A Study on Major Challenges Faced by Hotel Industry Globally

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Abstract

Tolerance for poor guest service is rapidly shrinking in the hotel industry. According to results from survey of 2016 US & UK internet users; one bad experience is enough to turn off the guests from using a particular brand in hotel industry. Today’s hotel industry is globally dealing with vast set of major challenges like economy influx (fluctuations in economy), labour shortage & retaining quality personnel, rising technological demand, providing & maintaining absolute cleanliness & hygiene, providing & maintaining excellent & exceptional guest service standards, providing meaningful & memorable personal experiences, sustainability, increasing competition, lack of latest & sophisticated marketing techniques, difficulties in managing energy & resources, providing impeccable safety & security & providing nutshell cyber security & data privacy etc. Today’s hotels need to ensure that they exceed expectations at every stage of their guest’s stay if they have to ensure long-term profitable growth. To succeed in hotel business, the hotel managers globally need to start working on the above mentioned challenges by formulating effective strategies with immediate effect.

Keywords – hotel industry, major challenges, economy influx, labour shortage, technological demand, cleanliness & hygiene, guest service standard, personal experiences, sustainability, competition, marketing techniques etc.

Introduction

Hospitality is about serving the guests to provide them with feel good effect. The guest is treated with utmost warmth and respect and is provided the best services. Hospitality is all about offering warmth to someone who looks for help at a strange or unfriendly place. It refers to the process of receiving and entertaining a guest with goodwill. The hospitality sector comprises of all star hotels, motels, hostels, inns, cafes, restaurants, pubs, nightclubs, bars, airlines, cruises, amusement parks etc. The hotel industry is primarily dependent on metropolitan cities as 75% to 80% of the revenue comes from metropolitan cities. The average room rate (ARR) and occupancy percentage (OP) are the two most critical factors that determine profitability. ARR depends on location, brand image, star rating, quality of facilities and services offered. The occupancy percentage depends on other seasonal factors. Today, hotel industry is one of the fastest growing industries worldwide. At the same time, today’s hotel industry is globally dealing with vast set of major challenges like economy influx (fluctuations in economy), labour shortage & retaining quality personnel, rising technological demand, providing & maintaining absolute cleanliness & hygiene, providing & maintaining excellent & exceptional guest service standards, providing meaningful & memorable personal experiences, sustainability, increasing competition,
lack of latest & sophisticated marketing techniques, difficulties in managing energy & resources, providing impeccable safety & security & providing nutshell cyber security cum data privacy. Economy influx to a large extent is an unavoidable challenge to hotel industry. It causes fluctuations in a nation’s economy from time to time. When a nation’s economy is high, business travel generally increases. Hotel’s occupancy percentage and rack rate increases, which results in higher profit levels. Vice-Versa, the business travel slows when the economy is low which results in decreased occupancy percentage and rack rate. The hotel industry is facing intense challenge of labour shortage & has failed to retain good professionals. Retention of the quality workforce through training and development in the hotel industry is a big problem and attrition levels are too high. One of the reasons for this is unattractive wage packages. The hotel industry is facing the challenge of providing latest technology to the hotel guests & it has been observed that innovative use of technology not only benefits customers but also hotel operations & eventually helps hotel to stand out from the competition and attract more customers. The hotel industry has noticed & realized the challenge of providing & maintaining absolute cleanliness & hygiene inside hotel premises & strong intolerance of hotel guests towards this. The hotel industry has noticed & realized the challenge of providing & maintaining excellent & exceptional guest service standards which has undoubtedly become significantly indispensable. The hotel industry has noticed & realized the challenge of providing meaningful & memorable customized personal experiences to hotel guests during their stay in order to ensure prolonged business from them or else if the experience is not memorable the guest will never ever visit the hotel again & the hotel certainly will lose not only one client but also the business & revenue provided by him in form of booking accommodation & thereafter consumption of food & beverage. Sustainability is rapidly climbing the agenda of every hotel & it is majorly driven by people’s growing interest and concern for the environment. Hotels need to understand that corporate responsibility programmes can help to win customer’s trust effectively & efficiently. The hotel industry is no doubt facing the challenge of severe competition amongst itself as in the past two decades there has been a noticeable emergence of all star hotels worldwide which has eventually brought down the ARR & OP drastically. Making use of latest & sophisticated marketing techniques is another challenge that needs to be dealt with in order to ensure proper brand promotion which subsequently will enhance the percentage of room reservations for a particular hotel. The hotel industry needs to save & manage its resources & energy & make use of environment friendly biodegradable products to meet the global challenge of reducing the electricity costs & cutting down toxic carbon emissions. The hotel industry needs to provide & maintain impeccable safety & security to the hotel guests & employees respectively. The hotel industry needs to provide utmost nutshell cyber security & data privacy in order to win the trust & faith of all the hotel guests.

