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Fellows Broadsheet

The Institute of Hospitality Fellows Broadsheet is a monthly thought-leadership article written by a member of our esteemed College of Fellows. Celebrating the wealth of professionalism, knowledge and expertise within our diverse, worldwide hospitality family, the Fellows Broadsheet is published on the first Sunday of every month, exclusively for members.

History of the Indian Hotel Industry 1950 -2020

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In this edition of the Fellows Broadsheet, Virat takes a retrospective look at the **History of the Indian Hotel Industry 1950 -2020** and expresses his thoughts on its future.

The advent of 'Quality Hotels' in India dates to the British Raj. The late 18th century saw the conversion of lodges into considerable size hotels. Cities like Mumbai (Bombay), Kolkata (Calcutta), Delhi and Lahore were the first to get reasonable hotels built, managed by the British or Europeans. Various hill stations also began in Shimla, Ooty and Mussoorie, where a number of resort hotels emerged.

In India, Maidens Hotel in Delhi opened in 1894 by Maiden Brothers. In Mumbai, the Taj Hotel, built by TATAs in 1903, was the first Indian owned hotel to open. In Kolkata, Great Eastern Hotel opened in 1915 and The Ashok Hotel, New Delhi, was the first large hotel, planned for international delegates, conferences and conventions, to open.

Built in the Diplomatic Enclave, Chanakyapuri, in the heart of New Delhi, The Ashok Hotel, was a prime property surrounded by significant Embassies and High Commissions. Planning was perfect with a committee formed, which included one senior officer from each important ministry, to work on the future requirements. Even today, after 65 years, The Ashoka Hotel is still the perfect hotel ever built in India. The degradation and destruction of this landmark property today is another story.

In the sixties, Delhi, and Mumbai were very happening places. Connaught Place (CP) was bustling, and it was even more hyper than today's Cyber Hub in Gurugram. Connaught Place remained an iconic destination until the late nineties when they decided to bring in Metro Rail. That was the end of CP's monopoly as India's most successful restaurant destination.

In the early seventies, the growth of the industry was slow but steady. The Indian Government formed ITDC, an amalgamation of three government bodies managing two and 3-star hotels like Janpath, Ranjit and Lodhi, with The Ashok Hotel being the flagship property. Although ITDC's brief was to promote tourism, develop tourist destinations, create the relevant infrastructure, and publicize locations of tourist interest, building and managing hotels suited them better.

Largest hotel chain in India

From 1973 to 1987, they dominated the city and became the largest hotel chain in India. Some of the best-managed hotels were run by ITDC. They included Akbar and Ashok in Delhi and the Ashok Hotel in Bengaluru (Bangalore). They had hotels on beach resorts, hill stations, tourist locations and had big expansion plans for new hotels. They were well-managed hotels, and for many years The Akbar Hotel was considered the best hotel in Delhi, followed by Oberoi Intercontinental and Ashok Hotel.

At the same time, there was little activity among other Indian brands. We had Oberoi Hotels in the North and Taj Hotels in Mumbai. Oberoi had two hotels in Delhi, The Maidens and The Oberoi Inter-Continental and, in the West, Taj Hotel and Taj Intercontinental. This had resulted from a tie-up with InterContinental Group that gave them the 'Operations Mode' or 'System', which enabled them to develop their management system.

Many brands emerged gradually on the Indian horizon, taking a cue from these three large players. We saw many standalone or double property hotels like Lalit Hotels, Clarks Group and Imperial Hotel in the North, Leela Hotels in Mumbai, Woodland, Connemara and West End in the south, with Kolkata boasting historical heritage hotels like the Great Eastern, Kenilworth and Park Hotel. At the same time, hill stations like Shimla with Clarks, Mussoorie with Savoy, Kashmir with Oberoi Palace and Ooty with Savoy Ooty were all high-end hotel resorts built to serve the local elite and visiting tourists.

