

A Critical Evaluation of the Hotel Classification System of India

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Abstract

A hotel classification system is a tool used to create a hierarchy of hotels based on service quality. However, there is a lot of criticism in literature against the system for allocating high ratings to hotels with poor service quality, micro managing hotels, charging high license fees for hotels that opt for classification, etc. Against the backdrop of this criticism for the classification system, this study explored the perceptions of hotel managers about the system. The study also identified the reasons for a large number of hotels not opting for the classification process inspite of several benefits claimed by the Ministry of Tourism under the scheme. Finally, the study identified the changes hotels make to get the desired star rating. Using a multi-stage stratified sampling technique, data were collected through a structured questionnaire from 205 hotel managers of classified and unclassified hotels in North India using Google Docs questionnaire. The study was conducted in March 2017. The data were analyzed using SPSS software. Descriptive statistics and factor analysis tests were used for the analysis. The results indicated that managers had a positive opinion about the classification process contrary to what is discussed in the literature. The study also revealed that the barriers that prevent hotels from applying for the classification process include the requirement of higher salaries, a large number of approvals, high license fees, and huge documentation. Finally, the study revealed that for getting the desired classification, hotels should make changes like improving the quality of décor in rooms, placing superior guest room amenities, providing superior furnishings, and recruitment of professional employees.

Keywords : case study, hotel classification system, hotel industry, factor analysis, service quality

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Hotel classification systems originated with the purpose of informing travelers what level of services are expected from different hotels. Such a system of classifying hotels is used in almost all countries. However, with the arrival of the Internet, the classification systems are under threat as travelers are relying more on alternate sources like hotel websites and online ratings provided by hotel review websites like Trip Advisor, etc. Such ratings are also backed up by a large number of reviews provided by other travelers who have stayed in the hotels. The travelers also post the actual pictures of the properties which increases the trust level of the traveler.

The traditional classification systems failed to tap the opportunity provided by the Internet. Online travel agents (OTAs) and hotel review websites forayed into providing ratings due to which such sources have become primary sources for booking related decisions now. Such a phenomenon has also made the traditional

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classification system nearly irrelevant. The hotel classification systems failed to catch up with times, focused on infrastructure, and ignored hotel service quality and as a result, such systems are struggling to survive and stay relevant unless some strategies are adopted.

The debate by industry experts about hotel classification system in India has uncovered a set of problems about this system. The system is criticized for failing in establishing trust and credibility because of providing higher ratings to hotels that lack service quality. Industry experts too complain about micro management by the system because of expecting what is already taken care of by hotels. Lack of research studies about the hotel classification system of India makes it more complicated to establish how far such assumptions about the system are justified. Against this backdrop, this study explores the perceptions about the hotel classification system among hotel managers. It is expected that the results shall provide a more reliable information about the classification system. The study also identifies the reasons why hotels avoid the classification system in spite of several benefits offered by the government to the classified hotels. Finally, the study identifies the changes hotels make to get the desired star ratings.

Literature Review

Hotel classification is defined as the process of providing customers information in the form of symbols about hotels representing the comfort level and range of services related to a specific hotel category (Foris, 2011). The main purpose of such systems is to create a hierarchy of hotels based on the service quality offered (Sufi & Singh, 2018). This classification system can be either “official” or “unofficial”. In India, the government, through Hotel and Restaurant Accreditation Committee (HRACC), which is a special agency of the Ministry of Tourism, carries out hotel classification. The process can also be unofficial. In certain European and American countries, the classification system is carried out by private agencies like hotel associations and other trade bodies. The state does not intervene in the classification process in such countries. In a country like India, where official classification system exists, the government's main objective is to have a control over the hotels. The purpose of state intervention in the hotel classification process, after all, is to distinguish the accommodation structure for implementing different policies, tariff regulations, taxing, and customer information (European Consumer Centres Network, 2009).

