

HOTEL FRONT OFFICE

OPERATIONS AND MANAGEMENT

Second Edition

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Features of the Book

Learning Objectives

An outline of the main concepts and ideas is included to indicate what you can expect to learn from each chapter.

LEARNING OBJECTIVES

After studying this chapter, the reader will be able to understand the following:

- ❖ Front office department and its functional areas
- ❖ Sections and layout of the front office—reservation, reception, information, cash and bills, communication, and uniformed services
- ❖ Organization of the front office staff—division of labour and span of control
- ❖ Duties and responsibilities of some front office employees—front office manager, reservation assistant, receptionist, information assistant, telephone operator, bellboy, and door attendant
- ❖ Qualities of front office personnel

Table 5.1 Tips on effective listening

Dos	Don'ts
Be mentally prepared to listen.	Pay undue emphasis to the vocabulary and the context to understand the meaning.
Evaluate the speech, not the speaker.	
Be unbiased to the speaker's feelings.	
Fight distractions by closing your eyes.	
Be open-minded.	
Ask questions to clarify.	

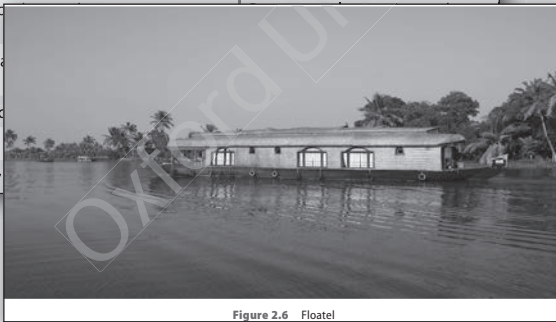


Figure 2.6 Floatel

Illustrations

Concepts are illustrated by suitable figures, formats, examples, and tables, whereas pictures are interspersed in the text for better comprehension of the reader.

Hotel ABC
Visitors paid-out voucher

Date: _____
Room no.: _____

Name of the guest: _____ Room account no.: _____

Explanation		
Rupees (in words)	Total:	
Signature of the Recipient	Approved by	

Figure 11.2 Visitors paid-out voucher

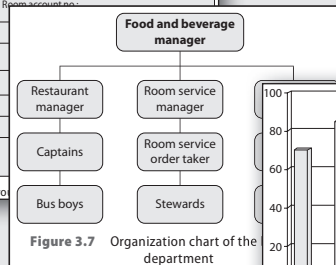


Figure 3.7 Organization chart of the department

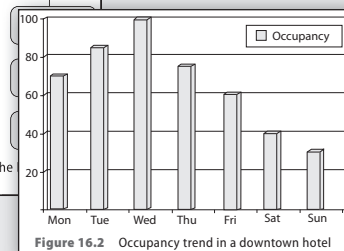


Figure 16.2 Occupancy trend in a downtown hotel

SUMMARY

Quality is the strict and consistent adherence to measurable and verifiable standards to achieve uniformity of output that satisfies specific customer or user requirements. It is an important aspect of the products and services offered by a hotel. Total quality management (TQM) is a management philosophy wherein every individual in an organization is motivated to work towards a common vision, in an ideal environment, continuously improving one's perfor-

mance, resulting in better business opportunities.

Product or service, process, organization, leadership, and commitment form the five pillars of TQM. The practices in TQM include Japanese 5-S practice, business process re-engineering, quality control circles, kaizen, and benchmarking. There are several benefits of TQM, such as improving quality, enhancing guest satisfaction, and increasing productivity and profitability.

Summary

Each chapter provides a recapitulation of key ideas and concepts that are discussed in each section for easy retention.

Key Terms

A list of all important terms has been provided at the end of every chapter for easy recapitulation.

KEY TERMS

Differential pricing It is a pricing strategy wherein a hotel charges different rates for the same product from different people.

Forecasting It is the prediction of future happenings based on a precise analysis of data available.

Hurdle rate It is the lowest rate for a given day.

Overbooking It is a situation wherein a hotel books more rooms than the total inventory of rooms.

Potential revenue It is the maximum revenue that can be generated from the operation of any business.

Understay It is a situation wherein a guest departs from the hotel before his/her expected date of departure.

Upsell It is the act of trying to persuade a customer to buy a more expensive item (room category) or to buy a related additional product at a discount.

Wash-out factor It is the last-minute cancellation made by travel agents.

Yield It is the ratio of total output generated to actual potential.

Yield management It is a technique, based on the principle of demand and supply, used to maximize the revenue generation of any hotel—by lowering prices to increase sales during low-demand periods and raising prices during high-demand periods.

CASE STUDIES

- Hotel Plaza is located in the heart of the city. The fact sheet of the hotel is as follows:
 - The hotel has 350 rooms (125 single, 200 double, and 25 suites)
 - The hotel has five speciality restaurants, seven banquet halls, and one convention centre with the capacity to accommodate 1500 persons in theatre style.
 - The hotel has its own travel agency with a fleet of 15 luxury cars and 10 luxury couches.
 - There is no seasonal variation in hotel occupancy
- The following information is available from Hotel Aravali.
 - Hotel Aravali has 400 rooms with an average occupancy of 65%.
 - The owner's capital is ₹25,00,00,000 and the total loan raised is ₹10,00,00,000. Thus, the total investment is ₹35,00,00,000.
 - Let the fair market return be 10%.
 - The expenses are as follows:
 - Operating expenses (in ₹)

Case Studies

Small case studies at the end of chapters are provided to enhance critical thinking and relate the concepts to real-life situations.

Review Questions

Stimulating questions, such as multiple-choice questions, state true or false, match the following, discussion questions, and project work, which aim at testing readers on their understanding of the topics are provided at the end of chapters.

EXERCISES

Review Questions

Multiple-choice Questions

- Which of these are the 4Ps of marketing?
 - Product, price, place, promotion
 - Print, price, place, promotion
 - Product, people, print, promotion
 - Product, price, print, people
- The summary of all the budget prepared in an organization is called

Companion Online Resources



Visit india.oup.com/orcs/9780199464692 to access teaching and learning solutions online.

Online Resources

The following resources are available to support the faculty and students using this text:

For Faculty



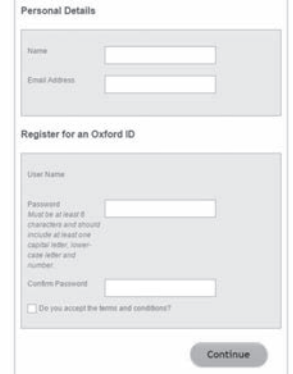
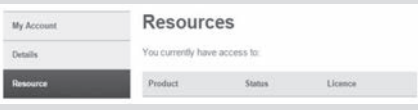
- Instructors' manual
- PowerPoint presentations
- Multiple-choice questions

For Students

- Flashcard glossary

Steps to register and access Online Resources

Resources for instructors and students are developed to complement each textbook and vary from book to book.

<p>Step 1: Getting Started</p> <ul style="list-style-type: none"> • Go to india.oup.com <p>Step 2: Browse quickly by</p> <ul style="list-style-type: none"> • BASIC SEARCH <ul style="list-style-type: none"> ○ AUTHOR ○ TITLE ○ ISBN • ADVANCED SEARCH <ul style="list-style-type: none"> ○ KEYWORDS ○ AUTHOR ○ TITLE ○ SUBTITLE ○ PUBLICATION DATE <p>Step 3: Select title</p> <ul style="list-style-type: none"> • Select Product • Select Online Resources  <p>Step 4: View Resources</p> <ul style="list-style-type: none"> • Click on "View all resources" <p style="text-align: center; font-size: x-small;">View all resources</p>	<p>Step 5: Sign in with your Oxford ID</p>  <p>Step 6: If you do not have an Oxford ID, register with us</p> 	<p>Step 7: Fill in your details</p> <ul style="list-style-type: none"> • Fill the detailed registration form with correct particulars. • Fields marked with '*' in the form are mandatory. • Update <p style="text-align: center; font-size: x-small;">Update</p> <p>Step 8: Validation</p> <ul style="list-style-type: none"> • We shall revert to you within 48 hours after verifying the details provided by you. Once validated, please login using your username and password and access the resources. <p>Step 9: Confirmation</p> <ul style="list-style-type: none"> • You will receive a confirmation on your email ID. <p>Step 10: Visit us again</p> <ul style="list-style-type: none"> • Go to india.oup.com • Sign in with Oxford ID
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Preface to the Second Edition

Travel and tourism is one of the largest service industries in India. According to the United Nations World Tourism Organization, India witnessed huge international tourist arrivals in 2015 with increase of 4.4 per cent over the previous year to reach a total of 1184 million. Similarly, a 4.3 per cent growth was seen in 2014. This trend clearly indicates that the tourist arrivals are increasing since post-crisis year 2010, hence, the future seems to be optimistic for the travel, tourism, and hospitality industry.

The hospitality industry is the superstructure for tourism development. Accommodation units such as hotels, motels, and resorts along with food and beverage service units such as restaurants, bars, and *dhabas* are created to cater primarily to the needs of tourists. Rise in inflow of international tourists as well as domestic tourist traffic will definitely have a positive impact on the hospitality industry. The Ministry of Tourism, Government of India, has set the target to increase India's share in international tourist arrivals from 0.6 per cent to 1 per cent by the year 2016. This may help create millions of jobs in tourism and hospitality sector along with the demand for huge numbers of rooms for tourists. This suggests that tourism and hospitality industry will emerge as one of the major sectors in the Indian economy, leading to gigantic requirement of trained professionals in this field.

