

HVS Monday Musings: Indian Hotels Sector – 2020 in Review

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2020 will go down in history as the year that changed the world as we knew it, in more ways than one. The Indian hotels sector sailed smoothly into January 2020, after a record year in 2019, with 2020 set to be 'even bigger', however, the onslaught of COVID-19 pushed the sector into a tailspin. The pandemic literally brought the world to a standstill, due to the world-wide travel bans and lockdowns.

The COVID-19 shock pushed the sector into a tailspin

India first started feeling the ripple effects of the global Covid-19 turmoil towards the end of February 2020, with the situation worsening thereafter and India announcing a complete country-wide lockdown from 24th March 2020. The Indian hotels sector was hit hard, as hotels across the country were partially or completely closed due to the lockdown and nation-wide occupancy declined rapidly to as low as 10% by April 2020. The only demand during the prolonged lockdown period stemmed from the 'Vande Bharat Mission', government's quarantine requirements, international travelers awaiting return, and corporates operating small business continuity teams from hotels.

Our estimates indicate that the sector (including organized, unorganized, and semi-organized segments) has incurred a total revenue loss of approximately INR 90,000 crore (INR 900 billion) in 2020. In the wake of falling demand and occupancies, hotels reduced tariffs significantly to attract business, thus, pulling down RevPAR to a dismal low of US\$20-23 for year-to-date November 2020. Hotels were also forced to resort to cost-cutting measures, including job cuts and furloughs, to stay afloat. As per our estimates, 40-45% of direct employees in the organized sector have lost their jobs and a similar number has been impacted by salary cuts during the year.

The government started easing the lockdown restrictions in June 2020 to restart economic activity, albeit with several strict guidelines and protocols in place; however, due to differing rules across states, hotels were amongst the last few businesses to reopen.

Hotels implemented the best-in-class sanitization, hygiene, and cleanliness measures, akin to hospitals, as they prepared to reopen their doors to guests in the COVID era after the long hiatus. From using hospital-grade disinfectants & PPE to safety accreditations, hotels leveraged various methods to reassure guests and rebuild traveler confidence.



Summary

2020 has been an unprecedented year with significant disruptions for the Indian hotels sector. The crisis compelled hotels to think unconventionally. As occupancy and RevPAR reached an all-time low, hotels were forced to implement cost optimization techniques and find innovative ways to utilize their assets. The onset of the festive season brought some much-needed cheer towards the end of the year, as people started travelling again, indicating the first signs of a gradual recovery in the sector

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The silver lining during these uncertain times was that the crisis compelled hotels to think unconventionally and fast-track changes that had been perennially put on the backburner. For instance, technology adoption was fast-tracked because it became the key enabler during the COVID era, as keyless check-in and digital menus that were once considered luxuries, suddenly became necessities for hotels to remain relevant. Hotels also tried to adapt to the evolving market dynamics, by thinking out-of-the-box from design to operations to improve their ROI, proactively implementing cost optimization techniques.

As occupancy and RevPAR reached an all-time low, hotels were forced to find innovative ways to utilize their assets to stay afloat, in the process opening newer ancillary revenue streams. From food delivery, DIY signature meals, laundry to housekeeping and more, hotels have reimagined 'hospitality' by extending their services to guests in the comfort of their offices and homes.

As the year drew to an end, the sector started witnessing green shoots with domestic leisure tourism becoming the knight in shining armor, even as international tourism continued to be on a standstill. The onset of the festive season brought some much-needed cheer as people started travelling again to beat the lockdown and work-from-home blues, especially to motorable leisure destinations, indicating the first signs of a gradual recovery in the sector. Additionally, the pro-sector policies and relief measures by several state governments have been encouraging and helping the sector to stay afloat during these trying times. We expect 2021 to be a crucial year for the hospitality sector as it emerges from the disruptions and embarks 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.

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