NOESIS

Hotel Advisory
Redefined

The
CONVERSION
landscape

A 360 degree view of the hotel rebranding phenomenon in India

Deep dive into the most exciting rebranding transactions by the most prominent brands in last couple of years

An exclusive study by Noesis

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A Decade of Excellence

NOESIS COMPLETES

10

YEARS

"*Indian hospitality is a sleeping giant, waiting to be poked. Travel is no longer just vacation or business- It's an experience. Noesis continues to delve its expertise in the assistance of curation of these experiences.*"

-Nandivardhan Jain, CEO

Conversion of Hotels

A widespread growth tactic in the hospitality industry is 'Hotel Conversions,' also known as reflagging or rebranding.

Conversion is the process of a branded hotel chain adopting a standalone hotel or another hotel brand under its wing. While this phenomenon is decades old, we decided to look closer at many of its facets like performance effects of hotel conversions, brand positioning, the many benefits of conversions, its downfalls and how to strike a perfect balance in this act.

The hospitality and tourism industries cannot be isolated from Geo-political and economic dynamism. This being said, successful hotel conversions take more than just change of hands - it needs a carefully crafted strategy, with underlying market awareness.
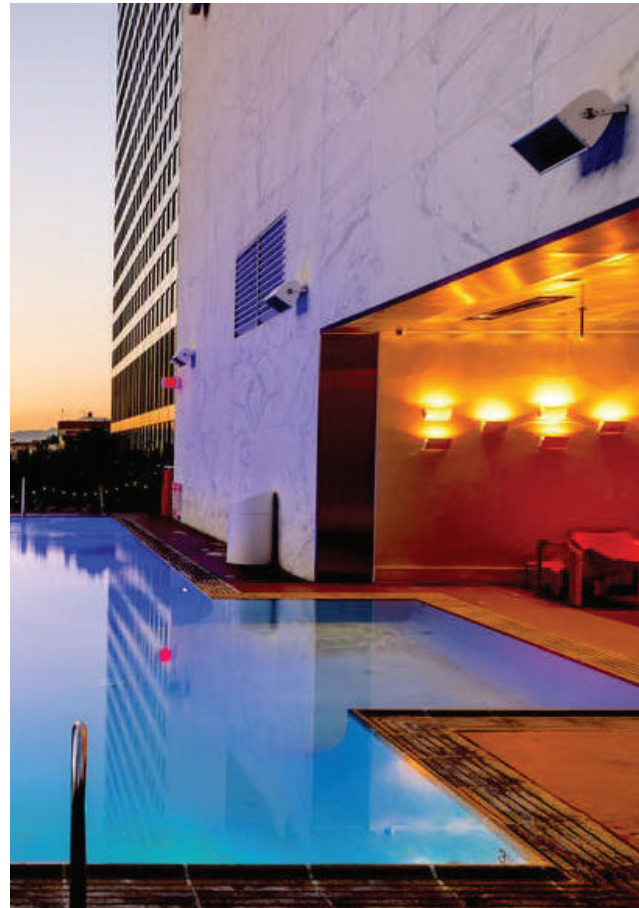
THE SHORTER ROUTE TO EXPANSION

While standalone hotels undergo conversion for a multitude of reasons like a shift in corporate strategy, aging of the property or demographics, the most popular reason remains- empire building.
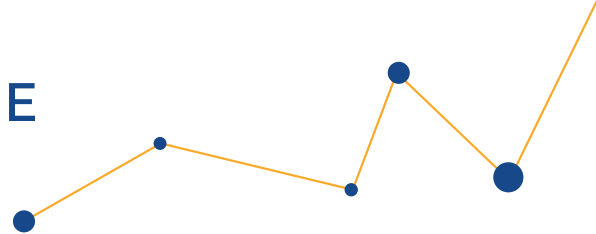
Strategically, the phenomenon of hotel rebranding is quite logical, given the intensity of competition in the hotels industry. Conversion has been widely resorted to as an expansion tactic by hoteliers, in order to increase their market share quickly with minimum investment of time and resources.

Typically, in India, the developmental cycle for a new hotel is 5 to 7 years. Long gestation periods, development hassles, administrative loopholes, make this process cumbersome in addition to the burden of large investments.

A perfect example for this is the IHG's (Intercontinental Hotels Group) all-out expansion strategy where they take over 14 of SAMHI's properties to convert them to Holiday Inn Express. This bold move increases IHG's room strength to approximately 9000 globally, which is a 50% increase in just a single year.

