

A Study on growing popularity of serviced apartment in urban parts of India

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Abstract: The concept of serviced apartments made a foray as a happening business reality in India a decade ago, and this reality is gaining popularity in India's hospitality industry. Serviced apartments are now an important sub-segment of the Indian hospitality industry.

Recent years has seen a sharp surge in business and leisure travel in India this has fuelled the emergence and development of service apartments in India mostly in the Urban parts of India comprising Metros, Tier I & Tier II cities .This paper tries to find out the reasons for the growth and the future of Serviced apartments in India.

Key words- Serviced Apartment, Luxury Hotels, leisure traveler

Introduction

Serviced apartments had their origin in the US in the 1950s the objective was to offer a home away from home, not just a hotel room for the executive, but a comfortable living facility for him and, perhaps, even his family. When international executives began jetting into India in the first flush of liberalization in the 1990s, promoting joint ventures, setting up their operations, or acquiring a stake in Indian firms, most of them had to stay at 5-star hotels, as the concept of serviced apartments had not taken off in the country. Today the concept of serviced apartments is fast catching up across India, as hospitality majors both international and domestic invest substantial amounts in promoting new projects.

The serviced apartment complex today includes studio units, or two or three bedroom facilities, furnished with all modern amenities including refrigerators, kitchenettes, microwave ovens, state-of-the-art entertainment facilities and the internet. They also provide gyms, conference rooms and party areas, besides full house-keeping facilities. This makes life comfortable for the executives, who can concentrate on work instead of focusing on domestic help, groceries, furniture, etc. The best part is that all these services are offered at prices 25 to 30 per cent lower than 5-star hotel tariffs.

SIGNIFICANCE OF THE STUDY

The purpose of this study is to find out the reasons for the popularity of serviced apartment amongst the guest and how Service Apartments are satisfying the unique needs of the guests staying in these hotels-

Serviced apartments are the next big thing in India the reason of this being

- (FTA) that is growth in foreign tourist
- Growth in Corporate, business and leisure travelers across the country
- Overall national and economic growth.

Global scenario of serviced apartment

"Serviced apartments now represent a meaningful part of the accommodation offering with over 3,000 available in the UK including more than 1,000 in London alone, In 2016 more than

30 serviced apartment hotels opened in Birmingham, London Heathrow, Marseille and York with further openings scheduled for 2017. European market has announced more 10,000 apartments by 2020." Premier Suites Dublin Balls bridge, added additional units to Premier Suites Dublin Leeson Street and opened Premier Suites Brussels Lounge in 2015.

January 2016 has seen first opening in Glasgow, Premier Suites Glasgow (George Square) other locations includes Scotland, Edinburgh and Aberdeen.

PREM Group has also launched Premier Suites in Brussels (2015) new opening include in Antwerp, Gent, Rotterdam, Amsterdam and The Hague. Overall 12 new locations are expected to be extended in the next 3 years."

Globally Service Apartments Hotels growth is extremely exciting with 3 global operators confirming their phenomenal development pipeline. The Ascott Limited the world's largest operator is on track to double its global portfolio to 80,000 units by 2020 in Service Apartments Segment

Frasers Hospitality will expand with 13 new openings in the Far East and India by 2020.

EMEA have launched their Geneva property to be followed by Berlin, Hamburg, Istanbul, Doha, Riyadh and Dubai as well as their first property in Africa started in 2016 (Abuja, Nigeria), in this segment.

Oakwood is expecting to be 'the year of the serviced apartment' this year; they have tripled the number of Oakwood-branded properties worldwide in 2016-17.

Service apartment hotels and India

The concept of Serviced apartments has now caught on in India, especially in cities such as Mumbai, Delhi, Bangalore, Hyderabad and Pune. Serviced apartments now offer services comparable to what a 5-star property offers to a growing number of expatriates and Indian executives relocating from Worldwide, a leading global temporary housing provider, opened Oakwood Premier Mumbai, its newest five-star premier property, comprising serviced apartments, in India's financial and commercial capital in February 2009.

The company, with over 3,500 associates worldwide and nearly 23,000 apartments under its brand, operates three properties in India (including those in Bangalore and Pune) at present. It plans to have a portfolio of 11 properties by in places such as Chennai, Hyderabad, New Delhi and Tiruvananthapuram, in coming time.

"Oakwood Premier Mumbai brings a new standard of luxury serviced apartments to the fashionable Juhu beach area, popular with Bollywood celebrities and elite travelers "The posh boutique property is designed in the style of a private European mansion complete with an ocean view restaurant, signature swimming pool and an exclusive fitness centre suitable for business and leisure travelers."

Luxury serviced apartments provides “The range of amenities, innovative facilities and personalized services which gives the guests an opportunity to enjoy city living while relaxing in a private residence.”

Another international major that has forayed into the Indian serviced apartment business is Shama Management Ltd (SML), a Hong Kong-based firm. Its first property in Bangalore, a 136-apartment complex is being developed by Harvest Hospitality and will commence operations by the end of 2017.

