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The future of the hospitality customer journey

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Hospitality is without doubt the hardest hit sector in the current global COVID-19 pandemic. With continuing and repeated lockdowns hospitality businesses continue to face a multitude of challenges, but "necessity is the mother of invention" and there will be short-term opportunities to weather the storm and long-term opportunities to emerge from this better than ever.

What have hospitality businesses learnt from this crisis so far?

DWF and The Institute of Hospitality hosted a roundtable with hospitality business leaders to understand what the future of the customer journey would look like. This report reflects on the content of that meeting and conversations with other hospitality leaders noting how the 'future of the customer journey' has been accelerated by the current climate and that there have been some positive changes that the sector has embraced for the short, medium and long-term.

Reopening and reactivating effectively

Many businesses find that reopening is far more challenging than closing, particularly if the business went with a full close down. Systems as diverse as lifts, water systems and air conditioning all have to be recommissioned and checked to ensure they are working safely and that is before any changes to the underlying working practices are integrated into the system. Businesses also then very often need to include time for training or refreshing staff who return.

It's infinitely more difficult to re-open hospitality properties than it was to shut them. Richard Lee, Chair of the Heathrow Hoteliers Association commented "Some of our colleagues who closed down hard, have got a real challenge to re-open, in venues where we have weeds growing through the patios and dust in the hotel it will be like a new opening to get those properties open again".

Many hospitality organisations have found that maintaining a 'skeleton' crew can help to alleviate the challenges of reopening, so as we face 'waves' of coronavirus, businesses benefit from maintaining minimum operating costs to keep properties "ticking over" as a far more cost effective way to expedite a restart.

Maintaining brand standards and renegotiating agreements

Owners need to maintain brand standards under franchise agreements, not simply to comply with contractual obligations but also to be in reasonable shape and condition as restrictions are lifted. Hotel management companies are seeing a reduction in income and increased costs but have a vested interest in seeing businesses quickly bounce back to normality as restrictions are lifted. Hotel management agreements need to be reviewed and renegotiated to deal with appropriate fees during restrictions and to apportion risk.

We are seeing hotel managers agree a reduced management fee for periods of hotel closures as the majority of management fees are based on a percentage of revenue. Hotel managers are agreeing a minimum basic fee which will be paid during hotel closures, to cover the cost of having to maintain the hotel, including dealing with furlough or other employee schemes.

Trust – it's a shifting dynamic

Trust is a key part of any business when you're transacting with customers. But since COVID-19 we seem to be moving beyond CSR topics such as equality and diversity, and shifting into a dynamic around safety. Dominic Watkins, Head of Retail, Food & Hospitality Group at DWF commented "Customers will choose whether they attend or don't attend an event or hotel based on whether they feel confident about their safety in that environment. On the flip side, if safety measures create an experience which is too onerous then customers may choose to stay home. This dynamic requires superhuman levels of navigation agility from hospitality organisations to deal with government guidance changing so frequently and with disparity across jurisdictions, within the UK, Europe and internationally".

What Hilton have experienced so far supports Dominic's comments above, with Managing Director, Development UK & Ireland at Hilton Graham Dodd adding

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> Graham Dodd
> Managing Director,
> Development UK & Ireland, Hilton

"We are confident that guests are willing and happy to return to hotels if they can be reassured of a safe, socially distanced but also a hospitable experience. Many are keen to get away and experience normality".

There's clearly an opportunity for leveraging trust to gain competitive advantage, Stephen Vaughan, CEO of Wasps commented: "Everywhere you go people are doing different things and that impacts trust. If we can position ourselves as "we know what we're doing", we can give you a suite of solutions which mean you can still do that conference, you can still do that concert but you might have to do it in a slightly different way in a slightly different venue – it's making us think harder. The future is going to be about positioning ourselves as experts in our field to grow the confidence back from our consumers".

Being transparent with consumers, providing them with clear updates on what measures are being put in place and what will be expected from them as a visitor is now essential in delivering the reassurance that consumers seek at this time. Clare Gamon, Commercial Director at Michels and Taylor commented "We are over communicating with the consumer and I think it's a real plus point of the situation we're in now. We are communicating better, more regularly and more clearly".

Psychology cannot be ignored. There needs to be and is much more emphasis on visible efforts and on managing expectations. Virtual tours and live tweeting capacity in venues and webcams showing confident consumers, cleaning personnel, signage all helping to make consumers feel more comfortable.

