

# THE ROAD TO RECOVERY THE HOSPITALITY INDUSTRY

The outbreak of COVID-19 is having a devastating impact on the world economy. While affecting all sectors of the global economy, it is punching the hotel, leisure, retail, and travel industries in the guts. How can the hospitality industry recover? Are there any signs in the current market?

At the recent [Bench Event's Hospitality Tomorrow](#) virtual conference, experts shared their views on the immediate future for the hospitality and travel industry. A few speakers indicated the market already faced a challenging environment before the coronavirus outbreak began in earnest.

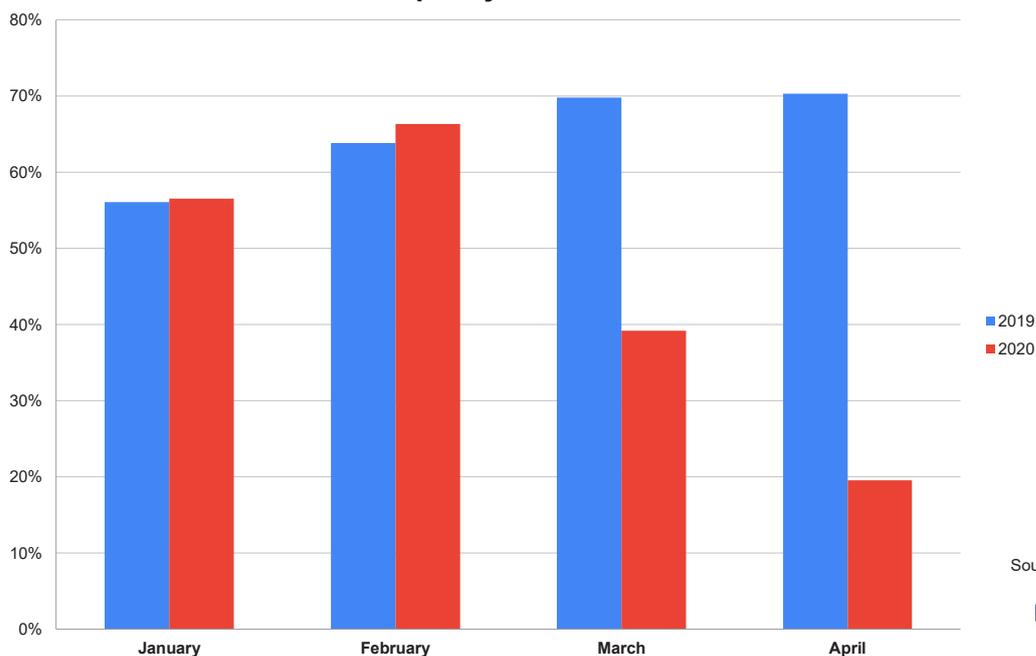
Paul Slattery of hospitality consultants Otus & Co Ltd said that the hotel and leisure industry has been facing multiple issues in recent years, including the credit crisis, a prolonged period of low-interest rates, and wage stagnation, as well as Brexit.

Robin Rossmann, of research firm STR, noted that even before the COVID-19 lockdown, hotel occupancy across the globe had started to slow in January 2020, due to hotel room supply outstripping demand in the U.S., Middle East, Asia, and South America.

## Spotlight on U.S. hospitality trends

According to [Kalibri Labs](#), a hotel data and analytics firm, reports in the U.S. Jan – April 2020 total hotel occupancy is – 29.1% YoY, with March 2020 being – 43.9% YoY, and April 2020 is – 72.2%+ YoY.

