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'MAKE IN INDIA'
India's Next Big Leap

Patu Kewani
Chairman & Managing Director
On How He Built Lemon Tree into India's 3rd Largest Hotel Chain

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While driving past the busiest Hitec City Main Road in Hyderabad, it is hard not to notice two tall and beautiful buildings, tucked between the picturesque TCS Deccan Park campus on one side and a slew of giant offices of several MNCs on the other, wowing onlookers with their captivating designs and magnificent structures, which truly reflect Hyderabad's growing stature as a vibrant and growing city as well as its rich cultural heritage. The twin buildings, located side-by-side, also reflect the growing stature and amazing rise of a group on India's hospitality map. They are Lemon Tree Premier hotel and Red Fox Hotel, owned and operated by India's fastest growing hospitality chain, The Lemon Tree Hotel Company.

In a span of just 12 years, The Lemon Tree Hotel Company has emerged as the third largest hotel chain in India by owned rooms. And one man who has single handedly catapulted the group into the hospitality industry's big league is none other than its Chairman and MD, Patanjali Keswani. Keswani, fondly called 'Patu' by many, has been the main driving force behind the hospitality group's phenomenal success. Patu, an IIT Delhi and IIM-C alumnus, began his career with India's Tata Group where he joined as a trainee with the TATA Administrative Service (TAS) in 1993 and worked his way up to becoming the Senior Vice President and Chief Operating Officer of the Tatas-owned Taj Group of Hotels. After serving Tatas for 15 years, Patu moved to AT Kearney where he worked as Director of the global consultancy's India operations. However, Patu knew his true calling was lying somewhere else - hospitality. In 2002, he took the entrepreneurial plunge with the launch of Lemon Tree Hotels and the rest, as many industry veterans say, is history. In a little over a decade, this maverick leader has transformed The Lemon Tree Hotel Company from a single hotel company into a giant group which owns and operates 26 hotels across 15 India cities with 3000 rooms and over 3000 employees.

But it's not just growth that alone drives Patu. In fact, there are several other qualities this young and charismatic leader possesses which make him stand out. A quality that needs special mention is his vision for creating an equal opportunity organization that has seen Lemon Tree emerge as one of the few business enterprises in India which offer employment opportunities to differently abled people or people with disabilities. Today, these employees make up around 10 per cent of the group's 3,000 strong workforce. In 2011, Lemon Tree Hotels won the National Award by the President of India for 'Best Employer of Persons with Disabilities', the next year it won the National Award for 'Role Model in providing a Barrier Free Environment to Persons with Disabilities'. Another unique thing about the hospitality group is its initiative to have a dedicated floor for women guests in most of their hotels, probably another industry first.

But Patu is not the one to rely on the past laurels. He has now set his eyes on the next phase of growth for his hospitality empire, which could also see it making its international foray as well. In an exclusive interview with The Global ANALYST, Patu talks about what drives him, the unique positioning of his hotel brands, his growth strategies and his future plans.
At the outset, let's first congratulate you and Lemon Tree Hotels on emerging as India's 3rd largest hotel chain, in terms of owned rooms. How does it feel on having touched such a significant landmark, despite being a new entrant to the industry (the Group is barely over a decade old)?

It feels great although to quote the poet Robert Frost - "We have miles to go before we sleep..."

- Lemon Tree Hotels Group has a presence across the value spectrum - from upscale to economy class. What has been the idea behind such a diversification strategy?

While we were the pioneers in the midmarket space, our attempt is to now reach out to hotel guests from economy to upscale. While Red Fox Hotels are positioned as economy hotels, Lemon Tree Hotels continues to target the midscale business traveler. We have also identified a category of guests who desire a value-for-money alternative to deluxe brands and are attempting to meet this need with our upscale Lemon Tree Premier brand which is positioned as a Lemon Tree 'plus' product-service combination.

- What distinguishes the Group from the industry peers?

