

THE HOSPITALITY SECTOR

a spread!

POISED TO TAKE OFF IN THE COMING DECADE,
THIS SECTOR IS AN AREA OF GREAT OPPORTUNITY

■ BY SHRUTI MAHESHWARI

For a country the length and breadth of India that is quite ready to unravel the treasures of a thousand year old civilisation, becoming a tourist hot-spot for the world seems like an obvious eventuality. After all, which other country in the world offers the variety of language and culture, architectural splendour, vegetation and scenic beauty such as this? And therefore, the twin sectors of tourism and hospitality offer both challenge and opportunity—one, to be able to harness the potential possibilities of the country as a tourist destination and second, to be able to sustain the quality of services that will be required for this.

Unlike other sectors, hospitality and tourism have some unique advantages. Being a labour intensive primarily service oriented industry, they offer a range of jobs to people with a variety of skills right from the very basic a competent taxi driver to the high-end such as a linguist or a hotelier. Current employment in the hotels sector stands at 750,000 with an additional few lakh scattered across motels along the states and the highways. According to a market survey conducted by the Ministry of Tourism, the industry will need 3.5 million skilled people in the next five years. In restaurants alone, the forecasted employment is 2.73 million. For every 10 lakh rupees that are spent here, employment is generated for at least 80 people. This is way above the average of other industries. While tourism and hospitality pales slightly in comparison to other service industries like the IT and the BPO sector when it comes to pay packages, veterans of the field believe that in the years to come the salary gaps will be adequately filled if not surpassed. Says former joint-secretary of tourism and presently consultant with the DLF group, Rajiv Talwar, "This is a chain that has the highest employment potential, the cheapest when it comes to investment and is really a sector which is spread all over, for example we can also develop



KAMLET ADIB SINGH



MANDEEP SINGH



H K RAJASHEKAR

tourist spots out of our jungles.”

Tourism contributes almost eight per cent to the country's gross domestic product and with an additional growth of around 14 per cent annually, this share is bound to increase. In India, the sector is growing way above the international average of five per cent and a significant advantage for a developing nation like India is that it can utilise all its resources in whatever form they be. The paucity of high-end infrastructure like five star accommodation does little to hamper potential. The tourism ministry's recently launched bed and breakfast schemes encourages local residents to open up their households to travellers. This scheme is working wonders for cities and even small towns. Says chief representative of the Travel Agents Association of India, Harkirpal Singh, "Overall the tourism industry is thriving and the only chink in the armour is high tariff of hotels with highly insufficient accommodation in the major cities like Bangalore, Kolkata, Delhi and Mumbai."

Accounting firm Goldman Sachs has forecasted that India will be the second largest economy after China in 2050—ahead of USA. A rapidly growing economy is further evoking international interest. Also the fact that it has the largest middle class a substantial portion of which is young and spendthrift spells good news for these sectors. Already the inbound MICE (meetings, incentives, conventions and events) traffic segment is growing at a whopping rate of 15-20 per cent year on year. It is estimated that the total national and international MICE meetings market all over the world is valued at around \$270 billion.

Another strength is that the private sector is not only calling the shots but also reaping the lion's share of benefits since the Government has adopted a largely hand-off approach here. Barring policy making and advertising in the form of the 'Incredible India' campaign, the rest has been left to the young entrepreneurs of the country. Incidentally, post 'Incredible India!'

AMITABH KANT, JT. SECRETARY, MINISTRY OF TOURISM



VASANT REDY

The growth of the economy has fuelled tourism and larger expansion will lead to more growth. The Indian skies have also opened up in the last few years. We earn about \$6.8 billion from tourism which is more than FDI in the country. The biggest challenges that we face today are that of improvement of quality of infrastructure. We've also partnered with the ministry of civil aviation and a lot is happening in terms of improving airport infrastructure. We're aiming at at least 40 million international tourists and 65 million domestic tourists by 2010. The other challenge is improving civil governance on the various sites. We need to explore and develop new markets like USA, UK, China, Japan, Korea, Malaysia and Singapore. We're also developing medical tourism, eco tourism, sustainable tourism and cruise tourism. The Indian coastline is open to cruises and the Star cruise is operating in the Bombay-Goa-Cochin stretch. The Brahmaputra is being opened up and the Backwaters and Benaras are also other areas. Indian waterways provide a great opportunity for cruise tourism. As regards capacity building, we need to expand at a much higher rate and this is another challenge.

PURSHOTAM DINKAR



Atithi Devo Bhava :
Hospitality comes easy

tourist arrivals have gone up 25 per cent and there has been an increase of 36 per cent in foreign exchange earnings on a year on year basis. Foreign tourist arrivals grew at 17.3 per cent in February 2005 from a year earlier and forex earnings rose significantly.

Commenting on the runaway growth in the sector, Joint Secretary of Tourism, Government of India, Amitabh Kant says, "I think the growth in this sector has been so enormous that the industry has been caught off guard." The country is targeting at least 40 million international tourists and 65 million domestic tourists by 2010. As of now the international tourists visiting the country is 4.2 million and there is scope for more.

By conservative estimates the scale-up in both domestic and international

Fast facts

- There are an estimated 1.2 million hotel rooms in the country. Among these, the star category hotels account for 7 per cent of these—approximately 80,000 rooms.
- While the one, two and three star hotels employ 122 people per 100 rooms, five star hotels employ 162 people per room.
- Current employment across hotels in India—750,000.
- Forecasted employment in hospitality by 2020—3.5 million
- In restaurants alone, forecasted employment in 2020—2.73 million. As of now, there are almost 1.85 million people employed across restaurants in the country with an added 1.3 million employed in small restaurants and dhabas.
- The sector suffers from high attrition with nearly 40 per cent of the people walking out of tourism schools are pursuing alternate careers.
- Employment in the travel and trade businesses in India in functions such as ticketing, tour operations, accounts and administration will touch 242,000 by 2020.



traffic would translate in an additional 150,000 rooms at least and this would be across the board right from the very economical to the five star hotel variety. For this, the Government has also started a number of schemes and is currently in the process of augmenting land availability to private players in the hospitality sector through auctions. The DLF group that has aggressive growth plans in this sector acquired NTC Mumbai textile mill for a whopping Rs 703 crore. DLF is also the first group in India that has mobilised foreign investment to the tune of \$165 million from the Hilton group. Identifying this golden area of opportunity, big private players in other industries are also pumping in their share of booty. Morgan Stanley Real Estate has invested Rs 675 crore in Mumbai-based Oberoi Constructions,



“The big players in the hospitality industry have consolidated their position. Only those who offer quality will survive in the future.”

RAJESH PADMANABHAN, EXEC VP-HR, OBEROI

which has all plans to acquire land and set up hotels in first tier cities like Pune, Hyderabad and Bangalore.

And if you think that the sector is only wooing the rich and affluent, take a look at the number of initiatives that are coming up in the middle income segment. Tatas is coming up with its Ginger hotel chain with rooms priced at Rs 1,000. In addition to this, the Rs 1,000-3,000 rooms bracket that is presently available with three star



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