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New Delhi, Jan 26: Taking the foreign hospitality biggies head-on, homegrown hotel companies too are launching new brands to cater to all kinds of customers-right from the rucksack totting budget travelers to the hoity-toity Louis Vuitton luggage types. So while Indian Hotels Company (that owns Taj Hotels and has brands like Exotica, Taj Safaris, Vivanta, Gateway and Ginger) after introducing a new brand architecture last year, is contemplating launching another brand, luxury Hospitality Company Leela Hotels, Palaces and Resorts is also lining up a new upscale brand.

Similarly, Bangalore based Royal Orchid is set to launch a new mid-market brand Regenta and till-now mid-market chain Lemon Tree Hotels has entered the upscale space with its new offering – Lemon Tree Premier. Foreign majors such as Accor and Marriott are expanding rapidly in India and launching various brands in its budget, mid-market, upscale or luxury from their bouquet of global offerings.

Indian players which have dominated mostly the luxury segment are also now following suit expanding their brand portfolio. For instance, Leela Hotels and Resorts which has presence in the luxury space will be launching an upscale brand in next one year, as it expands its footprint in smaller cities.

“It will basically be affordable ‘five-stars hotels’, where costs will be controlled. We wanted to venture into budget space, but then we thought it wasn’t a good idea to nosedive straight from seven-star luxury to budget segment,” explains Captain CP Krishnan Nair, chairman, Leela Hotels. It is not just the foreign factor at play. “For a long time in India, the market opportunity was there only in the luxury space. But as the market is maturing, travelers demand not just a big lobby but some basic standards of hygiene and service,” says Rahul Pandit, president and COO, Lemon Tree Hotels. Lemon Tree which already had budget brand Red Fox and mid-market brand Lemon Tree, has launched the upscale brand Premier. Similarly, with Royal Orchid brand in five star segment and Royal Orchid Central in four-star segment, Royal Orchid Hotels is set to launch its brand Regenta as it opens doors of its Delhi-property.

“To add more brands, one needs to have critical mass and its only now that hotel companies like ours have expanded to that level,” reasons Chender Baljee, chairman and MD, Royal Orchid Hotels. Interestingly his son Arjun Baljee runs a boutique budget hotel chain Peppermint.

As Indian companies are now moving to the asset-light model, it becomes imperative for hotel companies to have more brand offerings as developers might not be ready to invest in luxury. “Developers want cheaper products. At the end of the day it is an investment-based game. Hotel companies have to look at both, what the customer wants and the return on investment,” says Kaushik Vardharajan, managing director, HVS India. While, the cost of development per room of a luxury hotel is around `2 crore, a notch below upscale hotels can be built at half the cost. “But it’s exciting to see how mid-market chains are moving upwards and luxury players moving down, by sheer launch of brands,” adds Vardharajan.

According to a latest report by HVS, of the proposed supply set to enter the market in next five years around 15% is in the luxury space, 30% upscale, 38% in mid-market, 13% in budget and 3% in the

extended-stay market. It's for the first time that the majority of hotel development is happening in the budget and mid-market segment and not luxury.

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