**Total U.S. Occupancy x Month 2020 vs. 2019**



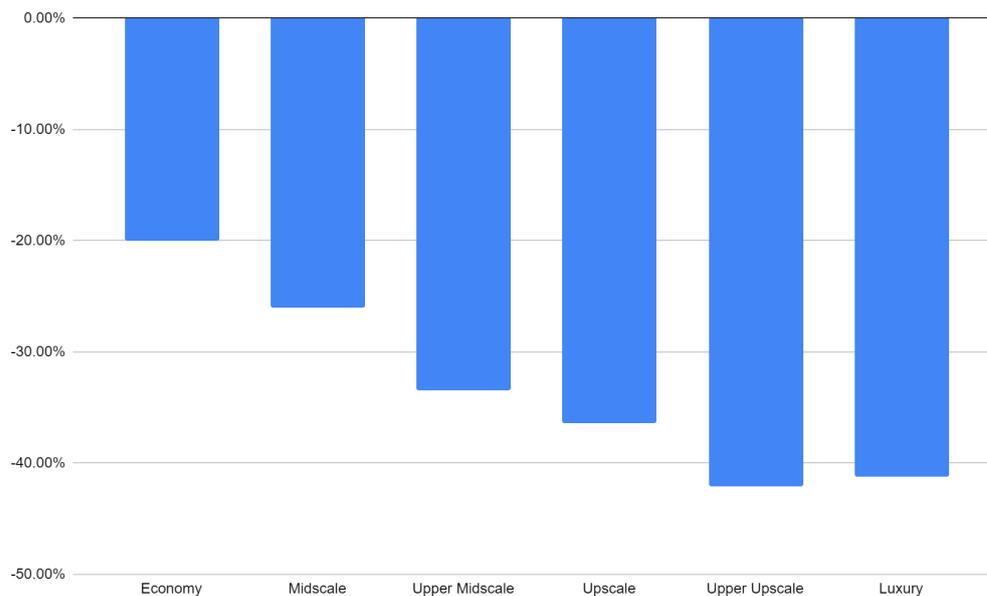
Source: Kalibri Labs



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Correspondingly, Total U.S. Jan – April 2020 Guest Paid Revenue has declined dramatically for a total across all chain scales of -36% YoY.

**Total U.S. Guest Paid Revenue YoY % Change**



Source: Kalibri Lab



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While no sector or geographic region involved in the travel, hotel and hospitality has been spared the heavy negative impact of the COVID 19 pandemic, it's clear that the upper-tier hotels took the hardest hit.

Cindy Estis Green, CEO of Kalibri Labs adds: "Due to the uneven nature of the recovery, rate category emerges as a primary indicator of how long the recovery may take by the market. Restrictions on the group and corporate travel will cause those markets that depend on this business to experience a more protracted recovery. Those with drive-to local/regional corporate or leisure demand are likely to recover quicker. Weekly monitoring of these patterns will help hoteliers to anticipate the business mix with the greatest potential in each market."

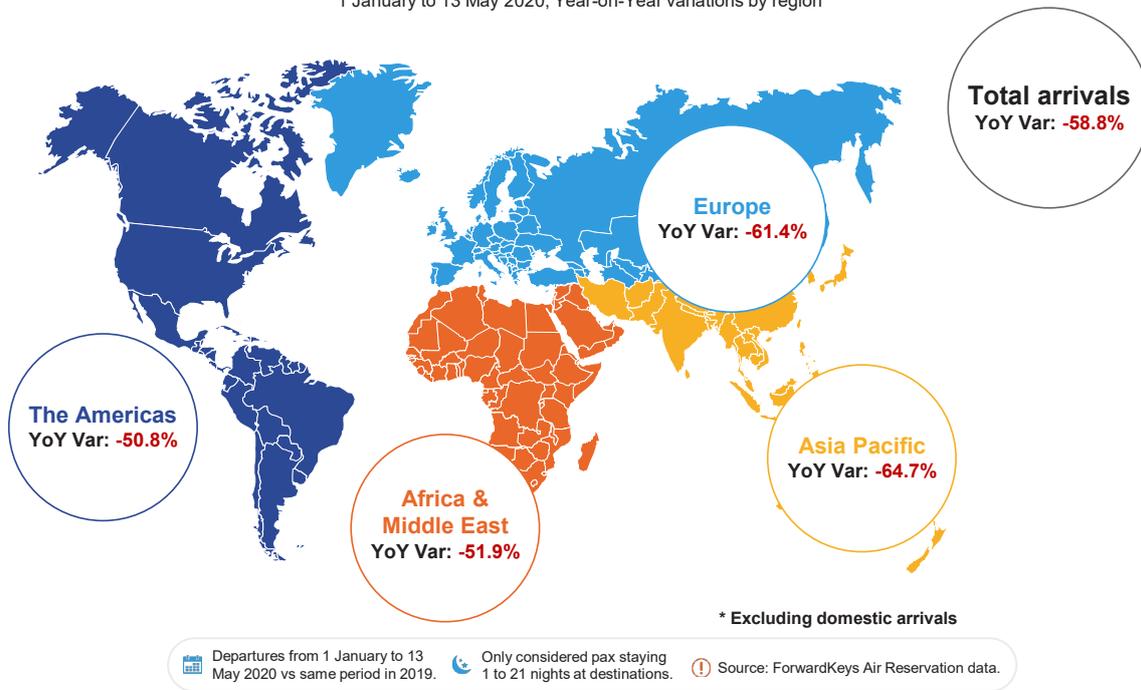
As the outbreak took hold, "the air travel market lost nearly 40% of its travellers worldwide", according to Olivier Jager, CEO at ForwardKeys. "There was a reduction in air travel by 50% in Asia (including 63% in North-East Asia), 36% in Europe, 30% in Africa and the Middle East, and 26% in the U.S. Taking account of cancellations, the number of international flights booked worldwide had dropped by 80% during the week of 16 March 2020," he added.