The restaurant business from the fifties to the late seventies was particularly good. In CP, Delhi there were over a dozen restaurants, all of which were doing a booming business. CP was a perfect example of the restaurant industry, which was then the biggest in Asia. The important thing to note is that in those days, we in CP sold more Cold Coffee, Espresso (today's Cappuccino), in one day than the rest of India sold in one month. Gaylord, Volga, Laguna, La Boheme, Standard Restaurant, and Coffee House were all integral parts of the Delhi culture.

Similarly, Mumbai and Kolkata had amazing restaurants and cafes like Gaylord Flury's Bakery. In southern cities like Bengaluru, Madras and Hyderabad more traditional restaurants, serving Masala Dosa, Idli and Thali, were all doing very well. Even today, most good ones have survived the test of time and change. In fact, they have not only survived but have doubled or even tripled their business. Food rates have always been reasonable at such restaurants.

Success story

In India, for growth and profitability, food became an important part of a hotel's success. Many good hotels had a minimum of three to four restaurants, which were doing well and alongside their banqueting business, became an integral part of the success story.

These new hotels resulted in the slow decline of the free-standing restaurants because all these hotels provided untroubled parking, a wide variety of high-quality authentic food choices, spacious dining areas and luxury seating in air-conditioned comfort.

The 70s and 80s witnessed a boom in the food and beverage (F&B), business among star class hotels. While the world trend was 1:0.2 ratios, in India, we were looking at the ratio of 1:1 or even more in the successful hotels. Hotels like The Ashok Bengaluru, Taj Mansingh Hotel and many more made a genuinely neat profit in the first year of their operations, all because of F&B contributing a good chunk to their revenue. Meanwhile, numerous studies were also conducted by the Ministry of Tourism which projected demand for the hotel industry in major metros.

New players

The late seventies saw the beginnings of the development of the Indian Hotel industry. We had new players entering the arena. ITC- Welcome Group was one of them. This was a rich tobacco company. They launched the first Hotel in Chennai (Madras) in 1975, named Chola Hotel, followed by ITC Mughal Hotel Cum Convention Centre in Agra and finally Maurya Sheraton in the heart of New Delhi. Starting ITC Hotels was a strategic move by one of the biggest management companies. At that time, ITDC was ruling the northern part of India and had the best team of executives.

The next major boost to the Indian Hospitality Industry came with the Asian Games in 1982-83, when the Government approved the construction of three thousand rooms and 14 new hotels. The ministry also ensured additional accommodation by permitting hotels to add rooms to their existing properties. This initiative almost doubled the existing inventory and boosted the tourist facilities in Jaipur and Agra.

Unfortunately, after the Asian Games, New Delhi went through the worst crisis, with many hotels reporting low occupancy. This was by far the most difficult period for the hotel industry. Until then, most hotels were dependent on tourism, and the growth in this sector was limited. The corporate sector was not very effervescent in terms of hotel patronage. Therefore, most new hotels rooms were on sale directly/indirectly. As for Bombay, Madras, Bengaluru and Hyderabad, hotel development was minimal, and Kolkata was almost standing still.

From 1990 onwards, demand for more hotels became a common cause and a compelling need. Numerous studies showed that hotel room tariffs were pinching corporate clients and tourists alike. Major metros like Delhi, Mumbai, Bengaluru etc., were no longer tourist destinations. Tour operators avoided the major cities, thereby compelling second-tier tourist destinations to plan and build star class hotels.

India was dominated by four local brands: Oberoi Hotels, ITC Hotels - Welcome group, Indian Hotels (IHCL) and ITDC. As time passed, a few new Indian hotel chains emerged: Park Hotels, Leela Group, Clark Group, Lemon Tree and Sarovar. Until the nineties, there were very few international brands in India, i.e., Intercontinental, Sheraton, Meridian and Holiday Inn. These brands were mostly 'Franchisee Agreements'.

Largest international chain

One of the first genuine international brands in India was Radisson Hotels. In 1993 a team were able to get Master Franchisee rights for India. They walked almost door-to-door to introduce the Radisson Group, an American hotel chain owned by Carlson Group. They opened their first hotel at Delhi Airport in 1996. Today they have nearly 150 hotels in India, making them the largest international chain in the country, with many hotels on the management agreement.

