

COVID-19 has ravaged the hospitality sector and fundamentally transformed it in 2020. According to STR, hotel occupancy in the USA from April 5th to the 11th was down nearly 70% year-over-year. <sup>1</sup> In Europe, hotels are expected to see a 37% decline in revenue per available room (RevPAR) in 2020 on account of their massive losses in occupancy. International tourism, one of the integral sources of revenue for the sector, is expected to decline by 20-30% globally, down from an estimated growth of 3% to 4%, as forecast in early January 2020. This could translate into a loss of \$300 to \$450 billion in spending by international visitors. <sup>2</sup> None of this is surprising or unexpected given the new realities brought on by COVID-19. What is surprising and interesting, though, is how hotels have changed to deal with the new realities and how they are preparing to deal with an economy that is set to reopen soon. This report will highlight both these changes and preparations.

## 1

Due to the loss of their traditional sources of revenue, hotels have had to look elsewhere for income and occupancy. Most people aren't staying at hotels, but rooms, up to a point, are continuing to get filled. Hoteliers have been quite creative in this regard. For example, hotels now house health care workers and serve as quarantine spaces. More than 15,000 hotels signed up for a new American Hotel and Lodging Association (AHLA) initiative called "Hospitality for Hope" which matches hotels with government agencies in need, offering temporary housing for emergency and health care workers amid the pandemic at a discounted rate. While not nearly enough to make up the money lost, it mitigates some of the declines in occupancy and revenue.

Hotels also have reached out to counties to house people who need to be quarantined but don't need intensive medical care. Moreover, hotels such as Hilton offer discounted rates for health care, law enforcement, and other essential workers who might need to self-quarantine. Hotels are now also contracting with counties to house medically vulnerable homeless persons. A small percentage have always used hotels as workspaces, but many hoteliers are now making themselves into an alternative to WeWork. They are now day workspaces, aka flex rooms. Hostmark's Lafayette Hotel, for instance, gives guests private workspaces in its poolside rooms for a day rate. With golf being a \$84 billion industry <sup>3</sup>, and because it is still viewed as a safe activity even during the current COVID-19 era <sup>4</sup>, hotels have continued to use their courses as alternative sources of revenue. Given the pandemic, however, certain safeguards have been implemented: carrying hand sanitizer has become a non-negotiable, as has wiping down carts and keeping contact with the pin to a minimum. Sunshine Coast Golf & County Club in British Columbia has gone so far as to elevating the cup, so golf balls don't drop into the hole, thus taking touching and reaching into the cup out of play. <sup>5</sup>

## 2

In addition to finding new sources of revenue and occupancy, hoteliers are staying in touch with their clientele base in innovative new ways. Hotel's harbor masses of expert information and some top names in hospitality are extending it online. For example, the famous cocktail bar Artesian at Langham's London hotel is now serving up tutorials on Instagram. Rarefied, a hotel chain focusing on health and wellness—like Belmond, Vik Retreats, and Six Senses—are opening up their exclusive programs to all for free. Typically, you'd have to pay \$800 per night to get access to Rarefied's offerings. Similarly, Monteverdi Tuscany, a small posh hotel in the Val d'Orcia, and Bobby Hotel in Nashville are broadcasting mini-operas and concerts on Instagram's IGTV. <sup>6</sup>

3

In preparation for a reopening economy, hotels have had to acclimate themselves to new customer and employee expectations regarding cleanliness, hygiene, and safety. Prior practices—such as face to face check-ins or food buffets—might not exist in the near term. Wynn Resorts plans to give guests an “amenity bag” with hand sanitizer, masks, and a Covid-19 information card. Their relaunch plan calls for asking customers to briefly lower their masks to be identified before gambling.<sup>7</sup> While there is no single set of practices all hotels are using to ready themselves, most are agreed on the following: introducing mobile check-ins and check-outs, implement contactless payment via smartphone, offering the ability to order anything via a mobile app, and using Direct Live Chat via mobile device or online to meet guest’s needs. The basic thrust of all this is that social distancing is here to stay even when the economy reopens.<sup>8</sup>

4

Early data from China’s reopening shows the challenges and opportunities awaiting the hospitality industry. While the profitability numbers from China demonstrate the difficulties hoteliers will face for the rest of 2020, there is a reason for optimism. ADARA, the respected travel provider, reports a rebound in bookings for flights to and within China. They are now at about 30% of the volume that was booked in early January. Also, the latest data from STR shows the increasing recovery of the hotel market in China, with 89% of hotels being open again. While it took four weeks for average hotel occupancy level to increase from 10% to 20%, it took just two weeks to rise to 30%. Some sub-markets, such as midscale and economy hotels in Chengdu, are already running at about 50% occupancy.<sup>9</sup>

The performance of the hotel sector has probably reached or will reach the bottom within Q2 or Q3 of this year; but as the economy is set to relaunch, expect the sector to start a new growth cycle as strong returns are anticipated in 2021<sup>10</sup>, providing multiple opportunities to capitalize for those who are nimble and ready.

Third-party data sources:

- <sup>1</sup> USA Today Report: <https://bit.ly/3aP8Wke>
- <sup>2</sup> The World Tourism Organization: <https://bit.ly/3aSb0rE>
- <sup>3</sup> Hotel-Online.com/Hotstat: <https://bit.ly/35BUESR>
- <sup>4</sup> Golfadvisor: <https://bit.ly/2L3Xwi1>
- <sup>5</sup> Ibid
- <sup>6</sup> WSJ Report: <https://on.wsj.com/3bVd2J6>
- <sup>7</sup> WSJ Report: <https://on.wsj.com/3bRwt5l>
- <sup>8</sup> Hospitalitynet: <https://bit.ly/3aJyclA>
- <sup>9</sup> Adara: <https://bit.ly/2WbSDIN>
- <sup>10</sup> HNN: <https://bit.ly/2zzMAWT>

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