The front office department of the hotel is where all the guest activities—from processing the reservation requests to handling room keys to settling their bills—takes place. Hence, it plays a pivotal role in the efficient functioning of the hotel, and is among the major revenue-generating departments.

The revised edition of this book is tailored to enhance the skills and abilities required by budding professionals in the field of hotel front office. Apart from the mainstream hotel management courses, the book is equally suitable for tourism, skill training, and learners of *Hunar se Rozgar Tak* programme launched by the Ministry of Tourism to bridge the gap between the industry demand and trained professional supply.

New to this Edition

- Includes new sections on cash and credit control, training and development of front office staff, and role of front office personnel in maximizing revenue
- Provides new multiple-choice questions at the end of each chapter to facilitate understanding of the readers
- Covers new multiple-choice questions for practice and flashcard glossary on the Students' Resource website

Organization of Content

The content of the book has been divided into three parts.

Part I Hospitality Industry

Chapter 1 introduces the hospitality industry, whereas *Chapter 2* discusses the classification of hotels, including the various hotel tariff plans. *Chapter 3* covers the hotel organization.

Part II Front Office Operations

Chapter 4 enables the readers to understand the organization of the front office department. The different aspects of communication and its importance in the front office department is dealt in *Chapter 5*. *Chapter 6* deals with room tariff in a hotel. *Chapters 7* and *8* discuss guest cycle and room reservations, and registration, respectively. *Chapter 9* focusses on various guest services such as message handling, safe deposit locker, and wake-up call, and managing guest complaints.

Chapters 10, 11, and 12 covers check-out and settlement, front office accounting, and night auditing, respectively.

Chapter 13 includes the safety and security system in a hotel, and how the front office staff can ensure the safety and security of guests.

Part III Front Office Management

Chapter 14 discusses the application of computers in the front office department of a hotel. *Chapter 15* explains the various methods of evaluating the performance of a hotel, such as occupancy ratios, revenue per available room, and market share index. *Chapter 16* covers the application of yield management and forecasting in the hotel industry. *Chapter 17* introduces the readers to the basic concept of marketing, and how the hotel staff can use marketing and sales techniques to boost business for the hotel.

Chapter 18 explains the human resource aspects such as recruitment, selection and training, and the HR challenges faced by the hospitality industry.

Chapters 19 and *20* discuss the environmental concerns of the hotel industry, and the benefits and use of the total Quality Management (TQM) concept.

Online Resources

The following resources are available to support the faculty and students using this text:

For Faculty

- PowerPoint Presentations
- Instructor's Manual
- Multiple-choice Questions

For Students

- Flashcard Glossary

Acknowledgements

No endeavour achieves success without the advice and support from others. I am indebted to and would like to acknowledge the people and organizations who have either directly or indirectly contributed towards the conceptualization and preparation of this book. I am thankful to Mr Dheeraj Kukreja (General Manager & VP—Operations, Piccadily Holiday Resorts Limited, Hotel Piccadily, Lucknow) for providing free access to the hotel to understand the various procedures and practices used in the front office operations and for providing photographs for the book.

I also express my gratitude to the students and faculty members of the Babu Banarasi Das National Institute of Technology and Management, Lucknow for their valuable suggestions. In this regard, I would also like to acknowledge the assistance of Mr Ashish Srivastava who sometimes helped me in the typing of the manuscript.

I would like to acknowledge the patience and support of my father, mother, wife Suman, daughter Shambhavi, and son Shivansh. I would also like to thank all my well-wishers, friends, students, and academicians, for having in some way influenced the development of this book.

Finally, the entire editorial team from Oxford University Press India deserves my gratitude for their professionalism and for bearing with me when I overshot my deadlines. I would also like to thank all the people at Oxford University Press India who have contributed in some way or the other in the completion of this book. I also owe my gratitude to the anonymous peer reviewers whose valuable feedback enabled me to improve the text.

Every effort has been made to determine and contact the copyright holders. In case of any omissions, the publisher will be pleased to make suitable acknowledgment in future editions.

Suggestions for improving the presentation and contents can be sent to me at jtewari@uou.ac.in.

Jatashankar R. Tewari

Preface to the First Edition

Today tourism is one of the largest and most dynamic sectors of the economy. It is growing at a fast pace, leading to infrastructure development, considerable volume of foreign currency inflows, and good job opportunities. So it affects various sectors of the economy, contributing to the social and economic development of the country as a whole. According to recent statistics, tourism provides about 10 per cent of the world's income and employs almost one tenth of the world's workforce. All considered, tourism's actual and potential economic impact is astounding.

The hospitality industry came into existence in order to accommodate tourists. When guests stay in a hotel and use the various services and facilities provided by the hotel, they seldom think about the complexity of hotel operations. The smallest of their demands, like for a cup of tea, requires coordination among a series of people. The hotel industry is a people-oriented industry. It is the effectiveness, efficiency, and courteous behaviour of the hotel employees that make a lasting impression on the guest's total experience.

The front office department of a hotel is the hub of guest activities. This department looks after the guests' needs—right from the booking of rooms to receiving and registering guests, to assigning rooms, to handling guests' mails and messages, to presenting bills and settling guests' accounts at the time of check-out. It is important for the front office staff to provide excellent and flawless services to guests, as it goes a long way in creating an indelible image of the hotel.

In India, the subject of front office operations is taught in degree and diploma courses in hotel management, postgraduate diploma in accommodation, and also in postgraduate degree programmes like MSc/MA/MBA with hotel management as a main subject. Apart from the regular course in hotel management, front office management is also taught in courses in tourism management.

About the Book

Hotel Front Office: Operations and Management is a comprehensive, syllabi-oriented text book that has been developed especially for the students of hotel management and hospitality management courses. Students will find this book useful for its coverage of the key concepts of front office operations and management, explained through industry-related examples, flowcharts, tables, formats, and photographs. With its practice-oriented approach, the book would also be useful to front office professionals.

The book has been divided into three parts. The first part—*The Hospitality Industry*— gives an introduction to the hospitality industry and acquaints the reader with the classification and organization of hotels. The second part—*Front Office Operations*— explains front office organization, internal and external communication, and room tariff. The guest cycle, which includes the stages of pre-arrival (reservation), arrival (registration), stay (guest services), and departure (check-out and settlement of bills), is explained in detail. This section also includes chapters on front office accounting, night auditing, safety and security of guests, and computer applications in front office. The final part—*Front Office Management*—imparts an understanding of the key managerial concepts, such as revenue management, forecasting, budgeting, and human resource management.

Contemporary issues like environmental management and total quality management are also explored in this section.

Pedagogical Features

The various pedagogical features of the book are as under:

- Each chapter begins with concise learning objectives.
- The text has been streamlined for the easy understanding of students and has been written in simple, easy-to-understand language.
- Concepts are illustrated by suitable figures, formats, examples, tables, and photographs for the better comprehension of the reader.
- Chapter-end summary helps recapitulate what has been learnt in the chapter.
- A glossary of key terms is given at the end of every chapter to aid better understanding of the subject.
- Review questions at the end of each chapter help the students revise the concepts learnt in the chapter.
- Caselets enhance critical thinking and relate the concepts to real-life situations.
- The project work enhances the research, experimental, and analytical skills of the reader.

Structure

The first three chapters of the book constitute **Part I—The Hospitality Industry**. Chapter 1 introduces the hotel industry, Chapter 2 deals with the classification of hotels, and Chapter 3 provides in-depth knowledge about hotel organization.

Part II of the book comprises ten chapters, concerning various aspects of *Front Office Operations*. Chapter 4 discusses the organization of a front office department, Chapter 5 discusses communication and its importance in the front office department, and Chapter 6 deals with the room tariff. Chapters 7, 8, and 9 deal with various operational aspects of the front office department, like making advance booking of rooms, receiving and registering guests, and extending various guest services, like handling of messages, keys, mails, and guest complaints; guest paging; facilitating guest room change; providing safety deposit locker and left luggage facilities, etc. Chapters 10, 11, and 12 deal with check-out procedures, front office accounting, and night auditing. Chapter 13 provides an overview of the safety and security procedures followed in the hotel industry.

Part III of the book comprises seven chapters about *Front Office Management*. Chapter 14 deals with the use and applications of computers in the hotel industry. Chapters 15, 16, and 17 discuss the various methods of evaluating the performance of a hotel, the application of yield management techniques to increase revenue generation, budgeting, forecasting, and marketing of hospitality products. Chapter 18 elaborates on the human resource aspects like recruitment, selection, training, and evaluating performance of employees. Chapters 19 and 20 discuss the environmental concerns of the hotel industry and the application of total quality management concepts to attain perfection in carrying out hotel operations.

Jatashankar R. Tewari

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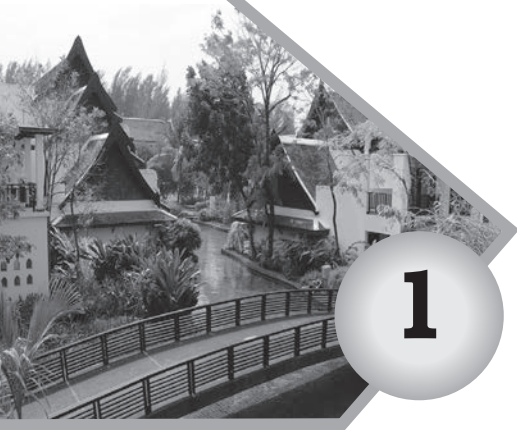
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1

Introduction to the Hospitality Industry

LEARNING OBJECTIVES

After studying this chapter, the reader will be able to understand the following:

- ✦ Hospitality industry—its origin and growth
- ✦ Travel and tourism—their evolution, importance, and related industries
- ✦ Evolution and growth of the hotel industry in India and rest of the world
- ✦ Hotel—definition and core areas

The hospitality industry is one of the oldest commercial activities in the world. It is, in fact, an integral part of the larger business enterprise known as travel and tourism, which provides a wide range of travel-related services, such as modes of travel, accommodation, food and drinks, recreational activities, and other facilities required by the modern-age traveller. Hospitality seems to be a glamorous industry, but many do not know that a tremendous amount of hard work goes behind the sheen and glitter that meets the eye.

