

HOTELS

STEERING A ROUTE TO A
RESILIENT RECOVERY





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



The pandemic has led the industry to work harder and smarter. As the sector resets and recovers, how are hotels adapting to evolving consumer habits and trends? Are they realigning their business goals and/or challenging the status quo? And which strategy works best?

Extensive restrictions on trading and hotel closures over an extended period of time, has led to the widescale separation and often permanent change in the structure of a hotel's most valued asset, its people. Whilst difficult decisions have inevitably been taken, the challenges faced have brought a period of reflection, adaptation and opportunity. As the sector embarks on the recovery phase, it braces itself to reshape and rebuild, testing its resilience once again.



WHAT INITIATIVES HAVE YOU EMPLOYED WHICH PROVIDE YOU WITH THE CONFIDENCE AND CONVICTION TO BUILD BACK STRONGER?

Our businesses went into the pandemic as strong assets and with our cost saving initiatives undertaken during the height of the crisis, will ensure they return more efficiently. We have been focused on improving our service levels and welcome approach as we lead into the summer months and beyond. We are actively ensuring a focus on channel distribution and taking back some control, working more intensively with fewer preferred partners as well as investing in digital marketing to grow our direct bookings.

LYNN HOOD, CHIEF OPERATING OFFICER, FOCUS HOTELS MANAGEMENT



RECOGNISING THERE IS A PEOPLE AND SKILLS SHORTAGE, HOW DO YOU AIM TO NURTURE TALENT, RETAIN STAFF AND ACHIEVE A MORE INCLUSIVE, PEOPLE-FOCUSED CULTURE?

This is going to be our biggest challenge for the foreseeable future. We are being more creative, challenging our General Managers to be more flexible, recruiting people for specific tasks, rather than the hours and shifts which need cover. This may result in more contracts of shorter hours, but which allows staff to work around their other responsibilities. Working within the hospitality industry is a highly rewarding, motivating job, helping candidates understand that is our challenge. Throughout the pandemic, our staff learnt new skills and were empowered to make decisions. Forward-thinking programmes to continue to develop and retain our staff is key to our success.

PAUL CALLINGHAM, CHAIRMAN, STARBOARD HOTEL

CULTURE

The transition back to work

Lockdowns across the globe have forced the hotel sector to cope with the fewest staff possible, with employees adapting and often empowered to make decisions.

There's now an opportunity to upskill and retrain both new staff and those returning from furlough, but the next step must be to ensure that the right training, support, induction, tools and resources are all available and developed on an ongoing basis. The multi-skilling of teams doesn't just happen; a management team must put the tools, mentoring and buddying systems in place and provide opportunities for engagement and growth.

Recovery phase – action plan

Emergency action and decision making taken at the height of the pandemic may have been appropriate at the time, but what strategy and changes are now required for the recovery phase? How do zero-hour contracts fit within a culture that requires its people to be the heartbeat and life of the business?

With a drastically reduced pool of available labour and recruitment of skilled staff exceptionally difficult, how does the wider industry, respond to the challenge of making hotel operations a rewarding, aspiring and respected profession? Creating a working environment that demonstrates hospitality as a career choice, encouraging many thousands who have left the sector to return and many more to consider all it has to offer, is imperative at this time. As such, hotels need to develop a culture for sustained learning and development, recognition and opportunity for growth.

Image: Hampton by Hilton London Park Royal, Starboard Hotels



One-size most certainly does not fit all when it comes to the hotel sector, with location, property class, brand, service offering, management and ownership structure all impacting on a hotel's culture. Yet this pandemic has resulted in the belief that long-term structural changes have been accelerated, and for a hotel to adapt to the evolving marketplace, so too must its culture.

Key attributes of a service culture

With business models repositioned to focus on the leisure market and the value-add proposition of experience-based travel, the spotlight on providing warm and welcoming hospitality will be reignited. Offering authenticity and diversity, exceptional customer service, passionate people with a positive attitude and attention to detail are all considered critical attributes and essential skill sets required to providing meaningful and valued guest experiences.

Lifestyle hotels have perhaps adapted to this trend long before the pandemic hit, will they now have to adapt and elevate their service offering even further to differentiate themselves and challenge the status quo?

