

Hotels

Growing midscale appeal

An expanding middle-class and greater cost control in business travel are fuelling growth in India's mid-market hotel segment, finds Rohit Kaul

Hospitality chains are seeing a clear growth path in India's midscale segment with an expanding domestic middle class fuelling overall tourism growth.

India's travel sector is currently driven by the domestic market, which industry players estimate to be nearly 10 times bigger than the international market.

The country is seeing a travel boom that has translated to increased demand

for midscale hotels, with both Indian and international hospitality players alike expanding their presence to capture the growth.

InterContinental Hotels Group (IHG) is already eyeing deeper penetration into the mid-tier market with its Holiday Inn brand.

"Our Holiday Inn brand family suits the domestic, midscale travel sector very well. We see great opportunities in tier-two and -three cities, and are looking for strategic partners with the right-sized properties and aligned vision," said Sudeep Jain, IHG's vice president, development, South-west Asia.

In fact, 2018 has been a year of expansion for the Holiday Inn brand, which now makes up more than 80 per cent of IHG's pipeline in India.



Holiday Inn Express Gurgaon Sector 50

This was boosted by the partnership with SAMHI last year, which saw the re-branding of about 2,000 rooms and 14 hotels in the latter's Indian portfolio – both operating and under construction – to Holiday Inn Express properties.

"We recently opened the first hotel from our partnership with SAMHI, the Holiday Inn Express Gurgaon Sector 50. We will be opening an additional eight to 10 Holiday Inn Express hotels in the near future," added Jain.

IHG has also signed a deal with Lotus Trans Travel Private to establish four Holiday Inn hotels in the Buddhist Circuit of India.

Rahul Chaudhary, executive director of Nepal-based CG Corp Global Hotels & Resorts, is also sizing up opportunities in the midscale market.

"We look at this segment as an area of opportunity for us and will continue to expand our Fern & Zinc branded properties in India, (as) we expect greater profitability margins from the mid-market segment," said Chaudhary.

"This is because a growing section of the middle class is taking up leisure travel, and (this segment) sees mid-market hotels as a key part of their travel experience."

Greater cost control in business travel, Chaudhary pointed out, has also benefited the mid-market hotel development in India.

Chaudhary added that CG Corp will continue to invest and add more rooms in the midscale segment as long as land and infrastructure costs are competitive. "We expect greater profitability margins from the mid-market segment," he said.

For Sarovar Hotels and Resorts, midscale properties are also favoured as "their smaller scale represent faster breakeven points and less debt exposure," said vice president sales, S Karthikeyan.

The India-based hospitality chain has recently opened a midscale property, Saira Fort Sarovar Portico, Jaisalmer, and has several other midscale openings lined up in Lucknow, Junagarh, Dibrugarh, Bodh Gaya, Jammu, Gorakhpur and Dahisar.

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