

HOTELS

STEERING A ROUTE TO A
RESILIENT RECOVERY



Part Three: Creativity & Change





Image: citizenM London Shoreditch Hotel

Navigating the seven 'C's – The Post Pandemic Era

Etched forever in our history will be “The Post Pandemic Era”. How will the UK hotel sector respond during the early stages of recovery? And how will it steer a path from out of the bottom of this economic cycle? The response will shape the sector’s legacy.

As the pandemic recedes and hotels and the wider hospitality industry reopen their doors to all guests, a new strategic vision is required to embrace the ever-evolving operating environment. The pandemic has caused societal and economic disruption on a global scale and brought the international travel, tourism, airline and hotel sectors to a virtual standstill. Ongoing uncertainty around new variants, linked to the success of global inoculations have the potential to continue to cause havoc on the sector.

The goodwill crafted from the sector’s staff, communities and stakeholders during the height of the pandemic, could soon evaporate if the ability to adapt, engage, communicate, direct and innovate is not actively seized upon during the recovery phase. How businesses respond in this next phase will ultimately determine their long-term existence.

Looking ahead with optimism, the recovery and transformation will be guided by a path initially paved by trends which emerged pre-pandemic, then shaped at pace during the crisis, with the transition continuing to accelerate and exploit new, far-reaching opportunities. What is certain, however, is that with so many changed variables, the marketplace is very different to pre-pandemic.

As we emerge from the pandemic, new strategies will have seven C's at the heart of the great reset, from which to build back stronger.



CULTURE



CREDIBILITY



COLLABORATION



CONNECTIVITY



COMMUNITY



CREATIVITY



CHANGE



CREATIVITY

Whilst the path to recovery remains volatile, keeping the business operationally robust and forward looking, is essential. The mismatch between hotel supply and demand during the recovery will affect the profitability of the hotel sector. Some 7,800 new hotel rooms opened during H1-2021, and with a further 15,000 new rooms due by the year-end – standing still is not an option.

“In the midst of every crisis lies great opportunity” – Albert Einstein



THE PANDEMIC HAS ACTED AS A CATALYST FOR CHANGING TRENDS IN TRAVEL, HOW WILL BRANDS CONTINUE TO EVOLVE?

With respect to business travel there will be a profound shift in how often and why people will travel, which is why we seek to broaden our revenue streams. In 2019, we pioneered the concept of coworking & flexible workspaces with the introduction of the Wojo brand, the pandemic has accelerated this trend. We continue to enhance our provision of smart, flexible office solutions to include Workspitality® solutions. These initiatives provide new opportunities to our owners, optimizing, enhancing and reimagining the use of available spaces, as well as diversifying revenue, acting as a pivot in our activity and providing longevity to our business model.

AIDEN MCAULEY, SVP OPERATIONS, ACCOR NORTHERN EUROPE



HOW WILL BRANDS CONTINUE TO ELEVATE THEIR REPUTATION DURING THE RECOVERY, TO PROTECT AND DRIVE MARKET SHARE?

Communications to our guests, associates and owners have played a critical part in how we've responded to Covid-19. As we emerge from the pandemic we need to maintain and continue to take actions that reflect and reinforce our corporate values. As a business, we must keep innovating to improve the guest experience, maintain a strong reputation and drive enhanced and resilient revenue growth. Our loyalty programme - Marriott Bonvoy sits at the heart of all our plans, and we see this as a significant competitive advantage, and a way to elevate our reputation.

PAUL THOMAS, SENIOR DIRECTOR, INTERNATIONAL DEVELOPMENT, MARRIOTT INTERNATIONAL



Community focused flexible / hybrid working

Without question, the pandemic has challenged the way we work and the shift towards flexible working has never been more pronounced. Today, workforces are far more dispersed and hybrid work styles are fast becoming commonplace. Despite strong competition from highly sophisticated serviced offices, hotels are in a prime position to offer collaborative workplace settings, offering a high level of hospitality and well-being, connection, creativity and innovation.