As all hotels are expected to be operational within a year's time span, IHG's total hotel count will increase to over 40.

EVOLUTION OF THE CONVERSION PHENOMENON

Many hospitality groups have fetched the concept of making 'baskets' or 'groups,' to reinforce standardization of their product and service level.
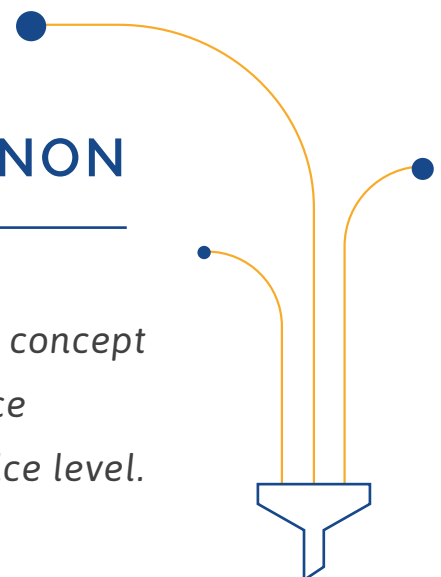
These baskets/groups refer to different products (brands) under the same management. This is refreshing for the hospitality industry to advance from the conventional conversion formats where standalone hotels were taken under a single umbrella. Hotel properties are allotted to different baskets basis multiple parameters to decrease dissonance in the offering and managing customer/guest expectations. This allows the user to draw parallels while navigating through different geographical/chronological experiences. For example, Lemon Tree Hotels and Inter-Continental have actively pursued this exercise. A customer frequently staying in Lemon Tree properties, in different cities, over several months will find a certain level of consistency in all these experiences. When the same customer will be traveling to a new city for the first time, he will not hesitate to book with Lemon Tree hotels because of powerful brand associations.

'Conversion-friendly' brands allow a quick entrance to newer markets, while also simplifying the entire cycle.

A Mini Guide to Conversion for Hotel Owners

On the onset, the owner involves an expert to conduct a preliminary study and a gap analysis. This highlights the hindrances in the current scenario and true potential of their asset.

This will enable the owner to set base objectives and performance goals which will serve as a reference point in the process of selection of an operator.

The experts perform the necessary due diligences and perform checks and balances on the operational processes.

At the core of the process is:

LEGAL DUE DILIGENCE;

TECHNICAL DUE DILIGENCE;

FINANCIAL DUE DILIGENCE

The next step is identifying whether the hotel owner should opt for a management contract, lease or a franchise.

— STEPS INVOLVED IN CONVERTING YOUR PROPERTY —

Evaluation STAGE

1

PARAMETERS UNDER CONSIDERATION

Where do I fit

- Macro Market
- Micro Market
- Analysis of Location
- Age of the product
- Inventory

- Banquet, Parking Facilities & Other Amenities
- Analysis of Demand & Supply
- Analysis of Competition
- Profitability Prognosis

Product CATEGORIZATION

2

FORMATS

Is there a scope for renovation

| Luxury | Upscale | Midscale | Economy |

Property BRAND FIT

3

COMPETITIVE OPERATOR SELECTION PROCESS

1. RFP- Request For Proposal
2. Evaluation of Operator's Responses
3. Shortlisting Operators
4. Evaluation of Final Proposals
5. Final Negotiation & Selection of Operator

— STEPS INVOLVED IN CONVERTING YOUR PROPERTY —

Onboarding OF BRAND

End-to-end synchronization between Owners & Operators

Set the right EXPECTATIONS

DOCUMENTATION 4

- Negotiating term sheet/MOU
- Execution of term sheet/MOU
- Property Improvement Plan (PIP)
- Finalization of Hotel Operations and Management Agreements

