

Market share of the major hotels in india



The hospitality industry of india is expected to grow at a rate of 8. 8% from 2007-16, placing India the second-fastest growing tourism market in the world. Progress like massive investment in hotel infrastructure and open sky policies which are made by the government are all aimed at propelling growth in the hospitality sector.

Hotel and hospitality industries are the biggest employment generators in the country. Towards helping its growth, the government should confer infrastructure status to the hotel industries, several taxation issues also need to be rationalised. Further permits and licenses which are required for the hotel operations needs to be rationalised by offering a “ single window” mechanism.

The hotel industry is divided into 4 categories:

Large hotels

Medium hotels

Resort hotels

Small hotels

MARKET SHARE OF THE MAJOR HOTELS IN INDIA: TIE -UPS OF INDIAN HOTELS WITH INTERNATIONAL HOTELS:

Most players, exempting of IHCL and EIH, have entered into marketing Tie-up with major international hotel chains. Thus we have Hyatt Regency which are

tied up with AHL, Leela tied up with Kempinski and ITCH having a franchisee agreement with ITT Sheraton.

For the Indian hotel owners and international hotel chains the benefit is mutual, Tie-up with an international hotel chain will put the hotel on the global map. Associations with international brand play a major role in image building and attracting foreign tourists. However value of the international brand will get diluted if a foreign entity enters an agreement with several Indian companies.

MARKET SHARE OF TARIFF PLANS BY DIFFERENT HOTELS

Luxury hotels operate under single tariff structure whereby the foreign tourists are charged in dollar terms whereas the domestic guest is charged the equivalent amount in rupees. The luxury hotels earn about two-thirds of their revenue from foreign tourists. Leisure travellers constitute approximately 76.5% of the total tourist arrivals whereas business travellers constitute 21% of the total arrivals. The remainder is accounted by students.

Hotels benefit from rupee depreciation as over 60% of revenues in the luxury hotel Segment is in foreign currencies. Thus any depreciation of the rupee goes directly to the bottom line (FOREX income is also fully tax exempt), as none of the costs are directly linked to the exchange rate. The hotel debt environment is also improving. While many countries are hampered by a still sluggish economy, those with a low interest rate environment with relatively stable-banking conditions will provide opportunities for hotel investors to

raise capital. For hotel lenders, from a risk/return basis, there has never been a better time to provide new capital to this industry in India.

CONTRIBUTION TOWARDS ECONOMY

The hotel and restaurant industry of India was Rs. 658. 89 billion during 2007-08. Travel & Tourism Industry of India was valued at US\$35. 73 billion in 2007, contributing 3. 56% to India's GDP. The number of foreign tourists arriving to India reached 5. 08 million compared with 4. 45 million in the year 2006, showing growth of 14. 16%. India's share in international tourist arrivals at global level gradually improved from 0. 46% in 2004 to 0. 49% in 2005 and further to 0. 52% in 2006 and 0. 56% in 2007.

The number of domestic tourists in India was 526. 57 million compared with 461. 76 Million in 2006, showing growth of 14. 03%. There are 1, 437 hotels approved and Classified by the Ministry of Tourism, Government of India, with a total capacity of 84, 327 hotel rooms as on December 31, 2007. Indian hotel industry is currently adding about 60, 000 quality rooms, which are expected to be ready by 2012.

INTERNATIONAL TOURIST CONTRIBUTION IN INDIA

The foreign tourist arrivals in India increased at CAGR of 5. 5per cent from 2. 29 Million in 1996 to 3. 92 million in 2005. Significantly, the bulk of international arrivals into India, both in 2004 and 2005, have been business travellers. Main reason for this increase has been following fundamental factors:

India's strong GDP growth.

Opening of sectors of the economy to private sector/ foreign investment.

Strengthening of ties with the developed world.

Reforms in aviation sector which led to better connectivity with many countries (such as ASEAN) and created additional capacity on existing routes (for e. g. USA, Middle East).

Also, introduction of low cost airlines also contributed to the demand. The increase in International flights, seat capacity and frequency into the country and the decision to allow private airlines like Jet Airways and Air Sahara to fly overseas has had a positive impact on tourist and business arrivals into India, by way of providing additional seats.

3. 1. 2 NATURE OF COMPETITION:

It is the most competitive market . Business travelers drive over 70 per cent of the Indian hospitality business and the race to accommodate them, and do it well, is hotting up. But with current demand outstripping supply, hotels in the big cities have managed to up their rates to match those in Paris and London.

