

Arrived: Holiday Inn Express

One of the world's largest and most recognisable hotel brands makes its debut in India. *Hotelier India* finds how it promises to meet the needs of the 'smart traveller'

BY SHAFQUAT ALI

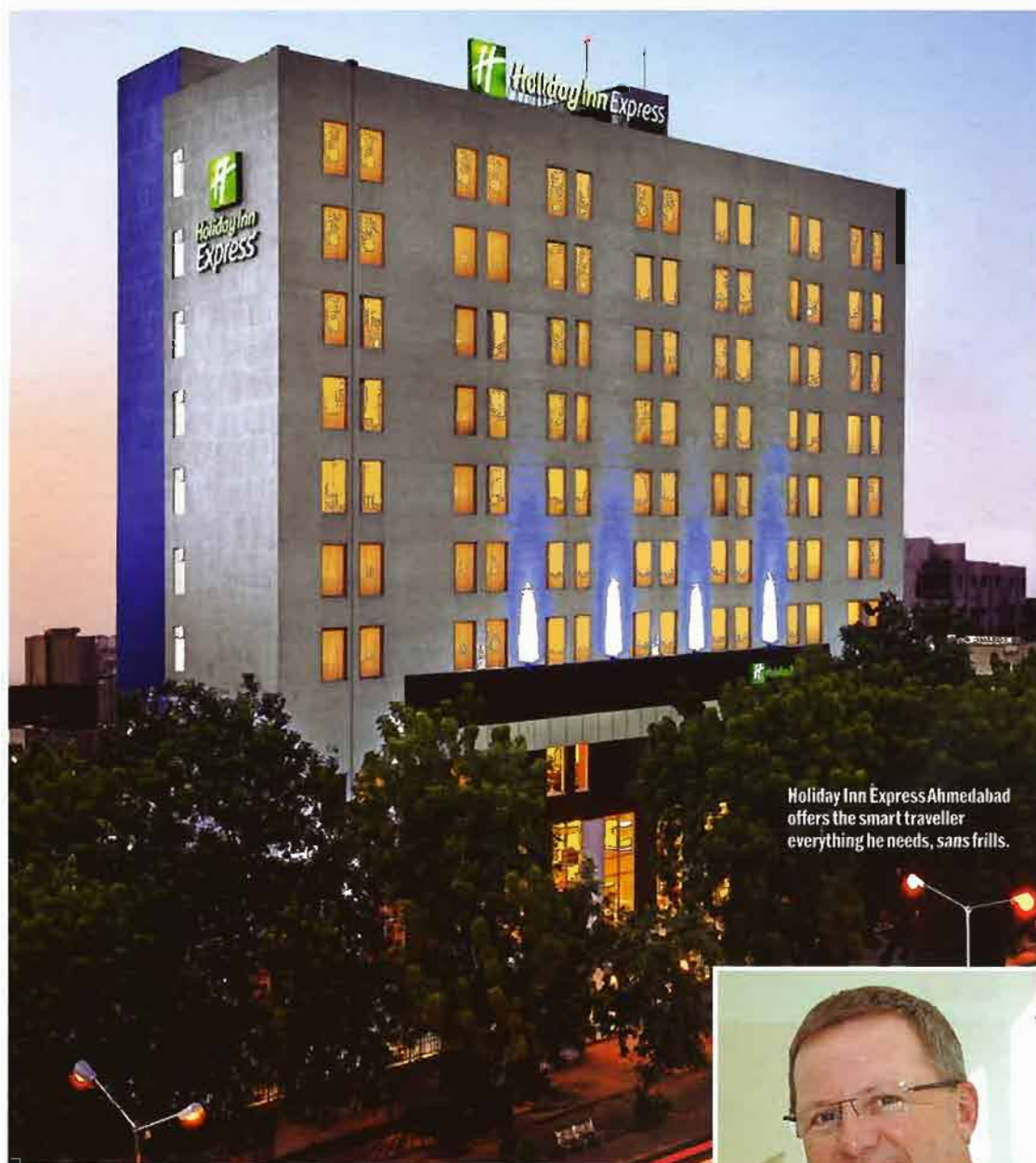
Competition in the mid-market hotel segment just got stiffer. Seeing tremendous headroom for growth — the number of mid-scale hotels is currently just 15 per cent of all hotel rooms in India — increasing demand for more value for money and the potential to expand the limited-service brand, Holiday Inn Express has taken the plunge. The opening of the Ahmedabad property last month marked its foray into the Indian market.

