MAHINDRA LEISURE & HOSPITALITY SECTOR: CLUB MAHINDRA BUSINESS: DISRUPTING THE VACATION OWNERSHIP MARKET CASELET

Mahindra Group’s Leisure & Hospitality Sector comprises Mahindra Holidays & Resorts India Limited (MHRIL), that manages Club Mahindra Resorts, and Mahindra Ocean Blue Marine that manages the Odyssea Luxury Boats business. This caselet pertains to Club Mahindra Business, and is the only caselet in the Leisure & Hospitality Sector.

BUSINESS BACKGROUND

The Mahindra Group forayed into the Leisure & Hospitality Sector in 1996, opening the first Club Mahindra resort in Munnar, Kerala targeting family leisure vacations space. Club Mahindra pioneered the vacation ownership concept to deliver Indian families affordable and memorable vacations year after year.

The Vacation Ownership industry in India was plagued by scams and fly-by-night operators then, who often cheated customers after selling a vacation ownership deal. Mahindra Group aspired to change the business, by bringing trusted, high quality vacation ownership for Indian families. The market responded well and the business expanded, growing to 45 exquisite Club Mahindra resorts in some of the most picturesque locations in Sikkim, Corbett, Mussorie, Pondicherry, Goa, Ooty, Gangtok, Binsar, Dharamsala, Kandaghat, Naukuchiatal, Thekkady, Masinagudi, Sasan Gir, Manali, Kumbalgarh, Kanatal, Coorg, Kandaghat, Kodaikanal, Ashtamudi in India, and in overseas locations such as Dubai, Bangkok, and Malaysia and Innsbruck (Austria). Club Mahindra today is a leading Vacation Ownership Brand, with over 183,000 members, who pay a fixed membership fee at the time of joining to enjoy 7 nights of holidays every year for 25 years at any of its resorts in India and abroad. Club Mahindra is also affiliated to RCI, the world’s largest vacation ownership exchange company through which members can gain access to 5000 resorts worldwide. Club Mahindra has brought several innovations in the VO space - the resorts bring a truly rich vacation experience that includes local cuisine, holiday activities for all members of the family in some of the most scenic locations in India.

MHRIL has also made significant investment in state-of-the-art IT systems to streamline backend operations for a smooth and efficient management of a large customer base. Club Mahindra has 15 branch offices, 25 holiday worlds and more than 100 Franchisees across India. Apart from this, a full-fledged Sales & Marketing/Member support Office in Dubai has been set up to tap middle-east customers.
In 2014, Club Mahindra acquired 18.8% stake in Finland based Holiday Club Resorts with a right to increase ownership over 2 years. Holiday Club Resorts is a leading vacation ownership company in Europe with 30 resorts across Europe (22 of which are in Finland, 2 in Sweden and 6 in Spain), and a membership base of 50,000 families. Once full ownership is achieved, the combined entity has the potential to be the largest vacation ownership company in the world, outside of USA.

Club Mahindra currently has a capacity of around 2900 rooms, of which 500 have been added recently. Occupancy rate currently is at around 85% and MHRIL is now looking at opportunities in the near future by taking advantage of positive trends in growing travel and tourism market coupled with rising disposable incomes in India.

**LIVE CHALLENGE: DISRUPTING THE VACATION OWNERSHIP MARKET**

Club Mahindra today enjoys leadership position in the vacation ownership industry, with 183,000 members - being the leader, it is in an unenviable position of being under attack from all sides - traditional competitors, substitutes and new alternatives that cater to the same need. Club Mahindra’s immediate competitor, Sterling Resorts, was acquired by Thomas Cook, and is investing into this market. In addition, Online Travel Agents (commonly called OTAs in this industry) are gaining popularity, along with Packaged Tour Operators, both of whom compete for a share of wallet of the consumer.

