

HOSPITALITY SECTOR - ISSUES AND CHALLENGES

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Abstract:

A hospitality sector is one of the important players in service industry. India is known as the land of hospitality due to kind nature of people and traditional culture. The hospitality industry is one of the fastest growing sectors in the world but also faces fierce competition and highly technological changes. These advancements and improvements have done wonders to improve organisation, efficiency and customer experience. However, they have facing major issues which affected to hotels and its services. Hospitality industry faces challenges like inconducive working conditions, attrition, burnout, changing demands of customers, revenue challenges etc. The paper discusses the growth of hospitality industry and the major challenges faced by it.

Keyword: Hospitality, Human Resource Management, hotel, challenges

HOSPITALITY:

Oxford dictionary defines; hospitality means “the reception and entertainment of visitors, guests, or strangers with good will and liberality”. Hospitality Industry is a very sensitive sector as always focuses on first preferences to customer or guest. Hospitality provides different types of essential services in various fields. The main motto of hospitality is to provide the best customer service apathetically.

GROWTH OF TOURISM INDUSTRY WORLD WIDE

The Hospitality sector is a part of large enterprise which known as travel and tourism industry. Globally, the travel and tourism industry was of the size of over 7.6 trillion U.S. dollars in 2016¹. According to the U.S. Travel Association, over 75 million international travellers visited the U.S. in 2016, and that number is expected to hit over 83 million by 2020². This implies its potential to affect other industries and employees

¹<https://www.statista.com/topics/962/global-tourism/> accessed on 19th February 2019.

² <https://www.astutesolutions.com/industry-insights/hospitality-industry> retrieved on 28/12/2018.

significant number of manpower. In this study tourism is chosen as the industry sector of interest for two reasons. First, tourism is emerging as a vital driver of economic growth in both developed countries and developing countries (WTO, 2010). Second, some countries have developed their own specific tourism Quality managements systems and it is therefore interesting to compare these specific standards with the well-known and well-established international standards (such as ISO 9001). China's tourism industry has opened up since 1978, and was ranked fourth as one of the World's Top Tourism Destination in 2013 (UNWTO, 2014). In this trend hotel of china faces many diversity of international customers, cross cultural problems, workforces etc. The hospitality and tourism industry suffers from and mitigates climate change (Solimar International, 2014). For example, Jamaica which is located in the Caribbean region highly depends on the hospitality and tourism industry for economic growth and development (Sinclair-Maragh, 2016). Profoundly, the economies of Caribbean countries are linked to climate and this makes them vulnerable to any change (Taylor, Stephenson, Chen, & Stephenson, 2012).

TOURISM INDUSTRY IN INDIA

India being a large and diversified country has many opportunities for tourism. It has several world heritage cites, sea shores, forests, lion centuries, religious places, Statue of Unity etc. Tourism also has a significant contribution in the development of India. Total contribution by travel and tourism sector to India's GDP is expected to increase Rs 32.05 trillion (US\$ 492.21 billion) in 2028 as compared to Rs 15.24 trillion (US\$ 234.03 billion) in 2017. As of 2017-18, 81.1 million people were employed in the tourism sector in India which was 12.38 per cent of total employment in the country³. India has a unique culture about hospitality which shows respect, value, attitude, belief of people. 'Atithi Devo Bhava' -The guests are treated like Gods in the country.

The hospitality industry is considered as the sector with the highest occupational mobility (turnover) at both hourly and managerial levels internationally (Paraskevas 2000). In hospitality sector employees are one of the key elements to run operations successful. Selecting right employees will greatly enhance the likelihood of success for any enterprise (Davidson 2003).

CHARACTERISTICS OF HOSPITALITY SECTOR:

It would be right to say here the hospitality sector has different characteristics as compared to other sectors. Hospitality has a long history as people always welcomed every friends, family and strangers. The hospitality industry, is transforming from a product-focused, physical-asset intensive business to a customer-focused, experience-centric one (Knutson et al., 2006).The difference lies in not 'selling' the product but the 'experience' to its customers. According to Hemmington (2007), "customers do not buy

³ <https://www.ibef.org/industry/indian-tourism-and-hospitality-industry-analysis-presentation> retrived on 04/05/2019.

service delivery, they buy experiences; they do not buy service quality, they buy memories.” Thus customer’s perspective plays an important role in an organization. Lashley (2008), stated that “hospitality is essentially a relationship based on hosts and guests”. In order to gain competitive advantage, frontline employees can be used as operant resources to co-create customer experiences (Lusch et al., 2007). This explains the reality of hospitality industry about competition. Bharwani and Jauhari (2013) said that experience of the customer is the main front face and heart of any organization. Two way communications Process is play very critical factor in service industry. The Hospitality industry mainly depends on long term relationship with customer. These directly impact on growth and development of hospitality sector. Hospitality is closely linked with tourism field so often see the diversity in culture and perspective of people is also different. Maintain relationship and harmony in cooperation is the best way for giving best hospitality.