This chapter is aimed at providing an insight into the evolution and growth of the hospitality industry in India and other parts of the world. Tourism is one of the most important commercial activities of the modern economy. The relationship between tourism and hotel industries is also explained with reference to the diverse profile of the present-day client who could be travelling for business, vacation, pleasure, adventure, or even medical treatment. An overview of hotels and their core departments is also provided for an overall understanding of hotel operations.

HOSPITALITY INDUSTRY

Catering to the entire needs of travel-related activities, the hospitality sector is estimated to be a US \$3.5 trillion industry in the world economy today. Hospitality refers to the relationship between a guest and a host, and it also refers to the act or practice of being hospitable. It includes cordial reception and entertainment of guests, visitors, or strangers. Hospitality is also known as the act of generously providing care and kindness to someone in need.

The hospitality industry is an umbrella term that includes a broad variety of service industries and is not limited to hotels, restaurants, casinos, catering enterprises, resorts, and clubs. The industry is very diverse and global and is greatly impacted by fluctuations within the economy and also by various happenings across the world.

Origin and Growth

The origin and development of the hospitality industry is a direct outcome of travel and tourism. There are many reasons for which a person may travel: business, pleasure, further studies, medical treatment, pilgrimage, or any other reason. When a person travels for a few or more days, he/she may carry his/her clothes, but it is not possible for him/her to carry food and home. Thus, two of a person's three basic needs—food and shelter—are not taken care of when he/she is travelling. This is where the hospitality industry steps in.



Figure 1.1 Caravan of camels

Source: IndiaPicture/Mahatta Multimedia Pvt Ltd

Before the wheel was invented, people undertook journeys on animals such as horses, camels, and elephants. In those days, they used to travel in groups called caravans (see Fig. 1.1) for safety. However, there was a limit to the distance they could cover in a day. At nightfall, they avoided travel due to the fear of wild animals and bandits and also because of animal fatigue.

Thus, for the night halt, they looked for a place that could provide them with water, fuel to cook food, and, above all, security from wild animals and bandits.

The primitive lodging houses or inns originated essentially to cater to these needs of the travellers. All over the world, they were known by different names, such as dharmashala and sarai in India, ryokans in Japan, paradors in Spain, pousadas in Portugal, coffee houses in America, taverns (see Fig. 1.2) and inns in Europe, cabarets and hostelries in France, *mansionis* and *hospitia* in Switzerland, *phatnal* in Greece, and relay houses in China.

The earliest inns were generally run by families or husband–wife teams who provided large halls to travellers to make their own beds and sleep on the floor. They also provided modest wholesome food and drinks such as wine, port, and ale and stable facilities for the animals. Entertainment and recreation were also provided on a



Figure 1.2 Tavern



Figure 1.3 Early inn

modest scale. All this, of course, came for a price. These inns or lodging properties were housed in the private homes of the local people who made a living by providing accommodation to travellers. These inns were not as clean and tidy as we see them today. They were also devoid of the frills and facilities as seen in the modern-day hospitality establishments. The travellers had to make their own beds and cook for themselves. Gradually, the inns started providing beds to travellers—typically, an inn would have a large hall with many beds (see Fig. 1.3).

TOURISM INDUSTRY

Tourism is one of the world's fastest growing industries and a major source of foreign exchange and employment generation for many countries. It is regarded as one of the most remarkable economic and social phenomena of the past century. According to the data available with the United Nations World Tourism Organization (UNWTO), a global forum for promoting tourism, the number of international arrivals in the world reached 1138 million in 2014, a 4.7 per cent increase over the previous year. For 2015, UNWTO forecasts international tourism to grow by 3 to 4 per cent, further contributing to the global economic recovery.

The word 'tour' is derived from the Latin word *tornus*, meaning 'a tool for making a circle'. Tourism may be defined as the movement of people from their normal place of residence to another place (with the intention to return) for a minimum period of 24 hours to a maximum of six months for the sole purpose of leisure and pleasure.

The Rome Conference on tourism in 1963 defined tourism as 'a visit to a country other than one's own or where one usually resides and works'. This definition, however, did not take into account domestic tourism, which has become an important money-spinner and job generator for the hospitality industry.

The UNWTO defined tourists as 'people who travel to and stay in places outside their usual environment for not more than one consecutive year for leisure, business, and other purposes not related to the exercise of an activity remunerated from within the place visited'.

Tourism can be categorized as international and domestic tourism (see Fig. 1.4):

International tourism When people visit a foreign country, it is referred to as international tourism. In order to travel to a foreign country, one needs a valid passport, visa, health documents, foreign exchange, etc. International tourists may be inbound or outbound (see Fig. 1.4):

Inbound This refers to tourists of outside origin entering a particular country.

Outbound This refers to tourists travelling from the country of their origin to another country.

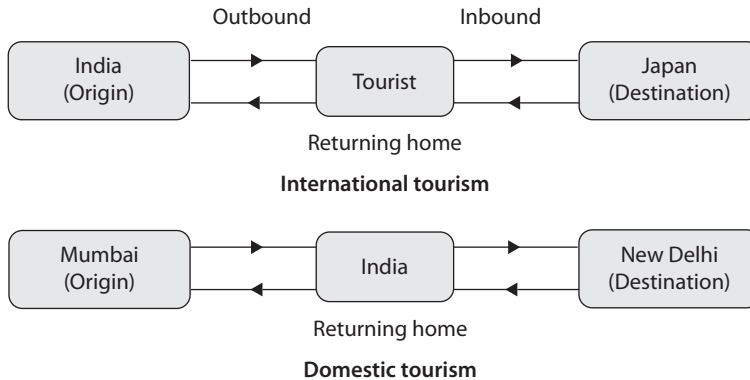


Figure 1.4 International and domestic tourism

Domestic tourism The tourism activity of people within their own country is known as domestic tourism. Travelling within the same country is easier because it does not require formal travel documents and tedious formalities such as compulsory health checks and foreign exchange. In domestic tourism, a traveller generally does not face much language problem or currency exchange issues.

Importance of Tourism

Tourism and hospitality, which are inextricably linked to each other, are among the major revenue earning enterprises in the world. They happen to be among the top employers too. There has been an upmarket trend in tourism over the last few decades, as travel has become quite common. People travel for business, vacation, pleasure, adventure, or even medical treatment. The present-day tourist, who has higher levels of disposable income, international exposure, and refined tastes, wants specialized versions of products and services, such as quieter resorts, family-oriented holidays, or commercial hotels. This has led to a demand for better quality products and services, mainly regarding accommodation and travelling, thus feeding the growth of the hospitality industry as a whole.

The developments in technology and transport infrastructure, such as jumbo jets, low-cost airlines, and more accessible airports, have made tourism affordable and convenient. There have also been changes in lifestyle—for example, now retiree's sustain tourism round the year. The sale of tourism products on the Internet, besides the aggressive marketing of tour operators and travel agencies, has also contributed to the growth of tourism.

With several business-related activities associated with tourism, the industry has a tremendous potential of generating employment as well as earning foreign exchange. There are many countries in the world, such as Mauritius, Malaysia, Singapore, Fiji, and Caribbean, whose economies are primarily driven by tourism. Tourism can contribute to the economic growth of a country in the following ways:

Employment generation It creates a large number of jobs among direct service providers (such as hotels, restaurants, travel agencies, tour operators, guide, and tour

escorts) and among indirect service providers (such as suppliers to hotels and restaurants, and supplementary accommodation).

Infrastructure development Tourism spurs infrastructure development. In order to become an important commercial or pleasure destination, any location would require all the necessary infrastructure, such as good connectivity via rail, road, and air transport, adequate accommodation, restaurants, a well-developed telecommunication network, and medical facilities, among others.

Foreign exchange The people who travel to other countries spend a large amount of money on accommodation, transportation, sightseeing, shopping, etc. Thus, an inbound tourist is an important source of foreign exchange for any country.

Figure 1.5 provides an insight into the economic activities that are spurred by tourism. In 1997, the World Travel and Tourism Council (WTTC) predicted that the 21st century economy would be dominated by three industries: telecommunications, information technology, and tourism. The travel and tourism industry has grown by 500 per cent in the last 25 years. In India, it is expected that the tourism sector's contribution to the gross domestic product (GDP) will grow at a rate of 7.8 per cent per annum from 2013 to 2023. Tourism generates more than 230 million jobs (directly and indirectly) and contributes to more than 10 per cent of the world GDP. International tourist arrivals in 2013 were 248.1 million, and the UNWTO forecasts 1.6 billion international tourist arrivals worldwide by 2020.

