



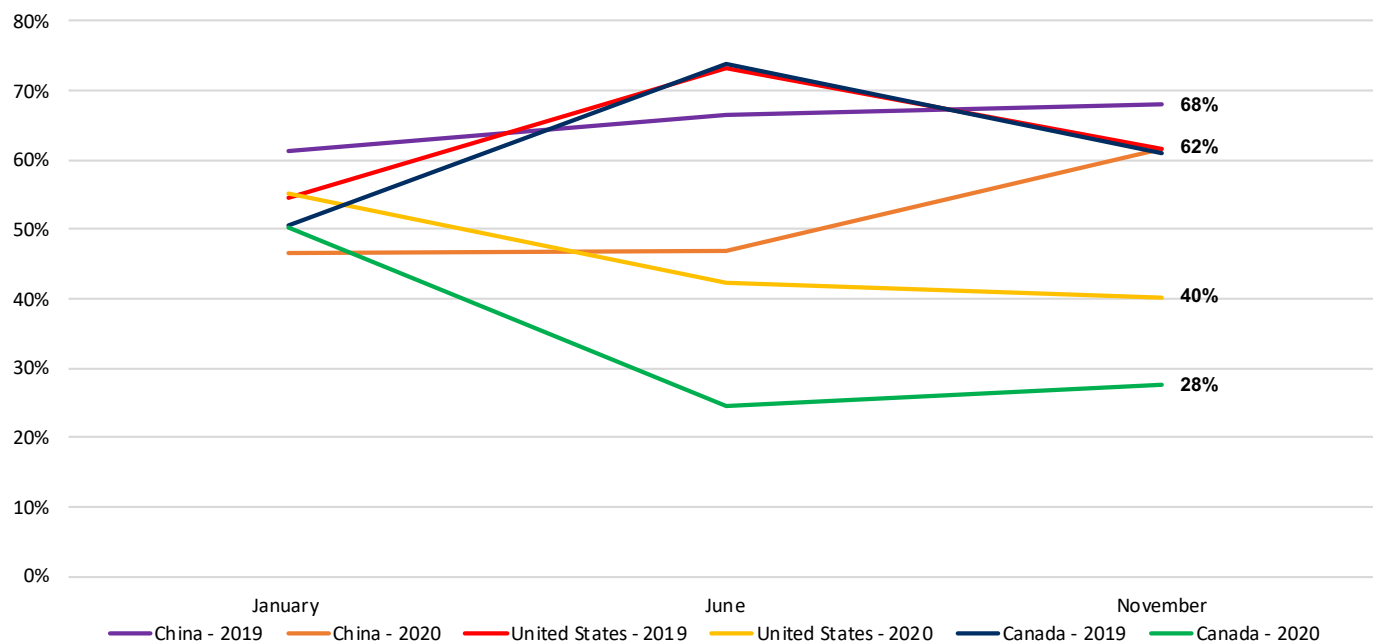
Horwath HTL

Hotel, Tourism and Leisure

INDUSTRY REPORT

*Looking Inside Out:
Finding Resilience
in Society*

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Source: STR

Looking Inside Out: Finding Resilience in Society

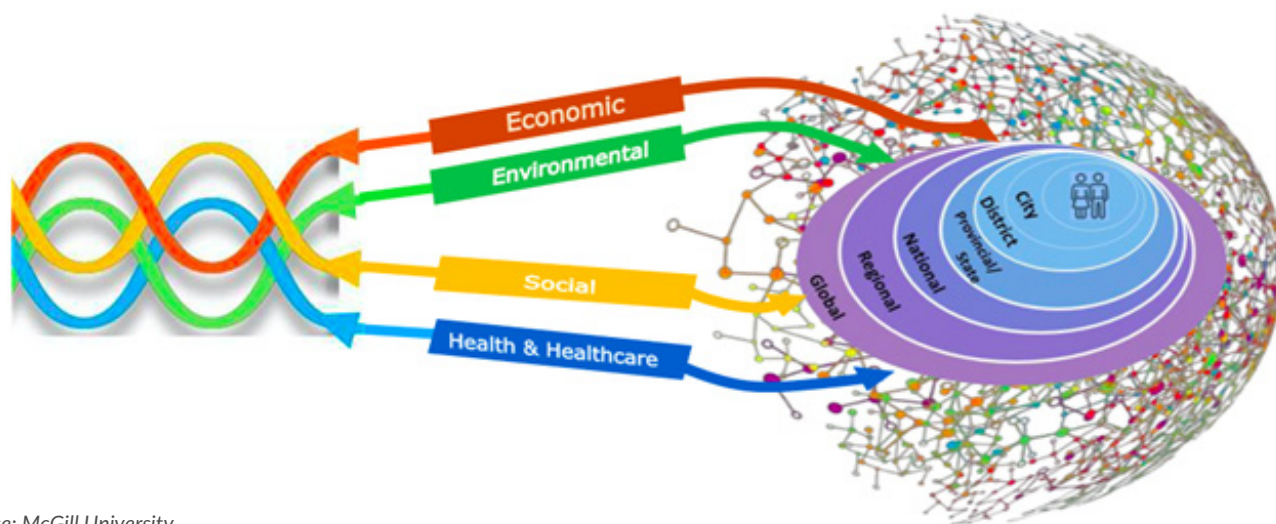
The hotel industry is one of the most affected industries by the COVID-19 pandemic. The multiple waves of the infection have led to major travel restrictions and closures of hotels. It is evident the hotel industry is facing the need to manage both declines in demand and increases in uncertainty. This is even seen with the all-time low occupancy levels, as seen across several geographies.

In the United States (US), occupancy levels dropped drastically since January 2020, and has remained almost stagnant at 40-42% between June and November 2020. In comparison, the US witnessed occupancy levels of 73% in June 2019, and 62% in November 2019. For Canada, occupancy levels follow a similar trend as the US, where occupancy levels have been between 25% and 28%, for months of June to November (74% and 61%, respectively, in June and November 2019).

In contrast, China is one of the few countries to have rebounded to 2019 occupancy levels. China’s hotel occupancy levels were recorded at 47% in June 2020, gaining strength to 62% in November 2020. In comparison, China’s occupancy was 67% in June 2019 and 68% in November 2019. The graphic below highlights the occupancy levels of China, US, and Canada, for the months of January, June, and November, for years of 2019 and 2020.