Following its launch, Holiday Inn Express, one of the world's largest and most recognisable hotel brands, will quickly spread its tentacles across the country with 18 other hotels planned across key cities within the next five years.

A joint venture between Duet India Hotels (DIH) and InterContinental Hotel Group (IHG), Holiday Inn Express hotels promises to shake up the Indian market. (While DIH holds 76 per cent stake in the JV, IHG owns 24 per cent equity stake.)

Since the business traveller segment in India has been clocking a compounded annual growth rate of around 13 per cent, it is hardly surprising that the DIH and IHG's partnership is specifically geared towards the mid-market segment.

The mood at the launch of the Ahmedabad property was upbeat as Naveen Jain, president, DIH; Pascal Gauvin, Chief Operating Officer, India, Middle East and Africa, IHG; Douglas Martell, vice president, operations, South West Asia, IHG; were joined by Spence Wilson, son of Kemmons



Holiday Inn Express Ahmedabad offers the smart traveller everything he needs, sans frills.



Pascal Gauvin
COO, India, Middle East and Africa, IHG

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Wilson, the founder of the Holiday Inn brand, to celebrate yet another milestone in the brand's history.

"We had been eagerly looking forward to the launch of our first Holiday Inn Express in India and, today, we are proud to be here," Gauvin told *Hotelier India*, reiterating the company's faith in the Indian market. "As we continue to grow the brand family, we are redefining the mid-scale hotel segment by pairing comfort and convenience with proximity and price," he added.

"The concept of limited-service hotel is somewhat new to India, giving us the incredible opportunity to introduce consumers to high quality, limited-service hotels," said Martell. "A large proportion of corporate travellers in India are mid-level executives and a bulk of leisure travellers are from the middle class. IHG believes that we need to cater to the needs of this segment."

THE EXPRESS EXPERIENCE

Ahmedabad had been carefully chosen for the debut because of the demand for mid-scale accommodation in the city, Martell, pointed out. "As

the capital of one of India's most successful states, Ahmedabad has come into its own as a leading investment destination. It is seeing tremendous economic growth and overall development," he reiterated. "We see strong local demand for branded hotels that people know and trust. If you look at domestic trips, Ahmedabad is one of the cities benefiting from a strong domestic market and a

clear gap exists in the mid-market segment."

He went to add: "To meet this demand and be successful, you have to bring together the right owner, the right brand and the right hotel operator. That's what our partnership with Duet achieves and Holiday Inn Express Ahmedabad is the first step on our journey."

Developed keeping in mind the growing demand for mid-market hotel rooms among business travellers, who increasingly want the

and, eventually, stabilise between 75 and 80 per cent.

One of the key reasons DIH and IHG are optimistic about the numbers is because hotel occupancy rates in Ahmedabad, riding on the boom in automotive, chemical and pharmaceutical businesses in the region, have improved by around 10 per cent this year over last year. Since Holiday Inn Express is targeting business travellers, mid-level executives from these companies are likely to comprise the bulk of

Holiday Inn Express hotels in the pipeline will be to keep operational costs low and room tariffs highly competitive. Towards this end, Holiday Inn Express has cut cost by outsourcing most services, apart from what they consider critical services like direct interaction with customers, to shared services firms.

