

HVS Monday Musings: Indian Hotels Sector – Brand Signings in 2020

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In the aftermath of the ongoing pandemic, brand signings by keys in India witnessed a year-on-year decline of 40% in 2020. Signings were especially low in the first half of the year, due to the uncertain market conditions and challenges related to closing deals on virtual platforms because of the COVID-19 lockdown and restrictions. As a result, only 100 new hotels (with 9,757 keys) were signed in 2020 compared to 170 new hotels (with 16,349 keys) in 2019. In addition to this, 35 hotels (with 2,676 keys) were rebranded in 2020 compared to 53 hotels (with 4,521 keys) in 2019.

Domestic hotel operators signed more properties (61% of the total signings by property) than their international peers, with an average key count of 82 keys during the year. In a shift in strategy, international hotel operators also showed a keenness in signing smaller properties in 2020, as they adapted to the changing market dynamics and looked at increasing their footprint in smaller cities. Consequently, the average key count for international hotel operators declined to 108 keys in 2020 compared to 140 keys in 2019.

Management contracts continued to be the preferred form of brand signings, accounting for 80% of the total signings by keys in 2020. However, franchising is steadily strengthening its position and accounted for 17% of the signings by keys in 2020 compared to 14% in 2019. Leasing and other forms of contract continued to lose their charm over the year.



In the year marred with uncertainty, hotel operators preferred to sign projects that are less risky and have a higher chance of completion compared to greenfield projects. Several greenfield projects were also put on hold due to the COVID impact. As a result, brownfield projects grabbed the pole position in terms of number of properties signed, accounting for 45% of the total signings by properties in 2020, while greenfield properties accounted for only 29% of the signings by properties. Hotel rebranding or conversion is also gaining momentum in the country and accounted for 26% of the total signings by properties in 2020. Rebranding is likely to grow rapidly going forward as more and more independent hotels seek brand affiliation to gain from the 'safety' shield perceived for brands by travellers.

Summary

This article discusses the key trends in hotel brand signings witnessed in the Indian hotels sector in 2020.

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Midscale segment is the most preferred segment in the country, accounting for 41% of the total signings by keys in 2020, followed by upscale (37% of total signings), economy (11% of total signings) and luxury (11% of total signings).

Though commercial destinations continued to witness the majority of signings (49% of total signings by keys), leisure destinations picked up pace in 2020 as hotel companies renewed their focus on increasing footprint at such destinations in the post-COVID era. Approximately 41% of the total hotel signings by keys in 2020 were in leisure destinations compared to 30% in 2019. Hotel operators also continued to increase their footprint in Tier 3 and 4 cities, which accounted for 46% of the total signings by property during the year.

Note: HVS research is based on data received from hotel brand companies for Jan-Dec 2020

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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