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## LEMON TREE HOTEL COMPANY: BEYOND VALUE CHAIN INTEGRATION

*"I am not sure if we are a hotel development company or a hotel management company or a brand. We have strengths in all of them."*

- Patu Keswani, CEO, Lemon Tree Hotel Company

It was a wet day in August 2016 and the city of Delhi had a gloomy air, but Patu Keswani, Chairman & Managing Director of Lemon Tree Hotel Company (Lemon Tree), was beaming. He had just learned that Lemon Tree had become the third largest owner of hotel rooms in India. In his posh office on the mezzanine floor of the Lemon Tree hotel near Indira Gandhi International Airport, Keswani reminisced about his journey on a new and uncharted path. His feelings of pride over Lemon Tree's achievements were tempered only by some trepidation about the future.

Keswani was proud of the way he had overcome the teething troubles of the first Lemon Tree hotel, on which he started work in 2002, and of the success that had followed, resulting in 40 Lemon Tree hotels in 23 major Indian cities by 2016. **Exhibit 1** provides more details. Compared to other established hotel groups, his nearly 15-year-old brainchild may have been a new entrant in the Indian hotel industry, but it became a category creator and a first mover by meeting the underserved need for hotel rooms in the mid-market and

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*This case was written by Indranil Bose at the Indian Institute of Management Calcutta and Arohini Narain at Writer's World. The case was prepared solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation.*

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economy categories in India. Though the Indian hotel industry suffered intensely in the wake of the 2007-08 global financial crisis, Lemon Tree continued to grow at 45% every year in physical supply.

Lemon Tree stood tall with its success rooted in its inimitable business model, dynamic value chain management, unique talent management, incisive demand-supply projections, distinctive challenge mitigation strategies and precise business foresight. Its roots were strong and its star, at the moment, was on the ascent, but Keswani nevertheless felt some anxiety about the future. Lemon Tree's success was primarily due to value chain integration, and yet they planned to disintegrate fully in the future and move more into hotel management than ownership. Was that the right strategy for the day? Did they have to pivot the business model to remain future-safe?

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