Whilst hotels have long been venues from which people work from, how hotels articulate this message and package their services as flexible workspaces is changing. Opportunity exists to exploit dynamic, hybrid working, targeting and capturing increased demand from the local community.

New alliances and partnerships

Much can be learnt from entrepreneurial co-working/co-living, community-centric, specialist providers. Alliances are beginning to emerge such as Kew Green's recent partnership with Othership, with the added benefit of hotels offering a complete, holistic experience all in the same venue.

We envisage a growing number of partnerships with specialist co-working companies will emerge, which has the potential to revolutionise the way that communal and private meetings and event space is used. Offering highly flexible membership packages can generate strong growth of incremental revenues and the creation of new resilient income streams.

Opportunity exists for global brands to monetise further their loyalty programmes to drive new day, stay and play passes, as

Click on the image below to read more about how to implement a Hybrid Working Framework:



Exclusive Hotels, South Lodge Hotel, Arundel Video Conference Suite



well as capitalise on the blurring lines of business and leisure segments, to promote workcation and daycation.

Raising the bar – innovations in meetings space

A lasting legacy of the pandemic will be determined by how the sector has transformed its meeting and events offering, to provide hybrid meeting solutions, through the use of innovative technology. Global hotel brands are fast rolling out new concepts across their entire family of brands, whilst partnering with specialist AV providers is proving effective for independent and smaller hotel companies, without requiring the necessary upfront investment or technical expertise.

Although hybrid events offer the potential to create unique experiences for different types of events, the complexity and spectrum of options to engage delegates is not without its challenges. Advancement in technology, brings with it more sophisticated delegates who expect more. The ability to deliver a highly positive customer experience, happy to return for future events, will be of heightened importance.

Whilst technology is opening up new opportunities, the transition from virtual to hybrid has not yet fully materialised. Centralised bookings of conference rooms across multiple properties, using real time data and the opportunity for multiple regional venues all benefitting from the staging of the same hybrid event - are just some of the benefits which can lead to enhanced revenues, along with maximising spend, through the provision of food & beverage.

Improved operational efficiencies through innovative tech solutions

Expansion of hotel companies in pursuit of growth has led to numerous property management systems in use, but the rapid adoption of cloud-based systems is providing hotel companies with the ability to leverage the benefits of an integrated PMS system throughout their entire portfolio. In doing so, this has clear operational advantages, including standardised and bespoke reporting for informed decision making, streamlining training, managing third-party suppliers, elevated revenue management opportunities and enhanced digital guest experiences.

The flexibility and mobility of a cloud-based PMS system makes information accessible to everyone, empowering employees with real-time data which helps cultivate innovation and spontaneity. Furthermore, the value of the latest consumer and market insight formed from centralised, consolidated data will become invaluable, with respect to making confident, decisive action for the day-to-day operations and taking smarter, strategic action for the future.

Intelligent and responsible use of data

In a competitive market, having a robust business intelligence strategy is critical, but this is only achievable if the power of data is harnessed - making it accessible, analysable, accurate and actionable. Alongside the collection of data, however, comes the responsibility to implement a robust data governance strategy - the set of rules that manages privacy, integrity and security of data - with serious financial and legal consequences if breached, as well as the risk of undesirable reputational damage.

E-mobility

Throughout the pandemic, the popularity of sustainable electric cars, e-bikes and e-scooters has soared as individuals seek to minimise risk of infection through private travel and appreciate greener, more environmental and sustainable transport options. Whilst e-mobility has accelerated significantly, there remains a

Read our latest E-mobility report by clicking the image below:



Image: aloft London Excel, operated by Marriott International



significant undersupply of accessible charging points. Hotels, which have substantial car-parking facilities are uniquely positioned to deliver environmentally focused amenities and become strong players within this space, rewarded by increased revenue opportunities.

