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GOVERNMENT OF INDIA
MINISTRY OF SKILL DEVELOPMENT
& ENTREPRENEURSHIP



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National
Skill Development
Corporation

Transforming the skill landscape

Human Resource and Skill Requirements in the Travel, Tourism and Hospitality Sector (2013-17, 2017-22)



cutting through complexity

This report is prepared by KPMG Advisory Services Pvt Ltd (KASPL).

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Narayanan Ramaswamy

Head – Education Advisory

KPMG India

(+91) 44 3914 5208

Email: narayanar@kpmg.com

Madhavan Vilvarayanallur

Director – Education

Advisory, KPMG India

(+91) 44 39145286

Email: vmadhavan@kpmg.com

Gaurav Kumar

Associate Director – Education

Advisory, KPMG India

(+91) 124 3345203

Email: gauravkumar1@kpmg.com

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Acknowledgement

We are grateful to the Government of India and its various departments, State Governments, Industry Associations, Sector Skill Councils, Skill Training Institutions, Academia and NGOs, for their contribution towards the successful completion of the Sector Skill Gap study (2013-2017, 2017-2022).

We would like to thank all NSDC's industry and training partners for their active participation. The success of the study has been possible through their collaborative efforts.

In addition, we convey our gratitude to all those who have, in some way or other, contributed towards the successful completion of this study.

Executive Summary

Key Growth Drivers - Tourism

- **The Ministry of Tourism and state tourism boards continue to aggressively promote tourism** - The Ministry of Tourism, with its Incredible India campaign, and state tourism boards, governed by the Ministry of India, continue to promote the various travel and tourism activities offered by states, and country as a whole
- **Ministry of Civil Aviation allows 49% foreign direct investment (FDI) in aviation** - With involvement of foreign companies in domestic airline brands, there is expected to be a rise in the domestic brand awareness across the globe, attracting the expatriate, as well as foreign tourist.
- **Online channels to drive travel retail** - The consumer base using online transactions continues to be primarily from urban areas and tier 1 cities. With the government's efforts to increase internet penetration in tier 2 cities and rural areas, the consumer base is expected to swell in the coming years. In 2012, online air travel sales represented the strongest share overall in air bookings, at 26% of sales. However, internet sales of other transportation witnessed growth of 8% during the same year. Railways are also experiencing increasing demand for online bookings and reservations, leading to requirement to upgrade systems to make online bookings faster and convenient.

Key Growth Drivers - Hotels & Restaurants

- **Domestic travel is on the rise** - With the increasing number of working women, double-income households are on the rise. This has further led to an increase in disposable income. The increased propensity to spend by the middle class and the growing affluence of the India's upper middle and high income classes have led to growth in the tourism sector in India.
- **Consumerism is on the rise in Tier 2/3 cities and towns**
- **Evolution of offering** - Given the increasing growth of business in India and demand for time of hard-pressed professionals, hotels and resorts with an experiential offerings are viable weekend getaways to de-stress.
- **Price sensitivity of consumers driving budget and mid-market hotel segments** - The market has become more price-sensitive and customer loyalty is linked with room rates, leading to increased competition across segments. This presents a unique opportunity for groups to enter into segment-focused offerings such as budget and mid-market
- **Grant of Infrastructure status to the hotels industry** - The infrastructure status will allow large capital-intensive hotel projects to avail loans with longer repayment tenures at lower rates of interest and higher debt-to-equity ratios

Key Growth Drivers – Food Services

- **Increasing Share of Consumer's Wallet** - Eating out and ordering in have gained momentum and constitute an important component of modern day consumer's expenses.
- **Indulgence in small cities** - Aspiring for parity with their counterparts in metros/mini-metros, these consumers serve as a major opportunity for players despite their low preference for eating out.
- **Emergence of new consumer segments** - New consumer segments, such as health conscious and retirees (people older than 60 years), among others, are emerging as sizable opportunities for players. They are willing to pay a premium for healthier alternatives and offerings.

Attractiveness of the sector as an employer of choice for the youth

Attrition

Hotels & Restaurants

The industry is facing a significant attrition challenge of about 40-50 percent. Each hotel group in the organised (or branded) space typically has regular training programmes and learning and development initiatives throughout the year which impart some sophistication as well as presentation and grooming skills. Candidates with such skill sets are in demand for customer-facing and service-oriented roles in sectors such as banking, financial services, retail and airlines, among others

There is a talent war being fought within the industry with almost all companies losing skilled professionals due to the availability of better monetary and career opportunities. At lower levels, an employee usually stays with a company for about six months, which is a short period for employers to garner a return on the training investment per employee. Employers prefer employees to stay with an organization for an average of 36 months to recover training investments and, from employees' perspective, gain enough experience in one group to add value to subsequent roles.

Food Services

Given the unorganised (~99.5%) and fragmented nature of the industry, it is difficult to source the attrition rates and pattern in the sector. However, for the QSR and fast food segments, especially the organised share that is considered to be representative of the sector, the annualised attrition rates are as high as 90-100%. This is for employees who have been with an organization for less than 12 months. Typically, these employees are first-time workers. For those who stay with an organization for more than 12 months, the annualised attrition rate decreases to ~60%, which is also very high. Such high rates are usually a result of the mismatch in expectations of both employees and employers. Employees believe that compensation and benefits are not a fair reflection of the effort required.

Seasonality

India's diverse weather patterns generally result in sporadic tourism in specific regions. This impacts business employment. For example, labourers relocate from Goa during winters to Leh-Ladakh and to hill stations in Himachal operations and operators prefer a lean workforce during off-season. This has a knock-on effect on the seasonal migration of labour from one location to another in search of short-term Pradesh during summers.

Manpower supply constraints for organizations in the sector

The target audience for employment in the sector is composed of youngsters in the age group of 18–24 years. Typically, this target group has aspirations and is in a hurry to realise them.

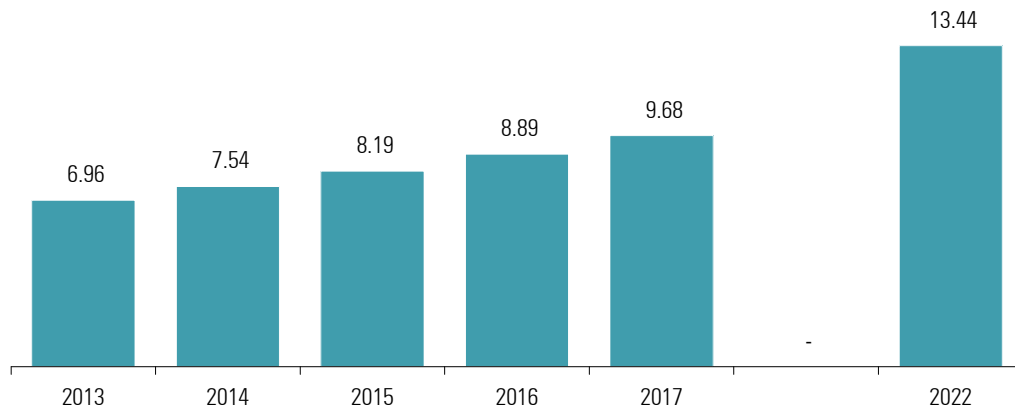
However, in a consumer-centric sector, people skills are critical and can be gained only by experience of working and interacting with multiple stakeholders, such as team members and customers, on a daily basis for long time periods. Employers believe candidates should not change jobs quickly during their initial years, which are critical for building a strong professional foundation — integral to expedite growth in the subsequent years.

Incremental Human Resource Requirement (2013-22)

Current workforce of 6.9 million (2013) is expected to increase to ~13.4 million by 2022

Sector workforce in 2013–22

Employment growth trends in the sector (in million)



The sector currently employs over 6.9 million employees and is slated to employ more than 13 million by 2022. This implies an additional creation of ~6 million jobs in the nine-year period.

The period 2013-17 is likely to witness marginally higher growth in employment vis-à-vis 2017–22 due to infrastructure constraints and growing market for home delivery in the food services category

Subsectoral split of the workforce in 2013-22



Source: Primary Interactions, KPMG Analysis

An analysis of the breakdown of the workforce by subsectors indicates that the restaurants segment would be the key employment growth subsector, driven by QSRs

To meet the demand for trained manpower in the hospitality industry, the Ministry of Tourism created institutional infrastructure in the form of Indian Institute of Tourism & Travel Management, Institutes of Hotel Management and Food Craft Institutes. The private sector has also participated in this, with many private institutions across the country being classified as some of the best in India.

Low premium attached to prior training and skill development undertaken by candidates

Employers believe the quality of manpower coming through from the supply side, whether public or private, is not up to the mark in terms of expectations of the industry. Thus, given the need for re-training of the incoming manpower supply from institutions at the entry level, employers do not attach a premium to skilled workforce. However, skilled workers hired at the entry level have the incentive of better remuneration and faster career progression, with employers willing to incentivise high-performing individuals.

Employers engaging in training initiatives

A number of employers across the three subsectors are also involved in the supply side, trying to cater to the needs of the sector as a whole. Prominent examples of such employers include The Oberoi Group, Yum! Restaurants, and Kuoni India, who all operate training institutions in their respective subsectors viz. hotels, food services and travel agents and tour operations, respectively.

The Oberoi Centre for Learning and Development (OCLD) is a finishing school for the annual incoming manpower of The Oberoi Group. Yum! Restaurants runs the Yum! Academy, which aims to equip students with life and social skills. Graduates of the Yum! Academy have an option of joining the organisation upon completing the course, in addition to joining a different organisation or working for themselves. The Kuoni Academy offers multiple courses, both short term and long term, to students in the travel and tourism space.

Non-standardisation of training curriculum and standards

With three types of institutions — public or private institutions that provide general training (with or without a leading industry player as partner), learning and development institutions working with employers to upgrade workforce skills, and government-run skill-improvement schemes, it is observed that there is a variation in the quality of training imparted to students. This affects their employability for job roles and the pay on offer to trained students. While number of institutes in the space has increased, concerns over the quality of supply, as well as trainers continue to exist in the industry.

Employers engaging in learning and development initiatives

Large, organised employers in all three subsectors have internal training programmes for entry-level workforce. Further, such organisations also have continuous performance evaluations and tailored training programmes as part of learning and development initiatives..

Mismatch in employer-employee expectations

There exists a mismatch in employee-employer expectations and this largely pertains to job roles and remuneration. Students are hesitant in taking up entry-level jobs, which according to the industry, are critical in the formative years and lay a strong foundation for the future. Students prefer to join at the mid-level profiles such as team leader, supervisor or manager.

Recommendations

Select recommendations & implications

Recommendation	Implications
<p>Establish training centres at sourcing clusters (e.g. Northeastern and tier 2/3 cities that are primary source of manpower).</p>	<ul style="list-style-type: none"> ▪ Establishing training centres at the source of manpower, such as key geographical clusters, are likely to help tap potential employees of the sector at its source ▪ This is likely to encourage more youngsters to get trained since they will save on accommodation costs they have to bear when they migrate to a major city for training. ▪ As the sector witnesses the next phase of growth in tier 1 and 2 cities, trained manpower may also cater to the rising need in these cities.
<p>Develop a Recognition of Prior Learning (RPL) framework whereby the current workforce across subsectors can register and get certified by SSC, which would increase their employability quotient.</p>	<ul style="list-style-type: none"> ▪ Development of an RPL framework to facilitate the current workforce across subsectors to get registered and certified by SSC would increase employment opportunities for candidates and also make a difference in their salary levels.
<p>Align captive training initiatives (e.g. Yum! Academy, Kuoni Academy, OCLD) with the SSC assessment and certification mechanism to facilitate mobility for employees.</p>	<ul style="list-style-type: none"> ▪ There is a need to align the captive training programmes by established players with SSC, which will help in assessment and certification
<p>Revisit the 'Hunar Se Rozgar' scheme to ensure alignment with industry skill requirements</p>	<ul style="list-style-type: none"> ▪ The 'Hunar Se Rozgar' scheme undertaken by the Ministry of Tourism aims to skill youth between 18–28 with a focus on instilling employable skills in people from the economically weak strata of society.
<p>Increase focus on language and communication since there is a significant deficit in communication skills among the existing manpower.</p>	<ul style="list-style-type: none"> ▪ Training institutes, companies with in-house training and government-run skilling schemes need to increase their focus on developing soft skills, such as communication and interpersonal skills, among employees by developing dedicated and customised modules for specific geographical clusters.
<p>Relax labour law clauses governing part-time employment keeping in mind the seasonal nature of the sector.</p>	<ul style="list-style-type: none"> ▪ There is a need to factor in seasonality and holidays that affect employment prospects in the sector since hiring increases during the peak season and plummets during lean periods.
<p>There is a need for collaboration among employers and training providers to create robust on-the-job training and apprenticeship models</p>	<ul style="list-style-type: none"> ▪ Increased coordination among training providers and employers is needed to facilitate on-the-job training and apprenticeship opportunities to retain employees and upgrade their skills.

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Abbreviations

AICTE	All India Council for Technical Education
CAGR	Compounded Annual Growth Rate
CISF	Central Industrial Security Force
FDI	Foreign Direct Investment
FHRAI	Federation of Hotels & Restaurants Association of India
HSRT	Hunar Se Rozgar Tak
IDFC	Infrastructure Development Finance Company
IHM	Institute of Hotel Management
IIFCL	India Infrastructure Finance Company Ltd
IITTM	Indian Institute of Tourism & Travel Management
ITDC	India Tourism Development Corporation
MDA	Marketing Development Assistance
MICE	Meetings, incentives, conferences and exhibitions
NCHMCT	National Council for Hotel Management and Catering Technology
NCT	National Committee on Tourism
NIWS	National Institute of Water Sports
NOS	National Occupational Standards
OCLD	Oberoi Centre for Learning and Development
OTA	Online Travel Agents
OTA	Online Tour Agents
PIDDC	Product/ Infrastructure Development for Destinations and Circuits
QSR	Quick Service Restaurants
RevPAR	Revenue per available room
SSC	Sector Skill Council
TFCI	Tourism Finance Corporation of India

Context and approach

<p>Brief background</p>	<p>NSDC had conducted sector-wise skill gap studies for 19 high priority sectors in 2008–09 .</p> <ul style="list-style-type: none"> ▪ KPMG has been engaged as a consultant to help evaluate the skill gap across 25 sectors and develop actionable recommendations for its stakeholders. ▪ Mandate includes sector and sub-sector level analysis, demand-supply projection, estimation of incremental man-power requirement between 2013-2017 and 2017-2022, identification of key-employment clusters, and SWOT analysis of each sector ▪ Study also aims to take qualitative insights from stakeholders on enablers and challenges for each sector, way forward in terms of specific policy level actionable recommendations,
<p>Inclusions over the previous study</p>	<ul style="list-style-type: none"> ▪ Study led by industry – Sector Skill Councils and a panel of professionals from different sub-sectors were consulted for their inputs on industry trends, key takeaways in terms of skill requirement, qualitative insights to understand specific interventions required for each sector and to validate the quantitative results and recommendations ▪ 6 sectors were added to the list of NSDC priority sectors for studying the skill gaps <p>Updated study also includes</p> <ul style="list-style-type: none"> ▪ Identification of top 20 job-roles in each sector, case studies around good training practices, sub-sector level indicators and growth factors ▪ Study also includes understanding of existing training infrastructure, work-force characteristics and employment clusters, ▪ Macro economic factors, central and state governments policies and their envisaged impact ▪ Synchronisation of the sector wise demand from the district level skill gap studies ▪ Recommendations for key stakeholders - Industry, NSDC, Training organizations and Government ▪ Environment scans every year till 2015-16 including SWOT analysis for the sector

Industry classification

Industry classification

National Industrial Classification for the sector

The National Industrial Classification (NIC), brought out by the Central Statistical Organization (CSO) in the Ministry of Statistics and Programme Implementation (MOSPI), provides a uniform framework for classifying data according to kind of economic activities. This classification is used in all types of censuses and sample surveys conducted in India.

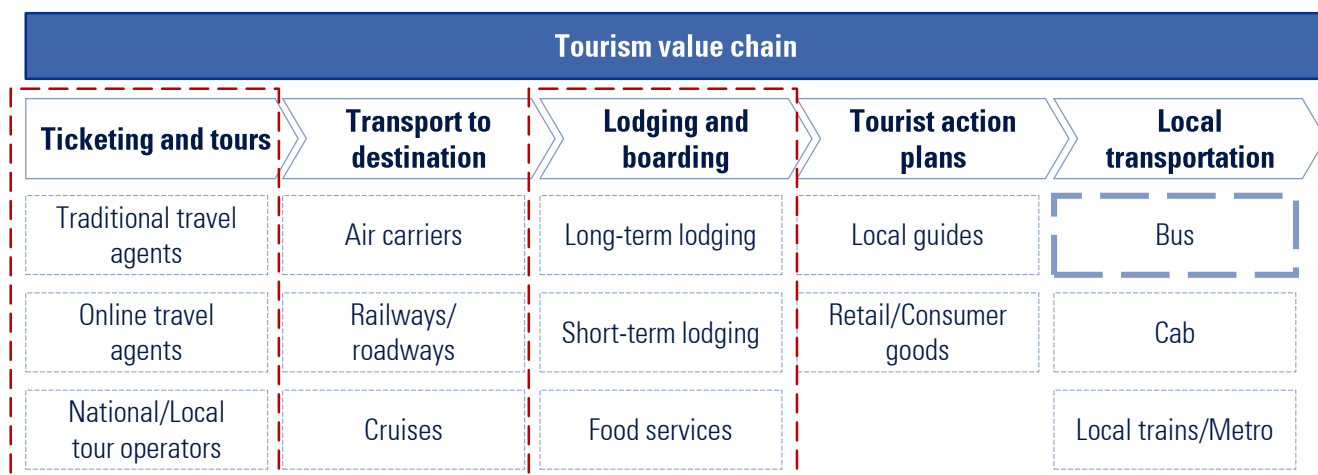
Section	Subclass	Description
I (Hotels)	55101	Hotels and Motels, inns, resorts providing short-term lodging facilities; Includes accommodation in-house boats
	55102	Provision of short-term lodging facilities to members of a particular organisation such as government guest houses, company guest houses, circuit houses and similar establishments
	55109	Provision of short-stay accommodation (e.g., holiday homes, private guest houses etc.)
II (Food Services)	56101	Restaurants without bars
	56102	Cafeterias, fast-food restaurants and other food preparation in market stalls
	56103	Ice-cream mobile vendors, mobile food carts
	56104	Restaurant and bar activities connected to transportation, when carried out by separate units
	56210	Event catering
	56291	Activities of food service contractors (e.g., for transportation companies)
	56292	Operation of canteens or (e.g. for factories, offices, hospitals or schools) on a concession basis
	56301	Bars and restaurants with bars
	56302	Tea/coffee shops
	56303	Fruit juice bars
	56304	Mobile beverage vendors
III (Travel Agents & Tour Operators)	79110	Travel agency activities
	79120	Tour operator activities
	79900	Other reservation services and related activities

Based on the economic activities from NIC-2008, major subsectors of the sector are: Hotels, Food Services and Travel Agents and Tour Operators.