The numbers are simply staggering. The hospitality and travel sector has never experienced anything like this shutdown. The COVID-19 impact affects lenders, investors, owners, operators, employees, and the sector's supply chain as well as in adjacent sectors, like the events industry.

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## Year to date international arrivals into World regions \*

1 January to 13 May 2020; Year-on-Year variations by region



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## Will there be a point of hospitality recovery?

Hoteliers and travel professionals will rise to the occasion. By working together, supporting each other, and making proactive and informed decisions. Some even say that “they will not only survive this crisis but come out even stronger on the other side.”

As one of the world’s oldest industries, hospitality has experienced more than its fair share of global disasters. It weathered both the Great Depression and Recession, survived World War II, and even overcame the sharp decline in the aftermath of 9/11 and the GFC.

There will be a point of recovery for the sector, and governments, private companies, and airlines can help with the recovery of the market by introducing measures that encourage the renewal of travel and tourism initiatives. The business and personal leisure travel market will return only once both employers and individuals feel that it is safe to do so again from a health perspective.

With the Northern Hemisphere Summer knocking upon many countries’ doors, operators will have to decide very soon if it is viable to open at all for 2020. Some may mothball their properties until April 2021. This is likely to have a big impact on the GDP of the Mediterranean region, heavily dependent on tourism dollars.

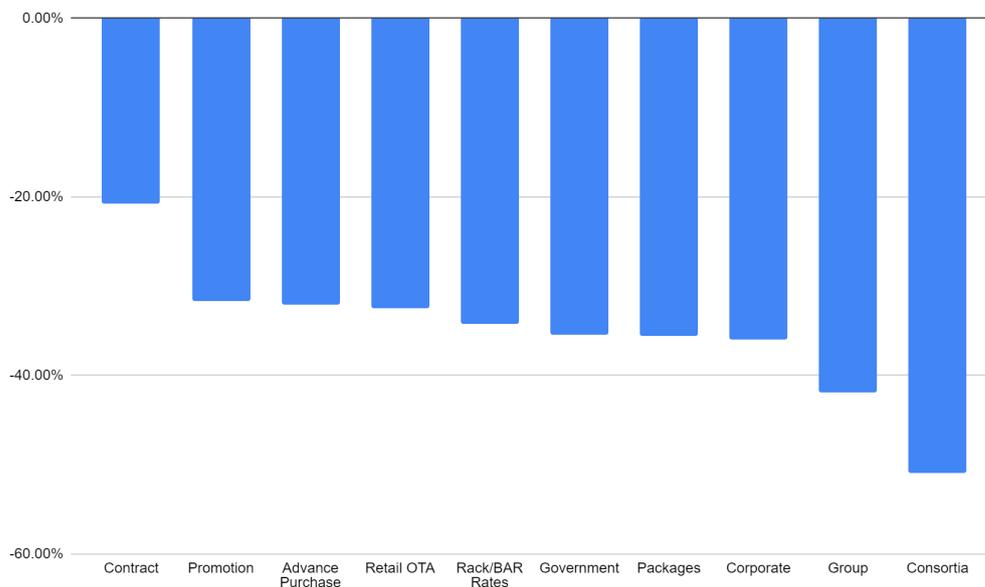
On a positive note, as the global lockdown concludes, people will be less interested in spending money on material possessions and instead are likely to spend on travel and experiences. Revenge travel is now a thing. “It’s important to know that people are still envisioning travel, dreaming about it, and looking online at potential places they can travel to in the future,” says Jager, CEO & Co-Founder of ForwardKeys.