In a post-pandemic world, have the attributes which define a good hotel from a great one really changed? Or is it that these attributes have become heightened by the renewed importance placed upon wellness and experiences? What is increasingly apparent, is acknowledging that it is the acceleration in the use of technology which is fast becoming the greatest enabler in redefining hospitality. Yet, until such time that robots become customer-facing, the focus on a service culture will always be on its people. In a post-pandemic world, recruiting people with the right attitude, whilst also training and developing them and providing competitive remuneration, has never been more critical.



GOING FORWARD HOW WILL YOU SEEK TO DRIVE REVENUES AND DIFFERENTIATE YOURSELF FROM YOUR COMPETITORS?

With service at the forefront of everyone's mind, we have instigated refresher training with our teams and are looking at how we can 'delight our guests', with just the little touches, making the guest stay feel personal and inviting. Using the tools, we have to engage with people, is so important - training the team to give them confidence and to bring the fun back to hospitality. We aim to provide our guests with positive, meaningful experiences, exceeding our own and our guests' expectations.

PAUL CALLINGHAM, CHAIRMAN, STARBOARD HOTELS



The pandemic has profoundly altered how we continue to live, work and socialise. The ongoing commitment to achieving enhanced standards of hygiene and safety will be critical to maintaining the industry’s credibility and safeguarding brand reputations.

CREDIBILITY



WHAT ROLE DO HOTEL BRANDS HAVE IN REINFORCING CREDIBILITY OF THE SECTOR?

We launched the Marriott Global Cleanliness Council, which is focused on developing the next level of global hospitality cleanliness standards, designed to minimise risk and enhance safety for our customers and associates. As we look ahead, we will continue to focus on making sure that our guests health and safety is our top priority.

PAUL THOMAS, SENIOR DIRECTOR, INTERNATIONAL DEVELOPMENT, MARRIOTT INTERNATIONAL



HOW DO NEW POLICIES AND PROCEDURES BECOME EMBEDDED AS MINIMUM INDUSTRY STANDARDS?

As a way of objectively maintaining our already high cleaning standards, ALLSAFE was introduced in response to the pandemic in partnership with Bureau Veritas, as an audit to ensure compliance with Accor’s rigorous standards. Our hotels must comply with 16 global commitments, which translate into more than 100 brand standards. Training and education of our employees is an integral part of the ALLSAFE label. We see the programme as testament to our commitment to ensuring our guests are provided with the very best hygiene, cleanliness and safety measures in the industry.

AIDEN MCAULEY, SVP OPERATIONS, ACCOR NORTHERN EUROPE



Hygiene, safety and accreditation

Whilst global hotel brands have always promoted high standards of hygiene and cleanliness, the pandemic has served to challenge industry accepted norms. New partnerships forged between global hotel brands and leading hygiene and accreditation companies, have paved the way to new global brand commitments and enhanced hygiene standards - marketed in transparent ways.

All reputable hotel owners and operators have introduced new protocols and procedures, risk assessments and audits, but the challenge will be to continue to maintain and correctly implement these high standards, which requires ongoing investment in new products and the continued education and training of hotel staff. This will be critical to maintaining credibility of the industry as a whole and safeguarding brand reputation.

The importance of online reputation monitoring

All communication channels which educate, inform or critique a hotel’s hygiene record, both positively and negatively, will become an important decision maker in booking a hotel stay. With renewed efforts to rebuild market share and attract new customers, stakeholders must examine review websites and online forums on a regular basis. If, for example, there is a disconnect between the marketing and promise of stringent safety and sanitation protocols versus a customer’s experience, this impacts upon customer loyalty, whilst the risk of damage to a hotel’s name is significant. Managing a hotel’s online reputation therefore holds tremendous value and must become an integral part of a strategic plan.

Image: Marriott’s Global Cleanliness Council – Use of Electrostatic Sprayers



Rebuilding trust and safeguarding credibility

Providing guests with peace of mind and building or restoring their trust and confidence to travel again is critical at this time of recovery. Branded hotels are arguably best placed to achieve this, given the investment in their people, product offering and service level to maintain, enhance and deliver a reputable hotel brand and safeguard their credibility.

Independent, owner, operator hotels increasingly may seek to form alliances and partnerships to tap into a wider pool of resources that serve to raise industry standards. Enhancing one’s credibility score and reputation is one such reason why the appeal of soft brands is increasing in a post-pandemic environment.





