

Emerging Trends in Business and Management

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Editors:

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Managing Entrepreneurship in Hotel Industry Through Business Strategies—A Study of Star Category Hotels in Uttar Pradesh

Amna Rizvi*

Ehtesham Ahmad†

Abstract

In this cutthroat competitive business environment, the hotel industry needs a continuous monitoring and managing system so that the entrepreneurship in hotel industry can withstand the tough and challenging situations to sustain itself. One such important tool to sustain oneself, is managing the business through strategies, which helps to play smartly and efficiently. Business strategies help in aligning the business 's internal strengths and weaknesses with external opportunities and threats and provides first mover advantage. Therefore, the present study aimed to analyze the impact of PLC wise business strategies on the success of hotel industry. The study used primary data which was collected from the owners/top executives of 500-star

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category hotels operating in top 10 cities of Uttar Pradesh as per rankings given by Regional Office of Department of Tourism. UP in 2019 as per the domestic tourist visit count. Data was collected by administering questionnaire to the respondents both through email and personal visits wherever it was feasible. The data was analyzed by applying cross tabulation and regression analysis using SPSS software version 25. The results of the study revealed that in the introduction stage higher star category hotel was considering strategy such as establishing clear brand strategy as most favorable for the business while moving down the star category it was found the reverse.

Keywords : *Entrepreneurship, Hotel Industry, Business Strategies*

RESEARCH CONTEXT

Business strategies are the pillars upon which a business can thrive. Since the nature and size of enterprises are different therefore, they require different strategies. The product life cycle (PLC) is a biological metaphor for the stages of a product's acceptability, from launch (birth) through demise (death) (death). It can be divided into several stages depending on how much money the product brings in. The PLC Model is a new hypothesis that pinpoints the several stages that influence a product's sales from creation through retirement. Companies that were able to identify those stages and implement a customised "Marketing Mix" (a combination of product, pricing, promotion, and place [distribution] activities) at each stage were able to maintain or increase market share.

Companies were also able to realise a large portion of the financial potential of a product by purposefully prolonging the length of time spent in each of the PLC phases through a variety of tactics.

As such when in decline phase, an enterprise in the service sector can choose pruning, retrenchment or any other such strategy. A basic distinction between these two strategies is that the former is cutting down the unprofitable services while the latter is selling off the unprofitable outlets in case a firm has multiple outlets. One fascinating result from an empirical research was that besides the enterprise's stage, the product's life stage also acts as a guiding factor in deciding the business strategies. Therefore, it can be said that business strategies help in aligning the business's internal strengths and weaknesses with external opportunities and threats and provides first mover advantage.

Hotel Industry in Detail

The term hotel comes from the French word *hôtel*, which implies “a French equivalent of a townhouse.” Around the year 1760, the fifth Duke of Devonshire developed the term hotel to denote a lodging establishment in London. A townhouse was once the residence of a peer or nobleman in the capitals of major cities in the United Kingdom, Ireland, and other countries. The word hotel is thought to have originated from the term hostel, which means ‘a place for travelers to stay.’

According to British law, a hotel is “a place where bona fide passengers can receive food or shelter, provided they are in a position to pay for it and are in a fit condition to receive it.”

Problem Statement

In this cutthroat competitive business environment the hotel industry needs a continuous monitoring and managing system so that the entrepreneurship in hotel industry can withstand the tough and challenging situations to sustain itself. One such important tool to sustain oneself, is managing the business

through strategies which helps to play smartly and efficiently. This also helps the enterprises to move ahead of the big giants and competitors in the market. As strategies for hotel managers might be different due to the nature of hotel industry unlike the strategies in the manufacturing sector. Therefore, it becomes prudent to understand what specific strategies are relevant to hotel industry. Apart from it, the study extended its scope to explore the association between the type of hotel and business strategies in different product life cycle stages with its success.