Equally, the availability of secure bike storage and wash facilities, as well as the option to hire bikes, both e-bikes and conventional, is also becoming more sought after, by both business and leisure guests. Going forward, the availability of e-charging or cycle storage may well influence a guest's choice of hotel, particularly with increased demand for flexible working and shorter commutes to the work-place.

Wellness and employee wellbeing

The concept of wellness in hotels is no new phenomenon, with the hotel sector fundamentally connected to experience and wellbeing. Prior to the pandemic there was a societal shift towards the goal of having a healthier, more fulfilled, relaxed lifestyle, focused on healthy eating, exercise and stress management. As such, lifestyle hotels with a specific focus on these themes had already started to emerge.

The pandemic, however, has served to accelerate this trend, with the connection between hospitality and wellness never stronger. The lure of higher spending guests, who frequent more often, making wellness an integral part of the service offering makes strategic commercial sense, with wellness products and services commanding premium prices and attracting customers willing to pay for it.

Enduring the pandemic over an extended period of time, the responsibility for employers to adopt a corporate culture that supports employees physical, mental and social wellbeing was immense. Now, as the economy rebuilds, employers cannot suddenly revert back to how things were.

The need to encourage workers back into the office, or indeed to support and integrate teams separated by furlough, are likely to see strong growth in events focused around employee wellbeing. In lieu of large-scale corporate events, combined with the gratitude by employers towards their committed and loyal staff, gift vouchers focused on wellness and wellbeing are also likely to be an area of acute interest. Could the rise of staycation, the blurring of business and leisure and the ongoing focus on wellbeing, provide new opportunities for hotel owners, operators and investors?

Hotels as vibrant and unique destinations

Despite the common belief that the pandemic has accelerated the change in travel patterns and the requirement to validate the reason for travel, luxury travel is set to recover strongly. Experiences that deliver on space and privacy is an increasingly sought-after feature of luxury travel and which ultimately drive strong premiums in room rates and longer lengths of stay.

Targeting the discerning traveller, seeking a highly personalised service, evoking positive emotions and experiences - these have long been familiar practices attributed to boutique and lifestyle hotels- but what is changing in a post pandemic landscape?

Image: London - Leicester Square, WOW Suite, Marriott International



Image: The Fellows House, Curio Collection by Hilton, Cambridge. The 131-room apartment style hotel, opened July 2021 and features unique pieces of artwork and sculptures, all designed locally in Cambridge.



Lifestyle hotels aim to become destinations themselves, each with their own culture, purpose and style. They seek to exceed customer expectation in terms of creativity, innovation, cultural vibrancy, visionary spaces and immersive experiences which become sociable, happening places. Lifestyle and boutique hotels were disrupters coming out of the last recession, this time, with the digital age, they are likely to continue to push the boundaries even further.

But will it be the growth of apart-hotels which will become the biggest disrupter for the hotel sector to endure this time? Through the development of niche brands-offering modern, welcoming, social spaces, combined with a product that provides

comfort, practicality, safety, flexibility and space - specialist apart-hotel operators are continuing to challenge the wider mainstream hotel market. The versatility and flexibility of the serviced apart-hotel model, proven by their resilience during a time of crisis, has awakened investors' attention on the sector - ongoing disruption in the marketplace will continue with renewed vigour.



HOW DO YOU MAINTAIN LUXURY AMIDST CHANGE IN PRODUCT OFFERING, MARKET POSITIONING AND PRICING CHANGES?

“Creating privatised spaces through hotel design is more important than ever across our luxury portfolio, combined with personalisation across every touchpoint. Guests want to be inspired and engage with a brand in a way that is right for them, continually reimagining all aspects of the customer journey will be important moving forward for the world of travel.”

PAUL THOMAS, SENIOR DIRECTOR,
INTERNATIONAL DEVELOPMENT,
MARRIOTT INTERNATIONAL





Change has been shown to be an integral part of each our 'C's. Going forward, a new strategy and plan for the recovery phase is as important as the emergency action required at the height of the pandemic.

