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Hospitality and Tourism: An Introduction

Research Article

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Abstract:

Hospitality and tourism services in India had gradually grown to be a full-fledged industry in the recent past. The reasons are increased travel needs due to better spending habits, promotion by the government, and the developed infrastructural facilities. But definitely the growth of such an industry had significantly contributed towards the overall development of the Indian economy. The hospitality and tourism industry has two specific components (hotel services and travel services) and the performance in each component towards foreign exchange earnings is noteworthy. The article takes into consideration the growth of hospitality and tourism services, types of tourism services, contribution to economy, role of the government, and policy formulations such as GATS and liberalization to promote

this sector and its social and economic viability. The article also discusses sustainable developments which are one of the most significant emerging trends.

Meaning and Concept of Tourism and Hospitality

India has attracted travellers from time immemorial. Tourists traveled from place to place to enjoy natural endowments, and religious and spiritual heritage. This is because of the country's glorious historical past, its cultural heritage and its varied landscape and terrain that lend natural beauty. Thus the process of traveling aptly termed as tourism started in antiquity. In those days, travel was mainly restricted to the nomads who used to travel sporadically. This process, in the modern times, has gradually evolved into one of the most flourishing industries globally. Tourism and hospitality, due to its diversity of nature and complementarity of service, has gradually evolved into a large-scale industry. It contributes approximately over \$4 trillion in gross global output. This means travel and tourism is one of the world's largest industry in terms of size and economic impact.

To define tourism and hospitality services, one should take into consideration the sum total of the processes that arise when an individual or a group of individuals travel from one destination to another. Travel and tourism as a whole means the business of providing information, transportation, accommodation, catering and other related services to the traveler. Therefore, the hospitality and tourism industry takes into account all the services associated with traveling for business and pleasure. It is a multidimensional and multifaceted activity which touches many lives and generates additional activities that help in overall growth of the economy.

The hospitality component of the industry provides a wide range of services to both visitors and local residents, including hotels, motels, resorts, restaurants, clubs, casinos and other places. The tourism component of the industry deals mainly with travel, both local and inter-state, and includes travel agencies, tourism information offices, tour wholesalers, attractions, meetings and conventions and tour guiding.

The essential feature of tourism and hospitality is the duration of stay that the individual traveler undertakes. The duration of stay should be of a temporary nature, i.e., a tourist is expected to stay for a minimum period of 24 hours and a maximum period of six months in the related travel destination. But such activities should not be for the purpose of seeking permanent residence and/or employment. Although travellers may also sometimes undertake a brief tour, like a picnic or an outing, this process, if it does not involve night stay, will not be considered as. Tourism.

Therefore, tourism is always considered as a leisure activity which is very often meant for recreation as well as other purposes. Defining tourism and hospitality takes into account three basic aspects:

1. The purpose of travel or visit which indicates a particular level of motivation.

This motivation is either directed towards spending leisure or fulfilling a business purpose.

2. The element of time is crucial. The minimum duration of stay is to be 24 hours.
3. Seasonality and periodicity largely influence the trend. This mainly refers to the climatic environment, which influences tourism activities. For instance, tourism at hilly destinations reaches its peak during the winter season while sea beaches face a tremendous tourist rush during the summer season.

Types of Tourism

Tourism, depending on the nature and function, can be classified into the following areas:

1. **Recreational tourism:** This is the most common form of tourism and as the name suggests is mainly meant for the purpose of recreation.
2. **Cultural tourism:** Cultural tourism is conducted to experience new types of experiences related to newer cultural activities such as the folklore, art, music, etc.
3. **Historical tourism:** This involves visits to heritage locations within or outside the country.
4. **Ethnic tourism:** This involves contact with unusual or quaint customs in remote areas.

5. Religious tourism: This involves tourism solely based on religious reasons, which largely takes into consideration pilgrimage activities.

Environmental tourism: This takes into consideration tourism related to the environmental aspects.

Adventure tourism:

This involves tourists who undertake activities such as mountaineering, trekking and other adventure activities.

The above classification, although not exhaustive, suggests the various motivation factors that have dominated individuals worldwide to undertake travel. In fact, traveling has been a very ancient activity, which had kept mankind dynamic. Traveling also helps to come out of the monotonous lifestyle. But in modern days, due to improvements in technology, transportation has become fast, and much more convenient. As a matter of fact, transportation has also gradually evolved as a part of the hospitality industry. Improvements in transportation facilities have obviously facilitated the tourism industry as a whole.

