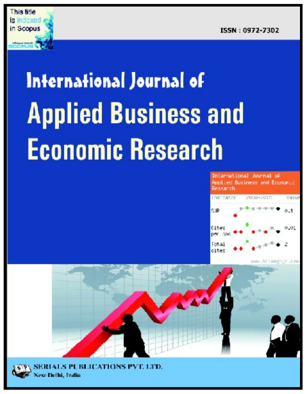


International Journal of Applied Business and Economic Research

ISSN : 0972-7302

available at http: www.serialsjournal.com

Volume 15 • Number 17 (Part-II) • 2017

The Impact of Booming Tourism and Hospitality Industry on The Indian Economy – A study on Consumer Expectation and Satisfaction of Budget Hotels

Deepali Anand Chopra[1] and Alka Munjal[2]

[1] *Assistant Professor, Amity School of Business, Amity University NOIDA, E-mail: dachopra@amity.edu*
[2] *Director (SAA&SS), Amity University NOIDA, E-mail: amunjal@amity.edu*

Abstract: In India's **economic growth** tourism has become one of the major contributors; it has contributed towards GDP, employment opportunity and improving **Forex Reserves**. Increased domestic and foreign tourist arrivals have contributed significantly towards growth of the Indian tourism industry and subsequently the hospitality industry, which is contrary to the world tourism trends.

With the increase in young and business travellers the demand for economical and hygienic lodging has increased. This study aimed at identifying the expectation of such travellers from budget hotels. A sample of 74 customers was interviewed using questionnaire. It was concluded that price, physical product and promotions does not affect the decision of the customer while making the choice but it is the service quality, connectivity of the hotel and its network that are considered as important parameters before deciding the hotel.

Key Words: Indian tourism industry, Impact on economy, Indian hotel industry, budget hotels, consumer expectation.

I. INTRODUCTION

1.1. Background

Locations that were an attraction to the British and Indian aristocracy witnessed hotel development in India before World War II. Hotelswere a result ofcollaboration in between British individuals and Indian entrepreneurs who wanted to spend their holidays in peaceful locations. There wereonly a few companies owing hotels in India.

Some of the significant hotels operating during the British rule were The Rugby, Matheran (1876); The Taj Mahal Hotel, Mumbai (1900), The Grand, Calcutta(1930); The Cecil Hotels, Shimla and Muree (1935); The Savoy, Mussoorie (1936).

In the year 1956 Pt. Jawaharlal Nehru realised that the economic growth of the country could be accelerated through the tourism industry. He emphasized on building quality hotels for the foreign dignitaries visiting India. Ashoka Hotel in New Delhi was the first ever government investment in the hotel industry. Year 1966 was a breakthrough year as ITDC (Indian tourism Development Corporation) was setup under the Indian Companies Act 1956. ITDC was a merger in between Janpath Hotel India Ltd and Indian Tourism Transport Undertaking Ltd.

Ministry of Tourism and Civil Aviation was incorporated in the year 1956 that gave the tourism industry another push. 1970 saw a new trend of franchising, M. S. Oberoi, Chairman of East India Hotels Ltd., was expanding his empire by constructing New Delhi's first modern multi-story hotel, which was franchised to U.S.-based Inter-Continental Hotels. Sheraton, Holiday Inn, Inter Continental were some of the international brands that paved their way into the Indian tourism industry through the route of franchising.

India was host to Asian Games in the year 1982 and this gave way to the National Policy on Tourism outlining the country's tourism development objectives. Licenses for building hotels in New Delhi(Venue for the games) was given to ITDC – Lodhi Hotel, The Taj – Taj Palace, Asian Hotels – Hyatt Regency, Samrat Hotel, Kanishka, Surya Hotel, Le Meredian with a clause that it should be completed before the games. This move further strengthened the First class and 5 star category hotels in India.