The extended period of forced closure, or at best trading under severely restrictive conditions, has been brutally harsh for the global hotel sector, forcing hotel owners and operators into a battle of survival. The urgent requirement to drastically cut costs has not only incited change, but the abrupt halt to hospitality provided a period of reflection and the time to implement change.

As technology has proven, the pace of development is relentless and unyielding. Embracing change has proven a necessity to ensure on-going stability. Factoring in uncertainty, whilst learning to adapt and pivot have driven change in the short-term. Meanwhile, addressing and responding to issues reprioritised following the pandemic, has brought strategic planning to the fore. Most notably those goals requiring sustained action to protect future generations.

Image: Novotel London Canary Wharf – Comprising the Bokan Restaurant, Rooftop Bar and Terrace with 360 degree views. The hotel achieved a BREEAM rating of Excellent, with sustainable features including a combined heat and power system, contributing to a 30% reduction in CO2 emissions, and a light regulation system, adjusting according to time of the day and season. Promoting Accor's PLANT21 plan to support urban agriculture, the hotel contains a vegetable garden and is home to Beehives on the 39th floor.



CHANGE

Sustainability and environment

Change is happening throughout the economy as the world rebounds from the pandemic with a determination to build back better. For the hotel sector, this past year has been focused on building up the defences to ensure the short-term viability of the business. The priority going forward will increasingly be a commitment to creating more sustainable guest stays and reducing the use of energy and carbon emissions. Adopting a proactive and positive approach towards sustainability is only the start - implementing and investment of sustainable practices will need to be prioritised and anchored into the strategic decision making for the hotel sector.

The pandemic has only served to highlight the critical responsibility the industry has to protect the communities in which they operate, preserving the planet for future generations of travellers. Global hotel brands have taken on the role of stewardship to lead and challenge all players in the hospitality sector to reach a zero-carbon economy. Increased interest and engagement of external stakeholders in ESG programmes is further motivation to drive responsible travel & tourism globally.

Global hotel brands – leading through example

Each of the global hotel brands have their own ESG defined strategies. Hilton's "Travel with Purpose" strategy ensures its ESG principles are aligned with globally recognised standards. Meanwhile, Marriott's "Serve 360-Doing Good in Every Direction" focuses on four key areas to ensure they make a sustainable and positive impact wherever they are doing business.

It is widely recognised that the reductions achieved in energy, water, carbon emissions and food waste achieved as a result of the pandemic, are not representative or sustainable at this level once hotel occupancies rise. However, the positive

momentum from cost efficiencies achieved and the positive impact these reductions have had on the planet, must be channelled into action and commitment to operating sustainable hotels.

Embracing technology to confront challenges

Improvements in technology and innovative inventions are empowering hotel operators to reduce their food waste, utility costs and environmental footprint. Technology provides essential data analytics and business intelligence to help reduce food waste in every step of the food and beverage process. Adopting best practice and procuring only what food is needed will reduce waste and make F&B operations more sustainable and profitable. Taking steps to divert waste from landfill, through recycling and composting, have a direct positive impact towards waste management efforts on a global scale.

In addition, by promoting the use of British and local suppliers, producers and manufacturers wherever possible, such initiatives can have a fundamental impact on the environment for achieving positive and sustainable hospitality.

Obligations bestowed on an organisation in terms of environmental responsibility are changing, with the regulatory framework to decarbonise the real estate sector tightening, in order to achieve net zero carbon – the removal of as much CO2 as a company produces - by 2050.

Moving towards carbon neutral buildings is a means of significantly reducing emission levels, but to date, the focus so far remains largely on new developments and hotels undergoing major renovation works.

An in-depth understanding of what options are available to retrofit and make existing hotels carbon neutral, and how to prioritise, plan and execute capital expenditure to implement these net-zero interventions will become a means of differentiation in the near future. But with so many hotel businesses owned by small or medium sized enterprises, the target to achieve the

pledge of net zero carbon will realistically only be accomplished with government initiatives to support and incentivise.

