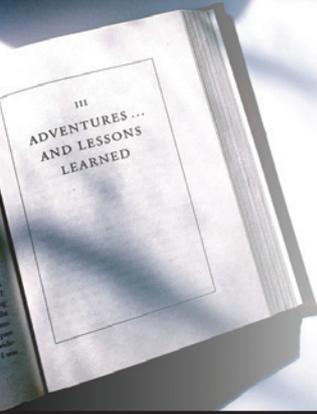


# Adapt To Succeed

For post-pandemic success, hoteliers must adapt to new realities of remote work and longer stays argue Ernest Lee, Managing Director of Americas and Lennert de Jong, Chief Commercial Officer of citizenM hotels in our first leisure insight of the New Year.



In less than a year, the global pandemic has fundamentally altered the hospitality landscape and placed long-held beliefs and models at risk. Looking at the data, it's easy to see why many industry leaders feel a sense of concern: Second-quarter hotel occupancy in the US, for instance, fell to lowest levels since the Great Depression. Or, read the interviews with senior executives discussing remote work and they've been able to close deals over Zoom. It's clear that hotel owners and operators now face a complex set of decisions around the economics of operating, expanding, and protecting the bottom line. In this context, what does a successful recovery entail?

Innovative, fast-moving and forward-thinking hospitality leaders will find success in this period because they recognise that the pandemic has accelerated changes in lifestyle and real estate – and because they also understand how to adapt. As the world faces a sea change in how work gets done, key strategies include implementing new commercial models that address these emerging realities of remote and hybrid working dynamics, and ensuring that existing portfolios and development pipelines align with this demand.

## REMOTE AND HYBRID WORK IS THE START OF A NEW BEGINNING, NOT THE END OF TRAVEL

The current pandemic sped up a global shift in work culture – away from the prioritisation of daily office time and towards a broader adoption of remote work. This is a trend well covered in the media, but it has not yet been thoroughly addressed by a weakened hospitality industry. In fact, there's an opportunity for hotels to hold a vital position in the future of work, with structural changes in corporate travel balanced out by new use cases in travel.

One use case that will be increasingly important is a shift towards more internal travel. New research shows that employees will likely travel to corporate offices for monthly or quarterly gatherings, as employers look for ways to preserve the benefits of in-person interactions – ranging from relationship building and the development of corporate culture, to passive knowledge transfers and active strategic planning and especially high-stakes meetings or the resolution of conflicts. (After all, ask any 100 per cent remote companies and even they will tell you when a team is not working well together, or there is tension, they encourage meeting in person). It's also likely that smaller and more frequent conferences and events, already the fastest-growing segment in meetings, will become more popular. Similarly, bleisure and workcations will be on the rise, and length of stays will increase as work/life balance evolves.

## AN EMERGING HOTEL TREND – SPACE AS A SERVICE

These new dynamics offer a powerful opportunity for hotel organisations that are agile enough to shift their commercial strategies away from a transaction-oriented daily or short-stay business model and towards one that is customer-centric – focusing on lifetime value through longer-term and subscription-based offerings.

For companies with remote workers who travel regularly; distributed teams who need to gather consistently; and locals who need a better alternative to working from home, the benefits of a hotel-run, one-stop subscription service are clear. This model eliminates the need to pay for expensive co-working memberships or office spaces, cuts time spent searching for hotel/meeting room/workspace deals, and ensures that employees can access professional spaces in big cities for client meetings, workshops or entertaining. For end users, subscription models offer clear benefits over the transaction-oriented approach, including cost predictability, consistency, value centrality, and convenience. From the perspective of the hospitality brand, this kind of program can dramatically improve the economics of reopening, too – especially for organisations with properties in major cities worldwide.

Finding success with these new models will also require hotel brands to focus more directly on serving their target customer group, rather than trying to offer a product for all markets. For example, subscription-based strategies can help hospitality leaders target and retain the “digital nomad” customers they served before the pandemic – and even convert what were formerly short, transactional stays into ongoing long-term relationships, as companies like Netflix have done for streaming services.

## DEVELOPMENT PIPELINES MUST SERVE THIS HYBRID MARKET

From a development and investment perspective, it will be important for hospitality leaders to maintain – or even grow – their presence not just in the kinds of global destinations that digital nomads may now seek, but also in the cities and regions that continue to serve as hubs for technology, finance, and other knowledge industries.

Savvy hoteliers are taking this approach to development pipelines because they recognise an acceleration of pre-pandemic demand generators. Many knowledge industry companies already moved to decentralise their operations. As a result, a large number of employees pursued a lower cost of living, and the migration of knowledge workers from major cities to more affordable places like Florida and Texas is well understood – as is the resulting need for far-flung teams to periodically gather at company headquarters.

Even more than pre-pandemic, employees in a distributed workforce will need socialisation, collaboration and face time, and they will need to visit their company headquarters periodically – staying in hotels during their trip. Hospitality leaders who remain committed to the real estate markets where those headquarters are located will ultimately benefit from the acceleration of distributed and hybrid workforce models.

It is tempting to wish for the pre-Covid days of transient, frequent, and even arbitrary travel. Certainly, travel will be different. But different can also be better, and for hospitality leaders who recognise that hotels can play a central role in the future of work, the potential for continued success is impossible to ignore.



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