Despite these bright outlook and prospects, the tourism and hospitality industry is very vulnerable to the fluctuations of national economies and happenings in the world, especially terrorist attacks that have at times dealt severe blows to the business. In the recent years, there have been a few setbacks in tourism, such as the terrorist siege of the Taj and Oberoi hotels in Mumbai, India (26 November 2008); the attack on the World Trade Centre in the United States of America (11 September 2001); bombings in

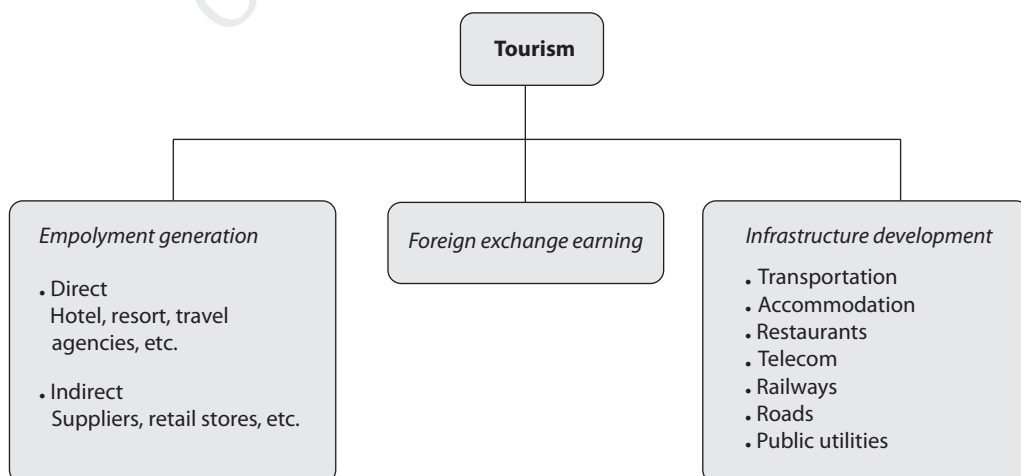


Figure 1.5 Tourism-related economic growth

a hotel on the Indonesian island of Bali (12 October 2002); tsunami in Southeast Asia and South Asia (26 December 2004), in which thousands of lives were lost and consequently tourism was hit. However, the sector is now getting back to business.

Industries Related to Tourism

Over the years, tourism has become a popular global activity. Depending upon the nature and purpose of their travel, tourists need and demand certain facilities and services. This has given rise to a wide range of commercial activities that have acquired industry proportions. Thus, travel and tourism nowadays represent a broad range of related industries. Figure 1.6 presents an overview of the tourism industry and other sectors related to it.

Hotels

Hotels are commercial establishments that provide accommodation, meals, and other guest services. In general, a hotel is an establishment that must have a minimum of six guest rooms, at least three of which must have attached private bathroom facilities.

Although hotels are classified into ‘star’ categories, there is no standard method of assigning these ratings, and compliance with customary requirements is voluntary. An American hotel with a certain rating, for example, may look very different from a European or Asian hotel with the same rating and would provide a different level of amenities, range of facilities, and quality of service. Although hotel chains assure uniform standards throughout, non-chain hotels (even within the same country) may not agree on the same standards.

Within the travel and tourism industry, the hotel industry plays a very significant role, as all tourists need a place to stay at their destinations and require many more services and facilities to suit their specific needs and tastes.

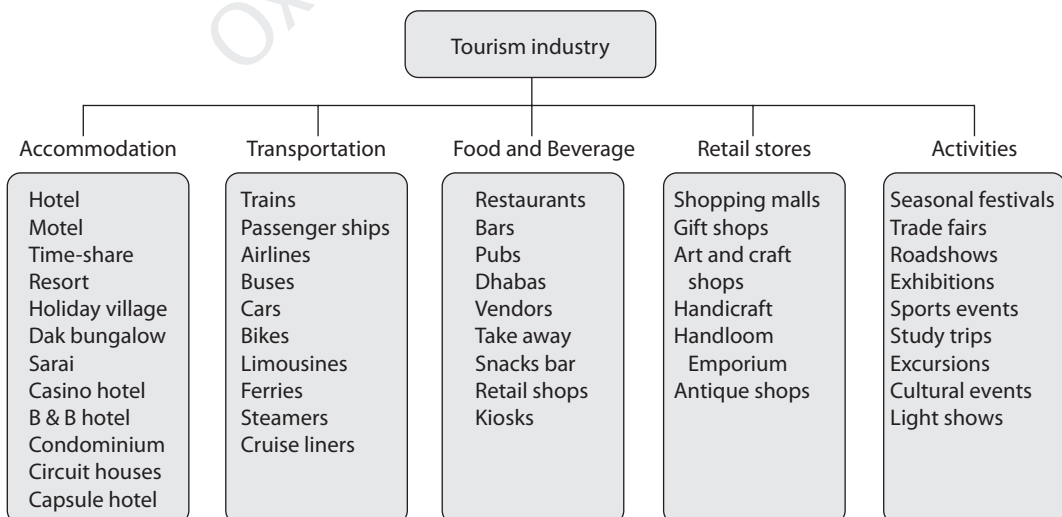


Figure 1.6 Overview of the tourism industry

Restaurants

Restaurants are retail establishments that serve prepared food and beverages to customers. Though the term is generally applicable for eating on premises, it has also been used to include take-away establishments and food delivery services. Restaurants range from unpretentious dining places with simple food served in a simple setting at low prices to expensive establishments serving refined food and wines in a formal setting. Typically, customers are seated at tables, their orders are taken by a waiter who serves food when it is ready, and the customers pay the bill before leaving. In finer restaurants, there is generally a host or hostess to welcome customers and to seat them. Other staffs waiting on customers include busboys and sommeliers. Restaurants often specialize in certain types of food or present a certain unifying, and often entertaining, theme. For example, there are seafood restaurants, vegetarian restaurants, or ethnic restaurants.

In the travel and tourism industry, restaurants and other food and beverage outlets are very important as tourists like to experiment with local cuisines of the places they are visiting.

Retail and Shopping

The retail industry is very important as tourists shop for their day-to-day necessities as well as look for mementos and souvenirs. In the recent years, several cities in the world have been promoted as shopping destinations to attract people with a penchant for shopping by offering various products, such as garments, electronic goods, jewellery,

and antiques, among others, at very low prices. Cities such as Singapore, Dubai, and Bangkok attract shoppers with their state-of-the-art malls and plush shopping plazas, whereas cities such as New York, Paris, London, and Milan in Italy are well known as fashion havens of the world. The recent years have seen the organization of events like shopping festivals to attract tourists with deep pockets.

Transportation

It is the movement of people and goods from one place to another. The term is derived from the Latin words *trans* meaning ‘across’ and *portare* meaning ‘to carry’. Industries that are in the business of providing transport equipment and services are important in most national economies and are referred to as transport industries.

A well-developed transport industry, as well as infrastructure, is integral to the success of any travel and tourism enterprise. Good transport facilities and connectivity are basic for putting any place on a tourist map, whether domestic or international. At times, poor connectivity and transport have kept places, such as the northeastern states of India (see Fig. 1.7),



Figure 1.7 Waterfall in Arunachal Pradesh

from exploiting their full tourism potential. In a bid to encourage travel to the northeast, several travel concessions are announced by the states as well as the Union government from time to time.

Travel Agencies

A travel agency is a retailing business that sells travel-related products and services, particularly package tours, to customers on behalf of suppliers such as airlines, car rentals, cruise liners, hotels, railways, and sightseeing and tour operators. In addition to dealing with ordinary tourists, most travel agencies have a separate department devoted to making travel arrangements for business travellers. However, some travel agencies specialize in commercial and business travel only. There are also travel agencies that serve as general sales agents for foreign travel companies, allowing them to have offices in countries other than their countries of origin.

A travel agency's main function is to act as an agent selling travel products and services on behalf of a supplier. However, unlike other retail businesses, they do not keep a stock in hand. They do not buy a package holiday or a ticket from a supplier unless a customer requests it. Most travel agencies operate on a commission basis, implying that the supplier—airlines, car rentals, cruise liners, hotels, railways, or sightseeing and tour operators—offer a fixed percentage of the sale to the agencies as commission for booking clients. The agencies may offer a discount on a holiday package or ticket to the customers by reducing their commission. Some travel agencies, especially large chains, undertake other commercial operations, such as the sale of in-house insurance, travel guidebooks, timetables, car rentals, and the services of an on-site *bureau de change*, dealing in the most popular currencies.

Travel agencies play a very important role as they plan out the itinerary of their clients and make the necessary arrangements for their travel, stay, and sightseeing, besides facilitating their passport, visa, etc.

Tour Operators

A tour operator assembles the various elements of a tour. It typically combines tour and travel components to create a holiday. The most common example of a tour operator's product would be a seat on a charter airline plus a transfer from the airport to a hotel, and the services of a local representative, all for one price. Niche tour operators may specialize in destinations and activities, or a combination thereof.

The original *raison d'être* (reason for existence) of tour operators was the difficulty of making arrangements in far-flung places, with problems of language, currency, and communication. In spite of the Internet making self-packaging of holidays easier nowadays, tour operators still have their competence in arranging tours for those who do not have the time to do so. They specialize in large group events and meetings, such as conferences and seminars. Further, tour operators still exercise contracting power with suppliers (airlines, hotels, other land arrangements, cruises, etc.) and influence over other entities (tourism boards and other government authorities) to create packages and special departures for destinations that are otherwise difficult and expensive to visit.