Varying degrees of this need to be deployed as restrictions ease and tighten and keeping in touch with consumers to plan for future activities is equally important during lockdowns.

The need to be nimble and fleet of foot

Those who can move quickly and take advantage of opportunities stand to gain the most. Melanie Williams, Head of the Hospitality Sector at DWF commented, "You need to be ready to seize opportunities quickly. Whether that be considering different financing solutions and government grants or working with local authorities to adapt your licensing position. Looking for the opportunities and being ready to lobby to utilise your space and create opportunities (short or long-term) is essential".

Graham Dodd from Hilton reinforces Melanie's comments, adding "We have learnt the importance of being agile and quick to react with a keen eye on cost control and cash flow management, and also how everyone pulls together in times of crisis and supports each other and the broader community".

As a firm we are advising continuously on repurposing options and ways that space can be best used during restrictions and for the long term to address changing tastes, working from home and staycations. There will be further repurposing opportunities, as 'illegal raves' are on the rise we see merit in looking at more controlled ways through which to entertain the younger population. There is clearly a wealth of large stadia available for just this.

When making or thinking about any changes, it's important to consider the impact on your Premises Licence. In the short term, priority will focus on complying with current COVID-19 restrictions on both accommodation and hospitality avoiding breaches. However, when looking to adapt to meet or create new demand, any effect on Licences must be taken into account. If creating new space inside or outside for licensable activities, this should be included, either by a TEN in the short-term or a variation if permanent. Unlicensed activity can threaten your licence, just as changes would be reviewed in a risk assessment, the effect on your licence and its conditions must be factored in.

There are of course various legal issues to consider not limited to licencing laws, covenants on freehold properties need to be reviewed, leasehold use provisions need to be checked, if there are to be temporary licences or leases to third parties then assignment provisions need to be understood. Planning restrictions also need to be appraised. Last, but not least, banking and financial covenants and of course terms within management and franchise agreements also need to be considered. But this should not put businesses off as all the parties with an interest in these businesses at all levels (Landlord, Bank, Mangement Company, Local and Licencing Authorities) have a shared interest to see the economy recover and save jobs in a safe environment.

> "I think now is the time to build a customer for life, a lifelong fan base".
>
> Clare Gamon
> Commercial Director,
> Michels and Taylor

What are the main opportunities coming out of the crisis?

A multiskilled workforce

Pre-COVID-19, workforce shortage was one of the key issues impacting the sector, whilst this is still be the case, the unique circumstances of reduced workforce due to necessity has meant many hospitality organisations have required their staff to undertake more diverse roles. This multiskilling of the workforce has led to cost savings and greater efficiency, and our experts think this is here to stay.

Clare Gamon notes, "The team members that we have retained are now multiskilled. You may rotate from the bar, to housekeeping, to reception, and the expectation is that you are capable of doing that. It's meant a much smaller team but far more investment in on-the-job training. I think we will come out with a small bank of incredibly highly skilled, multi-skilled individuals who will be able to support us no matter where the demand comes from". Stephen Vaughan further emphasises this point, "The future is going to be a smaller, yet more perfectly formed team of staff".

The pandemic has presented a sense of unity in the workplace. Employers and employees are collaborating to keep everyone safe and where viable maintain employment. In the future, we expect to see a number of changes in where, when and how employees work. It is predicted that there will be an increase in genuinely flexible or "smart" working practices.

When diversifying roles it is important for employers to consider the job titles with the starting point being contracts of employment. Whilst employees are expected to be adaptable and to upskill, more substantial changes ordinarily require consent. Where the contract does not permit the change and consent is not forthcoming, employers would need to go through a process to change terms and conditions, which is not without risk. Employers would need to terminate the existing contract on notice and re-engage the employee on the new terms. Collective consultation should also be considered depending on the numbers involved.

Employers should also be mindful of the mental health risks associated with significant change and extra work. With the combination of lockdown, working from home, financial worries and health concerns, many individuals are not as resilient as they once were. Employers will need to implement carefully considered change management programmes where the workforce is expected to diversify significantly.

