Chapter 9
Serviced Apartments Industry in India: A Study on Issues, Growth Prospects, and Best Practices for Internationalization

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9.1 Introduction

A Serviced Apartment is often referred as "a home away from home" that provides the guest with accommodations at affordable prices. Service companies and housing developers let out fully furnished apartments as corporate housing units. Few companies manage owned properties, and they are furnished by individual real estate investors. The Serviced Apartment includes studio units, or two or three bedrooms, which are furnished with all modern amenities like refrigerators, kitchenettes, microwave ovens, televisions, and Internet facilities (Wi-Fi). It also includes full housekeeping facilities which are mostly outsourced. They also provide other additional services like gyms, conference rooms, and party halls which are not mandatory. All these are offered at prices lesser than five-star hotel tariffs including the taxes.

Universally, Serviced Apartment is a term had been used to describe an alternative accommodation for long stay purpose in urban locations. The Global Serviced Apartment Industry Report views that the term Serviced Apartment is generic, just as the hotel is the umbrella term for a myriad of different products from bed–and-breakfast to lodges, restaurants, pubs with rooms, and even private houses —as well as traditional hotels. Each niche product has its own market, and each market has seen homegrown products evolve.

In its process of transition between the hotel and residential worlds, the availability of amenities and services varies. Round-the-clock reception desks, on-site staff or restaurants, have now become an exception, rather than the norm, but

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Table 9.1 MSME classification in India

S. No.	Enterprises	Manufacturing sector	Service sector
1	Micro	Should not be more than Rs. 25,00,000	Not exceeding Rs.10,00,000
2	Small	More than Rs. 25,00,000 but not exceeding Rs. 5,00,00,000	More than Rs. 10,00,000 but not exceeding Rs. 2,00,00,000
3	Medium	More than Rs.5,00,00,000 but not exceeding Rs.10,00,00,000	More than Rs. 2,00,00,000 but not exceeding Rs. 5,00,00,000

Source Govt. of India, Development Commissioner MSME (Ministry of Micro, Small, and Medium Enterprise)

customer service, cleaning, maintenance services, health, and safety compliance are essential features of any Serviced Apartment (Krishna Kumar, 2015).

In July 2014, fifteen of Europe's leading operators signed a charter at the second Serviced Apartment summit held in London. This charter recognized Serviced Apartment as the generic term for aparthotel and corporate housing, but stopped short of recognizing terms, such as extended stay or branded residence, affirming instead that the two distinct types of product fall under the umbrella term Serviced Apartment.

In India, the Serviced Apartment Industry falls under the MSME sector as it complies with the investment criteria—between Rs. 10 lakh and Rs. 5 crore in case of a service sector enterprise. According to MSMED act 2006, enterprises are classified into manufacturing and service enterprises. The manufacturing sector would venture in plant and machinery whereas, the service sector for equipment. The investment limit for these enterprises is as follows (Table 9.1).

This study has targeted 30 Serviced Apartment operators; in which most of them belong to the startup category, whereas the others have entered the business because of the market demand and to earn profit.

9.2 Literature Review

Since the Serviced Apartments (SA) sector is emerging, a very few research studies have been pursued. Majority of the literature on the Serviced Apartments are either press reports, expert interviews, or industry reports by consultancy firms. A glimpse of selected research works is presented below:

- The alternative accommodation industry comprises of three types: Serviced Apartments, guest houses, and commercial homes. Commercial homes have been further classified into different categories such as bed-and-breakfast cottages, bed-and-breakfast hotels, bed-and-breakfast inns, country inns, and homestays (Gunasekaran & Anandkumar, 2012).

- A Serviced Apartment can be understood as a self-contained unit that has additional service facilities and is suitable for short-term stay. While the facilities it offers would be comparable to those offered by a hotel, it also provides the privacy and appeal of a home (Foxley, 2001). Serviced Apartments offer a good value proposition for slightly longer term travelers like those who would like to stay for a working week at a location, as they cost are priced at least 20% less than a comparable hotel (ASAP, n.d.). Today, Serviced Apartment offerings worldwide have been further categorized as follows: (i) condotels (Smoke & Burk, 2005); (ii) extended stay hotels (Geieregger & Oehmichen, 2008); and (iii) serviced residences (Hirsh, 2015).
- In Serviced Apartment summit "Serviced Apartment sector in the cusp of major growth" more than 200 participants including Spain, the US, Dubai, Italy, France, and Saudi Arabia gathered in Andaz Liverpool Street for the first Serviced Apartment summit. The summit concentrated on the concept of demand and supply, financing, and structure of the business; online marketing and OTAs were discussed for the further growth of the industry. So many industry people shared on the growth of the industry. Among them, Sean Worker, CEO of Bridge Street Global Hospitality said the sector has growth opportunity for future expansion. He also indicated that the need for standardization and a code of conduct is necessary for this industry. Mark Harris of the Travel Intelligence Network from his research measured the Serviced Apartment sector around 650,000 units in 9,000 locations worldwide. He concluded that the Serviced Apartment industry has the huge potentiality to grow in future, and the education toward this has to be realized.