Officially GOI, in the year 1986 recognized tourism as an "industry" and thus it became eligible for several government incentives like tax incentives, subsidies, priorities in loans, availability of land at reasonable prices etc. Until this period the hotels focused only on the rich and foreign tourists. It was only in the year 1987 that the government realized the potential of the industry and permitted Indian firms to franchise in 3 star and 4 star hotels. With the aim of attracting tourists to India for exploring new destinations franchising permission was extended to tier II cities. FDI was allowed to the tune of 51% by the foreign investor in the year 1991 making tourism a priority sector.

"Export House" status was given to the tourism industry by the government that made travel agents, tour operators and tourist transport operators eligible for various government incentives. These transformations encouraged entry of several major international hotel chains into India **Devendra (2001).**

1.2. The Transformation – Luxury to Budget Hotels

For a long time the Indian Hotel segment has been dominated by the premium luxury hotels. However, recently there has been a boom in the mid market and a distinct segment of budget hotels has emerged attracting both domestic and international players in the market.

Tier II and Tier III cities along with the destinations of pilgrimage serve as an attractive segment for these hoteliers. There exists a gap in the mid market segment and many hoteliers entered into a joint venture with Intercontinental Hotel Chain for developing "branded hotels" in the key Indian metro cities. There also exists a gap in supply of 3 and 4 star business hotels and investors are focusing to cater to this segments need. Feasibility of hotel investment is primarily determined by the entry price and market. There has been an increase in both domestic and foreign travelers traveling for the purpose of business and leisure **WTTC (2015)**

1.3. Tourism Industry in India and its impact on economy

The Indian service sector has been witnessing a boost and one of the key drivers for the same is hospitality industry. Both hospitality and tourism industry are two sides of the same coin and both act as a catalyst and drivers in the growth of the industry. Contrary to the world tourism trends, the Indian hospitality industry emerged as a significant player in the world market due to increased Foreign Tourist Arrival and indigenous growth propelled by domestic travellers.

The changing demographic profile of the traveller has also changed the dynamics of the industry. The world estimate of travellers above the age of 60 years is expected to rise from 900 million in 2010 to approximately 1.4 billion by 2030. These travellers want higher quality standards and sophistication. The younger travellers on the other hand are willing to explore new destinations rather than engaging in luxury **World Youth Survey & Educational Travel Confederation (2014)**.

GDP growth was recorded at 7.4% in 2014-15 and the service sector growth was registered at 10.6%. The hotel and restaurants sector registered a 8.4% growth rate. Campaigns like "Incredible India", "Atithi Devo Bhavah (ADB)", "Make in India", "Digital India" have helped in the growth of tourism sector in India. **Economic survey of India (2015)**

1.3.1. Government Initiatives and growth drivers

The foreign tourist arrival (FTA) has taken a sharp upward trend due to varied purpose of visit ranging from holidays, medical tourism, meditation, pilgrimage, spas, meetings, business, adventure etc. **WTO (2009)**

The extension of E-Tourist Visa (E-TV) to 155 countries has led to an increase in foreign tourist arrival in India. This number grew by 202.3% year on year taking the total number of tourist visiting India to 7.8 lakhs during the FY 2016-17 **WTTC (2015).**

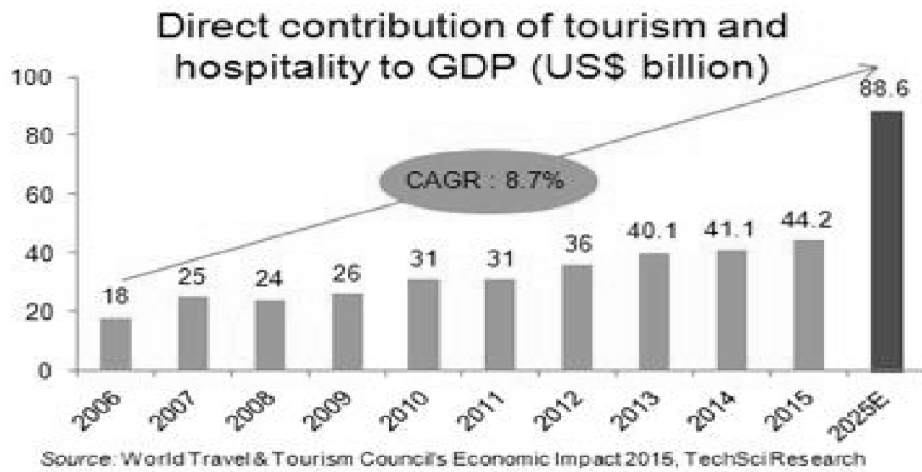
An increase in the women workforce has positively changed the spending pattern of the Indian consumers. Outbound and domestic tourism has seen an unprecedented growth due to increase in disposable income. A growth of 8.7% was recorded in outbound tourism taking the figure to 19.9 million in 2015. During 2010-15 the inbound tourist volume was recorded at a CAGR of 6.8%. **ICRA (2015)**

