

Empirical Analysis of Pakistan Hotel industry based on SWOT Model

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Questionnaire was used as instrument for data collection The authors are grateful to all anonymous reviewers and proofreader that have helped to improve the quality of this article.

Abstracts

The purpose of this study is to analyze the condition of hotel industry in Pakistan that gained relevance importance in preceding years. For this determination, samples of both local and foreign visitors was selected. Questionnaire was used as instrument for data collection. The researches of this study provide that thirty three percent of local and foreign respondents prefer five star hotel and restaurant Pearl Continental. Further more as empirical SWOT (strength, weakness, opportunities and threats) analysis that can capture the new foreign investors interact with local customers, making changes in economy, avoid risk, create innovation and improve image of Pakistan in global economy of the world. Finally, the consequences of the study found that hotel industry are gained importance with the usage of SWOT analysis through increase strength, opportunities and control weakness and threats, and improving brand image.

Keywords: Hotel industry, SWOT Analysis, five stars hotels and restaurants, fast food restaurants, Pakistan

1. Introduction

The hotel industry has been working in Pakistan from the time of independence since 1947 (Richter, L. K. 1999). This industry Provide a large margin to the Pakistan's economy (Ali, A. 2010). The hotel industry leads a large proportion of the country's revenue. In the beginning there were not many hotels but after lapse of time, the development of local and international hotels in an economy (Pizam, A. 2005). For example, one of the early local hotels (The Hotel Mehran .The Avari Towers) are International brands in hotel industry in Pakistan appear as dominant hotel chain present in largest domain like Karachi, Lahore, Islamabad and Dubai.

Pakistan, which is a most beautiful country and a land of heartsease and fluke, attracts thousands of tourists every year. It has many tourist places with well rendered city and airport hotels. Before 2008, the hotel industry avail tremendous progress due to fuel by the Pakistani tourism industry (Vogel, H. L. 2012). The hotel industry in Pakistan is acting as a stimulant the development of economy of Pakistan (Memon, N. A. 2010).

The industrial sector is in the phase of fast moving economy of Pakistan especially in industrial cities like Karachi, Lahore, Faisalabad and Rawalpindi have many local and foreign firms which are engaged in conferences, meetings and seminars in the hotels (Haque, N., Ahmed, V., & Shahid, S. 2011). Many foreign investors are observed in the hotel industry which range from two to five stars hotel (Mueller, H., & Kaufmann, E. L. 2001) .the local and foreign hotels chain are operating in Pakistan for example Avari, Marriot, Carton, Regent, Sheraton, Pear Continental and Ramada Plaza etc.

The growth in the hotel industry was slow in the decade of 80s, during the early 90s the growth in the hotel industry achieve some improvement (Light, D., & Dumbrăveanu, D. 1999). The total number of hotels in the Pakistan has increased from 945 in 1991 to 1250 in 1996, showing an improvement growth of more than 26% in 1993 which reduced to 2.4% in 1995 before again increase in 1996 (Prabakaran, R. 2003).

With the passage of time the hotel industry in Pakistan starts facing declining due to several factors. In August 2008, the occupancy rates of hotels fell, an alerting situation given to Pakistani Hotels (Khan, M. 2012). In the start of fourth quarter 2008, THL sector (Tourism, Hospitality and leisure) of Pakistan was starting to see major results of the economic problems that impact the negativity in the hotel industry, a lack of the foreign and local citizens visits decreasing the hotel industry revenue and increased preference to fast food restaurants (Momsen, J. H. 1998).