The advent of digital and mobile revolution in the last 5 years has intensified, with 60-70% of searches for holiday destinations happening on mobile. Consumers are seeking variety and innovation, with a desire for flexibility and customisations. Holidays are not just about leisure and relaxation anymore - they are about activities and bonding and socialising online with photos, posts and comments. The faith in neutral portals such as Trip Advisor and Booking is very high, even though they are known to be misleading at times. Consumers also desire rich content with videos, audiovisuals and high quality pictures in websites, and an instant response through social media such as Twitter.

The good news, amidst all this, is that the travel and tourism industry is expected to grow at 6% over the next 10 years, and the demand for rooms is set to grow at about 14% in the next 5 years. Holiday is on top of the discretionary spend list of 2 out of every 5 Indians, and the average room rates are expected to go up - as such the travel and tourism industry is expecting to see its share of “achche din” coming soon. Though Club Mahindra is strictly not in the hotel industry, it is considered a part of it, and is influenced by it. In the United States, Vacation Ownership is about 5% of the total
hospitality Industry, whereas in India it is less than 1% of our own hospitality industry, indicating a 5X growth opportunity. With roughly 200,000 members today, this indicates potential for Club Mahindra to reach 1 million households. Looking at it from an income perspective, we clearly have more than 2 million households that earn more than INR 20 Lac per annum, forming a part of Club Mahindra’s core target segment. The growth potential, is thus high - the next 5 years will see more holidaying and travel than ever before, and the last 3 quarters of Club Mahindra is already a pointer to this trend.

**Evolve a disruptive strategy for Club Mahindra looking at the following aspects:**

Club Mahindra today being a leading player in the vacation ownership industry, with 183,000 members - is in an unenviable position of being under attack from all sides - traditional competitors, substitutes and new alternatives that cater to similar need.

Club Mahindra’s immediate competitor, Sterling Resorts got acquired by Thomas Cook, is investing in this market. In addition, Online Travel Agents (commonly called OTAs in this industry) like makemytrip, Airbnb are gaining popularity, along with Packaged Tour Operators like Kuoni, Cox and Kings etc. competing for a share of wallet of the consumer. The advent of digital and mobile revolution in the last 5 years has intensified, with 60-70% of searches for holiday destinations happening on mobile. Consumers are seeking variety and innovation, with a desire for flexibility and customisation. Holidays are not just about leisure and relaxation anymore - they are about activities and bonding and socialising online with photos, posts and comments.

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than 2 million households that earn more than INR. 20 Lac per annum, who are potential customers for Club Mahindra.

Evolve a disruptive strategy for Club Mahindra looking at the following aspects:

1. Looking at it in the realm of ‘Infinite Possibilities’, **what can disrupt Club Mahindra’s Business model?** Having been the creator and the leader of India’s vacation ownership model, How can Club Mahindra itself be the disruptor, of its own creation?

2. In the context of the ‘Digital/Mobile’ Revolution, how should Club Mahindra ‘digitally enable’ its business in a manner that meets the needs of the new generation of customers? The current Club Mahindra Sales Process involves having a 45-minute physical meeting with the prospect & his/her spouse – will this even survive in the future? The question of digital is even more fundamental - **how can Club Mahindra use the power of ‘digital’ and ‘mobile’ to enable its business in such a manner that it gains a sustained competitive advantage & enhances ‘prospect’ & ‘member’ experience.** (Please note that the point of Digitalisation and the Point of disruption listed above are not necessarily inter-related. Disruption can happen through business model innovation or/and using digital/mobile platform)

3. Is there a better value proposition needed than the current proposition, and if so targeted at which set of consumers. **Which are the possible segments being catered now, and which segments are being missed out?** What sort of a newer product or a newer offering may be needed & for which segment & how to tap the chosen segment.

4. How can Club Mahindra’s 183,000 members be engaged meaningfully, beyond the one week of holiday in a year - in the 51 weeks that they do not holiday – so that Club Mahindra can optimize ‘lifetime value’ of its existing members.