When we trace the history of the hotel industry in India, the Oberoi Group should be given a good amount of credit for shaping the industry. Every hotelier's yardstick from day-one was the Oberoi Intercontinental Delhi and Mumbai.

In 1997 the first Rajvilas Hotel in Jaipur opened featuring gold plated bathroom fittings, intricate marble and sandstone designs, services par excellence, plus the room cost four times more, with a tariff of over $400 compared to $40 – 50 for other good five-star, local hotel accommodation. It started slow, but the success of Rajvilas prompted them to open another such Hotel Udaivilas in Udaipur, followed by Amarvilas in Agra and Vanyavilas in Ranthambhore. They were modern palaces better built and appointed than most of the Palace Hotels in India. For years they have been voted the Best Hotels in the World.

1999-2000 saw the start of many new developments all over the country. For the first time, Mumbai took off in a big way.

In 1999, the Regent Mumbai was the best-built hotel in the country, followed by Meridian Mumbai, ITC, Hyatt Regency, and the Renaissance Hotel Cum Convention Centre. Chennai and Bengaluru saw many new outstanding hotel properties rise, but Hyderabad nearly tripled their room inventory. After a time even Kolkata rose with about four new hotels, including Taj. Delhi was already overpopulated, but still saw a few more hotels added such as the Grand Hyatt in Vasant Vihar, Park Royal, Park Hotel, Metropolitan and Marriot in Saket. A few old hotels were reinvented with a complete makeover, renovation and up-grade, e.g., the Imperial Hotel, Royal Plaza and the Shangri-La. But the main growth areas were in Gurgaon and Noida. Today Gurugram has more hotel rooms than Delhi, with Noida catching up fast.

India achieved these levels of growth as a result of the growing demand for hotel accommodation. To meet, and even surpass this demand, big international hotel chains were introduced. They brought with them expertise, efficient systems and a worldwide marketing network. Their management practices were very professional and did not allow promoters to interfere in day-to-day operations, thereby generating better profits.

Today the top brands flourishing in India are Intercontinental, Hyatt, Marriot, Radisson, Hilton and Accor; their main strength is their ability to sell bedrooms. Today these brands are in great demand, and these chains do business on a management contract basis only.

Levels of challenge

The story of the Indian Hotel Industry will not be complete without a mention of the COVID-19 Pandemic. The hotel trade in India has never faced such levels of challenge. Millions of professionals are still out of work. Most hotels have not been able to even maintain their properties. This is a worldwide phenomenon.

Before COVID-19, the economy was picking up. Hotels in India were doing well financially. We were in the middle of a particularly good season. Starting in July/August 2022, we will witness a very enthusiastic start to the biggest boom in our industry, the likes of which India may not have seen for a long time.

I hope that the next ten years of the Indian Hospitality Industry will revolve around Indian values and philosophies and that India will redefine the future of the Indian Hotel Industry and emerge as the leader.

About the author

Virat Varma FIH is the CEO of Global Hospitality Consultants and has a wealth of diverse experience across the Indian hospitality industry, particularly restaurants, from building, setting up, commissioning, and running five-star hotels, restaurants, and catering facilities.

He has travelled all over the world and has been a director in national and international hospitality chains such as The Regent, Mumbai, Carlson Group International, Jaypee Group, New Delhi, Centaur Airport Hotels, Hotel Corporation of India, Piccadilly Hotels, Hyatt Regency Manesar, Gurgaon and Hyatt Ludiana, Punjab.

He launched the first International standard pizza restaurant chain, McDowell's Pizza King, in the country and was CEO of Rattan Mama Consultants, a hospitality consultancy company that managed assignments for various reputed hotel groups in India including, Le Meridian, ITC, 0berois and Raheja amongst others.

He is, without doubt, one of the most familiar faces in the Indian hospitality industry and has a formidable network of industry contacts.

References & Further Information

The author's blog dedicated to the hospitality Industry is: http://indianhotelier.blogspot.com.

The author's views expressed in this article, are based on his experiences, exposure, research and his personal deductions based on industry opinions.

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