IMPLEMENTATION OF PIP

HR PRACTICES

- Selection of GM
- Hiring/Training of Staff

FINALIZATION OF BUDGETS

FINANCIAL RESULTS 5

1. Optimization of Cost of Operations
2. Average Room Rate
3. Occupancy Rate
4. F&B Revenue
5. Gross Operating Profit

Unleashing full potential of a conversion transaction
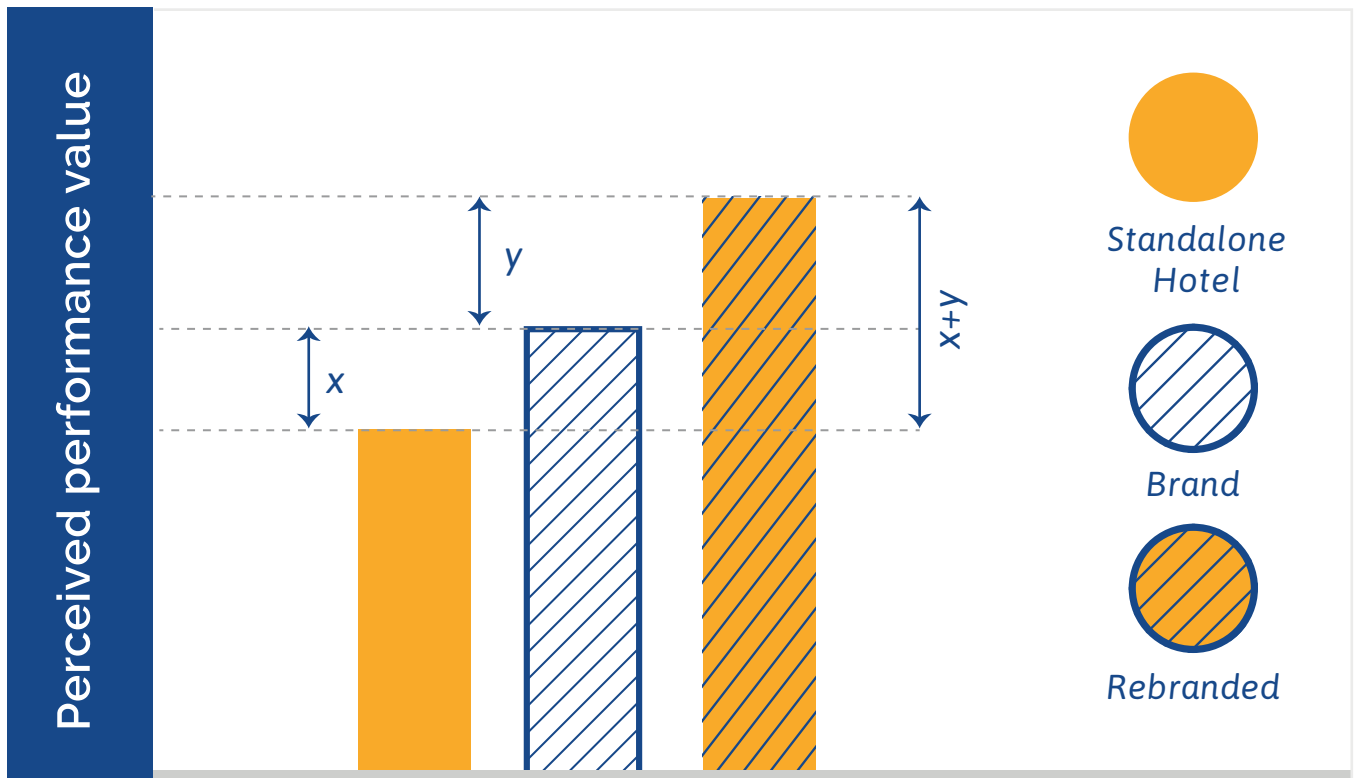
When a renowned brand takes over a hotel, the property is expected to demonstrate a few spontaneous results. But there's more to this than meets the eye!

x = PIP (Property Improvement Plan) | y = POP (Property Operational Plan)

The first and the most obvious value addition to the property is the brand value, 'x'. The association with an established, credible name provides the first jump of many. The brand has an audience of its own, which the hotel can now leverage.

The hotels sometime fall short in gauging the evolution of this audience and customer group, which has now a different set of expectation with respect to the level of service and product. It's this benchmark, which the new entity needs to now provide. In other words, the mere association with a name will not be enough in unlocking the full potential of a rebranding exercise.

Fortunately, the phenomenon of reflagging often entails improved marketing support, an extensive distribution network, technological advancements, new management information systems, which promises a higher churn of revenue and a drastic improvement in the occupancy rate and ARR. This makes the non-physical foundation of the property much more stable to upgrade their level of services.