It is quite evident that there exists a lack of a universal definition for Serviced Apartments, as it is an emerging industry. Also, there is a dearth of research studies focusing Indian scenario. This research paper is intended to fill this gap in the literature.

9.3 Objectives

- To study the Serviced Apartment industry in India, its emergence and composition
- To analyze the growth opportunities, challenges, strategies adopted by the Serviced Apartments
- To trace the process, internationalization of Indian Serviced Apartment industry
- To understand the best practices adopted at UK in Serviced Apartment industry and highlight the lessons for the emerging industry in India

9.4 Methodology

A descriptive methodology has been employed in this study using both primary and secondary data. Primary data was collected using a prestructured questionnaire (provided in the appendix) from the owners/key executives of 30 selected Serviced Apartments (SAs) in Chennai city, the capital of Tamil Nadu state in India. Simple random sampling method was used to collect primary data. Secondary data used in this study has been collected from published sources.

9.5 Serviced Apartments: the Asian Scenario

The GSAIR 2015/16 has highlighted that 72,857 Serviced Apartments are spread across 551 locations in Asia in 2014–15, when compared to 49,480 Serviced Apartments in 419 locations in 2013–14. This represents a sharp rise both the number of SAs and locations. The GSAIR report states that "on the world's total supply of Serviced Apartments, Asia accounts for 9.6% in 5.5% of the world's Serviced Apartments' locations." Table 9.2 presents the Asian scenario.

Table 9.2 Leading Serviced Apartment operators in Asia

Operator	Promoter	Locations	Apartments
Somerset	The Ascott Limited	49	9,031
Other serviced residences	The Ascott Limited	58	4,612
Ascott The Residence	The Ascott Limited	23	4,789
Citadines	The Ascott Limited	27	4,378
Oakwood	Oakwood Corporate Housing	27	4,014
Fraser Suites	Frasers Hospitality	11	2,628
Co-op Residences—Seoul	Co-op Serviced Residences	8	2,195
Compass Hospitality—Bangkok		10	2,000
Nieva World Apartments		14	2,000
Tokyo Stay Apartment Hotels—Tokyo		15	1,950
	Sub-total	242	37,597
	Total for the region	551	72,857

Source The Global Serviced Apartments Industry Report (2013–14)

9.6 Serviced Apartments: the Indian Scenario

Due to globalization over the last decade and the subsequent incursion of MNCs, top executives, business travelers, professionals, expatriates, students, medical tourists, and leisure travelers into the country, Table 9.3 indicates a positive trend in different categories of foreign tourist arrivals in India.

According to industry experts, the Indian extended stay market broadly consists of two segments, namely 3–4-star hotels and budget/economy hotels. India also has a large number of smaller single property motels/guesthouses providing services to the budget traveler. But there is definite emergence in the growth of dedicated Serviced Apartment chains, especially in commercial cities.

9.7 Star Hotel Chains in Indian Serviced Apartments Industry

Reputed chains of branded hotels like Hotel Leela Venture, Grand Hyatt, Hilton, and Marriott International have their presence in the serviced apartment's scenario of India. Ascott is considered as the world's largest recognized serviced residence operator. It has its apartments operating across Mumbai, Bengaluru, Delhi, Chennai, and Pune to utilize the opportunity and to bridge the demand–supply gap. Top Serviced Apartment brands are operated by branded hotel chains so that the operating costs can be lowered, and the staff/guest ratio can also be reduced. A number of international brands have developed Serviced Apartments in association with local developers, catering largely to the corporate sector.

In addition to standalone Serviced Apartment properties, several hotel chains are offering a section of their suites as serviced residences and are even launching new properties that will be operated as Serviced Apartments. GRT Hotels and Resorts, for instance, is setting up serviced residence properties under the brand name GRT Vibes, in Hyderabad and Coimbatore, investing close to Rs. 10 crore for each

Table 9.3 Foreign tourist arrivals (FTAs) in India and their purpose of visit 2009–2013

Year	FTAs (numbers)	Business and professionals	Leisure, holiday and recreation	Visiting friends and relatives	Medical treatment	Education	Others
2009	5167699	15.1	57.5	17.6	2.2	–	7.6
2010	5775692	18.6	24.0	27.5	2.7	–	27.2
2011	6309222	22.5	26.0	24.9	2.2	–	24.3
2012	6577745	22.5	27.1	27.2	2.6	–	20.6
2013	6967601	20.9	30.3	25.9	3.4	1.9	17.6

Source India Tourism Statistics at a Glance (2013) project. Five-star hotels like Marriot, Hyatt, and ITC which offer Serviced Apartments within their hotels and are seeing good growth. Hotels are motivated to offer Serviced Apartments to guests as that would bring them assured occupancy (Sushma, 2014). For instance, a guest might check out of a hotel for a week on holiday but would not move out of the Serviced Apartment even if he was to go on vacation for a week or more. Any guest who wishes to stay for longer than 15 days is suggested a Serviced Apartment. It works well as expats who have just come into India need not set up a house from scratch and for the hotel, revenues are better.

