Research Proposal

Proposed Research Topic:

Impact of Economic Fluctuations on Service Quality Sustainability in Hotel Industries in Oman.

Overview of Hotel Industry in Oman

The history says life changed for Omanis after commercial discovery of oil in the year 1960s. Oil and natural gas has been the major contributors for economic growth in Oman and it is estimate that oil will exhaust itself in 20 years (Balakrishnan, 2008). When Oman thought of its move to diversify, Tourism emerges as one of the attractive alternatives. Omani government has taken initiatives in support and development of tourism industry. (Belwal;Rakesh;Shweta, 2010). As a repel effect associated industries say Hotel and Hospitality industries started to flourish. Muscat, the capital city on the Gulf of Oman, developed as a major destination for tourists and Salalah, in southern Oman near the Yemen border, has got reputation among Middle Easterners as a great summer destination. In relation country's major hotels and restaurants were started and million and billion-dollar hotel projects started cropping up in the country.

According to the GCC Hospitality Industry report published by Alpen Capital, an investment banking advisory firm, Oman's hospitality market is expected to grow at a compounded annual growth rate (CAGR) of 6.2 per cent from 2015 to reach $1 billion in 2020.This growth is attributed to a 5.3 per cent annual rise in hotels and serviced apartment room inventory and a 6.3 per cent increase in international tourist arrivals. The report said that Oman government's tourism plan to double tourist arrivals by 2040 by developing tourist spots and encouraging private investments is likely to boost demand. Thus, increase in tourist arrivals is likely to result in occupancy rates and average daily rates (ADRs) in the Sultanate's hotels and serviced apartments to grow by 1 percentage points and 0.3 per cent CAGR, respectively, during 2015 to 2020. (Times of Oman August 23, 2016).

As a part of the 2040 tourism strategy, Oman's Ministry of Tourism plans to invest $35 billion to develop the sector with an aim to double tourist arrivals to five million by 2040. Relatively it intends to increase hospitality capacity to 80,000 keys by 2040, of which 30,000 will be holiday homes, 17,000 smaller housing units and 33,000 hotel rooms. With the launch of the Oman Convention and Exhibition Centre in the second half of 2016, the Oman government has become a major regional centre for meeting, incentives, conference and exhibition (MICE) events. An increase in events hosted at the convention centre is likely to attract more business travellers, thus benefiting the hospitality sector. (Times of Oman August 23, 2016). "With this growing number of visitors arriving in the Sultanate, the hospitality sector creates great career prospects". (Oman Daily observer, June 15, 2019). Hospitality and hotel generates revenue for local economies directly when tourists spend money in hotels, restaurants and entertainment venues.

Relevance to Industry:

Oman was listed as eight in the Lonely Planet Best in Travel 2017 - Top Countries, and last month the The New York Times published a very positive article about Oman under the heading "A Carefree Getaway Just Off the Persian Gulf"(Mac Thomson,2019). As the tourism industry in the Sultanate of Oman matures and expands, potential market growth opens for Hospitality and hotel industries. As a result, a number of major hotel chains have recently announced properties in Muscat, driving the 12 per cent CAGR over the next three years — from 10,924 rooms in 2017 to 16,866 keys in 2021. The Department of Tourism is already working to attract investment in the industry by issuing tourist licences for all types of hotels and travel agencies. The supply in Muscat is dominated by five-star properties, accounting for 21 per cent, and four-star, accounting for 24 per cent. (Samuel Kutty, 2019).

Though a number of hotels are being opened, the success rate is low and the performance of many hotels is below satisfactory. Success of hotels depends on two crucial factors namely, average room rate (ARR), occupancy percentage (OP). ARR depends on location, brand image, star rating, quality of facilities and services offered. OP depends on other seasonal factors. Among all Service Quality Management is considered as a precedent to guest satisfaction. Despite a substantial number of studies on service quality, the reasons why guests revisit a hotel and why a high-quality service from different departments is needed have remained unanswered. Some experiential studies show that getting a good quality of service of a hotel is important for many guests. (Armstrong et al., 1997; Crick & Spencer, 2011; Cronin & Taylor, 1992a; Getty & Thompson, 1994; Lam & Zhang, 1998; Parasuraman. et al., 1988a; Sulek & Hensley, 2010; Zeithaml & Bitner, 2003).

Rationale of the study:

Today 's hotels need to ensure that they exceed expectations at every stage of their guest 's stay if they have to ensure long-term profitable growth. Though many hotels in the market are providing the same or similar services, it is very important not only to attract but also to keep the customer in the hotel for the long run (known as guest retention). In order to maintain the position held and to compete in future, it is necessary to provide quality services by which old customers (patrons) may be retained, and new customers may be attracted. (Ankur, 2018).

Some of the characteristics and activities of a successful hotel business are proper presentation and constant improvement of quality services, which exceeds the expectations of customers in every way including from pre-booking to post-stay. Hence it becomes mandatory for the hotels to sustain its position and service quality management.

