



INTRODUCTION TO THIS DOCUMENT

David Keen and Catherine Monthienvichienchai of QUO speak to Puneet Chhatwal, Managing Director and Chief Executive Officer of The Indian Hotels Company (IHCL), to understand his thoughts on the future of travel.

OUR TAKE-AWAYS:

This is what we learned from this document:

- **Safety and security of staff and customers is important. People will always consider how brands handle these.**
- **Trust will determine customers' choices when it comes to choosing where to stay and where to eat.**
- **People will go back to places they are familiar with as opposed to places that offer the best value.**
- **Domestic demand will keep travel and hospitality going.**

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LISTEN: Trust will drive future demand

14-18 minutes

START AUDIO

David Keen 0:08

Hi, this is David Keen at QUO. We've worked for the last 20 years with many of the world's best known travel brands during this unprecedented global crisis, our world of travel has changed, possibly irreversibly. This series will see us speak with many global leaders to understand how they see the future of travel.

David Keen 0:45

Good morning and welcome to the next episode on the future of travel. We are very honored this morning to welcome Puneet Chhatwal, the Managing Director and Chief Executive Officer, IHCL the Managing Director and Chief Executive Officer of the Indian hotels group, more popularly known as the Taj group. I'm here again with Catherine Montienvichienchai, our chief branding officer, and we welcome Puneet. Good morning Puneet.

Puneet Chhatwal 1:11

Morning David. Good morning Catherine.

David Keen 1:16

Puneet, to start, we're faced for the first time in our lifetimes, in any

kind of modern history, with more than a pandemic. With a pandemic and an economic recession, that is driving humanity to its core. How do you see that personally? How do you see it for the world? And then how do you see it, India?

Puneet Chhatwal 1:45

I think as we can all watch through the media, as well as listening to a lot of dignitaries, political leaders, industry leaders across various industries. It's very clear that no one had ever thought of, no one has ever seen, and no one ever had a plan on what to do if something like this happens in the world.

So I think we are all struggling to come to terms with it. I think the world will go through a very difficult phase in which it will have to push the reset button. That's one. The second is the consequences, economically, of this pandemic are still not measurable because it's not yet over. We are maybe in the, you know, halfway through it and still the other half has to go. And finally, when it comes to countries like India or other emerging — strong emerging economies of the world. I think they will have even a bigger challenge, adapting to this new situation in the short to medium term.

Catherine Monthienvichienchai 2:42

Puneet, in terms of your own organisation the Indian Hotels Company, what has been your immediate short-term reaction to the process. What is your longer term outlook and planning for recovery.

Puneet Chhatwal 3:19

See there are different aspects to it. The first and foremost is the

safety and security of all our stakeholders. That's our customers as well as our staff and our employees. We have been actively getting the test done, and, you know, checking if the well-being of our employees is taken care of. The same as being with our customers.

The third, I think, which really differentiates our company and our group to the rest of the majority of the other groups in the world, is that since the formation of our group, and we are the oldest operating company of the group. The community has been considered by our founder, as, not just the most important stakeholder, but rather the purpose of the existence of any business.

And so we have been very strongly engaged in supplying food to doctors, nurses medical staff in six hospitals in Mumbai and other six in Delhi, one in Bangalore. We've been supplying a lot of meals — like 20,000 meals a day as an example in Mumbai to the migrant workers, which are like fleeing back to their villages.

We are housing and subsidised through what we call the patch., a public service welfare trust, and with the BMC, the Municipal Corporation of Mumbai, to host doctors and nurses so they don't have to travel very long distance and still put in you know 14, 16 hours of work in the hospital. So we are hosting them in our hotels.

I think that's what we have been doing in the immediate term. When it comes to short term I think you're trying to put strategies into place, which is post lockdown. So how we will adjust to the new normal?

And I think at the moment. We are less worried about the medium and long term, because the short term, getting back on your feet,

will be the most important job of any management in any organisation in any industry that we are working in.

David Keen 5:35

How do you see the new normal.

