

Hotel Business

Revenue Strategy Forum discusses pandemic survival, recovery

BY ADAM PERKOWSKY ON MAY 20, 2021

During the first in a virtual series of Revenue Strategy Forums (RSF), industry leaders shared how they navigated through the rough waters of the COVID-19 pandemic and their forecasts of what's to come for the hospitality industry and how quickly the recovery will happen.

After opening remarks from organizers David Woolenberg, CEO, Duetto, and Stacy Silver, president, Silver Hospitality Group, the virtual stage was passed on to **Bernard Baumohl, chief global economist, The Economic Outlook Group**, who shared insights and forecasts on the economy, which will greatly affect the hotel industry.

Some key takeaways from his presentation:

- The Economic Outlook Group believes there is little risk of a recession this decade.
- “I think we cannot rule out the possibility that this pandemic could end up being an endemic which means it actually will show up in some form every year, and that will require another vaccination or a booster shot.”
- At this moment, 16.9 million Americans still rely on jobless benefits compared to just 1.8 million before the pandemic got started, and about 5 million jobs may never actually come back.
- “We’re looking at real consumer spending on hotels and motels in the U.S. increasing this year and into part next year, although it’ll be flattening out a bit towards the second half of 2022 and 2023 in large part because of rising taxes and also higher interest rates.”
- The forecast is for GDP growth 7.2% this year, 4.6% In 2022 and 3.1% in 2023.
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Navigating uncertainty

Caryl Helsel, founder/CEO, Dragonfly Strategists, moderated the “Navigating Uncertainty to Profitability,” which featured panelists Priya Chandnani, VP, revenue management, Benchmark Global Hospitality, and David Rochefort, president, Graduate Hotels, who discussed the steps they took during the height of the pandemic from a revenue management perspective, and what they are doing now as the industry recovers.

Both panelists agreed that the direct booking channel helped with keeping distribution costs down.

“Our ability to continue to drive direct has been key in us keeping those distribution costs low,” said Chandnani. “We continued to invest in marketing as we went through the pandemic, and that served us really well. As we started to open up hotels and demand started to rebound we continued to maintain our contribution through our direct channels and that really helped with keeping our distribution costs low.”

“We really leaned into direct, not just from a distribution-cost perspective but because we wanted to control that customer relationship, particularly in a time of uncertainty,” said Rochefort. “We wanted to be communicating about our health and safety initiatives and our Graduate Cares program, and we actually saw a significant shift in direct bookings from similar periods of time in 2019 to 2021, which I just think speaks to our marketing initiatives.”

Revenue management at Graduate Hotels was an important piece that helped the company survive the darkest times of the pandemic, noted Rochefort.

“It was honestly the most sacred of functions within our company over the last year, because we saw a lot of competitors cutting down their teams, and we wanted to make sure we were ready to go and the engine was idling but not turned off,” he said.

Chandnani pointed out that traditional revenue management data didn’t work in the last year. “Our ability to go back to historic data just doesn’t make any sense at this point,” she said. “[It’s now about] the one-week pick-up and the seven-week pick-up.”

For some Graduate hotels, there wasn’t even historical data to work with, so having a revenue management program like Duetto helped. “When the pandemic hit, I’d say half of our portfolio was in the first year or two of ramp-up, which meant we didn’t even have [historical data],” said Rochefort. “We have a very geographically diverse portfolio and not every hotel is made equally and not every market was made equally. The revenue management system was really core in us having a better understanding of what was really happening in the world in real-time.”

The move to the cloud

During the “Let’s Talk Tech with Amazon Web Services and Duetto” session featuring Woolenberg and Joanna Todd, head, worldwide business development—accommodations and lodging, Amazon Web Services, Todd offered six trends she has seen with the hotel industry moving to a cloud-based ecosystem:

1. **Cost savings:** “Every company has to do more with less, and if, as demand returns and companies are able to drive top-line revenue, it doesn’t necessarily mean that you’re profitable yet. So there’s even more emphasis on being able to control costs to accelerate the return to profitability.”

2. **Digital transformation:** “More legacy companies now, in order to get a competitive edge or catch up with their competitive set, they’re moving to digital transformation at a pace that we have not seen before, and COVID really has accelerated that migration to digital.”
3. **Optimization and automation:** “Companies had to lean on technology more to make sure that they could keep their core business elements up and running and, frankly, these are things that we know that are going to extend beyond the core lifetime of the pandemic itself. It’s the idea of working smarter.”
4. **Personalization:** “It’s about making sure that you’re able to put the right offer in the right channel at the right time, and execute against that vision. That is really [being]customer-centric vs. just being property-centric.”
5. **Security and data privacy:** “No company wants to be that news headline that says ‘Company XYZ had a massive data breach in multiple markets.’ It’s front page news when it happens. It puts not only actual consumer data at risk, but it erodes public confidence and trust in your business when it happens.”

Sustainability: “Companies today are really looking for ways to enact meaningful change to their business to make their businesses more sustainable, more green. And it not only fosters goodwill, but IT companies are doing it because they do want their companies to have less of an impact from an environmental standpoint.

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