HRM IN HOSPITALITY SECTOR

Human Resource Management in the hotel industry, especially in large hotel chains, has rapidly developed in the last few decades, by means of modern HRM assets (Krstic, 2016) and its importance is constantly growing. Employees are considered to be “key determinants of service quality, customer satisfaction and loyalty, competitive advantage and organizational performance” (Kusluvan et al., 2010). Hotels have play an important role to attract the people, engage and maintain top talents. Since mid-1980s, Human resource management has gained acceptance in academic and industrial world.

IMPACT OF GLOBALIZATION ON HOSPITALITY INDUSTRY

Liberalization, privatization and globalization of economies have significantly affected the hospitality industry (Erdly and Kesterson-Townes, 2003). Globalization has increased the level of competition in the hospitality sector and has changed the strategic and operational landscape in the industry (Kandampully and Suhartanto, 2000)

There are also negative perceptions in tourism and hospitality sector. Keep and Mayhew (1999), in their review of the skills issue in the tourism and hospitality industry suggest the industry has a number of personnel problems, including generally low wages, shortage of skilled, unsocial hours (Chris Ryan, 2015), poor employment practices, man-woman bias, seasonal employment.

CHALLENGES OF HOSPITALITY SECTOR

Demand and supply gap

Walls et al. (2011b) have emphasized on the role of physical environment and human interaction for better customer experience. (Morgan, 2004, 2006) argues that to be successful in the experience economy it is

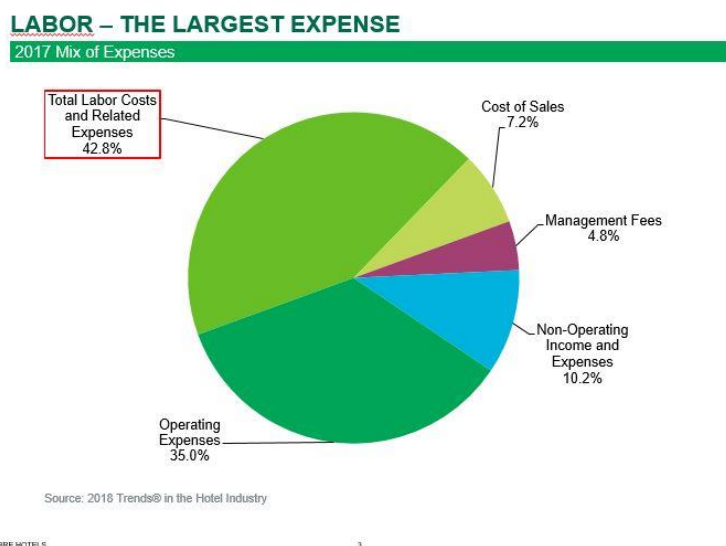
important to train and develop professionals who understand the requirements of their guests. Hospitality industry needs employees with competencies which go beyond the traditional skills model of the sector (Baum, 2006). Hospitality industry is facing the problem of shrinking of the labour force (ISHC, 2006).

- Over reliance on informal recruitment methods;
- Lack of evidence of good HRM practices;
- Little or no trade union presence;
- High levels of labour turnover;
- Difficulties in recruitment and retention of employees.
- Sourcing of candidates/ Recruitment:(Rahaman, 2013) said that professionals of the hospitality industries are constantly facing new challenges to source or recruit the best and potential candidate for the organization. Johnson (2010) highlights several issues such as current or permanent employees, temporary or casual employees, retired employees or descendants (children) of deceased (expired), disabled, retired and present employees.

Richardson (2008) said that work environment in the industry is turning potential employees away. Many of those with work experience claimed to have negative attitude toward a career in the industry.

Trade union issues: Hospitality industries is facing trade union issues and escalating health care and benefit costs among others (ISHC, 2006).

Increasing labour cost: In the hotel industry, labor costs average roughly 50 percent of total operating expenses. Some studies cite the combined costs of salaries, wages, service charges, contract labor, bonuses and payroll-related expenses averaged 42.8 percent of total operating expenses .Thus it would be important for any organization in this sector to keep its labour costs low to be competitive. Hospitality industry is facing issues related to escalation of health care and benefit costs (ISHC, 2006).



Source: 2018 Trends in the Hotel Industry

<https://images.app.goo.gl/mZccW1yGRkBTpNm69> retrieved on 19th February 2019

Burnout and attrition

In Service Industry High employee attrition rates make it difficult to establish a sustainable competitive advantage within the industry (Khatri et al., 2001; Anderson, 2005; and McCabe and Savery, 2007). According to the US Bureau of Labor statistics (2015) report, the staff turnover and total separations in hospitality and tourism industry, was at 6.3 per cent in April 2014, which increased from 5.7 per cent in May 2015. Subsequently, the manpower demand–supply gap has arisen owing to lack of adequate training infrastructure, significant employee turnover rate and substantial growth in number of hotels in hospitality sector. Considering the prompt developments in India’s hospitality industry and the growing demand for skilled employee, it is vital for the hotel employers to capture the employee’s perceptions and concerns about organizational practices (Mohsin et al., 2013).