The pandemic has highlighted the need for the global to converge with the national and local. This is especially true for the hotel industry, which thrived on scale in an interconnected world. Yet the hotel industry is one of the oldest industries, operating long before the rise of global travel. For centuries, a hotel was a home away from home, for guests travelling from other cities, regions, or countries. The highly interconnected world gave rise to international hotel companies establishing standardised international brands across the globe, making these companies thrive with much-acquired scale. But in establishing scale, have hotel companies forgotten the societal context in which they operate?

With the ongoing pandemic, where inter-regional and international travel is restricted, hotels are forced to rethink the way they do business. A hotel is not just a siloed concrete structure on a said street, but a building within a community. A hotel is a part of a larger local ecosystem, which is integrated within a society. As consultants, we undertake feasibility studies for hotel establishments by looking at the macro-level details, at a city or regional level. We do not consider the extent of the social networks within which a hotel would operate – a network essential to the day-to-day operations of a hotel. With traditional travel coming to an all-time low, hotels have little choice but to converge with their local/domestic society.



Source: McGill University

COVID-19 is arguably one of the most potent disruptive events tied to the Western business development and economic progress that has prevailed since the first industrial revolution, and it may not be the last. This linear model of development, fueled by the ever-increasing scope and speed of technological discovery, has accelerated connectivity and spread throughout the world with goals of market expansion and economic convergence of the West with the Rest of the world (Dubé et al, 2014). This economic convergence model has become increasingly disconnected.

