

HOSPITALITY INDUSTRY CONTRACT IS AN AGREEMENT

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Abstract

In hospitality industry, a contract is an agreement or promise made between two or more parties that the courts will enforce. In other words, it is a set of rules governing the relationship, content and validity of an agreement between two or more persons. Normally, it is related to the sale of goods, provision or services or exchange of interests or ownership. A valid contract can be considered as the moment that the offer is accepted. For example, you have been agreed to purchase with someone's old cupboard for 1200 Yuan, that is mean you have a valid contract. Once you paid to them and they give you the cupboard which means the contract is complete. In general, a valid contract may be established either in writing or verbally. That is mean it can be a verbal form of contract, and it also can be a written form of contract. A verbal contract is any contract which is expressed in words by spoken. While for the written contract, it is a contract generally refers to a written document outlining an agreement. More often than not, it is usually a good idea to have a written contract if a transaction that is worth more than a limit.

Keywords: *Agreement; Contract; Hospitality Industry.*

A. INTRODUCTION

When you are outside of your home and are paying for staying then the all the services you use during your stay and broadly within or related to or provided by the place of stay comes under hospitality industry. Hospitality is defined as 'the friendly and generous reception and entertainment of guests, visitors, or strangers. Examples to understand hospitality¹:

This place is renowned for its hospitality shown by the family was appreciable. Words used to understand hospitality are welcome, friendliness, helpfulness, warmth, greeting, kindness, etc. Hospitality also means welcoming a guest and making them comfortable at your place by looking after their needs during their temporary stay.

When we do and provide the above things as a service, business to anyone, with the help of products and services, for a price it becomes hospitality industry. Hospitality industry can be defined and understood as an

1 Baloglu, S., & Assante, L. A content analysis of subject areas and research methods used in five hospitality management journals. *Journal of Hospitality & Tourism Research*, 23(1), 2019, Page.53-70.

industry which provides facility for stay, food and complete related services for the comfort and leisure of the travelers and visitors.

Hospitality is the industry covering all the products and services that serve travelers, tourists and all types of visitors. When you know tourism you also understand hospitality industry. This industry is closely associated and a part of the tourism industry. It is a key part of the tourism industry value chain. This industry is mainly driven by growing tourism, yet it caters to both tourists and travelers².

Hospitality and Tourism industry are closely related and each plays an important role in development and growth of the other industry. Tourism brings revenue, growth and development for hospitality. On the other hand hospitality industry adds to the overall value and importance of tourism. It creates more tourism demand, makes it look more attractive, adds the much needed comfort level for tourists and travelers. Without hospitality tourism would be incomplete and will not achieve the growth³.

The hospitality industry basically consists of two major sector or segments. The first and broadest segment is the accommodation, staying or lodging industry. The second segment is the food and beverages segment which can be considered as both a part of the accommodation industry or segment, and also as an independent segment⁴.

1. Accommodation industry: Food and beverages industry

Why food and beverages is a part of the lodging or accommodation segment? It is for the simple reason that food & beverages served by the place where one is staying can only be considered as part of the services or revenues of that place. If you stay in a hotel, which is a major part of hospitality industry, but eat out in a market, which is not a part of this industry, then that food and service does not become a service of our hospitality industry services. But if you eat out at a restaurant then it is not adding to the revenue of the hotel but is adding revenue for the hospitality industry.

2. Hospitality industry segments

The accommodation industry and the segment of hospitality is mainly associated with providing a temporary place for guests, visitors, tourists and travelers to stay. Accommodation is the most basic and fundamental aspect of hospitality as a industry. There are various sub segments within this which are according to the type of accommodation and services associated with these⁵.

2 Barry, T. Publication productivity in the three leading US advertising journals: Inaugural issues through 1988. *Journal of Advertising*, 19(1), 2018,Page.52-60

3 Chon, K. S., Evans, M. R., & Sutherland, D. Trends in hospitality management literature: A content analysis. *Hospitality Education and Research Journal*, 13(3), 2019, Page.483-491

4 *Ibid.*

5 Clark, G. L. Productivity ratings of institutions based on publication in eight marketing journals: 1983-1984. *Journal of Marketing Education*, 7(2), 2019, Page.12-23

3. Hotels

This is the first and the most prominent part of the accommodation and also of the hospitality industry. Hotels are the most preferred place to stay for the travelers and tourists. This is to much extent due to the range of services, quality and comfort provided by the hotels.

