

# Hospitality Unlimited: A Case of Gravity Hotel

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## Abstract

The case discusses the challenges faced and strategies adopted by a local business house involved in hotel business. The case highlights the growth strategy of a local business house in light of local environmental limiting factors. The case is so structured so as to enable students to understand the challenges faced by local business houses in the liberalized economic scenario. The case is designed to expose students to the insights of local business firms and their working. The name of the hotel and their officials has been disguised so as to avoid any conflicts.

## Keywords:

Business strategies, Local Business, Local Environment etc

## Introduction

Sumit Saxena, an Indore based, 50 year old, renowned chemical industrialist had a piece of land situated in prime location of the city. His only son Adit Saxena, a commerce graduate was pursuing MBA from USA. Being the sole earner in the family Sumit did not have any helping hands and was planning to start a business to utilize the land. He analyzed the location and identified that it was situated in front of two colleges and many corporate offices were nearby the location and a proposed hospital belonging to the reputed hospital chain of the country. He decided to diversify in to the food business and looking to location, he decided to start a cafeteria and a small restaurant named Indigo, with a capacity of 30 persons to cater the needs of college going students and executives in the year 2005.

He only utilized 50% of the land area with a view to expand it further after observing the response of the customers. Initially he started with south Indian, Chinese food items and executive lunch at affordable prices. With in no time he observed the huge success and earned the image of favorite destination among students and executives. The cafeteria and restaurant also became popular among the families in surrounding residential areas as they liked the ambience, food and services. Soon he realized that he needed to expand the capacity and managed to accommodate 50 persons and did minor modifications in the restaurant. Indigo gained popularity in short span of time and the venture started paying good returns. Looking to the popularity, returns and positive feedback from its customers, Saxena decided to diversify and expand the restaurant further. He realized that many of the corporate executives were taking executive lunch in the restaurant as it was approachable and affordable for the executives coming from outside locations. These executives preferred Indigo as it was uncomfortable for them

to go back to the hotels in which they stayed as these hotels were at least 3-4 km away from the location.

### Strategies Adopted

While having, Informal interactions and feedback with the executive clientele he found that the corporate houses used to organize various business meetings, conferences, seminars etc. throughout the year and these executives were not finding it comfortable to board and to attend the formal meetings etc. in far away economy class hotels from their office destination. He further analyzed that Indore, being the commercial capital of Madhya Pradesh was having good number of industries in and around was an ideal location for the business traveler. It also had huge volumes of trade with the neighboring states and in the near past hotel business had shown a considerable growing trend. Realizing the potential in nt research shows that study habits influence students academic achievements. the segment; he planned to construct two floors above the Indigo, with a view of having 20 roomed economic priced hotel, Infinity; one conference hall, family restaurant and car parking in the basement to cater the needs of corporate clients and also of the local people of the surrounding area as they used to eat out during the weekends and this could add to the sales of Food and Beverages along with the business from the corporate clients. The rooms were carefully crafted with blend of aesthetics and modern amenities. The executive hotel rooms had the facility of Telephone with direct line, color T.V. and Air conditioning. The conference hall had the capacity to accommodate 20 to 200 guests.

By December 2006 this hotel became operational and gained wide popularity among corporate executives, students and residents of surrounding region. It was considered, a range of mid- priced full service hotels that had set up new standards for professionalism and was offering value for money. In a short run the business started giving huge returns. Saxena now realized that it was a high time to utilize the rest of the land and identified that the trend of organizing marriage functions in hotels was becoming prevalent in the city. So in order to capture the opportunity and to utilize the land he opened a banquet hall with stage and named it Indigo Grande. The complete business i.e. Cafeteria, Family restaurant, Banquet hall, Conference hall and hotel were running successfully. The hotel earned the image of premium hotel at convenient location providing top class services to its clientele.

### The Road Ahead

Sumit was an enthusiastic, committed and humble businessman he looked after every department of his hotel independently till his son joined him after completing his master degree in management in year 2007. He personally looked after the room servicing and customer feedback to maintain the standards of his hotel. He himself trained the staff personnel and there was a daily, weekly and monthly reporting system so as to immediately track any discrepancy in the operational system. In the year 2008, Sumit Saxena gave freehand to Adit to take independent decisions because he himself wanted to focus completely on the Chemical business. Adit surveyed the changing market situations and identified that the hotel needs modernization. He planned to modify the hotel such that it would satisfy all the needs of customers i.e. accommodations, dining, conferencing, wedding, health, banquets or leisure with modern facilities at affordable

prices.