Methodology - The present study makes use of secondary data and information from various organizations like United Nation World Tourism Organization (UNWTO) etc., Journals and Internet.

Objectives

This study aims at evaluating & discussing major challenges faced by hotel industry globally.
I. **Economy Influx (Fluctuations in Economy)** - When a nation’s economy is high, business travel generally increases. Hotel’s occupancy percentage and rack rate increases, which results in higher profit levels. Vice-Versa, the business travel slows when the economy is low which results in decreased occupancy percentage and rack rate. Discounts to increase occupancy are offered, which yield lower revenues and profit decreases. For hotels and restaurants, the economy always plays a role in determining the level of both personal and business spending. For tourism-heavy locations, this is even truer. In the travel and hotel sectors, the ups and downs of global events have an obvious impact on international spending making it one of the greatest challenges facing the hospitality industry and restaurants. As demand for lodging and plane travel goes down, both total revenue and profit decrease. Prices are slashed to try to fill empty rooms and flights, and raising rates to recover lost profits later is a tricky business. But the impact of globalization is also being felt in the food service sector. Restaurants now have a greater variety of vendor options to make their menus more appealing while obtaining ingredients and supplies at a lower cost. At the same time, importing from other countries has its own set of risks especially if there is a well publicized incident regarding contamination, unfair labor practices, toxic materials used in manufacturing, and other issues that media-savvy consumers may find troubling. While cheaper sourcing may be easier in a global economy, customers are more and more selective about spending in alignment with their shifting values. As far as sourcing talent is concerned, stricter immigration regulations since 2001 have made it more difficult for the hospitality sector to supplement the shrinking local labor pool with workers from other countries. The governments of all the countries are being urged to make changes in immigration and work visa laws to help the hospitality sector better fill vacant job openings with foreign employees. However, these changes are sure to happen slowly. In the meantime, employers should ensure they are complying with existing laws for hiring documented workers. Failure to comply with all documentation requirements, such as I-9 processing, continues to be a challenge but it can be readily mitigated with the implementation of on boarding that integrates with e-verify.

II. **Labour Shortage & Retaining Quality Personnel** - Labour shortage is one of the greatest challenges facing the hospitality industry and restaurants. The restaurant industry in the U.S. alone employs about 14 million workers. Shortages are becoming an issue as the talent pool of suitable candidates shrinks. Since the quality of employees hired has a direct impact on brand reputation, revenue, and overall labor costs, simply lowering standards is not an acceptable solution for savvy hotel owners. It’s essential to access a larger volume of talent in order to be able to pick and choose the best options. Businesses in this sector must also be willing to make changes in how they operate to support workers in giving their best effort on an ongoing basis. Right now, the demographics of the available candidates are skewing older. Boomers who had their retirement plans put on hold due to the recession are looking for ongoing work even in physically demanding roles that they may not be equipped to
fulfill while younger workers are aggressively seeking jobs with a reputation for higher wages and better working conditions. Paying increasing attention to creating an excellent workplace culture, being competitive with wages and benefits, and improving working conditions to place less stress on employees will ease the burden on an aging service industry population and help attract younger talent. As an example of one way to make benefits better, even organizations with fewer than 50 employees are able to offer health coverage now by leveraging the power of group plans and blending them with supplemental coverage that helps fill in the gaps. Insurance brokers and advisors are getting creative (within the bounds of the law) in helping smaller businesses negotiate for better insurance for their employees. Employers may also want to consider seeking out more Work Opportunity Tax Credit (WOTC) - eligible job candidates to fill out their workforce. These candidates typically face significant barriers to hiring due to income, veteran status, disability, or history of incarceration. But they can bring a lot of motivation and dedication to the job, especially if adequate training is provided. This labor pool is always available, and businesses can capture thousands of dollars in tax credits for hiring eligible individuals. Using automated WOTC processing makes it simple to capture the necessary information and submit documentation to qualify for these tax credits. One of the greatest challenges faced by the hospitality industry is the unavailability of quality workforce in different skill levels. The hotel industry has failed to retain good professionals. 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.

