

Branching out

Rattan Keswani, chairman of Carnation Hotels, on his plans for his new role as deputy MD of Lemon Tree Hotel Company

By Babita Krishnan

Lemon Tree hotels have come to symbolise fresh, fun and spirited, making them one of India's fastest-growing chains of up-scale business and leisure hotels. Since its inception in 2002, the Lemon Tree Hotel Company has made a big difference to the expectations of a business traveller. The hotel brand, along with its management arm, Carnation Hotels Pvt. Ltd, has become a force to reckon with. With Rattan Keswani as its new deputy managing director, the group can only look at things getting bigger and better.

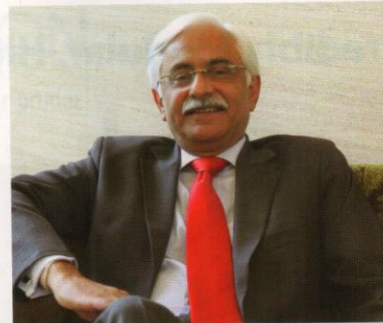
A hotelier for over 31 years and an alumnus of the erstwhile Oberoi School of Hotel Management (now Oberoi Centre of Learning & Development), Keswani has worked across various hotels in India and overseas. Prior to joining the Lemon Tree Group, he was president of Trident Hotels. Keswani joined the Lemon Tree Group in 2012 as chairman of Carnation Hotels Pvt Ltd, a company he jointly promoted as the management arm of the group. While he will continue to play this role, he also assumed the role of deputy managing director at Lemon Tree Hotel Company from the beginning of this year.

Known within the industry circles for his keen observations on the industry, Keswani, in his new role, expects the prolonged economic downturn to continue and the environment to remain challenging for the next 10-12 months. With all eyes on the results of the forthcoming elections and whether India gets a stable government, he feels that the local and global business confidence is critical otherwise the industry may be in for a longer 'pain' period. "We see some signs of improvement from the US business over the past few months, which is heartening. The geo-political scenario in Europe still remains a concern. We hope there is a positive impact on tourist arrival this year if the visa-on-arrival policy is implemented in time for the peak season," he observes. But how much of this would impact the development scenario in India?

According to industry studies, of the supply under development for the past few years, nearly 70% is already in place. Keswani believes that the economic stress in the last few years has ensured that relatively few developers have started construction in the last couple of years. "I believe that new develop-



● Lemon Tree has come to symbolise fresh and spirited hospitality.



● Rattan Keswani.

“ A positive change in the European scenario could see increasing international business traffic to India.”

ments will probably start once occupancies and rates recover significantly. The next couple of years will see some new hotels open across most key markets in India, but the pace of new growth will be muted," he feels.

But the segment that will see the most expansion is undoubtedly the mid-market and economy hotel segments. The Indian business traveller has, over the last few years, become aware of the segment and the product-value paradigm they offer. The hotel developer, too, has begun to appreciate the higher return on capital this segment can offer. "They cost less to build, take lesser time to stabilise and have operating costs that are less than half of their luxury counterparts," comes the veteran's observation. It is easier to develop these hotels in tier II and tier III destinations and ensure their profitability. And as the major cities begin to get saturated, development will be led by the mid-market hotel segment in tier II and III cities. But how will the Indian brands ensure their share of the pie?

"I firmly believe that for most Indians 'Atithi Devo Bhava' isn't just lip-service, we live it. Indian brands tend to develop their brands around this ethos and are just a little better placed to address the varied needs of different type of Indian customers," Keswani reiterates.

In addition, an intrinsic Indian brand tends to be more attractive to Indian travellers, purely because of the ability to customise their product/service to address the needs of Indian travellers irrespective of their demographic origin. This gives Indian brands the ability to be better placed to handle recessionary conditions as compared to the foreign counterpart. Economic cycles have a lower impact on domestic business and leisure travel.