The industry faced a major setback in the late 2010 when Marriot Islamabad was under the attack by terrorist bombing that took the life of 50 people and injured severely 250 people, this incident brought the decline in the hotel industry as many foreigners and national customers feel uncomfortable in staying in any hotel in Pakistan and visiting Pakistan for their industry meeting and other corporate events and seminars (Kronstadt, K. A. 2009, February). Here the factor of Terrorism played the important part as many print and electronic media highlighted the feared faced by the people in Pakistan and the act of terrorism that was being increased created the impact of bringing down the visiting foreigners in the country, many international operating company reduces and restricted their visits to Pakistan hence reducing the occupancy rate in the Hotel from 60-70%. In order to survive

in those circumstances the Hotel industry reduces their rates to 10-20 % to gain the target market (Bari, F. 2010).

In 2011, the development in economy of Pakistan contributed an alter in the industry of Hotel and tourism (Sinclair, M. T. 1998). It was seen that sudden improvement in foreign visitors and meetings were scheduled in Pakistan mainly in the city of Karachi, through which the rates of occupancy of the hotels increase from 65% compared to the previous year rate. The improvement of occupancy rate increase the demand of the hotels, as demand increases, so the charges of hotels were increase from average Rs. 10000-Rs. 11000 to Rs 12,000 –Rs 13,000 per night .

Some major hotels operating in the country like Serena Hotel, Carlton Hotel, Pearl Continental, Marriott, Avari Towers, and Sheraton Hotel (Assad Mahmood, F. C. M. A. 2007). Some of these hotels are ranked as two to five stars including which are relatively new compared to the previous ones.

Fast food restaurants like Mc Donald's, KFC, Subway and Hardees are the major competitor of the hotel industry, which have relative high prices than the fast food items (Schlosser, E. 2012). Foreign and local visitors to Pakistan prefer staying with family and friends due to security issues (Fakhar, A. H. 2010).

The upcoming hotels have not changed much in terms of new projects since their formation (Kapferer, J. N. 2012). The only major example in this reference was the hostile takeover of Holiday Inn by Marriott. Another problem in the development of hotel industry in Pakistan is due to some major factors which will discuss in SWOT analysis (Narayan, P. K., & Prasad, B. C. 2003). These factors discussed the major decrease in revenue of hotel industry and the huge drop in contribution margin in country's national income. SWOT analysis discuss the creation of problems that arises due to some changing in government legislation and infrastructure of the country and also discuss creation of some new opportunities avail by hotel industry to increase the contribution margin in economy as well as in industry own shares (Buhalis, D., & Cooper, C. 1998).

Through SWOT analysis, we have attempted to find the root cause of this trembling position of the hotel industry. Hotel industry generates foreign exchange without exporting anything is the only industry in Pakistan. Hence it should be developed rather than decline.

Therefore the particular questions of the study are:

1. To identify the level of hotels usage by local and foreign visitors in Pakistan.
2. To highlight the factors influence on hotel industry.
3. To explore the SWOT analysis with the help of different economic variables on hotel industry in Pakistan.

2. Literature view

Hotels are the biggest and popular way of residence among local and foreign visitors (Wilk, R. 1995). The tourism industry has a great impact on hotel industry and both industries are interconnected due to their mutual benefits (Buhalis, D. 1998). The hotel industry of country is a sign of its cordial reception for foreigners and how their experience in a new environment (Wharton, A. J. 2001). Tourism is one of the important sources of foreign exchange to the local country and also enhances a country's paradigm on a global level (Crouch, G. I., & Ritchie, J. R. 1999). For example Malaysia is recognized for its beautiful honeymoon resorts and Egypt is recognized for its historical locations, especially the Pyramids of Giza. Local and foreign tourists arriving in a Pakistan constantly need a roof to stay if they do not have relatives or friends and that's why the hotel industry comes in. therefore, tourists and hotel industry are interrelated to each other.