III. **Rising Technological Demand** - Technology is an integral part of everyday life. Whilst we use our holiday to take a break from certain aspects of our lives, it seems we never want a break from technology. Hotel guests demand a basic right to be connected in any hotel, in any location, around the world. Technology is a constant travel companion, wherever we go. Innovative use of technology that benefits customers and not just hotel operations helps hotel to stand out from the competition and attract new customers. The Oracle Hotel 2025 survey, conducted in February 2017, discovered that guests are willing to engage brands that offer new technologies if they feel they’re in control of their experience. It started with the demand for free wi-fi connection but this is very much a basic need now. Hotels have started to install robotics and voice control technology, smart mini bars and golf simulators. The Wynn hotel in Vegas already uses Amazon Echo and Marriott is exploring Amazon Alexa and Google Home to use in their bedrooms. Whilst technology provides endless opportunities to improve hotel efficiencies, hoteliers must strike the right balance between automation and the human touch. Investment in technology is critical to long-term business success but it must not come at the cost of personal service. The demanding nature of the average consumer is skyrocketing in an era of instant gratification. People want what they want and they want it now. That’s always
been true to a certain extent in the hospitality industry. After all, customers are paying for service and they expect to get it. But they are now doing more than just comparing your organization to direct competitors. A customer comparing you to his/her experience in general particularly when it comes to digital interaction and speedy service is one of the major challenges faced by the hospitality industry today. In March 2017, Amazon launched its first public demo of drone delivery. Customers expect to receive prompt responses no matter how they make contact with your organization. As an example of this shift towards reliance on technology, statistics suggest almost 60% of hotel reservations are made online, with 65% of same-day reservations being made via smartphone. Customers now, even complain about the number of keyboard strokes or mouse clicks required to complete an online booking. The restaurant industry is also feeling increased pressure to go digital and change their business model by starting food delivery services for locations that were previously dine-in only. Hotels and restaurants should look for ways to use technology to improve the overall digital customer experience from on-site kiosks to their website and social presence. To start with, it’s essential to have someone monitoring all digital channels from review websites to Twitter, Facebook, email, and beyond. Reputation management is a best practice for keeping customer satisfaction high and a valuable source of data and insights for future improvement. Internal customers (job candidates and employees) also have higher expectations towards their employer organization. A mobile-friendly online application process, web-based on-boarding, virtual training, and self-service tech in general will undoubtedly help attract savvy employees & will help make them ready to work faster, and help keep them engaged and satisfied over the long run.

IV. Providing & Maintaining Absolute Cleanliness & Hygiene - First impression counts for a great deal and many hotel guests get an instant sense for the standards in a hotel from their first visit to the hotel washroom. The demand for cleanliness should not be a surprise, especially within the hotel industry. In fact, cleanliness and hygiene is ranked as number one priority for choosing and recommending hotels post stay. The majority of hotel guests would happily give up on complimentary luxuries and technology, such as Wi-Fi access etc., than to stay in a dirty hotel. Efficient housekeeping teams are very critical for brand reputation management and to drive loyalty amongst hotel guests. Make sure the lodging rooms have clean, odour-free, eco-friendly and spacious conditions. This would help to drive more visitors to the hotels. As hospitality businesses operate round the clock and slow periods in which staff can conduct some minor cleaning is never guaranteed; many companies choose to hire a professional cleaning service. This is the best way to ensure that all the requirements are met and it doesn’t mean you have to take valuable time out of your day to enforce the fact that everything is completed.