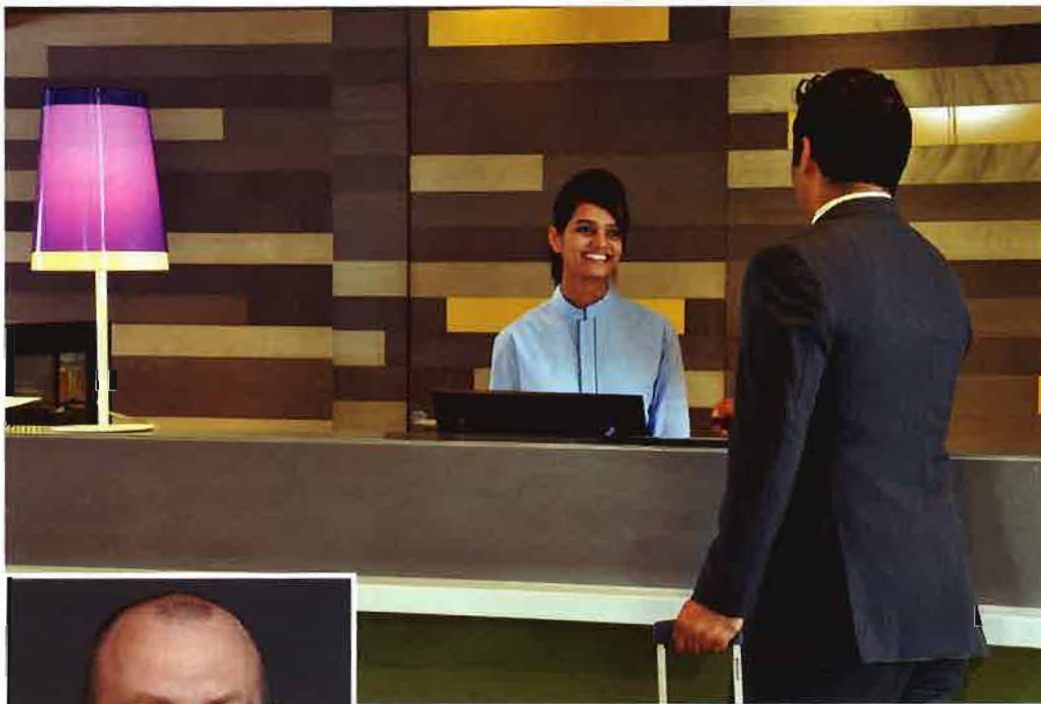
"This has helped us bring down our operational costs by around 30 to 35 per cent. However, this is a model that we follow only for

Holiday Inn Express and not for our other brands," explained Martell. "We are also confident that the clients will value the service the brand provides, namely free wi-fi across the hotel, free breakfast, and good sleep and shower facilities," he added.

In a nutshell, Holiday Inn Express offers the smart traveller everything he needs without the frills. "Guests want a first-rate international experience with all the fundamentals done right, empowering them to be self-reliant and to make the most of their trip," summed up Ranganath Budumooru, the hotel's general manager. "This approach has made Holiday Inn Express successful across

the world, and we're certain this will be the case in India too, starting right here at Holiday Inn Express Ahmedabad."

Duet and IHG have clearly done their homework and, setting the standards for other Holiday Inn Express hotels in India, the Ahmedabad property seems to have what it takes. It is now up to the mid-market traveller to 'smarten' up. ■



Douglas Martell
VP, operations, South West Asia, IHG

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comfort and quality of a trusted global brand but don't see the need to pay for service and facilities beyond what they absolutely need, the 173-room property in Ahmedabad has been built at a cost of US\$16 million.

Even though DIH and IHG expect the Ahmedabad property to start with 50 per cent occupancy, both partners are confident that occupancy levels will soon jump

hotel occupants. So how does Holiday Inn Express Ahmedabad plan to woo executives from these sectors and other 'smart' travellers? Their mantra is simple: offer the smart traveller an affordable alternative to full-service hotels, without compromising on quality.

THE CHALLENGE

By all accounts, the challenge for the Ahmedabad property and other

Express deal

Naveen Jain, president, Duet India Hotels, talks to *Hotelier India* about his company's partnership with Holiday Inn Express, how he has adapted the brand to suit the Indian market and his plans for the future

BY SHAFQUAT ALI

Naveen Jain, president, Duet India Hotels, is a happy man. He raises a toast, grabs the mike and hums before going on to shake a leg or two on the makeshift dance-floor in the lobby of the Holiday Inn Express Ahmedabad.