The revenue generated from trips, have a greater impact on economic situation of a country (Gössling, S., Peeters, P., Ceron, J. P., Dubois, G., Patterson, T., & Richardson, R. B. 2005). In times of vacation people avail their time on travelling and subsequently, expenses associated with it. The United Nations World Tourism Organization (WTO) states that international tourist arrivals for leisure, industry and other motives are estimated to have decreased worldwide by 12% in 2012 to 1080 million. There were surely discriminating differences in the efficiency of the several global regions in 2012 (Maser, M. 2000):

- Asia and the Pacific (-4%) showed an astonishing bounce. While arrivals decreased by 9% between January and June, the third quarter of 2012 saw 5% growth, reflecting better regional economic results and successfulness.
- The Middle East (-9%), till far from the growth levels of last few years, had a positive third quarter in 2012.
- Europe ended 2012 down 10% after a very poor second quarter (-16%). Destinations in Eastern, Central and Northern Europe were specifically damaged, while results in Southern, Western, and Mediterranean Europe were comparatively better.
- In the Americas (-8%), the Caribbean bounced back to growth in the last quarter of 2012. The performance was slower in the other sub-regions.
- Africa (+9%) was a rich performer, with sub-Saharan destinations doing especially well.

The first consequence from 2013 represent that the betterment seen in the final quarter of 2012 is carry on (Belke, A. 2012). According to the April 2013 Interim report of the WTO World Tourism Barometer, foreign

tourist comers are figured to have increased by 10% in the first two months of 2013 (Koo, L. K., & Expert, K. 2008). This accompanies the uptrend already registered in the last quarter of 2012, when foreign comers rose by 4% after 14 continuous months of bad results (National bank, O. 2004). Although information of countries with data already reported confirms that this convinced trend is set to keep on, said the WTO.

3. Model and Hypothesis Development

The abbreviation of SWOT stands for Strength, Weakness, Opportunity, and Threat. The SWOT analysis compiled of the hotel industry internal factors that are strength and weakness and external factors that are opportunities and threats. SWOT analysis argues firms insight of what they can perform in near future and how they can survive amongst their living competitors. This tool is very important to disclose the current position of the hotel industry relative to others (Figure 1).

It has been conceived that the hotel industry in Pakistan is dull and unattractive due to lack of management skills since the time of independence .hotel industry is the sole industry that can generate foreign exchange with out any sort of exports. Tourism is the back of some other industries in Pakistan because foreigners visit can also create investment opportunities in other industries and increase the national income of economy. So to investigate this issue, we develop the hypothesis

H 1: Low per capita income is the cause of decline in tourism and hotel industry

The economy of developed countries produces favorable chances to improve the revenue of their sector. The revenue of hotel industry also influence by the economic factors. Economic factors create depression phase in an economy so to investigate this issue we developed the hypothesis

H 2: The revenue of hotel industry is inversely proportional to some uncontrolled economic factor.

It feels that hotel industry in some countries of the world is the main source o f revenue due to increase in dollars, Euros and pounds in the home country to stabilize the balance of payment. By the increase in visits of local and foreign investors, other sectors of economy has positive impact such as improvement in banking, textile ,telecommunication, and education sector, so to investigate the above issue, we develop the hypothesis

H 3: Hotel industry create some positive chances to increase in investment by local and foreign investors

Government rule and regulations have a very great influence on every sector of economy. Some local and foreign visitors believes that government legislation for hotel management is continuously changing from time to time that's why they are puzzled about the policies of the hotel management. Federal and Provincial government of Pakistan does not show any interest in the improvement of this sector of economy. So to investigate the above issue, we develop the hypothesis

H 4: The role of pubic sector to increase the visits of local and foreign visitors in the establishment of hotel industry

4. Methodology

Population of this discussion depends upon the hotel industry of Pakistan including both local and foreign brands. The sample of the discussion includes 6 foreign brands and 20 local brands. All the data were gathered through questionnaire. To identify the factors influence on hotel industry in Pakistan, the questionnaire should be distributed to 250 respondents which include local and foreign visitors as well as management of this industry from 250 respondents, the data of 211 respondents are able to consider in SWOT analysis. Our questionnaire measures the responses of respondents which includes (1) preference as a visitor. (2) Last visit. (3) Level of satisfaction. (4) Quality of hotel service. (5) Security issue. (6) Promotional and sales strategies (7) tax structure. The responses of respondents were recorded by fill up of questionnaire through emails and some personal visits in a given lapse of time. The analysis of a collected data was conducted by SPSS 17.