COLLABORATION

Hotels are highly skilled at collaboration – bringing together people from different cultures, with varying languages and experiences is what they excel at. Adapting in order to survive has seen collaboration of a different scale. The responsiveness and flexibility that a hotel owner or operator has shown, can largely be attributed to the inclusive and valued partnerships it holds.



AS THE SECTOR BUILDS BACK, HOW IMPORTANT IS IT TO BE FLEXIBLE AND ACCEPTING OF CHANGE?

Change is inexorable and we embrace it unequivocally. We are laser focused on our relationships with all key stakeholders, especially our valued owner community. Confidence is key and throughout the pandemic, we have worked together to support the commercial recovery. We are now seeing positive signs of a meaningful return in travel, helped by the reassurance of programmes like Hilton CleanStay.

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



HOW ARE YOU COLLABORATING DIFFERENTLY WITH VARIOUS STAKEHOLDERS?

During this period of distress, dislocation and massive uncertainty we have focussed on communication, communication and more communication. We have communicated to our guests what we are doing to keep them safe and have adopted the same philosophy with our team members. We have worked hand-in-hand with our supply chain partners, to support both theirs and our own businesses. At a corporate level, during this period we report weekly on cashflow to our clients and their lenders, which has been well received and assisted greatly in re-financing discussions.

JIM GORDON, MANAGING DIRECTOR, LEGACY HOTELS



Ongoing frictionless relationships – Is this achievable?

During the early stages of recovery, with government support tapering off and liabilities becoming due, available cash flow and working capital will be critical. Continuing to manage a frictionless relationship between the various stakeholders will be vital to ensure the ongoing sustainability of the business.

- How much goodwill do lenders have before a tide of consensual or forced sales take place?
- How will the relationship between the landlord and tenant change with the mounting issue of rent repayments?
- How long does an owner remain supportive to a third-party operator if a hotel's GOPPAR indexation falls below market average?
- How does a hotel owner with little scale challenge the franchisor about the performance of their

distribution systems or the return of costly brand standards?

- How can an operator liaise with suppliers to maximise best price purchasing, manage ordering and deliveries?

Whilst conversations are not always easy and require diplomacy, negotiation and professionalism, having open and productive dialogues, promotes a culture of greater collaboration and an openness to shape, rebuild and compete in an increasingly changing and challenging market.

But, it's not a level playing field and the plethora of small sized businesses, which is a characteristic of the sector, are often at a disadvantage in terms of negotiation, compared to the weight of more sizeable entities.

“In the long history of humankind (and animal kind, too) those who learned to collaborate and improvise most effectively have prevailed”

Charles Darwin

Image: Hampton by Hilton High Wycombe. Opened June 2021 - the UK's first fully branded compliant prototype, owned and operated by Legacy Hotels, under franchise with Hilton Worldwide



Internal collaboration – driving profit to the bottom line

Unable to rely on historical trends and former revenue sources, opportunity exists for much closer internal collaboration to drive new revenue streams and control costs. Having the systems and processes in place to report daily and weekly figures, will allow improved control of staffing and operating costs. Hotels no longer set to be staffed to former levels, achieved partly through tech-enabled efficiencies, will pave the way for enhanced multi-disciplined teams and collaborative working. This will further support empathy, respect and understanding between the departments, whilst encourage greater engagement and teamwork.

Converging and aligning the interests of the revenue, sales and marketing teams is one such example and makes strategic sense, particularly given the focus on targeting leisure business and hybrid meetings. Whilst online travel agents will always likely be part of a hotel's distribution strategy, the pandemic has caused a seismic shift to focus resources on direct booking channels, aided by the advancement in technology.

New relationships

Collaboration has shown to help make creative ideas a reality and to deliver on time. Luxury Family Hotels creation of a new luxury glamping concept in collaboration with Pop Up Hotels, is a fine example of a hotel company utilising its spacious and rural setting to capture greater staycation demand and with it the opportunity to generate new revenue streams and increase footfalls to its existing service lines.

Aligning the commercial activity with the strategic objectives and vision across the entire business, will ensure that hard earned revenues are not diluted, but instead drive profit direct to the bottom line.



What does connectivity really mean? Does connectivity mean the same thing to everyone? What impact is connectivity having on the hotel sector? Do all guests want or need the same level of connectivity? And is there a disconnect between digital transformation and traditional, face-to-face interaction with people?