Creating an agile workforce

Due to its nature the hospitality industry has been one of the slowest to embrace an agile workforce, however Richard Lee, General Manager of Hilton Garden Inn London and Chair of Heathrow Hoteliers Association, thinks that that may change long-term, and it may bring real benefit, "As much as I am now banging the drum that we need to get people back into work, back into offices and back into the city centre, I also think we have got a big opportunity in our industry. We can embrace more flexibility and remote working, more agility within our teams, and less hierarchy within organisations than we have in the past. I don't think it's something we will do all the time, but it's something we can embrace as part of the way we work…helping us to retain talent".

Drive for technology - giving consumer's choice in future

Most businesses across the world have adapted their use of technology and subsequent digital footprints as a result of COVID-19. Richard who has years of experience of trying to implement technology solutions in a hotel environment also noted, "Sometimes the hospitality industry has been accused of being quite slow to react with

technology…but there's also often been a feeling in the industry that guests can actually be a little bit slow on the uptake of it. Customers now see the benefit of the technology and guests are really getting on board with it, it's becoming an expectation. We also have to deliver on the promised benefits of where digitalisation is the route to a more personalised, flexible service experience".

Douglas Waddell, Operations Director at Hand Picked Hotels who operates a series of four and five star establishments faces a different challenge, "We don't want it to be confused and appear that we're trying to reduce the level of service, all I'm trying to do is give the guest the choice. We have to be really nimble and flexible to do that. It's about giving them more choice and a better experience".

Stephen Vaughan sees opportunity if technology is implemented in the right way, "The key word here for us is 'accelerate'. A lot of the things we were thinking of doing anyway we have done in the last few months. Because why not? We might as well get ourselves to be best in class. Everything is digital and contactless...but you can't forget your target audience. You can throw apps at problems because we work in that world, but what are your customers comfortable with? It needs to be tailored".

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> Hilton Garden Inn London and Chair,
> Heathrow Hoteliers Association

Graham Dodd also comments that Hilton are exploring opportunities and looking for new ways of doing business that will compensate for lost revenue from traditional channels, he adds "One such opportunity is recognising that travel will not recover for some time, and therefore, we should embrace technology to establish hybrid meetings, where video connects delegates in hotel meeting rooms around the world for example".

Staycation rejuvenation

In regards to the demographic of consumers returning to hotels, it is obvious that as people travel less internationally, opportunities to enjoy local destinations rise, Graham also comments, "So far it is domestic leisure where we see the recovery. International travel and business has not returned (due to various quarantine rules and travel restrictions)". But with this rise of the 'staycation' comes potential localised benefit. Melanie Williams adds, "We need to fall back in love with our own country a little bit. You could see a vision in 10 years' time where we have fantastic investment in some of our lesser known coastal regions".

T&Cs in favour of the consumer

We know that COVID-19 has been 'unprecedented' and so has been the number of cancellations, changed reservations and moved events. How businesses have dealt with this change could be having a huge impact on their brand. Clare Gamon elaborated,"You can't be particularly tough with terms and conditions now, we're using express contracting, we're saying yes far more often than we're saying no – which I think is a positive for the consumer". Douglas Waddell took an even more robust stance "Real flexibility is incredibly important around terms and conditions. Businesses who haven't allowed that have done their brand irreparable damage".

Whilst as a general rule it is important to have strong terms and conditions sitting in the background to protect a business against those who try to take advantage, this pandemic creates a situation which affects everyone to a greater or lesser extent. Being able to flex your approach towards your customers depending on the circumstances is key in maintaining long term relationships and repeat business for the future.

Managers should ensure promotional and advertising material is updated in order to abide with consumer protection and advertising law. For example, if certain facilities are closed (e.g. spa), this should be clearly stated on all promotional and advertising material and on the hotel website.

Loyalty - now is the time to build lifelong customers

This is a testing time for hospitality organisations but if they handle it well, communicate with their customers and create trust – there could be long term benefits. Doing the right thing during this period of uncertainty will mean consumers feel safe with your brand and will guarantee repeat business, even after things return to normality. Clare Gamon elaborated "What this period of time could generate is brand loyalty…consumers will see this period of time and they will gauge as a consumer: how you have dealt with it; how your price point has been; how flexible you've been and how you're dealing with being clean – as part of what drives their loyalty moving forwards. I think now is the time to build a customer for life, a lifelong fanbase".

Hilton have embraced this opportunity to identify their loyal customers and take advantage of this, Graham Dodd told us, "One of the key drivers of our market out-performance has been around the value of customer loyalty and most importantly, recognising and rewarding that loyalty and that will stand us in very good stead as we move through the recovery phase".