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The emphasis of the recovery for the hotel industry will be focusing on specific customer demand segments as they begin to travel again. With legislative restrictions still in place controlling the size of group gatherings as well as international and domestic travel, and Corporations scaling back on both costs and employee work location requirements, the expectation is that large corporate accounts that travel broadly and most larger group segments will be slower to re-enter the market.

This will increase the emphasis and competition for local corporate and leisure business, forcing hoteliers, and brands to compete more openly for available demand in any given market.

**Total U.S. Guest Paid Revenue x Rate Category – YoY % Change**



Source: Kalibri Labs  


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## China's Recovery

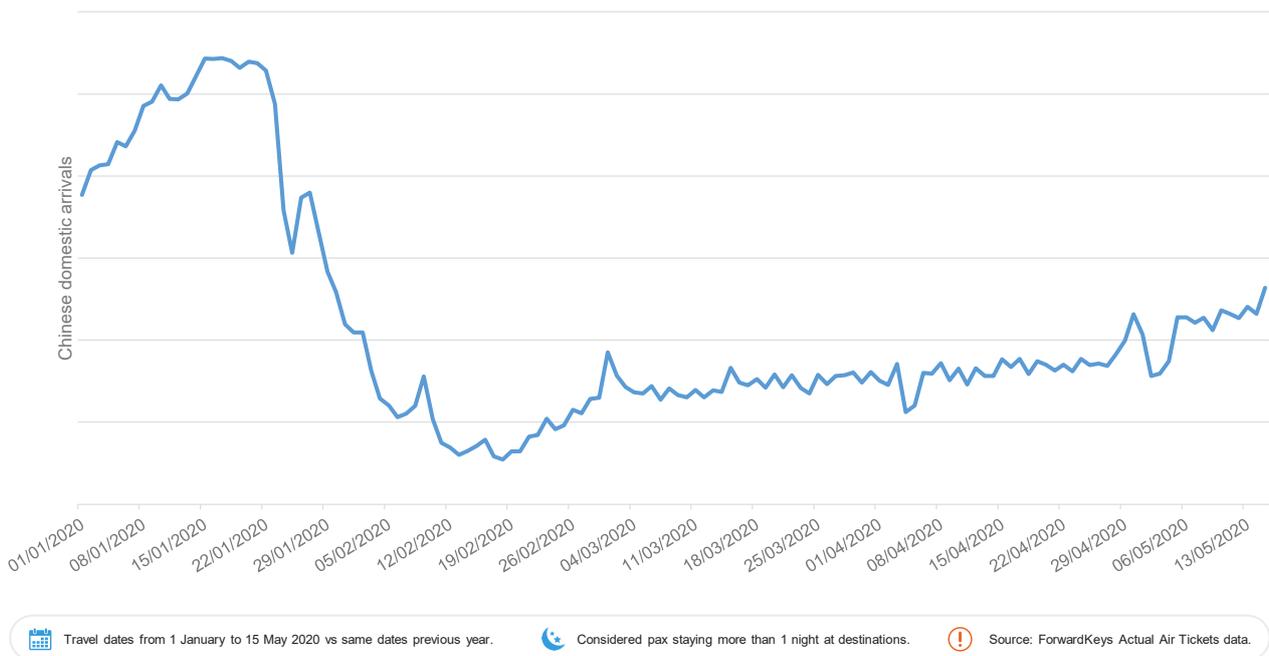
To finish on a positive note, all we need to do is look to parts of China and its slow-but-steady upturn in travel demand. According to data from STR, mainland China's hotels reached a 31.8% daily occupancy rate on March 28, an increase from a low of 7.4% in early February.

On a smaller scale, Chinese firm Huazhu Group — which operates more than 2,000 hotels in the country — reports that occupancy has reached 62% at its operational properties, up from a single-digit occupancy rate just a couple of weeks ago.

The performance of domestic China air travel in May reveals that Chinese consumer confidence is gradually recovering. The recovery trend continued after the five-day Labour Day Holiday, and on the 15th of May, the number of China domestic air travellers reached its highest level since February.

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## China domestic air arrivals



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Daily life is getting back to normal in China since the lifting of travel restrictions. ForwardKeys expected a significant uplift when Beijing lifted its 14-day quarantine requirement on travel between the capital city and low-risk areas in China since late-April.

So, while the U.S. and Europe may still lag months behind China, this is certainly good news and something to give the industry some hope.



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