Growth of Hospitality and Tourism as an Industry

Tourism in the modern world has grown to be one of the largest industries in the world and as per the World Travel & Tourism Council (WTTC) and World Economic Forum (WEF); it generates ten percent of global GDP and employment. In South East Asia, the forecast is that by 2010, tourism and hospitality will contribute to around 12 percent of the region's GDP and 10.5 percent of total employment. Using Tourism Satellite Accounting, an accredited econometric tool, WTTC each year measures the full economic impact of travel and tourism in over 160 national economies. The results have shown that this impact is far greater than had previously been expected. According to WTTC research, travel and tourism generates economic activity worldwide representing over ten percent of total global GDP. The industry also accounts for over 200 million jobs (both direct and indirect). With 4.5 percent per annum growth forecast for the next ten years, travel and tourism is not only one of the world's largest, but one of its

fastest growing industries. Tourism is now the world's largest export industry, which, according to World Trade Organization, generated about US\$ 372.6 billion during 1995 by some 567 million tourists worldwide. In the said year, travel and tourism is said to have provided direct and indirect employment for 212 million people worldwide. Tourism thus accounts for a major contribution to foreign exchange earnings of several developing and even developed countries. In 1990, world tourism generated 12% of world GNP which increased to 16% in the year 2000. Although growth of tourism can be identified as an ancient phenomenon, the maturation of the tourism industry in India is a of recent development. Immediately after the foreign exchange crisis of 1991, Indian government identified hospitality and tourism sector as one of the potential sectors, where investments can boost Indian economy. In fact, since the year 2000, India has recorded a 16% growth till October 2003. The number of international tourists has increased from 70 million in 1960 to 700 million in 2000. As per estimates, it is going to hit 1.5 billion in the next 20 years. As one of the world's largest and fastest growing industries, travel and tourism is, and will continue to be, a significant source of growth and prosperity not only in India but worldwide also.

Below is given a table, which affords a glimpse of the growth of tourist arrivals between 1950-91.

Year	International tourist arrivals (in thousands)	International tourist receipts (million of US Dollars)
1950	25262	2100
1960	69296	6867
1965	112729	10073
1970	159690	17900
1975	214357	40702
1980	284840	102363
1985	325725	108091
1990	429000	249000
1991	450000	278000

Source: World Tourism Organization.

In India, inbound traffic presently is growing at a steady rate of 5-6 percent per annum, and as per the statistical figures, the total visitor arrivals around 35 percent are estimated to travel here for business purposes, 45 percent for tourist purposes and 20 percent to meet family and friends.

Year	Tourist arrivals (m)	Change (%)
FY95	2.12	12.8
FY96	2.29	8.0
FY97	2.38	3.9
FY98	2.37	-0.4
FY99	2.40	1.3
FY00	2.51	4.6

Source: World Tourism Organization.

As a result of liberalization the number of inbound business travellers went up as foreign direct investment to India has picked up due to the entry of financial institutions and multinational companies. Consequent to this, domestic business travel too has picked up. Taking into consideration foreign tourists, however, arrivals have been growing slowly, as bottlenecks have played a negative role and discouraged foreigners from coming to India. The expensive and low quality 3-4 star budget hotels and inadequate infrastructure are the primary reasons for such decline.

The outbound traffic from India has, however, been growing very rapidly due to the growing middle-class population. Outbound travel has more than doubled in the last couple of years. The reasons for this being higher salaries as a result of increased private sector employment, improved awareness due to increased level of education, especially among women, and impact of the Western culture and practices. Coupled with this, RBI's liberal regulations since 1994, like the increase in the basic travel quota (BTQ) for foreign exchange have given a

fillip to outbound leisure and business travel. Outbound leisure business is growing at 30 percent per annum currently.

Although travel and tourism failed to get its share of attention from the government initially, the augmented growth of communication and transportation technologies have greatly facilitated the growth of tourism as such. With the, liberalization of the economy, trade, and business, tourist travel to India had increased manifold. Therefore, the tourism and hospitality services sector has experienced a sea change over the last decade.

Income from tourism although surprisingly high, made no significant difference -during the period of 2000-2003. But this trend was reversed in the year 2004 and in October 2004 foreign exchange receipts from tourism industry reached \$3,853 million which is 38% higher than 2003. Rajasthan, which is one of the prime tourist destinations in India, alone registered 63% growth in foreign tourists and a 33% increase in the number of domestic visitors in comparison to 2003. Keeping in view such significant developments the government is now keen promote tourism in India. As a matter of fact, Indian Government identified 31 villages in various states like Himachal Pradesh, Gujarat, Maharashtra, Bihar, Karnataka, Madhya Pradesh, Andhra Pradesh and Kerala to be promoted as tourist destination hubs.