4. Motels

Motels can be called as a subdued version of hotels. These are places which people or overnight travelers use primarily to spend the night. These also do not provide or offer the range of services or the comfort which hotels provide⁶.

5. Bed & Breakfasts

Bed & breakfasts or B&Bs, as they are called, are small places mainly for overnight stays but come with breakfast in the morning. Most of these B&Bs are located or established within a house premise with the owners also living there. They have separate private rooms especially for the guests.

6. Resorts

Resorts are a fullservice accommodation specifically meant for tourists. They offer complete or as much of the services and amenities which a tourist needs. One will mostly find resorts near tourist destinations. These resorts usually offer all the basic amenities for a comfortable stay with well serviced rooms. They also provide food, room services, and also leisure and recreation facilities⁷.

7. Restaurants

Restaurants provide range of food, drinks and services along with a place to eat within the same premise. While restaurants are mainly meant for customers to come, order and eat, some also provide take away food services.

8. Catering

Catering services are food services provided within a particular site, or in a more remote location, where food and drink are not necessarily the main service provided. Examples of this include catering provided at parks, arenas, stadiums, hotels, event venues and on certain forms of public transport⁸.

9. Bars

Bars are places where people come to drink, food, spent some time and. Bars usually provide a variety of alcoholic drinks, as well soft drinks

⁶ *Ibid.*

⁷ Clark, G. L. (2020). Leading marketing departments in the United States: Who is publishing where, and how much are they publishing? In F. R. Dwyer, R. R. Lagace, & T. Shimp (Eds.), *AMA educators' proceedings* (pp. 250-253). Chicago: American Marketing Association.

⁸ Howey, R. M., Savage, K. S., Verbeeten, M. J., & Van Hoof, H. B. Tourism and hospitality research journals: Cross-citations among research communities. *Tourism Management*, 20(1), 2019, Page.133-139

and juices. They also provide light food or snacks to be take with the drinks. Some bars also provide entertainment for the guests while they are enjoying their drinks⁹.

10. Cafes

Cafes provide hot drinks like tea and coffee along with soft drinks and light food or snacks.

The hospitality Industry value chain is a part of the tourism industry value chain. All of the services, segments, sectors and components of hospitality Industry broadly come under the tourism industry¹⁰. This is because hospitality is the very important segment of tourism. Hospitality majorly caters to the tourists and travellers. The customers or the business of hospitality comes from tourism and also from travelling.

Yet, we need to look at the value chain of this industry because looking at hospitality through tourism is not that deep and detailed. Hospitality, although is an important part of tourism yet it is also an independent industry that serves and caters to all types of people including those who are not tourists¹¹.

The value chain is defined and structured across the two sectors or segments of hospitality industry i.e. accommodation sector and food & beverages sector or segment. Then it covers the sub-segments and types for each segment i.e. types of accommodation facilities and types of food & beverages services in hospitality.

1. Customer segment of hospitality

There are two major segments of customers that come to hospitality and are served by this industry. These are, customers for accommodation sector and customers for food & beverages sector or segment. Five types of economic or social activities lead up to the hospitality industry. These are tourism activities, travelling activities, business activities, social activities and other various general or day to day activities¹².

This also helps us identify the customers of hospitality across its two main sectors and types, accommodation and food & beverages. All those people carrying out and involved in the above different types of activities are or can be the customers of hospitality.

2. Economic and social impact of the hospitality industry

The hospitality industry is quite similar to the tourism industry when it comes to the vastness of its value chain and the economic and social

9 *Ibid.*

10 Op.Cit.

11 Jafari, J., & Aaser, D. Tourism as the subject of doctoral dissertations, *Annals of, Tourism Research*, 15(3), 2018, Page.407-429

12 Laband, D. N., & Piette, M. J. An evaluation of 50 ranked economics departments By quantity and quality of faculty publications and graduate student placement and research success. *Southern Economics Journal*, 52(1), 2018, Page.216-240

importance and impact. As we know that tourism industry is important for the economy and society of every country. Similarly, this hospitality sector is also very important economically and socially for a country, both as part of tourism and independently.

The industry of hospitality supports, boosts and drives economic activities and growth in a big way. It also is an important part of a country's social infrastructure, providing good support. This industry through its two core sectors creates many other economic activities, helps and boosts activities, revenues and growth for many other industries¹³.

