HVS Monday Musings: Brand Conversions – an Untapped Opportunity in Indian Hotels Sector

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Hotel rebranding or conversion has been a growing trend in the Indian hotels sector. As a result, over the past five years more than 230 hotels in the country have been converted either from a standalone property to a brand or migrated from one brand to another. However, the rate of conversions has not increased much during this period. Brand conversions still constitute only 20-25% of the total signings in the country.

We expect hotel conversions, particularly standalone hotels joining larger brands, to gain considerable momentum in the next couple of years as both hotel owners and brands consider this proposition to tide over the current downturn.

From the hotel brand company's standpoint, conversion is a lesser risky mode of expansion compared to a greenfield or brownfield project, which have larger gestation period and can be marred by construction delays. In fact, in the last few years, hotel brand companies have created soft brands to facilitate the conversion of independent and boutique hotels that do not conform with their traditional brand standards. Meanwhile, the brand affiliation will help the hotel owner to improve the visibility of the property, resulting in higher occupancy and better financial performance.

Moreover, traveller preferences have evolved in the last one year, with health, cleanliness & hygiene being their top priorities. In this scenario a larger number of travellers now prefer to stay at branded properties as they trust them to be 'safe'. Standardised protocols implemented across their portfolio by different hotel chains give the guests a sense of confidence due to the consistency in hygiene standards.

As a result, independent hotels are likely to join brands to leverage their global distribution channels, marketing platforms, high-tech booking systems, and most importantly brand awareness, brand loyalty, guest confidence and trust. Conversions will be a win-win situation for both the hotel brand companies as well as owners, as it bridges the gap between the brand's expansion plans and the owner's cost concerns in the COVID era. Financial incentives to owners coupled with certain changes in the management agreements can further fuel the growth

Summary

Hotel conversions are expected to increase in India in the next couple of years as both hotel owners and brands consider this win-win proposition to tide over the current downturn.

Comments

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of conversions in the country.

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