As the pandemic is accelerating our journey in an Industry 4.0 era that blurs the boundaries among the biological, physical, and digital realms; a novel, solution-oriented convergence within and between basic, life, behavioral, social, and complexity sciences may be possible to innovate the way we innovate. Individuals and organizations from across disciplines and sectors can be brought together to foster the design, production, promotion, and deployment of portfolios of real-world solutions (Dubé et al, 2020).

As such, it has the potential to become a tipping point—a course correction rejecting the status quo in favor of a new model of development. The new model would serve the rapid changes in the industry, where interdependencies between all actors in the society would be necessary, thereby building a multi-resilient system from the ground up. These interdependencies can be classified into four main categories – Economic, Environmental, Social and Health, as highlighted in the below figure.

Elaborating on the above figure, this special market report highlights mechanisms and ideas through which the hospitality industry can engage with society on environmental, social, economic and health and safety levels.

Building Environmental Resilience

The hotel development process has not changed significantly in the last decade. A developer purchases a piece of land; engages with architects, consultants, and hotel brands to establish a hotel project; engage with banking institutions to secure funding; and lastly begin construction. Little regard is provided for micro-communities and environments in which they operate. Overlooking the societal impact of construction and operation could be detrimental for the environment at large. Below are some ways in which hotels can work towards creating a lasting impact on the overall environment and society.

Master Planning – Thinking Long-Term about Societies

Large scale, multi-phased developments being constructed over several acres of land were once rare. These developments are now mainstream with several such establishments operational in the last decade. Given the phased development approach, master plans for such developments should be dynamic in nature, as opposed to plans being completely set-in stone. Such large-scale developments should incorporate spaces connecting communities together, while also enabling spaces for work, play, cultural and recreational benefits. These large-scale developments are also common within the hospitality and tourism sector.



Marina Bay, Singapore

In several instances, reclamation or redevelopment of lands are also considered in master planned developments. Placing the community at the centre of the equation would allow such large-scale developments to have a lasting impact on the community. A great example of a successful community-centric tourism masterplan is the development of Marina Bay in Singapore.

The land reclamation work for Marina Bay began in 1969 resulting into the creation of a 360-hectare prime waterfront site. The reclamation allowed the Singapore River to flow into the bay, rather than directly into the sea. The masterplan was developed after the reclamation was complete, with the first building inaugurated in 2008 (Marina Barrage). The area now holds many of Singapore's main tourist attractions, including Marina Bay Sands, the Singapore Flyer, The Merlion, and Gardens by the Bay.

The overall development supports more than 20,000 jobs, contributes significantly to the overall tourism receipts in Singapore and has proven to be successful for over a decade. On a design front, the skyline of Marina Bay did not happen by chance. The master plan had provided guidelines to allow buildings which were constructed over two decades to have a 3D layered effect. A successfully planned master development connects and gives back to communities, as showcased in the Marina Bay development.



Beyond Sustainable Spaces – Considering the Overall Environment

Several hotels and hotel companies have now adopted environmentally friendly operating techniques, assisting in reducing waste and pollutants. In other cases, newer hotel developments are carbon-neutral and more sustainable by being LEED certified, amongst other green initiatives. However, sustainable development is much more than being “green”.

Sustainable development is the responsible use of productive resources in a project or undertaking to safeguard long-term environmental, social, and economic sustainability (Gregory Autin, 2020). A range of socio-economic, cultural, and environmental issues must be considered to ensure the long-term effectiveness of a development, thereby being sustainable for a long period of time.

Apart from green building practises and overall reduction of waste and water, hoteliers should also consider broader societal aspects. Several developmental and operational aspects could be considered, including:

- **Societal Goals:** Engaging with communities through ethical, equal and social justice practises at the hotel.
- **Environmental:** Protection and restoration of natural habitats, resources, and ecosystems.
- **Design & Construction:** Being sustainable from the onset of any project. These include sustainable site selection, design, environmental-friendly construction materials, and overall sustainability through the development process.
- **Development:** Engaging with subcontractors and technicians who are similarly aligned in respect to overall environmental sustainability.



