



Hospitality

Revenue Recovery

ReShape Co. 2020

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Overview

The hospitality industry encompasses hotels, recreation activities, food & drink. It is the third largest sector in the UK, representing about [10 percent of GDP](#). Even pre-pandemic, the nature of the hospitality industry has been changing over the last few years; new trends have emerged which are beginning to reshape the industry. Players in the hospitality industry need to take these into consideration in order to stay relevant.

COVID-19 has had a large impact on the hospitality industry due to the lockdown and temporary closures. Hotels are among the hardest hit - [McKinsey](#) predicts that recovery to pre-covid levels could take until 2023 or even later. This document will identify trends in the hospitality industry, examine the impact COVID-19 has had on them, followed by solutions for rapid revenue recovery for the industry.

Industry Trends

The importance of catering for Millennials

A 2019 study from [Berkshire Hathaway Travel Protection](#) found that Millennials (aged 18-34) are more likely to spend more on travel than any other age group. Millennials are becoming the new target market for the hospitality industry, and it is therefore important to cater to their needs and expectations - something which the hospitality industry has been starting to do.

This group of consumers expect [better value for money and a premium service](#). This demographic encompasses different travel trends to older generations - they are more likely to be solo travellers, care more about having local, authentic experiences, have more of a sense of adventure and care about capturing 'instagram moments'.

It is important for the hospitality industry to strategize for this age group's traits and habits - nearly half of all millennials turn to people instead of businesses for travel advice, making it important for the industry to provide the best possible experience for all guests.

The increased use of Technology and new Developments

The Hospitality industry has seen an increase in the use of technology and new developments. Firms in the industry are required to be increasingly adaptable in order to keep up with their competition. Millennials, the new target audience for the hospitality industry adapt well to new technology and expect constant improvements to maximize their convenience.

The industry has seen a rise in:

- Mobile check in/check out at hotels
- Digital concierge service
- Room management services on IPADs
- Increased app usage e.g. for ordering food
- Free WIFI at hotels

The health and safety concerns that COVID-19 has caused have [accelerated these existing technology trends](#) in the hospitality industry. There is now the need for “contact-less and touch-less” services and we have seen a rise in demand for digital communication as opposed to physical interaction. People ultimately care about hygiene and social distancing; technologies which help reduce physical contact are valued.

The increased use of technology has caused there to be more transparency in the industry due to the use of virtual review websites e.g. [Tripadvisor](#). Having other customer reviews on hotels, restaurants, experiences etc. easily available, has a strong impact on the decisions consumers make. This has overall created a need for businesses to provide better service and quality.

Millenials are heavily influenced by social media and use it to make decisions; it has therefore become important for businesses in the hospitality industry to have a strong presence. Research by [Zizzi](#) finds that [30% of 18-35 year olds would avoid a restaurant if they don't have a strong instagram presence](#). There has also been a rise in importance for improvements in [the visuals of the food and the design and decor of a place](#). This encourages people to post about a place on their social media, providing the business with free advertising as well as capturing the attention of food and lifestyle bloggers who can reach larger audiences.

[More information on social media marketing for restaurants.](#)

A rise in International travel

Globalisation and falling transport costs have caused a rise in global tourism. The British hospitality sector has recently been receiving international tourists e.g. from South Korea, China and India as these emerging markets have seen rises in GDP. This has caused the rising importance for the hospitality industry to be culturally aware.

COVID-19, however, has disrupted this trend. Travelers are more sceptical about going abroad, domestic travel within the UK however is on the rise. [There has been a surge of bookings within the UK](#) and the new needs of these customers have to be catered for. For example, people now value flexibility and free cancellations, businesses will also have to address health and safety concerns.

More responsible consumption: Sustainability/ eco-friendly focus

Customers, particularly Millennials are starting to make more conscious decisions which is being reflected in their travel, eating and buying habits. When it comes to the hospitality industry, businesses have been addressing this in various ways including:

- Providing [alternative ways to travel](#) e.g. cycling trips due to a new movement of travellers boycotting air travel for environmental reasons.
- [More vegan options at restaurants.](#)
- Sustainable behaviour by hotels e.g. reusing towels, installing solar panels, automatic lights etc.
- More [Ecotourism](#) options.
- The use of paper straws instead of plastic ones.
- Responsibly sourced ingredients at restaurants.

Millennials are concerned with global issues and eco-friendly practices are becoming the norm.

More insights into the latest trends:

[2019 Top Hospitality Industry Trends](#)

[The Top 4 Hospitality Industry Trends In 2020](#)

[Millennial Travel Trends](#)

[Millenials & Catering In The Hospitality & Travel Industry](#)

[The Importance of Technology in Post COVID19 Hotel Operations](#)

[The Secret To Effective Restaurant Social Media Marketing](#)

[How Instagram has transformed the restaurant industry for millennials](#)

[Staycation bookings soar after coronavirus lockdown restrictions lifted across the UK](#)

[Alternative Ways to Travel](#)

[Restaurants encouraged to offer vegan vegetarian menus](#)

Emerging areas

Prioritising 'experiences'

It is now an established trend that [younger generations prefer to spend more on experiences rather than material goods](#) and this movement has led to enhanced growth in categories such as eating out, competitive socialising and adventure travel. Opportunities for such experiences were heavily restricted if not prohibited during lockdown and there is likely to be pent-up demand for all the missed activities. The [PwC's "Where Next?" Covid-19 special edition report](#) estimates that this trend in consumer preferences will continue to drive growth in markets that cater to experiences in the following years.