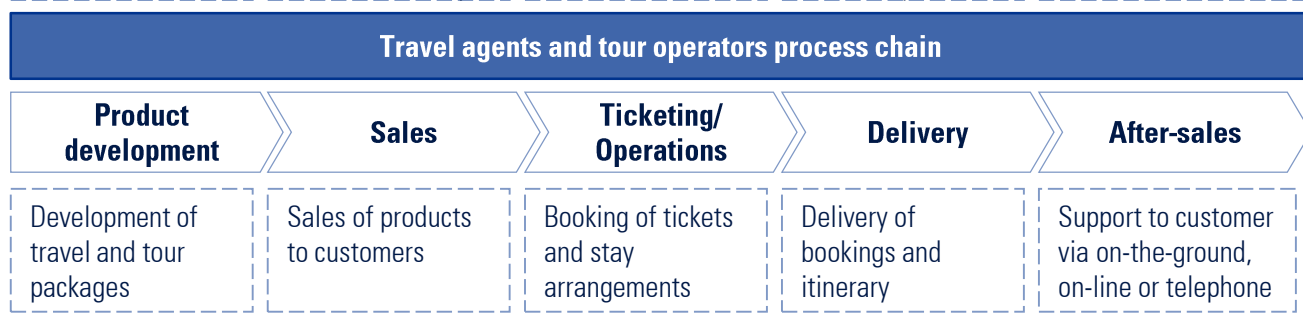
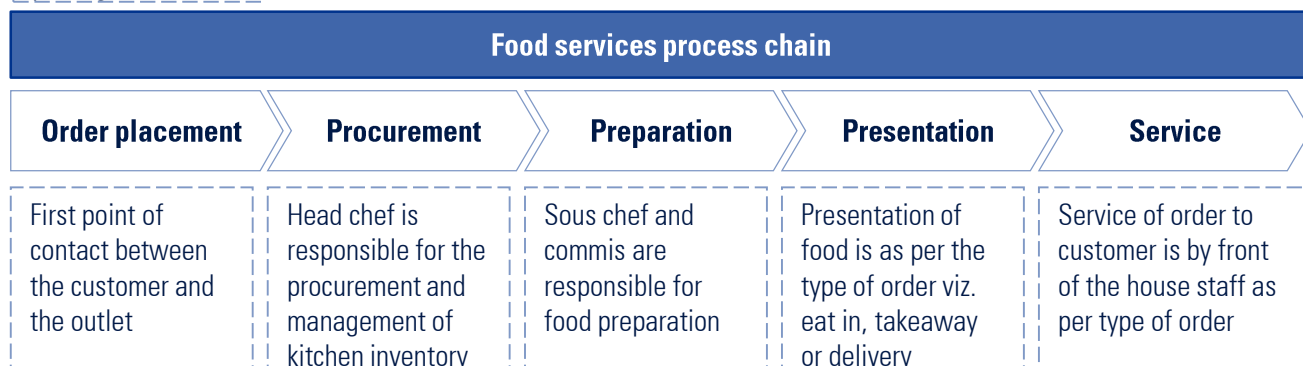
Source: NIC Classification, 2008

Industry classification

Sector value chain

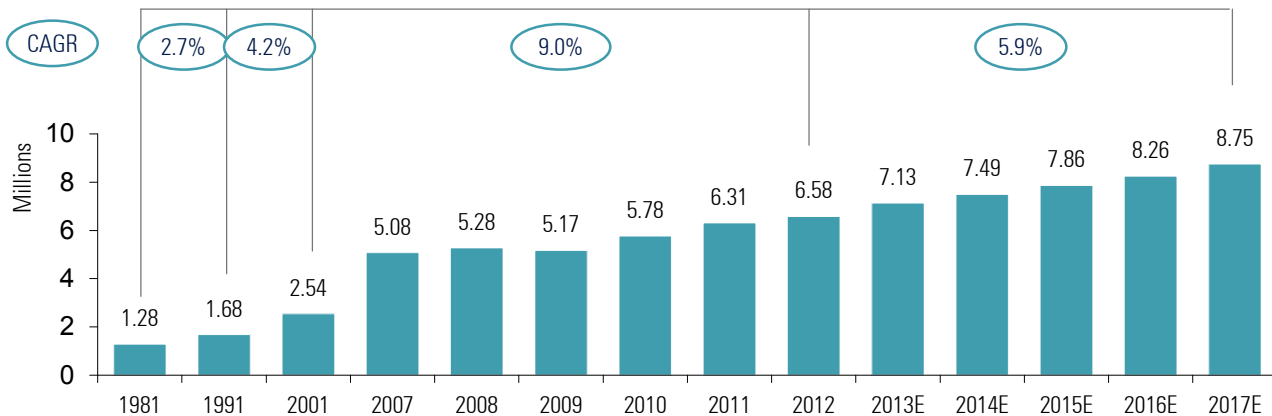


The sector value chain includes transportation services — inbound, local and outbound. However, this particular study does not include all these. The focus of this study is on ticketing and tours and lodging and boarding. As a result, the sector gets divided into three subsectors for analysis — hotels (or accommodation), food services and travel agents and tour operators.



Industry overview

Inbound tourism: Foreign tourist arrivals in India



Source: Indian Tourism Statistics 2012, Business Monitor International, KPMG Analysis

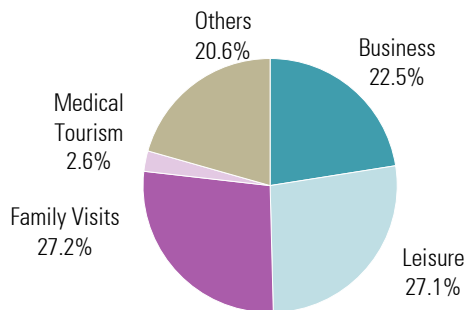
Foreign tourist arrivals (FTAs) in India have been consistently increasing in the last 30 years. Ever since the turn of the millennium, the number of FTAs has grown at a CAGR of 9%, until 2012. Going forward, FTAs are expected to grow at a slower pace of ~5.9%. This is due to stabilisation of inbound traffic after the large positive impact of the 1991 economic reforms led to a massive increase in inbound traffic during 2001–11.

Classification according to purpose of visit (2012)

The growth of FTAs has been driven by leisure, holidays and recreation category, highlighting India’s tourism proposition, visits to friends and relatives from Indian origin diasporas based abroad, and business and/or professional concerns.

The share of all three categories listed above is more than 20% each, highlighting the variety of purposes of visits.

Further, with medical tourism, a niche form of tourism garnering a share of 2.6%, India establishes its position as a growing medical destination in the global healthcare industry.



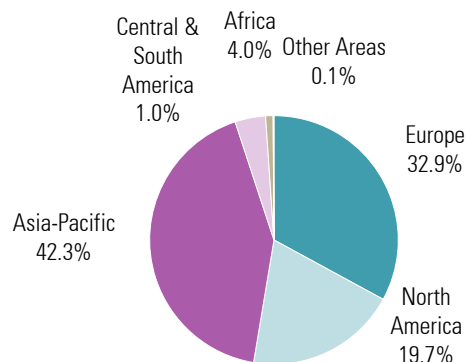
Source: Indian Tourism Statistics 2012, KPMG Analysis

Regional share of FTAs in India (2012)

The largest share of the 6.58 million FTAs in India in 2012 was from the Asia-Pacific region, followed by Europe and North America, collectively accounting for ~95% of the total share.

An in-depth analysis shows that FTAs from Western Europe accounted for 28.2% of the total share, while those from South Asia accounted for 17.8%, slightly less than 19.7% from North America.

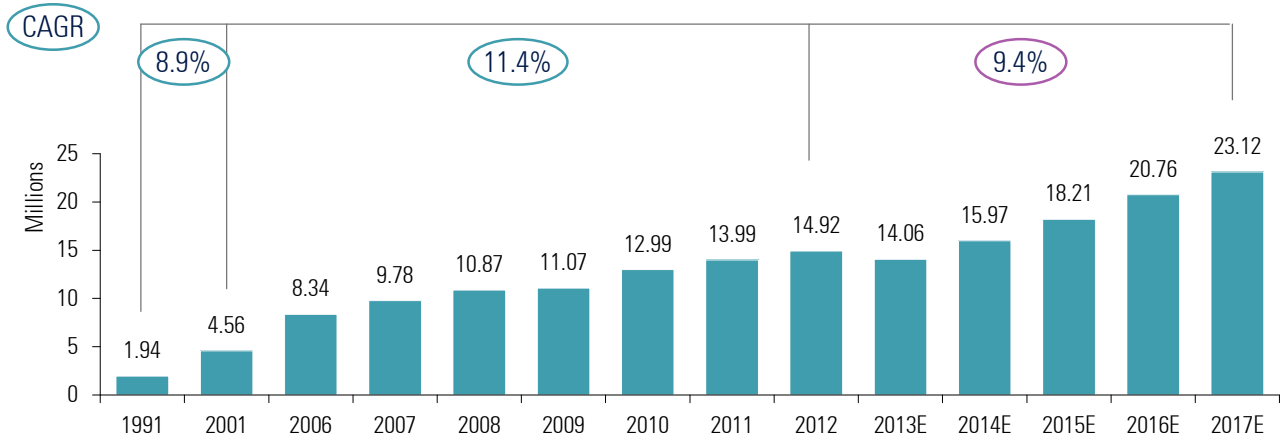
At a country level, US (15.81%) and UK (11.98%) together accounted for more than a quarter of FTAs in 2012. Bangladesh, Sri Lanka, Canada, Germany, France, Japan and Australia were other countries with an individual share of more than 3% each.



Source: Indian Tourism Statistics 2012, KPMG Analysis

Outbound tourism – Indian nationals’ departures from India

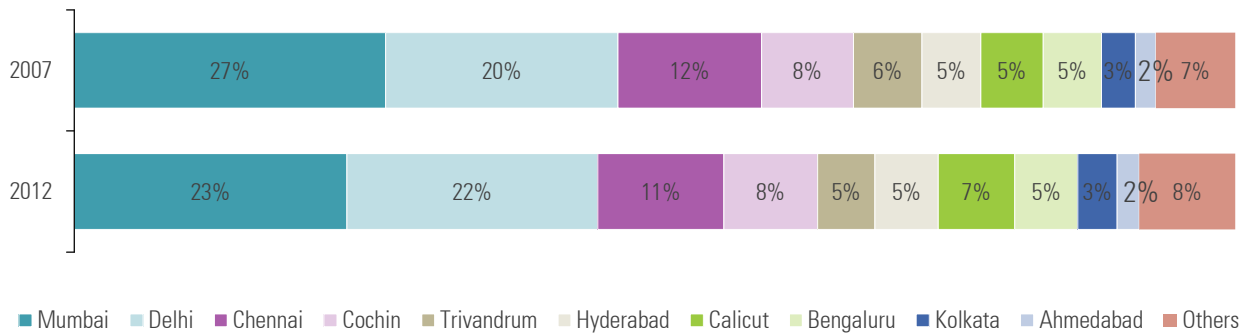
Outbound tourism: Indian nationals’ departures from India



Source: Indian Tourism Statistics 2012, Business Monitor International, KPMG Analysis

In the last 20 years, outbound tourism from India has seen a sharp rise. The first decade of the current millennium saw an annual growth of 11.4%. During 2012–17, the number of Indian nationals departures from India is expected to increase by more than a half of those in 2012, at a CAGR of 9.4%.

Share of major airports in Indian nationals’ departures during 2012

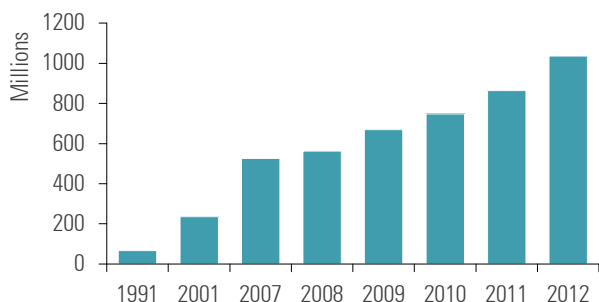


Source: Indian Tourism Statistics 2012, KPMG Analysis

During 2012–17, top three airports for departures of Indian nationals from India were Mumbai, Delhi and Chennai. Mumbai has historically seen the highest departures among the airports in India. However, the share has dropped from ~27% in 2007 to ~22% in 2012. This is primarily due to an increase in departures from Delhi, Calicut and other smaller international airports, due to introduction of international flights from these airports. The share of the top three airports has also dropped from more than 59% in 2007 to less than 56% in 2012.

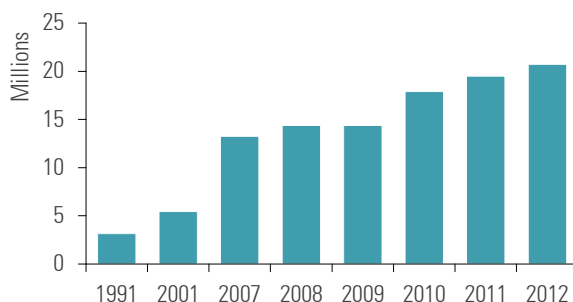
Domestic tourism

Domestic tourists visits to states/ UTs



Source: Indian Tourism Statistics 2012,, KPMG Analysis

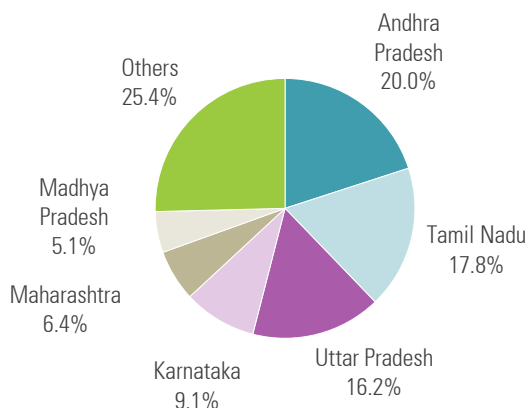
Foreign tourists visits to states/ UTs



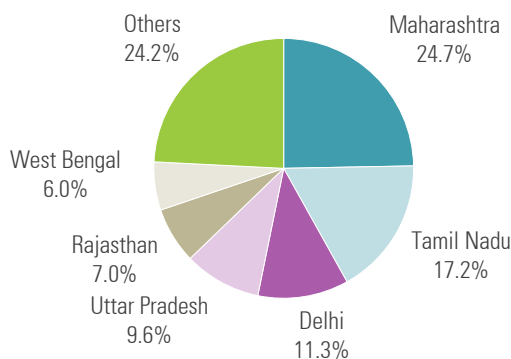
Source: Indian Tourism Statistics 2012,, KPMG Analysis

During 2007–12, the number of domestic tourist visits to states/ UTs has grown at a CAGR of 14.5% to more than 1 billion visits in 2012. This indicates the increased travel within the country by Indian nationals for a multitude of purposes ,such as business, leisure and family visits. At the same time, the number of foreign tourist visits to states/ UTs has grown at a CAGR of ~9.4%, to more than 20 million in 2012. Coupled with the FTAs in India in 2012 of 6.58 million, this shows that on an average, each FTA to India covers more than 3 states/ UTs during his/ her trip.

Share of states/ UTs in domestic tourist visits (2012)



Share of states/ UTs in foreign tourist visits (2012)



In 2012, top six states of Andhra Pradesh, Tamil Nadu, Uttar Pradesh, Karnataka, Maharashtra and Madhya Pradesh accounted for ~773 million domestic tourist visits to states/ UTs, almost three-fourths of the country’s total. Maharashtra, Tamil Nadu, Delhi, Uttar Pradesh, Rajasthan and West Bengal, on the other hand, accounted for ~15.7 million foreign tourist visits to States/ UTs, a shade more than three-fourths of the total. Further, Tamil Nadu, Uttar Pradesh, Maharashtra are the three states with a large share of both domestic and foreign tourist visits highlighting them as potential clusters for tourism sector.

Types of tourism

Heritage tourism:

The rich cultural heritage in the form of ancient monuments and heritage sites, such as forts and palaces, attract tourists from across the globe. Agra, Udaipur, Jaipur, Goa, and Pondicherry are some of the many such cities across India.

Religion tourism:

Of the large number of places of worship across the country, prominent religious places such as Vaishno Devi Mandir, Char Dhams, Golden Temple, Tirupati Balaji and McLeod Ganj are popular tourist attractions.

