



COMPANIES  
**Travel & Leisure**

FT Home > Companies > Retail & Consumer > Travel & Leisure

## Indian hotels seek to meet guests' demands

By Amy Kazmin

Published: April 25 2011 01:20 | Last updated: April 25 2011 01:20

With a bright, airy lobby decorated with colourful seating and stained-glass installations, the Lemon Tree Gurgaon promises cost-conscious travellers a respite from the hustle of a busy New Delhi satellite city.

With pleasant – if small – rooms, a gym, a swimming pool and a coffee shop, the hotel offers all the basic amenities – at a price 30-50 per cent less than the area's many luxury hotels.

### - EDITOR'S CHOICE

- [The Four Seasons finds room for growth](#) - Apr-24
- [IHG to develop Holiday Inn Express in India](#) - Apr-06
- [Lombard: M&B and IHG / Takeover Panel / Greggs](#) - Mar-16
- [Hoteliers cautiously upbeat as rooms fill](#) - Mar-29
- [Incoming IHG chief reiterates strategy](#) - Mar-16
- [Buoyant IHG hails 'sharpest rebound'](#) - Feb-15

Little wonder that Lemon Tree Gurgaon – one of 17 properties run by the seven-year-old, New Delhi-based Lemon Tree chain – is running about 70 per cent full, popular with both foreign and Indian business travellers.

"In India, you have two distinct classes of hotels – deluxe properties, which compare very well internationally, or bottom of the pyramid, where the basics of the business – security and hygiene – are not guaranteed," said Rahul Pandit, Lemon Tree's chief operating officer.

"There is a wide space in the middle – we occupy this space."

India's growing market for clean and decent, yet affordable hotel rooms is now attracting plenty of international attention too, with global hotel groups such as **Accor**, **Marriott** and **InterContinental Hotels** all rolling out new mid-price chains to cater to India's fast-growing domestic travel market.

India's **Taj Group**, long a byword for luxury, has also established **its own budget chain, Ginger**, with 24 properties.

India's hotel market is like "flying an airline with more business class seats than economy", says Mr Pandit.

Of the country's 135,000 formal-sector hotel rooms, about half are in the four- or five-star category, with prices upwards of \$150 per night – out of reach for most Indian travellers.

The picture is very different in China, where a bevy of domestic chains such as Home Inn, 7 Days Inn, and Motel 168 – some backed by western private equity groups – have created a highly competitive market for budget accommodation.

New value offerings are expected to find strong response in India, where 70 per cent of all domestic airline flights are on budget carriers, but **the number of domestic airline trips has risen** from just 10m in 1990-91 to 52m last year.

"The middle class is growing at an extremely rapid pace and they want to travel, but they are conscious about spending," said Rajeev Menon, Marriott's vice-president for India.

"It makes perfect sense to be coming up with an array of brands which could cater to different market segments."

Marriott has just unveiled a joint venture with Sahmi Hotels, an India-focused investment fund, to introduce its mid-range Fairfield brand in India. Sahmi is raising around \$150m for the venture, of which Marriott will invest 30 per cent.

Mr Menon said Marriott decided to make the unusual direct investment to help facilitate a speedier rollout, with a goal of 12 to 24 Fairfield properties in India by 2015. "If you can get a few of these up in strategic locations across India fairly quickly, it allows the consumer to connect quickly with the brand," he said.

InterContinental Hotels is investing \$30m for a 24 per cent stake in a joint venture with Duet India Hotels Group to establish 19 of its **Holiday Inn Express hotels** in the country by 2016.

### DEALS & DEALMAKERS

While mergers and acquisitions in Europe and the US have seen a faltering recovery since the financial crisis, Chinese dealmaking is evolving fast, creating new opportunities and challenging preconceptions. Part five of the Deals & Dealmakers series investigates the outlook for M&A in China and beyond.

