

HVS Monday Musings: The Indian Hotel Sector – 2021 in Review

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The Indian hotel sector once again showed resilience in 2021, navigating through uncertainty, adapting to an ever-changing environment, and persevering through the ups and downs on the rocky path to recovery by building on the lessons learned the year before. Read on to know more.

The year 2021 has been nothing short of a roller coaster ride for the Indian hotel sector. All through the year, the sector has shown resilience by navigating through uncertainty, adapting to an ever-changing environment, and persevering through the ups and downs on the rocky path to recovery. The silver lining being that the leisure segment, which was ignored in the past, is now being awarded its due focus.

After a turbulent 2020, the year 2021 began on a promising note, with people starting to travel for short breaks, weekend getaways, staycations, and workcations, etc. encouraged by a steady drop in active COVID cases and the launch of the country's COVID vaccination campaign. The growth in domestic leisure tourism helped the industry-wide occupancy to reach near 50% in the first quarter of the year, the highest level since the beginning of the pandemic. However, just as demand was picking up, new restrictions and lockdowns in several states, imposed in response to the second and more devastating wave of the pandemic, knocked the wind out of the sector's sails.

A proactive approach helped hoteliers to weather the storm.

The first wave caught the sector off guard, with most hotels closing or relying only on quarantine business. However, the second time, hoteliers proactively focused on alternative customer segments and ancillary revenue streams to weather the storm, building on the lessons acquired the year before. For instance, to improve occupancy at the peak of the second wave, some hotels, especially in commercial hubs, partnered with hospitals to provide isolation and quarantine facilities.





As India's vaccination campaign picked up pace and the second wave started to subside, people restarted traveling to escape the lockdown blues and work-from-home fatigue. Moreover, limits on overseas travel meant that several outbound Indians also started to vacation within the country. As a result, weekend getaways to motorable leisure spots and 'staycations' at luxury properties in cities have gained popularity. Hoteliers thought out of the box to create various weekend, staycation, workcation, wellness, and F&B packages to appeal to a variety of customer segments – frontline workers, couples, multigenerational families, couples with young children, groups of friends, corporate travelers, and so on – with some even introducing pet-friendly policies to appeal to pet parents.

The sector's agility in operations shifted the scales in its favor, allowing it to quickly tap onto the pent-up demand. Key leisure markets such as Goa, Rajasthan, Uttarakhand, and Himachal Pradesh are leading the recovery in the Indian hotel sector, with Goa even surpassing pre-pandemic performance levels towards the end of the year.

The Indian hotel sector is regaining ground faster than expected.

As the year draws to a close, corporate travel has started witnessing green shoots, with most industries reverting to a full or hybrid work-from-office model, helping improve hotel occupancy in business hubs as well. The high vaccination rate, a decrease in new cases, and the reduction of travel restrictions across states have all been contributing to this recovery. Weddings and social events have also been driving demand in certain markets. Moreover, after a nearly two-year hiatus, small-to-medium-sized domestic MICE events are making a comeback, fueling demand for hotels. As a result, the Indian hotel sector has been recovering faster than expected, though rising concerns over Omicron, as well as the resulting increase in travel restrictions, have dampened spirits marginally at the end of the year. This could also mean a difficult start to 2022 for the sector, albeit the hope is that the negative impact of the Omicron variant will be short-lived. In any case, hoteliers must continue to remain nimble, adapt, innovate, and seize opportunities, while ensuring that the safety standards are not compromised by employees and guests alike, even when the business is booming so that Omicron or any other variants are merely blips on the radar as COVID-19 waves continue to rock the boat of recovery.