CONNECTIVITY



WHAT ROLE DOES TECHNOLOGY PLAY AS THE SECTOR LOOKS BEYOND THE PANDEMIC?

Our technological transformation started five years ago with the creation of Accor's proprietary mobile technology, FOLS mobile. Whilst some businesses might have paused these innovations, we prioritised them, it was an important strategy prior to Covid-19, but it is a vital one now. In a world which is increasingly augmented by technology, we know that guests increasingly seek contact-light travel and a hotel experience that is easy to use. A priority for us is technology with heart. At Accor we are using our best asset, our people, to reinvent how we approach customer service and we're using the latest technology to enable this.

AIDEN MCAULEY, SVP OPERATIONS, ACCOR NORTHERN EUROPE



Keeping pace with technology

In a world of digital transformation, where traditional corporate companies are fast learning to become digital businesses, the pandemic was the accelerant that much of the hotel sector needed. Despite global hotel brands driving investment in recent years, the crisis has been the catalyst to the rapid and widescale adoption of digital technology within the sector.

Embracing and adopting the right technology will enable organisations to operate a leaner, more streamlined and unified view of business performance. This will be achieved by improving productivity, whilst seeking to drive customer loyalty through enriching the guest experience. Next wave technologies are constantly emerging, extending the operational capabilities, as well as increasing the reliability and scale-ability of the systems, thereby altering how we interact, travel and do business.

Innovate and disrupt successfully

Enhanced digital services available from the in-room TV, helps to create a seamless, personalised, comfortable and safe guest experience through just the touch of their own personal device. Meanwhile, integrated systems are able to collect and share valuable guest data, leading to more robust guest

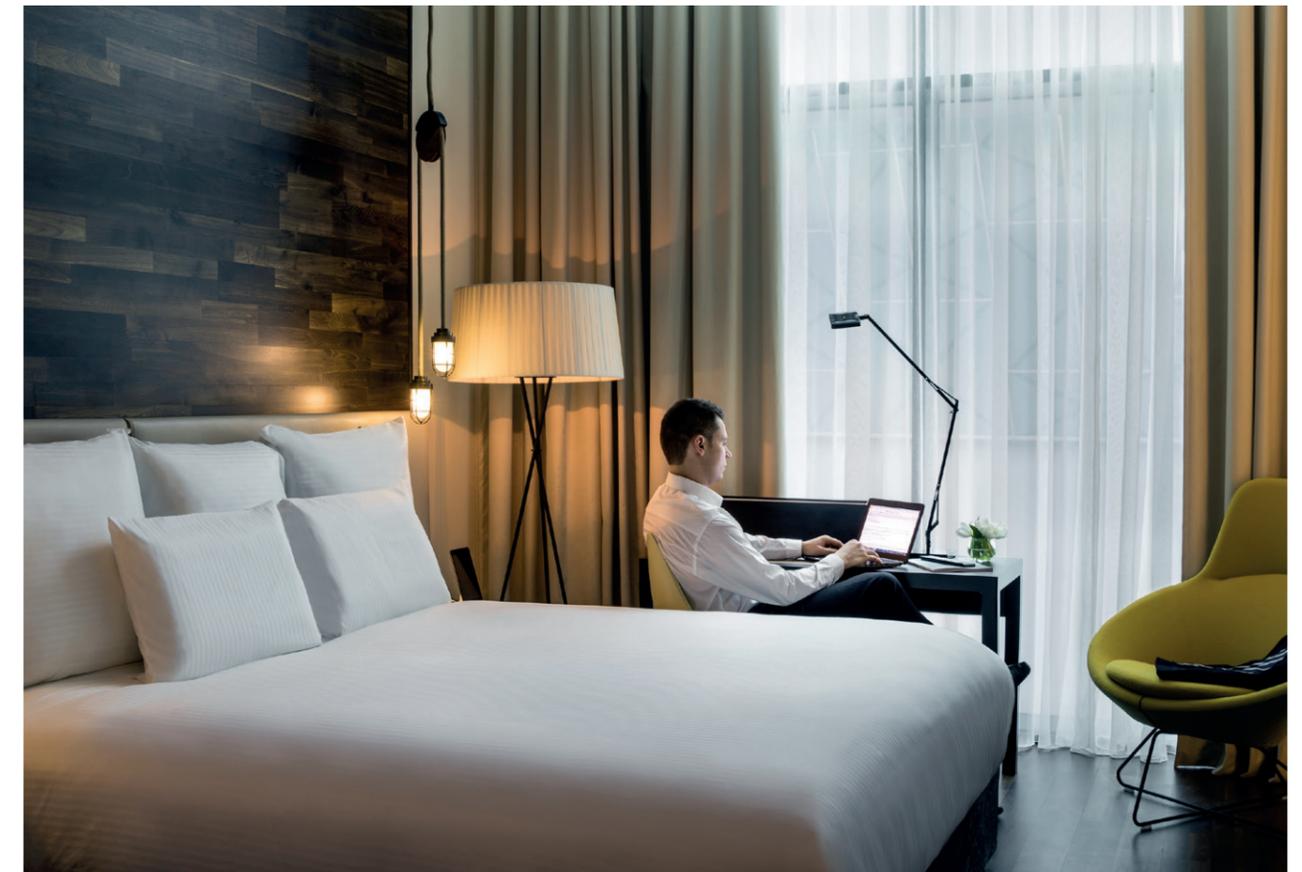
profiles, targeted guest messaging, and ultimately a more informed and personalized guest journey.