Objective of the study

The study seeks to fulfill following below objectives

1. To throw light on the demographic profile of the hotels under study.
2. To analyze the impact of PLC wise business strategies on the success of hotel industry.

REVIEW OF LITERATURE

Business Strategies: Concept

“According to **Panwar (2016)**, a strategy refers to identifying factors which create a competitive advantage. A business strategy can be defined in various ways. It refers to a set of long-term actions designed to achieve certain objectives or goals of a firm.” “According to **Watkins (2007)** business strategy is “a set of guiding principles that, when communicated and adopted in the organisation, it will generate a desired pattern of decision-making” (p.no. 09). “A strategy simply refers to the direction in which a company want to proceed from a managerial point (**DuBrin, 2012**). **Panwar (2016)** claims that identifying the best strategy to deal with problems entails weighing a variety of options”.

Types of Business Strategies

- ◆ **“Integrated strategy”**: “It is a plan or framework to help a firm be more effective during the beginning, expansion or maturity of a product. This strategy is also used to support a firm to move to the next level of accomplishment and sustainability”. (Bischoff-Turner, 2007).
- ◆ **“Diversification strategy”**: “It is a business strategy which firms apply to get into new markets by creating new services or products to meet the needs of the new markets ” (Zekiri & Nedelea, 2011).
- ◆ **“Declining strategy”**: “This is a defensive strategy which is generally used when a business is in a vulnerable situation, ineffective or poor management ”. (Koponen & Arbelius, 2009).

The Meaning of Strategy for Hotel Managers

“Many respondents regard strategy as a plan to attain goals, according to the findings of the study. One participant characterized strategy as a method, while another described strategy as a concept. “the things” by asserting”, “Before you have a strategy, you should have a goal. A strategy is the things that you do to achieve your goal.” “Furthermore, all participants mention simple objectives as one of the fundamental features of their strategy creation, which consists of three components: aims, scope, and advantage (Collis and Rukstad, 2013). These findings show that the definition of strategy for hotel managers is more limited than for managers in other industries (Collis and Rukstad, 2013) “.

Product Life Cycle Model Stages and Strategies

“A PLC is traditionally viewed, from a marketing perspective, as

being comprised of four distinct stages: Introduction, Growth, Maturity and Decline”. “During the “Introduction” stage, the product is introduced to the market through a targeted and vigorous marketing effort aimed at developing a distinct identity and promoting maximum awareness. There will be a lot of trial or

impulse purchases at this point. Following that, rising sales and the entrance of competitors will usher in the “Growth” stage, which will be defined by increased client interest”. “The vendor’s continuing marketing efforts, as well as recurring purchase behaviour patterns among clients, characterise the “Growth” stage. The product has achieved its “Maturity” stage when competitors begin to leave the market, sales velocity reduces significantly, and sales volume stabilises. Currently, the product is primarily purchased by loyal clients. A continuous fall in sales characterises the “Decline” period. Sales decreases are commonly attributed to long term effects of competition, poor economic conditions, new fashion trends, and other factors”.

Tyler, D. (2008)

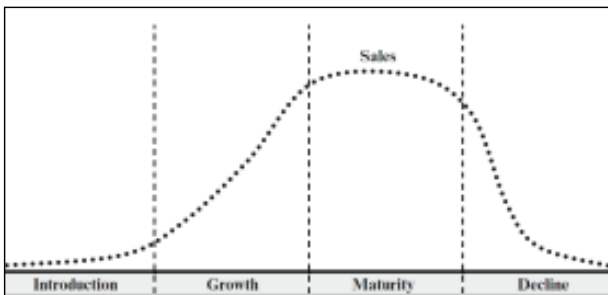


Figure: Timeline and PLC Stages

CHARACTERISTIC OF STAGES OF PLC

1. Introduction Stage: “When the product is introduced, sales will be low until customers become aware of the product

and its benefits. During the introduction stage, the firm aims to build awareness and develop a market for the product”.