Wildlife and eco-tourism:

India has over 500 wildlife sanctuaries and national parks, with several species of animals and a wide variety of flora and fauna, making them popular destinations. Kaziranga, Corbett, Bandipur, Kanha, Bhandavgarh are some of the wildlife sanctuaries considered to be the best in India.

Rural tourism:

A rapidly growing form of tourism is focused on rural areas, showcasing rural life, art, culture and heritage at rural locations and in villages specifically catering to tourists. Examples are Spiti, Chhotaram Prajapat near Jodhpur, Lakshman Sagar in Pali, Hodka in Kutch and parts of Nagaland.

Medical tourism:

Well-trained medical practitioners, large number of English-speaking medical staff, a mix of allopathic and alternative system of medicine, availability of speciality centres, technically advanced diagnostic equipment, and availability of services at a significantly lower cost than the developed world are some of the benefits offered by India.

States such as Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Maharashtra, and New Delhi are expected to drive growth in this segment and emerge as India's best medical centres.

MICE (meetings, incentives, conferences and exhibitions) tourism:

The Indian sub-continent is emerging as one of the upcoming business destinations to conduct meetings, offer incentives and organise conferences and exhibitions. New Delhi, Agra, Srinagar, Lavasa, Jaipur, Powai, Greater Noida, Hyderabad have some of the best MICE facilities in the country.

Adventure tourism:

India offers a wide range of adventure sports for tourists, including trekking, skiing, white water rafting, camel and jeep safaris, paragliding, water sports in locations as diverse as Rishikesh, Goa and Pondicherry.

Niche tourism:

The niche segment covers polo tourism, golf tourism, cruise tourism and film tourism among other forms. This segment is experiencing rapid growth and high demand from both domestic and foreign tourists.

The Ministry of Tourism and state tourism boards continue to aggressively promote tourism

The Ministry of Tourism, with its Incredible India campaign, and state tourism boards, governed by the Ministry of India, continue to promote the various travel and tourism activities offered by states, and country as a whole. This is done mainly through television commercials and strategic visual advertising, which have become popular among consumers. Further, the national and state tourism boards of India are promoting lesser-known parts of India, besides concentrating on different types of tourism that the country can offer.

The increase in the number of tourists, both international and domestic, highlights an increased popularity of destinations and coupled with growth of different types of tourism, it suggests that the new advertising campaigns launched by the ministry are proving effective. These campaigns are expected to continue to help travel agents to sell package holidays in India to international visitors and specific location or activity-based packages for domestic tourists.

Ministry of Civil Aviation allows 49% foreign direct investment (FDI) in aviation

With rising fuel costs and airport taxes, the aviation sector suffered a slowdown in growth. Deals such as the Jet-Etihad and Tata-Singapore Airlines are expected to increase the number of connecting flights from Dubai, Abu Dhabi, Sharjah and Singapore in the east and west sectors, respectively. With involvement of foreign companies in domestic airline brands, there is expected to be a rise in the domestic brand awareness across the globe, attracting the expatriate, as well as foreign tourist.

Online channels to drive travel retail

Use of the internet for booking of tickets for both domestic and international, travel and accommodation has become a common phenomenon among urban consumers. Use of technology in order to make travel convenient has become an integral part of travelling. In 2012, the percentage of population with access to the internet increased from 10% to 12%. This growth was primarily observed in urban areas, which drove the increased use of online travel.

In 2012, online air travel sales represented the strongest share overall in air bookings, at 26% of sales. However, internet sales of other transportation witnessed growth of 8% during the same year. Railways are also experiencing increasing demand for online bookings and reservations, leading to requirement to upgrade systems to make online bookings faster and convenient.

The consumer base using online transactions continues to be primarily from urban areas and tier 1 cities. With the government's efforts to increase internet penetration in tier 2 cities and rural areas, the consumer base is expected to swell in the coming years. Further, as trust develops in transactions using mobiles, it is expected to lead to the development of more convenient and easier forms of bookings and payments, attracting more numbers to online transactions via computers or mobiles.

Lifestyle changes help to drive travel and tourism

Urban Indian consumers have undergone a shift in their attitude towards travelling. More consumers are travelling across the country and outside, with family and friends. Travelling is now not restricted to the higher income groups. The increasing annual disposable income is one of the primary drivers of this shift. Consumers, instead of taking one expensive trip per year, prefer to travel two or three times a year with more economical/ budget options. This trend is still developing and has clear scope for growth. Increase in travel and tourism and curiosity regarding other cultures, countries and people are being driven via the media, cinema, books and the internet.

The growing number of consumers in the mid- and higher-income groups will boost the number of people taking holidays and be attracted to the diverse packages on offer viz. adventure/ treks, city breaks, spa packages, etc.

Source: KPMG Analysis

Safety and security of tourists

Security has been a major problem for the growth of tourism for a number of years. Terrorist attacks or political unrest in different parts of the country have adversely affected the inflow of foreign tourists. For more than a decade, Jammu and Kashmir, known as the 'Paradise on Earth', was completely cut off for tourism due to insurgency. The scenic Northeast region was also similarly affected by insurgency for many years. While in recent years, normalcy has returned to both these regions, terror attacks like the ones in Mumbai raise a question mark on the safety and security in the mind of international tourists. The violent Maoist movement in central and some eastern parts of India is also marring the image of the country as a safe tourist destination.

With the Central Industrial Security Force (CISF) Act being amended to enable the force's deployment in private sector and joint venture enterprises on cost-reimbursement basis, the government has put five star-hotels much lower on the CISF's priority list. Therefore, a more proactive approach is required in addressing these issues and in averting the potential impact on the industry.

Apart from making the destination safe, the tourism sector is faced with another challenge of cybercrime. The issue of online security for the travel industry is becoming critical, as some of the biggest frauds have been detected in this segment. The industry needs to make the process of online bookings more secure and transparent and create awareness about it.

Regulatory issues

Lack of clarity and implementation

In recent times, tourism has become more inclusive of new concepts that require the support of the government to develop and flourish. Some of these can include cruise-tourism, adventure-tourism, agri-tourism or rural-tourism. There is a need to propagate these concepts with dedicated policies developed for their development.

Industry players need dynamic and far-sighted policies by the government to help them boost tourism. As it stands, the problem with policies is that they lack clarity in formulation and proper implementation.

Long and complex visa procedures

For inbound international tourists, visa procedures are seen as a hindrance. A number of countries competing with India for tourists provide visa on arrival. India should provide visa on arrival for more countries or for certain categories of tourists for a specific duration.

Delay in licences and on-time approvals

A number of projects in the tourism infrastructure segment and in the hotels industry are delayed due to non-attainment of licences and approvals on time. The government recently cleared the long-standing proposal for single window clearance for hotel projects to hasten the process of infrastructure development. It was expected to help in the development of tourism and hospitality infrastructure in the country. However, in this short-term, that has not yet been observed. Problems continue to persist for the hotel industry in getting approvals and clearances.

Lack of tourism infrastructure

Poor connectivity and quality of current connectivity

To harness India's tourism potential, efforts are being made to open new destinations and explore niche segments. However, infrastructure facilities such as air, rail, road connectivity, and hospitality services at these destinations and the connecting cities continue to be inadequate. This remains a major hurdle in the development of the tourism sector. Roadways are a vital part of the tourism sector, with almost 70% tourists in India travelling by road. Moreover, many tourist circuits depend on roads. Despite numerous efforts to improve road infrastructure, connectivity remains a major problem. There is a greater need for strengthened road and rail network, development of more expressways, and tourist-specific routes to improve connectivity to various locations across different regions. Further, the quality of connectivity, for e.g., the state of roads and railways, is of concern when showcasing a proposition for tourists to take those options.

Aviation infrastructure is also critical, since it is a major mode of entry for inbound tourism. Passenger traffic is expected to increase in the coming years; however, infrastructure facilities at airports are a cause for concern. Expansion and development of airports at major gateway cities is underway to cater to the increasing passenger traffic. However, in addition, airport facilities at important secondary cities and tourist destinations also need to be improved to be able to handle greater passenger traffic.

Amenities on offer

Amenities available at various tourist locations and en route need to be improved. These include basic amenities such as drinking water, well-maintained and clean waiting rooms and toilets, first aid and wayside amenities such as lounge, cafeteria, and parking facilities, among others.

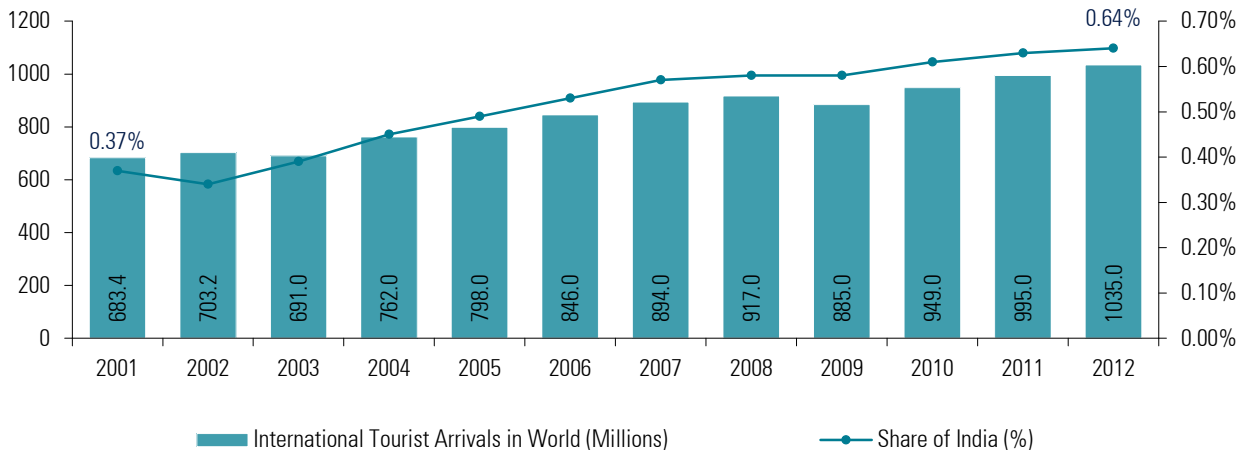
India scores poorly in terms of availability of these infrastructure facilities and amenities. Inadequate infrastructure facilities affect inbound tourism and also could lead to an increase in the outflow of domestic tourists from India to other competitive neighbouring countries. Hence, for the industry to register healthy growth, issues concerning all the related sectors need to be addressed.

Taxation: multiplicity of taxes

Travel and tourism in India is a high-taxed industry, which makes India expensive as a tourist destination. This is affecting the growth of the industry in India and India is losing out to other low-cost destinations. Inbound tourism is the one most affected. Various taxes are levied across the entire industry right from tour operators, transporters, airline industry to hotels and these include service tax, luxury tax, tax on transportation, tax on aviation turbine fuel (airline industry), and various taxes on transportation. In addition, these tax rates tend to vary across different states in the country.

This creates hurdle in packaging of the tourism product and is also irksome to the tourist; it makes the product expensive as well. The taxes in the sector need to be rationalized and reduced for end-consumer to make the destination competitive. Furthermore, some uniformity in taxes on tourist transport should be adopted to facilitate free flow of tourist traffic across state borders.

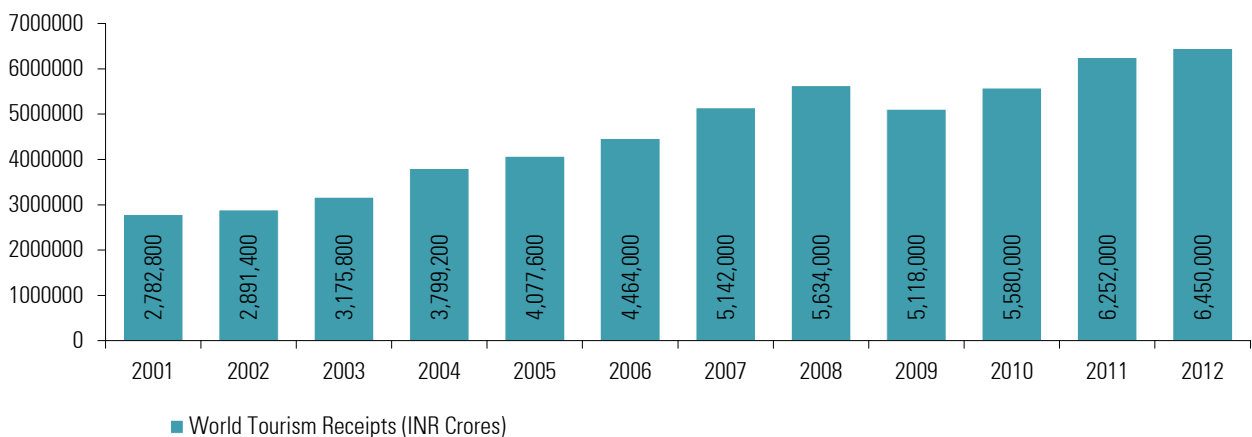
International tourist arrivals in the world and India's share



Source: India Tourism Statistics 2012, KPMG Analysis

The sector continues to rebound from the setbacks of 2008–09 global financial crisis and economic recession. In 2001 India ranked 51st in the world in the international tourist arrivals. This improved to a millennium-high of 39th in 2011, before dropping two places to 41st in 2012. During this period, India's share of the total tourists has almost doubled from 0.37% in 2001 to 0.64% in 2012. Countries such as France, the US, China, Spain and Italy saw more than 3% share of international tourist arrivals in 2012.

International tourism receipts in the world and India's Share



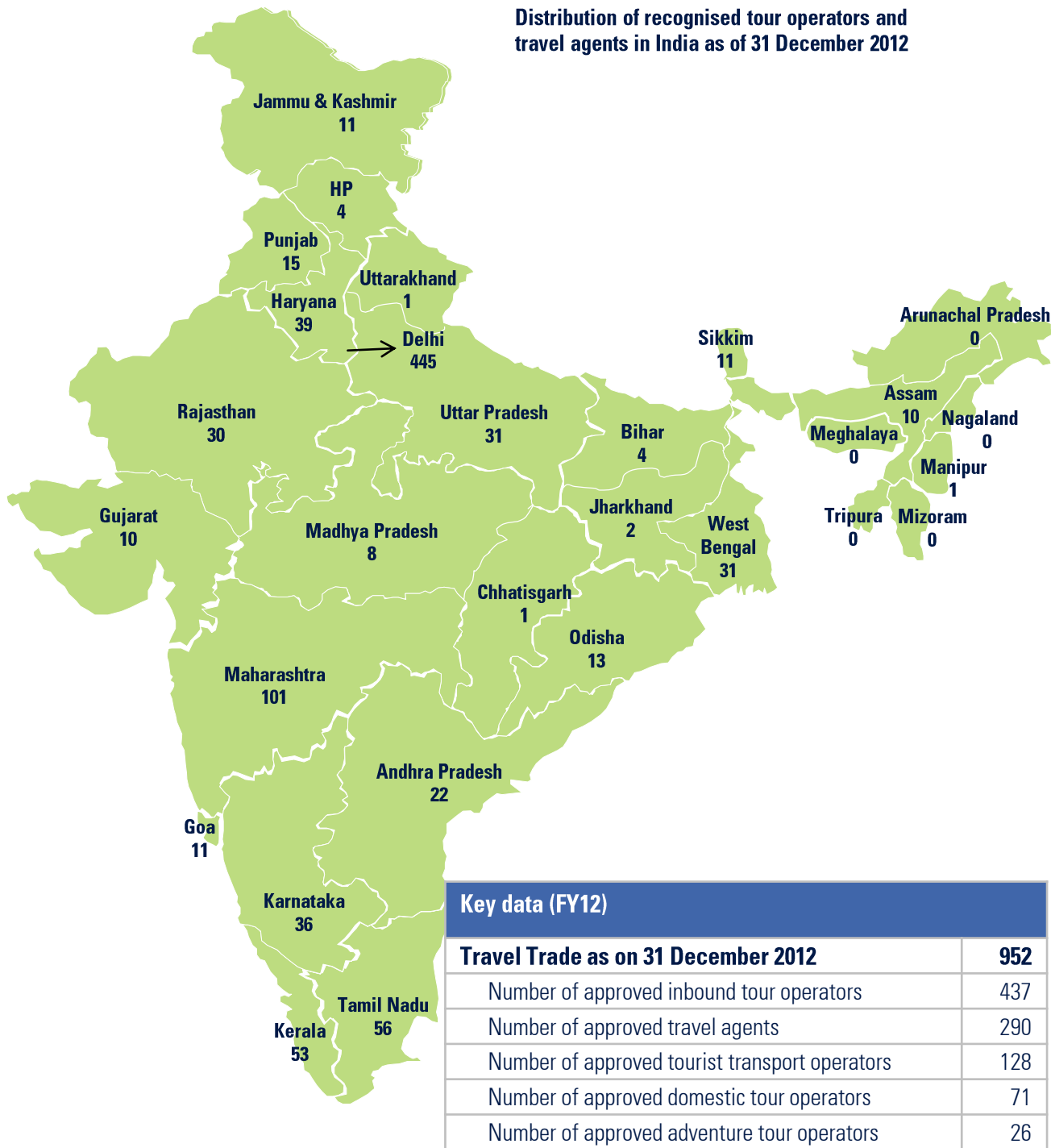
Source: India Tourism Statistics 2012, KPMG Analysis

The world's tourism receipts (expenditure of international inbound visitors including their payments to national carriers for international transport and other pre payments made for goods and services in the destination country) grew at a CAGR of more than 8% during the post-recession period of 2009–12. India's rank in the world in foreign exchange earnings was 36th in 2001, which improved to a millennium-high of 16th in 2012. In the same period, India's share has more than doubled from 0.69% in 2001 to 1.65% in 2012. Countries such as the US, Spain, France, China (Mainland) and Macau (China) saw more than 4% share of the world tourism receipts in 2012.