Yet whilst the global hotel brands have their own branded contactless apps, being used to reimagine all aspects and stages of the customer journey and which have the power to effortlessly connect the whole customer experience, how are independently owned and operated hotels competing at a time of ongoing digital disruption?

Moreover, at a time where hotels have suffered unprecedented hardship and continue to operate at severely reduced levels, the ability to retrofit new technology into an old hotel, is not always regarded as economical or operable with the myriad of other technological systems already in place.

Since the start of the pandemic operators have embraced the need to deliver contactless or contact-lite experiences. Consumers now expect the technology they use in their everyday lives to be readily available and accessible during their hotel stay. But does the mobile technology installed enhance or frustrate a customer's digital offering? Does it facilitate cost savings through lower staffing levels? And does it help grow revenues and facilitate management control, if the supporting infrastructure is archaic or not in situ?

Image courtesy of Accor - Accor Hotel Office





WHAT INVESTMENTS HAVE YOU MADE TO DELIVER A POSITIVE CUSTOMER EXPERIENCE?

A lot depends on the hotel's infrastructure. At our Hampton by Hilton hotel, we provide a fully digital experience - the guest can choose their own room, check-in on-line, use their mobile device to open their room and use our new F&B ordering app. We would like to implement these technologies in all of our hotels, but they require expensive infrastructural changes, but in time we are sure this will come.

PAUL CALLINGHAM, CHAIRMAN, STARBOARD HOTELS



How connected is connected?

Rapid technological advancement in recent years has changed consumer purchasing behaviour and booking lead times. The pandemic has incited further change, with an even greater number of bookings made online and direct online booking channels becoming an increasingly important part of the distribution mix. Yet, with large volumes of hotel inventory not synchronised, both in terms of rates and availability across the various distribution channels, how connected is connected?

What is certain, is that a hotelier cannot operate as a silo, but collaboration at every level is essential, in particular with its IT and network providers. With ongoing research & development continuing to challenge and improve the customer end-to-end journey, the outsourcing of specialist technical functions to trusted partners is critical. It is on this basis,

combined with the leasing of hardware and subscription services that the independent hotelier and smaller industry players can compete.

Targeted connectivity

Society is now more open and connected than ever before, with people learning through collaboration and sharing knowledge online. Pressure to embrace a digital culture will only increase, with the "Centennial" generation, both guests and the workforce having a much greater awareness of technology and its capability. Yet connectivity needs to be targeted and relevant, with digital connectivity not everyone's preferred choice of contact. Whilst the budget hotel sector may well thrive in a contactless era, full service and especially luxury hotels, differentiate themselves on service levels, meaning people not apps will remain a large part of a hotel's unique culture and service offering.

Image courtesy of Accor - Technology In Hotels



Image: Turing Locke, Eddington, Cambridge, edyn - Opening September 2021



- If the necessary tools are in place to attract and retain the right calibre of staff?
- How far to push the technology - before the returns become minimal or offer no return at all.
- How are we best using technology to support the challenges facing the sector, such as staff satisfaction, sustainability and building efficacy.