Royalmount development, Montreal

Putting Community in Feasibility

Undertaking a hotel feasibility study is essentially establishing a business case for the hotel development. Will the hotel development be profitable as compared to other hotels in the vicinity; what will the top line and bottom line look like; which brand is best suited for the hotel – are some of the questions answered in a typical feasibility study. Such studies provide a high-level impact of a hotel development in a community.

However, a key question often overlooked is how the hotel will contribute to the overall community it operates in; or on the flip side, will it hinder the community it operates in. Studies involving the community and society at large are important, as it brings this high-level context into the micro or street-level community. A recent example of this was showcased in the revised plans of the Royalmount development in Montreal.

The Royalmount development was first conceptualised as a mega-development with multiple hotels along with several entertainment, retail, and residential components. The citizens of Mont Royal raised concerns over the large-scale development, its impact on traffic and lives of residents. Further to several rounds of discussions with the city of Mont Royal, the revised development plans call for a community-integrated and sustainable development with large recreational and meaningful spaces for residents. Community-centric initiatives within the development include a 3.8-kilometre linear park, 100% carbon-neutral buildings and planting green spaces with over 500,000 trees - all contributing to the overall wellbeing of the residents.



The Hoxton Hotel, Portland

Building with Purpose – Community Inspired Spaces

Now let us consider a standalone hotel development. Traditional lobbies, expansive conference facilities, gyms, are examples of generic spaces. When some hotel spaces feel and look generic, hotel guests minimize the time they spend there.

Hotel designers have tended to design hotels in two directions – 1. Opulent with large columns and dramatic interior finishes, or 2. Low-key neutral and contemporary designs. This design trend is now changing, with hotel designers infusing the local culture and neighbourhood feel into their lobbies and other generic spaces. Hotels have gone from having a “lobby” to having a “living room”.

Take for example, the recently opened Hoxton Hotel in Portland. The lobby spaces feature the historical building’s original timber columns, with concrete walls, wooden flooring, and exposed brick, instantly projecting a “Portland vibe”. When developing the hotel, emphasis was placed on ensuring work was carried out by local vendors. The owners went as far as involving local Portlanders to curate a list of best books, showcased in each of the hotel’s guestrooms. Creating spaces inspired by the local neighbourhood, is more meaningful and engaging to guests.



Fairmont & Swissotel Stamford Aquaponics Garden, Singapore



Fairmont & Swissotel Stamford Aquaponics Garden - [Watch video here](#)

Vitalizing Dead Space – Revamping of Existing Hotel Spaces

Within a hotel development, there usually exists a lot of 'dead space' not used for any purpose. Converting these spaces into purposeful spaces creates synergy and brings about added benefits to the structure. For instance, using the rooftop for planting gardens, vegetables and seasonal produce used by on- and off-site restaurants and maybe even sold to locals. Pushing this concept further, areas surrounding the hotel (if large enough) can be converted to public parks or gardens frequented by the public.

A great example of this is the revitalization of the rooftop at the Fairmont and Swissotel Stamford, in Singapore. The hotel has converted its 450-metre square rooftop into an aquaponics garden producing vegetables and farming fish. It is estimated the hotel is likely to meet 30% of its vegetable and 10% of the fresh fish needs across the hotel complex every month. Aquaponics combines aquaculture (growing fish) with hydroponics (growing plants without soil), thereby creating a sustainable pesticide-free solution to traditional methods of farming.

Several hotel establishments have taken initiatives to engage with the environmental aspects of the society. Be it in development, design or space planning, hotels can create long-lasting society-centric developments.

Creating Societal Resilience

A hotel within a society is a local player, an active participant and a citizen of the community. Hotel operations have now turned to sustainable practises including waste and water reduction. However, to build resilience through hotel operations requires hotels to consider creating environmental, social, and economic impacts. Mechanics to create such multi-level resilience are outlined below.