Social Impact and employee wellbeing

The financial impact of the pandemic has forced many hotel companies to reduce their employee headcounts, whilst the government furlough scheme has resulted in many other personnel to be displaced or dispersed for an extended period of time. For those hotels which remained open on a skeleton staff, the safety of their employees and guests during a health crisis became the number one priority. Hospitality is the core of the service provision and its people are central to achieving this. Never has there been a more critical time to focus on employees, their wellbeing and their future development and progression. With the pool of labour increasingly scarce, the quality of human connection is significant, with development, mentorship, sponsorship and empowerment critical to employee retention and satisfaction.



WHAT ROLE DO GLOBAL HOTEL BRANDS HAVE TO ENSURE THE IMPLEMENTATION OF SUSTAINABLE PRACTICES ARE PRIORITISED?

The pandemic has had an outsized impact on local, small and medium-sized enterprises. As consumers look to support these businesses and those brands with a strong ESG agenda and we continue to pursue our goal to double our spend with these suppliers. Hilton is continuing to lead the industry in our sustainability effort, through our 2030 goals to halve our environmental impact and double our social investments, globally. Here in the UK, the majority of Hilton's managed hotels now procure 100% renewable electricity.

GRAHAM DODD, MANAGING DIRECTOR, DEVELOPMENT - UK & IRELAND AT HILTON





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The power of the seven ‘C’s What direction of travel will the new sails take?

Hotels, as a specialist asset class, under normalised trading conditions would require active and focused oversight. But, having endured the mightiest of storms and suffered the wind blown out of their sails, by the most severe restrictions in place – these are not normal times.

In these highly challenging market conditions, where hotel owners and operators are having to re-imagine their business plans, no one cookie cutter approach will suffice. Whilst the ownership and capital structure will determine the ultimate journey that an asset takes, the success of any business is linked to its ability to adapt, rebuild and explore new ventures and partnerships. Operating with confidence, interacting with and engaging with its people, using customer trend data and market intelligence and growing sustainably – collectively all these considerations are critical.

Despite the challenges that have beset the UK hospitality sector since the start of the pandemic, there remains significant capital seeking investment opportunities within hotels and we anticipate an increase in the UK transactional activity during the second half of 2021, with ongoing retirement, consensual driven and distressed sales, as well as a greater level of portfolio activity heading into 2022.

This crisis has and will continue to initiate major change. The responsibility to protect communities and the planet, preserving for future generations, is likely to be the biggest game changer of all.

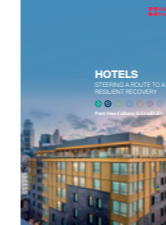
What direction of travel the new sails take, steering a path to a resilient recovery, will depend on: the quality of the senior leadership team; the financial strength of the owner and their equity partners; the ongoing commitment and trust of the debt providers; and the passion, dedication and loyalty of its workforce.

Image courtesy of Accor – Accor’s new global marketing campaign – “Accor unveils the world” – celebrating the return of leisure and business travel.

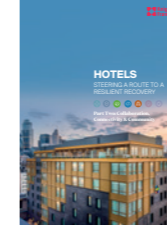


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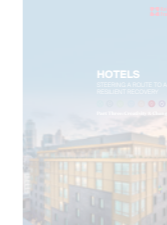
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Part Two



Part Three



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Contacts

We like questions, if you’ve got one about our research, or would like some property advice, we would love to hear from you.



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Front cover image: Hyatt Place London City East – The project, conceived by Berkeley Capital Group (BCG) in partnership with Resolution Property, achieved a BREEAM rating of Excellent at both the design and procurement stage, utilising wherever possible materials with a low environmental impact.



The project is exemplary for its adaptive reuse of the existing structure, carrying a strong sustainable message, as well as creating a smart and practical Hyatt hotel within the old shell. Close collaboration and strong working relationships were key to achieving a successful development.

PAUL WELLS, PARTNER, DEXTER MOREN ASSOCIATES