However, the primary purpose of the unofficial classification process, like in the UK, is providing customer experience for championing hotel service quality (Visit England, 2014). The hotel service quality has, after all, a direct impact on customer satisfaction (Singh, Saufi, Tasnim, & Hussin, 2017). The Nordic countries have an unofficial hotel classification. Such countries justify it on the principles of a free market economy where state intervention and control is not appreciated (Foris, 2014). In India, the system is based on the policy of state intervention, where HRACC acts as a regulator of the hotels classification system. The opinion for handing over the classification system to private bodies like Federation of Hotel and Restaurant Association of India (FHRAI) is getting strong (Nath, 2013) ; however, this demand continues to be ignored.

The hotel classification process offers several benefits, which include fair competition, easier marketing & positioning of hotels, comparison of room rate (Federation of Hong Kong Hotel Owners, n.d.). Hotel owners benefit as well because the star ratings increase the consumer confidence for purchasing higher priced rooms (Israel, 2002). However, the arrival of Internet that led to hotel websites, social media, and hotel reviews websites posed several challenges to the system. Torres, Adler, and Behnke (2014) reported that such changes in the global hotel industry have made the system redundant.

The hotel classification systems are criticized for focusing on hotel infrastructure facilities mostly (Briggs, Sutherland, & Drummond, 2007), ignore service quality, and lack the ability to represent the traveler experience (Quo, 2013). The same view was shared by Baccarani, Ugolini, and Bonfanti (2010), suggesting that the focus on

structural quantitative factors like room size, bed size ignores hotel service quality, making the system ineffective. This impacts customer satisfaction.

Hotel classification systems raise traveler expectations; higher star ratings lead to higher expectations (Ariffin & Maghzi, 2012). The excellence in service quality automatically enhances the path to sustainable competitive advantage, and thus results in a stronger brand (Priya & Jabarethina, 2016). However, star categorization of the hotel does not guarantee customer satisfaction; it is the ability of the hotel to meet customer requirements. This phenomenon is evident in India as well where several cases of travel agents selling five-star hotels as four-star properties are reported to overcome any issue of expectations from the five-star hotel (Nath, 2013).

🔗 **The Hotel Classification System of India :** Nine years after India became independent, the Government of India established the “Hotel standards and rate structure committee” in 1956 with the objective of promoting tourism and establishing hotel classification system considering the international standards (Seth, 2006). The committee also suggested suitable rate structure for the hotel industry, and chose the use of stars as symbols for point-based hotel classification system. However, no major changes were made in the system over the decades and subsequently, apprehensions about the system were reported because of its failure to guarantee customer satisfaction.

The subsequent upgrading of the classification system in 2013 was based on the suggestions from the industry, to make the hotel classification system more customer oriented. However, the guidelines proved to be just an eyewash and focused on trivial issues like requirement of hooks for clothes, water sprays in bathrooms, and blackout curtains, etc. The revision only proved to be a futile exercise, as the revised guidelines were considered to be of low standards than what the hotel brands offer. Further higher tax structure, the requirement for minimum wages norms, higher license fees continue to act as a barrier for a large number of hotels to apply for the classification system (Sharma, 2013). However, government officials maintain that the classification system brings national and international standards by making the statement about their services globally to consumers by the classification process (Nath, 2013).

Methodology

This objective of this study is to study the perceptions about the hotel classification system against the backdrop of the criticism of the system in literature. Further, the study identifies the reasons why a large number of hotels do not opt for the classification system in spite of many benefits offered by the government. The study finally identifies the changes hotels make to get the desired star rating.

Using multi-stage stratified sampling technique, data were collected through a structured questionnaire from the hotel managers of classified hotels in North India (New Delhi, Haryana, Punjab, Himachal Pradesh, and Jammu & Kashmir) to ensure that the hotels of all-star categories (two, three, four, five, and five star deluxe) were given representation in the study. One star hotels were not included in the sample because no such hotel category was found in North India. Proportionate sampling method was used to determine the sample size to be studied ; 250 questionnaires were sent across to classified hotels. This study also evaluated the unclassified hotels (that had not applied for hotel classification process and chose not to belong to any star category). However, there is no listing of such hotels. Therefore, convenience sampling was used for choosing such hotels, and 100 questionnaires were sent to the unclassified hotels. The study was conducted in March 2017.