5. Data analysis and findings

In this area, findings of the study have been discoursed.

5.1. Type of organization

The responses of respondents of this discussion include six foreign and twenty local brands in the hotel industry. Figure-2 shows that 23.08% of the sample is related to foreign brand and 76.92% is related to local brand. Figure 2 (Types of brand)

5.2. Preference in selection of hotel

The Questionnaire study indicates that the preference in selection of hotels by foreign or local visitors. Figure-3 shows that 33% of population preference to Pearl Continental, 23% of population preference to Sheraton, 16% of population preference to Awari towers, 11% of population preference to Carlton, 10% of population preference to Marriot hotel and 7% of population preference to Hotel Mehran. Figure 3(Preference)

5.3. Descriptive information

Descriptive information of our study includes 211 local and foreign respondents. The no. of local respondents are 162 (77%) from which 111 (69%) are male and 51(31%) are females. The no. of foreign respondents 49 (23%) from which 24(49%) are male and 25(51%) are females. Table 1 (Descriptive Information)

With great pleasure, we are presenting the “*SWOT Analysis of Hotel Industry*”. We have tried our best to follow the instructions from our teachers to complete this report within the allotted time. Table 2 (SWOT Analysis)

5.4. Strength

Table 3 shows the first part (STRENGTH) of SWOT analysis .we discussed three factors of strength which include Increase in investment, Power of high employment rate and Generate Foreign Exchange. Analysis of mean values revealed that local respondents ranked 1st “power of high employment” while foreign respondents 3rd. The factor “generated foreign exchange has great influence on foreign respondents as compare to local respondents. The local respondents ranked 2nd and foreign respondents 1st. The factor “increase in investment” has low impact on both local and foreign respondents so they ranked 3rd and 2nd respectively. Table 3 (Strength)

5.5. Weakness

Table 4 shows the second part (WEAKNESS) of SWOT analysis. It shows that three factors Poor quality of Hotel management, lack of infrastructure and Government legislation. Mean value analysis shows small difference between local and foreign respondents. The local respondents ranked 1st “poor quality of hotel management” and foreign respondents are 2nd while “government legislation” are ranked 2nd by local respondents and 1st by foreign respondents. The analysis also shows that both local and foreign respondents are badly influenced by “lack of infrastructure” and ranked at 3rd. Table 4 (Weakness)

5.6. Opportunities

Table 5 shows the third part (OPPORTUNITIES) of SWOT analysis. It shows that three factors Tourism, Means of transportation and communication and Home crowd attraction. There is a small difference arises between local and foreign respondents by Mean value analysis. The local respondents ranked 1st “Means of transportation” and foreign respondents are 2nd while “Home crowd attraction” are ranked 2nd by local respondents and 3rd by foreign respondents. The analysis also shows that both local respondents are badly affected by “Tourism” while foreign respondents are badly influenced by “Home crowd attraction” and ranked at 3rd. Table 5 (Opportunities)

5.7. Threats

Table 6 shows the fourth part (THREATS) of SWOT analysis. It shows three factors as Imbalance economy, Terrorism and Political instability. Mean value is used to analyze the difference between local and foreign respondents. Both local and foreign respondents ranked 1st “Terrorism” and local respondents ranked “imbalance economy” as 2nd while foreign respondent ranked it as 3rd. Political instability” is ranked 3rd by local respondents and 2nd by foreign respondents. Table 6 (Threats)

6. Discussion and conclusion

The study has researched the magnitude of establishment of hotel industry; the finding of the studies reveals the influence of economic factors on the hotel industry of Pakistan by the usage of SWOT analysis. Particularly, twenty three percent of the foreign respondents and seventy seven percent of the local respondents record their responses on segments of SWOT. This analysis describe the preference of local and foreign respondents , the first segment that is strength of SWOT is more preferable for local and foreign respondents on the basis of generation of foreign exchange, and increase in investment .moreover second segment that is weakness emphasize by both local and foreign respondents. Strength and weakness shows the internal analysis of hotel industry. The third segment that is opportunities shows more preference on tourism by foreign respondents and fourth segment that is threats shows that both local and foreign respondents forces on terrorists attacks and ranked as first. These last two segments show the external analysis.