9.8 Other Operators in Indian Serviced Apartments Industry

Several small- to mid-size builders have started positioning Serviced Apartments as a good investment opportunity with attractive returns ranging from 9 to 14% per annum. Predominantly, investment in residential properties is preferred more for capital appreciation than rental income. The annual rental income from a residential property ranges between 3 and 4% per annum as against the capital appreciation of 10–15%.

Rents across the country for corporate clients range from Rs. 2,000 to Rs. 8,000 per room night. Medical tourists who are staying for long durations pay between Rs. 40,000 and Rs. 200,000 per month. The costs go up based on the city and the amenities offered. The high growth rate is putting a downward pressure on average room rates. Meanwhile, shrewd investors have quickly entered the model of buying residential apartments, outfitting them, and letting them out as Serviced Apartments, either by themselves or through professional agencies.

According to GSAIR 2015/16, Bengaluru has experienced the biggest annual growth in average rate, with double-digit increase in all Serviced Apartment types.

The year 2013–14 has witnessed a growth in the number of Serviced Apartments and other budget options emerging across India. There has also been retrofitting of conventional apartment building and conversion to Serviced Apartment usage—especially in Delhi–Gurgaon (Table 9.4).

Table 9.4 Costs involved in converting a property into a Serviced Apartment

S. No.	Particulars	Amount
	Fixed expenses	
1	Kitchen appliances	Rs. 50,000–Rs. 60,000
2	Communication facilities	Rs. 25,000–Rs. 30,000
3	White goods	Rs. 3,00,000–Rs. 4,00,000
4	Furniture	Rs. 1,25,000–Rs. 1,50,000
	Recurring expenses	
5	Regular maintenance (per annum)	Rs. 100,000–Rs. 1,50,000

Source Amit Shanbaug, The Economic Times (2014)

As a move to encourage individuals with investible surplus to invest in Serviced Apartments, in Noida, a Delhi suburb, Serviced Apartments are being promoted with a return of 14% per annum on a minimum investment of Rs. 10 lakh. Developers from the region of Delhi are launching serviced residences for sale to individuals. This trend is certainly picking up in several emerging destinations of the country. Such initiatives while bringing in more players also intensifies the competition in this emerging industry.

9.9 Growth Estimates for Serviced Apartments

Industry sources are pegging the growth of Serviced Apartments in India at 20%, while the overall hospitality market is growing at 4%.

The growth of sectors like IT, ITES, BPO, consulting, and financial services has also driven this demand.

According to the GSAIR 2015/16, while the five-star hotels recorded a 5.2% dip in overall RevPAR from 2012 to 2013 the budget hotels recorded a growth of 10.4%. Serviced Apartment RevPAR has been similar during the last 5 years, whereas the revenues of hospitality industry have grown. The growth in revenue is seen mostly outside the top five commercial cities in India, as shown in Table 9.5.

This supply and demand table indicates that the average room rate has gone down, as the market is more competitive providing wider choices to the customers, resulting in the lower average room rate with higher volumes. To make profits, it is essential to offset the lower revenue by having a larger capacity.

9.10 The Viability Question

The GSAIR declares that the fixed cost of marketing/commission per room has slightly increased. This implies that to earn profits, a Serviced Apartment should be large enough to sell rooms at a lower price and thus keep its occupancy percentage high and enjoy overall higher revenue compared to a smaller establishment selling at high costs.

Table 9.5 Supply and demand trends in India, 2009–13

City	Supply (%)	Demand (%)	Avg room rate (%)
Ahmedabad	32.70	30.10	−5.10
Gurgaon	31.20	26.20	−5.90
Noida	40.70	19.30	−3.70
Pune	39.90	37.50	−14.60
All India	17.80	17.30	−6.90

Source Perch Service Apartments, The Global Serviced Apartments Industry Report (2015–16)

Table 9.6 Indian market scenario

Mature/Oversupplied markets	Stable markets	Emerging markets
New Delhi, Kolkata, Mumbai, Goa	Noida, Gurgaon, Lucknow	Bengaluru, Pune, Jaipur, Ahmedabad

Source The Global Serviced Apartments Industry Report (2015–16)

According to the GSAIR, an approximate size to cover fixed marketing/commission costs in Serviced Apartments in a major commercial center works out to a minimum of 30 keys (Table 9.6).