The pilot survey of 24 items about general perceptions about hotel classification system among managers elicited the average Cronbach's alpha value of 0.951. In the pilot survey of 14 reasons why hotels do not apply for classification, the alpha value was 0.876. Similarly, in the pilot test of 20 items to identify the changes made by the hotel to get the desired hotel classification, the alpha value was 0.956.

Table 1. Breakup of the Questionnaires Used for the Study

	Classified Hotels		Unclassified Hotels		TOTAL
	Number	%	Number	%	
Number of Questionnaires Circulated	250	100	100	100	350
Number of Questionnaires Received	153	60	52	52	205

Table 2. Perceptions About Hotel Classification System Among Managers of Classified Hotels

Perceptions About Hotel Classification System	CLASSIFIED HOTELS (<i>n</i> = 152)		
	Mean	SD	Variance
All the classified hotels deserve the allocated ratings they have been allocated.	3.78	0.57	0.32
Classified hotels get marketing support from Ministry of Tourism.	4.09	0.62	0.39
The process of hotel classification should be carried out by private hotel associations like FHRAI, HAI, etc. instead of Ministry of Tourism.	3.51	0.00	0.00
Hotel classification system needs to be revised to make it of international standards.	3.98	0.50	0.25
The inspectors evaluating the hotels for hotel classification system have satisfactory knowledge about hotel operations.	3.54	0.93	0.86
The star rating allocated to the hotel is a matter of pride.	3.99	0.00	0.00
The hotel classification process can increase hotel revenue.	4.08	0.57	0.32
The hotel classification process is up to the level of satisfaction of the hotel industry.	3.15	0.62	0.39
The hotel classification system of India is of international standards.	2.80	0.00	0.00
The hotel classification system helps hotels in promotion and advertising by Ministry of Tourism.	3.16	0.50	0.25
The hotel classification system can improve hotel image on an international level.	4.16	0.93	0.86
The hotel classification system contributes to employee behaviour improvement.	3.91	0.00	0.00
The hotel classification system improves the overall service quality of hotels.	3.96	0.57	0.32
The hotel classification system increases customer satisfaction.	3.84	0.62	0.39
The hotel classification system allows guests to have accurate service expectations.	4.69	0.00	0.00
The hotel classification system increases employee commitment to service quality.	4.77	0.50	0.25
The hotel classification system increases management commitment to service quality.	4.72	0.57	0.32
The hotel classification system provides customers with all the information about a hotel.	4.10	0.62	0.39
The hotel classification system provides a hotel with the expectations of customer needs.	4.80	0.00	0.00

Analysis and Results

The questionnaires elicited an overall response rate of 58%. While the response rate of the classified hotels was 61% ; in case of unclassified hotels, the response rate was 52%. The Table 1 provides the breakup of the questionnaires.

(1) Perceptions About the Hotel Classification System Among Classified Hotel Managers : Table 2 shows the mean score and standard deviations of the various questions on the perceptions about the hotel classification system. The results clearly show that hotel managers had better opinion of and expectations from the hotel classification system. Almost all the evaluated areas were given above average ratings by the managers, which demonstrates that the perceptions about the hotel classification system, as discussed in the literature, are contrary to what hotel managers believed.