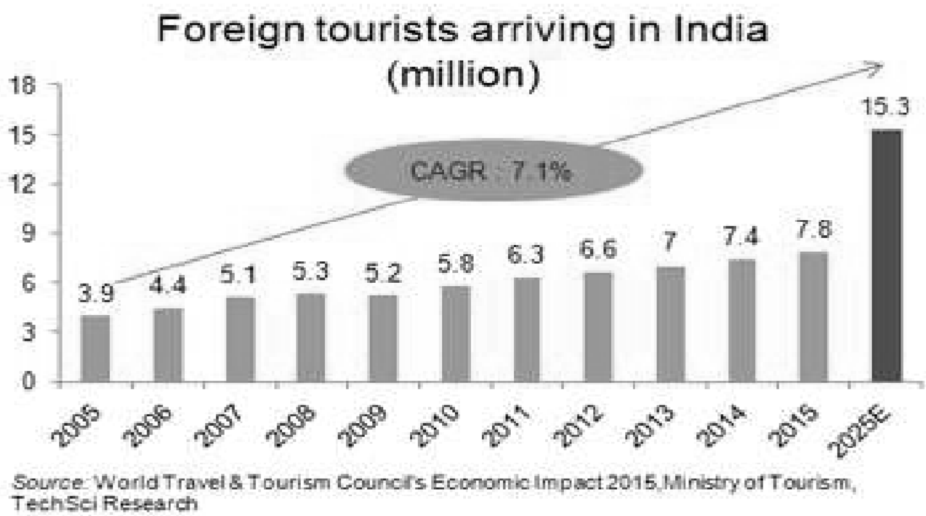
Due to world class facilities in the medical field, Medical tourism in India has seen a robust growth. The number of people who visited India for medical purposes reached half million mark by end of 2015, implying an annual growth rate of 30%.

"Incredible India Tourism Investment 2016", "Swadesh Darshan", "Adarsh Smarak", project PRASAD are some of the initiatives taken by the government to boost the tourism sector in India.

1.4. Hotel Industry in India

Indian hotel industry has seen intensification due to the growing service sector that has significant contribution from the tourism industry which has further fuelled growth in the hospitality industry. The world economy is growing moderately but India has managed to outpace the rest of the countries and risen as a star. **Fragile Five** has been finely escaped and India has also managed to register itself as fastest growing economy amongst **BRICS** nations in the year 2015 **Morgan Stanley (2015).**





In order to serve to the needs of different classes of customers, based on their perceptions the hotels have classified themselves on their basis on location and the extent of services they offered. **Anawade (2016)** in his research paper classified hotels into four distinct categories namely Heritage, Luxury, Budget and Resorts. The market share of unclassified and unbranded hotels is the largest at 65%. The next big segment is the 3 star hotels with 13% market share followed by 5 star deluxe, 5 star and 4 star having a market share of 6% each. Heritage and 2 star hotels have a meagre share of 2% each. **FHRAI (2014)**. Hotel industry is greatly impacted by the exponential use of Internet, may researches shows the extensive usage of smartphone and internet by Indian users (Bagga, Bhatt,2013) (Bagga, et. al, 2016) (Mehta, Bansal, Bagga, 2017).