Figure 1.8 Red Fort in New Delhi, one of the most famous historical places

Source: Ibudgetphoto/Mahatta Multimedia Pvt Ltd

Tourist Destinations

A tourist attraction is a place of interest for tourists, typically for its inherent or exhibited cultural value, historical significance, natural or built beauty, or amusement opportunities. Some examples include historical places (see Fig. 1.8), monuments, zoos, aquaria, museums, art galleries, botanical gardens, buildings and structures, which include castles, libraries, former prisons, skyscrapers, bridges, landmarks, national parks and forests, theme parks and carnivals, ethnic enclave communities, historical trains, and cultural events. Tourist attractions are also created by capitalizing on unexplained phenomena such as a supposed UFO crash site near Roswell, New Mexico and the alleged Loch Ness monster sightings in Scotland. Ghost sightings

also make popular tourist attractions. Ethnic communities, such as Chinatowns or the Jew community in Kochi (Kerala), are also popular among tourists.

Free promotional brochures and flyers of popular destinations are handed out in information centres, fast food restaurants, hotel and motel rooms or lobbies, and rest areas frequented by travellers. While some tourist attractions provide visitors a memorable experience for a reasonable admission charge or even free, others can be of low quality and may overprice their goods and services (such as admission, food, and souvenirs) to profit from tourists excessively. Such places are commonly referred to as tourist traps.

Cultural Industries

Cultural or creative industries are responsible for the creation, production, and distribution of goods and services that are cultural in nature and usually protected by intellectual property rights. These include literary works, visual and performing arts, crafts, and other creative fields. Cultural industries are knowledge-based and labour-intensive, creating employment and wealth. By nurturing creativity and fostering innovation, societies develop a cultural heritage and enhance economic performance. Since tourists like to visit places of cultural significance and soak in the culture of that area, the cultural industry is very important to travel and tourism (see Fig. 1.9).

Leisure, Recreation, and Sport

Leisure or free time is a period of time spent out of work and essential domestic activity. Recreation or fun is spending time in a manner designed for therapeutic refreshment of one's body or mind. While leisure is more like a form of entertainment or rest, recreation requires active participation in a refreshing and diverting manner. Since people in the world's wealthier regions lead increasingly sedentary lifestyles, the need for recreation has increased. The rise of so-called active vacations exemplifies this.

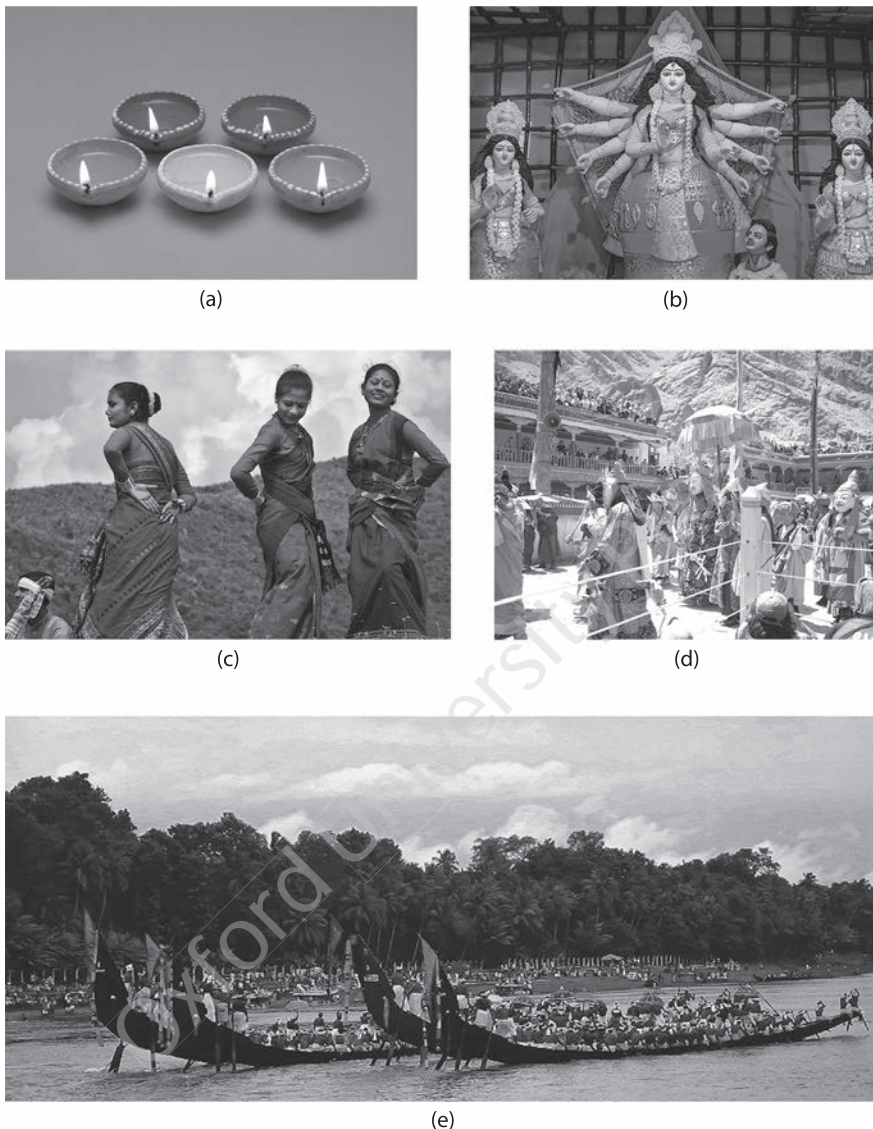


Figure 1.9 Indian festivals (a) Diwali (b) Durga Puja (c) Bihu, Assam (d) Monastic Festival, Ladakh (e) Boat Race, Kerala

Source: (a), (b), (c), and (d) IndiaPicture/Mahatta Multimedia Pvt Ltd

The spread of mass media has led to a growing public interest in sports. This has turned popular sports into good business opportunities, where rules of the game are sometimes bent to make them more profitable and popular. The emergence of Twenty20 format in cricket is a case in point. Good marketing strategies and the promise of wholesome entertainment are attracting larger audiences, making sporting events popular among fans who are willing to travel to the games' venues to get a first-hand experience of their favourite game. Thus, it is a little wonder that cities and countries across the world bid years in advance for hosting international sports events like Olympics.

Hence, we have seen that tourism today encompasses a wide range of products and services—travel, accommodation, catering, and recreation, among others—for its clients. We have briefly read about how the hospitality industry emerged from the man's need to travel and has evolved into its present state today. The hotel industry is arguably the most significant part of the hospitality industry. In the succeeding sections, we will trace the origin and growth of this industry in the world, and also in India.

EVOLUTION AND GROWTH OF THE HOTEL INDUSTRY IN THE WORLD

The invention of currency and the wheel sometime in the fifth century BC are regarded as the two main factors that led to the emergence of inn-keeping and hospitality as a commercial activity. While Europe can safely be regarded as the cradle of organized hotel business, it is in the American continent that one sees the evolution of the modern hotel industry over the past century. From the rudimentary ancient inns to the present-day state-of-the-art establishments that provide everything under the sun to the modern traveller, the hotel industry has come a long way. The origin and growth of the hotel industry in the world can be broadly studied under the following periods:

- Ancient Era
- Grand Tour
- Modern Era

Ancient Era

The earliest recorded evidence of the hospitality facilities in Europe dates back to 500 BC. Ancient cities, like Corinth in Greece, had a substantial number of establishments that offered food and drink as well as beds to travellers. The inns of the biblical era were of primitive type, offering a cot or bench in the corner of a room and, at times, even a stable. Travellers used to stay in a large hall. Privacy and personal sanitation were non-existent. In the third century AD, numerous lodging premises mushroomed along the extensive network of brick-paved roads throughout Europe and minor Asia (part of Asia adjoining Europe). The lodging houses were known as *mansionis* during that time.

These conditions prevailed for several hundred years, till the Industrial Revolution in England led to the development of railways and steamships, making travelling more efficient, comfortable, and faster. The Industrial Revolution also brought about a shift in the focus of travel that became more business oriented than educational or social.

The lead in organized hotel keeping, as we see today, was taken by the emerging countries of Europe, especially Switzerland. The early establishments were mainly patronized by the aristocracy and took shape in chalets (small cottages) (see Fig. 1.10) and small hotels that provided a variety of services. Between 1750 and 1825, inns in Britain gained their reputation of being the finest hospitality establishments.



Figure 1.10 Swiss chalet



Figure 1.11 Dolder Grand, Zurich

Source: The Dolder Grand/Photo by Stefan Schmidlin. Used with permission.

Grand Tour

The second half of the 18th century, prior to the French Revolution (1789–99), is referred to as the ‘golden era of travel’ as the popularity of the ‘Grand Tour’ gave a big push to the hotel industry. In those days, a Grand Tour of the European continent constituted an indispensable element of the education of scions of wealthy families in Britain.

As this tour often lasted several years, it was a good business opportunity for people in the prominent cities of France, Italy, Germany, Austria, Switzerland, and Ireland to establish lodging, transportation, and recreation facilities. Far-sighted entrepreneurs, who smelt money in the exercise, developed the skills of hospitality and pioneered the modern hotel industry.

Prominent among the hotels that emerged during this period were Dolder Grand in Zurich (see Fig. 1.11), the Imperial in Vienna, the Vier Jahreszeiten in Hamburg, and Des Bergues in Geneva. In 1841, a simple cabinet maker, Thomas Cook (see Fig. 1.12), organized a rail tour from Leicester to Loughborough and immortalized himself as the world’s first tour operator.



Figure 1.12 World’s first tour operator—Thomas Cook

Modern Era

The improvisation in modes of transport made journeys safer, easier, and faster, enabling economical as well as frequent mass movement. The introduction of Funiculars (the ropeway) made high-altitude mountains accessible, leading to the growth of many hotels in the Alpine ranges. Bürgenstock and Giessbach are among the hotels in Switzerland that owe their existence to the development of the ropeways.