By all accounts, a beaming Jain had every reason to celebrate: the opening of the Ahmedabad hotel was a success, his investors were pleased and he seemed to have struck the right chord with his new partner, the InterContinental Hotel Group.

However, it's clear that Jain has no time to sit back and rest on his laurels; his work is cut out for him.

He has to move on and, replicating the model of the Ahmedabad property, launch 18 other Holiday Inn Express hotels across key cities in India over the next five years.

No mean task that given that he is starting from scratch – from identifying the right

land to acquiring the property and, finally, to building these hotels according to set standards.

However, in between his hectic schedule, Jain took time out to speak to *Hotelier India* about himself, his plans for Holiday Inn Express and more. Excerpts from an interview:

What are your initial thoughts, having just opened the first Holiday Inn Express in India?

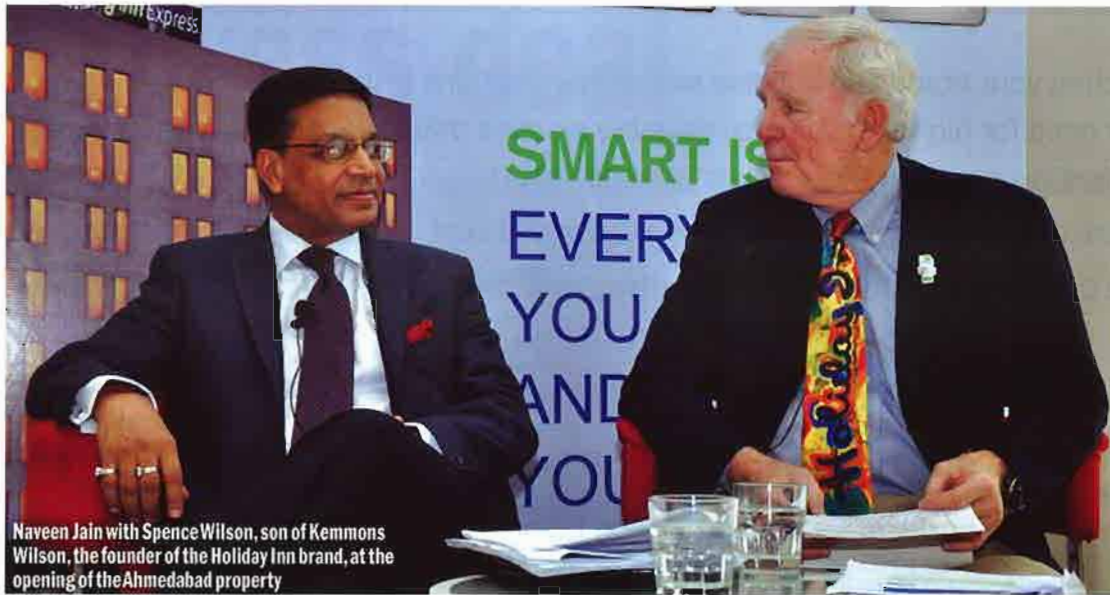
I am delighted that we have accomplished what we set out to do. The hotel has not just met industry standards, but surpassed expectations. Now, we are totally focussed on making this brand a success in India. We have got the right partners and, together, we are committed to providing the business traveller a smart hotel with all the right needs.

Holiday Inn Express Ahmedabad is the first of many hotels we will be opening in the country under this brand, helping meet the need for international standards and value-based hotels.

Why did you choose Ahmedabad for the Holiday Inn Express brand to make its debut?

As the capital city of one of India's most successful states, Ahmedabad has come into its own. That's why we're confident that Holiday Inn

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Express is the right brand to fill the gap in a market dominated by full service, luxury offerings. It's a great new alternative that gives you everything you need at the right price.

As you set out to replicate this model and roll out 18 other Holiday Inn Express hotels across the country, what gives you the confidence you will make a dent?