II. LITERATURE REVIEW

The credit of evolution of budget hotels can be given to the development of economic and social development. A full service hotel targets the upper class where as a budget hotel focuses on general population who demand basic amenities for lodging. **Andrade (2000)** identified five important parameters that are an important characteristic of budget hotels namely location, size & diversity, lobby, guest rooms and parking.

Concept of budget hotels is not only complex but also difficult. However, there are several operational characteristics that are generic like the brand, geographical coverage, easy accessibility, centralized reservation systems, standard layouts, competitive room rates, relatively limited services and above all high monetary value **Bortherton (2004).**

Budget hotels have made a significant change in their infrastructure, food & beverage, environment, atmosphere, accommodation, facility & services etc, which has led to greater acceptance and demand **Sunday Business (2005).**

Whitbread budget hotels ventured into India due to the fact that it identified that there was a huge supply of 4 & 5 star hotels but there was a unaddressed need for cheap, comfortable and value for money accommodation **Parker (2007).**

Budget hotels have been on the rise and their demand has been constantly increasing. **Wen Hua(2009)** identified the Critical Success Factors in budget hotels operating in China.The researcher concluded that price was no longer the decisive factor among guest who would choose and could afford to stay at a budget hotel. It brought out that the Chinese customer valued customer service and respect the most amongst any other parameter. Factor analysis was used to conclude the research.

Kuldeep (2015) examined that both domestic and international hotel chains are interested in the mid market segment due to its growing demand. Luxury hotel segment has demand of its own and will not be affected by the budget hotel segment. The increase in business travelers (mid segment) and weekend leisure traveler looking for comfortable and value for money stay are the driving forces behind the budget hotel segment.

Quality service is represented through the expectations of the customer from the hotel industry that it needs to provide along with the perceived service and performance **(Parasuraman et al., 1988).** Researchers have in the past established relationships in between quality and cost **Crosby (1979),** customer satisfaction **Cronin and Taylor (1992)**, word of mouth marketing **Caruana (2002)** and profitability **Santos (2003).** Competitiveness of service industries is highly dependent upon the service quality **Lewis (1989).** Customer expectations and subsequent performance by the hoteliers determine the satisfaction level of customers. The five dimensions that the budget hoteliers should look into are the product offered, level and kind of service, pricing, promotions used and finally the location of the budget hotel (**Andrade et.al. 2000)**.

III. OBJECTIVES & HYPOTHESIS

- To study the growth & emergence of Indian tourism and hospitality industry and its effect on Indian economy
- To identify the growth drivers of both tourism and hospitality industry
- To study the satisfaction parameters of consumers from budget hotels

Hypothesis

H01: Customer satisfaction is affected by physical attributes of budget hotels.

H02: Customer satisfaction is affected by service quality of budget hotels.

H03: Customer satisfaction is affected by price offering of budget hotels.

H04: Customer satisfaction is affected by Promotion of budget hotels.

H05: Customer satisfaction is affected by location of budget hotels.

IV. RESEARCH METHODOLOGY

Research design

This study made use of a non-experimental quantitative research design. A self-report questionnaire was administered at a single point of time. The present study was articulated in a way to examine the customer expectations from budget hotels and how does it subsequently affect customer satisfaction. Physical product, service quality, price, location and promotion were the independent variables whereas customer satisfaction was the dependent variable. This study was aimed to explore and if possible then to describe the degree of relationship between dependent and independent variables in descriptive as well as quantitative terms.

Participants

Participants engaged in study were 74 individuals who were either working as professionals, businessmen (small and medium size) or students. Majority of respondents were Middle level executives (41.7%), Males (52.4%), and belong to 25-35 years (48.8%) age bracket. Talking about the segmentation of demographics, Age group variable was divided into three brackets 16-25 years, 26-35 years and 36 years and above years. Occupation was divided in a way to cover all the major facets of Indian service industry, broadly into 3 categories namely Business man, Office executives and Managers, students.