The major competition comes from the other companies in the same sector . so the rivals are to be found and make their primary and secondary strategies which makes the company competitive in the market. There are also pricing strategies which play fewer roles in competitive market and should think of the non pricing strategies which can be more competitive in the market.

The pricing of a hotel like this one is done on system called “ rate of the day” based on demand. As the rooms get taken the price goes up and on a busy day a room like this one in Mumbai or Delhi will cost as much as you would have to pay for one in Paris or London.

Adding more facilities to the five star rated hotels like Wi-Fi, spas, gyms, online booking etc. to maintain their guest loyalties which give competitive advantage to its company.

To become competitive in the market the flexible pricing is the key. Some suggested steps to realign rates and segments to the changed market place; gain control of business; and increase profitability are:

Create an online booking presence.

Ensure that the hotel’s online booking engine is part of the hotel’s web site, and controlled by the hotel, not by a third party or GDS-based system.

Ensure that the online booking engine is the best and accomplishes the hotel’s goals.

Ensure that the online booking engine is easy to use from a customer’s perspective.

Expertly create and maintain an online distribution and maximization strategy to ensure the hotel’s visibility.

Promote and ensure that the lowest published rates are on the hotel’s own web site, to promote customer loyalty, as done with the airlines.

Establish a new market segmentation model, for greater control of the business. Eliminate RACK RATE and replace with SELL RATE, defined as Rack, Promotional, Consortia, and any other customer not affiliated with any discount.

A simplified sample version is:

Sell Rate

Corporate Rate

Group Rate

Weekend Rate

Establish the Sell Rate based on anticipated demand patterns, after the core business and group blocks are factored in. The rate fluctuates on a daily basis.

Set rates in all market segments within the range of your competitive set to establish positioning.

TAJ GROUP OF HOTELS:

A Tata company shall fully strive for the establishment and support of a competitive, open market economy in India and abroad, and shall cooperate in efforts to promote the progressive and judicious liberalisation of trade and investment by a country. Specifically, a Tata company shall not engage in activities that generate or support the formation of monopolies, dominant market positions, cartels and similar unfair trade practices.

A Tata company shall market its products and services on its own merits and shall not make unfair and misleading statements about competitors' products and services. Any collection of competitive information shall be made only in the normal course of business and shall be obtained only through legally permitted sources and means.

Direct Competitors:

Oberoi Hotels

Oriental Hotels

ITC Welcomgroup

Hotel Leela etc.

Potential Target market : The upper class of the society is targeted. i. e. the richer people in the society. Their fares or tariffs are high as the luxuries provided by them are also standard and 5-star. Thus, this is in context to the Indian branches of Taj Hotels.

OBEROI GROUP OF HOTELS (EAST INDIA HOTELS LTD.):

Team Street is out with an investment idea that could help the portfolio in the current market conditions. The recent correction in the market has been sharp as the benchmark index or the Sensex has given up more than 7 percent from a recent high of 21, 108.

OBEROI PROPERTIES RECOGNITION INTERNATIONALLY:

The Oberoi Vanyavilas, Ranthambore

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Rated the 2nd best resort in Asia

Rated the 2nd best hotel in the World

The Oberoi Udaivilas, Udaipur

Rated the best hotel in Asia

Rated 4th best hotel in the World

The Oberoi Amarvilas. Agra

Rated the 2nd best hotel in Asia

Rated the 8th best hotel in the World

The Oberoi Rajvilas, Jaipur

Rated the 5th best hotel in Asia

Rated amongst the top 25 hotels in the World

Wildflower Hall, Shimla in the Himalayas

Rated the 5th best resort in Asia

The Oberoi Rajvilas, Jaipur

Rated No. 1 hotel in Asia

Rated 2nd best hotel in the World

The Oberoi Udaivilas, Udaipur

Rated No. 2 hotel in Asia

Rated 4th best hotel in the World

The Oberoi Amarvilas. Agra

Rated No. 3 hotel in Asia

Rated 6th best hotel in the World

3. 1. 3 SWOT ANALYSIS

STRENGTHS:

1. Natural and cultural diversity: India has a rich cultural heritage. The “unity in diversity” tag attracts most tourists. The coastlines, sunny beaches, backwaters of Kerala, snow capped Himalayas and the quiescent lakes are incredible.

2. Demand-supply gap: Indian hotel industry is facing a mismatch between the demand and supply of rooms leading to higher room rates and occupancy levels. With the privilege of hosting Commonwealth Games 2010 there is more demand of rooms in five star hotels. This has led to the rapid expansion of the sector.

3. Government support: The government has realized the importance of tourism and has proposed a budget of Rs. 540 crore for the development of the industry. The priority is being given to the development of the infrastructure and of new tourist destinations and circuits. The Department of Tourism (DOT) has already started the “ Incredible India” campaign for the promotion of tourism in India.