To succeed in hotel business, the hotel managers globally need to start working on the below listed challenges by formulating effective strategies with immediate effect. Today 's hotel industry is globally dealing with vast set of major challenges like:
- ❖ economy influx (fluctuations in economy),
- ❖ labour shortage and retaining quality personnel,
- ❖ rising technological demand,
- ❖ providing and maintaining absolute cleanliness and hygiene,
- ❖ providing and maintaining excellent and exceptional guest service standards,
- ❖ providing meaningful and memorable personal experiences,
- ❖ sustainability,
- ❖ increasing competition,

❖ lack of latest and sophisticated marketing techniques,
❖ difficulties in managing energy and resources,
❖ providing impeccable safety and security
❖ providing nutshell cyber security and data privacy etc.

Problem of the Study

It is evident from the previous discussions that the demand for tourism and hotel industry is directly related. The demand for hotel industry increases with the high rate of tourists visiting Oman and vice versa. The economic slowdown of the country caused a drop in corporate and leisure tourists; as a result, hotels have experienced declining occupancy levels in the same period (Cluttons, Muscat Property Market Outlook).

To compete in such a market hotels have been offering significant discounts which has led to a major drop in RevPAR (Revenue Per Available Room), a common industry indicator. According to a recent presentation from STR Global, RevPAR in Muscat has dropped 20 percent in the past year and is at a level not seen since 2007. Each month Colliers International EMEA sends out the Hotel Forecasts. The key performance indicator in these forecasts is RevPAR. In general, the hospitality industry finds the forecasts and analysis from private and industry organisations such as STR Global, Cluttons and Colliers to be more attuned to the industry than any other source. Past reports from Colliers highlight that RevPAR has been declining in Muscat for all of 2016. In the most recent issue the full year forecast suggests that RevPAR will decline by a further 17 percent.

The hospitality industry in Oman is clearly in a cycle of declining occupancy. This regional decline in business is a direct result of the lower oil price and the ongoing security concerns for the region as a whole. Muscat is negatively impacted by the same issues. Further complicating matters in Muscat has been a substantial increase in the number of hotel rooms. So an increase in rooms at a time of less tourists (business or leisure) clearly leads to a drop in RevPAR.

On top of this, it is standard business practice for new hotels to enter the market with lower room rates. This is designed to promote their property and to generate immediate interest. All this puts strong downward pressure on RevPAR. Muscat experienced a declining RevPAR until the end of 2017. This has already started with many hotels facing financial pressure. The ongoing shakeup in the industry will mean that all hotels will need to be professionally managed and marketed. Essentially, the industry will need to become more competitive and professional by delivering service quality. (Mac Thomson,2019). The challenge is economic slowdown affects the service quality of hotels aversely because of related issues. (refer challenges listed under Rationale of the study). To succeed in hotel business, the hotel managers need to start working on the above mentioned challenges by formulating effective strategies with immediate effect.

Hence the proposed research is an attempt to examine the impact of economic fluctuations and slowdown on maintaining sustainable service quality among hotel Industries at Oman.

Research Questions:

- ❖ Does the economic slowdown affect the occupancy rate of the hotel?
- ❖ Are the services offered at competitive prices?
- ❖ Does the hotel get supplies at lesser cost?
- ❖ Does the hotel face labor shortages and the problem of retaining quality personnel?
- ❖ Is technology up gradation a problem in hotel?
- ❖ Can the hotel provide and maintain absolute cleanliness and hygiene?
- ❖ Can the hotel provide and maintain exceptional guest services?
- ❖ Whether the hotel faces increasing competition?
- ❖ Is there a difficulty in managing energy and resources effectively at the hotel?
- ❖ Is providing safety and security a problem at the hotel?
- ❖ Does the hotel provide cyber security and data privacy to the clients?

Scope of the study:

The present study covers the determinants related to examining the impact of economic fluctuations on maintaining sustainable service quality at hotel industries namely economy influx (fluctuations in economy), labour shortage and retaining quality personnel, rising technological demand, providing and maintaining absolute cleanliness and hygiene, providing and maintaining excellent and exceptional guest service standards, providing meaningful and memorable personal experiences, sustainability, increasing competition, lack of latest and sophisticated marketing techniques, difficulties in managing energy and resources, providing impeccable safety and security and providing nutshell cyber security and data privacy etc. The proposed research is to be conducted at hotels in Oman with special reference to Muscat being the capital city and industrial hub that attracts business and leisure tourists. The respondents will be the service providers of hotels including employees from all levels and departments.

Research Gap:

Though a number of researchers are conducted in hotel and hospital industry, very few research studies are conducted in Oman and no study is conducted in relation to economic slowdown and its impact in maintaining sustainable service quality among hotels in Oman. Related reviews are listed below as further evidence:

Raymond K.S.Chu, in (2000) in their research "An importance-performance analysis of hotel selection factors in the Hong Kong hotel industry: a comparison of business and leisure travelers" examined the performance of six hotel in Hong Kong. Room and Front Desk and Security were found to be the determining factors for business and leisure travelers, respectively, in their hotel choice selection. Jay Kandampully & Dwl Suhartanto, in (2000) in their research on "Customer loyalty in the hotel industry: the role of customer satisfaction and image", examined that Loyalty of a firm's customer has been recognized as the dominant factor in a business organization's success. Farner et al (2001) have examined empirically the popular concept of internal customer service. Even if there is significant descriptive literature on internal service is available, till date there has been hardly any empirical assessment service quality. Lawrence & McCollough (2001) mentioned that lessons of quality management apply to services as well as products. Bitner (2001) in his paper elaborates on the opportunities that technology offers to develop new services and deliver it better, more efficient services to customers as well as the contrasts and dark side of technology and services. Davidson (2003) has examined organizational climate and organizational culture in hotel industry. The study explores the effects of organizational climate's integration

into quality initiatives. There is a direct link between Climate, culture, service quality, hotel performance and service quality.