An effective Property Improvement Plan (PIP) helps the owner enhance user experience, increase profitability, create a distinctive offering and gain a larger market share. While primitively, elements like lighting, sanitation, spacing, food & beverage were the foundation for branding standards, but now new variables are entering the equation. The focus has reduced from rigid parameters like carpet area to environment friendliness and green practices.

The last leg, however, still remains with the incorporation of a sustainable practice. Let us now looker deeper into this variable, y, which unleashes a sustainable and complete value addition to a rebranded hotel.

# What's y?

To supplement and bankroll the Property Improvement Plan, a rebranding exercise needs a **Property Operational Plan**. *These supplements include a comprehensive sales & marketing programme, an operational and HR standard operating procedure for continual performance levels.*

CORE COMPONENTS

• Sales & Marketing Channels

• Operational Efficiencies

• Technological Advancement

SALES & MARKETING CHANNELS
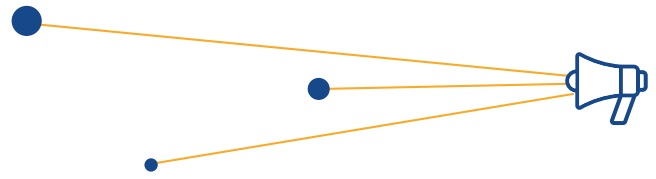
Global Distribution System

In a saturated distribution landscape, Global Distribution Systems (GDS) is an important channel to expand your market reach globally. This tool isn't an exclusive lodging aider; it works similarly for airlines and local travel rental companies.

Corporate Tie Ups

This sales channel is a source of stabilizing revenues and decreasing volatility by nurturing healthy, long-term relations/partnerships, which provides access to a large, continuous customer base. Apart from lodging, hotels should also consider deals for their food & beverage set-up, and aim for a broader hospitality partnership to service all needs from hosting conferences, office parties and gatherings to accommodation across geographies.

Online Travel Agents

OTAs provide instant access to a large online community, who are potential customers, at a fairly low cost. However, it is important that the hotel manages room bookings across several OTAs, their own website and offline sales using a competent software. The full benefit of OTAs can be derived through incorporating a good SEO and digital presence strategy.

Offline Agents

While the surge in online transactions is evident, a target group still remains offline. Demographically, people with higher age and higher income, prefer offline agents who customize their service and help them plan their travel with greater comfort.

Loyalty Programmes & Reward Points

A loyalty programme is a way to make loyal customers feel special while also attempting to extend the longevity of this patronage. Incentives, however, are useful only when the users trust the brand and experience continuous value addition at all touch points.

Online Media Presence

Nothing is a replacement for a direct engagement platform in the hospitality industry. Interacting with customers, encouraging positive reviews and taking corrective measures for negative feedback goes a long way for a brand.

OPERATIONAL EFFICIENCIES

- Continuous training through a regulated schedule

- Identify, analyze, implement, monitor training needs

- Recruitment of higher quality staff

- Orient new staff adapt to the organization's culture

- Outsource new trainings to experts

- Motivate your staff!

Identifying needs → Needs assessment → Develop training objectives → Develop training plan → Conduct training → Evaluate training effectiveness → Identifying needs

