

Why Hotels Were Impacted and Will Recover Differently from the COVID Pandemic



By Stanton D Jacobs, CHA, President of Hospitality Performance Systems, Inc. and 30-year hospitality veteran

The COVID pandemic did not impact all hotels and resorts equally. Why did that happen? What were the factors behind these variances in performance? Which hotels will recover quicker than others? The answers to these questions, and suggested proactive strategies to expedite your hotel's recovery, will be covered in this article.



Key Factors that have influenced hotel performance during the COVID pandemic have included the mix of the business segments that filled the hotels, the source of where their business comes from, and location. We will delve into each further and discuss some possible strategies that can be implemented to expedite the hotel's financial recovery.

- I. **Mix of Business:** Hotels least impacted were the mid-tier limited and focused service branded hotels. They catered to a strong page of leisure and transient business, and a predominately drive-in market. Hotels most impacted were the larger, full-service hotels that catered to strong group / convention

segments, as well as a secondary transient base of corporate business from nearby office buildings. These hotels are typically located in downtown city center markets. With these two scenarios, clearly the type of business that filled the hotel influenced its performance when reduced travel, restaurant and banquet service restrictions, and customer health and safety protocols were required.

- II. **Source of Business:** Hotels highly dependent on third party sources such as conventions from their local Convention Bureaus, small group leads from Cvent, and/or a high dependence of leisure business from wholesale travel agencies, experienced the equivalent of the proverbial faucet being shut off. When these market segments stopped producing, hotels were challenged to react and adjust internally by re-deploying their internal sales staffs. Compounding this challenge, sales staff reductions further hindered these sales efforts. Conversely, hotels not dependent on the assistance of third-party sources were not as severely impacted and were able to further compensate for any dynamic shifts in their business utilizing their remaining, onsite sales teams.

- III. **Location:** The location determined for most hotels is driven by the market segments generating demand. Suburban, non-city center, hotels typically tend to be smaller and depend more on a combination of leisure families and high school and college sports teams. These hotels also typically offer little to no meeting space and the group segment represents a small percentage of their business. Given these parameters, many of these hotels were able to maintain relatively static occupancies but did have to reduce their average rates to remain competitive. Conversely, city center hotels that were dependent on shared blocks from citywide conventions and benefiting from various downtown demand generators including sporting events, festivals, and perhaps political events, were severely impacted by the COVID pandemic. The depressed levels of demand created by reduced travel, offices allowing their staff to work from home, and the health safety concerns of holding conventions, have now continued for over 10 months and will clearly be the slowest to recover.

With this Knowledge, what is the next step? The simple answer is that each hotel needs to redirect its sales efforts and go where the business is. A nice idea but much harder to accomplish. A review of the successful sales actions taken by some hotels across the country included the following:

- Re-evaluating market segments and increasing sales efforts focused on the segments that were still generating demand growth potential.
- Securing contract crew business that provided a stable base of occupancy for the larger hotels.

- Strategically shifting the group mix from being dependent on citywide conventions referred from third parties and to targeting smaller self-contained groups booked directly with the hotel. Conveniently, the smaller groups fit better with most State COVID compliance standards for group gatherings.
- Lowering rates as needed to maintain market share and remain competitive.

Operationally, hotels had to rewrite its standard operating procedures as it related to all services that involved guest and associate contact, implement physical changes throughout the hotel to assure compliance with new COVID compliant safety guidelines, and effectively communicate all of this to their client base with the goal of gaining their customers confidence and willingness to rebook rooms and functions at their hotel.

In summary, we took a quick look at some of the key factors influencing how and why hotels have been impacted differently by the COVID. We reviewed some of the actions successful hotels implemented to rectify and reduce the impact to their hotel's overall performance. This brief article has provided you some thoughts, suggestions and perhaps confirmation of the actions you, as a hotel operator have employed thus far to cope these past 10 months. If you would like to discuss how Hospitality Performance Systems, Inc. can assist your team and hotel further, we would welcome such discussion. Keep the faith, keep the creative juices flowing, and continue to optimize your hotels' position within the market.

About Hospitality Performance Systems, Inc. (HPS)

Hospitality Performance Systems (HPS) was created to provide operational and sales support to the hospitality industry globally. Founded in 2009 this enterprise takes advantage of its founder and President, Stanton D Jacobs, CHA, with over 30 years of proven success in the hospitality industry and strategic relationships globally, HPS is affiliated with a wide array of professionals specializing in their respective disciplines, enabling HPS to provide a wide range of services. <https://www.hps-strategic.com> <https://www.linkedin.com/in/stantonjacobs/>

###