2. Growth Stage: “During the growth stage, sales increase as more customers become aware of the product and its benefits and additional market segments are targeted. The firm seeks to build brand preference and increase the market share. ”

3. Maturity Stage: “The maturity stage is the most profitable. While sales continue to increase into this stage, they do so at a slower pace. Competition may appear with similar products. The primary objective at this point is to defend market share while maximizing profits and extend the PLC”.

4. Decline Stage: “Eventually, sales begin to decline as the market becomes saturated. At this stage of the PLC, the firm has several options. First, the firm maintains the product and rejuvenates it by adding new features and finding new uses. Second, the firm harvests the product by reducing costs and continuing to offer it, possibly, to a loyal niche segment. Lastly, the firm discontinues the product when no more profit can be made or there is a successor product. The MARKETING

MIX decisions in the decline stage depend on the selected strategy. ” **Hofer (1975)**

“Hofer (1975) created the most comprehensive theoretical profile of the PLC’s impact on company strategy”. Hofer makes two ideas that are particularly intriguing:

1. “The most fundamental variable in determining an appropriate business strategy is the stage of the product life cycle” (1975, p.no 798).

2. “Major changes in business strategy are usually required during three stages of the life cycle: introduction, maturity, and decline” (1975, p.no 799).

RESEARCH METHODOLOGY

The present study is exploratory, qualitative & quantitative in nature and is predominantly based on primary data collected from owners/top managers/executives of 500-star hotels in 10 selected cities of Uttar Pradesh. Hotels operating in top-most 10 cities ((Lucknow, Agra, Varanasi, Noida, Ghaziabad, Gorakhpur, Kanpur, Bareilly, Prayagraj & Mathura) of Uttar Pradesh were chosen as per the rankings given by Regional Office of Department of Tourism. UP in 2019 as per the domestic tourist visit count. Star category hotel were taken as per the classification given under National Integrated Database of Hospitality Industry @ <https://www.nidhi.nic.in> Also, star category hotels were taken from the ratings given by make my trip site because registered star hotels in UP were only 24.

The quota sampling techniques was used for this purpose Further, the data was collected with the tool of well-drafted questionnaire prepared on 5-point likert-based questions. The responses were collected by sending questionnaires via google docs link to the respondent `s email address and scheduling was also done where feasible. The data was analyzed by applying cross tabulation & chi-square analysis with the help of IBM SPSS version 25.

DATA ANALYSIS & INTERPRETATION

Demographic Profile of the Respondents

On analysing the demographic profile of the respondents, it was found that there were total 500 hotels of which, 44 were from the 5 Star hotel, 240 were from the 4-Star hotels, 109 were from the 3 Star hotels and 107 were from 1- & 2-Star hotels. Further, it was found that except for 5 star category hotels, all others were national based and in 5 star hotels only 34 percent approx.

were having national ownership. High star category were mainly found to provide upmarket service while 3 star and 1 & 2 star hotels were providing mid-level or economy level services. Moreover, it was also revealed that out of all four category of star hotels, 5 star hotels have higher employee strength than others. In addition, the occupancy and profitability on an average was found to be high in five & four star category in comparison to three, one & two star hotels taken under study.

Chi Square Analysis- Association between Type of Hotel and PLC-wise Business Strategies

Null Hypothesis (H0) 1: There is no association between Hotel category and variable- Establish a clear brand identity.