9.11 Medical Tourism—The Market Beyond Corporates

Medical tourists prefer Serviced Apartments over hotels for a few, very solid reasons. First, they are more cost-effective than hotels, offering private homes, where families can cook, relax, and stay under one roof, for a reasonable price (Vaishna, 2013).

Second, most of them are professionally managed, with 24-hour concierge and emergency assistance which are vital especially for patients who come from other countries. Finally, apartments for patients must be planned well, with lifts and all amenities. Hygiene is important, and rooms must be periodically cleaned and linen changed. All this is a part of the Serviced Apartment contract. Typically, Serviced Apartment costs for medical tourists are different from what is offered for short stay corporate clients.

9.12 Emerging Online Models

Online booking portals and global distribution systems are making online booking easier and more convenient for Serviced Apartment users. Portals such as Booking.com, Expedia, and others are managing real-time inventories of hotels and are also offering useful reviews for guests to help making their decision making process easier. The adoption even by smaller chains has been constructive, and approximately, about 35% of all Serviced Apartment rooms are available on GDS.

Airbnb is offering leisure (and some corporate) travelers overnight accommodation in privately owned houses for less than the cost of a hotel and mainstream serviced apartments. A recent valuation has placed the Airbnb's worth slightly above that of Hyatt international—a 50-year-old hotel chain. In 2014, Airbnb was among the fastest growing accommodation for corporate. Concur, a popular software provider on expense management for 20,000 corporations has reported that their clients' use of Airbnb has quadrupled every year since 2010.

RoomLion.com, an online portal run by Scrappy Ventures, provides its customers to search and book Serviced Apartments online in India. This portal offers Google street view, 360° virtual tour of the apartments with basic furnishings and other mandatory facility like housekeeping. This portal has 7,800 Serviced Apartments across nine cities registered under its portal. The owners of residences can register free, and the company earns revenue based on bookings through the site. Over a period of time, the apartment owners shall pay a registration fee. The company aims to earn around Rs. 5 crore by the end of the year 2015. Apart from metro cities of India, the company will also expand its services abroad. In the future, RoomLion.com is also planning to run a chain of its own Serviced Apartments apart from expansion through franchising (Vasumitra Adarsh, 2014).

There are companies such as Alacruity that take care of the entire pre- and post-hospitalization services for both Indian and global patients. Among the services offered long-term accommodation, which Alacruity does through Serviced Apartments. They explore the options based on budget as well as requirements, offer best terms, as the services are pre-qualified by Alacruity and they pre-negotiate with service providers, thereby saving a lot of stress for the patient. In turn, they charge a 15% commission.

9.13 The Indicators of Internationalization of SAs in India

Ascott Ltd., the global leader in this industry, has begun its second project in Gurgaon, which is its eighth in India and has a size of more than 1,400 apartments. It shall also be expanding its operations across Delhi, Pune, and Mumbai. Ascott has partnered with Puri Constructions to manage Serviced Apartments.

StayWell Hospitality Group and VSR Infratech have signed a management contract for a Serviced Apartment's venture in Gurgaon's sector 68. BridgeStreet Global Hospitality is partnering with JNP Group and Homestead on a 20-year tri-party agreement. BridgeStreet shall be providing asset and facilities management services for Homestead's upcoming new luxury serviced residences in Gurgaon called *Michael Schumacher World Tower* and *Ballet by Sharapova*. BridgeStreet and Everlike Buildcon Private Ltd., a (division of Silverglades) have also signed a franchise agreement for 10 years, for a 2.75 acre Merchant Plaza that includes commercial, retail, and Serviced Apartments in an area of 2.5 million square feet. In Feb 2015, an online accommodation portal Stayzilla has brought in about Rs. 124 crore led by Nexus Venture Partners and also contributed by their prevailing investors—Matrix Partners (Sell, 2014).

The funds will be used primarily to expand the niche alternative stays market in India that largely includes lodges, cottages, home stays, unstructured ones like secondary homes turned Serviced Apartments, and bed-and-breakfasts, among others. These developments indicate increasing attention and investment by international brands and investors in the Serviced Apartments sector have marked the initiation of internationalization process in the industry. The bare fact is that the industry is still in its infancy, with the big branded hotels dominating the scenario, followed by property developers, with their eyes set on the booming numbers of business travelers due to the thriving multinationals in the country.

9.14 Serviced Apartment Scenario in Chennai

Chennai has about eight organized operators, with an inventory of 450 rooms. Some key players include Seasons, Ascott, Lotus, Blossoms, and Star City.

In 2012, Somerset Greenways came in with 187 rooms, while Shangri-La Hotel planned to launch 52 apartments.

The Ascott Limited, which manages the Somerset Greenways in Chennai, has reported occupancies of about 75% with CEOs and other top executives of several companies checking into the serviced residences.

In Chennai, rents are low, when compared to other metros of the country averaging from Rs. 2,200 to Rs. 3,200 per day, although there is a niche, upscale segment serviced by companies such as Somerset Greenways. Hence, Chennai has been purposively chosen for this study.