Training process (modified from Hayes & Ninemeier 2009,189)
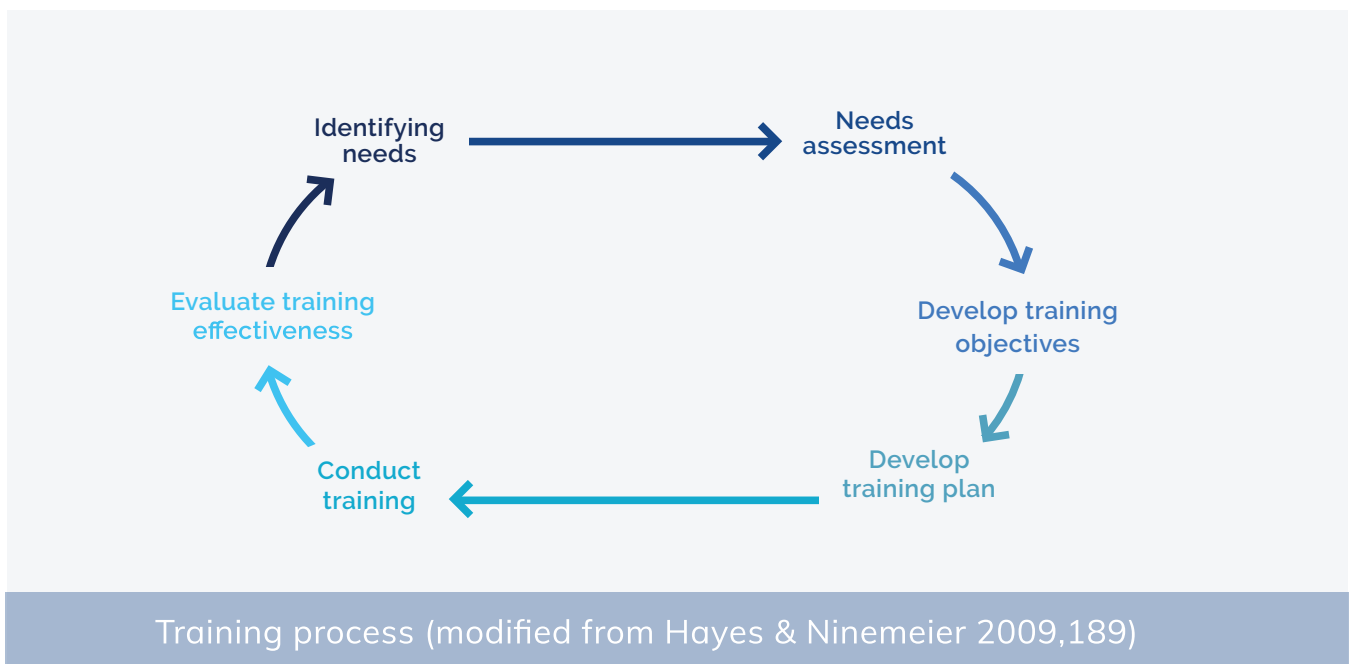
ADVANCE TECHNOLOGICALLY

In the hospitality space, especially the sales verticals, technology innovation is crucial in order to evolve dynamically. Customer Relationship Management (CRM) platforms, Enterprise Resource Portals, Point-Of-Sale (POS) tools should be an integral part of the organization.

— TOP CONVERSIONS IN THE LAST 3 YEARS —

As per our research, for the given database, 7972 rooms have been conversions in the organised space.

BRAND	CITY	CONVERTED PROPERTY	ROOMS
ACCOR HOTELS Feel Welcome	Vadodara	Grand Mecure	146
bloom HOTEL GROUP	Delhi	Bloomrooms Janpath	39
	Gurgaon	Bloom Boutique Gurgaon	45
	Bangalore	Bloom Boutique Indiranagar	30
	Rishikesh	X Hotel by bloom Rishikesh	39
	Bangalore	X by bloom Indiranagar	23
THE FERN HOTELS & RESORTS	Kolkata	Ibiza The Fern Resort & Spa	120
	Bangalore	The Fern Residency Yeshwantpur	64
	Rajkot	KK Beacon	35
	Agra	Howard Plaza The Fern	86
	Dharampur	The Fern Surya Resort	41
	Kathmandu	The Fern Residency Platinum	58
Hard Rock HOTEL	Goa	Hard Rock Hotel, Goa	135

— TOP CONVERSIONS IN THE LAST 3 YEARS —

BRAND	CITY	CONVERTED PROPERTY	ROOMS
IHG InterContinental Hotels Group	Pune	Holiday Inn Express Pimpri	142
	Nashik	Holiday Inn Express Nashik	101
	Ahmedabad	Holiday Inn Express Ahmedabad	132
	Bangalore	Holiday Inn Express Bangalore	161
	Hyderabad	Holiday Inn Express Hyderabad Banjara Hills	170
	Gurgaon	Holiday Inn Express Gurgaon	205
	Chennai	Holiday Inn Express Chennai	149
	Hyderabad	Holiday Inn Express Hyderabad HiTech City	150
	Pune	Holiday Inn Express Hinjewadi	104
	Greater Noida	Holiday Inn Express Greater Noida	137
	Yeshwantpur	Holiday Inn Express Yeshwantpur	118
ITC HOTELS RESPONSIBLE LUXURY	Goa	ITC Grand Goa, Resort & Spa	252
	Mussoorie	WelcomHotel The Savoy	50

