

HVS EXECUTIVE SEARCH

SYNOPSIS REPORT  
2012 India Hotel Payroll Cost Study<sup>©</sup>

**Natwar Nagar**

SKM Executive Search Pvt. Ltd dba HVS  
Executive Search  
6th Floor, Tower C, Building No. 8  
DLF Cyber City, Gurgaon 122002  
Tel: +91 (124) 4616030  
Mobile: +91 9811311001  
Email: [nnagar@hvs.com](mailto:nnagar@hvs.com)  
[www.hvs-executivesearch.com](http://www.hvs-executivesearch.com)

**Anupama Jaiswal**

SKM Executive Search Pvt. Ltd dba HVS  
Executive Search  
6th Floor, Tower C, Building No. 8  
DLF Cyber City, Gurgaon 122002  
Tel: +91 (124) 4616037  
Mobile: +91 9811394515  
Email: [ajaiswal@hvs.com](mailto:ajaiswal@hvs.com)  
[www.hvs-executivesearch.com](http://www.hvs-executivesearch.com)

October 2012

# HVS EXECUTIVE SEARCH

## INTRODUCTION

The inevitability of change cannot be highlighted better than the unparalleled growth witnessed by the Indian hospitality industry over the last decade. Human Capital continues to be an important component of the hotel industry, and with the rooms supply anticipated to increase by about 111% over the next five years, we believe that demand for high quality professionals will continue to be a shortfall thus leading to a steady escalation in compensation levels for the next decade. Hence, development of a compensation strategy becomes all the more critical to the success of an organization, which can potentially impact the entire employee-lifecycle starting right from recruitment, motivation, performance and retention. Development of a compensation strategy is based on maintaining a balance between three critical elements - External Market Benchmark, Internal Parity and Employee Contribution.

The 2012 India Hotel Payroll Cost Study<sup>®</sup> presented by HVS Executive Search, New Delhi is designed to provide you critical data on payroll trends in the hospitality business in India. This report is an attempt to establish benchmarks for hotel owners and operators, to create a better understanding of payroll cost and productivity ratios across market positionings and major Indian cities. By providing important benchmarks, we believe that this survey will assist upcoming hotels to plan their payroll budgets and aid existing hotels to review theirs, resulting in a more effective forecast of the bottomlines.

### OVERVIEW

The 2012 India Hotel Payroll Cost Study<sup>®</sup> presents critical data related to payroll cost, with special emphasis on key revenue generating divisions, which include Rooms and Food & Beverage (F&B) divisions. The survey received an encouraging response from 228 hotels across 66 cities; thus reinforcing the industry's interest and need to focus on critical parameters which will assist in managing their business effectively.

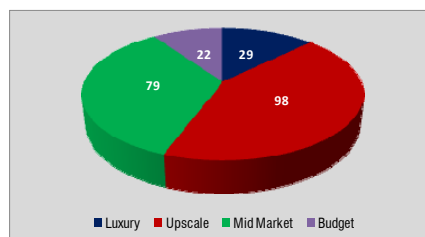
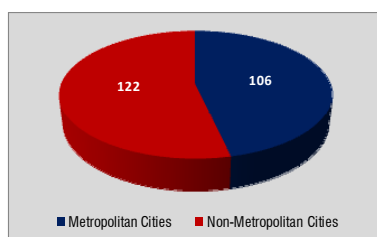
All data was self-reported by participating hotels and thereafter analysed using models and analytical tools developed in-house by the HVS team.

A synopsis of the 25-page comprehensive 2012 India Hotel Payroll Cost Study<sup>®</sup> is presented herein. HVS recommends that the findings should not be viewed in isolation, but rather in conjunction with the local limiting factors and conditions.

### Location of Participating Hotels - City Classification

Metropolitan	Non-Metropolitan									
Bengaluru	Agra	Calicut	Emakulam	Hosur	Jodhpur	Kovalam	Madhopore	Port Blair	Sohna	Udaipur
Chennai	Amritsar	Chandigarh	Gandhinagar	Haridwar	Junagarh	Kumarakom	Mangalore	Pune	Solan	Vadodara
Delhi-NCR	Ahmedabad	Chikmagalur	Gangtok	Indore	Kakinada	Lavasa	Manali	Ranchi	Shimla	Varanasi
Hyderabad	Aurangabad	Coimbatore	Ghaziabad	Jaipur	Katra	Lucknow	Mussourie	Ranthambore	Srinagar	Varkala
Kolkata	Bekal	Coonoor	Goa	Jaisalmer	Khajuraho	Ludhiana	Nashik	Rudrapur	Surat	Vijaywada
Mumbai-Navi Mumbai	Bhubaneswar	Dehradun	Gwalior	Jalandhar	Kochi	Madurai	Ootacamund	Sawai Madhopur	Thiruvananthapuram	Visakhapatnam