In India, employee turnover rate in four star and higher category hotels was between 11 and 12 per cent in 2011 (Ministry of Tourism, Government of India, 2012). Ministry of Tourism (2012) report predicted the total employment in hotels to increase up to 7,600,000 by March, 2022. Consequences of employee turnover are related to financial implications including recruitment and training cost, talent attrition and decreased productivity (Loi et al., 2006). Global Talent Trends and Issues for the Travel and Tourism sector, 2015, points out, the problem of shortage of talented workers in tourism and travel sector, including the hotel industry. The research has shown that this sector is facing, on the global level, the annual deficit of 14 million jobs. It also shows that the sector of travel and tourism faces significant problem of lack of talents, more than in the economy as a whole. This study predicts a lack of talents in 6 out of 46 countries in the next 5 to 10 years (WTTC, 2015). Some studies point out world over attrition in this industry as high as 30%⁴.

Tourism and hospitality organizations across the world face the growing problem of attracting and retaining employees with desired skills and commitment (Bednarska, 2013; Enz, 2009; Walsh & Taylor, 2007). In foreign countries like the US, UK, Canada, Dubai, Australia, the compensation has seen a rise of 15-20 per cent, so the youngsters are exploring to start a career in hospitality industry in foreign for the better growth⁵.

Poor employment practices and conditions: Every employee should meet chances for doing something better and give their ideas to management. However, in many industries the reality is totally different. Isaac et. al. (2012) said that, there are numbers of personnel problems and poor employment practices and condition in hotel and catering industry in worldwide. According to Farooque and Habibuddin, 2015,

⁴<http://www.hospitalitybizindia.com/detailNews.aspx?aid=27821&sid=5> accessed on 19th February 2019.

⁵<https://economictimes.indiatimes.com/attrition-hits-indian-hospitality-industry/articleshow/6675470.cms> accessed on 19th February 2019.

hospitality industry faces problems such as low wages, long working hours and unstable shift hours, poor or non-existent career structures, over reliance on informal recruitment methods, high labour turn over and lack of evidence of good human resources practices. The industry is lacks attractive salary compensation, maintaining a good work life balance, better opportunities to grow.

The hospitality industry is known for pressurized physical as well as emotional environment. Lee and Ashforth (1990), described the environment as a “syndrome of emotional exhaustion, depersonalization of others, and a feeling of reduced individual accomplishment”.

ICT in Hospitality & Tourism: Parsons and Oja (2013) discuss on Information and Communication Technology. Now online reservation is become great system for hotel bookings. Cost effectiveness and time saving for customer is the main advantages of ICT. This new concept spread widely across all over the world. Many travel companies working on online reservation- Expedia, Orbitz, Thomas cook and many more.

MANAGEMENT ISSUES/ CHALLENGES IN HOSPITALITY INDUSTRY CAN BE SUMMARIZED AS FOLLOWS:

Changing Expectations of Customers: In any service industry the customer is considered to the king. With changing life styles and growing competition it is difficult to understand the preferences of customers. Employees in this sector should try to reduce the gap between actual and desired expectations. The challenge today is to keep updated with the latest happening around to keep the customers happy. Guest satisfaction is the main motto of hotel industry. So, they must aware about customers likes-dislikes and their tastes. Modern customers expected fast solution of any solution. Guest are now become more eco-friendly, they understand their social responsibility to care and protection of environment.

Continued Technological Changes: In this technological era guest of hotel demand many free services when they booked the room. Guest expect internet facility it means free Wi-Fi, Online check-in and check-out facilities with new apps, USB ports, TVs etc. Today most of the managers are connected with highly advanced technology for making customer satisfied. In current competitive era Technology in the Hotel Industry is helping transform businesses. Over the past couple of years, important Innovation in the Hospitality industry is work by technology. Artificial intelligence (AI) is and will significantly affect the hospitality industry. Some restaurants like Bareburger offer free food to people who scanned Snapcodes from their takeout bags. However sometimes hotel managers face many problems due to technical errors.

Safety and Security challenges: Everyone now a days is concerned about safety and security while going for vacations and holidays. Crime, Terrorism, natural disaster, man-made disaster these all are the major threats to hotels. Disaster such as Iraq war terror attack of September 11, 2001 in New York, Tsunami

disaster on 26th December 2004 in Thailand, Mumbai Taj Hotel attack on 26th November 2008 have created a negative impact. Hotel manager's main duty is to think about guest can feel comfortable and safe. In this point risk management is crucial point to cover all security measures. There are also other issues which included in safety that is food safety, fire safety, pool safety, crime safety.