Industry overview

There are only 952 recognised tour operators and travel agents in India*

Distribution of recognised tour operators and travel agents in India as of 31 December 2012



* This includes recognised inbound tour operators, travel agents, tourist transport operators, adventure tour operators and domestic tour operators (as of 31 December 2012)

Source: India Tourism Statistics 2012

Industry overview

Policy initiatives

Period	Pro-tourism initiatives
Pre-1990	<p>In 1966, the Government of India through the Ministry of Tourism incorporated the India Tourism Development Corporation (ITDC) to promote tourism in the country. The ITDC runs hotels and restaurants for tourists, besides providing transport facilities. Further, it is engaged in production, distribution and sale of tourist publicity literature and providing entertainment and duty-free shopping facilities to tourists. In 1982, a national policy on tourism was formulated focusing on the development of travel circuits and assigned the responsibility of promoting international tourism to the central government and domestic tourism to the state governments. In 1986, tourism was given the 'industry' status, making it eligible for several incentives and facilities, including tax-sops, subsidies, priorities in sanctioning of loans by the state financial institutions and preferences in providing electricity and water connections. In 1988, the Planning Commission established the National Committee on Tourism (NCT) to prepare a perspective plan for the development of tourism in India, factoring in the role of tourism in socio-economic development, profile on international tourists, tourist accommodation and lodging, tourism transport linkages, human resource development and ecological aspects of tourism. In 1989, the Tourism Finance Corporation of India (TFCI) was incorporated, based on the recommendations of NCT, to function as an all-India financial institution to cater to the financial needs of the tourism industry .</p>
1990–2000	<p>During this period, the government focused on increasing private participation in the sector. In 1991, tourism was made a priority sector for foreign direct investment, making it eligible for automatic approvals up to 51% of equity and allowing 100% non-resident Indian investment. The National Action Plan in 1992, the National Strategy for Promotion of Tourism in 1996 and a new National Tourism Action Plan in 1997 were some of the steps taken by the central government to promote the sector in India. The 1996 National Strategy for Tourism Development advocated the strengthening of an institutional set-up in human resource development, setting up of an Advisory Board of Tourism Industry and Trade, the integrated development of tourist destinations and the promotion of private sector in tourism development. In 1998, the industry was further granted 'Export House' status, making hotels, travel agents, tour operators and tourist transport operators eligible for income tax exemptions, interest subsidy, and reduced import duty.</p>

Industry overview

Policy initiatives

Period	Pro-Tourism Initiatives
2000–07	<p>An updated National Tourism Policy was released in 2002, under which Tourism became a joint central-state government concern. The policy was based on the intent to establish tourism as an engine of growth. The primary aim was to increase the number of international and domestic tourists. The government proposed to diversify the Indian tourism product and substantially improve the (tourism) infrastructure, marketing, visa arrangements and air-travel. With the advent of online travel portals and low-cost carrier airlines, the sector experienced an increased movement in traffic, both international and domestic, during this period. Further, the 10th Five Year Plan (2000–07) promoted skill building by promoting training programmes in the hotel and food industries. Adventure tourism in Himalayas, beach tourism along the coastline, wellness tourism including Ayurveda, shopping centers for traditional crafts and pilgrimage spots were also promoted during this period.. Marketing initiatives such as ‘Incredible India!’ and ‘Atithi Devo Bhava’ campaigns were launched to attract both international and domestic tourists.</p>
Post-2007	<p>The 11th Five Year Plan (2007–12) promoted partnership between the central and state governments, as well as private players. Further, it attempted to promote India in places such as Argentina, Brazil, South Africa, Kenya, Malaysia, and other countries with a high Indian Diaspora, which have a high-growth potential.</p>

Industry overview

Policy initiatives

Visa on Arrival (VoA)

The Government of India through the Ministry of Tourism recently extended the visa-on-arrival programme to tourists from 180 countries, including the US, the UK and China, in a bid to accelerate growth in tourism. Previously, only 11 countries, including Finland, Singapore and Japan, were covered under the scheme, started in 2010. As per the Ministry of Tourism, more than 20,000 visas were issued on arrival in 2013, five times more than those in 2010. Now, travellers can register for visas online and can collect them on landing at any of the international airports in India.

Product/Infrastructure Development for Destinations and Circuits (PIDDC)

Under this scheme, the Ministry of Tourism extends central financial assistance to the state governments/ UT administrations for tourism projects targeted at improvement of existing tourism products and development of new ones. Under the Centrally Sponsored Scheme of Product / Infrastructure Development for Destinations and Circuits, 100% central assistance is given for the development of destinations/ circuits, including mega projects to world standard and also for rural tourism infrastructure development. The Ministry of Tourism provides financial assistance up to INR5 crore for the development of destinations and INR8 crore for circuits. The upper limit of financial assistance has been increased to INR25 crore and INR50 crore for the development of identified mega destinations and circuits, respectively. This is expected to provide a boost to the development of new products and required infrastructure necessary to attract tourists.

Overseas Promotion and Publicity, Including Market Development Assistance

The Ministry of Tourism, through its 14 offices overseas, endeavours to position India as a preferred tourist destination, and promote various Indian tourism products. The government plans to meet these objectives through an integrated marketing and promotional strategy and campaign in association with the Travel Trade and state governments.

Incredible India

This campaign was conceptualised in 2002 as a branding exercise for creating a distinctive identity for India in a tourist's mind. The campaign included extensive advertising in print, electronic and visual media, improving the tourism in the country.

Atithi Devo Bhava

This social awareness campaign was initiated by the Ministry of Tourism for the citizens of the country. It was aimed at providing the inbound tourists a greater sense of being welcomed to the country. The campaign targets the general public, while focussing mainly on the stakeholders of the tourism industry.

'Hunar Se Rozgar Tak' Skill Development Programme

The programme has been undertaken by the Ministry of Tourism to reduce the skill gap in the tourism sector, along with a focus on creation of employable skills among the youth from the economically weak strata of society. Initially covering two courses viz. (i) food and beverage service; and (ii) food production, it later added courses in housekeeping, utility, bakery and patisserie.

'Earn While You Learn' Programme

The programme, a collaboration between the Ministry of Tourism and the Indian Institute of Tourism & Travel Management (IITTM), is targeted at college-going students/ graduates between the age group of 18–25 years. This aims at inculcating tourism traits and knowledge among the trainees, which will enable them to act/ work as student volunteers. Entirely funded by the Ministry of Tourism through the Scheme of Capacity Building for Service Providers, this 21-day programme covers modules on Indian society and culture, an overview of tourism travel and hospitality industry, as well as managerial and behavioural skills. On completion, the students are given a certificate by the IITTM, as well as INR1,000 as honorarium.

Industry overview

SWOT analysis

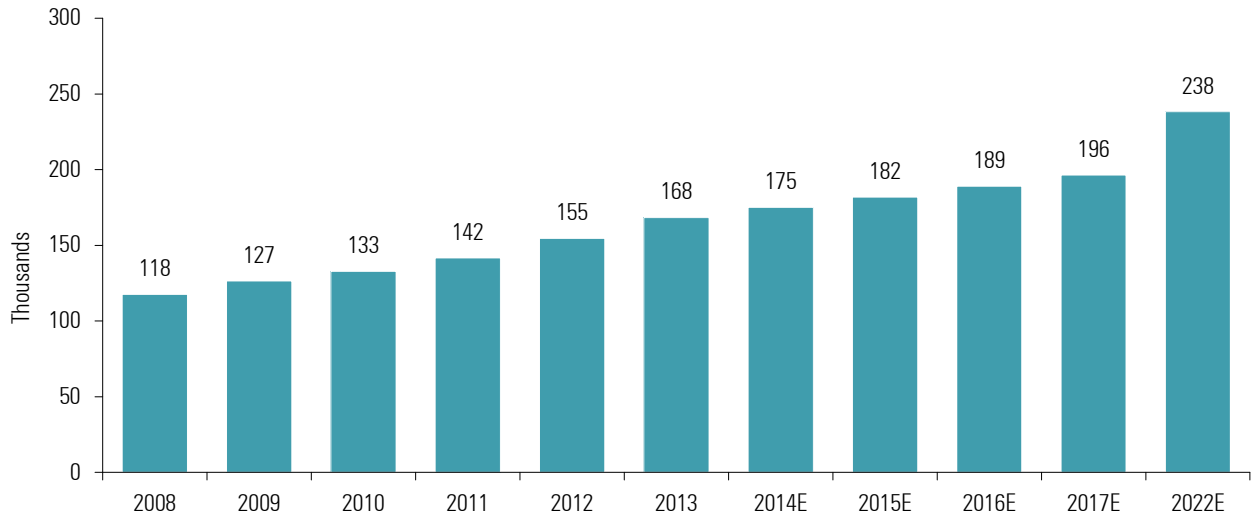
Strengths	<ul style="list-style-type: none"> ▪ The exotic image of the country with its rich cultural heritage, architecture, food, language, vast scenic beauty, festivals and more continues to drive travelers to India. A key strength of India as a destination country continues to be the massive geographical landscape offered by it — from the mountains and deserts, to backwaters and beaches spread across the country. ▪ India offers a unique experience in tourism, as it is not geographically similar to any of its neighboring countries. As a result, none of its neighboring countries are its competitors in terms of tourism. Further, these countries are comparatively small and face a number of substantial problems in terms of stability and unrest, thus, they do not affect the travel and tourism of India in any manner. ▪ The devaluation of the rupee in 2012–13 further helped drive consumers to travel to India. Furthermore, quality accommodation is increasing in both traditionally popular destinations and in more remote regions, broadening travel across the country and boosting local economies.
Weaknesses	<ul style="list-style-type: none"> ▪ Security threat to women continues to be a challenge for the travel and tourism sector. Further, extremist and terrorist attacks across the country, such as the recent blasts in Bihar and Chhattisgarh, the Mumbai attacks in 2008, make travelers wary of coming to the country. ▪ Further, the devaluation of Indian currency is limiting growth in outbound tourism. ▪ A complex industry tax code with a large number of taxes, and different taxes for different states makes travel expensive and also discourages investment, especially from foreign investors. ▪ Further, the tourism infrastructure lacks in quality and quantity, with a shortage of availability of drinking water and poor sanitation and hygiene facilities.
Opportunities	<ul style="list-style-type: none"> ▪ The scenic beauty, unique culture and the Ministry of Tourism’s initiatives will continue to be the driving factors for increase in tourism, as evinced by the increase in the campaign air period. ▪ The Ministry of Civil Aviation’s decision to allow 49% FDI in the aviation industry will also help to increase the connectivity to the country, along with better and more economical flight services, such as the entry of Air Asia. This will help in the growth of both international and domestic tourism in the country. ▪ Government expenditure on the tourism industry is increasing, leading to expected big improvements in the tourism and transport infrastructure. Further, medical tourism is on the increase and outbound operators abroad are developing medical tourism packages focused on India.
Threats	<ul style="list-style-type: none"> ▪ Continued devaluation of the Indian currency will result in low overall consumer and economic sentiment, which could eventually act as one of the major threats to the growth of travel and tourism in India. Safety issues for women and extremist threats in the country will remain as major challenges for inbound and domestic tourism in the country.

Sub-sectoral Overview

Sub-sectoral Overview- Hotels & Restaurants

Hotel room supply in India over the years

Hotel room supply in India over the years



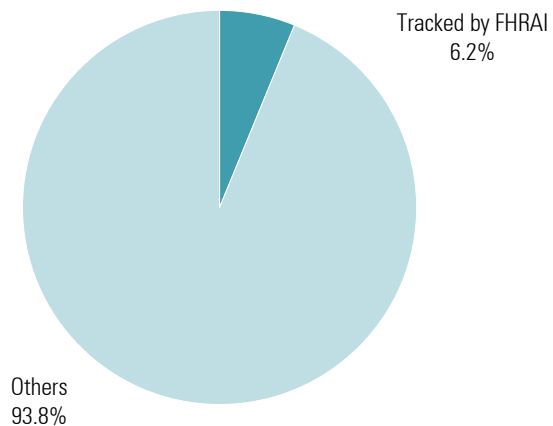
Note: These numbers represent the number of hotel rooms tracked by FHRAI. Other accommodation unit types such as inns and lodges are not included in this count.

Source: FHRAI, HVS Hotel Room Supply, Capital Investment and Manpower Requirement 2021, KPMG Analysis

As per the Federation of Hotels & Restaurants Association of India, at the beginning of this millennium, the country had approximately 92,000 hotel rooms (2001), of which ~25,000 were in the organised sector.

In addition, there are unclassified and unorganised accommodation units across the country, such as non-star hotels, apartment hotels, guest houses, lodges, inns, youth or YMCA hostels, dharamshalas, sarais, musafirkaanas, bed & breakfast units. The Ministry of Tourism estimates the total number of accommodation units, including unorganised units, at ~27.1 lakh in 2010.

As there is no source to validate this number, this study assumes that the number of unorganised accommodation units shall continue to remain the same. This is supported by the industry experts, who believe that such units are highly seasonal in nature and short-term revenue generators.



Note: Others: motels, non-star hotels, apartment hotels, guest houses, lodges, inns, youth or YMCA hostels, dharamshalas, sarais, musafirkaanas, bed & breakfast units

Source: Indian Tourism Statistics 2012, KPMG Analysis

Sub-sectoral Overview- Hotels & Restaurants

Hotel room supply in India over the years

Given the large share of such unorganised accommodation units, the country presents a unique opportunity for domestic and international players to establish themselves in this market. Over the past decade and a half, India has seen the entry of international players, new domestic players and consolidation of existing domestic players in subsector, suggesting that the market is maturing. During 2008–13, the sector experienced strong growth in the organised (branded) sector for the supply of rooms. At a CAGR of ~18%, the room count increased from ~47,000 to ~93,000 . Further, the count of rooms of the FHRI-tracked players increased at a CAGR of ~7.5% during the period. Given the increase in the total number of rooms in this period, the coming years are expected to experience greater focus on stabilisation of operations in new units before additional supply creation.

International players entering the country have increasingly resorted to the management contract model, while established players take control over operations in an asset belonging to a different party, generally an Indian developer or property owner, but work as per the specifications and demand of the hotel brands. The preference of such a model is due to the risk-averse nature of international brands. They prefer to focus on playing to their strengths, i.e., core hotel operations, while mitigating risks pertaining to asset ownership.

Further, given the historic slow pace of regulatory approvals pertaining to Greenfield projects, this model allows operators to cut through bottlenecks and fuel footprint expansion plans in the country at a faster pace. Such aggressive expansion is not limited to metros and tier 1 cities. Tier 2 and 3 cities and towns are also witnessing increasing budget and mid-market offerings by hotel players. This is driven by the plans of the players to meet the aspirational demand of the consumer base and establish a brand-consumer relationship ahead of the competition.

The downturn in the hotels industry in the past few years, mirroring the slump in the economy, has led to a downward trend in operating metrics and thus, revenues and profits. This has resulted in increasing involvement of asset owners in the business side, keen to protect their investment. Consequently, hotel players (and joint ventures) have increased their focus on financial returns and operating margins.

However, the industry is cyclical in nature and past crunch periods have been followed by strong growth periods with higher occupancies and revenue per available room (RevPAR) among other metrics. Another driver for a positive turn in metrics is the increasing MICE demand. Currently, staffing demands for banquets and conference halls is being met by hiring labour or students of hotel management institutes on a temporary basis. Cumulatively, an upturn is expected in the industry in the coming years, which would lead to increased manpower requirement

Further, it is important to clarify that requirement is not limited to only numbers in terms of manpower, but also expands to the quality of skills in the manpower available to the hotels industry. With increasing professionalisation in the industry, a direct result of international brands entering the market, players are evolving from family-owned and- run businesses to professional setups run by qualified and sector-experience managers. With increasing competition and the need to both attract and retain customers paramount for operators, high quality of service offerings becomes critical. This can only be met by employing a highly motivated and highly skilled staff across functions and roles in a hotel. This highlights the need for good quality skill imparting and training provision from supply institutions, viz. vocational, degree/ certification, graduation or finishing schools.

Sub-sectoral Overview-Hotels & Restaurants

Growth drivers and trends

Domestic travel is on the rise

With the increasing number of working women, double-income households are on the rise. This has further led to an increase in disposable income. The increased propensity to spend by the middle class and the growing affluence of the India's upper middle and high income classes have led to growth in the tourism sector in India. Domestic travel has been boosted by competitive air fares and a depreciating rupee, which has prompted domestic vacationing as a preferred option over foreign destinations. Further, the Incredible India campaigns run by the Ministry of Tourism raised the interest of the domestic consumers, who are more keen now to travel within the country and experience the diversity on offer.

Consumerism is on the rise in Tier 2/3 cities and towns

Hotels and MICE offerings in tier 2 and 3 cities and towns in the country are largely restricted to unorganised segment. With increasing household income levels and disposable incomes, consumers can spend on such offerings. Further, with the increasing migration of students and workforce from such areas to metros, the increased brand exposure from hotels in these locations provides players with an opportunity to establish a brand connect.

Evolution of offering

Over the past few decades, the perception about hotels has consciously evolved from being short-term places of stay or venues of fine-dining to a places that offer an all-round experience. Given the increasing growth of business in India and demand for time of hard-pressed professionals, hotels and resorts with an experiential offerings are viable weekend getaways to de-stress.

Longer duration of stay

With business improving over sectors, increased project, training and research-related visits are increasingly across cities. As a result, there is a growing demand for extended-stay options. Currently, the extended-stay market is monopolised by unbranded service apartments and guest houses.

This presents a good opportunity for organised players planning to expand their offerings. Players are resorting to discount offers via corporate rates and targeted facilities such as free Wi-Fi, business centre access, on-site gyms and health care centres, 24x7 eateries, catering to the needs of extended-stay travellers in a quest to increase their share in the market.