The accommodation or the hotel industry carries out so many activities, also covering the food segment. It is a large industry and as it is labour intensive it is one of the major employment generation industry. Besides this, it requires many equipment (like utensils, decorative, interiors, furniture, bed sheets, quilts, pillows, etc.), material and many other things.

So it boosts and drives directly the construction industry. And if we go into details of all the products or things that are used in hotels, restaurants, etc and make a comprehensive list then there would be hundreds of small medium and big industries or sectors which directly or indirectly benefit from this industry.¹⁴

3. Labor intensive

The hospitality industry is a labor intensive industry. This industry employs huge manpower. Hospitality industry requires a large manpower to provide the services to its customers and also to create these services and products. Hospitality is also therefore one of the largest employment generating industry.

4. Customer satisfaction

Customer satisfaction is the utmost objective of this industry. Although every product, service and industry is always driven by customer satisfaction but in the hospitality industry the importance of satisfying is much more.

In the hospitality industry you need to constantly satisfy your customers and keep them happy always. We believe that in this industry the time take to consume the services and products is long and vital. The customers are at your premise all through the time of their consumption. In fact, staying in itself is a part of the service and also a key part of consuming the services. So, the businesses need to ensure that the

13 Losekoot, E., Verginas, C. S., & Wood, R. C. Out for the count: Some methodological questions in publications counting literature. *International Journal of Hospitality Management*, 20(3), 2001, Page.233-244

14 Marquardt, R. A., & Murdock, G. W. An analysis of authorship in the Journal of Marketing 1960-1981, *Journal of Marketing Education*, 5(2), 2003, Page.53-57

customer is happy and satisfied throughout the time of their stay at the premise and all throughout the consumption of the services.¹⁵

To start with, the hospitality industry is a very vital aspect and component of the travel and tourism industry. As we said at the start, tourism and its industry would be incomplete without the hospitality services. Going for a holiday, vacation, to see a tourist destination, traveling for leisure or recreation or even for any other long type of travelling or journey you need hospitality services. Without it can be nearly impossible to have tourism.¹⁶

Similarly, hospitality plays very important role in MICE industry. MICE means travelling for business and events, and also involves recreation. MICE industry needs facilities to host meetings, conferences. All this is provided by hotels, which are a critical part of hospitality.

Besides this, travelers, and not specifically tourists need accommodation services. Food and beverages segment of this industry serves many people, even if they are not tourists or travelers.¹⁷

B. DISCUSSION

1. Main elements constituting a valid contract

Some specific elements that must be included in all contracts, whether verbal or written contract, to make them legally enforceable in a court of law. The court will consider the contract as an unenforceable agreement if any one of the elements is missing. In order to make a contract enforceable, it must be legally valid. Therefore, the contract must consist of the essential elements which are legality, offer, consideration, acceptance, and capacity.¹⁸

a. Legality

Legality is very important to make a contract. The contract will become unenforceable if it is illegal or invalid. It is not for all agreements or promises made between two or more parties are legally valid. In order to make a legality of contract, it should consist of offer, consideration, acceptance, and capacity. Therefore, have to consider all of these elements before making a contract. It is including consideration of age, consideration of mental problem, and consideration of activity involved. For example, the person who makes the contract must reach a minimum age. Only then he or she can legally commit to the promises

15 *Ibid.*

16 Moore, L. J., & Taylor, B. W. A study of institutional publications in businessrelated academic journals, 1972-1978. *Quarterly Review of Economics and Business*, 20, 2020, Page.87-97

17 Roberts, C. Academic authorship trends in hospitality and business journals, *Journal of Hospitality & Tourism Education*, 10(1), 1998, Page.56-61

18 Rutherford, D. G., & Samenfink, W. H. Most frequent contributors to the hospitality literature, *Hospitality Research Journal*, 16(1), 2019, Page.23-29

made in the contract. The court will consider a contract is unenforceable if it is made by the minor because the minor do not meet the minimum age requirement. Besides that, the person who has the mental problem also will not be able to enter into an enforceable contract. In addition, any contract that requires the breaking of a law, it must not consider as enforceable contract by the court. Even that person is meeting the legally capable. Thus, only the contract which is made by person who are legally able to contract, and the activities involved in the contract comply with the law can be considered legally enforceable.¹⁹