— TOP CONVERSIONS IN THE LAST 3 YEARS —

BRAND	CITY	CONVERTED PROPERTY	ROOMS
	Hyderabad	Lemon Tree Hotel, Banajara Hills	85
	Chandigarh	Red Fox Hotel, Chandigarh	102
	Gulmarg	Lemon Tree Hotel, Gulmarg	35
	Amritsar	Lemon Tree Hotel, Amritsar	65
	Srinagar	Lemon Tree Hotel, Srinagar	37
	Bhiwadi	Red Fox Hotel, Bhiwadi	130
	Alwar	Lemon Tree Hotel, Alwar	40
	Alwar	Red Fox Hotel, Alwar	49
	Mussoorie	Lemon Tree Hotel, Mussoorie	40
	Katra	Lemon Tree Hotel, Katra	70
	Vijaywada	Red Fox Hotel, Vijaywada	90
	Gwalior	Lemon Tree Hotel, Gwalior	104
	Rishikesh	Lemon Tree Premier, Rishikesh	66

— TOP CONVERSIONS IN THE LAST 3 YEARS —

BRAND	CITY	CONVERTED PROPERTY	ROOMS
Lemon Tree Hotels	Morjim	Red Fox Hotel, Morjim	83
	Pune	Lemon Tree, Viman Nagar	69
Lords Hotels & Resorts	Thrissur	Lords Resort Cheruthuruthy Thrissur	54
	Bharuch	Lords Eco Inn Bharuch	48
	Bhavnagar	Lords Resort Bhavnagar Inn	41
Club Mahindra	Mahabaleshwar	Saj Resort by Club Mahindra	78
	Dwarka	Club Mahindra Dwarka	44
Marriott	Bangalore	Fairfield by Marriott	104
	Pune	Fairfield by Marriott	109
	Goa	Fairfield by Marriott	130
	Chennai	Fairfield by Marriott	107
	Indore	Marriott	218
	Ahmedabad	Fairfield by Marriott	173

— TOP CONVERSIONS IN THE LAST 3 YEARS —

BRAND	CITY	CONVERTED PROPERTY	ROOMS
Marriott	Chennai OMR	Fairfield by Marriott	114
	Chennai Mahindra World City	Fairfield by Marriott	140
	Gachibowli	Fairfield by Marriott	232
Mint Hotels & Suites	Chail	Mint Tarika Resort, Chail	65
	Pune	Mint Koregaon Park	39
	Pune	Mint Salisbury Park	36
Radisson	Kochi	Radisson Blu Kochi	150
	Srinagar	Radisson Srinagar	89
	Gulmarg	Country Inn and Suites by Radisson	80
	Sonmarg	Country Inn and Suites by Radisson	100
	Jammu	Country Inn and Suites by Radisson	55
	Lajpat Nagar	Park Inn by Radisson	70
	Chennai	Park Plaza Chennai	129

— TOP CONVERSIONS IN THE LAST 3 YEARS —

BRAND	CITY	CONVERTED PROPERTY	ROOMS
Radisson	Mumbai	Radisson Goregaon	98
	Dharmashala	Radisson Dharmashala	121
	Hyderabad	Park Plaza Hyderabad	100
ROYAL ORCHID HOTELS	Dwarka	Regenta Inn, Dwarka	57
	Dahej	Regenta Central, Dahej	69
	Chennai	Regenta Central Deccan	93
	Kolkata	Regenta Inn Larica, Kolkata	45
	Ludhiana	Regenta Central Klassik, Ludhiana	75
	Nashik	Regenta Resort Soma Vine Village, Nashik	32
SAROVAR HOTELS & RESORTS	Delhi	Taurus Sarovar Portico	83
	Jaipur	Sarovar Premiere Jaipur	80
	Ranchi	Le Lac Sarovar Portico, Ranchi	54
	Shimla	Marigold Sarovar Portico, Shimla	47

— TOP CONVERSIONS IN THE LAST 3 YEARS —

BRAND	CITY	CONVERTED PROPERTY	ROOMS
SAROVAR HOTELS & RESORTS	Bangalore	La Marvella, Sarovar Premiere	102
Spree	Coimbatore	Zip by Spree, Coimbatore	85
StayWell HOSPITALITY GROUP	Kumarakom	Park Regis Aveda, Kumarakom	42
	Jaipur	Park Regis, Jaipur	72
VITS – Luxury Business Hotels –	Thane	Hotel VITS Thane	33
	Gurgaon	VITS Mango Blossom, Gurgaon	37
WYNDHAM HOTEL GROUP	Jaipur	Ramada Jaisinghpura	97
	Dehradun	Ramada Dehradun	52
	Ajmer	Ramada Ajmer	71
ZONE BY THE PARK HOTELS	Bangalore	Zone by the park Electronic City	70
7 APPLE A Smart Sense of Hospitality	Pune	7 Apple Hotel Pimpri	64
	Lonavala	7 Apple Resort Lonavala	42
	Pune	7 Apple Hotel Viman Nagar	49

