

The mid-market monopoly

The opportunities to be had in the mid-market sector have, for several years, been the worst kept secret in Indian hospitality. But while the bandwagon has been picking up speed of late, the potential is still far from fully realised. Over the period of the last three to four years, many new and existing players have come to the segment with serious ambitions. Many industry players believe that there is a demand-supply gap for moderately priced quality products in India. "There is currently a huge mismatch between supply and demand as the five-star hotel rooms constitute 27%, four-star 8%, three-star 22% and the rest, which form the large chunk of 46%, is the unorganised sector," says Ram Nidhi Wasan, chief executive officer, Hospitality, Mirah Group.

Carlson Hotels, who plan to add over 6,000 rooms to its India portfolio by 2011, see enormous potential in the mid-market segment in the Indian hospitality sector, over other Asian countries. Jean-Marc Busato, managing director, Asia Pacific, Carlson Hotels Worldwide, says: "The growth of this segment will be spurred by the increasing number of corporate travellers who are shifting from luxury to midmarket hotels, and also because there's a growing domestic demand for the mid-market segment. Although the regional tourism sector is likely to face some challenges over the next few years on the back of the economic slowdown, India's focus on domestic tourism and its growing middle class with an increase in disposal income, are definitely strong advantage points."

The mid-market players are confident of the sustainability of domestic demand driven by the tourism and business sectors. Certainly, the segment holds immense possibilities; rather than foreign exchange being the lure, it would appear to be the Great Indian Middle Class that comprises a huge chunk of the business, who believes in the have-money-will-travel mantra, and that is increasingly demanding quality in an affordable price range. Keshav Baljee, vice president, corporate affairs, and co-promoter Royal Orchid Hotels, says: "We have always focused on the mid-market segment; we strongly believe it will perform well over the coming years. It caters to the large majority of middle-to-upper management executives in the corporate zone, and the middle-class traveller in the leisure sector."

Christina Bartz, vice president, sales and marketing Asia, Movenpick Hotels & Resorts, concurs: "India is most certainly a huge and vast growing market place, with an exceptionally large middle class that drives opportunities positively for all hotel categories, but again, the mid-category accommodation segment, catering to the emerging domestic traveller boom, is expected to be the fastest growing bracket. Not being fully explored yet, the domestic market holds tremendous potential and is expected to see double digit growth rates for in-and-outbound."

Nikhil Manchharam, Vice president, acquisitions and development, Starwood Asia Pacific Hotels & Resorts, says: "The segment is interesting as it does have a strong demand base; it cannot be ignored, given the demographic changes particularly within the domestic market. In addition, with the correction in the real estate market, it is becoming increasingly attractive economically to develop these products." Vilas Pawar, chief executive officer, Choice Hotels India, adds: "One will see the domestic market expanding as more and more people prefer holidays within India as opposed to abroad." Aly Shariff, managing director, Premier Inn, India, too concurs that India's domestic tourism consumption is far superior to its international. "A hotel's guest mix of nationalities is a function of various factors, but a strong footprint within its own domestic market makes reliable business sense."

One would imagine this relatively recent upsurge is due to the global recession, which saw corporates drastically slashing their travel budgets, but no, say hoteliers, the trend is more to do with changing market preferences. Shariff says: "There was always a consumer need that had existed in the mid-market segment, which got heightened with the Indian economic growth. India either has deluxe hotels or at the other end, the economy range."

"Well, recession has also played its part and many business travellers have moved from five-star to mid-price," counters Pawan Verma, senior executive vice president, ITC Hotels Division. "This trend has been quite noticeable in the past two years and has attracted many more players, both domestic and international, to invest in the mid-market

category."

In the current scenario, when luxury hotels are finding it tough to put feet between the sheets, the mid-market sector seems to be the driving force for the industry, giving rise to the obvious implication that the luxury segment will take a backseat in the foreseeable future. Apparently not; although hoteliers are bullish today about the midmarket segment, the luxury sector, they feel, will remain intact, as it's in a distinct niche. "The luxury segment has a market of its own and the emergence of mid-market hotels will not deter the luxury loyalists," says Wasan. **Aradhana Lal, vice president, sales and marketing, Lemon Tree Hotels, agrees that it's unlikely for the luxury segment to be phased out as it has a well defined target audience and a loyal customer base.**

Verma is of the view that the luxury segment will always be the choice of the top bracket leisure tourists who travel in style on holiday, as also jet-setting senior business travellers, however, the same segment is willing to downgrade and stay at mid-priced hotels when economic conditions are not favourable.

"There will always be CEOs and heads of state who require luxurious accommodation; in fact, as India gets richer, Indians too will like to go in for luxurious accommodation," sums up Baljee.

It would seem to be the industry's perspective that the luxury segment equals foreign tourists, while the mid-market is aimed purely at the domestic traveller, however, not true, says Manchharam: "The two segments are mutually attractive to both the domestic as well as international traveller."

While it can be speculated that much of the frenetic activity on the part of mid-market players, can be attributed to the imminent Commonwealth Games, hoteliers actually say all the developments, especially in and around New Delhi/NCR, are not entirely targeted to cater to tourist flow during the Commonwealth Games. Manchharam comments: "The Games happen to be an event that will help the demand base for such hotels in this segment."

Baljee says: "We are of the opinion that the Commonwealth Games will only benefit the hospitality industry for a period of a few months prior to, and during, the games. Post that, there is likely to be overcapacity in the NCR region due to the frenetic development activity. Also, a lot of developers are building mid-market hotels due to the tax benefits offered so this will lead to some oversupply in the NCR."

Lal says their entry into this segment is a well planned and chalked out business move. "Commonwealth Games and other similar events only have a short term affect on our revenues, and do not determine the growth and expansion plans in any manner," she says dismissively.

However, hoteliers agree that such events would help in promoting India as a hot tourist destination. Verma says: "The Commonwealth Games is one very good reason to increase India's hotel capacity. The mid-priced category is the safest investment to make in such a situation, as it will continue' to bring in business even after the Games are over."

Wasan offers a similar view: "The Games will definitely help in bringing up sections such as culture, tourism, transport, economic development, and most importantly, hospitality. With people increasingly visiting the country from the world over, there will obviously be a rise in tourism facilities and hospitality as well."

Business opportunities already appear to be picking up. Singapore is bustling with trade activity this time of year, with a Budget Hotel Fair 28-30 Sep, Serviced Apartments Conference 19-21 Oct, and the ITB Asia, 21-23 October; the latter is witnessing an increase in mid-market hoteliers this time. So, are trade fairs a good forum to market and promote one's brand?

The jury is still out on this one, with hoteliers holding differing views. Shariff says participating in trade fairs is only one of the methods, and that there are other options such as news mediums, by which to reach out to a target audience,

while Was an thinks each event holds its own focus, with some giving access to investors, and others to travellers.

Baljee says: "Trade fairs are a good medium for the travel trade primarily, which is for tourists. It benefits both the luxury and the mid-market segments."

"Fairs are certainly a good channel to make world markets aware of a hotel brand. This requires the brand to have a sizeable inventory and at salient destinations. Lemon Tree Hotels is currently building its inventory and presence across India and will soon participate in such fairs," says Lal.

"Most certainly," says Bartz emphatically. "Have your wish lists prepared; B2B events, especially with pre-fixed appointments, allow you to optimise your time and maximise appointments with potential business partners."

"Trade fairs are useful as they expose hotel chains to the travel trade. For the mid-priced segment of hotels, travel agents continue to be important as part of their marketing initiative," concludes Verma.

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