SML, company aims to build a Portfolio of 1,000 apartments in India over the next three to five Years. While Mumbai, Bangalore and Delhi have thousands of serviced apartments, the concept is now gradually spreading to places such as Chennai and Hyderabad “People are now grasping the concept and advantages of service apartments. Initially, the clientele of service apartment were mostly foreigners.” But today lot of Indian clients also prefer serviced apartment.

Theoretical Frame work

India faces a significant shortfall of 5-star hotels. Hospitality industry estimates are that by next year, there could be a shortfall of 150,000 rooms in the 5-star category. This has resulted in 5-star properties becoming extremely expensive, with rooms in the three main cities Mumbai, Delhi and Bangalore averaging rates upwards of US\$500 a day. Some companies, such as Infosys Ltd, one of India’s leading software firms, have invested in a 1,000-room hotel at its Bangalore campus, considering the acute shortfall of hotel rooms in the city. In comparison, serviced apartments in these three cities offer accommodation at rates ranging from US\$500 to US\$2,500 a month for units ranging from 350 sq. ft. to sprawling, three-bedroom facilities. Not only are serviced apartments cheaper, they are even bigger. However, it is not only about luxury. Cheaper mid and lower-level service apartments too exist, especially on company premises where the firm develops the infrastructure and allows professional service companies to run them. Anticipating a surge in the number of serviced apartments, the Federation of Hotel & Restaurant Association of India (FHRAI) is preparing for a grading and classification system for them.

Radha Krishna Hospitality Services (RKHS), which services clients such as Dell Computers, TCS and HSBC, offers about 1,000 apartments across India, the industry began taking off about five years ago, when 5-star hotel tariffs started climbing steeply. It is estimated that the industry will grow by 15 to 20 per cent annually.

Reasons and scope for the growth of apartment hotels in India

In today’s scenario Families on holiday and staying in a particular location for a fortnight or more are preferring serviced apartments, instead of staying in a cramped, 250-sq. ft. 5-star hotel room, they can live comfortably in a 750-sq. ft. apartment at a fraction of the cost. Not surprisingly, many Gulf Arabs visiting Mumbai for a few weeks opt for serviced apartments these days.

Business executives on temporary assignments also prefer serviced apartments as getting rental accommodation for singles is difficult, as many housing societies in the city have a policy of not entertaining single tenants.

Likewise, business executives who visit India for a few months on temporary assignments prefer serviced apartments as they can bring their spouses and other family members. Medical tourists

also prefer staying at serviced apartments. The health tourist from the US, Europe, the Middle East, or Africa, who comes for a medical procedure lasting a month or two, is accompanied by family members. In some cases, the tourist has to stay back for a few more weeks after the operation for recuperation and a serviced apartment offers an ideal alternative to an expensive hotel.

In Delhi, the serviced apartments business has got a big boost because of the Commonwealth Games, Prominent real estate development with plenty of business and tourism opportunities, there is long-term demand for serviced apartments, companies such as DLF, Parsavnath, Ansals and the TDI Group, among others, are developing serviced apartment projects in the National Capital Region (NCR), which includes fast-growing hubs such as Gurgaon (in Haryana) and Noida and Greater Noida (in Uttar Pradesh).

About 40 such projects are coming up in Noida and Greater Noida, according to real estate industry sources. The Haryana government too is encouraging developers to put up about 50 such projects in Gurgaon, Sonapat and Manesar, all within easy reach of Delhi. "But with plenty of business and tourism opportunities in the region, there is sustainable long-term demand for good serviced apartments."

Global majors too are rushing in to get a piece of the action. Hospitality major Marriott International recently tied up with developer Nitesh Estates to develop three projects under the Marriott Residences brand in Goa and Bangalore. It has also tied up with real estate major Unitech for a similar project in Gurgaon

The world's leading player in serviced apartments, Oakwood, has taken up its first project in the country in Bangalore. It is also developing properties in Pune, Bangalore, Mumbai and Chennai. Another international major, Starwood Hotels, has signed up with the Vatika Group for executing such projects in and around Gurgaon.

Other entrants include Four Seasons, Viceroy, Grand Hyatt residences, the Carlson Group, Shangri-La Hotels and Resorts and the European group Accor, among others.

Domestic players too are going all out to address this fast-emerging segment.

Taj diversifying in to Tier-ii cities, leisure Serviced apartments have been operating in Ahmedabad and other major cities of Gujarat for several years, catering to the needs of Gujarat-origin non-resident Indians (NRIs). The vibrant hospitality segment is now expecting a boost with the Nano small-car project of Tata Motors having come up on the outskirts of Ahmadabad.

The new plant is located about 25 km from Gujarat's commercial capital and developers are acquiring land along the Sarkhej-Gandhinagar and Ahmedabad-Sanand highways, with a view to building serviced apartment complexes. They expect significant business from the new car plant, as an increasing number of company executives and component now prefer living in self-contained apartments with full service instead of at hotels.

