotel industry is expected to enjoy an increase in room revenue at a rate of about 10-12% CAGR in the next five years.

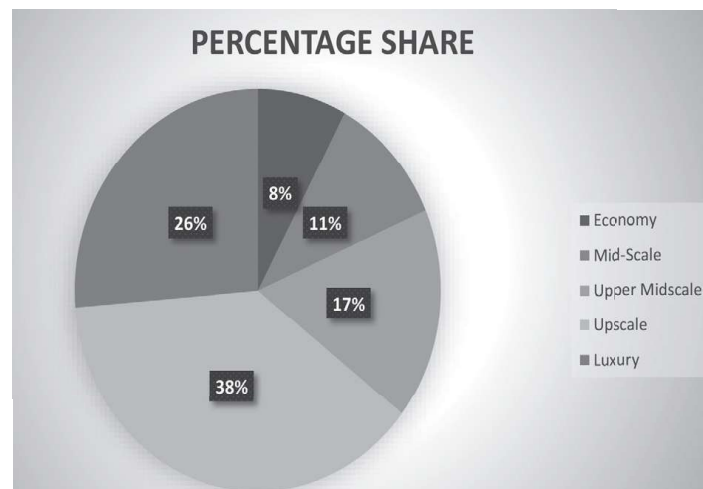
Rising economic growth due to recovery in global conditions, and the consistently growing middle class having increased disposable incomes and a fondness for travel, the hotel industry is expected to post a growth of 7-9% in FY18-19, according to a report by CARE Ratings. "The Indian hospitality industry has emerged as one of the key industries driving the growth of the service sector, and, thereby, the Indian economy", says the report.

CLASSIFICATION OF HOTELS:

- Based on Location:
 - α) City Hotels
 - β) Suburban Hotels

- χ) Motels
- δ) Airport Hotels
- ε) Resorts
- φ) Forest Hotels
- γ) Flotels
- η) Rotels
- Based on level of Service:
 - ι) Upscale Hotels (5 Star)
 - φ) Mid-market Hotels (3 Star, 2 Star)
 - κ) Economy Hotels (OYO, Treebo)

The following pie-chart shows the percentage share of hotels according to the level of service in the Tourism and Hospitality sector. It is clear from the chart below that the percentage of Upscale Hotels in the market share is the highest (38%) followed by Luxury Hotels (26%).



Source: Authors' Calculation

IS ATTRITION A MAJOR PROBLEM IN THE HOSPITALITY SECTOR?

Attrition does not discriminate between enterprises and industries. It is always detrimental, disruptive and costly in terms of both resources and effort. In hospitality industry, however, turnover and attrition rates are specifically costly because employees are the representatives of the brand and constantly interact with the customer base. The following are some

major statistical facts regarding the turnover rate in hospitality sector in India:

- The 2016 turnover rate in hospitality was 72.9% in 2016.
- 2016 was the second consecutive year turnover topped 70% in the industry.
- Hospitality attrition rate had a continuous rise since 2010, where it hit a cyclical low of 56.4%
- The average cost to replace an hourly employee in hospitality is \$5,864, nearly 35% higher than \$4,129 average.

While varied working schedules and low pay rates contribute to the high attrition rate in most cases, poor and inefficient management is also one of the major causes. In many areas, employees experience high stress, which when coupled with inefficient decision making on the part of the managers, high attritions are inevitable. The major causes of high attrition rates in the hospitality sector can be listed below:

- **Training and Development:** Insufficient training and development also play an important role in high attrition rates. Low retention rates leave managers with fewer choices and often leads to undertrained and ill prepared employees given responsibilities to handle critical situations without necessary skills and expertise. Lack of preparedness will in turn impact customer satisfaction greatly, which will lead to increased stress levels of the employees adding to attrition.
- **Satisfaction and Morale:** Unsatisfied employees with low morale does not have the motivation to exceed expectations from their managers and customers. This is detrimental especially to the hospitality industry as inferior quality service directly impacts customer satisfaction and hence, brand reputation. The cause of low morale can vary between organizations, but some of the main causes are consistent lack of training, job stress, low pay scales, lack of employee engagement activities.
- **Talent Acquisition:** High turnover rates requires a steady inflow of new talents to fill in vacancies. However, the industry is facing difficulty in recruiting candidates with the skills necessary to succeed even in entry level jobs due to shortage of required skills, consistently high turnover rates and inability to retain good employees.

- **Culture and Ethics:** Unethical business practices and unhealthy culture will have a disruptive effect on brand, workforce and future growth. The hospitality industry, experiences above average levels of harassment in the workplace which not only demonstrates lack of empathy but also creates systemic issues that threaten the entire enterprise.