Sourcing within your Society

Sourcing goods has always been an operational challenge for hotels, with difficulties in managing time and resources. This challenge leads to hotels engaging with vendors who are convenient to access and who fit within a stipulated budget. As a result, in a lot of instances, hotels collaborate with vendors who care little about issues such as sustainability, food safety or ethics. On the other hand, locally sourced produce maybe sustainable, but may not fit within the international quality assurance standards, as set by the major international hotel brands. Or such produce maybe an expensive alternative to the traditional hotel vendor.

However, the advantages of sourcing locally outweigh the disadvantages. The advantages for 'sourcing local' include creating an ecosystem with vendors, supporting the local economy, while potentially increasing customer satisfaction. A statistic as per the UNWTO notes 73% of Millennials and 51% of Baby Boomers are willing to pay more for sustainable travel and food choices, thereby solving the issue of budgetary concerns of hotel procurement teams.

The other benefit is reducing the overall carbon footprint generated by overseas purchasing. In North America, some food and beverage produce travels more than 1,500 miles to reach the hospitality establishment, and this is purchasing from within the continent. The travel length is potentially tripled if sourced internationally. Guest loyalty is a bonus. Apart from the obvious cost-saving measure, buying local produce also fosters guest loyalty. According to a survey reported by CTV News, 61% of Canadians say purchasing local food is important. Meanwhile, in the US, a recent Nielsen study found that buying local was preferred by 46% of the respondents, indicating a preference for sourcing locally.



Source: Accor

Creating a ‘Favourite’

The post pandemic world calls for a hotel frequented by both locals and guests. It will be a place where locals meet and greet other locals. Think of your local coffee shop or speak-easy bar only known to locals. Creating a destination sought-after as a local favorite is in the best interest of a hotel. It is bringing the outside inside, thereby impacting overall guest experience, but also creating a space which locals look forward to visiting. This goes beyond food and beverage offerings. Imagine opening some of the hotel space for a local farmers market, a local artisan market or a local higher-end flea market on weekends. Its all the activities local do over a typical weekend, but why not in your hotel!

A great example of this is at the Hyatt Regency Waikiki Beach Resort and Spa. Guests and locals are invited to a year-round market held at their open-air atrium, every Tuesday, and Thursday. Items sold include sugar cane juice, local made butter and coffee beans. For an artisanal fair, the Peninsula Bangkok hosts the Thiptara Craft market on the last Saturday of each month. Vendors sell items such as handicrafts and even fruits and vegetables.

Ethical Operations

Hotels actively engaging with their local societies go beyond just sourcing locally or building sustainably. Actively engaging with the society leads to ethical, sustainable, and fair operations. Hotels engaging with society also allows for greater employee engagement and satisfaction; thereby leading to higher guest satisfaction and in turn higher revenues. Several large international companies have begun integrating such practises within their corporate missions, impacting hotels across the world.

Take for example Accor. Their Planet 21 Program fosters community development through guidelines for development and operations. Guidelines within the program include sustainable development and construction, local sourcing, water and waste management, food conservation and fighting food waste and diversity in operations and hiring. The program provides a roadmap for hotel owners to ensure continuous progress. Currently, 91% of all the hotels under the Accor family have adopted this program. The diagram below highlights the multi-level initiative by Accor, which is a great example by which a hotel company can assist in creating societal resilience.



Generating Economic Benefits

The hotel industry has a unique opportunity for growth during the pandemic. Rethinking and optimizing processes to fit with the ambitions of the societal narrative creates win-win situations for not just the hotel establishment, but also the overall economy. Some aspects of this are highlighted below.

Better Return on Investment

When locals and the community at large are placed at the centre of the conversation, the hotel establishment guarantees a steady stream of revenue. The higher the interaction of local people and community businesses with your hotel and the brand, the higher the potential for additional income. Additionally, engaging and attracting locals to use facilities at the hotel is a year-round proposition, potentially reducing the financial risk of seasonality.