Effect of Liberalization on the Travel Industry

The formulation of GATS 2000 has revolutionized the tourism sector globally GATS 2000 is essentially the first set of multifaceted and multilateral rules that ores free trade of services. As a result, GATS 2000 has promoted:

1. Internationalization of tourism.
2. A competitive environment in the hospitality and tourism market increasingly based on diversification, market segmentation, and diagonal integration. This, in turn, started to promote market access for private players.
3. Huge demand for skilled labour thus generating significant employment in this sector.

These three major factors brought about a major wave of liberalization in hospitality and tourism sector, and as a result, influenced opening up of the Indian economy at the beginning of

the new millennium. The business of ear~ foreign exchange has undergone change with the growth in inbound and outbound tourists. This is because the volumes of foreign exchange bought and sold is much higher now than before the liberalization of the economy.

Another positive effect that dominated the industry after liberalization was inception of a competitive market environment, especially on account of the influence of private players and young entrepreneurs. This helped in development. of skilled, well-trained manpower better adapted to the changing needs of the industry. Supplementary to this process, level and quality of services improved "lot coupled with standardized pricing methods and customized packages.

Steps Taken by the Indian Government to Promote Economically Viable Tourism

Tourism in India is a flourishing industry from the point of view of India economy. Tourism and hospitality industry is the third largest earner of foreign exchange. India started to attract around 2.4 million tourist visitors every year on an average starting from the year 2001. This was, however, a very small percentage in comparison to the number of tourists worldwide which is somewhere around 625 million per annum.

Therefore, it is clear that in spite of India having a rich source of diverse culture and heritage, it was not being able attract a large number of visitors. The reasons were attributed to the following factors:

- a- Inadequate infrastructure facilities in the absence of proper investment.
- b- No concerted marketing efforts in the absence of a major private sector thrust.
- c- Inadequate safety measures.
- d- Low quality public services mainly caused by lack of training and monopolized nature of the market.
- e- Expensive hotel tariffs because of increased expenditure and luxury taxes.

In order to overcome the above problems, Indian government started actively participating and encouraged private participation to nurture healthy competition terms of pricing and quality of services.

This was an imperative step that the Indian government had to take to promote tourism as one of its core industries. Consequently, government actively encouraged activity-based tourism to

increase the duration of tourist visit, besides promoting adventure and religious tourism. The plan of action adopted in order to implement the above can be enumerated as follows:

To break the seasonality factor: This can be done through promotion of tourism in different tourist destinations throughout the year.

To disperse tourism to lesser-known areas: This can be done through promotion of tourist hubs and destinations in remote areas and explore new opportunities. But this will not be possible without development of cheap and safe transportation infrastructure.

Develop pilgrimage sites: Development of pilgrimage sites can be especially focused in destinations of historic significance.

But it is understood that development of tourism and hospitality services in India will not be possible without the development of basic infrastructure like sanitation, roads, parking facilities, etc. The government should encourage private sector participation in order to promote tourism-specific infrastructure like tourist information and reception centers.

Entertainment infrastructure should also be focused through developments of amusement parks, ropeways, herbal gardens, health resorts and wildlife sanctuaries.

Above all, facilities for accommodation transport and catering should be improved so as to attain the best quality of service delivery. This can never be possible without healthy competition and, therefore, private players' participation: - more than necessary.

Significance of the Growth of Tourism Industry as a Whole Travel and tourism is regarded by World Travel and Tourism Council (WTTC) as the best development option in many emerging economies. This function utilizes in an effective way a country's natural and cultural resources to create jobs and wealth. Travel and tourism provides powerful market incentives to protect and preserve fragile eco-systems, endangered wildlife and unique cultural heritage.

"Because of its size and impact, travel and tourism is one of the largest sources of economic activity in the world. At the same time, it can be an important force for sustainability by raising living standards in under-developed areas, promoting preservation of the natural and human environment and providing a vehicle for peaceful international exchange." (Source: www.barcelona2004.org/esp).

Making Travel and tourism work positively for everyone requires the active engagement of all stakeholders - governments, businesses, local communities and the traveling public.

Although the government had realized the significance of the industry, the policies and guidelines adopted to promote tourism are yet to be clarified. Therefore, for effective progress the private sector must play a pivotal role.

Travel and tourism operations extend throughout the globe and are a major source for revenue generation. As a consequence, they can raise incomes and contribute to poverty alleviation by:

Stimulating and reviving the development of infrastructure which includes transportation facilities such as airports, seaports and roads, public utilities to supply water and power and recreational facilities such as parks, stadiums and museums.

