

# RISE OF THE SOCIAL HOTEL

Millennials are increasingly moving away from big box hotels to opt for unusual lodgings, like hostels

BY VINITA BHATIA

Traditional hoteliers often looked down their noses at hostels. They considered it as hole-in-the-wall spaces where backpackers travelling on a shoe-string budget would room for a night or a week.

But not anymore.

With their rising purchasing power, millennials are challenging unyielding travel structures while demonstrating a growing keenness to explore new destinations. According to an Expedia report, this tribe is estimated to spend approximately 35 days annually on travel, whether it is on leisure or business.

A SOTC India Holiday report also pointed out that 88% of Gen Z, 86% of Gen Y and 91% of Gen X of Indian travellers' value personalisation, flexibility and customisation while travelling. Varied experiences, be it in adventurous excursions culinary creations or inimitable lodgings.

These tech savvy travellers are increasingly moving away from big box hotels to opt for unusual lodgings, like shared accommodations. This explains the success of Airbnb apartments as well as hostels.

Vibhas Prasad, Director of Leisure Hotels Group tells Vinita Bhatia how the hospitality ecosystem is gearing up to meet the expectations of these new-age consumers. The hotel chain, which has a portfolio of business hotels, signature resorts, bespoke villas and luxury camps across 20 locations, recently launched The Hideaway Bedzzz, Rishikesh. It is a hostel with a combination of well-priced shared guest rooms and premium bunk accommodation. Additionally, there are dedicated dorms for single ladies or male travellers and backpackers as well as rooms where friends can stay together.

Prasad stated that the uniqueness of this boutique hostel lies in offering a pocket-friendly smart stay where like-minded people can meet and exchange stories. The hotel group is now in the process of taking this accommodation model to other destinations, some of which are already underway.

**Till recently, conventional hoteliers scoffed at the idea of shared accommodations. Now, many leading brands are shifting towards hostels. What is triggering this transition?**

A massive change in consumer behaviour has been observed amongst millennials or Gen Z travellers. This is compelling hospitality companies to evolve their stay offerings. They are also transforming from being mere accommodation suppliers to seasoned experience providers.

Most guests who plan to stay in a hostel have varied reasons for booking such properties. It often goes far beyond searching for a budget bed for the night. Hostels emphasise on mutually accept-



**Traditional hoteliers in upscale segments will have to rewire themselves to enter the niche hostel business segment. Their accommodation product has to be reimagined from the ground up, since the focus is not on creating individual spaces but more social experiences for guests."**

**- Vibhas Prasad, Director, Leisure Hotels Group.**



Hostels emphasise on mutually acceptable social interactions, which is a major draw for tourists.

able social interactions, which is one of the key reasons that tourists want to stay in a hostel.

The concept of solo travel has become exceedingly common in recent years. A growing number of people are opting to stay in hostels to connect with other like-minded travellers and adventurers. Moreover, the ability to 'live like a local' is a growing curiosity for many travellers who wish to pursue authentic experiences in their chosen destinations.

**Which major global and regional brands have emulated this sharing accommodation model in India?**

There are several players in this space, including us. Other leading brands are MEININGER, Zostel, Generator, Madpackers, GoStops, The Poshtel and Moustache.

**What advantages does this model present to traditional hotel companies?**

There is no doubt that the trend of shared accommodation is rising. This is largely because of the upsurge in travel by the millennials and Gen Z generation, whether it's a leisure or business trip. Hoteliers, obviously, want to encash on this trend.

The market for travel accommodation is huge globally and in India; it is so big that all kind of players can co-exist. In fact, more traditional players are creating hybrid models for the young-at-heart while budget hotel brands like OYO have become a full-fledged hotel chain for upscale and luxury accommodation.

**What role does the sharing economy have in a conventional hotel industry?**

I came across an article recently that mirrors my opinion. I believe

that grasping the opportunities and challenges that the shared accommodation marketplace presents can help hoteliers walk the fine line between success and bankruptcy, especially in contemporary times.

The orthodox hospitality understanding is being tested in extraordinary ways, which few industry players could have conceived a few years ago. Forward-thinking hoteliers know the merit of incessantly augmenting their guest experience, and they are the ones who will grab this opportunity quickly.

**Do you see it gaining a larger pie in the hospitality business in coming years?**

A Boston University study recently highlighted the effect of the sharing economy on the hospitality industry. It found that for every 10% increase in supply on Airbnb, there was a 0.37% decrease in monthly hotel revenue. This might not seem significant at first look, but extrapolate the numbers into hundreds of rooms and you can see the impact.

The same study found that accommodation services catering to business travel are likely to be more negatively impacted than economy hotels. Hence, many hotels in affected areas reacted to this business decline by lowering room prices.

While this is definitely a benefit to the end-consumers, it can pose a massive sustenance challenge for hoteliers. The choice is now theirs - to participate in the sharing economy or keep losing ground to new-age players.

**How can hoteliers create an assemblage of properties that combine the social construct of a hostel?**

Traditional hoteliers in upscale segments will have to rewire them-



➔ Hostels like The Hideaway Bedzzz offer tourists comfy places to rest their heads and connect with like-minded fellow travellers.

selves to enter this niche business segment. Their accommodation product has to be reimagined from the ground up as the focus is not on creating individual spaces, but more social experiences for guests.

The stay should come with smart, no-fuss services on offer. At Leisure Group, we combine affordable luxury rooms with unique social events for travellers and locals. From open mic nights to fusion musical evenings and silent disco, every event is curated keeping the destination and property in mind. The emphasis is on being stylish, social and safe.

At the end of the day, we are here for explorers and thrill seekers; people who are looking for a little peace and quiet and who can't wait to discover something new. They want comfy places to rest their heads and also connect with like-minded fellow travellers.

**Are communal accommodations better suited for smaller hotels or boutique resorts targeting millennials? Or can hoteliers with full-service properties in their portfolio embrace this model?**

In my opinion, it is more of the former or even start-ups by young entrepreneurs who can create such properties. Larger hospitality companies often have one major disadvantage. Their product, ser-

vices and F&B offerings have to be re-imagined on a lower cost base to make such a property viable in the long run, from a single project to a chain.

Globally, several private equity funds have invested in this space like Technology Crossover Ventures, which invested in HomeAway. A couple of these ventures have gone from strength to strength, despite the promoters not having any hospitality background.

**How can hotels with the shared room concept encourage brand loyalty amongst millennials given that they have fickle brand fidelity?**

If the shared accommodation experience is the same across the group's properties, then the millennial customer will choose to return or also refer other travellers. Having said that, a robust direct marketing or an omni-channel loyalty programme helps spread the brand's awareness.

Moreover, the use of a good mobile app for booking and other technology measures helps promote direct bookings on the brand's website and retain customer loyalty. The programme should work on enticing guests to favour that particular brand or group of hotels over others, especially when they are selecting a hotel by offering discounts or privileges, such as upgrades. **■**