The new crop of serviced apartment complexes that are coming up in Ahmedabad offer state-of-the-art communications facilities, including Wi-Fi and broadband connectivity and direct-to-home television. The apartments are relatively inexpensive, costing US\$400 to US\$800 a month, depending on the size.

Cities such as Ahmedabad are increasingly drawing the attention of promoters of serviced apartments. Travel Org Holidays Pvt Ltd, which has set up a chain of fully-furnished serviced apartments across India under its Signature Crest brand, has targeted tier-II cities such as Indore and Pune. After the market in these two cities they have ventured into metros like Mumbai,” “The demand has only risen because of which they have now diversified into leisure destinations like Shimla and Mussoorie.” Travel Org has tied up with over 125 corporate, offering their executives accommodation at serviced apartments across India. “This industry has everything going for it. In fact, Signature Crest now has a presence in 18 destinations across India and abroad and plans to add 10 more locations this year.

Hotels, which already has serviced apartments in Mumbai, is now expanding to other cities including Delhi, Bangalore and Chennai. The Leela Group has developed ‘high-end luxury residences, in Delhi and Chennai other domestic players with a presence in this segment include the Royal Orchid hotel in Bangalore and the Brigade Group’s Homestead Serviced Apartments located in the heart of Bangalore.

A leading international real estate consultancy, notes: “Serviced apartments have found favor as an offshoot of corporate needs due to shortage of hotel rooms in most cities. In today’s supply-shortage scenario, it seems like whatever one can build will get filled up, even if only through word of mouth.” However, over the medium-term it is expected that the tariffs will fall by 15 to 20 per cent and unbranded complexes to be weeded out. This is because the investment already made in thousands of new hotel rooms all over the country will start to bear fruit over the next five years. “As the match in inventory gets corrected and mid-market as well as budget hotels gain territory and share of the market, serviced apartments will become the desired choice, since hotels are now looking to accommodate long-term stayers also. But for the short-term, the serviced apartments segment will drive the hospitality sector in India, offering a lavish lifestyle for the busy executive in a strange city. People are now grasping the concept and advantages of Service Apartments.

Special features of Service Apartments Hotels

The service apartments offer guests the comfort of a sleek residential house as the rooms of serviced apartments generally come attached with a kitchenette and facilities like security. High-end laundry and housekeeping services like in a five star hotel can also be provided at these apartments. The service apartment complex today includes studio units, or two or three bedroom facilities, furnished with comprehensive modern amenities including refrigerators, kitchenettes, microwave ovens, state-of-the art entertainment facilities and high speed internet.

The sizes of these Service Apartments Hotels vary from a studio to a three-bedroom flat, their services ranges from bed-and –breakfast to full service including household assistance. Complimentary breakfast and laundry services are also provided as part of facilities at the serviced apartment this helps the guest the bother of doing routine chores.

Many Service Apartments Hotels today offer facility of gyms, conference rooms and party areas besides full housekeeping facilities.

Service Apartments Hotels in Metros offer their guests with 24-hour private dining, concierge service, baby-sitting doctor available on call, laundry/dry cleaning device, express check in/VIP guest activity programs newspaper selection among others. These hotels are also “pet-friendly”

Many of these Service Apartments Hotels also provide facilities such as shower cubicle, microwave, toaster, tea/coffeemaker, electric hot plate, crockery, cutlery, glassware, dishwasher, water purifier, washing machine, clothes dryer, iron and ironing board, personal safe, Marlock locking system, smoke detectors, water sprinklers, DFMD screening, day care centre for kids ranging from 2-8 years on weekends, apart from that facilities such as car park, car wash, one time housekeeping service per day and complimentary 24hrs Wi-Fi Internet connectivity.

Analysis and discussion

Service apartments are fast becoming the preferred choice for companies as they seek secure and convenience accommodation option for their expat workforce, this makes the life of the executives, more comfortable who can focus on their professional/business instead bothering about domestic help, groceries furniture etc, more over Service Apartments offer more spacious rooms than hotels rooms and have the option of cooking one's own meals. In simple terms it offers a home-away from home feel with comfort and tremendous value for money and the best advantage of staying in a Service Apartments over a luxury hotel is that it charges 25 to 30 percent lower than that of the conventional five-star hotel.

Research Design- This study tries to find out the popularity and future growth prospectus of Service Apartments in the urban parts of India for which secondary data has been collected from Books, Journals and Magazines

Limitations of the study- The scope of this study is restricted to Service Apartment Sector only and is based on secondary data.

Conclusion

Today travelers are constantly on the lookout for abodes that offer the comfort of home in a luxurious setting, resplended with all amenities. Service apartments offer a perfect opportunity to address these needs of these travelers.

As per the industry experts the serviced apartments are expected to grow and gain popularity in the country with the growth of business and leisure travel to and within India. In near future the popularity can be extended from the metros to tier-II and tier-III cities of the country.

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