Price sensitivity of consumers driving budget and mid-market hotel segments

While demand has increased in line with the supply of rooms in recent years, consumer behaviour towards making reservations has changed. The market has become more price-sensitive and customer loyalty is linked with room rates, leading to increased competition across segments. This presents a unique opportunity for groups to enter into segment-focused offerings such as budget and mid-market. These two segments are also referred to as select service offerings, wherein on-site amenities are limited and only cater and market to a specific demographic. Of the expected supply addition in the coming years, more than half is expected to be from these two segments.

Grant of Infrastructure status to the hotels industry

The infrastructure status will allow large capital-intensive hotel projects to avail loans with longer repayment tenures at lower rates of interest and higher debt-to-equity ratios. Further, it will also enable hoteliers to access more funds through relatively low-cost external commercial borrowings and become eligible for financial assistance, including takeout financing from specialised agencies such as the IDFC and IIFCL. Access to low-cost funds will support investment in new supply, as well as ease pressure on operations.

Sub-sectoral Overview-Hotels & Restaurants

Concerns and challenges

Rising costs

The share of human resource-related costs has increased from 5% in the early 2000s to ~25% in 2013. Along with this expense, energy costs account for the lion's share of operational expenses. Reducing the energy cost by eliminating wasteful consumption, investing in technology and adopting 'green' standards are keys to mitigating the increase in expenses.

Multiple avenues for managing costs, such as optimal resourcing, conversion of fixed costs to variable by increasing proportion of contractual labour, strengthening of back-end infrastructure, outsourcing of back-end operations through service contracts, managing attrition, managing construction costs and crash time for new project development are open to the industry.

High attrition

Considering the spurt in the availability of hotel rooms and market entry of new players in the sector, talent poaching has increased. This has led to the increase in the attrition rate, which has reached as high as 50 percent across functions. Job roles with younger and relatively lower on-the-job experience employees see a churn rate much higher than the industry average.

Characteristics such as long and irregular working hours, high pressure situations, fast paced work and heavy work load during festive seasons, define this sector which collectively are a cause of concern for current and prospective employees.

Employer-employee expectation mismatch

Students graduating from premier institutes expect to reach managerial positions in two to three years. They are hesitant in taking up entry-level jobs that take them longer to reach mid-level profile slab. However, industry players feel spending time garnering experience in the entry-level job roles and profiles is critical in the formative years and lay a strong foundation for the future. The Demand on effort and time required, coupled with relatively lower remuneration, had an impact on the attractiveness of the sector as an employer of choice.

Average age on-the-job experience has reduced at the managerial level

With high attrition and ongoing talent war, players are hard pressed to accommodate good talent in their organisations via faster promotions and higher pay. Prevalence of such practices in the last decade has resulted in a lowering of age at the managerial level by almost 5–7 years. Players are concerned that personnel at this level have lower experience of on-ground situations, which has led to a decline in the service quality.

Low attractiveness of tier 2 and 3 cities and towns for entry-level experience for fresh graduates

With increasing saturation in metros and tier 1 cities, the incoming supply of units properties will be in tier 2 and 3 cities. However, premier training institutes are primarily located in metros and tier 1 and 2 cities. Graduates from such institutes are not willing to begin their career in less glamorous environments of tier 2 and 3 cities. Consequently, employers face issues in manpower staffing in the new supply in the former areas.

Demand Irregularity

Almost 90% of the demand for hotel rooms in the organised sector comes from companies. Therefore, it is primarily during the weekdays. As a result, occupancy rates during the weekdays are much better than those during weekends. This translates in to almost 150 nights in a year, with low demand impacting the RevPAR across the year.

Sub-sectoral Overview-Hotels & Restaurants

Geographical mapping of employment clusters

Mumbai: The financial capital of the country is home to many industries such as pharma, textiles, gems & jewellery, media & entertainment, automotive parts, food processing, electronics, manufacturing, IT/ ITeS related businesses, financial services and petrochemicals.

While the southern parts of the city are highly saturated, the central and northern parts are expected to experience an increase in hotel room supply. Infrastructure projects such as the monorail, metro, upgrading of the existing airport, as well as construction of a new airport, in Navi Mumbai area indicate a strong hotel market for years to come.

Pune: Manufacturing, forging industries coupled with recent additions of automobile manufacturing and IT/ ITeS sectors, drive the economy of the city. Demand in hotel rooms is driven by industrial pockets of the city. The IT/ ITeS industry is expected to drive the demand in the coming years.

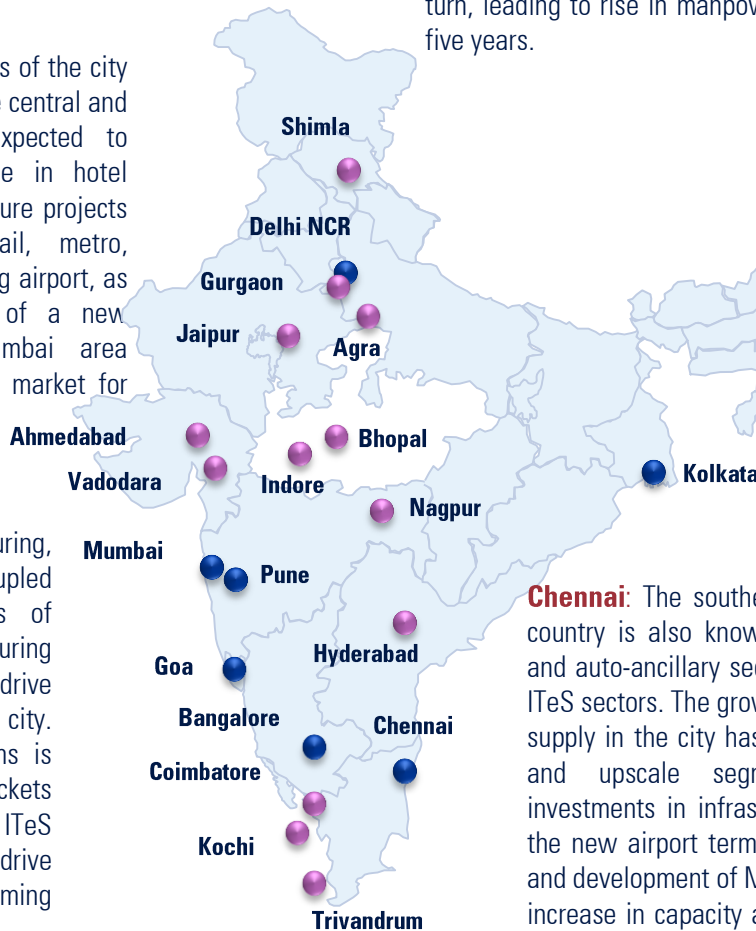
Goa: The state is largely considered to be India's premier vacation location, both for foreign and domestic guests. The State Ministry of Tourism is developing a master plan focussed on projecting ayurveda, destination wedding locales, business and MICE facilities and opportunities, in addition to the stock attraction of Goa's beach line. The market is expected to attract a higher economic strata customer profile in the coming decade, which will present hoteliers with an opportunity to invest in and consolidate operations during this period.

Delhi: The political nerve centre of the country, Delhi-NCR region is also regarded as one of the largest commercial hubs in India. The recent infrastructure improvements and emergence of Noida and Greater Noida as industrial hubs has further led to an increase in hotel room capacity, in turn, leading to rise in manpower demand during the past five years.

Kolkata: Largely driven by PSUs and domestic companies, the demand has seen a boost by the emergence of New Town and Salt Lake area with establishment of prominent IT/ ITeS companies. The incoming supply is expected to be in the upscale and mid-market segments, driven by business and professional demand.

Chennai: The southern financial capital of the country is also known for a fast-growing auto and auto-ancillary sector, manufacturing and IT/ ITeS sectors. The growth in organised hotel room supply in the city has been mainly in the luxury and upscale segments. With significant investments in infrastructure projects (including the new airport terminals) and industrial areas, and development of MICE facilities, a substantial increase in capacity and manpower requirement is expected.

Bangalore: The hotels industry is primarily dependent on business and professional work in all the micro-markets developed across the city. The IT/ ITeS sector is one of the largest consumers of hotel rooms. During the recent years, the establishment of mid-market and budget hotels has increased. The announced incoming supply of hotel rooms is more than 10,000 rooms during the next five years, highlighting the need for skilled/ semi-skilled manpower.



● Major Cities ● Other Cities

Source: FHRAI, KPMG Analysis

Sub-sectoral Overview-Hotels & Restaurants

Select players in the organised segment

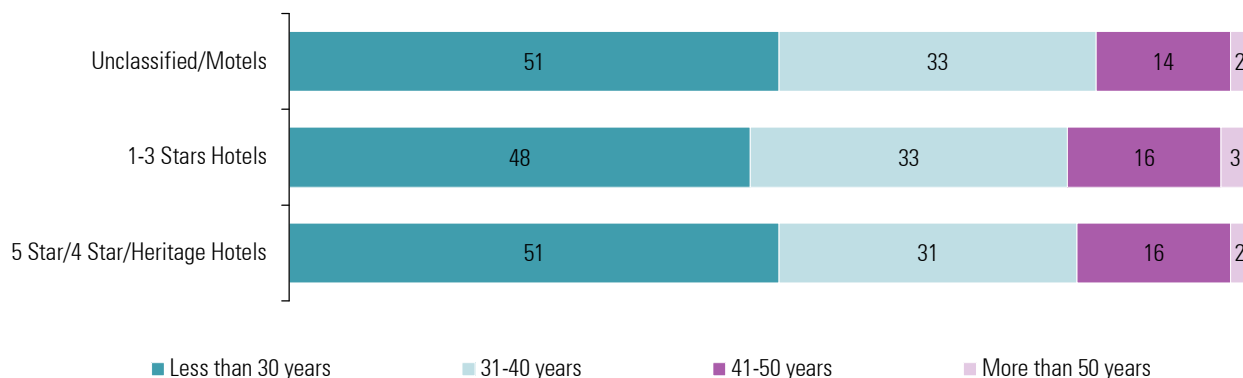
Hotel group	Number of hotels	Number of rooms (approx.)	Hotel brands
Indian Hotel Company	93	11,500	Taj, Taj Exotica, Taj Safaris, Vivanta by Taj Hotels & Resorts, Ginger, The Gateway Hotel
ITC Hotel Group	90	7,500	ITC Hotels, WelcomHotel, Fortune, Welcom Heritage
Carlson Rezidor Hotel Group	46	6,000	Radisson Blu, Radisson, Park Plaza, Country Inns & Suites By Carlson, Park Inn
Starwood Hotels	37	6,000	Sheraton, Le Meridien, Westin, W Hotels
Sarovar Hotel Group	60	6,000	Sarovar Premiere, Sarovar Portico, Homotel, Park Plaza, Park Inn
Marriott International	24	5,000	Marriott, Ritz-Carlton, Courtyard Marriott, JW Marriott, Renaissance
Hyatt Hotels and Resorts	17	4,500	Park Hyatt, Grand Hyatt, Hyatt Regency, Hyatt Place
Accor Hospitality	27	4,000	Sofitel, Pullman, MGallery, Grand Mercure, Novotel, Suite Novotel, Mercure, Ibis
East India Hotels	11	3,800	The Oberoi, Trident, Maidens, Clarke's, Windflower Hall
Lemon Tree Hotels	24	3,000	Lemon Tree Premier, Lemon Tree Hotels, Red Fox Hotels
InterContinental Hotel Group	18	2,500	InterContinental Hotels and Resorts, Holiday Inn Express, Holiday Inn, Crowne Plaza, Holiday Inn Resort
The Park Group of Hotels	11	2,500	The Park Hotel
The Leela Palaces, Hotels and Resorts	8	2,200	The Leela
Royal Orchid Group	23	2,000	Royal Orchid, Royal Orchid Central, Central Blue Stone, Regenta, Royal Orchid Suites, Ramada
Bharat Hotel Group	14	1,800	The LaLiT, The LaLiT Traveller

Note: Data for number of properties and approximate number of hotel rooms is updated till March 2014
Source: Hotel websites and annual reports, KPMG Analysis

Sub-sectoral Overview-Hotels & Restaurants

Demographic and workforce characteristics

Share of age segments in industry workforce (2010)



Source: "Study to Assess the Requirement of Manpower in Hospitality and Travel Trade Sector" by Market Pulse and Ministry of Tourism, KPMG Analysis

In this millennium, there is a marked decrease in the age profile of the employee base in the hotel industry. An analysis of the age profile indicates that almost half of the industry workforce falls under the age of 30 years. Further, the industry sees a similar age profile snapshot across its three broad categories viz. unclassified accommodation/ motels, 1–3 star hotels and 4 star and above properties.

Hoteliers are looking to hire younger candidates for entry-level positions. Multiple factors can be attributed to this such as presenting a young and fresh face to guests, appealing to the relatively younger guests, higher productivity, higher propensity to work harder and lower recruitment costs linked to lower remuneration demand vis-a-vis experienced and older candidate.

Sub-sectoral Overview-Hotels & Restaurants

Demographic and workforce characteristics

Attractiveness of the sector as an employer of choice for the youth

The sector demands high levels of dedication from its employees. It is generally known for being a poor paymaster, long working hours, restricted workspaces and fast pace of work throughout the year. The sector's constraints related to time and remuneration reduce its appeal among the target audience — people below 25 years. One of the major concerns of the sector is whether students with appropriate skills are attracted to the sector when they are about to graduate or are choosing other courses for further studies.

Potential employees who have graduated from IHMs or other similar institutes expect to quickly assume managerial positions or reach senior positions in just two–three years. However, employers believe that an apprenticeship of four–six years is critical for taking up managerial positions. This aspirational mismatch further reduces the sector's appeal.

Attrition

The industry is facing a significant attrition challenge of about 40-50 percent. Each hotel group in the organised (or branded) space typically has regular training programmes and learning and development initiatives throughout the year which impart some sophistication as well as presentation and grooming skills. Candidates with such skill sets are in demand for customer-facing and service-oriented roles in sectors such as banking, financial services, retail and airlines, among others.

There is a talent war being fought within the industry with almost all companies losing skilled professionals due to the availability of better monetary and career opportunities. At lower levels, an employee usually stays with a company for about six months, which is a short period for employers to garner a return on the training investment per employee. Employers prefer employees to stay with an organization for an average of 36 months to recover training investments and, from employees' perspective, gain enough experience in one group to add value to subsequent roles.

Further, the ratio of talented professionals to laggards in a year is about 2:1. This impacts the productivity of the remaining employee base and, consequently, the profitability of the organization.

Another consequence of this talent war is the decrease in the average age of employees which has effected the on-the-job training that new joiners receive, which constitutes 70% of the training provision in the sector. Earlier, professionals who had been in the industry for four–eight years served as supervisors and floor managers and, thus, were able to assist in training new employees. However, the recent reduction in the age profile across roles implies less experience and dilution in the quality of knowledge transfer

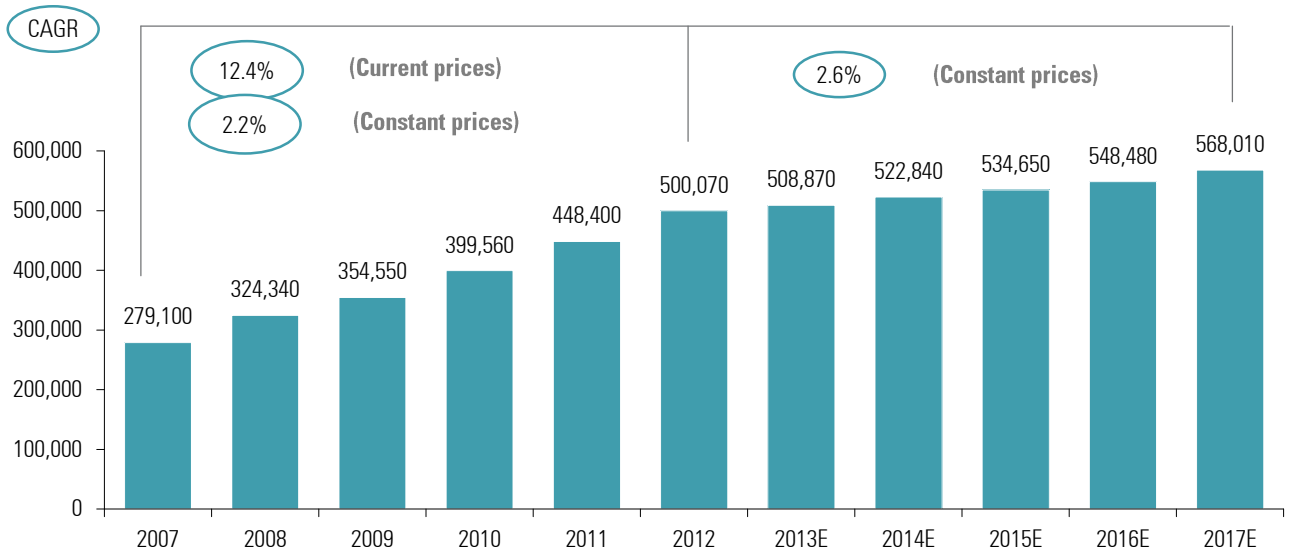
Seasonality

India's diverse weather patterns generally result in sporadic tourism in specific regions. This impacts business operations and operators prefer a lean workforce during off-season. This has a knock-on effect on the seasonal migration of labour from one location to another in search of short-term employment. For example, labourers relocate from Goa during winters to Leh-Ladakh and to hill stations in Himachal Pradesh during summers.