### Sample Set by City Classification and Hotel Market Positionings



# HVS EXECUTIVE SEARCH

## EXTRAORDINARY OUTCOMES

HVS Executive Search is the premier executive search and advisory company providing human capital consulting services to leaders of the hotel, restaurant, and gaming industries around the world.

With offices in New York, London, Moscow, New Delhi, Mumbai and Hong Kong, HVS Executive Search has unparalleled access to the global hospitality industry.

### Executive Search

Attracting and retaining the "best and the brightest" is the difference between a marginal return on investment and a business that achieves extraordinary outcomes for its shareholders.

### Mid-Management Recruitment

We combine breakthrough proprietary Internet technologies with the high-touch of trusted consultants to create powerful recruitment processes that are easily accessible, quick and efficient.

### Compensation Services

We help translate an organization's business and human capital objectives into rewards solutions. We get to know our clients' organizations on a personal level and create unique designs that drive their business results.

### Performance Management

Our collective expertise in psychometrics, organizational psychology and the hospitality industry allows us to plan, support and execute customized programs - at the individual, team or organizational level.

Over **1,000** successful placements across the world.

**Customised compensation programmes** based on sound pay-for-performance models.

**Two decades** of empowering hospitality leaders to achieve extraordinary outcomes for their companies and shareholders.

# HVS EXECUTIVE SEARCH

## Synopsis Report - 2012 India Hotel Payroll Cost Study<sup>©</sup>

### SURVEY RESULTS AND ANALYSIS

#### ▪ Payroll Cost Structure/Definition

For any company, payroll cost plays a major role and can impact the net income of an organisation. To gain a comprehensive understanding of how this is interpreted across various hotel companies in the country, we assessed nearly all employee related expenses, which an organisation incurs on or on behalf of an employee. The following core components were assessed for their inclusion in payroll cost calculation and were thereafter computed to present each as a percentage of the overall payroll cost.

- Annual Salaries, Wages and Bonus
- Annual Welfare Cost
- Annual Contractor's Payment (Labour Contract)
- Annual Contractor's Payment (Service/Job Contracts)
- Annual Uniform Costs
- Annual Employer's Contribution to PF and Other Statutory Dues
- Annual Provisions for Leave Encashment
- Annual Actuarial Provisions for Gratuity
- Annual Provisions for Defined Benefit Superannuation Scheme
- Annual Rent Paid Towards Staff Accommodation

The results highlighted that most domestic hotel brands include all the core payroll components to calculate the overall payroll cost while most International hotel brands, currently on a growth charter in India, are still striving to put a uniform process of payroll cost calculation across all the operating units.

**The survey results indicate that the Weighted Average Payroll Cost per Employee (including Labour & Job contracts), for Indian owned hotel brands is ₹296,915 per annum while for International hotel brands it is at ₹239,214 per annum.** The difference in cost may be attributed to a higher concentration of Luxury hotels in the Domestic hotel segment as compared to International brands that have a larger presence in the Upscale/Mid Market space in India.

- #### ▪ Payroll Cost Vs. Revenue Analysis
- In this section, we have analysed Annual Payroll Cost and Annual Revenue to review its impact on employee payroll cost and revenue generated per employee, across the fundamental parameters of All-India Average, Hotel Market Positionings and Six Major Indian Cities.

The metrics discussed include:

- ✓ *Annual Payroll Cost as % of Total Annual Revenue*
- ✓ *Annual Revenue per Employee*
- ✓ *Annual Payroll Cost per Employee*
- ✓ *Annual Payroll Cost per Occupied Room*
- ✓ *Annual Payroll Cost per Available Room*

# HVS EXECUTIVE SEARCH

**All India Average:** The survey results indicate that the Annual Payroll Cost as a % of Annual Revenue in India is at 20.3% while the Average Payroll Cost per Employee (including labour/job contract) is ₹277,858. Additionally, it is observed that the average Room-to-Manpower ratio for the Indian hotel industry is 1: 1.96 (including labour/job contracts) and 1: 1.62 (excluding labour/job contracts).

