

2022 BUDGET PLANNING

Strategic Planning For Hotels & Resorts

Part III

2022 THREATS

COST OF LIVING ON THE RISE

Which aspects of your trip, if any, will be affected by the decrease in budget for your leisure trip(s)?
Select all that apply.



Inflation is on the rise; how will this affect transient travel for Hotels in 2nd half of 2021 and in 2022?

Travel Research group conducted a study to find out if any changes individuals will be making to their travel plans due to their household budget cuts.

First thing on their budget block was the 'length of stay' when vacationing followed by choosing lower priced destinations.

In addition, they plan to purchase lesser 'things to do' at their destination that involves entrance fees followed by cutting back on dining and shopping budgets.

SOURCE: [PhocusWright.com/Travel-Research](https://phocuswright.com/Travel-Research)

COST OF LABOR ON THE RISE

May 2021 YOY Performance

Summer fun could further bolster industry performance

Region	RevPAR	TRevPAR	Labor PAR	GOPPAR
U.S.	+539% to \$86.71	+541% to \$12.03	+77% to \$45.66	+320% to \$40.55

Due to relaxing COVID protocols, revenue continues its march forward in May, with RevPAR up 539% over the same time a year ago, but still 51% lower than May 2019. With rooms revenue buoyed by the leisure segment, total revenue followed suit, up to \$127 per available room, a 541% increase over the same time a year ago

Labor costs are up nearly \$20 per available room since last May, a cost that should continue to escalate as hoteliers find that they have to shell out more and add incentives to lure employees who are either still reluctant to return to hospitality jobs or have switched career paths

SOURCE: HOTStats.com

BALANCING EMPLOYEE SATISFACTION & RETENTION

Please rank the following groups of people in terms of their importance to a company achieving long-term success.

EMPLOYEES NOW MOST IMPORTANT STAKEHOLDER

Percent who ranked each group as most important to a company achieving long-term success



2021 Edelman Trust Barometer Special Report: Trust and the Coronavirus Crisis. © 2021 Edelman Intelligence. All rights reserved. For more information, visit www.edelman.com/trust. U.S. and among respondents who have been vaccinated (N=2002).

For Hotel's success, we always considered our 'guests / customers' to be the most important factor in our success.

Due to the pandemic, this has changed as businesses overall in the U.S. are now putting 'employees' as being the most important for their future and long-term success.

Hiring the right talent, training and most of all retention will be challenging in 2022.

SOURCE: [Edelman Trust Barometer](https://Edelman.com/Trust-Barometer)