We have all come a long way with our IT skills during the pandemic, but most people are now craving social, face-to-face interaction. Great hospitality always means great service, but this should be driven first and foremost by people - apps and technology can support and enhance this - but the successful hotelier will be the one that differentiates themselves, whilst finding the right balance in a world that is now dominated by technology.

Considerations for a hotelier

In an increasingly connected world, leveraging the use of technology is critical in order to survive and grow. Whilst many operators are already data driven, all hoteliers need to consider:

- Investing in a channel manager to provide real time connectivity (both rates and availability) across all the distribution channels.
- The upgrade and streamlining of multiple non-compatible systems to improve standard configuration, functionality, speed of consolidating group-wide data and enhanced reporting and analytics.
- Identifying the trends in online booking via the different booking sources, including direct bookings.
- The importance of real time data to ensure accurate and considered decision making.
- How technology will facilitate the centralising of administrative tasks, enabling hotels to focus on providing great customer experiences.
- How technology can be used to enhance guest communication, through every stage of the customer journey.
- How will the guest's connected experience vary from one hotel to another within the portfolio?
- How does technology enrich the guest experience and help drive customer loyalty?
- Their guests' preferences - does an absence of human interaction exclude people who are yet to come to grips with a tech-advanced world?
- How to provide personalised experiences - the small touches which add value and improve loyalty.
- Hybrid meetings - what investments need to be made for hotels to remain competitive?



WHAT ROLE DOES TECHNOLOGY PLAY IN PROVIDING SOULFUL HOSPITALITY?

We use technology to enhance our guest experience as opposed to shaping it, however throughout the edyn family of brands we use it to varying extents. At Locke, human interaction between guests and our House Hosts remain a hallmark of the brand, but we're able to give guests the digital contactless option if they prefer. Meanwhile our next generation serviced apartment, Cove is more tech-forward, combining design with seamless technology, making our apartments flexible, adaptable and personal.

STEPHEN MCCALL, CEO, edyn





With the loss of traditional market segments and with no guarantee as to the timeframe of their return, the crisis has reinforced the importance of the local community. How do hotels build a positive image and a strong reputation within their local community?



HOW IMPORTANT IS THE LOCAL COMMUNITY TO YOUR HOTEL'S CULTURE AND STRATEGIC PLAN?

Hyatt Place London City East is truly located where the city meets the east. Capturing the vibrancy of our location and our community is key to bringing vitality and a true sense of place for our guests. We commissioned a series of London-based street artists to deliver locally inspired one-off art pieces and we work hard to support and promote our local food & beverage producers, bringing authenticity inspired by our community and location.

Our community is nothing without people. Creating an authentic travel experience for our guests begins foremost with local employment, and I am proud that over 35% of our workforce are from local east London boroughs, building a lasting legacy of employment and apprenticeship opportunity.

MICHAEL MASON-SHAW, GENERAL MANAGER - HYATT PLACE LONDON CITY EAST, CYCAS HOSPITALITY.



HOW DOES THE LOCAL COMMUNITY INFLUENCE THE DESIGN AND CULTURE OF YOUR APARTHOTELS?

We go to painstaking lengths to ensure that each Locke is deeply embedded in the social fabric of the neighbourhood in which it inhabits. When we acquire a new site, we spend a significant amount of time walking around each neighbourhood, meeting people, researching and really getting under the skin of the locale – then crystallising it into a document which forms the ‘muse’ for each property.

The muse then underpins all we do: the design, experience, art we curate, music we play and brand partners we collaborate with. By taking this approach, it means that if you're a visitor to the area you embark on a journey of discovery that makes you feel a true connection to the area; and as a local, you feel welcomed and familiar with the spaces we create.

ERIC JAFARI, CHIEF DEVELOPMENT OFFICER, edyn



COMMUNITY

Image: Kingsland Locke, Dalston, London, Opened May 2021 – edyn



What are the benefits of engaging with the local community?

- Raising a hotel's profile – involvement in activities at the heart of a community will not go unnoticed.
- The more informed and involved the local community is, the more they will engage.
- A decentralised operating model – enables quick local decision making, encourages engagement in local communities and builds strong relationships.
- Knowledgeable staff - improves the local experience for guests.
- Helps shape the hotel's character and identity, as well as differentiate itself from its competitors.
- Provides an important and reliable pool of flexible labour of all ages.

