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A CRITICAL REVIEW OF THE ENVIRONMENTAL FORCES SHAPING AND TRANSFORMING THE INDIAN LODGING INDUSTRY

A.J. Singh

ABSTRACT

The environment of the lodging industry in India is presently undergoing a transformation. The changes being witnessed are a combined result of the liberalization policies of the early 1990s in India and changes impacting travel and tourism globally. Some of the forces changing the industry include, economic reform and open market policies, tourism policies, industry regulation, competition, evolution of the hotel industry structure (size, geographical dispersion, brand proliferation, ownership, quality, international chains) incidence of taxation, tariff structure, availability of qualified employees, customer demographics, ecological, supply of capital and technological to name a few. These changes have offered hotels that presently operate or are planning to operate in India with both challenges and opportunities. As a result, an understanding of the environmental forces affecting the industry is vital for strategy formulation and management of hotels in India. The objective of the study is to critically review the major forces in the general and task environment impacting and transforming Indian hotel industry. A better understanding of these forces will help companies to assess the strategy and structure of their organizations, and provide a framework to develop sound tourism policies.

The study will include, secondary data and semi-structured interviews with individuals closely associated with the lodging industry in India. A review of secondary literature will be conducted to establish baseline data, gather background information, identify critical issues affecting the hotel industry, and generate a list of operational questions for the interview. Furthermore, the secondary literature will provide quantitative and analytical data to assist with the final analysis and

interpretation of results. While limited in nature, the researcher will rely primarily on secondary data from, textbooks, journal articles, trade magazine publications, expert-opinion literature published in periodicals, research publications from industry associations, consulting firms and international organizations and conference proceedings.

Semi-structured interviews will be designed with the aim of identifying, understanding, and summarizing the forces in the environment of lodging organizations in India. These interviews will be conducted at two levels. For an understanding of the general environment influencing organizations in the hotel industry in India interviews will be conducted with top hotel industry leadership, senior tourism officials, academicians, tourism writers and researchers, industry trade association executives, consultants, lending and investing institutions and senior leadership of international hotel companies operating in India.

While forces impacting the general environment uniformly affect all businesses in the industry an understanding of the forces impacting the specific task environment is also important. This data will be gathered and analyzed at the national level by interviewing senior corporate officers responsible for the critical functions of finance, human resources, marketing, development, operations, and legal affairs. Further, general managers of a representative set of hotel properties will provide regional differences in the environmental forces unique to different parts of the country. The study will be designed in two phases. In Phase I, a large percentage of the study participants will be interviewed and secondary literature collected. Phase II will include follow up interviews, a supplementary survey, data analysis and report writing.

The results of the study will be presented in the form of a research report which will profile the lodging industry in India, describe the forces in its environment both shaping and transforming the industry and make predictions on the future outlook for the industry.

Some of the key features that I plan to discuss in the study are as follows:

- Analysis of events in the political, economic, socio cultural, and regulatory and technological environment facing tourism businesses in India.
- Specific Tourism policies and their impact on the lodging industry today.
- A critical review of events in the task (operating) environment of hotels in India. Specifically:
 - a. Financial
 - b. Competitive
 - c. Regulatory
 - d. Suppliers of products and services
 - e. Marketing and distribution
 - f. Service quality
 - g. Labor
 - h. Training
 - i. Technological
- Analysis of the transformation in the Indian lodging industry structure and performance. Structural characteristics undergoing a transformation include:
 - a. Size (supply)
 - b. Geographic dispersion
 - c. Ownership structure
 - d. Hotel valuation and development costs
 - e. Organizational structure
 - f. Brand presence and distribution
 - g. Star categorization distribution
 - h. Names of key domestic hotel companies and their profile
 - i. Presence of international hotel chains and nature of affiliation
 - j. Average hotel size, occupancy and average room rate
 - k. Key operating and profitability ratios

Each of these changes will be discussed in the context of the impact of environmental forces on the structure of the lodging industry in India.