7. Theoretical and managerial implications

The determinations of the study have both theoretical and managerial implications. The study puts up in the literature by providing source document the performance of hotel industry in Pakistan. Furthermore, the study also furnishes valuable factors of SWOT analysis that have influence on hotel industry in Pakistan. SWOT analysis highlighting the significant factors to control the trembling position of hotel industry in Pakistan. Hotel industry can increase National income, Tourism, business activity and can improve brand image. Finally, management of the hotel industry can improve their services to get useful feedback from visitors.

8. Limitations and recommendations for future research

The limitations of this study would become focus for future research. The sample size of the research is composed of only 211 respondents. It is a cross sectional study of SWOT where all material of research were collected at a specific time on limited variables. Therefore, longitudinal studies should be conducted in future. Also, this study is limited to only hotel industry of Pakistan; further studies may focus on geographical locations and other sectors of Pakistan that are affected by this industry.

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Tables:

Table 1: Descriptive Information:

Gender	Local Respondent	Foreign Respondent	Total
Male	111	24	135
Female	51	25	76
Total	162	49	211

Table 2: SWOT Analysis:

Strength	Weaknesses
Increase in investment	Poor quality of Hotel management
Power of high employment rate	Lack of infrastructure
Generate Foreign Exchange	Government legislation
Opportunities	Threats
Tourism	Imbalance economy
Means of transport and communication	Terrorism
Home crowd attraction	Political instability

Table 3: Strength

Strength	Local Respondent		Foreign Respondent	
	Mean	Rank	Mean	Rank
Increase in investment	1.29	3	2.19	2
Power of high employment rate	2.54	1	1.89	3
Generate Foreign Exchange	2.85	2	2.45	1

Table 4: Weakness

Weaknesses	Local Respondent		Foreign Respondent	
	Mean	Rank	Mean	Rank
Poor quality of Hotel management	3.20	1	2.59	2
lack of infrastructure	1.33	3	2.31	3
Government legislation	2.74	2	2.97	1

Table 5: Opportunities

Opportunities	Local Respondent		Foreign Respondent	
	Mean	Rank	Mean	Rank
Tourism	1.45	3	2.54	1
Means of transport and communication	2.13	1	1.97	2
Home crowd attraction	1.89	2	1.51	3

Table 6: Threats

Threats	Local Respondent		Foreign Respondent	
	Mean	Rank	Mean	Rank
imbalance economy	1.97	2	2.1	3
Terrorism	2.93	1	3.25	1
Political instability	2.73	3	2.83	2