The hotel managers gave the highest ratings to the following : hotel classification system provides the hotel with the expectations of the customer needs ($M = 4.80, SD = 0$) ; the hotel classification system increases management commitment to service quality ($M = 4.72, SD = 0.57$) ; the hotel classification system allows guests to have accurate service expectations ($M = 4.69, SD = 0$) ; the hotel classification system provides customers with all the information about the hotel ($M = 4.10, SD = 0.62$). However, the managers gave the least ratings ($M = 2.81, SD = 0$) to the question “ hotel classification system of India is of International standards.” The managers of the classified hotels gave above average rating to the question “classification system must be handed over to the private bodies like Federation of Hotel and Restaurant Association of India FHRAI etc.” ($M = 3.51, SD = 0$).

(2) Reasons Why Hotels do not Apply for the Hotel Classification Process : Factor analysis was used to identify the reasons due to which a large number of hotels chose to stay away from the classification system in spite of several benefits promised by the government. Fourteen such variables were identified from a review of literature and factor analysis was applied to identify the factors contributing the most (Table 3). Bartlett's test of sphericity and measure of sampling adequacy were used to verify the assumptions of factor analysis. The correlation matrix of the factors showed significant correlation among the variables for conducting factor analysis. The Bartlett's test of sphericity had a value of 301.503 at a significant level of 0.00, indicating correlation among factors in the matrix.

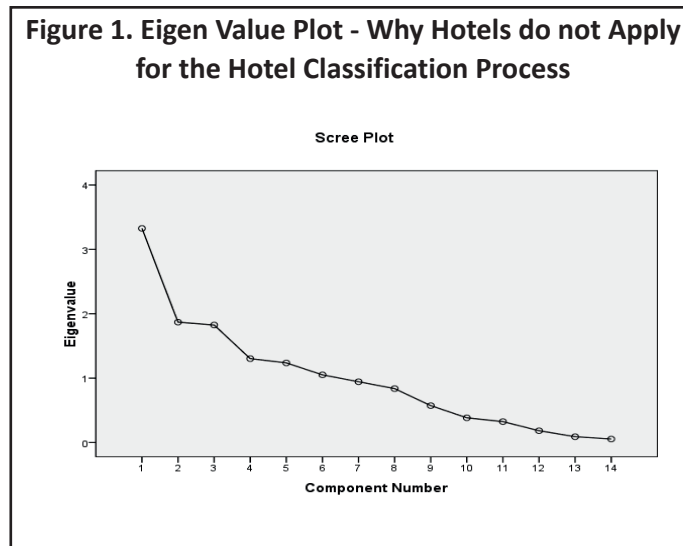
The Kaiser-Meyer-Olkin measure of sampling adequacy (KMO Test) value of 0.447 indicates that the data is well suited for factor analysis. Principal component analysis was used to extract the factors. Almost all the variables have high mean value, especially variables like : customers rely on online hotel ratings now ($M = 4.54, SD = 0.676$), requirement of professional manpower ($M = 4.38, SD = 1.00$), high tax structure ($M = 4.32, SD = 0.97$), etc. Table 4 shows the actual factors that were extracted. Five such factors were extracted, and these factors contributed to 52.05% of the total variance. Varimax with Kaiser normalization was used to provide clearer separation of the factors.

Table 3. Descriptive Statistics of the Factors

	Mean	SD	N
Higher tax structure	4.3200	.97813	50
Higher minimum wages	3.8600	1.59092	50
Higher license fees	3.7800	0.73651	50
Government approvals and clearances	4.1000	0.76265	50
Huge documentation work	3.8000	1.42857	50
High level of services	4.2800	1.03095	50
More infrastructural requirement	4.2000	1.10657	50
Requirement of professional manpower.	4.3800	1.00793	50
The hotel can offer the same service standards.	3.9600	0.57000	50
The hotel has a strong brand name.	4.3400	0.62629	50
There is hardly any value of star classification process.	4.4200	1.12649	50
Customers are relying on online hotel ratings now from websites like Trip Advisor.	4.5400	0.67643	50
Massive investment in equipment required.	4.3000	0.99488	50
Investment in infrastructure.	3.9800	1.50496	50

Table 4. Factor Loading, Eigen Value, and Variance Explained - Why Hotels do not Apply for the Hotel Classification Process