Table 4.1: Crosstab: Hotel Category * Establish a Clear Brand Identity

Crosstab								
Strongly Disagree Disagree			Establish a clear brand identity				Total	
			Neutral	Agree	Strongly Agree			
Hotel category	5 Star Hotel	Count	3	5	3	19	1444	
		% within	6.81%	6.81%	11.36		43.2%	
	4 Star	Count	30	57	20	75	58240	
Total % within	Hotel	% within	12.5%	8.33%	24.17%	23.75	31.25	100.0%
	3 Star Hotel	Count	45	25		4 28	7109	
		% within	41.29%	22.94	3.66%	6.42%	25.69	100.0%
	1 or 2 Star Hotel	Count	50	29	7	18	3107	
		% within	46.73%	27.1%	2.80%	6.54%	16.82	100.0%
		Count	128	116	34	140	82	
		25.6%	23.2%	16.4%	6.8%	28.00		100.0%

INTERPRETATION

Out of total **500** respondents, **44** hotels were **from the 5 Star hotel**, **240** hotels were **from the 4-Star hotels**, **109** hotels were **from the 3 Star hotels** and **107** hotels were **from 1- & 2-Star hotels**.

- ◆ **5 Star Hotels:** Out of 44 respondents, 6.81% respondents were strongly disagree, 11.36% respondents were disagree, 6.81% respondents were Neutral, 43.2% respondents were agree and 31.82% respondents were strongly agree with the variable- Establish a clear brand identity.
- ◆ **4 Star Hotels:** Out of 240 respondents, 12.5% respondents were strongly disagree, 23.75% respondents were disagree, 8.33% respondents were Neutral, 31.25% respondents were agree and 24.17% respondents were strongly agree with the variable- Establish a clear brand identity.
- ◆ **3 Star Hotels:** Out of 109 respondents, 41.29% respondents were strongly disagree, 22.94% respondents were disagree, 3.66% respondents were Neutral, 25.69% respondents were agree and 6.42% respondents were strongly agree with the variable- Establish a clear brand identity.
- ◆ **1 or 2 Star Hotels:** Out of 106 respondents, 46.73% respondents were strongly disagree, 27.1% respondents were disagree, 6.54% respondents were Neutral, 16.82% respondents were agree and 2.80% respondents were strongly agree with the variable- Establish a clear brand identity.
- ◆ **Interpretation & Findings:** From the table it was found that asymptotic significance for Pearson Chi Square comes out to be less than 0.05, so we **reject null hypothesis** at 5% level of significance. Hence, it can be concluded that **two variables are associated** Table 4.2,

Table 4.2- Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	10.233 ^a	11	.000
Likelihood Ratio	9.582		11 .543
Linear-by-Linear Association	.081		1 .788
N of Valid Cases	500		
a. 9 cells (45.0%) have expected count less than 5. The minimum expected count is .48.			

- ◆ Summary: Association between category of hotel & PLC wise business strategies.

CONCLUSION & SUGGESTIONS

The present study is a very valuable research as it explored the business strategies needed to manage business in the hotel industry effectively by focusing the strategies needed at different PLC stages of the Star category hotels. The interesting point revealed from the results was that the business strategies like skimming were most favorable for the high star category hotel in the introduction stage than the hotels of lower star rating.

While the case was reversed when analyzing the penetration strategy. Likewise, establishing brand identity was more important to 5 star & 4 star hotels than others in the study.

The results seemed very interesting and it can be inferred that such differences in perception with regard to business strategies and management of hotel can be adhered to the hotel size, efficiency, target market and other such factors.

Moreover, it was found that for strategies like segmenting market all the hotels showed somewhat same perspective. It can be concluded that what one hotel type is implementing as a strategy might be different yet some strategies can be same despite the size and managerial capabilities of the hotel.

Suggestions

- ◆ Efforts should be made by the managers and top executives that they keep working on developing new strategies time to time to stay ahead of their competitors. · Mechanism should be developed to encourage customer feedback and reviews on different tangents of service quality and delivery.
- ◆ Customer's reviews and feedback should be considered the areas where work is to be done or improved.
- ◆ Hoteliers should keep a watch on the changing environment and the strategy needed to manage it efficiently.
- ◆ Social media marketing should be used along with other strategies at each PLC stage to retain the old customers and attract the prospective ones.
- ◆ Hotels having low star rating should improve its competitive strength by adopting strategies implemented in hotels just above their ranking.

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