Figures

Figure 1. SWOT Model

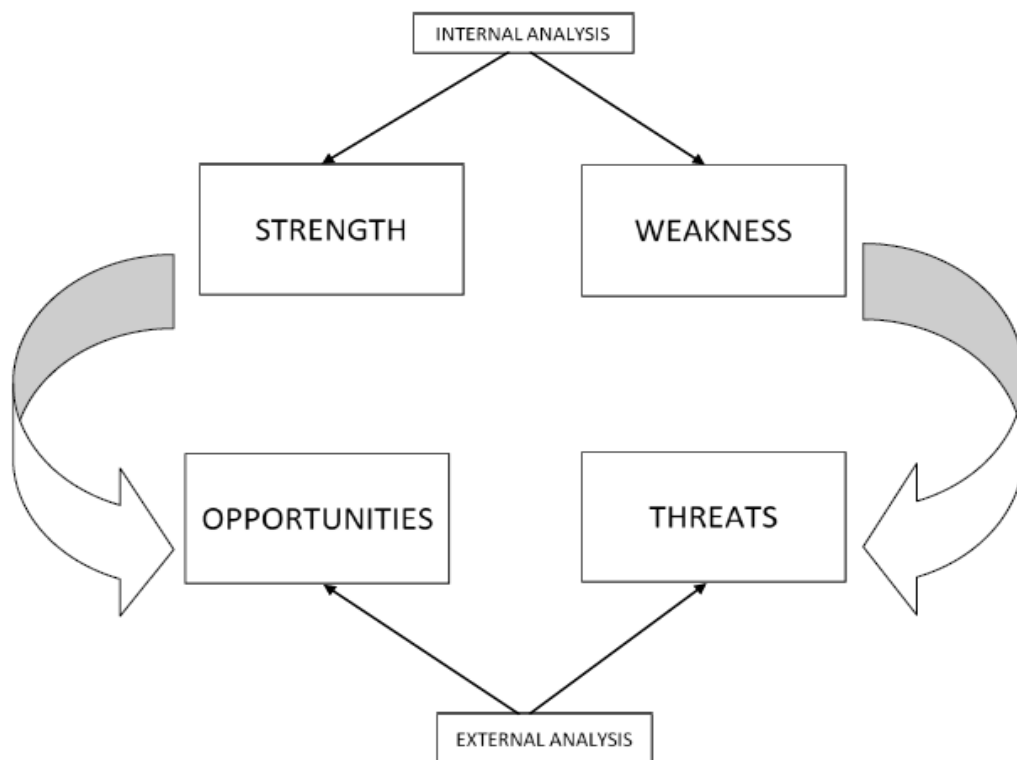


Figure 2: Types of brand

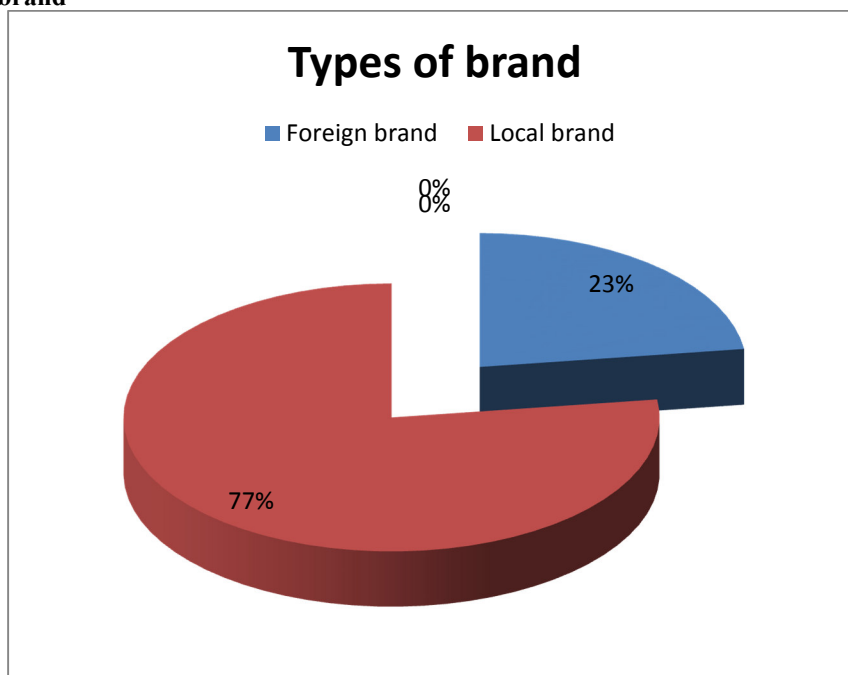


Figure 3: Preference