Hotels – the central hub of community living

Communities can mean different things to different people. Hotels can become known as a central hub of activity and atmosphere, and through local partnerships hotels can extend their services, bringing culture, education, wellness and health, local gastronomy and offer promotions which are meaningful and valued. Supporting local business owners, helps to create employment and serves to strengthen the local economy.

As the recovery phase begins, pent-up demand to visit friends and family may result in an increased number of room nights which are sourced directly from the local community. And with local companies downsizing office space in need of

more flexible solutions, combined with the growth in demand for hybrid working places, greater emphasis will be placed on the need for modern, flexible, spacious, sophisticated community-focused venues. Offering a welcoming, attractive and connected venue from which to meet, dine, host events and socialise, hotels are ideally positioned and located to generate a reliable base of revenue from other income streams.

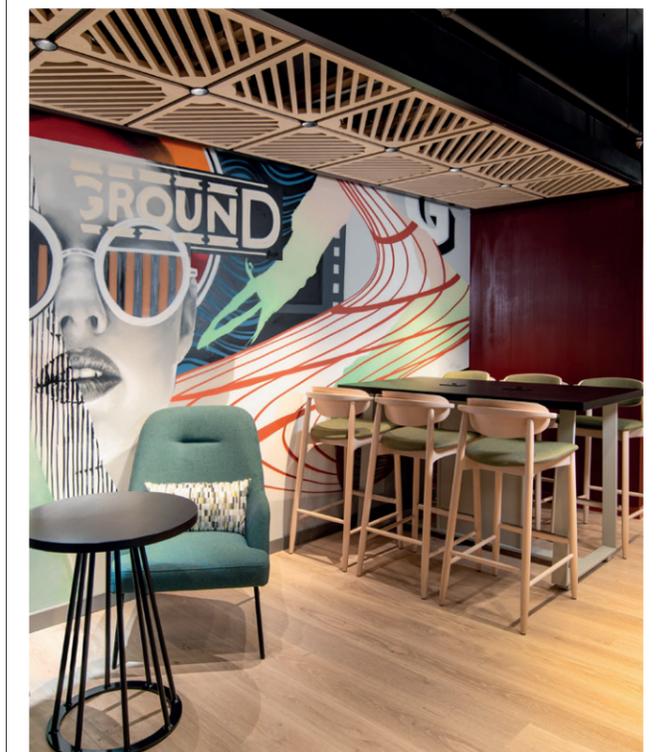
Building brand awareness

Going forward, harnessing word-of-mouth marketing, as well as leveraging social media platforms such as local Facebook pages, Instagram and Twitter to promote services and offer special promotions, helps build brand awareness and importantly provides insight into what makes a hotel unique and the exact reasons why guests choose to return.

Engaging with the local community, well beyond the summer months of 2021, will be critical to building a resilient recovery, we expect to see external partnerships significantly ramped up, as hotel operators and brands seek to offer new services and packages tailored specifically to the leisure guest and the new era of hybrid working.

Looking ahead, all hotel businesses will have to adopt a much sharper focus on both the E and the S in ESG, becoming an employer of choice and taking responsibility for how they serve the community, with a purpose beyond financial gain and profits.

Image: Hyatt Place London City East, Opened June 2021, Operated by Cycas Hospitality





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: 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



Image: London - Leicester Square, WOW Suite, 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





CULTURE



CREDIBILITY



COLLABORATION



CONNECTIVITY



COMMUNITY



CREATIVITY



CHANGE

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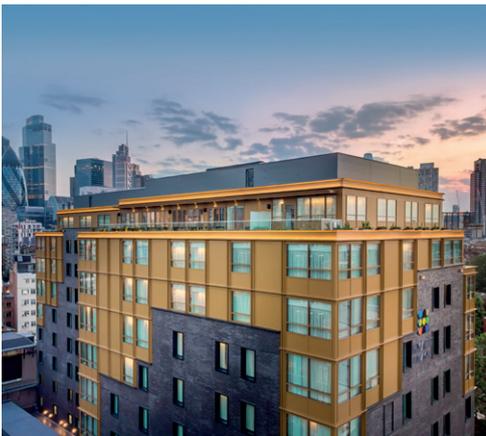
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Front cover image: Hyatt Place London City East – The project, conceived by Berkeley Capital Group (BCG) in partnership with Resolution Property, achieved a BREEAM rating of Excellent at both the design and procurement stage, utilising wherever possible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