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4. Increase in the market share: India's share in international tourism and hospitality market is expected to increase over the long-term. New budget and star hotels are being established. Moreover, foreign hospitality players are heading towards Indian markets.

WEAKNESSES:

1. Poor support infrastructure: Though the government is taking necessary steps, many more things need to be done to improve the infrastructure. In 2003, the total expenditure made in this regard was US \$150 billion in China compared to US\$ 21 billion in India.

2. Slow implementation: The lack of adequate recognition for the tourism industry has been hampering its growth prospects. Whatever steps are being taken by the government are implemented at a slower pace.

3. Susceptible to political events: The internal security scenario and social unrest also hamper the foreign tourist arrival rates.

OPPORTUNITIES:

1. Rising income: Owing to the rise in income levels, Indians have more spare money to spend, which is expected to enhance leisure tourism.

2. Open sky benefits: With the open sky policy, the travel and tourism industry has seen an increase in business. Increased airline activity has stimulated demand and has helped improve the infrastructure. It has benefited both international and domestic travels.

THREATS:

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1. Fluctuations in international tourist arrivals: The total dependency on foreign tourists can be risky, as there are wide fluctuations in international tourism. Domestic tourism needs to be given equal importance and measures should be taken to promote it.
2. Increasing competition: Several international majors like the Four Seasons, Shangri-La and Aman Resorts are entering the Indian markets. Two other groups – the Carlson Group and the Marriott chain – are also looking forward to join this race. This will increase the competition for the existing Indian hotel majors.

CHALLENGES FOR HOSPITALITY INDUSTRY

1. Shortage of skilled employees: One of the greatest challenges plaguing the hospitality industry is the unavailability of quality workforce in different skill levels. The hospitality industry has failed to retain good professionals.
2. Retaining quality workforce: Retention of the workforce through training and development in the hotel industry is a problem and attrition levels are too high. One of the reasons for this is unattractive wage packages. Though there is boom in the service sector, most of the hotel management graduates are joining other sectors like retail and aviation.
3. Shortage of rooms: The hotel industry is facing heavy shortage of rooms. It is estimated that the current requirement is of 1, 50, 000 rooms. Though the new investment plan would add 53, 000 rooms by 2011, the shortage will still persist.

4. Intense competition and image of India: The industry is witnessing heightened competition with the arrival of new players, new products and new systems. The competition from neighboring countries and negative perceptions about Indian tourism product constrains the growth of tourism.

The image of India as a country overrun by poverty, political instability, safety concerns and diseases also harms the tourism industry.

5. Customer expectations: As India is emerging as a destination on the global travel map, expectations of customers are rising. The companies have to focus on customer loyalty and repeat purchases.

6. Manual back-end: Though most reputed chains have IT enabled systems for property management, reservations, etc., almost all the data which actually make the company work are filled in manual log books or are simply not tracked.

7. Human resource development: Some of the services required in the tourism and hotel industries are highly personalized, and no amount of automation can substitute for personal service providers. India is focusing more on white collar jobs than blue collar jobs. The shortage of blue collar employees will pose various threats to the industry.

SWOT ANALYSIS OF MAJOR HOTELS:

TAJ GROUP OF HOTELS:

Strengths:

The group has enormous power and strengths, which makes it the best and competitive, some of them are:

It consists of 75 properties in 40 locations across India and 18 international hotels.

Its stylish variety of hotels like; Taj exotica, Taj safari, The gateway hotels, Ginger hotels, Jivas spa etc.

Its effective and efficient management techniques and staff.

Its brand name.

The presence of Taj Hotels, Resorts and Palaces in various countries like United Kingdom, France, Germany, Italy, Dubai, Singapore, Australia, Japan, Russia and the United States of America.

Securing management contracts at Palm Island, Jumeirah in Dubai, Saraya Islands in Ras Al Khaimah, Aldar Group in Abu Dhabi, UAE Langkawi in Malaysia and Thimpu in Bhutan.

The various initiatives taken like; rollout of Customer Feedback System, Tata Business Excellence Model, IT initiatives, Ginger hotels etc.

Weakness:

Taj hotels being such a big brand, has a lot of advantages but every big company faces some odds and so does Taj. Some of its weakness;

Its hard to maintain such a huge chain of subsidiaries and there are more chances of mishaps in management.

Its huge competitors like Oberoi, Leela, Oriental, ITC etc are also providing same facilities and thus it becomes a weakness for Taj hotels.