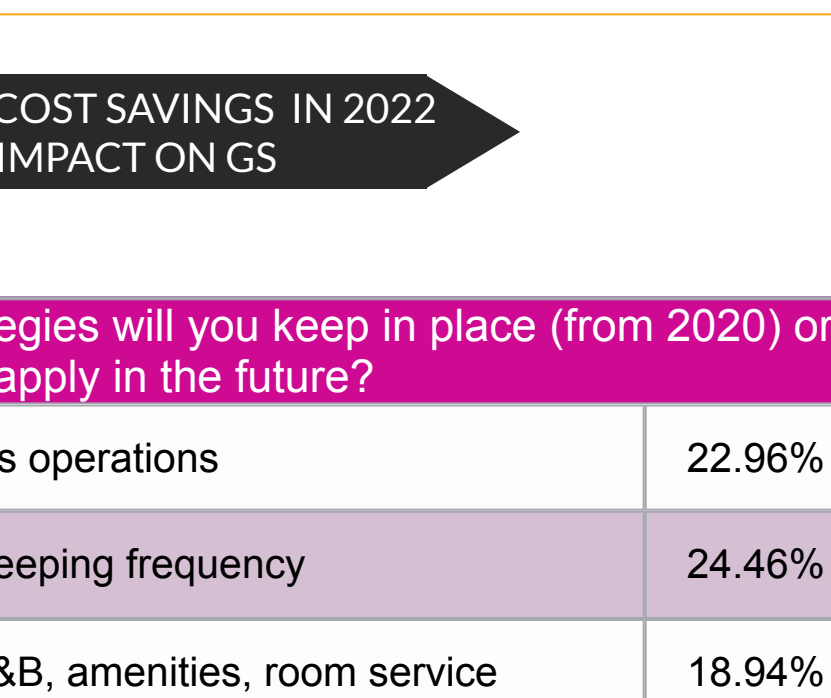
VACCINATED & NON-VACCINATED SIMILAR RESULTS IN FEELING SAFE

Even the Vaccinated do not feel safe resuming normal activities.

MOST AMERICANS NOT READY FOR RETURN TO NORMAL

Which would or do you feel safe doing right now?

2021 Edelman Trust Barometer Special Report: Trust and the Coronavirus Crisis. © 2021 Edelman Intelligence. All rights reserved. For more information, visit www.edelman.com/trust. U.S. and among respondents who have been vaccinated (N=2002).



Vaccination does not confer immediate peace of mind about resuming normal activities

The sentiment of feeling safe or not safe does not differ that much between the vaccinated and not vaccinated - there is a very marginal variance between the two.

This seems to be true in all aspects, whether it is guests considering staying at a hotel or associates coming to work, the fear is still there.

Hoteliers have to be more creative with their marketing messaging in keeping the sales funnel full and attracting the right operational talent that feels safe in coming to work. Balancing the two will continue to be a challenge overall.

Here is a 'bucket list' of what this looks like and what Hoteliers need to spend time in 2022 for best results all around:

RESTORING TRUST ESSENTIAL TO THE POST-PANDEMIC RECOVERY PLAN

1. Recognize that Americans continue to fear for their safety and are not yet ready to return to normal
2. Embrace bi-partisan trust of my employer to build confidence in the vaccine across communities
3. Communicate trustworthy information weekly or more often
4. Give employees a voice in re-imagining the workplace
5. Partner with government and other institutions to provide equitable and effective solutions

SOURCE: [Edelman Trust Barometer](https://Edelman.com/Trust-Barometer)

ADAPTATION OF 2020 COST SAVINGS IN 2022 & POSSIBLE NEGATIVE IMPACT ON GS

Operational Strategy	Percentage
Technology that streamlines operations	22.96%
Reducing stayover housekeeping frequency	24.46%
Contactless deliveries of F&B, amenities, room service	18.94%
Minimal interaction between frontline staff and guests to increase safety and confidence	18.41%
Pivoting to offer 'pleasure' or 'work, stay, play' packages to individuals	13.23%

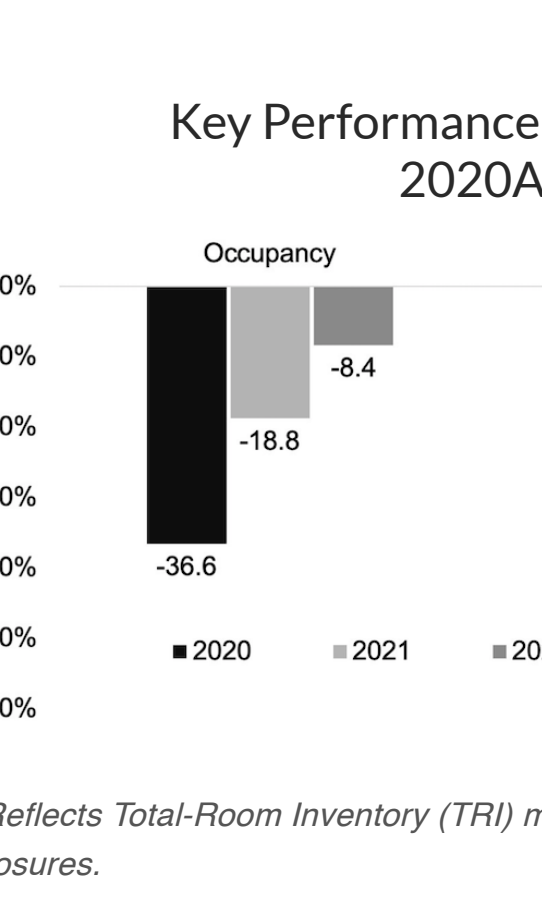
We all agree that there were great 'cost saving' learnings in 2020 and Hoteliers are indicating that they are going to keep certain cost saving protocols for remainder of 2021 and into 2022.

