

COMMERCE

Starwood looks to India, surrounding markets for expansion

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St. Regis Mumbai, India

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Starwood Hotels & Resorts is expanding its presence in Asian markets to capitalize on emerging regions and expand its services.

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In 2015, Starwood added nine hotels to its South Asian portfolio and has plans for 16 more, particularly in India. South Asian countries are developing rapidly, meaning both business and pleasure tourism from the West and within the region will likely increase with income and purchasing power.

"Our growth continues to be fueled by strong domestic demand for quality and branded accommodations in tier 1 and tier 2 markets," said Dilip Puri, managing director India and regional vice president South Asia for Starwood Hotels & Resorts. "India is already Starwood's fourth largest market in terms of number of hotels and will soon be its third after the U.S. and China. The momentum of 2015 will continue in 2016 with another eight to 10 hotel openings in the region."

"As domestic travel increases and Indian travelers continue to demand more sophistication in terms of both quality and experience, we have significant opportunity to grow our brands across the spectrum in gateway cities, tertiary markets as well as in resort destinations," he said. "The increase in domestic leisure travel and growing trend to take shorter vacations to destinations that are easily accessible from gateway cities continues to generate demand for our resort properties."

"Our development mantra is 'right places, right properties, right partners' and this especially rings true in India: We believe that while the growth of our Luxury brands is limited primarily to metros or major leisure/resort destinations, it is our upscale brands that give us the bandwidth to operate in tier 2 cities and micro markets within larger markets. We believe in the opportunities that lie in tier 2 markets. Given the rapid pace of urbanization in India, some of these markets definitely suit our upscale brands."

Starwood in South Asia

By the end of the year, Starwood hopes to have more hotels in India than in any country aside from the United States and China. The recent opening of The St. Regis Mumbai, India is indicative of the increase in tourism to the country and the region's boom over the past few years.

Mumbai is poised to become a luxury hub in the coming years. Its younger consumers have demonstrated more

willingness to spend income on luxury goods and two more luxury malls are currently under development ([see story](#)).



Le Mridien New Delhi

The developments will likely make Mumbai a tourist destination for luxury consumers primarily within the region, but also further away in China, South Korea and Japan and even for the West. The St. Regis is the first in South Asia and indicates the burgeoning wealth within the region.

"South Asia has seen significant growth, boosted by increasing number of global visitors and tourism spending," Mr. Puri said. "Growth continues to be fueled by strong demand for quality and branded accommodation in the region. While this growth has come from foreign travellers to the region, its attributed more to the growing domestic demand in countries like India."

Since January 2015, Starwood Hotels & Resorts has opened nine hotels and signed deals for 16 new hotels in South Asia. The company recently surpassed its 50th hotel in the region, with 54 hotels operating and another 34 hotels under development. We are confident about our growth in the region and remain as bullish as ever in the long term.

In addition to the St. Regis, Starwood has also opened three Le Mridien hotels and two Four Points hotels and one Sheraton in India, with plans to open several more.

Beyond India, Starwood has also expanded its Le Mridien brand to Bangladesh. Bangladesh has been off the radar for many luxury brands, but its middle and affluent class is expected to triple to 34 million by 2025 ([see story](#)). Starwood's expansion suggests that they are expecting a boost in tourism to accompany the country's growth.

A St. Regis hotel is also planned to open in the Maldives. The Maldives' economy is sustained in large part by tourism, and other luxury hotels, such as Four Seasons, have already opened in the country.



The Prince Gallery Tokyo Kioicho Luxury Collection

Outside of South Asia, Starwood's Luxury Collection will become the conglomerate's first luxury hotel in Tokyo. Tokyo is an established luxury hub that continues to grow, and Starwood does not want to miss out on the tourism that will result from Japan's 2020 Summer Olympics.

Besides openings, Starwood is also relying on conversions to aid in its growth. India in particular has tough regulatory laws that slow development, making conversion an easier option.

"Starwood has had tremendous success converting independent hotels or small chains into its portfolio," Mr. Puri said. "The strategy has significantly mitigated the development risk typically associated with the slow pace of development and regulatory issues in India, and hotel owners have benefitted from Starwood's distribution capability, the power of its SPG loyalty program and the strength of its brands."

Merge and expand

On the morning of Nov. 16, Starwood and Marriott International announced that the companies agreed to a merger that has created the world's largest hotel company. The merging of a smaller company closely associated with luxury brands with a much larger chain could make loyalists apprehensive, but a good match allows great service to be expanded rather than compromised.

A large, global group of hotels will allow the combined company to leverage economies of scale and continue to grow at a fast rate. A business move that will make expansions and improvements less expensive has considerable benefit to consumers in the long run, who will be able to stay with the company in more locations and enjoy better services and amenities.

Moreover, Marriott intends to accelerate the growth of Starwood brands, which include St. Regis and The Luxury Collection, among others, rather than stifle them to advance its own brands. The expansion of Starwood brands will enable the consumer to experience her favorite brand in more locations, improving consumer satisfaction and strengthening the relationship between brand and client ([see story](#)).



Le Mridien Dhaka, Bangladesh

Although expansion in Thailand and Vietnam is for the moment less aggressive, it follows that Starwood's South Asian expansion will in the near future will include those markets because of the growing middle and upper classes.

Chinese, Vietnamese, Thai and Indian consumers anticipate having more disposable income in 2016 than 2015, according to a new report by Agility Research.

Higher anticipated disposable income likely corresponds to more money being spent on luxury goods, so a strong presence in these markets will give brands a boost this year. Navigating Asia's marketplaces will require brands to be active both in digital and physical spaces ([see story](#)).

"Our compelling portfolio of lifestyle brands provides our partners with the choice to identify the right brand for the right location, and this is especially true for resort destinations," said Sudeep Jain, vice president, acquisitions & development, South Asia, Starwood Hotels & Resorts. "The increase in domestic leisure travel and growing trend to take shorter vacations to destinations that are easily accessible from gateway cities continues to generate demand for our resort properties."

Mr. Puri added, "as our brands our differentiated from a lifestyle perspective and not from a price point, it gives us the advantage of being able to operate multiple hotels under different brands within the same city, as well as establish our footprint and grow in new emerging markets. We believe in introducing the right brand in the right market, with the right partner."

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