Atilla & Akbaba, in (2006) in their research "Measuring service quality in the hotel industry: A study in a business hotel in Turkey" investigated the service quality expectations of business hotels' customers. Choudhary & Prakash (2007) have intensive study on prioritizing service quality dimensions and finding the right mix of other service quality dimensions by free listing of important service quality concerns for 16 services across the four service types and rank correlation. Manuel Rivera and Randall S. Upchurch in (2008) in their research "The role of research in the hospitality industry" examined that Service quality in the hospitality industry has been increasingly paid high attention from both scholars and practitioners. From scholarly aspect, research in the hospitality industry has been considered a field of multi-disciplinary study and contributed insights into many other areas such as human behavior, finance, marketing, education and the like (Cassee & Reuland, 1983; Riegel, 1990; Rivera & Upchurch, 2008). From practical aspect, there have been numerous education programs on hospitality as a major field of study growingly around the world. Blesic et al (2009) in their research on service quality at spa hotel have successfully used SERVQUAL and concluded that the realization of goals is apparent through services which suits guests need and demands. Sachin Borgave in (2012), in his research "SERVICE QUALITY MANAGEMENT"examined service quality becomes the crucial issue for hospitality industry and the theory of service quality has evolved over long period of time through testing and trials in service sector. Sudath Weerasiri (2015), in his research "A Study on Service Quality and Customer Satisfaction of Supermarkets in Sri-Lanka" examined that customer satisfaction is multifaceted phenomenon and it consists of different dimensions and service quality.

Amandeep Ad, in (2017) in their research "Perception of Students towards Hotel Management Courses and Industry" examined that is a very tricky task to understand the perception of students towards hotel management. Joleen Bizi Mubiri in (2016) in his research of "Customer Satisfaction in Hotel Services" examined that the nature of management is absolutely related with customer satisfaction, the better the relationship between costs of management the higher the consumer loyalty which eventually prompts better execution.

Research Objectives:

Primary Objective:
To study the impact of economic fluctuations on service quality sustainability in hotel industries in Oman.

Secondary Objective:

1. To study the pricing strategies of hotels in par with economic fluctuations.
2. To identify the personnel problems faced by hotel in relation to economic slowdown.
3. To study if the hotel maintains exceptional guest services by managing energy and resources effectively?

Research Methodology

- ➤ <u>Research design:</u> The research design for the proposed study is exploratory, as it aims to study in-depth the impact of economic fluctuations on sustainable service quality management in hotel industries in Oman.

- ➤ <u>Sample Frame:</u> The proposed research includes all the hotels with star rating of 5,4,3,2 and other category.

- ➤ <u>Sample Unit:</u> Each hotel in Muscat under any category (star rating 5,4,3,2 and other) is considered as a sample unit.

- ➤ <u>Population:</u> All hotels in Muscat comprise the population. Total number of hotels in Oman is 412 and in Muscat is 155 (Source: Times of Oman,2019). The total number of hotels in Muscat with different star ratings are given below:

Star ratings for hotels	2017	2016	2015	2014
5	9	9	7	7
4	12	14	13	14
3	16	15	14	16
2	21	35	32	29
Others	84	63	58	52
Total number hotels	**142**	**136**	**124**	**118**

*Source: Statistical year book of Oman, year 2018

- ➤ <u>Sampling Technique:</u> Multi stage sampling is to be adopted for the proposed study.
    - At the <u>first phase</u> the entire population is divided into Stratum on the basis of star rating of hotels say five, four, three, two and others. Hence <u>Stratified sampling</u> is to be adopted at phase one.
    - From each stratum, samples can be collected proportionately and on the basis of Convenience. Hence <u>Quota sampling and Convenience sampling</u> is to be adopted at <u>second and third phase</u>.

- ➤ <u>Data Collection and instruments to be used:</u> Data needed for the study is to be collected from primary and secondary sources. Primary data can be collected by conducting interviews with the service providers to study the impact of economic slowdown in hotels. Secondary data from various published and unpublished related reports on the said topics.

- ➤ <u>Time duration:</u>

Time line	Plan of action
1 *months*	Chapter 2-Review of literature
1 *months*	Chapter 1- Introduction
1 *months*	Developing instruments
2 *months*	Data collection
2 *months*	Analysis and interpretation
2 *months*	Writing rough draft
2 *months*	Writing final draft

➢ Proposed Budget:

Particulars	Amount
Material and supplies	150
Data collection and analysis	100
Local travel	600
Miscellaneous	50
Total	900

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