The two world wars, especially the second (1939–45), took their toll on the hospitality industry. The massive destruction caused by the war and the resulting economic depression proved to be a major setback for the travel business. The 1950s witnessed slow and steady growth of travel in the European continent. The development of aircraft and commercial passenger flights across the Atlantic stimulated travel across the globe and in the process accelerated the growth of the hotel industry.

However, it is the American entrepreneurs who are credited for literally changing the face of the hospitality industry with their innovations and aggressive marketing. The inauguration of the City Hotel in New York in 1794 marked the beginning of the present-day hotel industry. It was a ‘giant’ building at that time, with 73 rooms, and it went on to become a favourite meeting ground for socialites.

Prior to the establishment of the City Hotel, lodging facilities in the American continent were patterned on European style taverns or inns. The City Hotel, however, triggered a race of sorts among American hoteliers, resulting in the construction of large hotels such as the Exchange Coffee House in Boston, the Second City Hotel in Baltimore, and the Mansion House in Philadelphia. The opening of the Tremont House (see Fig. 1.13) in Boston is another landmark in the evolution of the hotel industry. Regarded as a forerunner of luxury hotels, the 170-room hotel had many firsts to its credit. For example, it was the first to provide locks, indoor plumbing, running water, and bathing facilities, besides providing a bowl, pitcher, and free soaps in its rooms. It was also the first to provide front office services such as bellboys and a reception, as well as to serve French cuisine in the US.

Throughout the 19th century, the contest among hoteliers to build better, larger, and most luxurious hotels continued. Several luxury hotels, such as the Grand Pacific, The Palmer House (see Fig. 1.14), and The Sherman House in Chicago, as well as The Palace (with 800 rooms) in San Francisco were built. The year 1908 saw the emergence of the first business hotel, the Statler Hotel in Buffalo, New York (see Fig. 1.15). This magnificent 450-room multi-storey building was a pioneer in many ways. Some of the innovations included an attached bathroom with hot and cold water in each room, an electric lamp on the desk, and a radio in each room.



Figure 1.13 Tremont House, Boston



Figure 1.14 The Palmer House, Chicago



Figure 1.15 Statler Hotel, Buffalo

The decade of the great depression in the 1930s witnessed the liquidity of most of the hotels in America. The hotel industry streamlined with slow and steady growth during the 1940s. The increase in automobile travel in the 1950s led to the rise of 'motor hotels' or *motels*, a new category in the hotel industry. The motels, which offered free parking facilities, served as rest houses for people travelling between two cities or tourist destinations. The following decades saw the growth of motels on a large scale and also the introduction of budget hotels that offered basic facilities at half the rates. Gradually, with the passage of time, these evolved into countrywide and international chains. We shall learn about them in detail in the next chapter.

EVOLUTION AND GROWTH OF THE HOTEL INDUSTRY IN INDIA

Although the origin of the hotel industry in India cannot be traced to a definite point of



Figure 1.16 Golden Temple, Amritsar

Source: IndiaPicture/Mahatta Multimedia Pvt Ltd

time, there is evidence of its presence even during the Indus Valley Civilization and Vedic era. In olden days, travel was predominantly undertaken for pilgrimage and trade. The concept of *char dham* (i.e., visiting religious places located in the four corners of India) among the Hindu community is an important indicator of the significance accorded to pilgrimage by our ancestors. The country stands dotted with many such shrines, some of which are frequented by people of all faiths. Some such popular destinations are Vaishno Devi shrine, Amarnath cave shrine in Kashmir, Tirupati Balaji temple in Andhra Pradesh, Shirdi Sai temple in Shirdi, Sikh Golden Temple in Amritsar (see Fig. 1.16), Dilwara Jain temples in Mount Abu, Bodh Gaya for Buddhists in Bihar, Ajmer Sharif shrine in Rajasthan, Haji Ali Tomb in Mumbai, St Francis Church in Goa, etc. Ancient texts and literature, and also Hindu mythology, have many references

to travel and the provision of accommodation facilities for travelling pilgrims and traders by the authorities of those days.

Ancient India was well known for its silk, spices, gold, and gemstones. Records of famous travellers of the yore, speak of Indians trading with countries such as Greece, Italy, Indonesia, Malaysia, China, and Japan, among others. The main modes of transport were animals on land and boats and ships that criss-crossed rivers and seas for connectivity with distant lands. That is why we find major trading cities in the world situated along the banks of rivers or on seaports.

The origin and evolution of the hotel industry in the country can be broadly categorized in the following three periods:

- Ancient and Medieval Era—from Indus Valley Civilization to AD 1600
- Colonial Era—from AD 1601 to AD 1947
- Modern Era—1947 onwards

Ancient and Medieval Era—From Indus Valley Civilization to AD 1600

The beginnings of the hospitality sector in India stand rooted in the Hindu philosophy of *atithi devo bhava*, which imply that an unannounced guest is to be accorded the status of God. While it is not clear when hospitality emerged as a commercial activity in ancient India, there is evidence of accommodation facilities for travellers and guests, though not as organized as we see them today. The lodging houses during those times were known as dharmashalas (dharma in Sanskrit means religion and *shala* school).

Dharmashalas, the resting places for pilgrims, are believed to have their origins in village *chaupals* (see Fig. 1.17), which served as a meeting ground for villagers to plan and discuss various social welfare and development measures. These became the places of



Figure 1.17 Chaupals

lodging, as travellers started putting up camps there due to safety reasons. Gradually, with the help of local residents and financial assistance from the rulers, zamindars or other influential people, permanent structures (or dharmashalas) were built for travellers. Here they were provided with a safe place to relax and spend the night. Other words in literature that are indicative of offering facilities to travellers are *anna-kshetras* (*anna* means food grains and *kshetra* means area), *bhojanalaya* (*bhojana* means meal and *alaya* means house), *paakshala* (*paak* means cooking and *shala* means school), *panthagar* (*panth* means way or road and *agar* means house), etc. Similarly, in the Ramayana and Mahabharata, there is a mention of the existence of *avasathagar* (the outer portion of the house) to accommodate people who were invited during festivals, *yagnas*, or other celebrations organized by kings.

Records of many foreign visitors and philosophers who came to India speak highly of the hospitality facilities. Famous Chinese scholars Fa Hien (AD 399–414) and Huein Tsang (AD 629–643), who came during the reigns of Chandragupta Vikramaditya and Harshvardhana respectively, have mentioned the existence of shelters for travellers. Huein Tsang has, in fact, referred to the wonderful arrangement of food for 10,000 students in Nalanda University, a famous seat of learning.

In the medieval era, between the 11th and the 13th centuries, many *sarais* and *musafirkhanas* were built, primarily as resting places for messengers of the postal system established by the Sultans of the Slave or Mamluk dynasty. The system was refined by Allauddin Khiljee, who established *dak chowkis* with horse runners and messengers to deliver post. According to the *Tarikh-i-Sher-Shahi* by Abbas Khan Sherwani, the postal service *Diwan-i-Insa* employed nearly 3400 people to man 1700 horse-relay stations at *sarais*, which also served as post offices. The Mughals continued the practice and built many such *sarais* to accommodate travellers. The *sarais* during those times fulfilled the basic necessities of a traveller—they provided water, a room, a stable for the livestock (such as horse, elephant, or camel) along with fodder, and sometimes also a place for worship. There are several localities in Delhi, such as Katwaria Sarai, Lado Sarai, and Sarai Kale Khan, which have retained their names till date, although the medieval constructions are hard to find.

Colonial Era—From 1601 to 1947

The organized existence of the hotel industry in India started taking shape during the colonial period, with the arrival of Europeans in the 17th century. The early hotels were mostly operated by people of foreign origin to cater to the needs of the European colonizers and later officials of the Raj. Among the first such properties were taverns such as Portuguese Georges, Paddy Goose, and Racquent Court, which opened in Bombay (now Mumbai) between 1837 and 1840. However, within a period of about 10 years, most of the taverns disappeared and more respectable hotels like Hope Hall Family Hotel began to make an appearance. Other famous properties included the Victoria Hotel, more famous as British Hotel, by Pallanjee Pestonjee in 1840; Esplanade Hotel in 1871; Watson's, which was exclusively for Europeans; Auckland Hotel (1841) in Kolkata, which went on to become the Great Eastern Hotel in post-independent India, and so on.



Figure 1.18 Taj Mahal Palace and Tower in Mumbai

In December 1903, Jamshetji Nusserwanji Tata, inaugurated the Taj Mahal Palace and Tower hotel (see Fig. 1.18), overlooking the Gateway of India in Mumbai, following a racial discrimination incident wherein he was refused entry into the Watson's Hotel for being an Indian. The hotel, which is an architectural marvel, is credited with being the first luxury hotel for Indians by an Indian. In 1923, Shapurji Sorabji built the Grand Hotel in Mumbai. A few years later, the Majestic Hotel was opened.

Until 1900, almost all hotels were constructed and run as per Western traditions. The first Indian style hotels were Sardar Griha, which opened in 1900, and Madhavashram in 1908. The two world wars brought a fresh lot of hotels to Mumbai, an important port city of the times. The Ritz, The Ambassador, West End, and Airlines, which opened during these years, are fondly referred to as 'war babies' by industry historians.