9.15 Challenges and Issues

Being an emerging industry, there are several issues and challenges facing the Serviced Apartments industry (Table 9.7).

Table 9.7 Barriers to greater use of Serviced Apartments

Corporates		Travelers		Agents	
Shortage of apartments in required locations	72%	Inconsistent quality	75%	Shortage of apartments in required locations	80%
Inconsistent levels of guest amenities and services	86%	Inconsistent levels of guest amenities and services	70.60%	Inconsistent quality	72.60%
Inconsistent quality of serviced apartments	63.60%	Shortage of apartments in required locations	67.20%	Inconsistent levels of guest amenities and services	72.60%
Booking process takes too long	58.20%	Booking process takes too long	57.60%	Inconsistency in agency remuneration	62.20%
Lack of recognized brands in the sector	57.80%	Lack of recognized brands in the sector	50%	Lack of recognized brands in the sector	61%

Source The Global Serviced Apartments Industry Report (2015–16)

9.16 Segmentation Targeting and Positioning Dilemmas

Serviced residences substantially concentrate on corporate customers including expatriates, business, and domestic travelers. Serviced residences are gaining popularity with transit, short stay, and leisure travelers because of its convenience and comfort at par with the luxuries of a hotel.

There emerges a challenge, when these apartments look away from their core client base of long stay travelers and start to target the transit guests for quicker revenues. But the requirements of short stay and long stay guests are different.

When Serviced Apartments begin to concentrate on the transit customers, they have to increase their man power, facilities like restaurants, in-room dining, concierge, has to be present and they begin to duplicate the operations of a regular hotel.

It shall endanger the model as the duration is shortened to just a couple of days, occupancies become low; tariffs have to be competitive with those of the hotels, despite providing a larger space. Thus, the yield per sq. ft shall make it unattractive in terms of profits. Facilities like restaurants, fitness centers, salon, and spa can be provided by the Serviced Apartment providers on the basis of partnership.

9.17 Right Location

In India, the destinations like Chennai, Bengaluru, Hyderabad, Mumbai are experiencing growth in Serviced Apartments in the recent past. Also, Gurgaon and Noida in the Delhi NCR are the upcoming destinations and have started to attract the real estate developers for serviced residences.

Nevertheless, there are barriers in the hospitality sector viz. tariffs, price sensitivity, and the prohibitive land prices. But due to its flexible nature, the Serviced Apartment model shall be able to adapt to the place where it is located. In popular areas, people are also converting their property's top floors as Serviced Apartments, whereas the bottom portion continues as a traditional hotel.

A standalone Serviced Apartment is unique because of its ability to provide the essence of a serviced residence along with the traditional ways. Experience provided by these serviced residence is homely, and they provide a warm atmosphere. The basis of operation of these apartments is determined by the land value if it is feasible at the right market and target segment.

9.18 Best Practices from the Industry Association in the UK

Though across the globe, predominantly Serviced Apartments are yet to gain a formal recognition; it is evolving as a recognized sector in the UK. Private equity funds have entered the UK Serviced Apartments market largely through the creation of new owner-operated brands. This entry of private equity funds and rising levels of committed resources means that the expansion of the sector shall be significant. The association of Serviced Apartments providers (ASAP) is a not for-profit association started in 2002 to represent Serviced Apartment operators in the United Kingdom (UK) and Ireland. Founded in 2002, it has 94 members, 27 sponsor partners, and 11 agents. Over 14,000 properties are owned and operated by its members across the major cities of UK and Ireland. Serviced residence operators, as well as Serviced Apartment agencies, are the members of this organization.

9.19 Membership

ASAP offers three categories of membership—member, quality accredited member, and partner, where the member (operating at least 6 SAs), who graduates to become a QA Member upon accreditation and the partner can be a supplier or a BDS provider, looking for business opportunities with the members.

Every accredited member is expected to operate and abide by the association's code of conduct and should have proven capabilities in gaining a minimum level of standard and the quality are assessed by the Quality Assessment program.

9.20 Membership Benefits

See Table 9.8.