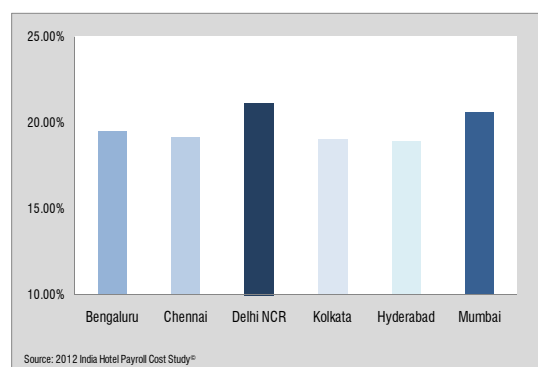
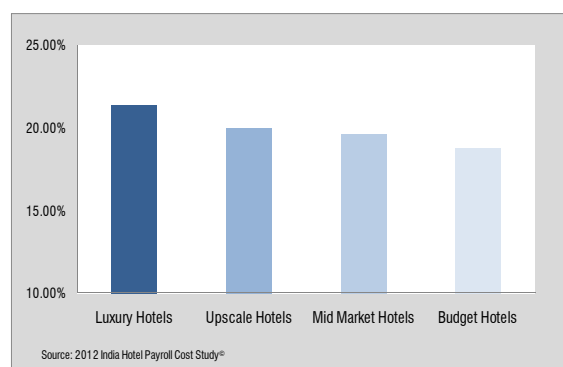
## Payroll Cost vs. Revenue Analysis (2011/12): All-India

<b>Total No. of Responses Submitted</b>	228
<b>Total No. of Rooms</b>	33,888
Annual Payroll Cost as a % of Annual Revenue	20.3%
Annual Revenue per Employee (Excluding Labour and Job Contracts), ₹	1,658,058
Annual Revenue per Employee (Including Labour and Job Contracts), ₹	1,369,144
Annual Payroll Cost per Employee (Excluding Labour and Job Contracts), ₹	336,491
Annual Payroll Cost per Employee (Including Labour and Job Contracts), ₹	277,858
Payroll Cost per Occupied Room, ₹	2,381
Payroll Cost per Available Room, ₹	1,489

**Hotel Market Positionings:** It has been our observation that both Payroll Cost and Revenue have a direct correlation with hotel market positionings. Luxury hotels, which are recognised the world over for their opulence in delivering a lavish guest experience reflect the highest figures, across all parameters being analysed in this section. The survey findings indicate that the Annual Payroll Cost as a % of Annual Revenue is the highest in Luxury hotels, gradually decreasing for Upscale hotels, Mid Market Hotels and Budget Hotels.

**Six Major Indian Cities:** In this section, we have computed and examined Annual Payroll Cost and Annual Revenue across six major cities in India, as identified in the survey. The survey findings indicate the Annual Payroll Cost as a % of Total Revenue to be the highest in Delhi-NCR and least in Kolkata.

## Annual Payroll Cost as % of Total Revenue by Hotel Market Positioning & Six Major Indian Cities



## HVS EXECUTIVE SEARCH

- Productivity Statistics** - In this section, we have analysed productivity statistics for the two key revenue generating divisions in a hotel – Rooms and Food & Beverage (F&B). As part of the survey, key data such as Annual Revenue per Division and Annual Payroll Cost per Division was considered and analysed across fundamental parameters of All-India Average, Hotel Market Positionings and Major Indian Cities classification.

The metrics discussed include:

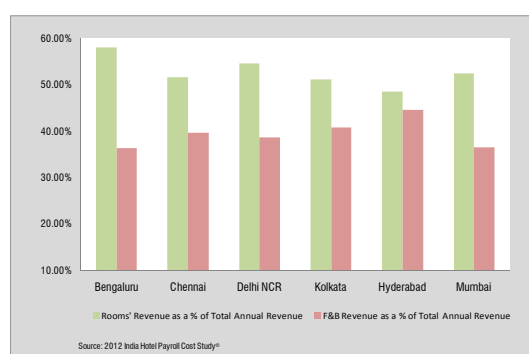
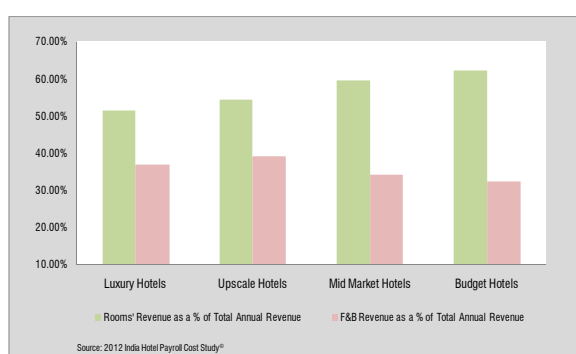
- ✓ **Rooms Division**
  - Rooms' Revenue as a % of Total Annual Revenue
  - Rooms' Payroll Cost as a % of Rooms' Revenue
  - Annual Rooms' Revenue per Hotel Employee
- ✓ **F&B Division**
  - F&B Revenue as a % of Total Annual Revenue
  - F&B Payroll Cost as a % of F&B Revenue
  - Annual F&B Revenue per Hotel Employee

**All India Average:** The survey findings indicate that at an All-India level, Rooms Revenue contributes 55% of the Total Annual Revenue generated by hotels as compared to F&B, which contributes around 38%.

**Hotel Market Positionings:** As per the survey findings, Rooms' Revenue as a % of Total Revenue is found to be the highest in Budget hotels followed by Midmarket, Upscale and Luxury. On the other hand, F&B as a % of Total Annual Revenue is found to be the highest in Upscale hotels, followed by Luxury hotels, Mid Market hotels and Budget.

**Six Major Indian Cities:** Based on the survey findings, Bengaluru has reported the highest Rooms' Revenue as a % of Total Revenue, while Kolkata has reported the least. On the other side, F&B Revenue as a % of Total Annual Revenue is found to be the highest in Kolkata and lowest in Bengaluru.

### Division Revenue as % of Total Revenue by Hotel Market Positioning and Six Major Indian Cities



**The comprehensive 2012 India Hotel Payroll Cost Study® is now available for purchase at US\$ 2,500.**

Additionally, to serve specific requirements, HVS Executive Search can also prepare paid customized reports comparing an individual hotel/chain's payroll cost and revenue data to that of a defined competitive set's aggregate. Please note that HVS reserves the right to withdraw a publication at any given point in time without prior intimation, if it finds the data inadequate for a meaningful representation.

## HVS EXECUTIVE SEARCH

Other research reports available for purchase include:

Hotel Payroll Cost Study by Metropolitan Cities - India
Hotel Payroll Cost Study by Non Metropolitan Cities - India
Hotel Payroll Cost Study for Luxury Hotels - India
Hotel Payroll Cost Study for Upscale Hotels - India
Hotel Payroll Cost Study for Mid Market Hotels - India
Hotel Payroll Cost Study for Budget Hotels - India
Hotel Payroll Cost Study by Hotel Market Positioning in Bengaluru
Hotel Payroll Cost Study by Hotel Market Positioning in Chennai
Hotel Payroll Cost Study by Hotel Market Positioning in Delhi-NCR
Hotel Payroll Cost Study by Hotel Market Positioning in Goa
Hotel Payroll Cost Study by Hotel Market Positioning in Hyderabad
Hotel Payroll Cost Study by Hotel Market Positioning in Kolkata
Hotel Payroll Cost Study by Hotel Market Positioning in Mumbai
Hotel Payroll Cost Study by Hotel Market Positioning in Pune
Hotel Payroll Cost Study by Hotel Market Positioning in Other cities

For ordering instructions and any other assistance, please email to Anupama Jaiswal at [ajaiswal@hvs.com](mailto:ajaiswal@hvs.com)



# PARTICIPATING HOTEL COMPANIES

Accor Hotels, India

Apeejay Surendra Park Hotels, India

Carlson Rezidor Hotels, India

Fortune Park Hotels, India

Four Seasons Mumbai, India

Hilton Hotels, India

ITC Hotels, India

JHM Interstate Hotels, India

Keys Hotel, India

Lemon Tree Hotels, India

Marriott International, India

Oberoi Hotels and Resorts, India

SAMHI, India

Sarovar Hotels, India

Starwood Asia Pacific Hotels & Resorts, India

Taj Hotels, Resorts and Palaces

The Leela Palaces, Hotels and Resorts, India