One challenging factor, specifically for Rewards Members will be the continual acceptance by them of the 'new adapted' service levels in comparison to the level they were used to prior to the pandemic. General Managers will continue to be challenged in balancing guest satisfaction while maintaining the cut back of these services.

SOURCE: Amadeus.com/Data

GUEST EXPECTATIONS HAVE CHANGED AND NEGATIVE REVIEWS ARE ON THE RISE

Customer expectations around experience have changed rapidly from 2019 to 2021. While many Hotels & Resorts are making progress with their 'stay safe' efforts and finding the talent to keep up with fluctuating occupancies, more are struggling to consistently deliver the best possible guest experience.



43% of the consumers in North America have stopped doing business with a company because the business did a poor job of personalizing the experience vs. 25% in 2019

71% of internet users worldwide who have had a bad experience stated that they decided never to do business with that company again

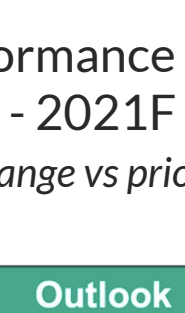
94% of U.S. adult consumers said they were very likely to purchase more from a company providing great customer service

"There are two things working against brands today; competitive sprawl and erosion of loyalty... Customers know that when one experience falls short, a new and better option is typically around the corner. Good customers are expensive to replace."

SOURCE: eMarketer.com/content/exploring-strategic-value-of-customer-experience



consumers are likely to leave a review after a positive experience



consumers are likely to leave a review after a negative experience



consumers share a bad customer service with peers after a negative experience

In addition to changing their buying behaviors, people will most likely share their experiences—good or bad—with others, which can significantly amplify the effects of their words on a company's long-term business.