This was also proven by Dr. John Corgel ([A hotel investment is only as good as its local market, 2002](#)).

According to Dr. Corgel, a hotel asset risk comes from two main sources – the behaviour of the market in which the asset operates in and the unique characteristics of the income producing asset (in this case a hotel). Dr. Corgel concludes that hotel investments make better returns if the local community succeeds as well. The empirical results suggested in the paper indicate the revenues of a hotel property follow the revenues of the local market in highly predictable ways. Forecasts of the local market (economy) revenues translate smoothly into property forecasts. A thriving society directly translates to a thriving hotel business.

Enhanced Guest Visitation and Loyalty

Engaging with locals also provides guests with positive interactions, for the most part. Authentic guest experiences lead to positive feedback and reviews, thereby increasing brand awareness and exposure of a hotel. Several such interactions put a hotel on the minds of other regional or international travellers, thereby increasing guest visitation to the hotel. Having locals patronize a hotel property or a restaurant within the hotel business also translates into opportunities for stayover guests to network, which is the essence of leisure travel.

This has been supported by several research papers by various authors, as highlighted in a paper Chang et al, 2014. The positive experience by guests is directly translated to repeat visitations and potentially fostering loyalty amongst customers. Several studies have indicated a positive relation between a tourist's experience having a direct relation with revisit intentions (Cole and Chancellor, 2009; Hosany and Witham, 2010; Hsu and Crofts, 2006; Oh et al., 2007).

Many of these studies have also suggested the intentions to revisit a destination is believed to influence their positive evaluations of the overall experience (Um et al, 2006). With each positive interaction within a hotel, guests are more likely to repeat their visits to a hotel. Other research indicates emotional reactions to an overall experience are essential determinants of post consumption behavior, such as intention to recommend, positive feedback and repeat visitation (Gnoth, 1997).



NK'Mip Desert Cultural Centre, British Columbia

Safeguarding Culture

Higher levels of community engagement allow hoteliers to understand the local culture and traditions better. Making a hotel a part of a larger community allows the hotel to protect the cultural heritage of the neighbourhood. Many examples exist of safeguarding local culture while engaging with the immediate community.

For example, hotels which use local sources as vendors and service providers allows communities to continue age-old traditional methods of farming, cultivating, or producing certain items. Continuity in economic activities allows for better employment opportunities for the overall community, better suited methods for the ecology and largely reduces the carbon footprint not being generated by extensive transportation of goods.

On the other hand, hotels can create authentic experiences for guests by showcasing the local culture. Take Hyatt's Spirit Ridge Lodge for instance. The resort is located on reserve land of the Osoyoos Indian Band in British Columbia, Canada. The hotel features a winery operated by the Band, as well as NK'MIP Desert Cultural Centre which highlights the history of the lands, the people and some legends of the land – thereby providing authentic and local experiences to guests.

Enabling Health and Safety

Ensuring the safety and health of employees, guests and all stakeholders involved within the hotel makes for good business sense. Healthy employees and customers are central to any business. Ensuring health and safety comes in many forms. For employees it means providing healthcare



and insurance and creating safe workplaces, whereas for guests it is providing a safe and secure environment for work, play and rest. Several benefits exist when health and safety of stakeholders are placed front and centre of the business.

Employee Retention and Satisfaction

Providing healthcare coverage for employees only makes business sense. Several uninsured hospitality employees are often concerned when companies do not provide health coverage, while on the other hand businesses are concerned with their associated costs. However, healthcare provision is a key issue in employment. A 2018 study by SHRM indicates 56% of US adults stated that healthcare insurance is a key factor in whether or not the person accepts a job offer. In the same survey, 46% said health insurance was either the deciding factor or a positive influence in choosing their current job. Employee acceptance and retention for a job is correlated with healthcare coverage.