9.21 The ASAP Accreditation

ASAP has introduced a centralized quality assessment processes in order to ensure legal, health, and safety requirements and good practices with regard to quality. Each operator wishing to become a quality accredited member of ASAP is required to participate in the Quality Assessment program and successfully achieve accreditation. The accreditation program focuses on core requirements and measures the success of delivery. The process is given below:

Table 9.8 Benefits for ASAP members

Business development	Quality improvement	Support	Networking	Training
• The member company and property locations can be featured with its profile on ASAP Website • Benefit from the ASAP press release program • Participate in the business travel show at specially negotiated rates	• Quality assessment program and accreditation • Monthly occupancy data analysis to measure the member's business performance vis-à-vis competitors and the sector overall • Immediate fraud alert notification	• Free HR advice by ASAP sponsored partner • Free health and safety advice line—through ASAP sponsor partner—common sense compliance	• Participate in quarterly, general, regional, and networking meetings to put forth current issues and network with the members • About 75% discount at the ASAP conference and exhibition conducted every year in the month of December, which is attended by more than 300 participants from all areas of the Serviced Apartment sector each year	• Participate in educational seminars, and meeting various suppliers at the exhibition • Participate in the training program conducted annually, by offering courses concentrating in Serviced Apartment sector

Source Joyce Cawthorpe, Association of Serviced Apartment Providers (2015)

- Each operator will undergo a sample site visit, overnight quality assessment, and a complete review of the core requirements and business practices annually.
- Every year, the assessor will experience the guest's journey (guest cycle) from: apartment selection, reservation and booking, arrival and check-in formalities, an entire night's stay and departure. Every aspect of this experience will be measured and compared to ASAP's quality, safety, and security standards.
- In addition to the overnight stay, a minimum sample of 10% of the operator's portfolio will also be assessed in order to ensure consistency throughout the portfolio and accuracy of any marketing collateral.
- The assessment will also draw on an Internet review mechanism to validate guest's satisfaction as well as any internal processes used to capture guest feedback. It is important that a cross section of data is used to ensure an accurate and true reflection of the product offered.

On successful completion, an operator will be entitled to use the ASAP quality accredited marque which will indicate full membership.

9.22 Lessons for India from ASAP

As the Serviced Apartment sector in its infancy, it is essential to build an industry association of a similar kind and offers the services of business development, quality improvement, support, networking, and training, which shall help the industry to a guided growth phase.

With increasing international customers and investors to the sector, it becomes an important requirement for building a strong industry association to guide and support individuals, start-ups, and MSMEs, who shall otherwise find it difficult to compete with the spin-offs from the star hotels.

With the vast experience of India in promoting MSME clusters, development of this sector can be effectively catalyzed by promoting the industry association which shall serve as a Cluster Development Agent for supporting the MSME players who are emerging. Such an association can also play a vital role in framing a suitable policy framework for governing this sector, since there is a complete policy vacuum for the sector which has high growth potential.

9.23 Highlights of the Survey Findings

The highlights of findings of the survey conducted with 30 Serviced Apartments in Chennai have been presented below:

- Among the respondents, 78% of them are individual players, whereas 22% are branded in this industry.
- About 73% of the Serviced Apartments do not have a proper Website. This is the biggest drawback and this would create a communication or a follow-up gap with the customers. This shows that they lack in the usage of technologies.
- About 87% of the properties have less than 10 keys. Whereas, the GSAIR indicates that at least 30 keys are required for viability.
- The number of employees in operational is less than 2, and support is less than 4 in number. The number of employees should be adequate to provide services for the existing inventories.
- The average occupancy of these apartments showed a positive sign. Most of the properties were occupied more than 80%, which shows that there is a demand for this sector.
- The rates offered by them were affordable when compared to hotels, where the standard rooms were less than Rs. 2,000; Double rooms were less than Rs. 3,000 and suite rooms were below Rs. 8,000. Since the inventories were less, few even offered full property for Rs. 25,000
- The major types of customers were corporate, among whom 70% were domestic travelers and the rest catering to expatriates. The number of women travelers utilizing the SAs was found less when compared to men.

- The SAs primarily targeted the working professionals 70%. The share of students 5% and medical tourists 25% shows that the major target group is working professionals, whereas medical tourists belong the emerging category.
- While the working professionals rented the SAs on yearly, half yearly, and quarterly basis, the medical tourists stayed on a weekly basis which is basically the period of follow up after their treatment. The students stayed on quarterly basis (during their project period and final semesters).
- The average percentage of repeat customers was found a little more than 60%.
- All the apartments offered Wi-Fi facility. About 80% of them offered cab services. About 82% of them offered complimentary breakfast for the guests. About 58% had restaurants attached to them and 24% of the apartments offered health center facilities.
- About 96% of the apartments used discounts and special services as models to retain the customers.
- Sources of the distribution channel for these apartments were 97% through corporate discounts, 80% through travel agent, 70% from third-party online vendors, 40% through GDS, and 27% through hospitals.
- From the SA perspective, the factors influencing customer preference especially in categories of education and medical tourism were dominated by tariff, location followed by facilities, safety, and services.
- In consonance with the above findings, the respondent-SAs ranked pricing followed by the location as the major strength of the competitor while service quality and brand reputation scored the bottom ranks. This indicates the necessity to sensitize on maintaining quality standards to achieve competitive advantage.
- The major challenges faced by the Serviced Apartments are summarized in Table 9.9.