Modern Era—1947 Onwards

After independence, there were big leaps in the hotel trade in the country. The Oberoi Group of Hotels (founded by Rai Bahadur Mohan Singh Oberoi) and the Taj Group took over several British properties, maintained high standards of service and quality, and expanded their business overseas. The later decades saw corporates like the ITC (Indian Tobacco Company) also join the hotel industry with properties under ITC Welcome Group. The year 1949 saw the organization of four regional hotels and restaurants associations with head offices in Delhi, Mumbai, Calcutta (now Kolkata), and Madras (now Chennai). These four associations were linked in a federation, the Federation of Hotels and Restaurants in India (FHRAI), in 1955. The federation serves as an interface between the hospitality industry, political leadership, government, international associations, and other stakeholders in the trade.

The Ashok Hotel in Delhi's diplomatic enclave has the distinction of being the first luxury hotel built by the government. It was founded in 1956 to host independent India's first ever international event, a United Nations Industrial Development Organization (UNIDO) conference. Realizing the importance and potential of the tourism and hospitality industry, the government constituted India Tourism Development Corporation (ITDC) in 1966, which opened many large and small hotels across the country. The most popular face of ITDC is the Ashok Group of Hotels that provides a wide range of hospitality-related services.

Over the last few decades, various well-known international hotel chains have come to India. These include Hyatt Hotels and Resorts, InterContinental Hotels and Resorts, Marriott International, Hilton Hotels, Best Western International, Shangri-La Hotels and Resorts, Four Seasons Hotels and Resorts, Carlson Hotels Worldwide, and Aman Resorts.

Current Scenario

The liberalization of the Indian economy has provided a boost to the hotel industry in a big way, leading to a sharp rise in the number of the inbound and domestic tourists in the last two decades. While the main focus of the international traveller has shifted from seeing the Taj Mahal in Agra and sunbathing on Goan beaches for doing business with one of the world's fastest growing economies, the boom in the information technology and other service sectors has placed substantial disposable incomes in the hands of Indian people, spurring the travel urge in them.

According to the Union Ministry of Tourism, 6.97 million tourists visited India in 2013 (see Table 1.1). Almost one third of the international arrivals were from the United States and the United Kingdom (see Table 1.5). The foreign exchange earnings from them were US \$18.4 million, which was 4 per cent more than the previous year (see Table 1.2). As many as 1145.28 million Indians travelled within the country (see Table 1.3) to register an annual increase of about 9.6 per cent in the domestic as well as inbound tourism categories. Even in the outbound sector, 16.63 million Indians travelled abroad in 2013 (see Table 1.4). However, India's share in the global tourism business is only 1.59 per cent. It is projected that in 2014, earnings from tourism would make up 7.3 per cent of the national GDP and 11 per cent of the employed Indians would be working in this industry directly.

Table 1.1 Foreign tourist arrivals (FTA) in India during 2000–2014

Year	FTA (in million)	Percentage change over the previous year (%)
2000	2.65	6.7
2001	2.54	– 4.2
2002	2.38	– 6.0
2003	2.73	14.3
2004	3.46	26.8
2005	3.92	13.3
2006	4.45	13.5
2007	5.08	14.3
2008	5.28	4.0
2009	5.17	– 2.2
2010	5.78	11.8
2011	6.31	9.2
2012	6.58	4.3
2013	6.97	5.9
Jan–June, 2014	3.54 (P)	5.2@

(P): Provisional, @ Growth rate over Jan–June, 2013

Sources: (i) Bureau of Immigration, Government of India, for 1997–2013

(ii) Ministry of Tourism, Government of India, for Jan–June, 2014

Table 1.2 Foreign Exchange Earnings (FEE) from FTA during 2000–2014

Year	FEE from tourism in India (in US \$ million)	Percentage change over the previous year (%)
2000	3460	15.0
2001	3198	– 7.6
2002	3103	– 3.0
2003	4463	43.8
2004	6170	38.2
2005	7493	21.4
2006	8634	15.2
2007	10,729	24.3
2008	11,832	10.3
2009	11,136	– 5.9
2010	14,193	27.5
2011	16,564	16.7
2012	17,737	7.1
2013 # ²	18,445	4.0
Jan–Jun, 2014 # ¹	9334	– 0.8@

#² Advance estimates, @ Growth rate over Jan–Jun, 2013

#¹ Revised estimates

Sources: (i) Reserve Bank of India, for 1997 to 2010

(ii) Ministry of Tourism, Government of India, for 2011, 2012, 2013, and 2014

Table 1.3 Domestic tourism during 2000–2013

Year	No. of domestic tourist visits (in million)	Percentage change over the previous year (%)
2000	220.11	15.4
2001	236.47	7.4
2002	269.60	14.0
2003	309.04	14.6
2004	366.27	18.5
2005	392.01	7.0
2006	462.32	17.9
2007	526.56	13.9
2008	563.03	6.9
2009	668.80	18.8

(Contd)

Table 1.3 (Contd)

Year	No. of domestic tourist visits (in million)	Percentage change over the previous year (%)
2010	747.70	11.8
2011	864.53	15.6
2012	1045.05	20.9
2013(P)	1145.28	9.6

(P): Provisional, S-DTV figure of 2012 has been revised

Source: State/Union Territory Tourism Departments

Table 1.4 Number of outbound visits of Indian nationals, 2000–2013

Year	No. of outbound visits (in million)	Percentage change over the previous year (%)
2000	4.42	7.3
2001	4.56	3.4
2002	4.94	8.2
2003	5.35	8.3
2004	6.21	16.1
2005	7.18	15.6
2006	8.34	16.1
2007	9.78	17.3
2008	10.87	11.1
2009	11.07	1.8
2010	12.99	17.4
2011	13.99	7.7
2012	14.92	6.7
2013	16.63	11.4

Source: Bureau of Immigration, Government of India

Table 1.5 Top ten source countries for FTA in 2013

S. no.	Source country	FTAs (in million)	Percentage share (%)
1	USA	10,85,309	15.58
2	United Kingdom	809,444	11.62
3	Bangladesh	524,923	7.53
4	Sri Lanka	262,345	3.77
5	Russian Fed.	259,120	3.72
6	Canada	255,222	3.66
7	Germany	252,003	3.62
8	France	248,379	3.56

(Contd)

Table 1.5 (Contd)

S. no.	Source country	FTAs (in million)	Percentage share (%)
9	Malaysia	242,649	3.48
10	Japan	220,283	3.16
Total of top 10 countries		41,59,677	59.70
Others		28,07,924	40.30
G. total		69,67,601	100.0

Source: Bureau of Immigration, Government of India

As per the rating agency ICRA, the Indian hospitality industry is expected to grow by 9–11 per cent in 2015–16, mainly due to a modest increase in occupancy and small traction rates. There are about 1242 hotels approved and classified by the Ministry of Tourism, Government of India, with a total capacity of about 76,858 hotel rooms. Unless demand keeps pace, the widening supply–demand gap will impact rate integrity over the next two years.

This growth is attributed to the country's 'Incredible India!' international marketing campaign, which mounted a concerted effort in international print and electronic media, besides the Internet, outdoor advertising, and roadshows, to showcase the country's tourism-friendly aspects. India's open skies policy has also led to a massive growth in travel for business and pleasure. The upgradation of national highways connecting various parts of India has opened new avenues for the development of budget hotels here. All this has resulted in exciting opportunities for the hotel industry.

While the potential of the hotel business is great, there are several constraints for the industry to grow. The high cost of land in the country often discourages an investor to put money in the construction of new hotels, which is highly capital intensive—it is estimated that constructing a single five-star room costs around ₹12.5 million (₹1.25 crore). This, according to hoteliers, is hardly an incentive to construct new hotel properties. Hence, there is a mismatch between demand and supply, leading to higher occupancy rates and increasing prices. In fact, the average price of a hotel room worldwide increased by three per cent during 2013. Global travellers on an average paid two per cent more on hotels in India during 2013 when compared to 2012 to a national rate of ₹6278. Though this rate is affordable for business travellers, it is very difficult for leisure travellers to shell out so much money.

Let us now get an overall insight into hotel operations by understanding the definition and the core departments of a hotel.

HOTEL—DEFINITION AND CORE AREAS

The term hotel was used for the first time by the fifth Duke of Devonshire to name a lodging property in London sometime in AD 1760. The word hotel is derived from the French word *hôtel*, which refers to a French version of townhouse. Historically, in the United Kingdom, Ireland, and several other countries, a townhouse was the residence of a peer or an aristocrat in the capital or major cities. The word 'hotel' could have also been derived from *hostel*, which means 'a place to stay for travellers'.

A hotel or an inn is defined by the British Law as ‘a place where a bonafide traveller can receive food and shelter, provided he is in a position to pay for it and is in a fit condition to be received’. Hence, a hotel must provide food (and beverage) and lodging to a traveller on payment, but the hotel has the right to refuse if the traveller is not presentable (either drunk, or disorderly, or unkempt) or is not in a position to pay for the services. Alternatively, a hotel may be defined as ‘an establishment whose primary business is to provide lodging facilities to a genuine traveller along with food, beverage, and sometimes recreational facilities too on chargeable basis’. Though there are other establishments such as hospitals, college hostels, prisons, and sanatoriums, which offer accommodation, they do not qualify as hotels since they do not cater to the specific needs of a traveller.

A hotel is thus an establishment that provides paid accommodation, generally for a short duration of stay. Hotels often provide a number of additional guest services, such as restaurants, bar, swimming pool, health care, retail shops; business facilities such as conference halls, banquet halls, boardrooms; and space for private parties such as birthdays, marriages, and kitty parties. Most of the modern hotels nowadays provide the basic facilities in a room—a bed, a cupboard, a small table, weather control (air conditioner or heater), and bathroom—along with other features such as a telephone with STD/ISD facility, a television set with cable channel, and broadband Internet connectivity. There might also be a mini-bar containing snacks and drinks (the consumption of the same is added to the guest’s bill), and tea and coffee making unit having an electric kettle, cups, spoons, and sachets containing instant coffee, tea bags, sugar, and creamer.