V. Providing & Maintaining Excellent & Exceptional Guest Service Standards - Every hotel guest expects good customer service but today’s hoteliers must exceed
expectations by being more than just good & there is a need to be excellent. A hotel is judged by the quality of the service delivered. Highly skilled and attentive staff, a personal touch, respect, and the ability to make a guest’s stay as comfortable and as relaxing as possible are all equally important to succeed. If hotels can provide that extra level of service, they can generate brand loyalty and repeat custom. The phrase "The customer is always right" may have been coined in the retail sector, but it is highly relevant to the hotel sector. To win repeat business and ensure long-term growth, hotels must develop a deep understanding of the types of customers they want to attract and provide services and facilities that cater to the needs of their target customer base. There is now a growing demand to employ data scientists in the hospitality sector, to provide insights into hotel guests — their likes, dislikes and interests to ensure unexpected and highly appreciated personal touches during a guest’s stay.

VI. Providing Meaningful & Memorable Personal Experiences - Memories are based on powerful experiences. There is a growing expectation now to always ‘experience’ something. In the hotel industry, design trends, technology and personalization can all help to provide a meaningful experience and drive guest loyalty. It is no longer enough just to go out for a nice meal in a nice restaurant with great service. Restaurants are aware of the need for offering a real ‘dining experience’. Consider the trend for dining in the dark - thanks to French restaurant “Dans Le Noir”, where all the senses are awakened & not just your taste buds, to provide a real ‘dining experience’. In terms of cruise travel, just think about how cruise ships have evolved over the past decades into liners like the Symphony of the Seas cruise ship. Experiences should be treated as an extension of the great quality customer service already offered by hoteliers, though admittedly it might be more relevant to the luxury/ five-star plus rated hotels in the world. Whilst quality of service is hugely important to guests it can be made even better by a meaningful personal experience. In some cases, hotel design and interior trends might be enough to attract new customers and in other cases, technology might be more attractive — as in the case of the world’s first robot hotel in Japan, The Henn Na (Weird Hotel). In the UK, a BBC television programme, Amazing Hotels, brings the rising demand for experiences, over and above pampering, into sharp focus. If hoteliers can provide these sought-after experiences, then they can exceed customer expectations.

VII. Sustainability - Sustainability is rapidly climbing the agenda of every organization, driven by people’s growing interest and concern for the environment. The United Nations World Tourism Organization (UNWTO) is deeply committed to sustainable tourism. Smart hoteliers understand that corporate responsibility programmes can help to win customer’s trust. Hotels spend a large part of their running costs on energy and utility bills. Luckily there are many ways, thanks to intelligent technologies, that hotel operators can go green, review energy consumption and implement ways to deliver financial savings. There are many opportunities for
hoteliers to raise their brand profile in terms of environmental impacts by focusing on reduction of food waste, general waste, water consumption, and energy (lighting, heating and cooling). Thanks to technological innovations, such as daylight harvesting sensors and motion sensors, hotels are already finding ways to reduce lighting and heating bills. Hilton already understands the importance of Corporate Responsibility initiatives and Starwood has pledged to reduce energy use by 30% and water use by 20% by 2020. In 2017, Hilton announced their partnership with the World Wildlife Fund (WWF) to launch a new, long-term water stewardship strategy to tackle their water usage. If hotels can meet the challenges and expectations of their guests, they can ensure long-term business growth in a sustainable way and exceed customer expectations.

VIII. **Increasing Competition** - Hotel industry is an ever blooming business. Travel and tourism is enormously growing every year. Travelers always look for the perfect accommodation. Due to very high demand in accommodation, the competition is also high in this business. In the crowded travel spots, you can see hotels at each and every locality. High competition is a major challenge in this sector. To reap the high profits, new or existing competitors could significantly reduce rates or provide greater conveniences, services or amenities, or significantly expand, improve or introduce new facilities in the markets. Hotels everywhere indicate that their community is overbuilt; there are too many available hospitality rooms relative to the guests desiring to rent them. The resulting competition, which often involves price cutting in efforts to provide greater value to guests, educes the profits generated. A steep fall in occupancy ratio in the wake of the global slowdown and tight competition among hospitality operators in a shrinking market have brought down hospitality room rents drastically across the globe. The competition in Europe has resulted in low occupancies and as a result, the average room rate has taken a beating of almost 30 percent in all major leisure markets. Rooms are now sold not only for less but also bundled with packages, like breakfast, airport transfers or a day’s sightseeing.