The survey findings clearly indicate that the industry is emerging with activity; there is an ambiguity in STP, lack of awareness about maintaining quality standards, price being the major differentiator; thereby increasing the pressure on cost, lack of funding sources, licensing issues, etc. It reflects the trends of emerging industry with the emerging entities and spin-offs playing in an uneven field, eyeing the same market; but, their preparedness to harness the recent development of internationalization process of the industry appears to be low.

9.24 Recommendations

Based on the above analysis, the following recommendations are made as follows:

- The room inventories for these apartments can be increased, as there is a lot of demand for it. Moreover, GSAIR states that the viable operation size for the SAs is more than 30 inventories.

Table 9.9 Challenges faced

Easy	Less challenging	Moderately challenging	Somewhat challenging	Very challenging
Ensuring quality of supplies—50%	Retention of man power—30%	Reaching out to customers—40%	Availability of man power—63%	Retaining customers —40%
–	–	Customer expectations in terms of price—43%	Quality of man power—60%	Customer expectations in terms of quality—37%
–	–	Negotiating supplier contracts—60%	Obtaining loan from banks—43%	Salary cost—40%
–	–	–	Loans from formal other sources—50%	Obtaining certification/license —43%

Source Authors' findings using rating scale

- Improving the online presence and advertising online is essential for the Serviced Apartments to harness the emerging market.
- The Serviced Apartment operators can increase the number of employees, especially in operational and support levels, as they are the ones who play a major role in these kinds of accommodation to provide the quality service experience.
- Quality of the services can be improved by introducing accreditation through industry associations.
- There is lack of availability of man power in this industry. Creating awareness and training will help them to understand the industry's growth level.
- Medical tourism is an upcoming trend in India. So the service providers can also concentrate on this sector by having tie up with hospitals accredited for medical tourism.
- In order to retain the customers, these apartments can also opt for loyalty programs. Frequent follow ups with them will also help to retain them.
- Apart from the location, the service providers can also concentrate on safety issues and facilities they provide to customers and offer friendly service.
- Government can also take initiative in providing license or certification as almost all of service providers find difficulty in obtaining them, and few are not aware on the process.
- Linking up the SAs with the new wave financing institutions like VCs, private equity firms, crowd funding shall help to handle the issues of funding. Banking sector should certainly be sensitized for working capital financing of this sector.
- The emerging business models like RoomLion.com, Alacruity have to be replicated, scaled up, and integrated into the mainstream for activating more start-ups to utilize the emerging opportunity.

- Above all, a strong industry association like ASAP is required to guide and support individuals, start-ups, and MSMEs, who shall otherwise find it difficult to compete with the spin-offs from the star hotels. Apart from advocacy, this association should also provide the services of policy advocacy, business development, quality improvement, support, networking, and training, which shall help the industry to a guided growth phase.

9.25 Discussion

Global trends in Serviced Apartments industry have shown a noticeable growth in a majority of countries. However, the rate of growth has not been uniform with 5.3 Serviced Apartment units per 1,000 business travelers available in Asia, while London has 1.6 per 1,000, and New York has 5.7 per 1,000 (Giraud, 2014). The Serviced Apartments industry is facing few challenges which are great barriers for its growth. Understanding the difference between a hotel and a serviced apartment is a key challenge. This can be overcome by educating travelers and by positioning Serviced Apartments appropriately in the market vis-à-vis hotels. This might become slightly problematic as the line dividing the two—Serviced Apartments and hotels—is not clearly apparent. As Serviced Apartments add more and more services, there is also an emerging trend among certain hotel chains which are working toward the concept of "budget stay" at the same time. Apart from this, the other important challenge is branding. The branding of a Serviced Apartment should reflect its quality. The UK Serviced Apartment industry, which is monitored by the ASAP, has set standards for the industry and works toward the quality for the growth of the sector (Giraud, 2014). However, given the growth prospects of the region that India is located in, much needs to be done in the country to monitor and regulate the service delivery in this sector.

9.26 Conclusion

India as an emerging destination for this industry can look up to these kinds of service providers and can raise the industry standards. This study shows that the industry in India has a long way to go to cope with other leading nations. The awareness among the individual market players should be created so that they understand the positioning of their product in the industry. With increasing international customers and investors to the sector, it becomes an important requirement for building a strong industry association to guide and support individuals, start-ups, and MSMEs, who shall otherwise find it difficult to compete with the spin-offs from the star hotels. With the vast experience of India in promoting MSME clusters, development of this sector can be effectively catalyzed by promoting the industry association which shall serve as a

Cluster Development Agent for supporting the MSME players who are emerging. Such an association can also play a vital role in framing a suitable policy framework for governing this sector, since there is a complete policy vacuum for the sector which has high growth potential.