Enabling healthcare for workers also ensures a healthy bottom-line. A recent MetLife study indicates 60% of the employers found health benefits to have a positive impact on staff productivity. Healthy people can accomplish more in their time at work and are less prone to burnout in the workplace. Preventative medical solutions can amplify the benefits where staff are aware and engaged with such perks and extending cover to dependents and family can also relieve external stress.



Keeping your Guests and Employees Safe

Safety is a state of being protected against physical, social, financial, emotional, occupational, psychological, or other types of consequences considered non-desirable. Security on the other hand refers to the state of being free from danger or threat from fear, anxiety and doubt involving our guests, employees or the property and its assets. Though hotels focus on latest methods keeping their guests and employees safe, it only takes one mishap to tarnish their reputation.

Ensuring safety and physical security of your guests and employees is the basic requirement for a hotel establishment. On a physical front, safety is established by providing clean and safe drinking water, ensuring lift and fire safety, ensuring surfaces are slip and trip hazard free, safety from food contamination, and ensuring a clean and germ-free environment. Proper risk management helps both employers and employees to identify, analyse and avoid or mitigate risk from various sources.

Conclusion

The hotel industry can benefit from the organisational concept of “antifragility”. Nassim Nicholas Taleb explains antifragility by “Some things benefit from shocks; they thrive and grow when exposed to volatility, randomness, disorder, and stressors and love adventure, risk, and uncertainty. Yet, despite the ubiquity of the phenomenon, there is no word for the exact opposite of fragile. Let us call it antifragile. Antifragility is beyond resilience or robustness”.

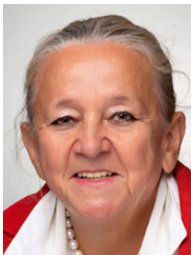
The pandemic has showcased the need for a multi-level resilient system, from the ground up, for the hotel industry to withstand multiple shocks, now and moving forward. Creating and establishing systems supporting the multi-level resilient system is imperative, while eliminating processes hindering this synergy. The hotel industry is more resilient if it has stronger ties with the society in which it operates.

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A Cornell Hotel School post-graduate, Ambika has over 13 years of hospitality development, operations and consulting experience with significant experience in conducting market studies in real estate sectors, including hotels, tourism, retail, residential and commercial projects. Ambika has completed projects, spanning over USD 12 billion in asset value, in numerous locations including Singapore, Malaysia, Vietnam, Indonesia, UAE, Qatar, Morocco, Maldives, Micronesia, Mauritius and Canada. Ambika is also a member of the Royal Institute of Chartered Surveyors (MRICS).



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Professor Dubé holds the James McGill Chair of consumer and lifestyle psychology and marketing at the Desautels Faculty of Management of McGill University. Dr. Dubé's lifetime research interest bears on the study of affects, behavioral economics, and neurobehavioral processes underlying consumption, lifestyle, and health behavior. Her translational research examines how such knowledge can inspire more effective behavioral change and ecosystem transformation. Dr. Dubé is also the founding chair and scientific director of the McGill Centre for the Convergence of Health and Economics (MCCHE), a unique initiative to push the boundaries of disciplinary and complexity sciences to help individuals, communities, businesses, social enterprises, and governments to tackle, the most pressing societal and economic problems facing the world that lies at the nexus between agriculture, health and wealth production, consumption and distribution.

Horwath HTL

At Horwath HTL, our focus is one hundred percent on hotel, tourism and leisure consulting. Our services cover every aspect of hotel real estate, tourism and leisure development.

Our clients choose us because we have earned a reputation for impartial advice that will often mean the difference between failure and success. Each project we help is different, so we need all of the experience we have gained over our 100-year history.

We are a global Brand with 45 offices, who have successfully carried out over 20,000 assignments for private and public clients. We are part of Crowe Global, a top 10 accounting and financial services network. We are the number one choice for companies and financial institutions looking to invest and develop in the industry.

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