SOURCE: Zendesk.com/customer-service-and-lifetime-customer-value

2022 STR PREDICTIONS

Key Performance Indicators 2020A - 2021F - 2022F

% change vs prior year

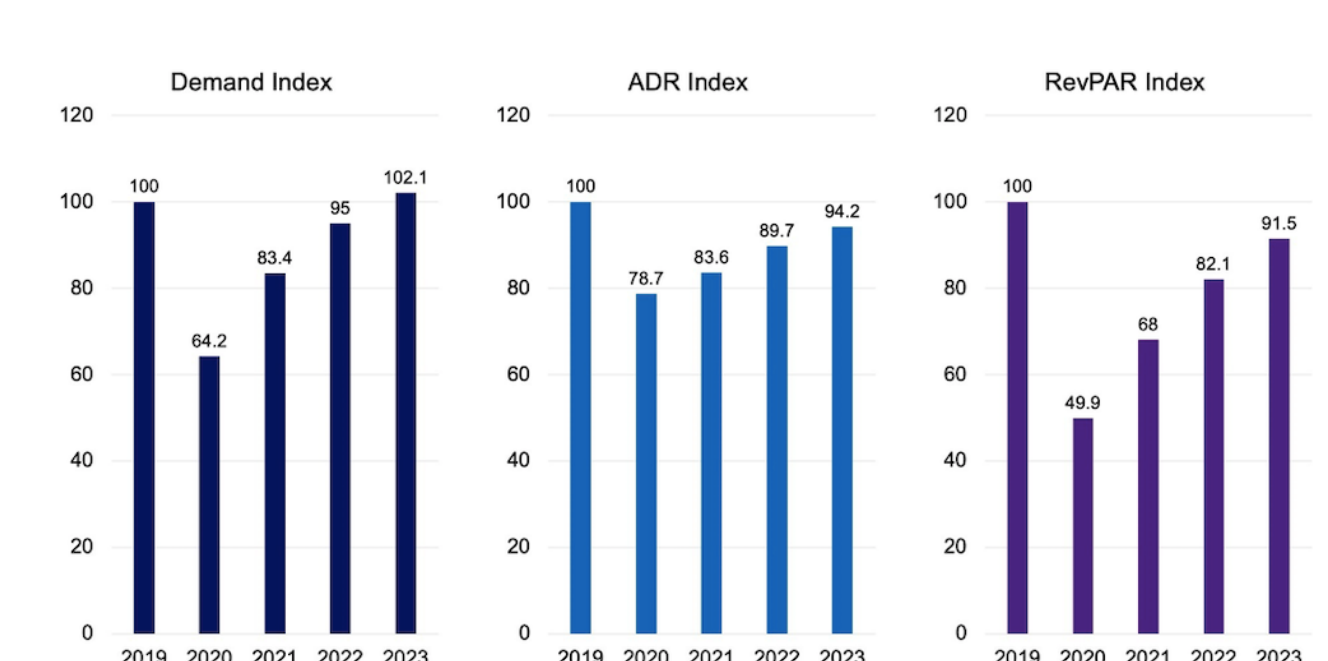
Metric	Outlook		
	2020 Actual	2021 Forecast	2022 Forecast
Supply	-3.8%	+5.5%	+2.7%
Supply (Total Room Inventory) *	+1.3%	+1.3%	+1.1%
Demand	-35.8%	+29.8%	+14.0%
Occupancy *	-36.6%	+28.1%	+12.7%
ADR	-21.3%	+6.3%	+7.2%
RevPAR *	-50.1%	+36.2%	+20.9%

*Reflects Total-Room Inventory (TRI) methodology, which assumes no temporary hotel closures.

Metric	2020 Actual	2021 Forecast	2022 Forecast
Occupancy *	41.6%	53.3%	60.1%
ADR	\$103.00	\$109.47	\$117.34
RevPAR *	\$42.88	\$58.39	\$70.57
RevPAR Compared to 2019	-50.1%	-32.0%	-17.9%