Procedure

Respondents were selected randomly from the region of Delhi NCR. In total 130 questionnaires were distributed. Out of these questionnaires, 74 questionnaires were received back over a period of 40 days of distribution. Regular follow up through calls and personal visits made the response rate of participants as 57%. To maintain the genuineness of responses all the respondents were assured that their questionnaires will be kept anonymous and confidential.

V. RESULTS AND DISCUSSIONS

Based on the literature review the following variables were studied to understand the customer expectations vis-à-vis budget hotels and what are the drivers of satisfaction.

Summary of the content of questionnaire

Question Subject	*Details about the question*
Physical Product	* Hotel design * Size of the room * Restaurant facility * Room comfort * Parking area * Exteriors of hotel * Breakfast quality
Service Quality	* Responsiveness * Speed of service * Efficiency of guest service * Hygiene and cleanliness * Guest safety * Warmth of service * Consistency of service
Price	* Steady pricing policy * Value for money accommodation
Promotion	* Corporate discounts and deals * Members loyalty programs * Campaigns and advertisements
Location	* Hotel network * Reservation * Convenient Locations * Transportation services

Multiple Stepwise linear regression (Customer satisfaction)

	Unstandardized	*Coefficients*	*Standardized*	*coefficients*	
	B	*Std. Error*	*Beta*	*T*	*Sig*
(Constant)	1.363	.133		2.647	.0001
Physical attributes	.411	.037	.386	3.001	.0001
Service quality	.473	.072	.474	4.645	.007
Price	.443	.059	.397	4.995	.011
Promotion	.391	.055	.383	4.093	.006
Location	.483	.063	.401	5.132	.0001

* Note: $R=0.412$; $R^2=0.170$; Adj. $R^2=0.164$; $F = 6.937$; $p=0.013$

To test the hypotheses concerning the impact of various independent variables on overall customer satisfaction, multiple stepwise linear regression was administered (See Table 1). The significant contributions were registered towards customer satisfaction from all five independent variables i.e. physical attributes (β = 0.386, t = 3.001; p = 0.001), service quality (β = 0.473, t = 4.645; p = 0.007), price (β = 0.443, t = 4.995; p = 0.011), promotion (β = 0.391, t = 4.093; p = 0.006), and location (β = 0.483, t = 5.132; p = 0.001). On the basis of data interpretation it can be further concluded here that 'service quality' and 'location' because of their high beta values contribute more to customer satisfaction than other variables.

VI. CONCLUSION

The concept of budget hotels is to provide basic lodging facility at an affordable price, however service quality is considered as an important parameter by the customers in enhancing their satisfaction. Another differentiating parameter that contributes to customer satisfaction for budget hotels is the location (closer to entry and exit points, connectivity to the city) and network. Promotion, price and physical product are important parameters contributing to customer satisfaction but are not considered critical from the customer's point of view while deciding where to stay.

REFERENCES

Research Papers

Andrade *et al.*, (2000), Hotel: Project Planning and Project.

Bapat Harish B, Soni Vishal, Khasgiwala Vishal (2015), "A Study of Customer Satisfaction & Service Quality of Indian Hotels (A Comparative Study in Indore Region)" IOSR Journal of Business and Management (IOSR-JBM) e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 17, Issue 2.Ver. II (Feb. 2015), PP 53-60.

Batra Manika (2014), "Analysing Service Quality of Five Star Hotels inNational Capital Region from Customers Perspective", Apeejay - Journal of Management Sciences and Technology 3 (1), June- 2014(ISSN -2347-5005).

Bagga, T., & Bhatt, M. (2013), A Study of Intrinsic and Extrinsic Factors Influencing Consumer Buying Behaviour Online. *Asia-Pacific Journal of Management Research and Innovation*, *9*(1), 77-90.