Travel and tourism helps in raising the demand of locally supplied goods and items and, therefore, helps in creation of job opportunities for the local population.

Employing women, youth, the unskilled and people in rural and remote areas who might otherwise have few opportunities.

But the growth of tourism has certain negative impacts too. In the past ten years, globalization has helped to generate wealth among masses through regular Employment, as a result of which much of travel needs have been generated. At the same time, the world started to face enormous and critical challenges. Persistent poverty, especially in the rural areas, environmental degradation and lack of proper infrastructure were the main reasons for the cause.

Facing these challenges, there has been a growing emphasis by world leaders on the need for long-term 'sustainable development' - pursuing needed economic growth in the present - while preserving the natural and human environment on which quality of life and future growth depend. This has been the subject of two successive world summits: the 1992

Earth Summit in Rio de Janeiro and the 2002 World Summit on Sustainable Development in Johannesburg, South Africa.

It is essential, therefore, on the part of the travel and hospitality industry to make tourists aware of such negative impacts.

Some companies are also addressing their economic, social and cultural impact host communities, for example: working with public authorities to ensure that plans for tourism growth are compatible with development goals; actively promoting locally based tourism related businesses; training local people for Employment in management positions; educating visitors about local conservation - issues; and promoting culturally-sensitive tourism activities.

Steps Taken to Encourage Sustainable Tourism

Since environmental protection is nowadays a prime concern, widely-used steps taken in this regard are collection of global funds and foundations, ecolabels and certification schemes and declaration of codes of conduct and awards to participants of excellence.

These practices are increasingly manifested to protect destination communities which are critical towards preservation of their unique cultures and beautiful natural settings. The issue is critical more because the industry serves as an alternative mode for earning revenue through utilizing natural and cultural resources that might otherwise be destroyed.

Changing Trends in Global Tourism Aspects over the Last Decade

Nowadays most of the companies are following the principles of corporate social responsibility and are taking a portion of their profits and investing in the society as charitable contributions for a variety of causes. With the advent of the concept of natural

preservation, growing under the influence of a global market-based economy, there is a growing role for the private sector to play.

Some significant changing trends that have been captured over the last ten years can be enumerated as follows: (source: www.wttc.org/publications/pdf/cslreport.pdf)

Fair and ethical tourism should become the standard, not only focusing on the ecological consequences of tourism, but first and foremost on its social, economic and cultural and environmental consequences.

Hotels, airlines, tour operators and others are engaged in a variety of activities that would have been unheard of ten years ago. As travellers seek out more unique experiences, pioneering companies are adopting new practices for the entire industry. The glimmers of the future of tourism are evident in customized programs and packages.

Addressing poverty is not just an issue of morals. Poverty presents risks to the tourism industry in the form of instability, violence and conflict. On the contrary, tourism is growing fast in poor countries. Enlightened self interest requires that companies take action to address poverty and as a result minimize risk for hazardous tourism and open up new opportunities.

While these are important steps, the real challenge lies in the fact that the response of the travel and tourism industry is still piecemeal and change is relatively slow. One reason for this is the highly fragmented nature of the industry, and the great real challenge is to move beyond the current ad hoc approach to evolve new patterns of travel and tourism business that integrate social, economic and environmental sustainability and to encourage a vast and fragmented industry to follow suit.

Current Market Challenges

Travel and tourism industry, across the world, experienced a tremendous slump in post-9/11, 2001. As an aftermath, the tourism hospitality and leisure industry is going through a period of metamorphosis. Further, organizations working within the industry are being faced with increasingly complex issues on branding, operational excellence, asset ownership, emerging technologies and growth. This was because the industry was going through a very

tough time with the customers' confidence plummeting. Therefore, the industry 'has to resolve to strike an aggressive posture. The challenge before the industry is two-pronged: One is to win the confidence of its customers through unprecedented service, utility pricing and a marketing strategy to suit to the changing market needs.

Improvement of infrastructure facilities through major reduction of costs forms the second criteria to improve the industry's market sustainability.

In order to cope with the above, the major players in the industry will have to increasingly focus on cutting costs. Another important option is to concentrate on restructuring so as to reduce the interest burden in the long term.

Moreover, due to increased competition in the market the hospitality operators will have to formulate utility-pricing strategies in terms of value-added services they provide. Another important issue that remains to be resolved relates to the innovation of products and services through emerging technologies to excel - a challenging market.

Therefore, to improve growth rates the hotels and travel operators will have to innovate and move into niche markets. It is also imperative that taxes are rationalized and infrastructure improved to attract travellers. But this is beyond the scope of the companies and the government must take the lead.

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