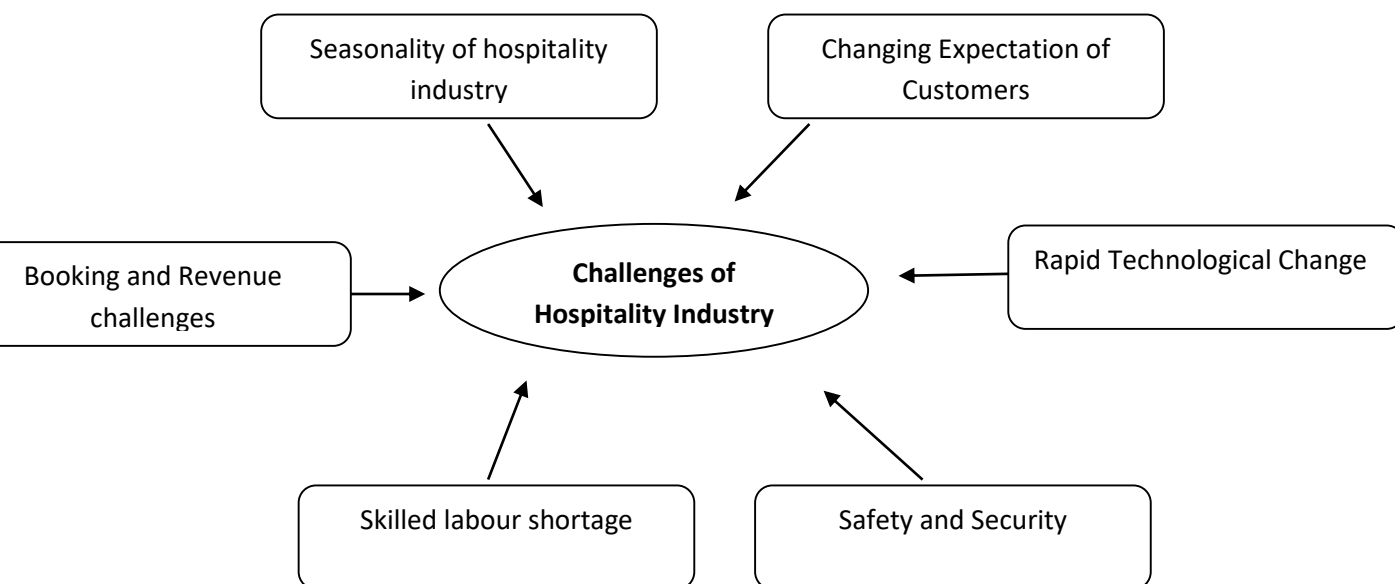


Figure 1: Challenges of hospitality industry



Booking and Revenue challenges: In this industry, booking agents had an important role to play. However, due to advent of information technology, increasing cost and decreasing revenue are one of the key management issues in the hospitality industry. Customers are increasingly using the services of company's website, telephone or email and social networks. This has significantly affected the revenue generation of the travel companies.

Seasonality of the hospitality industry: Seasonality is a temporary imbalance flow of tourist in certain periods of time that directly or indirectly affect the demand and supply. Generally in off season it is too difficult time for hotels and restaurants and in peak season time, business brings lots of profit. Hotel managers think about suitable strategy to increase the revenue in any days and season. Due to seasonality many employees do not receive payments in off season. The main reason for fluctuation is events, functions, festivals, and vacation at some period of time such as Christmas, Diwali, local festival and so on. In off season a well standing strategy is increase the demand. For that advertisement and promotions is a best way for rising income of hospitality industry.

Many successful hotels like Sheraton Hotel, Hilton Hotel, Radisson Blue and Four Points have taken advantage of this strategy by offering additional hospitality options like casinos, clubs, Events Hall and the likes. Many hotels offer world class casino, Terrace bar and swimming pool, goodies pub, fitness centre etc.

SWOT ANALYSIS OF HOSPITALITY SECTOR:

Strengths	Weakness	Opportunities	Threats
India's rich culture heritage	Poor support infrastructure	Rising income	Fluctuations in international tourist arrivals
Demand-supply gap	Slow implementation	Open sky benefits	Increasing competition
Government support	Susceptible to political events	New business opportunities	
Increase in the market share			

CONCLUSION:

In every industry, particularly in hospitality sector customer has a greater power. Now Customers demand very high quality service. Additionally the competition is also increasing, Hotel management has to cope-up with the competitors, adjust to the expectations of customers and face challenges related to human resources. It can be concluded that the management of hospitality industry need adjust to changing situation and tactfully handle challenges for survival and progress.

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