Rebranding with purpose

Business actions during the crisis were heavily broadcast and critiqued on social media, which implies that a brand's relationship with the community over this period will likely shape early consumer demand in the recovery process. Businesses emphasizing their mission, values and purpose and engaging in social responsibility and community goodwill such as the [#FeedNHS campaign](#) or [hotels offering beds to NHS workers](#) and homeless individuals will effectively differentiate themselves from competitors and win consumer trust beyond the health crisis.

Acceleration of digital services

The Covid-19 crisis has certainly transformed many of the routine transactions and interactions of our day-to-day lives. The shift to remote work in many sectors of the economy has led to a rapid deployment of digital services across all areas of human life with profound effects on the ways in which consumers interact with hospitality businesses. Consumption patterns and behaviour have changed significantly and are likely to continue to do so - an increase in the consumption of food deliveries and online fitness over the past few months are just two examples of this trend. Digital technology is making its way into every aspect of the industry such as hotel operations, guest service, communications, revenue management, distribution, CRM and marketing. The summary table below is from a recent analysis by NextGuest, to access the full 2019 report on Hospitality Digital Technology, [click here](#).

Management + GS		Guest Engagement, Acquisition & Retention			
Hotel Management PMS HR Housekeeping Operations Back Office Automation Concierge Guest Services	Distribution GDS CRS OTAs Booking Engine Channel Manager Tech APIs	Revenue Management Revenue Management Systems (RMS) AI Rate Shopping Tech Business Intelligence	CRM & Loyalty Data Management Platform (DMP) Communication Manager Marketing Automation Loyalty Tech	Marketing Website Tech CMS DSP Social Media Tech Web Analytics SEO Tech Programmatic Data Marketing	Reputation Management ORM Systems Survey Tech Business Intelligence Guest Services

A key fact to remember in the post-Covid recovery period is that [online visibility and brand recognition](#) will continue to play a critical role in competitive differentiation and attracting early demand. Special attention should therefore be paid to improving social media presence and optimising the brand's website - according to research by Google, [53% of website visits are abandoned if a mobile site takes longer than three seconds to load and yet on average, hotel websites download in 6 seconds or more](#). When almost 59% of customers are visiting hotel websites from their mobile devices, introducing a mobile-first responsive website with cloud hosting and Content Delivery Network (CDN) will be a key aspect of improving digital presence.

Advanced analytics

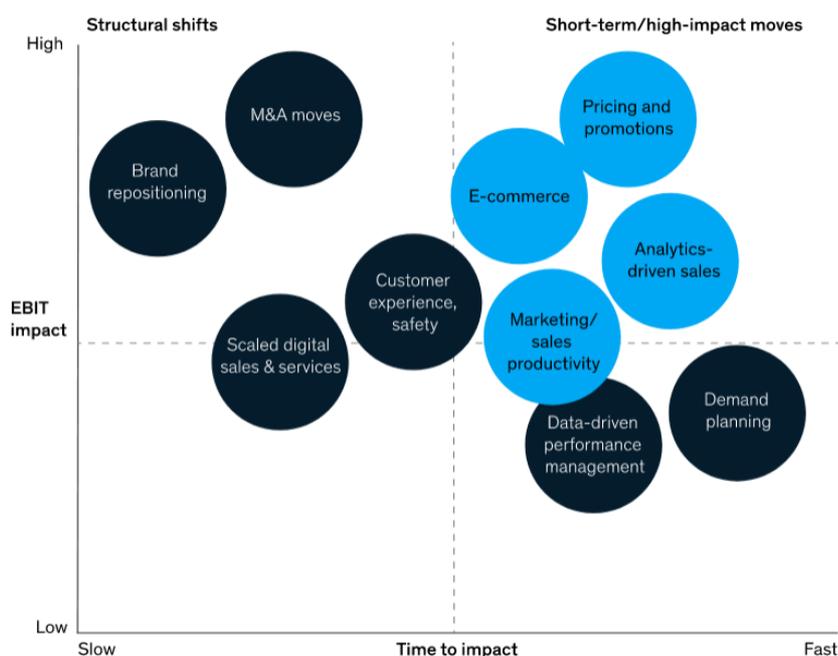
The travel and hospitality industries have experienced a dramatic digital transformation in the last two decades. Digital technologies produce huge amounts of data for the companies that own them but many of them are still in the early stages of developing the analytics capabilities necessary to capture the full potential of this data. The untapped potential for implementing artificial intelligence (AI) and AI-enabled technologies such as natural language processing, machine learning and video recognition in the hospitality sector is remarkable. A recent [McKinsey report](#) finds increased prospects for the use of predictive analysis in effective personalization, customized on-property product recommendations, enhanced customer service, improved pricing management, virtual assistants and robotics-powered delivery services.

