

# Hospitality

## Overview of the industry



### Revenue & Cost Drivers

Revenue Segments	Cost Segments
Room Tariffs	Consumable Materials
Food and Beverage	Employee Salaries
Events (Conferences, Exhibitions etc)	Renovation and regular maintenance

### Growth Drivers and Challenges

#### **GROWTH DRIVERS -**

- **Govt. Initiatives:** Swadesh Darshan Scheme 2.0 to promote 15 tourism states; 'Dekho Apna Desh' initiative; states encouraged to open Unity Mall and sell ODOPs (One district, one product)
- Rise of novel tourism types like medical tourism (Indian Medical Visa in 165 countries, 'Heal in India' initiative), Adventure tourism (including Lighthouse tourism), Rural and Eco-Tourism
- Rise of "revenge travel" post Covid-19

#### **CHALLENGES -**

- Industry yet to recover fully from closures and debt accumulation incurred during the pandemic

### Industry Metrics

<b>Industry Structure</b>	<ul style="list-style-type: none"> <li>• Fragmented; Top Premium/Luxury Hotels in India – Marriot, IHCL (Taj), ITC, Hyatt, Oberoi</li> </ul>
<b>Recent Updates</b>	<ul style="list-style-type: none"> <li>• Marriot announced expected openings of 35 new luxury hotels worldwide in 2023</li> <li>• IHCL installed 224 EV charging stations in 92 Indian properties to meet its ESG goals</li> </ul>
<b>Key Performance Indicators (KPIs)</b>	<ul style="list-style-type: none"> <li>• <b>Occupancy Rate</b> - Percentage of total rooms that are occupied</li> <li>• <b>Average Room Rate (ARR)</b> - Total room revenue divided by number of rooms sold; can indicate insights on pricing strategy</li> <li>• <b>Revenue per Available Room (RevPAR)</b> - Total room revenue divided by total number of available rooms; reveals insights on pricing and occupancy simultaneously</li> </ul>
<b>Industry terminologies</b>	<ul style="list-style-type: none"> <li>• <b>Online Travel Agency (OTA)</b> - A platform where hotel and travel services are booked</li> <li>• <b>MICE</b> - An acronym for Meetings, Incentives, Conferences, and Exhibitions relating to the business events industry</li> <li>• <b>B&amp;B</b>- Small lodging accommodation which offers Bed and Breakfast</li> </ul>

# Hospitality In-Depth Analysis

## An Attempt to give future consultants a better idea of the industry



### Porter five forces

- **Bargaining power of suppliers** –Moderate; property owners, staff play a key role but typically smaller in size
- **Bargaining power of buyers** – Moderate; high price sensitivity in customers (barring premium loyalty programs)
- **Threat of new entrants** –Low; high entry barriers owing to high investments, fixed costs, and regulations
- **Threat of substitutes** – High; growing popularity of online services like Airbnb and Couchsurfing, low switching costs
- **Competitive rivalry** – High; concentration of large players in premium segment, high inventory costs of unoccupied rooms; intensifying demand



### PESTLE

- **Technology** –Trends include near field communication (NFC) (for easy payments), delivery robots, cloud kitchens
- **Environment**: Higher ESG awareness promoting 'Green Key' certifications, govt. opening 50 eco-tourist spots for G20
- **Social**- Popularity of "Bleisure"- joining business with leisure



### Industry Specifics

- **New age accommodation**– Increase in peer accommodation like homestays, BnBs, and cabins, especially in non-urban spaces
- **Tussle with OTAs**–OTAs such as Booking.com and Agoda charging up to 25% in commissions to influence hotel visibility
- **Asset Management Strategy**- Asset light business models like Franchising to fuel expansion and reduce risk after Covid-19
- **Rise of Leisure and Wellness Tourism**- Domestic demand driving workcations and staycations; New wellness brand- SIRO launched
- **Rising International Travel**- Relaxation of travel restrictions along with G20 and Cricket World Cup to increase international travel
- **Increasing investment**- Premium Waldorf Astoria hotels to enter India; INR 1.1k cr investment into Lalit Hotel's 'Bharat Hotels'



### Market Segments

- **Accommodation**- Hotels, rentals, motels and lodges
- **Food & Beverages**- Restaurants, cafes, and bars
- **Recreation & Entertainment**- Ancillary services like spa, pool etc.
- **Travel & Tourism**- Tour operators, guides, transportation, travel planning



### BUSINESS MODELS

- **Independent/Owner operated**- Operated by an independent owner with full control, unaffiliated with any brand
- **Franchise model**- Hotel owners retain some control and pay a franchise fee to the hotel management brand to use brand, IP, etc.
- **Managed**- Hotel management brand directs day-to-day decision making in a third-party hotel; hotel owners have lesser control
- **Leased and Strata titled model**- Hotel business owner leases from one or many freehold owners who have little say in operations
- **Brand Operated model**- Completely owned and operated by a hotel brand

**Further Reading:** [IBEF Report](#)