[More](#)



### LATEST HEADLINES FROM CNBC

- [Fast Money's Line-Up for the Week of April 25th](#)
- [Week Ahead: New Transparency at the Fed and a Gusher of Earnings](#)
- [Won Wafts Higher, Dollar Droops](#)
- [5 Questions With Volvo Cars CEO](#)
- [Start Positioning for Inflation, Buy US Banks: Strategist](#)

[More](#)

Jobs    Business for sale    Contracts & tenders

SEARCH

**Global Business Unit Controller**  
Global Entrepreneurial Group

**RECRUITERS**

FT.com can deliver talented individuals across all industries around the world  
[Post a job now](#)

**RELATED SERVICES**

<a href="#">FT Lexicon</a>	<a href="#">MBA-Direct.com</a>
<a href="#">FT Bespoke Forums</a>	<a href="#">FT Newspaper subscriptions</a>
<a href="#">Market research</a>	<a href="#">FT Diaries</a>
<a href="#">Growth companies</a>	<a href="#">FT Conferences</a>
<a href="#">Corporate subscriptions</a>	<a href="#">FT Syndication services</a>
<a href="#">Luxury Travel brochures</a>	<a href="#">The Non-Executive Director</a>
<a href="#">Analyst Research</a>	

Of foreign hotel groups, **Accor has made the biggest financial commitment to India**, with an investment of \$250m, mostly for developing moderate-price and budget properties.

It has a 50-50 joint venture with InterGlobe, the parent of popular Indian low-fare carrier IndiGo, to expand the Ibis brand in India. Accor is also building 10 of its budget Formule 1 hotels, which the French company will wholly own.

"We are very serious about having an expansive network, and we tend to believe to get them right, in the beginning you need to invest, to discover, to test your products," said Evan Lewis, Accor's vice-president of communications in Asia-Pacific.

Catering to Indian guests is not as easy as replicating successful western formulas. Given the poor state of infrastructure and limited dining options, even cost-conscious Indians travellers expect to be able to get full food service, or relax at a bar inside their hotels after a busy day outside.

"Indian consumers want it to be affordable, but they want to be chic and have all the bells and whistles," Mr Lewis said.

Accustomed to household help at home, most Indian middle-class travellers also see room service as a basic essential, rather than as part of a luxury environment.

As global hoteliers learn what it takes to satisfy their price-sensitive Indian guests, Lemon Tree, backed by private equity firm Warburg Pincus, is expanding, aiming for 54 Lemon Trees, and 118 of its budget properties, Red Fox, by 2020.

Copyright The Financial Times Limited 2011. You may share using our article tools. Please don't cut articles from FT.com and redistribute by email or post to the web.

[Print article](#) [Email article](#) [Clip this article](#) [Order reprints](#)

[Twitter](#) [Digg](#) [LinkedIn](#) [Delicious](#)  
[reddit](#) [BX](#) [Facebook](#) [stumbleupon](#) [Viadeo](#)

#### ▼ MORE FROM THIS SECTOR

[Visitor attractions bank on good weather](#)  
[Hospitality sector cautious of 'bonanza'](#)  
[The Four Seasons finds room for growth](#)  
[Cinemas price seen as fantasy](#)  
[Favourable football results lift William Hill](#)  
[League takes over Los Angeles baseball team](#)  
[Regulator to query Johnson on pensions](#)  
[News Corp considers joint bid for F1](#)  
[Deutsche Bahn Arriva eyes £2bn spending spree](#)  
[Listed poker sites gain winning hand](#)

Advertise with the FT [Media centre](#) [FT Newspaper subscriptions](#) [FT Conferences](#) [FT Syndication](#) [Corporate subscriptions](#) [FT Group](#) [Careers at the FT](#)  
Partner sites: [Chinese FT.com](#) [The Mergermarket Group](#) [Investors Chronicle](#) [Exec-Appointments.com](#) [Money Media](#) [The Banker](#) [fDi Intelligence](#) [MBA-Direct.com](#) [The Non-Executive Director](#)  
© Copyright The Financial Times Ltd 2011. "FT" and "Financial Times" are trademarks of The Financial Times Ltd. [Privacy policy](#) [Terms](#)