Bagga, T., & Chouhan, R. (2013). Factors Influencing the Effectiveness of C2C Websites in Delhi-NCR. In *Interdisciplinary Perspectives on Business Convergence, Computing, and Legality* (pp. 121-131). IGI Global.

Bagga, T., Goyal, A., & Bansal, S. (2016), An Investigative Study of the Mobile Operating System and Handset Preference. *Indian Journal of Science and Technology*, *9*(35).

BISWAL SAROJ KANT, Mishra BIKASH KUMAR (2010), "Emergence of Budget Hotels and Metamorphosis of Smallsized Commercial Hotels in India", South Asian Journal of Tourism and Heritage (2010), Vol. 3, Number 2.

Caruana Albert (2002), "Service loyalty: The effects of service quality and the mediating role of customer satisfaction", European Journal of Marketing, Vol. 36 Iss: 7/8, pp.811 – 828.

Cronin, J. J., Jr., & Taylor, S. A. (1994), "SERVPERF vs. SERVQUAL: Reconciling performance-based and perceptions-minus-expectations measurement of service quality." Journal of Marketing, 58, 125-131.

Chris cooper, John Fletcher, Alan Fyall, David Gilbert and Stephen Wanhill (2005), 'Tourism-Principles and Practice'. Pearson Education Ltd. U.K. 3rd ed. pp 84-94.

Devendra, Amitabh (2001), "The Hotel Industry in India-The Past and the Present," Journal of Hospitality Financial Management: Vol. 9.

Gunasekaran. N, Victor Anandkumar (2012), "Factors of influence in choosing alternative accommodation: A studywith reference to Pondicherry, a coastal heritage town", Procedia - Social and Behavioral Sciences 62 (2012) 1127 – 1132.

Mehta, S., Bansal, S., & Bagga, T. (2017) Social Media and Online Shopping—Are the Choices Swayed? A Youth Perspective.

P.A Anawade and Prof. Dr. Shilpa k. Bendale, Customer Satisfaction with Reference To Individual Spending Pattern on Hotel Industry: A Case Study for HotelSilverPalace. International Journal of Management, 7(7), 2016, pp. 336–343.

Rooma Roshnee Ramsaran-Fowdar (2007), "Developing a Service Quality Questionnaire for the Hotel Industry in Mauritius", Journal of Vacation Marketing; Jan. 2007, Vol.13, No.1.

SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. Parasuraman, A.; Zeithaml, Valarie A.; Berry, Leonard L. Journal of Retailing, Vol 64(1), 1988.

Sharma Nitya, Kalotra Anil (2016), "Hospitality Industry in India: A Big Contributor to Indias Growth" International Journal of Emerging Research in Management &Technology ISSN: 2278-9359, june 2016 (Volume-5, Issue-6).

Teng, F. (2010). Loyalty Card Promotional Activity in Budget Hotel. Retrieved December 30, 2016, from: *http://kau.diva-portal.org/smash/record.* The Analysis of Budget Hotel (2012).

Wen Hua , Andrew Chan & Zhenxing Mao (2009), Critical Success Factorsand Customer Expectation in Budget Hotel Segment — A Case Study of China, Journal ofQuality Assurance in Hospitality & Tourism, 10:1, 59-74.

Xiao, Y. J., Yan, M. H., & Kang, J. H. (2012), The investment analysis and forward-looking statement of budget hotel industry in china in 2012-2016.

Reports

Economic survey of India. (2015), New Delhi.

Emergence of online travel agents: Report by ICRA, 2015.

Hospitality insights from the Indian CEO's Desk, CII February 2012.

Ministry of tourism and Department of Industrial policy and promotion- Achievement report 2016.

World Youth Survey & Educational Travel Confederation, 2015.

WTO 2009: UNWTO technical manual.

World Travel & Tourism Council: Economic Impact 2015, Tech Science research.

WTTC, Ministry of Finance 2015, Tech Sci Research.

ICRA. (2015). New Delhi.

Budget hotel (2012). Retrieved January 18, 2017, from: *http://wiki.mbalib.com/wiki/Buget_hotel*