Appendix

Serviced Apartments Industry in India: A Study on Issues, Growth Prospects and Best Practices for Internationalization

Questionnaire

Dear Respondent, this is a Research study to analyze Serviced Apartments Industry in India: A Study on Issues, Growth Prospects and Best Practices for Internationalization.
The Questionnaire is designed to collect required information from the selected reputed Serviced Apartments in Chennai only. The details collected for the study shall be used only for academic research purposes.

Name and Type of the Accommodation	
Year of Establishment	
Are you registered? If Yes, state the year of registration	
Website	
Year of Incorporation in Chennai	
Are you a part of any Business group? If Yes, name the group	
Type of Property	Owned / Managed / Franchised
Certifications obtained, if any	
No. of Rooms	
No. of Employees in your organization	Managerial____Operational____Support____
Level of Office Automation	Manual / Semi Automated
Name and designation of the Respondent	
Email Id/Contact No.	

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1. Average occupancy percentage annually
   ☐ 0 - 25 ☐ 26 - 50 ☐ 51 - 75 ☐ 76 – 100

2. Type of room and tariff structure (if available in website, need not be mentioned)
   Standard room Rs.______________ Double room Rs.______________
   Suite Rs.______________ Others, Specify ______________

3. Type of clientele (in percentage)

☐ Expatriate __________ ☐ Domestic __________

4. Targeted Clientele in Percentage

☐ Working Professionals____ ☐ Students___ ☐ Medical Tourists___

5. Duration of Stay

Working Professionals	☐ Yearly ☐ Half yearly ☐ Quarterly ☐ Monthly ☐ Weekly ☐ Day basis
Students	☐ Yearly ☐ Half yearly ☐ Quarterly ☐ Monthly ☐ Weekly ☐ Day basis
Medical Tourists	☐ Yearly ☐ Half yearly ☐ Quarterly ☐ Monthly ☐ Weekly ☐ Day basis

6. Proportion of Clientele in Percentage

Onetime	☐ Less than 20 ☐ 20-40 ☐ 41-60 ☐ 61-80 ☐ Above 80
Repeat Short stay	☐ Less than 20 ☐ 20-40 ☐ 41-60 ☐ 61-80 ☐ Above 80
Long stay	☐ Less than 20 ☐ 20-40 ☐ 41-60 ☐ 61-80 ☐ Above 80

7. Services offered (Please ✓ the following)

Services	Owned	Outsourced
Restaurant		
Provision for Self- Cooking		

Laundry		
Mess		
Travel Desk		
Cab Services		
Housekeeping Services		
Wi-Fi		

Others, specify ___________________________

8. Percentage of Repeat Customers

☐ 0 - 25 ☐ 26 - 50 ☐ 51 - 75 ☐ 76 – 100

9. Safety Systems and Procedures adopted

☐ CCTV circuits ☐ 24hrs Security Services ☐ Visitors Monitoring ☐ Others, specify____________________

10. Methods deployed to retain Customers

☐ Discounts ☐ Special services ☐ Others, specify_____________

11. What are the other sources of Distribution Channels to bring in Tourist/Guest?

☐ Travel Agents / Tour Operators ☐ Global Distribution Systems (GDS)
☐ Third Party Online vendors ☐ Corporate discounts
☐ Hospitals ☐ Social Media
☐ Others, Specify__________________

12. Reasons for preference by customers (please rank from 1 to 7)

Location (proximity)	
Ambience	
Facilities	
Tariff	
Safety	
Brand	
Friendly Service	

13. Competition Landscape

Landscape	**No. of Competitors**
When you started	
At Present	

14. Major Competitors (top three)

	Major Strength (Score out of 10)						
Name of the Competitor	Location (proximity)	Ambience	Facilities	Tariff	Safety	Brand	Friendly Service

15. Rate the following with reference to the Business challenges faced by you

Factors	**Easy**				**Difficult**
Reaching out to Guests	1	2	3	4	5
Retaining Guests	1	2	3	4	5
Managing the Guests	1	2	3	4	5
Meeting Guests expectations in terms of Quality	1	2	3	4	5
Meeting Guests expectations in terms of Tariff	1	2	3	4	5
Availability of man power	1	2	3	4	5
Quality of man power	1	2	3	4	5
Retention of Employees	1	2	3	4	5
Employee salary cost	1	2	3	4	5
Obtaining Loan from Banks	1	2	3	4	5
Obtaining Loan from other sources	1	2	3	4	5
Negotiating supplier contracts	1	2	3	4	5
Ensuring Quality of Supplies	1	2	3	4	5

16. Are you planning to expand the Operations?

☐ Yes ☐ No

17. If Yes, Which will be your target group for expansion?

☐ Working Professionals ☐ Students ☐ Medical Tourists ☐ Others, Specify

____

18. What will be the future challenges for your business expansion?

Challenges	**Rank from 1 to 5**
Raising Capital	
Increase in competitors	
Increasing Customer Expectation	
Maintenance Cost	
Rent Fixation	

Others, Specify ______________________

Thanks for your valuable time!!!

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