

HVS Monday Musings: Crystal Gazing into 2021 – Top Trends

📅 January 3, 2021 / 👤 By Mandeep S Lamba , Dipti Mohan



The year 2021 will be a crucial year for the hospitality sector as it emerges from the disruptions and embarks on the path to recovery. We expect demand to improve considerably in 2021, as people make-up for the lost time and give-in to their pent-up desire to travel. However, hygiene, cleanliness and safety will continue to be their top priorities, as it has become a way of life in the post-COVID world.

Domestic leisure travel, particularly to motorable and previously unexplored destinations, will continue to show a steady increase in 2021. Meanwhile, corporate demand will remain subdued, at least in the short term, as virtual meetings have become a norm and corporates will continue with their cost-cutting measures, including reducing discretionary travel. We expect India-wide occupancy to improve to 55-58% in 2021, which will push RevPAR to INR 2,500-3,000 during the year. Rate pick-up for luxury business hotels is likely to be the slowest and for luxury leisure will be the fastest.

Here are the key trends that we expect to see more of in 2021.

1. Hotel supply trends: Prior to COVID-19, over 11,500 rooms were expected to be added to the supply in 2021. However, it is **unlikely that hotel projects will be back in full swing** in the near term, resulting in subdued supply growth. Some stalled projects are likely to start gradually and we now expect only 20-25% of the anticipated supply to come into the market, with the rest being postponed to 2022 and beyond.

Having said that, we expect **branded supply to grow** as an increasing number of independent hotels are likely to join brands to leverage their guest confidence & trust in the COVID era. **Franchising is expected to see more traction**, as it provides a win-win growth model with lesser risk for both hotel brands as well as asset owners.

A few hotels may also consider repurposing as co-working and boutique office space.

2. Mixed-use developments: This is going to be the most sustainable model for hotels going forward as they leverage the best of each asset class, while hedging the risks for the investors and enhancing the overall experience for the guests. These projects provide better returns to investors by maximizing land-use efficiency, utilizing FSI optimally and lowering capital costs, thus, improving the viability of the hotel project.

3. Ancillary revenues will be a key focus area: The ongoing crisis forced the hospitality sector to find innovative ways to utilize their assets, in the process opening newer ancillary revenue streams. Hoteliers – having realized the true potential of ancillary revenues in improving the topline – are likely to follow the aviation industry's lead, making every enhancement in customer experience payable and not gratis, as the industry has been providing for time immemorial.

4. Outsourcing of F&B spaces in hotels to independent operators to increase: Hoteliers will reimagine F&B by outsourcing hotel outlets to standalone marquee restaurants that had made their mark in the pre-COVID era but are now facing an existential crisis post-COVID. This model can be beneficial for both the stakeholders, as hotels get an opportunity to win-back the customer share they lost to standalone restaurants over the last few years, while the restaurants get an opportunity to renew operations and benefit from captive clientele as hotels

Summary

This article highlights some of the key trends that we expect to see in the Indian hospitality sector in 2021.

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get back to normalcy.



5. Vacation Home Rentals to become one of the fastest growing segments: Traveller & guest preferences have evolved significantly in the last one year, with hygiene, cleanliness, safety, and privacy becoming their top priorities. People will prefer smaller, independent, and contained spaces, which will be considered 'safe havens' for travel, specifically in the upper-upscale category. These evolving preferences will lead to the growth of Vacation Home Rentals in the country, especially when the segment develops and professionalizes further, as they provide guests additional privacy and better value compared to a hotel.

6. Technology will bring fundamental changes in hotel operations: Keyless/mobile check-in and check-out, digital menus and contactless payments have become the standard today. Technology adoption for hotels post the COVID impact will be at a much faster pace than witnessed earlier by the sector. Efficient usage of technology will be the new focus as it helps in reducing both capital and operating costs, improving profitability, and streamlining processes, while enhancing guest experience and personalization.

7. 'More with Less' to be the new staffing mantra: Staff to room ratios are expected to reduce going forward. Hotels were forced to resort to job cuts in 2020 to reduce costs and have realized that the earlier staffing ratio may not be needed to operate efficiently. Moreover, almost every aspect of 'guest service' is now available through the guests' mobile device and hotels are also likely to increase the usage of predictive data analytics to personalize guest services in the post-COVID era.

8. Design changes: Going forward, we expect the industry to embrace substantial design changes in hotels – smaller lobbies, keyless check-ins, lesser number of specialty restaurants, etc. – by incorporating some of the best practices followed in more mature hospitality markets. Overbuilding and overspending on hotels has been a perennial problem in the sector, which we now expect will be corrected.

9. Hotel REITs: Hotel REITs are also likely to be launched as several assets and asset owners come under financial stress and look for exit. M&A activity in the industry is also expected to increase in the second half of 2021 due to the same reason.

10. Rethinking the future with greater focus on sustainability: Last but not the least, sustainability will become more than a buzzword going forward as the only silver lining during the lockdown was the positive impact it had on the environment. Adopting eco-friendly practices will not only help hotels win over travellers, who will increasingly prefer 'green' holidays in the COVID era but will also help in reducing costs and improving the bottom line in the longer run. The current crisis has been an eye-opener of sorts for all of us and it is

imperative that all the stakeholders collaborate to increase the sector's focus on sustainability by adopting greener practices as we gradually embark on the path to recovery.

About **Mandeep S Lamba**



Mandeep S. Lamba, President – South Asia, oversees the HVS global hospitality practice for South Asia. He has spent over 30 years in the hospitality industry of which the last 19 have been in CEO positions. Having worked with leading International and domestic Hotel Companies such as IHG, Radisson & ITC Hotels, he also set up joint venture companies with Dawnay Day Group UK and Onyx Hospitality, Thailand to own and operate hotels in India giving him a broader exposure to the hospitality business.

An established industry leader, Mandeep has won several awards and recognitions in India and abroad for his accomplishments and contribution to the hospitality industry. He is a Certified Hospitality Administrator from the American Hotels Association (CHA), a member of the Royal Institute of Chartered Surveyors, UK (MRICS) and a member of the Tourism Council of CII (Northern India). His views are often solicited for television and print media as a spokesperson for the hospitality & tourism sector.

Prior to joining HVS in 2018, Mandeep was the Managing Director, Hotels & Hospitality Group for JLL.

Contact Mandeep at +91 981 1306 161 or [\[email protected\]](#)

About **Dipti Mohan**



Dipti Mohan, Senior Manager - Research with HVS South Asia, is a seasoned knowledge professional with extensive experience in research-based content creation. She has authored several 'point of view' documents such as thought leadership reports, expert opinion articles, white papers and research reports. Contact Dipti at [\[email protected\]](#)