He made his hotel with complete wifi facility, made a health club and mini bar, Installed electronic safe, Tea coffee maker and automatic lifts to reduce waiting time in the lobby. Adit followed the same philosophy as of his father while dealing with customers and employees. Employees and he himself would go around the hotel and have the feedback from its customers. Adit maintained constant touch with regular customers through direct mails and personal relations. He did not appoint any marketing personnel rather he decided to market all by himself and through word of mouth publicity. Besides, he also provided certain allied services like clubbing the breakfast charges with room tariffs, huge discounts on bulk bookings and to the corporate clients giving psychological advantage to customers. In order to promote the hotel they sponsored stay for local corporate hosts on weekends when the occupancy at the hotel was low to give them the experience of the hotel and to convenience that the services at the hotel were at par with the best,

The hotel witnessed huge success and Adit thought of expanding it further. Sensing the pulse of young generation, increasing charms for banquet halls for marriage and other family functions he planned to construct 3 more floors above the hotel and also 5 floors above the Indigo Grande. He planned to construct one banquet hall, 28 rooms, 4 suites, one open air restaurant on the terrace and two bars in the year 2009. He was not worried about the funds as the business had shown consistent profits in the past which he planned to plough back besides his father sumit also funded him partially. The hotel became operational with the concept in the year 2010. Large number of people visited the hotel and had the real feel of the services. Adit was very quick in making decisions and his priority was always to retain the customers in an economical way. He used to change the interior of the hotel frequently to maintain the interest of the customers. Adit was able to manage successes fully a very high rate of customer retention.

### Departments

Adit looked after all the departments of the hotel by himself so as to give personal attention to all the departments. The hotel had six departments.

### Stores and Purchases

The department ensured proper check on all the food items, grocery, crockery and other items required in the hotel. After proper checking bills of these items were sent to accounts department for the final settlement of bills. Latest techniques and software were used in purchasing, checking and material handling. The quality of the food was thoroughly checked in order to provide best quality to customers.

### Marketing and Promotion

Adit and his father Sumit believed that in service industry word of mouth publicity is the best strategy to promote the business and it could be provided by offering best services, personalized touch and customer delightment. So he himself maintained constant touch with the regular customers through direct mails and personal relation. He believed that all the employees when work together for this common objective will build the brand image of the hotel and no separate marketing department is required for looking after this activity.

### Human Resources

The total workforce of the hotel was of 250 people and had an average age of 35 years. Rigorous training and development programs were organized by Adit in order to develop the employees. The appraisal system was performance based and was done from time to time. Sincere and performing employees were promoted and their salaries were increased. As the hotel had shown consistent growth and profits so there were ample opportunities for the employees. The employee turnover was very low due to high morale and motivation given to employees through job rotation, training and development, bonus, PF facility, overtime allowances and performance based timely appraisals, promotions and salary raise.

### House Keeping and Maintenance

The housekeeping and maintenance staff ensured the complete maintenance, cleaning and look after of the hotel, Restaurants, cafeteria, bars, banquet halls and conference hall.

### Food and Beverages Production and Service

Adit ensured that food and beverages served in the hotel, restaurants, cafeteria, bars, banquet halls and conference hall is of best quality. He frequently added new recipes, brands and cuisines to the menu so as to cater the needs of different customers and to be abreast with the change in tastes and preferences of customers.

### Challenges Ahead

Adit and Sumit had been strong visionaries and had always adapted to the market changes and had been good enough to sense the nerves of the market. It could be very well observed from the changes that they did in the business and enhancing a cafeteria and restaurant for students and corporate executives to hotel for corporate executives and family and then further enhancing it to give a place for family functions. Later on, adding up bars and modern facilities to cater the needs of young generation. In the process of expansion and catering the needs of the clients they had utilized the complete land and all the floor space with no scope for further expansion on the same land. He also noticed that land

surrounding the hotel had also been captured by various businessmen and no one was willing to sell him land as they were also running their business successfully. Adit realized that Indore being the education hub of the central India city was passing through a transition phase where in the number of youth was increasing because of growing number of educational institutes and students across in the city. He explored that young people demanded facilities like gymnasium, Discotheque, sports alley, spa and beauty salons etc. in a hotel. He wanted to target the young customer segment but had no space to extend such facility in his own premise and also surrounding locations of hotel were not available.

### Questions for discussion:

1. Analyze the case using SWOT analysis.
2. Discuss the strategies adopted by Adit and Sumit in light of marketing policies?
3. Provide suggestion regarding Adit's view to capture young customer segment?

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