Core Areas of a Hotel—An Overview

The organization of a hotel today is very complex and comprises various departments. The number of departments varies from one establishment to another. All departments may have their own managers, reporting to the general manager and the assistant general manager. Figure 1.19 shows the various departments typically present in a large hotel. Hotel departments fall under the category of either revenue-earning departments or support departments.

Revenue-earning departments These are operational departments that sell services or products to guests, thus, directly generating revenue for the hotel. The departments include front office, food and beverage, and hotel-operated shops.

Support departments These are the ones which help to generate revenue indirectly by playing a supporting role to the hotel’s revenue-earning departments. The departments include human resource, maintenance, purchase, housekeeping, and so on.

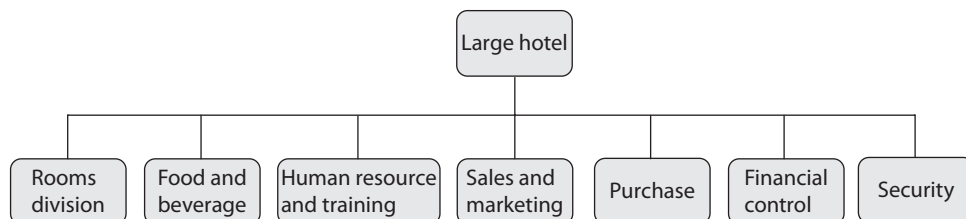


Figure 1.19 Departments of a large hotel

The various departments in a hotel are discussed briefly as follows (for details, refer Chapter 3):

Rooms Division Department

In a large hotel, the housekeeping, front office, and maintenance departments come under rooms division. These departments together are responsible for maintaining and selling the rooms in a hotel. In most hotels, these are the departments that directly or indirectly generate more revenue than any other department. This is because the sale of rooms constitutes a minimum of 50 per cent of the total revenue of a hotel. A hotel's largest margin of profit comes from room sales because a room, once made, can be sold over and over again. The rooms division is headed by the rooms division manager to whom the front office manager, executive housekeeper, and very often, the chief engineer report.

Housekeeping department The housekeeping department is responsible for the cleanliness and upkeep of the front of the house areas as well as back of the house areas, so that they appear as fresh and aesthetically appealing as on the first day when the hotel opened for business. This department is headed by the executive housekeeper or, in chain hotels, the director of housekeeping.

Front office department Headed by the front office manager, this department is the operational department responsible for welcoming and registering guests, allotting rooms, and helping guests check out. Uniformed services such as concierge, bell desk, and EPBAX operators are part of the front office department.

Maintenance department The maintenance department, also called the engineering and maintenance department, is headed by the chief engineer or the chief maintenance officer. The department is responsible for all kinds of maintenance, repair, and engineering work on equipment, machines, fixtures, and fittings.

Food and Beverage Department

The food and beverage (F&B) department includes restaurants, bars, coffee shops, banquets, room service, kitchen, and bakery. This department is headed by the F&B director. While the restaurants, bars, coffee shops, banquets, and room service may be grouped specifically under the F&B service department, headed by the F&B manager, the kitchen and bakery fall under the F&B production department, headed by the executive chef.

Human Resource Department

The human resource (HR) department—or the personnel department, as it used to be called earlier—is headed by the human resource manager. Recruitments, orientation, training, employee welfare and compensation, labour laws, and safety norms for the hotel come under the purview of the HR department. The training department is an ancillary department of the HR department. This is headed by the training manager, who takes on the specific task of orientation and training of new as well as existing employees.

Sales and Marketing Department

The sales and marketing department is headed by the sales and marketing manager. A large hotel may have three or more employees in this department, whereas a small hotel

can do with just one employee. The function of this department is five-fold—sales, personal relations, advertising, getting MICE (meeting, incentive, conference, and exhibition) business, and market research. All these functions lead to the common goal of selling the product of the hotel—that is, rooms—and the services of the hotel by ‘creating’ customers.

Purchase Department

The purchase department is led by the purchase manager, who, in some properties, may report to the financial controller. The procurement of all departmental inventories is the responsibility of the purchase department. In most hotels, the central stores are part of the purchase department.

Financial Control Department

The financial control department, also called the control department, is headed by the financial controller, who is responsible for ratifying all the inventory items of the operational departments. Inventory control procedures are the responsibility of this department. The financial controller, along with the general manager, is responsible for finalizing the budgets prepared by the heads of other departments. The hotel’s accounts are also maintained by the controls department. Accounting activities include making payments against invoices, billing, collecting payments, generating statements, handling bank transactions, processing employee payroll data, and preparing the hotel’s financial statements.

Security Department

Headed by the chief security officer, the security department is responsible for safeguarding the assets, guests, and employees of the hotel. Their functions include conducting fire drills, monitoring surveillance equipment, and patrolling the property.

SUMMARY

Hospitality industry is an umbrella term, which includes a broad variety of service industries, and is not limited to, hotels, food service, casinos, and tourism. The industry is very diverse and global and is greatly impacted by fluctuations within the economy and by various happenings across the world.

Tourism and hospitality are among the major revenue-earning enterprises in the world and also happen to be among the highest priority industries and employers. There has been an upmarket trend in tourism over the last few decades due to developments in technology and transport infrastructure as well as aggressive marketing by tour operators and travel agencies. Tourism contributes to the economic growth of a country by causing employment generation, foreign exchange earning, and infrastructure development. It also promotes a wide range of related

industries, such as restaurants, retail and shopping, transportation, and cultural industries.

The origin of the global tourism industry can be traced to the early lodging facilities in Europe. However, the modern hotel industry took shape in the American continent; some of the landmarks are the City Hotel in New York, the Tremont House in Boston, and the Statler Hotel in Buffalo. Indian hotel industry has also risen by leaps and bounds from ancient times to modern era. Today, India is an important international tourist destination with 1.59 per cent share in the global business. In absolute terms, 6.97 million international tourists arrived in India during 2013 and spent US \$18.4 million. This growth is attributed to the country’s ‘Incredible India!’ international marketing campaign and its open skies policy, which have led to a massive growth in travel for business

and pleasure. All this has opened exciting opportunities for the hotel industry. The hospitality industry is expected to grow by 9–11 per cent in 2015–16, mainly due to a modest increase in occupancy and small traction rates.

A hotel may be defined as an establishment whose primary business is to provide lodging

facilities to a genuine traveller along with food, beverage, and sometimes recreational facilities too on chargeable basis. The organization of a hotel is complex and comprises various revenue-earning and support departments—rooms division, food and beverage, human resource, sales and marketing, purchase, financial control, and security.

KEY TERMS

Bureau de change *fr.* An office or part of a bank where foreign currency is exchanged

Busboy An employee in a restaurant or café who clears away dishes, sets tables, and assists the servers

Caravan A group of people, vehicles, or supervised animals that are travelling together for security

Domestic tourism The tourism activity of people within their own country

Hotel A place where a bonafide traveller can receive food and shelter, provided he/she is in a position to pay for it and is in a fit condition to be received

Inbound tourist This refers to tourists entering a particular country

Itinerary A plan for a journey, listing different places in the order in which they are to be visited

Memento An object given or kept as a reminder or in memory of somebody or something

Motel A hotel for people who are travelling by car, with space for parking cars near the rooms

Outbound tourist This refers to tourists travelling abroad for business or leisure

Sommelier A wine steward in a restaurant, hotel, or other establishment, who supervises the ordering, storing, and serving of wine

Souvenir Something bought or kept as a reminder of a place or occasion

Tourism Movement of people from their normal place of residence to another place (with the intention to return) for a minimum period of 24 hours to a maximum of six months for the sole purpose of leisure and pleasure

EXERCISES

Review Questions

Multiple-choice Questions

- Concierge, bell desk, and EPABX operators are part of
 - rooms division department
 - housekeeping department
 - front office department
 - maintenance department
- During which year did the organized existence of the Indian hotel industry start to take shape?
 - Colonial period
 - Modern era
 - Ancient era
 - Medieval era
- The primitive lodging houses in Switzerland were known as
 - mansionis*
 - hospitia*
 - phatnal*
 - Both (a) and (b)
- Which of the following is required by a person to travel to a foreign country?
 - Passport
 - Visa
 - Foreign exchange
 - All of these

5. In which year did the Indian government constitute the India Tourism Development Corporation (ITDC)?
- 1966
 - 1968
 - 1950
 - 1976

Match the Following

Dharmashala	Japan
Ryokans	India
Relay houses	America
Taverns	China
Hospitia	Europe
Coffee houses	Switzerland

Discussion Questions

- Define the term hotel.
- Define tourism and enumerate the importance of tourism with respect to the hotel industry.
- List the different types of lodging houses that existed in ancient Europe.
- What facilities does a hotel provide to its guests?
- Trace the origin and growth of the hotel industry in India.
- What was the impact of the Grand Tour on the development of the hotel industry in Europe?
- How does tourism affect the hotel industry?
- Discuss the contribution of American hoteliers to the development of the hotel industry.

Project Work

Identify a leading hotel chain and ascertain the following:

- When did the company start its operations?
- Who is the owner of the chain?
- Which is the chain's first property?
- What are the innovations and contributions of

the hotel chain?

- Find the different brands operated by the chain.
 - Carry out a comparative analysis of the facilities and services with other hotel chains.
- You may take help from the Internet for your assignment.

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