Sub-sectoral Overview-Food Services

Food services market size in India

The Food Services Market Size in India

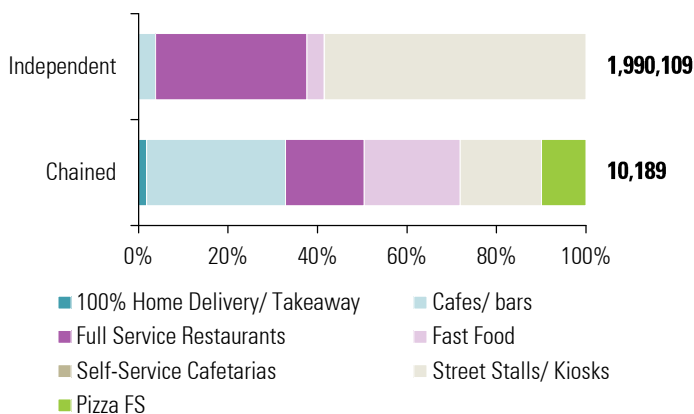


Note: All figures in INR Crore (USD conversion rate taken as 60)
 Source: Euromonitor (November 2013), KPMG Analysis

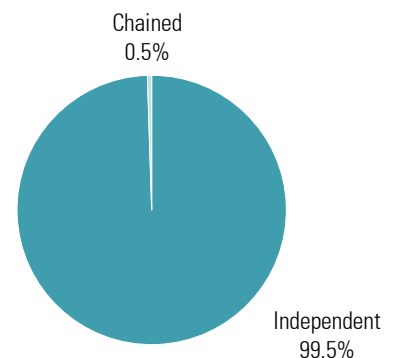
The sector witnessed tremendous growth — at ~12.4% CAGR (current prices) — during 2007–12. Intrinsic growth of the sector at constant prices was approximately 2.2% in the same period. The subsequent period of 2013–17 is expected to witness a marginally higher growth rate of 2.6% at constant prices, highlighting the continuation of the sector’s golden period.

The food services industry in India, with almost 2 million establishments, is still largely fragmented and unorganized although, the last two decades have seen an evolution in the market landscape with the emergence of new themes in terms of concepts, formats, menus, cuisines, ingredients, technology adaptation, etc.

Number of Establishments (2012)



Organized Share of the Market



Source: Euromonitor (November 2013), KPMG in India Analysis

Sub-sectoral Overview-Food Services

Food services market size in India

The sector has largely witnessed the rise of the organised or chained segment in the last two decades. This has primarily been driven by the entry of international brands, such as McDonalds, Pizza Hut, Domino's Pizza, KFC, Subway and others. Emergence of Quick Service Restaurants, cafes and bars is a result of increasing disposable income and high propensity to spend of the increasingly younger demographic in the country. Further, increasing working population and proportion of two-income households, there has been increase in the willingness to eat out or order in.

These international brands were attracted to India due to the country's vast untapped consumption potential. Beginning with the low-hanging fruits, such as metros and tier 1 cities, in the previous decade, they have increased footprint in the last decade in tier 2 and 3 cities and towns. This has also been led by increasing saturation levels in metros and tier 1 cities. Players are now looking to broaden their consumer base by expanding into new markets, which are characterised by low costs and relatively less competition, resulting in high sales and less pressure on the bottom line. The aspiration of the players to climb the social ladder has also aided the food services and tourism industry as a whole.

Increasing demand across different market types in India has helped international brands in introducing new operating models in the country in their quest to expand rapidly. The three operating models being followed in the market include master franchise, mix of company-owned and franchise, and solely company-owned outlets. However, franchise agreements is the most widely accepted and adopted form of expanding footprint.

The entry of international brands has also assisted the sector in evolving from standalone, family-owned and business ventures into large-scale professional organisations. The expansion in their scale has been exceptional and visible across the country. Haldiram's is a case in point. Another Indian brand, Café Coffee Day (CCD), has also scaled up significantly and now has more than 1,500 outlets across formats in the country; it plans to expand further and tap small markets

The sector has also been characterized by a change in the type of services offered to consumers. There is a clear transition from the previously transactional nature of dealing with consumers to ensuring a more experiential offering. Players are trying to sell an experience to customers as opposed to selling basic products and services. This is largely driven by wavering customer loyalty and the pressing need to retain customers in a highly competitive environment.

In light of such an evolution, human resource requirement has also altered to some extent. Service orientation and behavioral skills are gaining prominence in providing the right experience to customers and all types of employers are regarding these skills as critical while selecting staff. The sector, meanwhile, is attracting a significant percentage of youth considering the emergence of QSR, pizza joints and cafes/bars. Youngsters get attracted to such roles for steady income, which helps them fulfil their aspirations.

Sub-sectoral Overview-Food Services

Growth drivers and trends

Changing Indian demographics — young population

India has the lowest median age across the world at 26 years. Sixty-five percent of the total population is below 35 years. Given the increasing employment opportunities, the youth feels empowered by their spending capacity. Being well-connected, well-travelled and brand-conscious, they are eager to explore and experiment and thus, prone to indulge. This population segment is expected to continue driving growth in the food services market.

Growing consumer base

An increase in the number of consumers in the higher segments of society drives discretionary spending on food and food services. Together, sections A and B of the population comprise ~36% population in the top 70 cities in 2012. They are expected to continue to increase, creating an opportunity for more brands to cash in on the segment's potential.

Increasing Share of Consumer's Wallet

The burgeoning population of India has led to a transformation in lifestyle. Increasing salaries are driving people to consume more. This consumption is not need-based but, instead, discretionary. Eating out and ordering in have gained momentum and constitute an important component of modern day consumer's expenses.

Increasing time poverty

With a spurt in the number of two-income households, consumer lifestyles are changing in a manner that leaves little time for household activities like buying vegetables and cooking. This decrease in available time has made consumers opt for eating out or ordering in, thanks to the high convenience factor of these options.

Indulgence in small cities

Consumers in small Indian cities are increasingly being exposed to metropolitan lifestyles. As a result, their aspirations are evolving and there is a growing drive to experiment. Aspiring for parity with their counterparts in metros/mini-metros, these consumers serve as a major opportunity for players despite their low preference for eating out.

Emergence of new consumer segments

New consumer segments, such as health conscious and retirees (people older than 60 years), among others, are emerging as sizable opportunities for players. The former are willing to pay a premium for healthier alternatives and offerings. The latter, on the other hand, are free from responsibilities and have the requisite finances for spending on discretionary and leisure activities.

Increasing experimentation

Globalisation has provided people with access to various customs and cultures and consumers are now ready to try out new dining options, explore new cuisines and formats and experience a varieties of dishes and ambience.

Further, the experience of having a meal has gained prominence today and consumers are increasingly becoming selective in their choice of experience and indulgence. The Indian consumer is more experimental than ever and this has given further fillip to the fine-dining segment, as is evident from the presence of a variety of outlets in prominent locations.

Sub-sectoral Overview-Food Services

Concerns and challenges

Rising food costs

Food price inflation is a key factor affecting the food services market in India. Inflation is driven by delay in monsoons, the economic slowdown, and unfavourable demand-supply conditions. Fluctuations in inflation affect consumers' indulgence pattern, which hampers business owners from planning their margins.

Across all formats, food costs (raw material) account for ~30-35% of revenues. The perpetual rise in food costs reduces players' margins, compelling them to increase menu prices. This, in turn, accentuates the challenge of retaining value-conscious customers.

Fragmented market, increasing competition

A fragmented market has led to lack of clarity on format segmentation, emergence of varied options for eating out and lack of best practices for food service outlets. There are several players who offer similar products, at competitive prices. There is no clear market leader in any segment and customer loyalty is also low since consumers are willing to try out different places regularly. As a result, players are facing challenges in engaging and retaining consumers.

High attrition

Attrition in the industry for employees in the organised space and in the first 12 months of employment is ~90-100%. This rate decreases to ~60% for the employees with more than 12 months of experience in the sector. Increasing costs related to hiring and training are adding to the stress on the bottom line employers.

Spiraling real estate and labour costs

For a food service outlet, real estate costs are second only to raw material costs and constitute about 12-20% of the total revenues. The vicious circle of large requirement of people, low salaries and low productivity compounds the pressure on the profitability of stores, deterring the growth of food service outlets and their potential for manpower requirement.

Requirement of multiple licenses

Due to the lack of centralised process and multiple agencies to deal with for the 12-15 licenses required for operations, players in the food services sector are encumbered with excessive paperwork that is time-consuming and hinders the smooth operations of outlets. This challenge is compounded by the non-uniformity of laws across states and lack of transparency in their interpretation.

High tax rates

Multiple taxes, such as VAT, excise, and service tax, besides different state taxes, add up to ~17-25% of the total bill value, increasing the burden on food service outlets. To ensure profitability, these are normally transferred to consumers who reduce the frequency of their visits to restaurants.

Fragmented supply chain

The industry's supply chain is fragmented and marked by the presence of multiple intermediaries. Lack of proper infrastructure, inadequate technologies and non-integration of the food value chain are key factors for about 30-40% wastage of food across the supply chain.

Development of cold chain infrastructure and advanced solutions is also critical to minimizing the wastage of fresh produce, extend the life of perishables and enhance the quality of food.

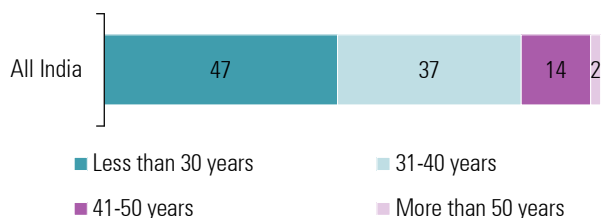
Sub-sectoral Overview-Food Services

Demographic and workforce characteristics

Share of age segments in industry workforce (2010)

An analysis of the age profile of employees in the food services subsector showcases a similarity with the hotels subsector in that almost half of the workforce is less than 30 years of age.

As discussed earlier, this millennium has seen the emergence of new formats viz. cafes, QSRs and the likes. They are typically staffed by young employees to reflect the target audience of such outlets.



Source: "Study to Assess the Requirement of Manpower in Hospitality and Travel Trade Sector" by Market Pulse and Ministry of Tourism, KPMG Analysis

Workplace characteristics

The food services subsector is labour-intensive. Manpower is required right from the receipt of storage of raw materials to the production and sale of prepared products to consumers. The labour requirements vary across formats but they are still higher than other service sector offerings such as retail.

Employees in an outlet typically work in two–three shifts depending on the scale of operations and the duration for which they are open in a day. Further, the subsector has witnessed an increasing share of women in the workforce, with current industry estimates of women to men ratio at 20:80.

Average employment per outlet	
Form of restaurant	Average employment
Café	35–40
QSRs	25–30
Kiosks	4–5
Casual dine	40–45
Fine dine	50–55
Bars and lounges	35–40

Source: NRAI India Food Services Report 2013, KPMG Analysis

Attractiveness of the sector as an employer of choice for the youth

The low entry barrier for the sector, viz. basic culinary skills and a driver's license (for a majority of of QSRs, which typically have a home delivery option), coupled with good pay and limited working hours, increase its attractiveness. Increasing consumerism and the youth's willingness to spend contribute to its mass appeal. Thus, youngsters are open to jobs in food services retail to generate income.

Attrition

Given the unorganised (~99.5%) and fragmented nature of the industry, it is difficult to source the attrition rates and pattern in the sector. However, for the QSR and fast food segments, especially the organised share that is considered to be representative of the sector, the annualised attrition rates are as high as 90-100%. This is for employees who have been with an organization for less than 12 months. Typically, these employees are first-time workers. For those who stay with an organization for more than 12 months, the annualised attrition rate decreases to ~60%, which is also very high. Such high rates are usually a result of the mismatch in expectations of both employees and employers. Employees believe that compensation and benefits are not a fair reflection of the effort required.

From an employer's perspective, behavioral traits such as a positive attitude, professional ethics, process orientation, customer service orientation, collaborative approach and body language are key attributes of an ideal candidate in the food services sector. With a majority of roles requiring customer interaction, and with retaining customers being one of the biggest challenges, it is critical to have the right mix of such traits in all employees so that the brand does not get affected by any adverse incident. Therefore, most players in the organized segment are focusing on inculcating an organizational culture, integrating all employees and training employees on servicing customers to the best of the organisation's capabilities.

Manpower supply constraints for organisations in the sector

The target audience for employment in the sector is composed of youngsters in the age group of 18–24 years. Typically, this target group has aspirations and is in a hurry to realise them.

However, in a consumer-centric sector, people skills are critical and can be gained only by experience of working and interacting with multiple stakeholders, such as team members and customers, on a daily basis for long time periods. Employers believe candidates should not change jobs quickly during their initial years, which are critical for building a strong professional foundation — integral to expedite growth in the subsequent years.

Sub-sectoral Overview-Travel Agents & Tour Operators

Improved infrastructure, increased awareness and low barriers to entry extend support to the growth of the travel agent sector

Increasing consumer base

- In recent years, the Indian economy has witnessed an increase in the middle-class category and disposable income.
- The consumer base of people contemplating going on holidays now includes people from tier 2 and 3 cities and towns.

Increasing demand for customised packages

- Owing to changing lifestyles and improved standard of living, people have started demanding more customised tour packages tailor-made to suit their individual requirements, such as the Tomatina festival in Spain and the FIFA Football World Cup in Brazil in 2014.
- Tourists have become more experimental in nature and like exploring new destinations.

Increasing internet penetration

- Increasing internet penetration has resulted in reducing hassles pertaining to bookings of hotels and tickets (air/ rail/ bus).
- Online payment methods are secure and convenient in terms of time, money and effort.

Ease and quickness of online transactions

- Internet offers hassle free bookings, significantly reducing effort.
- With the availability of portals even on mobile phones, the effort of selecting a suitable travel agent or agency to make bookings has nullified.
- Online booking offers a secured mode of payment and also provides customers with several choices based on factors such as budget, time and the purpose of travel.

Consolidation of players

- Major companies have been acquiring small companies to expand their services or they have been entering strategic alliances and management contracts.
 - Makemytrip acquired Ticketvala.com
 - Travelocity acquired Travelguru
 - Yatra acquired Ticket Services International
 - Naspers (ibibo.com) acquired RedBus

Sub-sectoral Overview-Travel Agents & Tour Operators

Traditional travel agents space may see consolidation in the face of competition from OTAs and lower operating margins

Limited reach in tier 2 and 3 cities

- While tier 2 and 3 cities and towns are being increasingly covered by players, there still exist gaps in the coverage.

Entry of foreign players

- Owing to the relaxing of policy norms by the Government of India, several foreign players have entered the market
 - This has majorly impacted businesses of local agents and tour operators have suffered a serious setback
 - Tourists are also attracted toward branded tour operators, as they are able to provide them with better alternatives and customised services.

Low operating margins

- Tour operators and travel agents industry is highly fragmented with less entry barriers.
 - Due to this, a large percentage of the travel industry is still unorganised and is being driven by local travel agents, which is increasing customers' bargaining power.
 - Players in this sector operate on a low-margin, high-volume model

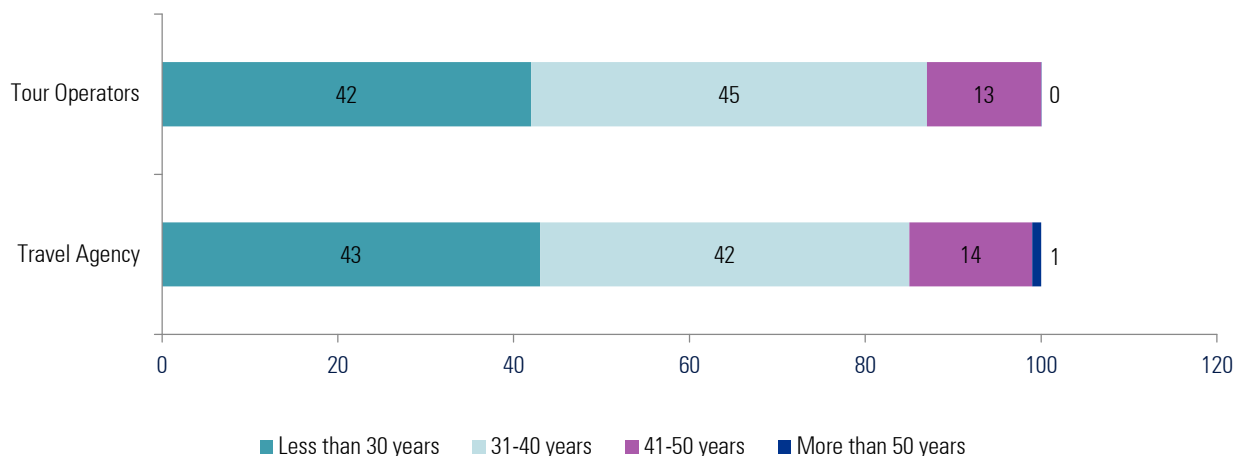
Payment processing issues and lack of technical know-how

- Owing to the limited technical know-how and lack of required finance, the shift from manual booking procedures to online booking procedures has acted as a major challenge.

Sub-sectoral Overview-Travel Agents & Tour Operators

Demographic and workforce characteristics

Age profile (March 2010)



- As per the Ministry of Tourism estimates, there are more than 8,000 travel agents and tour operators in the country.
- The sector is predominantly unorganised with establishments based on the proprietorship or small-scale partnership model. Employees in the unorganised space are either largely school graduates or dropouts.
- In terms of gender ratio, there exists a huge gap between the number of men and women employees in the organised as well as unorganised sectors. In comparison, the number of women employees is slightly better in the organised sector.