Puneet Chhatwal 5:37

There is a new normal for the short term and there is a new normal for the long term. Short term, I think, over a two-year period, people will be very selective in where they go out to in our industry. People will be very selective who that they choose to stay with. People will be very selective in terms of, you know, having an emotional connect or familiarity with a brand. Then wouldn't just go anywhere. People will be selective where they are seated, how distant they are. Maybe there will be the sense of hygiene which will stay on for a few years and then our memories are short. I think everything is forgotten. Travel is back. People will travel, as if never anything happened before. So I see it in two buckets. One is maybe 12 months to 24 months. And the other is like beyond 24 months.

Catherine Monthienvichienchai 6:37

Puneet, in a broader sense, when you think about some of the trends that have impacted hospitality over the last few years. The two levels really when you look at lifestyle and you look at the move towards socialisation the co-living, co-working spaces, and communal lobby experiences. But also from the Taj perspective, you're focused on high-touch service and the importance of that service culture to your brand. How do you think some of those trends within hospitality will be impacted, going forward, given the new normal that we're anticipating.

Puneet Chhatwal 7:12

No, as I said earlier, I think the social distancing the co-working spaces, the people together in a place — it's not going to totally stop. It will be a controlled new beginning. That's my opinion, as I always feel that you know it's not like a doomsday scenario that everything is now going to come to an end. I think there will be a slow beginning and people will go to places where they feel safe.

Now they could feel safe because of the trust, they have a with someone. That could be a brand; that could be the people who are there. The second is the emotional connect. Where they have the emotional connect, they will go there too. And the third is, obviously, avoiding any kind of unnecessary risk taking. I think it's just very normal in human psychology that you just don't have a button which is switch on and switch off. That now we have social distancing and tomorrow it's gone. So it's, it's not going to go away immediately. I think it's there to stay for some time, but it's not there to stay forever.

David Keen 8:27

With a much smaller demand and a much greater supply the brands — the product brands themselves across India and around the world are going to have to fight, much, much harder for the guests the will actually be coming. What do the brands have to do to pivot, now, in order to be attractive because it's going to be a buyer's market?

Puneet Chhatwal 8:55

Well David, I think, with or without the pandemic. I think the brands need to continue to evolve. And I think the, the one thing which will now differentiate brands, which have stood the test of time to the

others would be those who have been around, have some kind of some kind of connect with the customers.

For example we say Taj stands for trust, awareness and joy. And one of the key pillars is trust. And I think post Corona, I think trust will be one of the key factors driving demand into your hotels and, of course, also the awareness and joy part of it.

So I think a lot of brands which have stood the test of time will be trusted by the consumers. And they also exude some kind of an emotional connect with the customers, which will possibly be more important in the short term, then some form of booking engine, some form of online bookings. People would like to go to places they are familiar with, and not go to places which are necessarily offering the best value, only. That does not mean value component will be less important. I think the combination of the two. Both value familiarity and we call familiarity or emotional Connect will actually drive demand into certain brands versus the others.

Catherine Monthienvichienchai 10:32

So, building on that answer, Puneet. Do you think that given this need greater focus on trust and familiarity, will this see a shift in terms of alternative accommodation versus big brands? We were seeing the emergence of a single the huge exponential growth of Airbnb and alternative accommodation options. Do you think that that will pivot back towards crap known established credible brands that consumers trust?

David Keen 10:58

if I can just add on to that you mentioned emotion and emotional Connect, because, by all means, segue into OTAs. But where there isn't that emotional connect with an Airbnb or, or one of these other

alternative accommodation brands that there will be a greater connect to, to more established brands.

Puneet Chhatwal 11:23

See, all these, you know, opportunities to occupy latent demand, have been serviced well by alternative accommodation. Similarly, the facilitation of bookings throughout the world through online travel agents has worked well for the industry. The only differences, even when you went online and had a look at the various options, maybe you may not consider an option that you don't know, which might be offering the best value. I think that is definitely going to happen in the short term. If you want to go to a place and stay where you don't know who has stayed before there and the kinds of people using it — that kind of safety and security value may not be a given. Whereas if you go to a great property in its own positioning, in its own marketplace — which is well known, which is trusted — I think, the likelihood that we'll look for that is higher than going to an unknown place.