b. Offer

In a contract, it is involves two or more parties are legally capable. Besides that, it is also involves a legal activity. An offer is another element required in a legally enforceable contract. The definition for an offer is an expression of willingness to contract on a specific set of terms. Sometimes, specific instructions may include in the offer, such as how, where, when, and to whom the offer is made. Not only that, time frames or deadline for acceptance may also include in the offer. Generally, the price or terms of the offer will also be included to making the offer more detailed. For example, in a contract for the sale of an old TV, the seller may offer the Old TV to the buyer for 500 Yuan. The contract offer could be stated as "Call for confirmation if you are interested." Therefore, the old TV will goes to the person who willing to pay for 500 Yuan and have been call up seller to make a confirmation. The seller would not sell the old TV to the person who does not call back. It is very important for you to read through the offers by the seller before you making a transaction.²⁰

c. Consideration

Consideration is an important part of the contract. It can be viewed as the concept of legal value in relation with contracts. In other words, it is the payment or cost promise given by one party in return for the promises of another party when making a contract. Consideration may be something other than money. It might be physical objects, services, promised actions, and others. As a general rule, an agreement will become void if without consideration. Not only that, the consideration must flow both ways in order to make a contract to be valid. For example, party A offers his car for 3500 Yuan to anyone which is interested. Party B has interested in his car and agrees with pay for 3500 Yuan. Therefore, party B signs a contract to buy a car from party A. In this case, we can see that the consideration of party A is the car, while the consideration of party B is the 3500 Yuan. Furthermore, it is

19 Rutherford, D. G., & Samenfink, W. H. Out for the count: A response. *International Journal of Hospitality Management*, 21(2), 2002, Page.111-117

20 *bid.*

another type of consideration usually employed in the hospitality industry which is the temporary or permanent use of hotel property. For example, a hotel offers a specific rate for the rental of room to the guest, so the rate is the consideration of the hotel to be exchanged for the overnight use of the room by the guest.²¹

d. Acceptance

It must consist of an offer, a consideration, and an acceptance in a contract. Acceptance is at the moment that a contract exists. It is because a contract is created by at least two parties. Therefore, the second party must be clearly accepted of a legal offer and consideration to avoid misunderstanding. In order to make the contract become valid, so the second party must be accept exactly the terms of the offer. Normally, an offer may be accepted two ways, which are orally or in writing. Sometimes, the offer itself has specifies the manner of acceptance, so just follow whatever has been stated in the offer. Take the same case as the example. Party B signs a contract to buy a car from party A for 3500 Yuan. It is a necessary part of creating a binding contract for the sale of the car once the buyer's acceptance of that offer. That is meant the buyer accepts the term and conditional made by the seller and agree with pay for 3500 Yuan.²²

e. Capacity

As it was mentioned before, it is not for all agreements or promises made between two or more parties are legally valid. They have to consider the age of the parties before making a contract. That is the capacity in the contract. Capacity is the parties to the contract must have the legal capacity to do so. That is mean the person who makes the contract must reach a minimum age. Only then he or she can legally commit to the promises made in the contract. As a general rule, minors are referring as the people who are below the age of eighteen have no capacity to enter into contracts. That is why a contract made by the minor is considered as unenforceable by the court. It is because the minor do not meet the minimum age requirement. Besides that, it is not only for the person below the age of eighteen cannot enter into valid contracts. The insane persons or person with unsound minds is also the same. Since they cannot think rationally, so they cannot understand and cannot commit to the promises was made in the contract. A contract must consider about the capacity, only then can consider as an enforceable contract by the court.²³

21 Samenfink, W. H., & Rutherford, D. G. Academic contributors to the hospitality and tourism educator: Volume 1, No. 1 to Volume 7, No. 3. *Hospitality and Tourism Educator*, 8(1), 2019, Page.25-29

22 *Op.Cit.*

23 Samenfink, W. H., & Rutherford, D. G. Most frequent contributors to the hospitality literature: A ten-year update, *Journal of Hospitality and Tourism Education*, 14(3), 2002, Page.5-15

C. CONCLUSION

A contract is an agreement or promise made between two or more parties that the courts will enforce. Generally, a valid contract only can be considered as the moment that the offer is accepted. It can be established by two types, either is verbal contract or written contract. Some specific elements that must be included in all contracts, whether verbal or written contract, to make them legally enforceable in a court of law. The elements that include in the contract are legality, offer, consideration, acceptance, and capacity. Only then the contract will become enforceable and legally valid. Based on this assignment we know that, it is not for all agreements or promises made between two or more parties are legally valid. Not only that, we also know about the basic common sense for the contract. For example, the people who are below the age of eighteen and insane persons or person with unsound minds have no capacity to enter into contracts.

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