IX. **Lack of Latest & Sophisticated Marketing Techniques** - As the technology is improving day by day, there are lots of options available for the hotels in capturing their market space online. But according to a recent survey in the year 2016, almost 70% of the hotels across the world still follow the old marketing practices. Due to poor marketing efforts, sales and brand recognition gets affected to very high extent. The current trend denotes that hotels are slowly moving towards Online Travel Agency (OTA) marketing and hotel management software to ease the workload and increase return on investment. "Hotels need to utilize the online technology such as digital marketing & social media promotions effectively, to reach their potential customers" - says, Ramesh Devangodi, owner of a popular Indian restaurant in Edmonton (Alberta, Canada). Customers choose hotels and other hospitality services for a variety of reasons. From location to facilities and perks, companies have to be sure that they’re providing what buyers are looking for. The role of marketers is to
identify what factors make customers choose a particular hospitality service, and this requires extensive research. By speaking to current and former guests, monitoring customer reviews on websites, reviewing industry data and more, marketing professionals learn what makes a hospitality service stand out, as well as how it can be improved. If potential customers don’t know about a service, they can’t purchase it. That’s where brand awareness comes in. Marketers make sure information on hotels, resorts and restaurants is easy to find and up-to-date. They can do this by buying ad space on relevant travel sites, creating an engaging website and collaborating with other, noncompeting hospitality services in the same market. To ensure high levels of repeat business, good customer relationships are vital. Not only do repeat customers usually promote a service through word-of-mouth and social media, but they also create a stable revenue base. One way to build relationships is through customer loyalty programs, which reward customers who regularly use a particular hospitality service.

X. **Difficulties in Managing Energy & Resources** - Investing in renewable & eco-friendly resources can help in improving hotel's overall profit margin. Tourists prefer to accommodate themselves at an environmental-friendly hotel room rather than ordinary hotel room. With rising electricity prices and increasing pressure to cut carbon emissions, saving energy is the number one priority on hotelier’s priority list. There are two solutions for effective energy management. One is voltage optimization, which works to reduce the incoming power to premises for reducing the energy consumption and protect electrical equipment. The other is energy management systems, which switch on and off appliances depending on the occupancy of a room. Despite the upfront costs associated with going green, the lodging industry shows no signs of turning its back on its commitment to sustainability. Rather, many hotels are looking longer-term, recognizing the cost- and resource-saving benefits of going green, along with the good-will that it builds among guests. Though hotels have long offered guests the option to hold off on laundering linens during their stay, many are now offering entirely environmentally-friendly rooms that have water-saving bathroom fixtures and in-room energy management systems. Carlson Hotel Worldwide (www.carlson.com) recently surveyed its guests and found that they're "very engaged" in environmental issues. Guests expressed a high degree of willingness to do their parts both at home and while traveling, and 58 percent said they'd be willing to book a hotel room that is environmentally-friendly. Carlson, along with many other hotel companies, is looking to LEED (Leadership in Energy and Environmental Design) certification standards as a benchmark for best practices. The U.S. Green Building Council (www.usgbc.org), which runs the LEED program, has certified 22 hotels and there are 574 projects in the works. Buildings in every sector are recognizing that green building saves money energy and resources. This is precisely the reason that, while the economy has forced many projects to stall, green building is still growing," says Marie Coleman, communications associate for the USGBC.
Cornell University roundtable suggested that LEED-certification remains a challenge for hotels, primarily because the standards were created for office and commercial structures. "LEED is about buildings, not about hospitality," suggests Richard Penner, professor at the Cornell University School of Hotel Administration. As Simon Ford, SVP of innovation and design at InterContinental Hotels Group (IHG) puts it: "A green hotel does not equate to a green hotel experience." Companies that seek to operate in a sustainable fashion need to analyze each product and process, and not all choices are clear-cut, the roundtable observed. For instance, which is more sustainable: paper towels or electric hand dryers? As a part of its sustainability initiatives, IHG (www.ichotelsgroup.com) has developed a software program called Green Engage that's expected to cut hotel energy use by 25 percent across the company's entire portfolio. The online system lets hotel managers record their energy use and compare it to proven best practices at similar properties across the portfolio. The program then provides each hotel with a report on how to boost efficiency. Whatever specific approach hotels take in going green, the Cornell panelists offer one clear insight: as sustainability becomes a strong guest consideration, a hotel's brand may drive occupancy more than its location.