Key Performance Indicators Relative to 2019

2020A - 2021F - 2022F

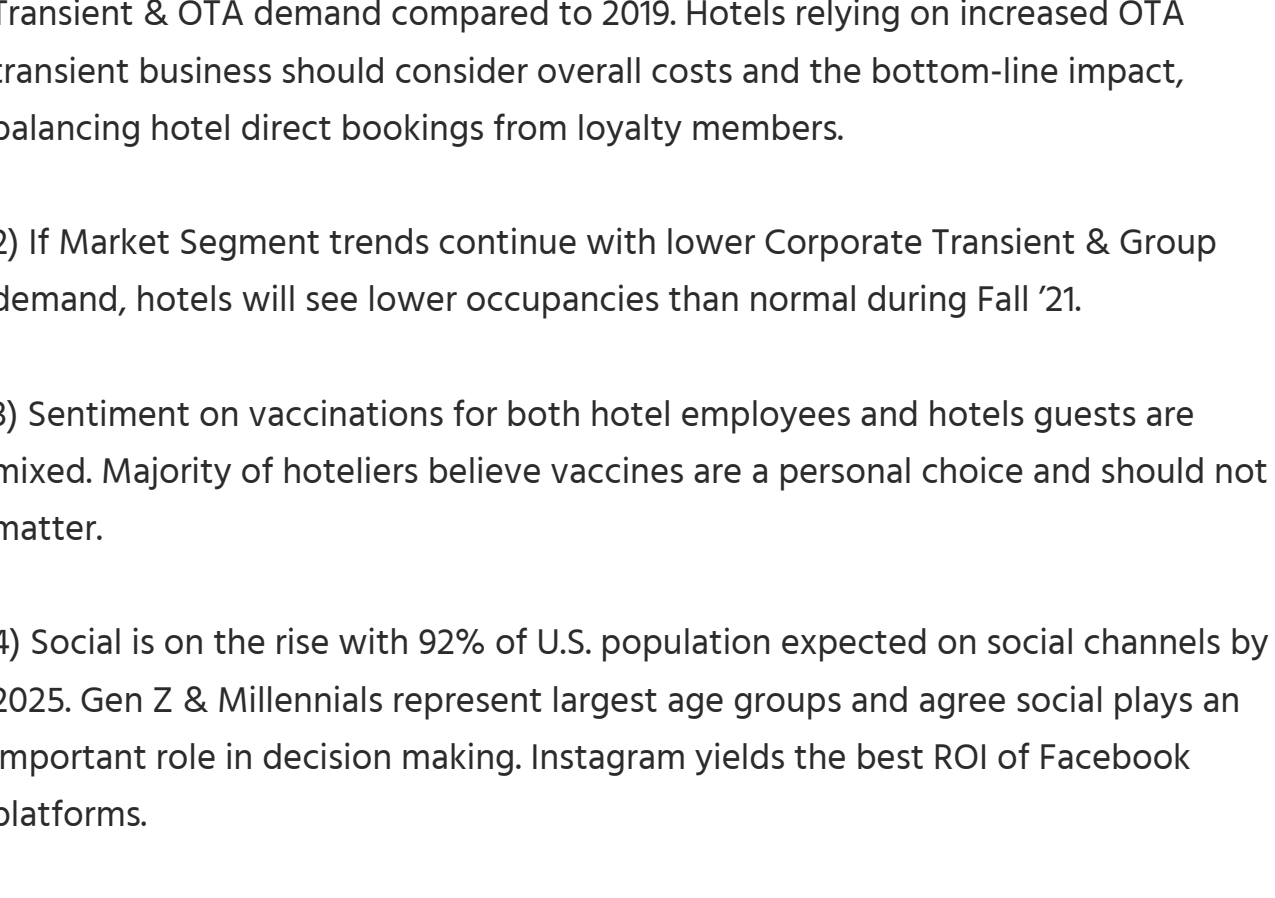


*Reflects Total-Room Inventory (TRI) methodology, which assumes no temporary hotel closures.

Demand Back by 2023

ADR and RevPAR Projected to Lag

US Forecast (Total Room Inventory), Indexed to 2019



SOURCE: STR.com/Data

BOTTOM LINE

1) Hotel performance has been on the rise since Jan '21 mainly due to increase in Transient & OTA demand compared to 2019. Hotels relying on increased OTA transient business should consider overall costs and the bottom-line impact, balancing hotel direct bookings from loyalty members.

2) If Market Segment trends continue with lower Corporate Transient & Group demand, hotels will see lower occupancies than normal during Fall '21.

3) Sentiment on vaccinations for both hotel employees and hotels guests are mixed. Majority of hoteliers believe vaccines are a personal choice and should not matter.

4) Social is on the rise with 92% of U.S. population expected on social channels by 2025. Gen Z and Millennials represent largest age groups and agree social plays an important role in decision making. Instagram yields the best ROI of Facebook platforms.

5) 2022 Cautions • rising cost of living • increases in labor cost • unsafe feeling among U.S. general population • lower guest satisfaction scores based on hotel cost-saving programs • negative reviews impacting online reputation.

6) STR Predictions • 19.7% positive RevPAR growth in 2022 over 2021 (reflects -17.9% compared to 2019) • Occupancy growth will be greater than ADR growth in 2022 due to slower return of Corporate Transient & Group business • Demand will not be back to 2019 levels until end of 2023.

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