COMPARATIVE ANALYSIS OF A FEW HOTELS IN INDIA:

HOTELS	WORK CULTURE	SUPERVISORY EXPERIENCES	SALARY AND BENEFITS	EMPLOYEE ENGAGEMENT	ATTRITION RATE
RADISSON	Cooperative culture. Team members work together to achieve targets. Helpful management. Friendly work culture.	Frequent training sessions provided. Managers are approachable. Greater interaction with subordinates and colleagues. Management support appreciable at personal levels.	Not many benefits provided. Working time is 8 hours a day, pay is less according to the work hours.	Special activities like celebrating Diwali, gifts plus bonus. Communication activities like enquiry, floor work and self – appraisal of performance by the employees.	High turnover rate especially for housekeeping staff.
HYATT	Cooperative management. Cooperative and supportive work culture. Good and loving work environment. Mostly an American culture.	Supportive and helpful managers. Grooming sessions provided to the housekeeping staffs. Training and development activities for core departments.	Pay scale at par with the working hours. The average salary ranges from Rs. 10,999/- per month for intern to Rs. 60,000/- per month for Mason.	Floor work and Communication activities are common. Special activities include arranging for musical concerts and celebrating national festivals.	Low turnover rate. Employees work for more than 10 years. More number of loyal employees.

MARRIOTT INTERNATIONAL	People first strategy. "Take care of associates and they will take care of the customers".	Informal employee-employer relationship. Supportive and cooperative managers. Employees are given the first and foremost importance. They are considered as assets to the company.	It pays its employees an average \$13.75 an hour. Average hourly pay ranges from \$9.64-\$21.35.	Describe Employee Value Proposition early on. Encourage employees to adopt EVP in authentic way. Encourage employees to share online how they live the company's values.	Lowest in the field at 18%.
SHANGRI LA	Challenging and positive in all areas. High team cohesion. Helps employees to grow in the team. Social and multi-cultural team.	Good support and encouragement from management. Supportive and encouraging supervisors.	Low salary according to work hours. Individual gets good compensation only at the managerial level as per the appreciation of the job he/she has done.	High Communication activities. Encouraging fun at work. Floor work, enquiry.	High stress levels. Long working hours. As a consequence, high turnover ratio.
CROWN PLAZA	Very strict and "Blue collared" work environment. Multicultural environment. Monitoring of tasks and continuous boost of employee's knowledge.	Encourage open communication between regular employees and management.	Average monthly salary ranges from \$1,396 per month for cook to \$4,243 per month for Conference and Banqueting Manager.	Active in Employee Engagement activities. High degree of communication. Encouraging fun at work.	High turnover of staff because it is a dead-end job. Staff turnover is about 40-50%.

Source: Authors' Calculation

COMPARATIVE ANALYSIS:

Comparing the above five hotels, it can be observed that Marriott International has the least attrition rate, where as the other four hotels have high turnover ratio. This may be because of their unique way of engaging employees. Marriott is successfully positioned at the top position in the Indian hospitality space. While its attrition rate is the lowest, its engagement scores are 22% higher. It is Marriott's culture that puts people first giving the greatest importance to them with all people-based strategies and practices. Among the other hotels, Hyatt too has lower attrition rate.

Work culture is cooperative, supportive and enthusiastic for most of the hotels but for Crown Plaza. It has a very stringent and "blue collared" work environment. What distinguishes Marriott from the rest is its "people first strategy". It puts employees at the center of importance. It believes that the employees are its assets and if it takes care of the associates, they will in turn take care of the customers.

Variety of Employee Engagement activities are organized by the companies. However, describing the Employee Value Proposition early at the beginning of the year, is a unique engagement strategy followed by Marriott. Reviews and opinions of the employees are valued and they are encouraged to voice their opinion over social media. The company encourages to adopt EVP by all the employees.

EMPLOYEE ENGAGEMENT AND ITS EFFECT ON EMPLOYEE RETENTION AT J.W. MARRIOTT

	TYPES	TARGET POPULATION	PERCENTAGE PARTICIPATION	FEEDBACK
REGULAR ACTIVITIES	<ul style="list-style-type: none"> • Performance reviews. • General meetings 	Employees at all levels.	Around 85%	Effective and helpful for all employees.
COMMUNICATION ACTIVITIES	<ul style="list-style-type: none"> • Action planning of the survey results. • Addressing guest concerns. • Guest voice meetings. 	Mid-level managers	80-90%	Effective, spontaneous communication. Fast convey of information.
SPECIAL ACTIVITIES	<ul style="list-style-type: none"> • "Take Care" Well-being program. • Celebration of International Housekeeper's Week. • Jr. Diversity Excellence Awards. 	Staffs, Junior Managers, Mid-level Managers and Senior Managers	65-70%	"Effective way to engage employees". Motivating at times".