Why Hotels do not Apply for a Classification System?			
Attributes	Factor Loading	Eigen Value	Variance Explained
Higher Salaries/ Wages	0.58	1.869	13.351
Higher License Fees	0.178	1.825	13.035
Government Approvals and Clearances	1.181	1.303	9.304
Huge Documentation Work	0.111	1.236	8.830
High Level of Services	0.740	1.051	7.507
Total Variance Explained			52.057



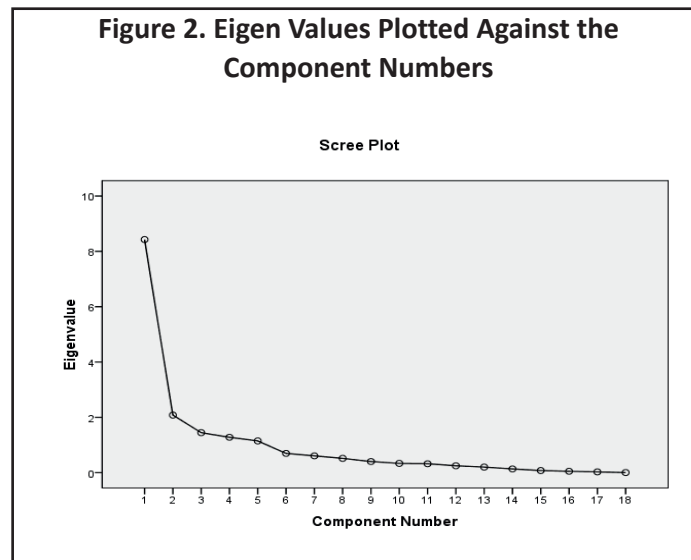
(3) Changes Hotels Make to Get the Desired Star Rating : The third objective of the study is to determine the changes hotels make in their infrastructure and services to get the desired hotel classification ratings ; 18 different variables were identified in the review of literature of this study and factor analyzed using SPSS (listed in Table 5). KMO and Bartlett's test of sphericity was used to verify the assumptions of factor analysis. The correlation mix showed significant correlation for conducting factor analysis. The analysis revealed Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) value of 0.702, indicating that data is fit for factor analysis. The Bartlett's test analysis resulted in the value of 1.795.87 at 0.00 significance level, indicating high correlation among the variables.

The descriptive statistics of the 18 variables are presented in Table 5. Superior furnishings ($M=4.65$), quality of food and beverage ($M=3.76$), recruitment of professional employees ($M=4.58$) scored high on the mean among all other variables. All the factors fit into the criteria (communality value greater than 0.5) and are considered for further analysis.

Table 6 presents all the extracted factors along with their Eigen values. Five such factors were extracted with respective variances 46.81, 11.56, 8.032, 7.104, and 6.376. The scree plot (Figure 2) indicates the Eigen values plotted against the component numbers. Beyond component number 5, the plot starts deviating and becomes thinner (less than one Eigen value).

Table 5. Descriptive Statistics of the Factors

	Mean	SD
Quality of décor in guest rooms and bathrooms.	3.8817	0.91900
Superior guest room amenities.	3.7849	0.81893
Superior furnishing	4.6559	0.63408
Recruitment of more professional employees.	4.5806	0.74195
Latest equipments for guests' use.	4.0108	0.18025
Latest equipments for employees' use.	4.0215	0.20739
Superior services at reception.	4.3333	0.66485
Quality of food and drinks.	3.7634	0.45200
Increase in the quality of food presentation.	4.6882	0.51030
Increase in the level of cleanliness.	3.8817	0.52852
Providing prompt and professional services at guest contact points.	3.9892	0.27563
Installation of the hotel safety system.	3.7742	0.49187
Facilities for differently abled guests.	3.8280	0.52386
Operational hours of hotel and restaurants.	3.7742	0.46925
Public areas	3.8280	0.50268
Number of restaurants/ specialty restaurants	3.8065	0.61252
Purchase of crockery, cutlery, or restaurant equipments.	3.8387	0.59509
Purchase of security equipment (metal detectors, x- ray machines).	3.9032	0.46775

Figure 2. Eigen Values Plotted Against the Component Numbers

The Table 6 indicates the loadings (extracted values of each item under five factors from the total of 18 variables). Higher absolute value represents the more contribution by the factor.