David Keen 12:35

There's, inevitably, as in the short to medium term going to be a fight. There's going to be some form of a price war, or a limited price war. I know you speak passionately against this. How can you stop it?

Puneet Chhatwal 12:56

Well, no one can stop, you know, price war or as we all grew up learning about — the cola wars, and the burger wars and the beds war. I think that's just a part and parcel of our lives. It just comes and goes. I think what we can always advocate as leaders in the industry is: let's be responsible enough towards the industry and

not just towards the brand. Because the long-term sustainability of the industry to do the right things from a sustainable business point of view from a safety and security point of view, from adding value point of view, for creating the right kind of atmosphere for guests to be received, serviced and taken care of. You can't do it, just on the basis of price alone. And by cutting things so that you can justify a price I think people would be willing to pay. So I think that's what basically all books define competitive advantage as, which is the willingness to pay minus the cost to service which actually drives your margins. And therefore I think people who get that balance right — of the willingness to pay, and the cost to service — will be the ones who will thrive in the long term, after this crisis is over.

David Keen 14:17

Given our interpretation of virus — and everyone's using the word 'pause'. I'm using the words 'analog' and 'digital'. The pre-virus is analog; post-crisis is more digital. Do you feel in the digital world, or in the post crisis world, that the emotional connect to loyalty is going to sustain the lives that sustain and grow loyalty programs, and loyalty to brands, or do you think there needs to be more than that?

Puneet Chhatwal 14:55

You know it's interesting you ask that David, I just think you should actually start watching the digital campaigns which have happened. Start looking at the videos being done by CEOs. I think even in a digital world, they are trying to connect. During this virus — during Corona and post-carona — on an emotional basis. It's very less factual on what's happened and how many, you know, jobs could be lost or how much is the drop in the revenue. It's all about

emotions.

And I think even in a digital world post the virus situation, there will be a place for whatever we have had from the past, but it might be packaged differently. And I don't think there would be a world without the core values, which we have. And so that is the purpose.

So the purpose will not be lost. I think it is just the packaging of it digitally because your reach is higher your reach is faster and the reach is more affordable.

David Keen 16:04

Yeah, and I think the purpose is going to necessarily be more discerning and the guests are going to be more discerning, and they're going to be looking for that purpose. Catherine?

Catherine Monthienvichienchai 16:18

Puneet, we we've been speaking to various people — notably yesterday from Langham about China and looking at the signs of recovery that's happening in China and what lessons we can learn from that. How do you see — India where there's also such a strong domestic travel market — how do you see India coming back as the virus situation starts to improve?

Puneet Chhatwal 16:43

I actually believe that the rebound in India could be faster and stronger. And the reason is that the domestic market in India is very strong. And it's the majority of the business. The international travel really starts between October and March, because of the seasonality. I think, October to December is very difficult, but there is a general consensus that the international travel will slowly start

coming back as of January 2021.

And I think the only thing which we can say with a lot of confidence today is that once the lockdown is over — once there is a new normal — I think we will embrace the change, will embrace the new normal. And the business on the domestic front will start. And maybe it's not taking flights, or it's not taking long distance travel within India, which is a two-, three-hour flight.

I think people will drive within 200-square-kilometer areas to different lengths in the south — going to coffee plantations and tea plantations. In the West, maybe from Mumbai, going away to Goa for a holiday. And in the north, as you can get to the Himalayas. And similarly, in the East, again, to the tea plantations, or towards, you know, Nepal, or Bhutan — or those kind of destinations.

So I think that domestic demand will drive the business in the next six to nine months. And then when the new normal becomes a part of our day-to-day life, the balance will come back in the international and the domestic demand.

David Keen 18:35

Puneet Chaatwal, Chief Executive Officer and Managing Director of the Indian Hotels Company, thank you so much for speaking to us on the future of travel. And stay safe, and all the best. Thank you.

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