TRAINING ACTIVITIES	<ul style="list-style-type: none"> • Recognition programs like Leadership development programs, social contribution, diversity initiatives. • “CultureWizard” (teaches employees about their own preferences and compare those with the preferences of individuals from other cultures) • “myLearning’s Business Skills Library” (Offering course selection in a number of topics, course related to ‘Communication Across Cultures’, ‘Culture and its effect on Communication’ and ‘Working with a Multigenerational Team’. 	Junior Managers, Mid-level Managers.	85-90%	Avenues to acquire new skills. Employees get an opportunity to polish their skills and acquire more knowledge in their domain.
DISCIPLINARY CODE OF CONDUCT	<ul style="list-style-type: none"> • Regularly updating Environmental Policy. • Updating Code of Business Ethics. 		40% (approx..)	Effective in Social Responsibility. Keeping up the brand image of the company.

Source: Authors’ calculation

Marriott understands that health education and communication are critical. Effective health communication is particularly important because Marriott's employees come from diverse cultural backgrounds. To educate the employees of the importance of preventive care, it designed a preventive health education and communication campaign: "KNOW YOUR NUMBERS". The program was launched in 2007, encourages all beneficiaries to visit a primary care provider and check four key health indicators: glucose level, blood pressure, lipid profile and body mass index (BMI). These four numbers give a snapshot of an individual's health status and can also predict his/her risk of diabetes, cardiovascular disease and obesity.

Marriott's concern for employees starts with its "Guarantee of Fair Treatment" policy, an internal, decentralized means for all employees to express problems and resolve them in a timely manner. Often, good communication starts with listening to and observing others. Marriott functions by a vision that has been intact since the establishment of the company in the early 21st century: "Take care of employees, and they will take care of your customers and the customers will keep coming back again and again." What is the trick behind this assertion? Leaders have to have "the courage" to let the employees express those core values in a way most relevant to their work, culture and their life, especially when they run a global company.

Marriott follows five core values:

- Put people first. "That is the value by which we manage the company", Marriott Executive Vice President and Global CHRO David Rodriguez said.
- Pursue excellence.
- Embrace change.
- Act with integrity.
- Serve our world.

Rodriguez said, "Guarding the culture of Marriott International is the single most important responsibility I have, so I ask, 'What is like to work here?'" The one thing that he learned from here: "People want purpose in their lives." A culture that enables people to define that purpose while at work, can last long, he said. And while culture is difficult to measure, he believes that not everything in life that's important lends itself to measurement. Employees at Marriott report engaging in community outreach activities at times. Moreover, Marriott employees typically meet outside of work

never. Community engaged employees create an environment of social responsibility both inside and outside the workplace. A Company's Values are established by leadership and have a profound impact on how a company's culture is formed. Teamwork and Winning are the most important values to Marriott employees and because of this 68% of the employees are proud to be a part of Marriot.

Communicating with employees is essential to showing the people and the company is sincerely interested in them as individuals. Communication also means to hear out the employees if they have any difficulty in adjusting with their jobs, also with the management. Managers in Marriott frequently get their people together and ask them, 'How are we doing?' and 'What can we do to improve?' For the communication process to work effectively, it is important to listen to and act upon the answers to those questions. Wherever possible, Marriott is committed to getting its people to participate in every decision that affects them. This communication through participation will result in employees being more motivated, more enthusiastic about their jobs, happier in their work and much more effective. Marriott believes that a manager's character can be a powerful influence on employees. The best managers know and like themselves and, by their actions and ideals, provide guidance and direction to their employees.

CONCLUSION:

Every year, Marriott surveys its associates around the world to monitor their work environment, culture, and employee engagement. More than 90% of the associates worldwide complete the survey. In 2015, their study of Marriot-managed full-service hotels in the U.S. found that properties with highly engaged hourly associates exhibit the following:

- +11% More productivity
- +16% Fewer guest problems
- +28% Lower turnover

"Our employee Value Proposition is simple- Well Being and Happiness. Everyone wants to feel proud of where they work and feel good about themselves," Rodriguez shares. "TakeCare" is not just a mere program or initiative, it's an effort to build a company culture that supports every employee from a front desk attendant at a hotel to the CEO at Marriott headquarters in the pursuit of well being and happiness. The meaning of well-being incorporates physical, emotional and financial ideals as well as how associates feel in their teams and the role they play in the community.

TakeCare's impact doesn't just depend on a set of ongoing initiatives unique to each Marriott property. Each year in May, Marriott associates around the world unite for a global day of volunteerism that has been called 'Spirit to Serve'. In the current year, an estimated 35,000 employees performed 90,000 volunteer hours in just one global day- that's more than 10 years of collective service. David explains that successful company cultures are supported by the company brand and marketing organization. Once a company decides its cultural values, great leaders empower employees to interpret what the EVP means to them. That's how a culture becomes a relevant and authentic company movement. "When we ask associates to share what they love about Marriott and are inundated with selfies, smartphone videos and even poems from over the world, we know our employees are the main reason that the world's top talent chooses to find Marriott", said Rodriguez.

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