Discussion

(1) Perceptions About Hotel Classification System Among Hotel Managers : This study investigated the

Table 6. Factor Loading Values (Changes Hotels Make to Get the Desired Star Ratings)

Attributes	Factor Loading	Eigen Value	Variance Explained
Impressive Décor	0.867	8.427	46.815
Superior Guest Room Amenities	-0.462	2.081	11.562
Superior Furnishings	0.061	1.446	8.032
Recruitment of Professional Employees	0.073	1.279	7.104
Latest Equipment for Guests	-0.160	1.148	6.376
Total Variance Explained			79.889

perceptions about the hotel classification systems among the managers of classified hotels. The results indicate that managers overall had positive perceptions about the hotel classification system on all the evaluated areas. The only area where low ratings were given was “The hotel classification system of India is of International standards”. The managers also expect that the inspection process should be handled by private bodies like FHRAI (Federation of Hotel and Restaurant Association of India) or any other private body. The possible reasons for high ratings is that such private bodies might make the classification simpler.

Managers gave maximum ratings to the statement “Hotel classification system provides the hotel with the expectations of customer needs.” This is an important finding keeping in consideration the question been raised about the relevance of the classification system as complete. Hotel classification system increasing employee commitment to service quality was the next high rated statement. This clearly indicates that hotel classification system has an indirect impact on the service quality by increasing employee commitment. The role of hotel classification system to allow guests to have accurate service expectations was also highly rated by managers, thereby making it clear that hotel classification process does help in reducing the service gap by conveying the service expectations to customers. Apart from these areas, almost all other areas were rated with above average ratings making it clear that hotel classification system does have importance for the hotel industry.

(2) Why Large Number of Hotels in India Stay Away from the Classification Process : This study identified the reasons why a large number of hotels do not apply for the star rating, which is a voluntary system in India. This is despite a large number of benefits that Ministry of Tourism claims to offer to the hotels. The results from factor analysis indicated that higher salary and wages, higher license fees, government approvals, huge documentation work, and a higher level of services as the top reasons for the hotels for not applying for the hotel classification system of India. Collectively, these barriers to hotels for applying for hotel classification scheme represent the overall business environment of the country.

India has adopted a voluntary hotel classification system and along with the choice for opting for a hotel, classification gives many benefits provided by the government. Some of these benefits include tax benefits and subsidies for one, two, three, and four-star hotels for serving budget category clients (Incredible India ! , 2017). The need for such incentives is to make the hotel classification system successful without enforcing it. Talias (2016) explained that state-enforced voluntary regulations (VR) came in various models, meta-regulation, co-regulation, and enforced self-regulation. The state enforces the VR by either signaling overtly or covertly the threat of formal intervention or by offering regulatory benefits to those who join. However, a close look at all such barriers points out to the fact that the benefits provided by government to hotels for getting classified are minuscule in comparison to the cost incurred in the form of recommended manpower requirements, the requirement of massive approvals, and higher license fees that are necessary for hotels to get classified.

After so much investment, there are no guarantees that classified hotels shall perform better in business as compared to unclassified hotels. The study from Kerala indicated that unclassified hotels perform better in

comparison-classified hotels (Radhakrishnan, 2017). The study indicated that unclassified hotels take a major chunk of business (39%), the next favorite category was three star hotels (21.3%), five star deluxe hotels (14.7%), five star hotels (6.5%), two star hotels 3.4%, and one star hotels were at the lowest (1.7%) . The study has clearly indicated the extent to which the classified hotels have to bear the cost and finally end up far behind the classified hotels.