Its very costly for the Indians to afford the tariffs and service charges set by Taj hotels. Thus, they loose a major part of their market share.

They need a lot of investment.

As Taj hotels is a popular group, it is always in the eyes of the terrorists, as taj has already faced such an incident. Therefore, it proves to be a weakness some times, to be so popular.

Opportunities:

The Group is poised strategically to take advantage of the following situation:

In the backdrop of a healthy economy having its positive fallouts on the Tourism Sector leading to rapid growth in markets in India, South Asia and key gateway cities in source-market destinations.

Rapid expansion in both International and Domestic destinations, with top-of-the-line Luxury, Leisure and Business properties.

Meeting growing demand in the budget and mid-market segments.

Extending the product portfolio into related offerings viz. luxury residences, wildlife lodges and health spas.

Threats:

The threats identified by the Group are related mainly to the markets in which the Group operates and general factors related to the tourism industry. Significant among these are:

Cheaper international airfares, increasing affordability of travel to International destinations, especially South East Asia, Europe and Australia.

Growing presence of international hospitality chains competing in the Luxury and Business segments, to meet excess demand situation.

Appreciating Indian Rupee vis-à-vis the US Dollar, resulting in lower realisation on foreign exchange earnings.

Slowdown of international demand resulting in reduction of revenues.

OBEROI GROUP OF HOTELS:

Strengths:

Cost advantage

Asset leverage

Effective communication

High R&D

Innovation

Online growth

Loyal customers

Market share leadership

Strong management team

Strong brand equity

Weaknesses:

Bad communication

Diseconomies to scale

Over leveraged financial position

Low R&D

Low market share

No online presence

Not innovative

Not diversified

Poor supply chain

Weak management team

Weak real estate

Opportunities:

Acquisitions

Asset leverage

Financial markets (raise money through debt, etc)

Emerging markets and expansion abroad

Innovation

Online

Product and services expansion

Takeovers

Threats:

Competition

Cheaper technology

Economic slowdown

External changes (government, politics, taxes, etc)

Exchange rate fluctuations

Lower cost competitors or imports

Maturing categories, products, or services

Price wars

ITDC:

STRENGTHS:

One of the oldest five star hotels in India preferred by a vast number of tourists as well as localites.

Amenities provided are state of the art and of very high quality.

Staff is known to be very hospitable and supportive of their guests.

Has the largest conference hall in India and hence it's the most preferred conference hall for most of the important conferences held in India.

Provides Privilege Card for their frequent guests which lure more number of people to become their regular customers.

It has New Delhi's most magnificent Banquet venue.

The architecture is still considered as a benchmark to most of the buildings that are created today.

WEAKNESSES:

Prices are higher than other five star hotels in New Delhi.

There have not been many changes in the building since the time that it has been set up.

According to the guests the walls are dirty and the hallways are not maintained well which makes many of them think twice about coming back there.

It is quite far away (15kms) from the international airport because of which many guest opt for hotels closer for their own convenience.

They seem to rely on their past laurels and are not taking any new initiatives to satisfy their customers.

3. 2 DEMOGRAPHICS OF BUYERS- MARKET SEGMENTATION:

CLASSIFICATION OF HOTELS:

Classification is based on many criteria and classifying hotels into different types is not an easy task. The hotel industry is so vast that many hotels do not fit into single well defined category. Industry can be classified in various ways, based on location, size of property etc. The main hotel chains of India are: The Taj Group of Hotels, the Oberoi Group and ITC Welcome group.

Some of the international chains are Hyatt, Marriott, and Le Meridian etc. these properties have also come up in India now.

1. Based on Location

City center: Generally located in the heart of city within a short distance from business centre, shopping arcade. Rates are normally high due to their location advantages. They have high traffic on weekdays and the occupancy is generally high.

Motels: They are located primarily on highways, they provide lodging to highway travellers and also provide ample parking space. The length of stay is usually overnight.

Suburban hotels: They are located in suburban areas, it generally have high traffic on weekend. It is ideal for budget travellers. In this type of hotel rates are moderately low.

Airport hotels: These hotels are set up near by the airport. They have transit guest who stay over between flights.

Resort hotels: They are also termed as health resort or beach hill resort and so depending on their position and location. They cater a person who wants to relax, enjoy themselves at hill station. Most resort work to full capacity during peak season. Sales and revenue fluctuate from season to season.

Floating hotels: As name implies these hotels are established on luxury liners or ship. It is located on river, sea or big lakes. In cruise ships, rooms are generally small and all furniture is fixed down. It has long stay guest.