There is a gap for quality mid-market hotels across India and fulfilling growing demands of these guests will be the business focus. By 2020, India would need around 360,000 hotel rooms and, with a current inventory of 163,000 hotel rooms, there is a gap of around 180,000 rooms that offers huge business opportunity for mid-market hotels. The mid-market hotel space in India offers a compelling investment proposition, with favourable demand-supply dynamics and an attractive build-cost-to-operating-returns equation. Our strategic partnership with IHG gives us the platform to tap into the full potential of this opportunity.

Why did you choose IHG, or more specifically Holiday Inn Express, over other homegrown brands?

As a strategy, we only wanted to be in the mid-scale and upper mid-scale segments. We were not getting into luxury hotels or resorts. Also, we were very clear that we would only work with an international

brand because of the marketing and distribution networks, the loyalty programmes and the overall global experience such brands bring to the table. Also, I believe, only an international brand can bring consistency of service and consistency of product since they really focus on the product and evolve over time. So, as a business traveller, you know exactly what you should expect.

We chose to invest in Holiday Inn Express in particular because it is one of the largest and most recognisable hotel brands in the world with over 2,170 hotels around the globe. There are 37 Holiday Inn Express hotels across Asia Pacific and this will grow to nearly 100 over the next few years, making Holiday Inn Express one of the fastest growing brands in the world.

Are the respective roles of both Duet and IHG cut and dried or is there a certain amount of flexibility?

At Duet, we primarily concentrate

on the property asset – using our expertise to find the right site and building the product. IHG then manage the operation of the hotels on our behalf. The strengths of our two organisations combined will ensure that these hotels succeed.

Having said that, we do not hesitate to give our inputs to customise the product for the Indian market and IHG has been very accommodating. In fact, we have together done a lot of research and homework to adapt Holiday Inn Express to suit the Indian market because 90 per cent of our customers are domestic travellers – foreigners comprise only 10 per cent of our target customers. As such, we have kept in mind the majority of our customers and come up with an Indian model.

Where are you planning to open the upcoming hotels?

After Ahmedabad, we are also looking at other cities in Gujarat, with Vadodara topping the list. Among

others, there are two hotels in Chennai, one in Hyderabad and two in Navi Mumbai that are already in various stages of development. We are also looking at Kolkata, Bengaluru and Goa.

Do you have specific timelines for opening these properties?

The remaining hotels will be opened in the next five financial years. In all, we will be developing over 4,000 rooms.

Where is the investment coming from?

To open Holiday Inn Express hotels across the country, our equity investment together with IHG will be approximately US\$150 million (76 per cent Duet & 24 per cent IHG). Total investments on these hotels will be through a mix of debt and equity – nearly 55 per cent of it will be debt mainly from Indian banks and 45 per cent through equity.

What do you feel will be the biggest challenge as you go about the task of building these hotels?

The biggest challenge would be to keep the costs low. To be able to offer room tariffs between \$80 and \$100, the price at which we acquire properties will be crucial. If we acquire properties for a good price, we can give our investors good returns on investment. From the customer point of view as well, location is all important. Other than that, keeping the projects on track and delivering these hotels on time are other major challenges.

Who, would you say, is your closest competition in this segment?

Among international brands there is Ibis; among domestic brands, you could say the Lemon Trees of the world. But, with Holiday Inn Express, we are determined to set the standards and raise the bar in the mid-scale segment.

As you move full steam ahead, have there been disagreements with IHG?

Duet and IHG work together on most aspects of property development. Disagreements are resolved since both sides have professional hoteliers and this brings in lot more strength to what we do together. ■

“ **TOGETHER WITH IHG, WE HAVE DONE A LOT OF RESEARCH TO ADAPT HOLIDAY INN EXPRESS TO SUIT THE INDIAN MARKET. SINCE 90 PER CENT OF OUR TARGET CUSTOMERS ARE DOMESTIC TRAVELLERS, WE HAVE COME UP WITH AN INNOVATIVE INDIAN MODEL** ”