There are thousands of hotels all over India; the exact number has not been established by any agency so far. As per the statistics published by the Ministry of Tourism, the total number of classified hotels in India is 952 hotels only (123 five star deluxe hotels, 100 five star hotels, 138 four-star hotels, 490 three star hotels, 66 two-star hotels, and 35 one-star hotels). The number of approved unclassified hotels in India is 117 leaving behind the question of the number of unapproved hotels.

Considering the benefits of the hotel classification system, it is important to know the reasons many hotels choose not to apply for the hotel classification system of India. This study has identified some of the barriers that hoteliers perceive and therefore, choose not to apply for the hotel classification system. These barriers include the following :

(i) Higher Salaries and Wages : The hotel classification system recommends 60% of the supervisory staff be qualified with hospitality degrees in case of five-star hotels, 30% in case of four and three-star hotels, and 20% in case of one and two-star hotel categories. As such, this is treated as a challenge by unclassified hotels.

(ii) Higher Licenses Fees : It is the next area that has been identified by this study as the barrier for not applying for the hotel classification system. The license fee for service of foreign liquor in a bar of a five-star hotel in Delhi is Rupees Forty lakh (Govt. of NCT of Delhi, 2017). Similarly, there are about 50 licenses that are required for hotel operations. Cost of many such licenses for star category hotels is higher as compared to that for unclassified hotels. Similarly, the classified hotels are expected to follow stringent environmental regulations as compared to other hotels. These involve lots of investment on effluent treatment plants and sewage treatment plants to ensure that entire wastewater generated is biologically treated. There is a whole list of formalities to be complied by the classified hotels and it does involve lot of investment (Incredible India!, 2017).

(iii) Approval from Government Agencies : A large number of approvals from many government agencies is yet another barrier perceived by hotels that prevents them from applying for the classification process. The hotel classification document has listed the number of documents and approvals required to be submitted at the project stage for application of hotel classification system.

(iv) Massive Documentation : The massive documentation required for the classification process is another barrier that prevents hotels from classification. The documents required include complete details of the project, details of the feasibility report, architectural blueprints, and details of layout, safety plans, local approvals (municipality, police, pollution, airport, and forests), and details about the capital structure. The system makes it mandatory for hotels to inform the government about any changes that are made in the hotel infrastructure or even in management structure. It is obvious therefore, that the hotel classification system is much of a botheration for hotels.

As discussed in the review of literature, thousands of unclassified hotels in India have not applied for the hotel classification and a large number of such hotels don't even have government approval. Near the airport in New Delhi (Mahipalpur), there are 178 unapproved hotels. The mushrooming of such unapproved hotels has resulted in crashing of hotel room rates from ₹ 8,000 - ₹12,000 to ₹ 3,000 in the area (Bagga, 2015). These figures give us an idea the number of such unapproved hotels in the entire country and their impact on classified hotels.

Due to shortage of hotels in India, the government is providing many incentives for new hotels. However, the

government is shutting down many unapproved hotels simultaneously. A coherent strategy by the government is required to tackle the problem of hotel shortage on one hand and shutting down of unapproved hotels on the other. The easing of legislation for making hotel approval easier is the need of the hour. Along with incentives for the opening of new hotels, a strategy for helping unapproved hotels for complying with legislation is required. The results, and the conclusions drawn from the study, therefore, are also indicative of better economic incentives that outweigh the costs hotels incur for classification.

(3) Changes Hotels Make to Get the Desired Hotel Classification : The results of the data analysis regarding identification of the areas in which hotels make changes to get the desired hotel classification reveals that hotels make changes in the quality of the décor, provide superior room amenities, superior furnishings, recruitment of professional employees, purchase of the latest equipment for customers and employees. The results make it clear that hotels do take the hotel classification seriously. However, 18 different variables were examined in the questionnaire and just five factors were selected.