Apart from being fresh, fun and spirited, what distinguishes Lemon Tree is our geographical diversity, multiple brand offerings in the same city and the speed with which we develop hotels.
What are the efforts the Group has made to stay ahead of the rivals? What new initiatives have been launched, of late?

Our main focus is on exceeding guest expectations through a combination of very attractive pricing and genuinely warm service.

For instance, we recently launched a 100 per cent Money Back Offer for our guests. This exciting offer was designed in line with our ‘value-for-money’ philosophy and allows guests to avail full money back on their stays at all our properties, pan India.

Also, tell us about your Group’s major loyalty programs such as ‘free room nights earning rewards program’. How do these loyalty programs make a difference?

The Lemon Tree loyalty program was re-launched as Lemon Tree Smiles in 2013. This program, best-in-class rewards, also provides a personalized experience to our members, almost 35 per cent of our hotel guests are repeat visitors. Loyalty programs go a long way in customer expansion and retention. They incentivize a guest to come back to that hotel chain over and over again, and also generate a lot of referral and word of mouth publicity. The corporate leg of the rewards program for our trade partners is under process and will also be re-launched shortly.

A new concept, ‘Staycation’ seems to have been catching up with both the customers as well as the industry. What has been your strategy to capitalize on this emerging opportunity?

Today, ‘Staycations’ are gaining popularity because of various reasons as customers juggle with either shortage of personal time or avoidance of travel time, and so take advantage of the stay options available in their own city. Most staycationers enjoy spending time in the confines of a hotel looking for engagements and activity within the hotels premises. Lemon Tree hotels have been designed with fresh and bright interiors to help such guests unwind. Our hotels offer a 24x7 multi-cuisine coffee shop, a recreation bar, specialty restaurant (in most hotels), a fitness center, a swimming pool and spa (in some hotels), as well as a business center, meeting rooms and state-of-the-art conference halls. To add to this, the humor in our public areas helps lighten the mood and creates a fun and refreshing environment for our guests.

With the global economic recovery gaining momentum, and also, with the turnaround in the domestic economy already in place, do you think that it would give the much needed boost to the tourism industry, and hence the hospitality industry, internationally?

More than the US economy recovering, we are very happy to see the tailwinds of economic recovery here in India primarily because of the positive sentiment that the new government has brought with it. Their perspective and initial focus on the tourism and hospitality industry is very good news for us.

According to some observers, the hospitality industry can expect both the occupancy rates and revenues to grow in higher single digits, beginning with the current fiscal. What is your view?

In my opinion, the remainder of this year will only see limited occupancy growth with minimal rate increases, but in the next year there will be both occupancy and rate growth.

How do you foresee supply additions in the next couple of years? How will this impact industry’s profitability?

We expect 8-9 per cent supply addition, every year over the next 3 years, which is well below the expected growth in demand. This in turn will reduce the supply overhang that exists presently, and will change the demand-supply dynamics in favor of hotels rather than guests over the next 2-4 years.

What are your growth plans in the next five years? Are you also looking at acquisitions/takeovers to fuel your Group’s growth?

Over growth plans envisage both green field and brown field projects. Lemon Tree currently owns and operates 26 hotels in 15 cities aggregating 3000 rooms with over 3000 employees. We are currently the 3rd largest hotel chain in India by owned rooms. By 2018, we will own and operate over 8000 rooms in 60 hotels across 30 major cities of India including Ahmedabad, Aurangabad, Bengaluru, Chandigarh, Chennai, Coimbatore, Dehradun, Ghaziabad, Gurgaon, Goa, Hyderabad, Indore, Jaipur, Kolkata, Muhamma (Kerala), Mumbai, New Delhi, Pune, Shimla and Udaipur to name a few.

Finally, do you also intend to enter overseas markets, going ahead?

While we are presently very focused on India and want to consolidate our position here, we do have plans to penetrate key cities internationally which see high footfalls of the Indian traveler.