Boatels: A house boat hotels is referred as boatels. The SHIKARAS of Kashmir and KETTUVALLAM of Kerala are houseboats in India which offers luxurious accommodation to travelers.

Rotels: These novel variants are hotel on wheel. Our very own “ palace on wheels” and “ Deccan Odessey” are trains providing a luxurious hotel atmosphere. Their interior is done like hotel room. They are normally used by small group of travelers.

2. Based on Size of Property

Small hotel: hotel with 100 rooms and less may be termed as small hotels.

Medium sized hotel: hotel which has 100-300 rooms is known as medium sized hotel.

Large hotels: hotel which have more than 300 rooms are termed as large hotels.

Mega hotels: are those hotels with more than 1000 rooms.

Chain hotels: these are the groups that have hotels in much number of locations in India and international venues.

3. Based on the Level of Service

Economy/ Budget hotels: These hotels meet the basic need of the guest by providing comfortable and clean room for a comfortable stay.

Mid market hotels: It is suite hotel that offers small living room with appropriate furniture and small bed room with king sized bed.

Luxury hotels: These offer world class service providing restaurant and lounges, concierge service, meeting rooms, dining facilities. Bath linen is provided to the guest and is replaced accordingly. These guest rooms contains furnishing, artwork etc. prime market for these hotels are celebrities, business executives and high ranking political figures. Example: Hyatt Regency, New Delhi.

4. Based on the Length of Stay

Transient Hotel: These are the hotel where guest stays for a day or even less, they are usually five star hotels. The occupancy rate is usually very high. These hotels are situated near airport.

Residential hotels: These are the hotel where guest can stay for a minimum period of one month and up to a year. The rent can be paid on monthly or quarterly basis. They provide sitting room, bed room and kitchenette.

Semi residential hotels: These hotels incorporate features of both transient and residential hotel.

5. Based on Theme

Heritage hotel: In this hotel a guest is graciously welcomed, offered room that have their own history, serve traditional cuisine and are entertained by folk artist. These hotels put their best efforts to give the glimpse of their region.

Example: Jai Mahal palace in Jaipur.

Ecotels: these are environment friendly hotels these hotel use eco friendly items in the room. Example: Orchid Mumbai is Asia first and most popular five star Ecotels.

Boutique hotels: This hotel provides exceptional accommodation, furniture in a themed and stylish manner and caters to corporate travelers. Example: In India the park Bangalore is a boutique hotel.

Spas: is a resort which provide therapeutic bath and massage along with other features of luxury hotels in India Ananda spa in Himalaya are the most popular Spa.

6. Based on Target Market

Commercial hotel: They are situated in the heart of the city in busy commercial areas so as to get good and high business. They cater mostly businessmen.

Convention hotels: These hotels have large convention complex and cater to people attending a convention, conference.

Example: Le meridien, Cochin, is a hotel with largest convention center in south India.

Resort hotels: These leisure hotels are mainly for vacationers who want to relax and enjoy with their family. The occupancy varies as per season. The atmosphere is more relaxed. These are spread out in vast areas so many resorts have solar powered carts for the transport of guest.

Suite hotels: These hotel offer rooms that may include compact kitchenette. They cater to people who are relocating act as like lawyers, executives who are away from home for a long business stay.

Casino hotels: Hotel with predominantly gambling facilities comes under this category, they have guest room and food and operation too. These hotels tend to cater leisure and vacation travelers. Gambling activities at some casino hotels operate 24 hours a day and 365 days.

Today's ways of booking make it difficult to identify the purpose of the trip. Segment by default the individual bookings for short midweek stays as business. Identify as leisure the booking of a double room over the week-end.

As the new technology was developing, corporate travel departments, as well as the independent consumer, turned to travel agents to get the best discounts. As the GDS technology influenced booking and buying practices, additional segments were created, resulting in the following market segment model:

Rack Rates: Without any affiliations to warrant discounts, the Rack Rated customer paid the published rate, which was the highest rate.

Consortia Rates: This was the same customer who booked through a travel agent using the GDS and received a 5%-10% discount off Rack Rates.

Corporate Rates: Having met the hotel's qualifying criteria, such as volume, businesses were guaranteed discounted rates.

Group Rates: With a block of rooms, rates varied based on time of year and the nature of the group.

Weekend Rates: Individual leisure travelers, usually within a drive distance to the hotel.

Promotional rates: These rates were originally used sparingly and used as a means to stimulate business by using discounted rates to anyone, regardless of affiliation.

Domestic Consumer is the largest segment of the hotels & motels industry in India accounting for 52.9% of the industry's total value. The domestic business segment accounts for a further 24.4% of the industry.