But what role does the 'star system' play in swaying the Indian traveller? Keswani feels that the guests are far



● *Lemon Tree will have a mix of business hotels and resorts.*

“ By 2015-16, Lemon Tree will own over 4,000 rooms across 28 hotels in the country.”

better informed due to the web and other social media influences. They are value and service driven. “Selection of a hotel is based on convenience and personalisation than ego. The influx of international brands has actually helped sharpen the focus on brand offerings. Forums like TripAdvisor, travel blogs, etc. keep guests informed about the quality of service, so guests are not necessarily swayed by the number of stars a hotel has,” he says.

Star ratings are not necessarily commensurate with service levels, as most evaluation parameters are product based. “Therefore in the information age, consistency, service levels and distribution will always trump star categorisation. As Indian market matures, the ‘star’ rating will need redefinition,” Keswani believes.

In his new role, Keswani wants to create strategies to strengthen the position of the group. “We should grow at CAGR of close to 45% over the next five years in terms of room supply. We have a line of sight to be close to 6,000 owned rooms across 23 cities in India by 2017. This does not include hotels that we will add under management. We hope to capture 10% of the mid-market supply in India,” says the deputy MD. Additionally, the group will continue to focus on service delivery and ensure that it is consistent with the brand promise. He plans to strengthen and grow the rewards programme – Lemon Tree Smiles – which, according to him, has been extremely well received since its inception.

In the future, Lemon Tree shall offer a healthy mix of business hotels and resorts. “Our rewards programme will capture guests through their entire lifecycle. If we are successful, the growth in purchasing power and aspirations will ensure that guests move through our brands,

Red Fox Hotels to Lemon Tree Hotels to Lemon Tree Premier and remain loyal ambassadors of our brand,” he says. “We will continue to focus on retaining and growing talent within our system to ensure that every employee is a brand custodian through better exposure, quicker growth and accreditation programmes. These will sharpen our delivery and success for our team members.”

HVS in 2013 placed the total number of hotel rooms at around 94,000 in the major Indian markets. Of this, Lemon Tree owns and operates 2,800 rooms which makes up about 3% of the total supply. The group’s share in the mid-scale/economy segment (Lemon Tree Hotels and Red Fox Hotels) is far more significant and it owns close to 8% of the supply.

“We’re presently building about 1,100 rooms across eight hotels and have identified another 1,500 rooms for development. We have the capital to complete all of this development. Most of these are in tier I cities with high cost of land and therefore the number of Lemon Tree Premier’s within our portfolio will increase over the next few years,” he reveals.

The group targets to have close to 8,500 rooms between owned and managed hotels by 2017-18. “In the long term, we see Red Fox Hotels being the main driver for growth especially as we expand in Tier II and III cities and pilgrimage locations. We’re also extremely excited about our new resort offerings which will enter the market over the next few years,” says Keswani.

Revealing the social commitment of the brand, Keswani explains that a major thrust area for Lemon Tree Hotels will continue to be on the efforts to empower people who are physically and economically disabled. Currently over 8% of the team members are speech, hearing or vision impaired, orthopedically challenged or from economically backward sections. “Our aim is to take this number to over 15% of the total team strength,” he says.

Excited about his new role, Keswani is looking forward to an exciting journey with “the fastest growing chain of hotels in its category and among the most awarded as well”. The Lemon Tree group operates three brands – Lemon Tree Premier (upscale), Lemon Tree Hotels (midscale) and Red Fox Hotels (economy), and currently owns and operates 24 hotels in 14 cities aggregating 2,800 rooms with 3,000 employees. This speedy growth has made the group the third largest by owned rooms with venture capital participation from global private equity firm Warburg Pincus, diversified Japanese financial institution Shinsei Bank, one of India’s first private equity funds Kotak Realty Fund and Dutch pension fund asset manager APG.

With his vast experience and deep knowledge of the nuances that make a successful brand, Keswani is sure to add more feathers to the ones that already adorn the Lemon Tree cap. ■