Strategies for Rapid Revenue Recovery

A [recent McKinsey article](#) offers generic guidance on Rapid Revenue Recovery for B2C and B2B businesses, and includes a particularly useful impact on earnings before interest and taxes/time to impact matrix for navigating priorities during this period, attached below. The suggested solutions that follow can mostly be classified as short-term/high-impact moves using this framework.

Prioritized measures for Rapid Revenue Recovery.

ILLUSTRATIVE



Highlighting safety measures

Hotels will have to adapt to comply with the necessary health and safety guidelines by offering flexibility in booking, improving social distancing measures in traditionally crowded areas, reducing high contact areas for customers and implementing no-contact check-in procedures among others. It will be important to highlight these changes to operations and inform customers of the updated safety protocols in order to restore consumer demand. Simple signages that reinforce compliance with safety measures can go a long way in earning a cautious consumer's trust. The UK-wide ["We're Good to Go"](#) industry standard and consumer mark will now allow businesses to demonstrate that they are compliant with public health regulations and that they have performed the necessary Covid-19 risk assessment. The scheme is free to join and open to all businesses in the hospitality industry. The AA has launched a similar free accreditation scheme (AA Covid Confident), which can be accessed [here](#).

[Minimizing human touch points using digital solutions](#) such as virtual tour guides, specific service apps, virtual menus, automated check-ins and paperless payment statements can be cost-efficient as well as compliant with safety protocols.

Boosting domestic demand

International travel restrictions are likely to remain in place for the upcoming months and more critically, throughout the summer season in Europe. Restoring domestic demand should therefore be a priority for any hospitality business.

Marketing

Occupancy issues can be addressed through smart marketing campaigns targeted at local and domestic travellers in the form of packages such as "Staycations". [Industry experts](#) argue that well-targeted bundles will be essential in restoring early demand, especially if these packages are lucrative for the consumer with inclusions such as hotel credits, flexible 24hr check-in and check-outs, tickets for local activities and excursions. The focus must be on maximizing revenue from each booking rather than implementing an occupancy-led strategy.

Flexibility

SiteMinder's '[Changing Traveller Report](#)' found that more than half of the UK population plan to travel domestically in 2020. When choosing accommodation, the study reports that consumers prioritise flexibility in booking over low cost. Free cancellation and modifications, well-promoted health and safety, and remote locations with low levels of tourism are all important to customers and should be taken into account (low prices rank as the 4th most important factor).

[Demand will not be based on low prices](#) but rather on other factors that add value to the customer experience - hence, smarter revenue management should be prioritised over promotions. A flexible cancellation policy clearly stated on the company website can further [aid in attracting direct bookings](#) as most OTAs often make it difficult to cancel or make changes to existing bookings.

Some companies may also choose to [extend premium advantages to loyal customers](#) during the crisis as a sign of goodwill or relax existing requirements for loyalty programs in order to protect their reputation and reduce customer uncertainty.

Short-term diversification

It is highly likely that a different client base may have to be considered and catered to as [different segments of the population will initiate travel and going out at different points in time](#), starting with business travellers, followed by single travellers and couples who are more open to risks and lastly families, who will need more reassurance of health and safety standards before taking the plunge. Loyalty to the existing customer base is important but rapid and temporary communications and marketing campaigns aimed at attracting non-typical customers will be key to capturing early demand.

Online presence

Following months of restrictions and general wariness about health and safety standards, customers are likely to be choosing hotels, restaurants, event venues based on a quick search through their websites or social media channels. [Updated and relevant content](#) - opening hours, cancellation policies, information about activities and services that are

currently in operation or remain postponed, community engagement, etc, can be a make-or-break factor. Highlighting the destination through blog posts or area guides, for example, can showcase attractions that are open, thus offering clients reassurance of some semblance of the normal travel experience.

Links to further resources & insights

- [Pegasus's free Road to Recovery ebook guide](#) to reopening and recovery for revenue, marketing and sales teams in hospitality contains sector-specific guidance on revenue strategy and planning, channel update plans, direct booking strategy, guest communication plans and more.
- [NextGuest's Covid-19 Hotel Recovery Strategy ebook](#) aimed at helping hoteliers navigate the recovery process using a three-phase approach.
- [Providing High-Touch Through High-Tech: Resilience in Hospitality Through Human, Technology and System Convergence](#) for more concrete guidance on introducing technology solutions to revenue recovery.
- [Covid-19 Hotel Recovery Strategy: Top 10 Ways to Prepare your Hotel for the Rebound in Travel Demand](#) for more revenue-generating ideas relevant to hotels.
- [The Great Reset for Revenue Management in Travel](#) by BCG.

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