Additional hiring by role and region

- In addition, many states have categorised the tourism sector as a priority sector. The implementation phase is expected to bring about a spurt in employment.
- Some new roles have been identified in this sector, including language experts, product development, specialised roles especially in support vertical such as business analyst (process, SOPs), business finance, revenue manager, quality management, home expert and travel consultant.
 - In traditional travel agencies, the seat-on-the-street roles of associates, including guides and executives, are expected to grow over the years.
 - In online travel agencies, roles of holiday experts, travel consultants and sales people are expected to be in demand.
- With the increased thrust of inbound tourism, a large number of people might be required in the travel and tour operators segment in tier 2 and 3 cities and in popular tourist destinations in India.

Sources: Market Pulse, Ministry of Tourism, "Study to Assess the Requirement of Manpower in Hospitality and Travel Trade Sector", January 2012; Primary interviews; KPMG in India analysis

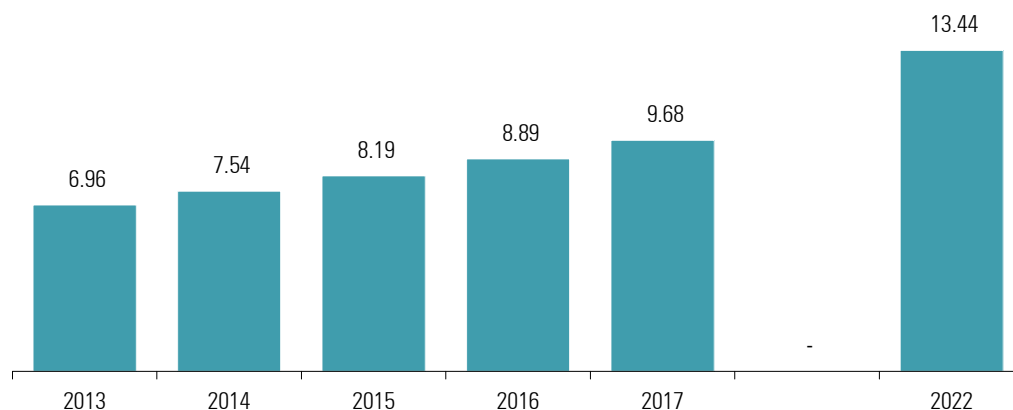
**Incremental human
resource requirement
(2013-17, 2017-22) and
skill gaps**

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Current workforce of 6.9 million (2013) is expected to increase to ~13.4 million by 2022

Sector workforce in 2013–22

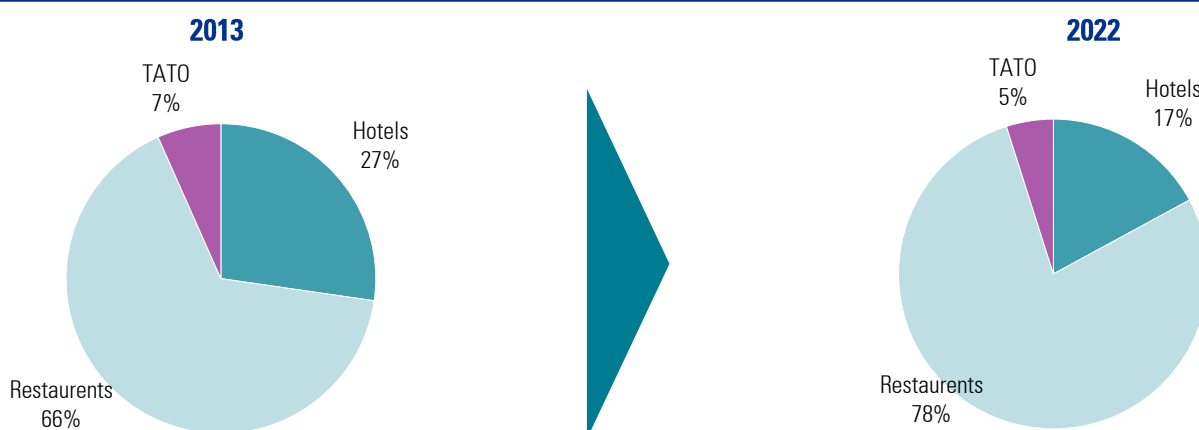
Employment growth trends in the sector (in million)



The sector currently employs over 6.9 million employees and is slated to employ more than 13 million by 2022. This implies an additional creation of ~6 million jobs in the nine-year period.

The period 2013-17 is likely to witness marginally higher growth in employment vis-à-vis 2017–22 due to infrastructure constraints and growing market for home delivery in the food services category

Subsectoral split of the workforce in 2013-22



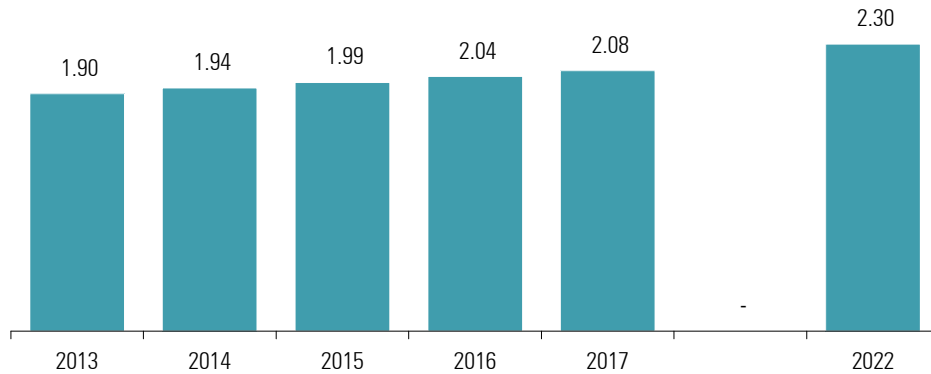
Source: Primary Interactions, KPMG Analysis

An analysis of the breakdown of the workforce by subsectors indicates that the restaurants segment would be the key employment growth subsector, driven by QSRs

Incremental human resource requirement (2013-17, 2017-22) and skill gaps Hotels

Workforce projection during 2013-22

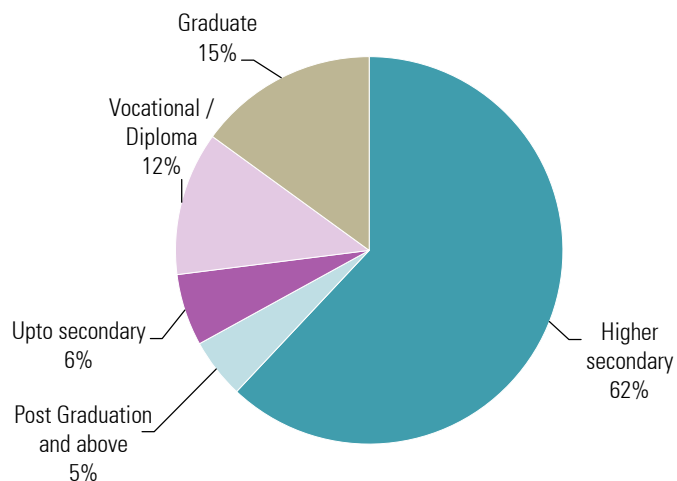
Employment growth trends in the subsector (in million)



The hotels subsector currently employs ~1.9 million employees, which is expected to reach to 2.3 million by 2022. Increase in workforce is likely to be driven by the creation of additional infrastructure in metros, tier 1 and 2 regions.

Source: NSSO, KPMG in India analysis

Split of the incremental HR requirement by education (2013-22)



Within the hotels subsector, about 50 percent of the workforce requirement is expected to occur in the graduate and above category.

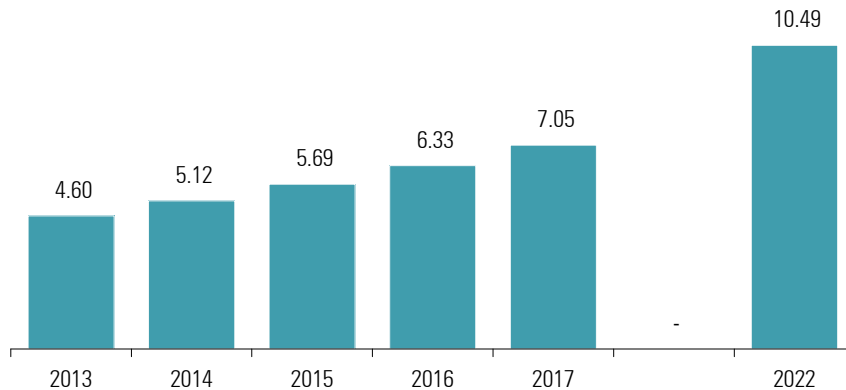
Source: Primary Interactions, KPMG Analysis

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Restaurants

Workforce projection during 2013-22

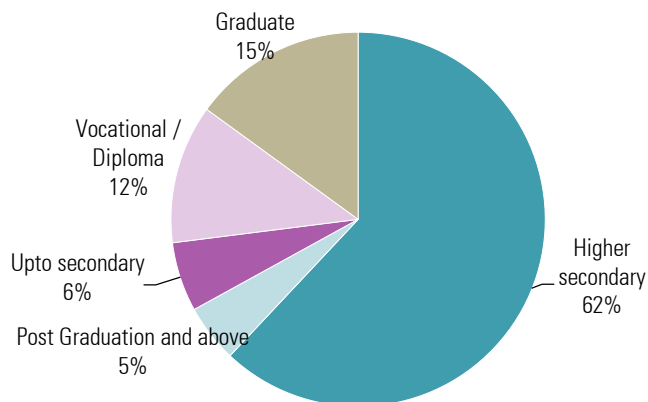
Employment growth trends in the subsector (in million)



The restaurants subsector currently employs ~4.6 million employees and the employment base is expected to reach to 10.5 million by 2022.

Source: NSSO, KPMG in India analysis

Split of the incremental HR requirement by education (2013-22)



Within the restaurants subsector, about three-fourths of the workforce requirement is expected to occur in higher secondary and vocational categories.

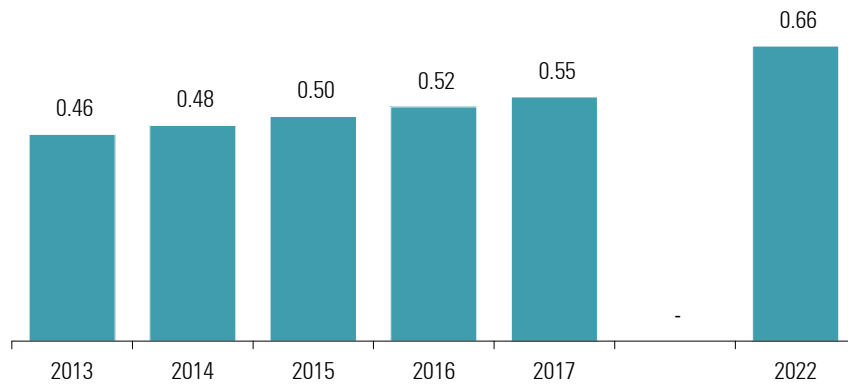
Source: Primary Interactions, KPMG Analysis

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Travel agents and tour operators

Workforce projection during 2013-22

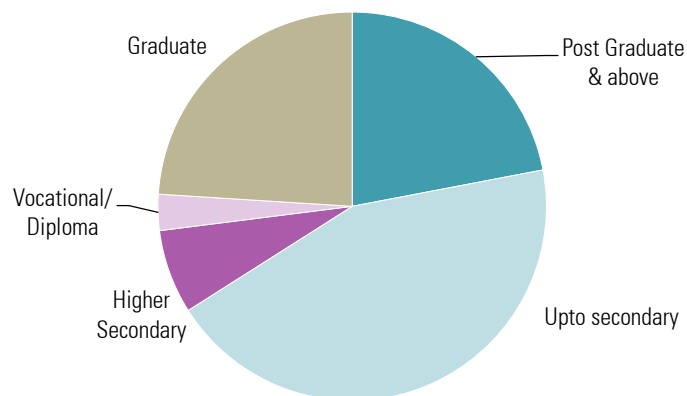
Employment growth trends in the subsector (in million)



Source: NSSO, KPMG in India analysis

The travel agents and tour operators subsector currently employs ~0.46 million people and the employment base is expected to reach 0.66 million by 2022.

Split of the incremental HR requirement by education (2013-22)



Source: Primary Interactions, KPMG Analysis

Within the travel agents and tour operators subsector, about half of the workforce requirement is expected to occur in the up to secondary category (predominantly un-organised and informal employment).

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Critical job roles

Job role/ function	Observations pertaining to skill gaps in critical roles
<p>Hotels:</p> <ul style="list-style-type: none"> ▪ Front office associate ▪ F&B service associate ▪ Housekeeping associate <p>Food services</p> <ul style="list-style-type: none"> ▪ Team member (steward/waiter) 	<ul style="list-style-type: none"> ▪ An ideal candidate has basic technical knowledge on the field, is well groomed, has a high degree of customer orientation (understanding the needs of customers and meeting them) and service orientation (personality, attitude and body language); additionally, one has to have the ability to work in a high-pressure environment in large teams while maintaining their calm. ▪ Candidates coming through to the sector have <ul style="list-style-type: none"> ▪ Poor soft skills — communication, self-presentation and the ability to respond to guests appropriately ▪ Inadequate customer and service orientation ▪ Lack of knowledge on various service offerings
<p>Hotels:</p> <ul style="list-style-type: none"> ▪ Front office executive ▪ F&B service executive ▪ Housekeeping executive <p>Food services</p> <ul style="list-style-type: none"> ▪ Team leader ▪ Shift managers ▪ Assistant manager 	<ul style="list-style-type: none"> ▪ Inadequate people and team management skills — lacking in the following key expectations: <ul style="list-style-type: none"> ▪ Ability to manage large teams and ensuring they work as cohesive units ▪ Ability to assist team members in increasing output by increasing productivity ▪ Ensuring standards of service are met by team members ▪ Communication skills act as a bridge between team members and managers ▪ Inadequate customer and service orientation — lacking in the following key expectations: <ul style="list-style-type: none"> ▪ Ability to troubleshoot while ensuring customer requirements are met
<p>Hotels:</p> <ul style="list-style-type: none"> ▪ Dept. manager/ HOD ▪ Unit general manager <p>Food services</p> <ul style="list-style-type: none"> ▪ Restaurant general manager 	<ul style="list-style-type: none"> ▪ Inadequate leadership skills — lacking in the following key expectations: <ul style="list-style-type: none"> ▪ Ensuring smooth functioning of the department ▪ Ability to take decisions quickly ▪ Adequate problem-solving skills ▪ Inadequate ability to manage a team — lacking in the following key expectations: <ul style="list-style-type: none"> ▪ Ability to manage large membered teams ▪ Ensuring that the team understands required service standards and adheres to them ▪ Inadequate understanding of cost management and overall business ownership skills

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Critical job roles

Job role/ function	Observations pertaining to skill gaps in critical roles
<p>Kitchen staff</p> <ul style="list-style-type: none"> ▪ Commis ▪ CDP/Line cook 	<p>Inadequate culinary skills</p> <ul style="list-style-type: none"> ▪ Cooking techniques (using kitchen equipment) ▪ Basic hygiene and sanitation (personal hygiene, use of clean utensils, storing of Soiled kitchen laundry and storing food at the right temperatures) <p>Inadequate soft skills</p> <ul style="list-style-type: none"> ▪ Communication skills to ensure concise and meaningful interactions with team members in a high-pressure working environment ▪ Time management skills
<p>Kitchen management</p> <ul style="list-style-type: none"> ▪ Sous chef ▪ Executive chef 	<ul style="list-style-type: none"> ▪ Inadequate awareness on the latest cuisines as well as their nuances ▪ Inability to manage kitchen operations such as menu planning, scheduling of manpower, standardising food preparation, quality control and inventory management ▪ Inadequate team management skills <ul style="list-style-type: none"> ▪ Ability to manage large membered teams ▪ Ensuring required service standards are understood by & adhered to by the team ▪ Communication skills to hold productive conversations with team members towards productivity enhancement and professional development of team personnel
<p>Multi-skilled personnel (Hotels/food services)</p>	<ul style="list-style-type: none"> ▪ Driven by increased competitiveness, cost consciousness and the need to maintain quality ▪ Employees with cross-functional training — such that they are specialists in one function but have a working knowledge of the others as well — are in high demand
<p>Revenue managers</p>	<ul style="list-style-type: none"> ▪ They work on demand-based pricing models that typically factor in current business scenario and expected future trends in determining product pricing.
<p>Online sales managers</p>	<ul style="list-style-type: none"> ▪ With an increased focus on cutting costs, they harness the power of the internet to eliminate the middle man/agent commissions, directly impacting the bottom line hotels
<p>Integrated technology experts</p>	<ul style="list-style-type: none"> ▪ To drive lifecycle management and relationship with customers through the use of technology
<p>Data analysts</p>	<ul style="list-style-type: none"> ▪ Given the increased competitiveness and wavering customer loyalty, analysis focussed on predictive modelling of customer behaviour and loyalty is expected to be a great enabler in retaining and attracting the right consumer group
<p>Operational excellence experts</p>	<ul style="list-style-type: none"> ▪ Given the increase in fast food and QSR segments in recent times, consumers are looking for quality products in the short time ▪ Therefore, operational excellence will be important for any organisation considering expansion and attracting consumers since growth in the sector depends on economies of scale afforded by far-reaching presence across markets

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Critical job roles

Job role/ function	Observations pertaining to skill gaps in critical roles
<p>Sales</p> <ul style="list-style-type: none"> ▪ Destination Experts ▪ Travel Consultants 	<ul style="list-style-type: none"> ▪ Lack of willingness to listen to the customer, which is the most basic and critical skill in the sector working on the maxim that “ <i>best listeners are best salesmen</i> ” ▪ Lack in comprehensive ground-zero knowledge of respective destinations which limits the ability of the organization to provide in-depth knowledge & competition ▪ Inadequate customer service orientation towards establishing a cordial relationship with the customer and concluding sales while ensuring a fair chance at repeat engagement
<p>Operations Team</p> <ul style="list-style-type: none"> ▪ Executives ▪ Team Leaders 	<ul style="list-style-type: none"> ▪ Poor soft skills - communication skills, self-presentation and the ability to listen to the guests; This is primarily driven by a lack of self-confidence within the candidates to understand and meet the needs of the customer ▪ Lack of respect for the job role and willingness to work hard and learn considering the sector requires a clear operations focus, detail orientation and native intelligence (“ <i>Street smartness</i> ”) ▪ Lack of ability to work in large teams in a high pressure industry which works on the belief that more things can go wrong than right ▪ Inadequate skills to manage situations such as urgent ticket changes, change in itinerary, etc. ▪ Inadequate cultural awareness
<p>Product Development</p>	<ul style="list-style-type: none"> ▪ Given the availability and accessibility of knowledge on offer to the new-age customer, vanilla products such as pure-play transport assistance or hotel bookings are volume products but not high revenue generators ▪ There is a lack in competency in the product development teams to build customised or be-spoke products targeted at a well-heeled customer looking for a differentiated experience
<p>Supplier/ Contracting</p>	<ul style="list-style-type: none"> ▪ Lack in negotiation skills to enter into ideal contracts with ancillary service providers (airlines, railways, road transporters, hotels, tourist spots, etc.) such that the service standard is maintained as per customer expectations ▪ Inadequate commercial management such that the operator organizations are able to offer the best deals to customers while ensuring a healthy operating margin ▪ Inability to foresee future demand from consumer side for a new product (e.g. destination) to contract with ahead of the curve; Financial implications due to opportunity losses
<p>Ticketing</p>	<ul style="list-style-type: none"> ▪ Partial understanding of process orientation considering repetitive nature of work ▪ Lack of ability to make full use of central software towards bookings and cancellations with in-depth knowledge of fares and charge components

Training Infrastructure

To meet the demand for trained manpower in the hospitality industry, the Ministry of Tourism created institutional infrastructure in the form of Indian Institute of Tourism & Travel Management, Institutes of Hotel Management and Food Craft Institutes. The private sector has also participated in this, with many private institutions across the country being classified as some of the best in India.