— TOP CONVERSIONS IN THE LAST 3 YEARS —

INTERNAL REBRANDING

BRAND	PREVIOUS PROPERTY	CONVERTED PROPERTY	ROOMS
HYATT	Hyatt Place, Goa	Hyatt Centric	147
	Hyatt Bangalore	Hyatt Centric	143
	Hyatt Amritsar	Hyatt Regency	248
TAJ	Vivanta Lucknow	Taj Mahal Lucknow	110
	Vivanta Fort Aguada Goa	Taj Fort Aguada Resort	145
	Vivanta Holiday Village Goa	Taj Holiday village	142
	Vivanta Coorg	Taj Madikeri Resort	62
	The Gateway Resort, Corbett	Taj Corbett Resort	61
	Jai Mahal Palace, Jaipur	Taj Jai Mahal Palace	100
	Vivanta Hari Mahal, Jodhpur	Taj Hari Mahal	40
	Vivanta by Taj Bekal	Taj Bekal	66

COMMON DOWNFALLS

Accounting for the complete cost of rebranding

While all owners are mindful of the gigantic and obvious costs involved in rebranding such as updating signage, information systems and upgrading facilities, of course, but devil lies in the detail- owners should watch out for the finer points like termination fee with an existing brand, cost of termination of staff, etc.
Small punches when multiplied may have an impact on your plan!

Maintaining your Online Presence

According to a Trip Advisor Survey, there are 200 new user contributions to TripAdvisor every minute. In another research, it was found that 95% of users check for reviews (about 6-7 per property) before making reservations. This highlights the importance of managing both positive and negative feedback sensitively.

Repositioning

It is important that hotel owners renovate their branding strategy, too! Along with changing your online media avatar, it is important to dissociate with the previous one. So go all out and make an entrance!

Not evolving with the changing needs of the customers

It's great if your customers love you! However, these customers are smart- they have exposure to too many alternatives. So, the brand needs to be on a constant look out for improving and evolving with changing customer needs!

A CLOSER LOOK:

About half a century old, Erstwhile Vikram Hotel, underwent a transformation in December 2016 and adopted a new avatar under the wing of Radisson group as Park Inn.

This is a perfect example of a successful hotel conversion to unleash its potential. Within a year of undergoing this makeover, it witnessed an 83% increase in RevPAR with an average ROI of 37.5% on it's cost of conversion.

From a complete revamp in physique of the façade and the rooms to reworking operational procedures, the work behind Park Inn was quite evident in its numbers:

For conclusion

Building a continuous, sustainable hospitality brand is more than an association with a name. It involves a carefully channelized concentrated effort throughout the organization.

A mechanism to facilitate organization-wide planning, implementation and control is needed with a layer of strategic management.

Rebranded hotels need to emphasize on sales and marketing, operational excellence, financial techniques, training, staff motivation and customer focus to remain competitive and continually develop their competitive edge.

Project Operational programs nurture diverse objectives- retaining customers, checking rising expenditure, and gaining client insights. This is why it's important that each program should have an a unique set of goals and customized action plan to achieve those.

While preparing the Property Operational Plans, it is essential to evaluate the present level of product, service, customer satisfaction and brand equity. In the next step,

while curating the content of the program, it is important to work without bias and keep the goals aligned.

Today, the hospitality industry is saturated and customers are spoilt for choice, making them vulnerable and prone to switch to other brands. Acquiring customers and growing a business means needs standardizing level of product and service, evolving with changing customer needs and gaining a customer's emotional attachment to the brand.

The most successful, enduring and profitable rebranding cases are flourished when both, owners and operators, work with real market insight. Conversions are successful with an understanding of when and how to evolve strategic decision-making, visualize your property and service with changing customer needs, and continuously strive for operational excellence.

Noesis is India's leading hospitality focused research and advisory firm, active in more than 60 markets of South Asia. We have added value to more than 1900 hotel owners in the last 10 years.

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