The other variables that were studied include quality of food and drinks, level of cleanliness, hotel safety systems, providing prompt and professional service, making the system more efficient for better customer feedback, investing in training and development of staff, facilities for differently abled customers, changes in operational hours, number of restaurants, changes in public areas etc. These results make it clear that hotels make changes in infrastructure or tangible aspects only and ignore the service related areas. This makes it clear that hotels focus on infrastructure related areas only to get the desired star classification. The hotel classification systems are already criticized for stressing on hotel infrastructure only (Briggs, Sutherlands, & Drummond, 2007) which is confirmed by this study.

Conclusion

The results of this study confirmed that the hotel classification systems were still relevant and provided more benefits to managers in hotel operations. Benefits like providing hotels with the expectations of the customer need, increasing employee commitment to service quality, allowing travelers to have accurate service expectations that reduce the service gap by conveying service expectations to customers. These benefits outweigh the criticism of the classification systems and make the case of the system strong. Another important finding of the study was that managers also believed that the classification system was not of international standards, and this makes a case for upgrading the hotel classification system to international standards so that it becomes effective. This shall also help in ensuring that none of the hotel that lack service quality get higher star rating.

The study also identified the reasons that prevented a large number of hotels from applying for the classification system in spite of many benefits given by the government. Such reasons included higher salaries and wages, higher license fees, government approvals, huge documentation work, and higher level of services as the top reasons that kept hotels away from applying for the classification process. This study has indicated that in the end, the benefits as claimed by the government were minuscule as compared with the burden hotels bore in the form of such barriers. Further, unclassified hotels took a major chunk of business, thereby causing resentment among the classified hotel managers. A coherent strategy for making the classification process simpler and cost-effective is required so that the process becomes financially viable.

Finally, the study identified that hotels made changes in the infrastructure related areas only (quality of the décor, provide superior room amenities, superior furnishings, recruitment of professional employees, purchase of latest equipment for the customers and employees) to get the desired hotel rating and ignored all such areas that concerned hotel service quality. This should come as a surprise because traditionally, hotel classification systems focus on infrastructure only. This study recommends that in the future, classification system must stress mainly on the hotel service quality to ensure customer satisfaction.

Managerial Implications

This study has several managerial implications. First, contrary to whatever is discussed in the media, managers have a positive opinion about the classification system in general. Managers gave maximum ratings to the statement “hotel classification system provides the hotel with the expectations of the customer needs” and lowest to “hotel classification system of India is of international standards”. This is a clear indication that the hotel classification system is doing its job (what it is meant for) well. However, it needs to be improved upon and made of international standards to catch up with global trends in travel and tourism.

This study found various reasons why many hotels avoid hotel classification process. Managers need to realize that star ratings are a matter of prestige for hotels. Such hotels are distinguished from all other hotels and are respected in the market in spite of the fact that the trust level on the hotel ratings is questionable. The managers of the unclassified hotel must acknowledge the importance of the hotel ratings and recommend the classification process to higher management for their hotels to become equal partners of classified hotels.

Limitations of the Study and Scope for Future Research

The study needs to be repeated in other regions of India, that is, East, West, and South as this study is focused on the Northern region of India only. This shall be very insightful because different regions of the country have different tax structures and different administrative issues. The areas with the most and least problems with the hotel classification can be addressed and remedies can be suggested accordingly. Future studies can focus on star category. Separate in-depth studies need to be conducted on star category to identify the issues, challenges, and problems with these hotels in different areas of India. Future studies must focus on hotel customers who have stayed or are staying in different star rated hotels to understand their perceptions of the hotel facilities and compare customer perceptions with other star rated hotels. The unclassified hotels in all four regions of India need to be studied and more concerns need to be identified that prevent such hotels from applying for hotel classification systems. The challenges posed by unclassified hotels to classified hotels in different regions of the country can be studied so that government intervention is planned to address such issues.

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