Low premium attached to prior training and skill development undertaken by candidates

Employers believe the quality of manpower coming through from the supply side, whether public or private, is not up to the mark in terms of expectations of the industry. Thus, given the need for re-training of the incoming manpower supply from institutions at the entry level, employers do not attach a premium to skilled workforce. However, skilled workers hired at the entry level have the incentive of better remuneration and faster career progression, with employers willing to incentivise high-performing individuals.

Within the hospitality sector, employers are of the view that the curriculum being taught to students in the last 2–3 decades has been the same, with minimal revision and updates. At the same time, the dynamics of the industry have changed tremendously. This mismatch in the skill equipment and talent development at the graduation/ post-graduation level leads to a large gap between the capability of manpower and expectations of the industry.

Employers engaging in training initiatives

A number of employers across the three subsectors are also involved in the supply side, trying to cater to the needs of the sector as a whole. Prominent examples of such employers include The Oberoi Group, Yum! Restaurants, and Kuoni India, who all operate training institutions in their respective subsectors viz. hotels, food services and travel agents and tour operations, respectively.

The Oberoi Centre for Learning and Development (OCLD) is a finishing school for the annual incoming manpower of The Oberoi Group. Yum! Restaurants runs the Yum! Academy, which aims to equip students with life and social skills. Graduates of the Yum! Academy have an option of joining the organisation upon completing the course, in addition to joining a different organisation or working for themselves. The Kuoni Academy offers multiple courses, both short term and long term, to students in the travel and tourism space.

Non-standardisation of training curriculum and standards

With three types of institutions — public or private institutions that provide general training (with or without a leading industry player as partner), learning and development institutions working with employers to upgrade workforce skills, and government-run skill-improvement schemes, it is observed that there is a variation in the quality of training imparted to students. This affects their employability for job roles and the pay on offer to trained students. While number of institutes in the space has increased, concerns over the quality of supply, as well as trainers continue to exist in the industry.

However, according to institutes, addition of new courses and updating the old ones are time-consuming and require participation from the industry. Apart from some players, others are not willing to invest in this process, preferring to train their incoming batches only.

The increasing gap between the quality of the supply expected and the quality of supply coming through needs to be reduced. Introduction of the National Occupational Standards (NOSs) and adherence of training institutes in producing quality students who are able to achieve NOS benchmarks will be critical for the sector in the coming years

Employers engaging in learning and development initiatives

Large, organised employers in all three subsectors have internal training programmes for entry-level workforce. Further, such organisations also have continuous performance evaluations and tailored training programmes as part of learning and development initiatives. Typically, there is a lack of formal training programmes in the unorganised sector and in small-scale organisations. Training in such organisations are characterised by informal training in the form of on-the-job guidance and knowledge transfer from more experienced peers.

Mismatch in employer-employee expectations

There exists a mismatch in employee-employer expectations and this largely pertains to job roles and remuneration. Students are hesitant in taking up entry-level jobs, which according to the industry, are critical in the formative years and lay a strong foundation for the future. Students prefer to join at the mid-level profiles such as team leader, supervisor or manager.

This has led to employers seeing higher attrition at the entry level, where employees shift to other organisations within the sector or in customer relations roles in other sectors such as retail, banking and entertainment at higher positions and pay scale. This leads to a significant drop in ages as well as on-the-job experience at the associate/ team member and executive/ team leader levels.

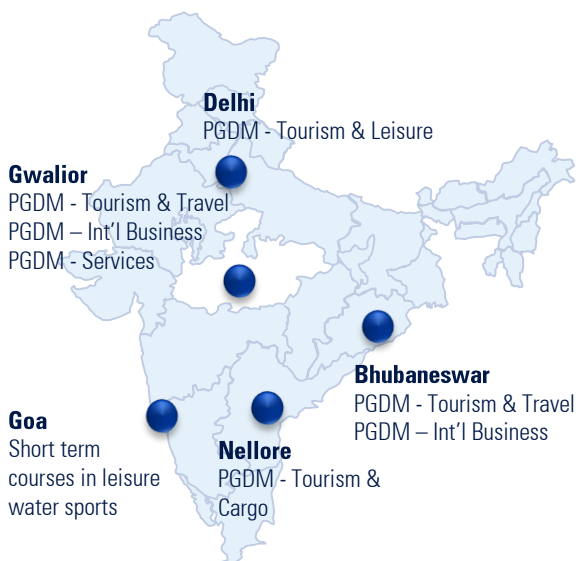
According to the industry, the manpower supply side should actively partake in expectation management of students with regards to work profile, working environment, pay structure and career progression. This will help in reducing the high dissatisfaction level of students while joining at the entry-level roles and lead to a reduction in attrition rates.

Indian Institutes of Tourism and Travel Management (IITTM)

The IITTM's were set up by the Ministry of Tourism with the objective of developing and promoting education, training and research in the field of travel and tourism. The main centre is at Gwalior, while regional centres are at New Delhi in the north, Bhubaneswar in the east and Nellore in the south. In addition to these, the National Institute of Water Sports (NIWS), Goa is designated as a centre under the IITTM.

The institute offers two-year post-graduate diploma in management (PGDM-Services/ International Business/ Tourism & Travel/ Tourism & Leisure/ Tourism & Cargo) programmes approved by the AICTE at its four centres, excluding NIWS, Goa, which is the only course in the country offering courses in leisure water sports.

Other than NIWS, capacity utilisation in 2011–13 for the four centres was at ~63% for 600+ seats on offer.



Centre	Course	Details
Gwalior	Tourism and travel	Ticketing, cargo management, tour operations
	International business	International tourism, international trade operations
	Services	Tourism, hospitality, others
Bhubaneswar	Tourism and travel	Ticketing, cargo management, tour operations
	International business	International tourism, International trade operations
Delhi	Tourism and leisure	Adventure/MICE
Nellore	Tourism and cargo	Ticketing, cargo management
Goa	Water sport skill courses	Windsurfing, dinghy sailing, water-skiing, kayaking
	Professional courses	Maintenance, life saving, rescue and equipment operations
	Management courses	Centre management, entrepreneurial training and soft skills

National Council for Hotel Management and Catering Technology (NCHMCT)

The National Council for Hotel Management and Catering Technology (NCHMCT), established in 1982, regulates academics in the field of Hospitality Education and Training. It is the apex body in-charge of ensuring coordinated growth and development of hospitality education.

It imparts training through 21 central government-sponsored Institutes of Hotel Management (IHMs), 21 state government-sponsored Institutes of Hotel Management, 15 private institutes and 7 Food Craft Institutes (FCIs) that are currently affiliated to it and function in different parts of the country.

Through the council, these institutions offer 11 different professional programmes, listed below, in various categories: certificate, diploma, post graduate diploma, bachelor and master degree (last two in collaboration with Indira Gandhi National Open University, IGNOU). In 2011–12, more than 5,000 students graduated from from the NCHMCT institutions.

Courses offered by institutions under the NCHMCT:

Courses offered	Duration	Upper age limit	Minimum qualification
M.Sc. in Hospitality Administration	24 months	NA	B.Sc. in Hotel Management or three-year Diploma in Hotel Management
PG Diploma in Accommodation Operation and Management	18 months	25 years	Graduation in any stream
B.Sc. in Hospitality and Hotel Administration — Generic	36 months	—	10+2 or equivalent
B.Sc. in Hospitality and Hotel Administration — Specialized	36 months	—	10+2 or equivalent
Diploma in Food Production	18 months	22 years	10+2 or equivalent
Diploma in Food & Beverage Service	18 months	22 years	10+2 or equivalent
Diploma in Front Office Operation	18 months	22 years	10+2 or equivalent
Diploma in House Keeping Operation	18 months	22 years	10+2 or equivalent
Diploma in Bakery and Confectionery	18 months	22 years	10+2 or equivalent
Craftsmanship Course in Food Production	18 months	22 years	Class 10 graduate or 10+2
Craftsmanship Course in Food and Beverage Service	24 weeks	22 years	Class 10 graduate or 10+2

Other than these institutions, there are various other private institutions that cater to the requirements of the tourism sector and subsectors, viz. hotels, food services and travel agents and tour operators.

The 'Hunar Se Rozgar Tak' scheme

Launched by the Ministry of Tourism, the 'Hunar Se Rozgar Tak' (HSRT) Scheme is a special training initiative for the creation of employable skills among youth belonging to economically weaker strata of society.

Training programmes relating to hospitality trades are largely conducted by the hospitality institutes sponsored by the Ministry of Tourism, by other institutes enlisted by and through the state governments/ UT Administration, and by star classified hotels.

Eligibility criteria:

The trainees have to be in the age group of 18–28 years and should be at least 8th passed.

Value proposition for potential trainees:

The USP of the scheme is that it is completely free of cost to the trainees. Further, they are entitled to incentives comprising free lunch, a set of uniforms and stipend. Trainees with minimum 90% attendance are entitled to a stipend of INR1,500 for the 6-week courses and INR2,000 for the eight-week courses, payable in two instalments — one in the middle of the programme and the other at the end.

Certification:

The trainees with minimum 90% attendance is required to appear in an end-of-the-course test and those who pass it successfully are awarded joint certificate of the NCHNCT and Implementing Agency concerned. For this purpose, there is one internal and one external examiner.

Courses offered under the HSRT:

Trade	Duration	Training type	Course coverage
Housekeeping Utility	6 weeks	7 hours per day; of which 1 hour is theory and 6 hours are practical (demonstration and hands-on training)	Theory: tourism, soft skills, personal hygiene, housekeeping activities Practical: personal hygiene, handling linen, cleaning, bed-making, waste disposal and first aid
Food and beverage service Waiter	6 weeks	Teaching of 35 hours/week; industrial training of 16 hrs/week (minimum clock-in of 80 hours)	Cleaning, service preparation, laying of table, receiving and seating guests, order placement, service of food items and beverages, presentation of bill and settlement of payment, closing of restaurant.
Bakery and patisserie	8 weeks	4 hours per day; of which 1 hour is theory and 3 hours are practical (demonstration and hands-on training). Minimum 200 hours of industry attachment	Theory: tourism, bakery, use of equipment, raw materials used, cake-making, pastry-making Practical: bread-making, cakes, cookies, desserts, pastries and muffins
Food production Cook (regional)	8 weeks	Teaching of 35 hours/ week; industrial training of 16 hrs/ week (minimum clock-in of 112 hours)	Understanding the industry, basic hygiene, cleanliness of kitchen, knife skills, washing and blanching food, food preparation and presentation.

Recommendations for stakeholders

Recommendation to the stakeholders

Create long term benefit to increase sector attractiveness

Establish training centres: capture potential employees

- A large percentage of manpower employed in the sector is geography-specific. For example, several employees in the sector belong to the North eastern region of the country.
- Trends in the sector suggest that a significant number of youngsters in tier 2 and 3 cities aspire to join the sector at entry-level roles since the sector appeals them and working conditions appear better than those in a few other industries where one has to work on the shop floor. The sector, however, doesn't inspire much interest among the youth in tier 1 cities.

Recommendation 1: Establish training centres at sourcing clusters (e.g. Northeastern and tier 2/3 cities that are primary source of manpower).

- Establishing training centres at the source of manpower, such as key geographical clusters, are likely to help tap potential employees of the sector at its source
- This is likely to encourage more youngsters to get trained since they will save on accommodation costs they have to bear when they migrate to a major city for training.
- As the sector witnesses the next phase of growth in tier 1 and 2 cities, trained manpower may also cater to the rising need in these cities.

Recognition of Prior Learning: help increase employability quotient

- This is likely to help impart credibility to training in the sectors and make employers realise the importance of training.
- It would standardise job roles and make it easy for employers to hire people with specific skill sets across subsectors.

Recommendation 2: Develop a Recognition of Prior Learning (RPL) framework whereby the current workforce across subsectors can register and get certified by SSC, which would increase their employability quotient.

- Development of an RPL framework to facilitate the current workforce across subsectors to get registered and certified by SSC would increase employment opportunities for candidates and also make a difference in their salary levels.

Sensitization campaigns: popularizing skill development

- Employers should be sensitised about counselling and the need to invest in training at the entry level to curb attrition and provide career path to employees.
- High attrition rates and continuous influx of fresh talent at the entry level may discourage employers to realise the value of investing on training.

Recommendation 3: Initiate a campaign by NSDC, government agencies, SSC & other stakeholders to sensitise employers, especially in F&B & QSR spaces, to invest in up skilling(e.g work integrated learning programmes) that may also act as a retention factor for employees.

- Vigorous and focussed campaigns targeted at students as well as employers on the importance of skill development need to be designed by various agencies such as NSDC, ministries and SSCs and other stakeholders involved in the sector.

Recommendation to the stakeholders

Create long term benefit to increase sector attractiveness

Align training initiatives: industry oriented in – house training programmes

- This will help the students to get access to industry-relevant curriculum as well as dual certification that will improve their employability chances and standards
- Large and organised players have in-house training programmes with specific curriculum that cater to their requirement; this results in the creation of a pool of trained manpower.

Recommendation 4: Align captive training initiatives (e.g Yum! Academy, Kuoni Academy, OCLD) with the SSC assessment and certification mechanism to facilitate mobility for employees.

- There is a need to align the captive training programmes by established players with SSC, which will help in assessment and certification

Hunar se Rozgar: align scheme with industry requirements

- The scheme initially covered two courses viz. food and beverage service, and food production. Later, courses on housekeeping, utility, bakery and patisserie were also added. However, the scheme needs to be revisited since several new job roles have recently emerged across subsectors.

Recommendation 5: Revisit the 'Hunar Se Rozgar' scheme to ensure alignment with industry skill requirements

- The 'Hunar Se Rozgar' scheme undertaken by the Ministry of Tourism aims to skill youth between 18–28 with a focus on instilling employable skills in people from the economically weak strata of society.

Focus on communication skills: narrow communication gap among employees

- Communication and soft skills are integral to the sector.
- While a majority of the trained manpower may possess hard skills, they lack soft skills; this adversely affects their employability. The levels of communication skills also varies geographically.

Recommendation 6: Increase focus on language and communication since there is a significant deficit in communication skills among the existing manpower.

- Training institutes, companies with in-house training and government-run skilling schemes need to increase their focus on developing soft skills, such as communication and interpersonal skills, among employees by developing dedicated and customised modules for specific geographical clusters.

Labour laws: to address seasonality and part – time employment

- There is a need to relax labour law clauses that govern part-time employment.
- Weather patterns, weekends and festivals dictate and drive the business in the sector and, consequently, labour patterns and wages.

Recommendation 7: Relax labour law clauses governing part-time employment keeping in mind the seasonal nature of the sector.

- There is a need to factor in seasonality and holidays that affect employment prospects in the sector since hiring increases during the peak season and plummets during lean periods.

Collaborative effort: co – ordination employers and training providers

- Training providers and employers often work in isolation.
- So even after getting placed, students suffer from stagnation due to the absence of a defined career path. At times, this forces them to switch to other industries.

Recommendation 8: There is a need for collaboration among employers and training providers to create robust on-the-job training and apprenticeship models

- Increased coordination among training providers and employers is needed to facilitate on-the-job training and apprenticeship opportunities to retain employees and upgrade their skills.



सत्यमेव जयते

GOVERNMENT OF INDIA
MINISTRY OF SKILL DEVELOPMENT
& ENTREPRENEURSHIP



N · S · D · C
National
Skill Development
Corporation

Transforming the skill landscape

National Skill Development Corporation
Block A, Clarion Collection, (Qutab Hotel)
Shaheed Jeet Singh Marg, New Delhi 110 016
Tel: +91-11-47451600, Fax: +91-11-46560417
Email: skillgapstudies@nsdcindia.org
Web: www.nsdcindia.org