XI. Providing Impeccable Safety & Security - This is one of the major problems in hotel industry. Different types of safety & security challenges are general theft, public violence, terrorism, armed robbery, credit card fraud, cyber crime issues, identity theft, sexual abuse on women, racial discrimination, risk of food poisoning etc. Safe lodging and the reputation of a hotel are critical if not paramount to ensure success for a single inn, hotel or hotel chain. These entities must properly provide for the protection and maintenance of assets. This includes protecting human, physical and intangible assets. A hotels reputation and standard conduct of business is based on the protection that is afforded to guests, employees, visitors, contractors, the physical structure of the premises and all that is contained therein and pertinent to the property. Assets must be deployed to mitigate numerous risks that Hotels face which include but are not limited to fire, criminal activities, injury, natural disaster, sabotage, and terrorism. Crime and attempted crime has increased over time due to numerous factors. With increased population there are simply more criminals. In addition, crime has gotten more viral as evidenced by that most unfortunate terrorist attack in Mumbai, India where scores were killed and injured in a horrific assault at the Taj and Oberoi hotels. While this represents an extreme it also illustrates the vulnerability that hotels face. More common vulnerabilities would be the lone physical attack on hotel guests and employees, theft of merchandise and services, injuries and claims due to both real and alleged circumstances and the devastating effect of fire and natural disaster. While all risks cannot be avoided, they can and are being mitigated through basic as well as enhanced security techniques and methods.

XII. Providing Nutshell Cyber Security & Data Privacy - Cyber security has been a big concern for a number of sectors, ranging from power and utility companies to
government organizations. While those specific industries are more concerned about cyber terrorism, the hospitality businesses is more focused on preventing data and identify theft. Hotels collect a lot of information about their guests to insure themselves against damages and to fuel their own rewards programs. This makes them popular targets among cyber criminals and hackers, as a single breach could result in hundreds or even thousands of pieces of guests’ personal information (names, addresses, social security numbers, etc.) and payment details being compromised. Because of this, they need to make sure this data is protected against fraudsters. “Many segments of the hospitality industry have rewards programs that encourage customers to frequent a particular establishment or chain,” Think Risk explains. “These programs necessarily store personal and financial information in order to facilitate reservations, billing and payment and benefit awards. In addition, online reservations and payments as well as transactions processed on-site involve collecting credit card or other personal financial information from customers.” A security breach has huge ramifications. At the very least, businesses are required to contact other guests (past and present) and inform them that their data may have been compromised – this alone can be costly and may also lead to brand damage. If stolen data is used by fraudsters, the businesses may face liability claims for failure to protect data and maintain reasonable safeguards. As more hospitality and travel companies use digital systems to automate tasks and manage their data, they need to be aware of the potential risks associated with these digital systems.

Conclusion

The hotel industry undoubtedly is facing several major challenges globally such as economy influx (fluctuations in economy), labour shortage & retaining quality personnel, rising technological demand, providing & maintaining absolute cleanliness & hygiene, providing & maintaining excellent & exceptional guest service standards, providing meaningful & memorable personal experiences, sustainability, increasing competition, lack of latest & sophisticated marketing techniques, difficulties in managing energy & resources, providing impeccable safety & security & providing nutshell cyber security & data privacy etc. The global hotel industry & therein working hoteliers need to sort, resolve, find & implement appropriate solutions to all the above mentioned major challenges by formulating efficient & effective strategies henceforth with immediate effect in order to ensure smooth functioning of hotels & winning confidence, trust & faith of hotel guests worldwide.

References