What are the main challenges your business will face moving forwards?

Ability to forecast

The speed and unpredictability of which domestic and international COVID-19 restrictions are introduced and changed is drastically affecting the ability to forecast in the hospitality sector.

The WTO projects that tourist arrivals could decline by up to 80% YoY in 2020, with tourism, revenue losses of up to USD1.2trn. Whilst PWC research suggests that hotel occupancy rates in 2021 are forecast to be 55% across the UK, and could take four years to return to pre-COVID-19 levels.

Richard Lee commented "The business challenge almost goes beyond saying. There's still a lot of pain ahead with redundancies now coming to full force as furlough tails off. There's going to be a shift in the real estate market with hotel ownership and operations. We're really just seeing the tip of the iceberg now". Whilst the latest furlough will delay this for a time it will end eventually.

The ability to forecast is also a huge challenge, as Douglas Waddell observed "We've confined last year to the bin of history, we talk about last week. We report against "has it improved from last week?"…giving the right level of service to the right number of people when revenues are going up and down all over the place - that's our biggest challenge".

The "split consumer"

Hospitality organisations have always had to cater for different types of customer's wants and needs. Often the same hotel will cater for a business conference and family holiday at once, but COVID-19 presents new challenges as Richard Lee observed: "We have a real challenge with re-engaging with guests and a process of mutual re-education around how things are going to work. We're finding the challenge where: half of our guests want the most hospital-like, sanitised environment you can think of, with everything under strict control; where the other half just don't want to hear about COVID-19 whatsoever and just want to carry on as if things were normal".

We've talked about the importance of building trust and the importance of communication, but Stephen Vaughan at Wasps also considered how to leverage 'safety' to increase consumer trust and engagement: "Our challenge will not be trying to convince people that they can come…our biggest challenge is going to be how we bring that to life. If we just think 'open it and they will come' we will be in trouble. We need to invest in creative digital, probably some very plain English marketing to our audience saying 'we're open to business and this is what you will get when you're here'…we've even discussed, do we do an event/exhibition where we throw the doors open for nothing? Get the muscle memory going to people know they can do it".

Doing this is not always easy from a safety perspective. Social distancing measures and the wide use of Perspex to create separation has massively changed the way in which our interactions take place. People are generally willing to accept this in the short term as they see the benefit, but if this continues on through the next year people's tolerance to risk will likely grow and compliance becomes all the more challenging, particularly with ever changing rules.

The novelty wearing off

As we move into 2021 and the COVID-19 crisis becomes the 'new normal' consumers will become less tolerant of clumsiness. Technology for example, whilst it can be fantastic and solve many businesses issues, if not implemented correctly can create more problems than it solves. "We have to stitch technology together. Right now we have a period of time where we have to use sticking plasters and bolt-on solutions without the connectivity as things have to be done quickly. There is a period of time where consumers are accepting of that because of circumstance, but moving into 2021 they will become far less forgiving of clumsiness and a poor user journey – businesses need to ensure they are slick" commented Dominic Watkins.

Vender risk management

As hospitality organisations look to digital solutions as part of their response to operating in a COVID-19 environment, it is important they appropriately assess the data protection credentials of the technologies and vendors they propose to use.

James Drury-Smith added, "Security (and other weaknesses in compliance with data protection laws) that are inherent in a system that is being implemented or the services a vendor provides to you become your weakness. Undertaking vendor due diligence and performing privacy impact assessments is essential. There are well documented examples of failures in initial and ongoing due diligence processes relating to IT systems both within the hospitality sector and outside of it, contributing to regulatory action including multi-million pound fines. When you bring on new technology providers, who can also sometimes be early stage companies, without a mature privacy and security posture, you need to investigate the risks they pose to you and your guest's data".

Contact tracing

Organisations should check government guidance to determine whether they must collect data about customers, staff and visitors for the purposes of contact tracing. Requirements may be differ between England, Scotland, Wales and Norther Ireland. Data protection laws will not stop you from doing what is required to meet your legal obligations or taking reasonable steps to protect people who visit your premises. Being transparent about what data you are collecting and how it will be used is important but it will also be important to ensure that you do not keep data for longer than it is needed for and that it is held securely. Training staff and making clear their obligations relating to data use and the consequences of misuse is essential. All of these steps will help reduce the risks you inherit when holding data collected for contact tracing purposes.

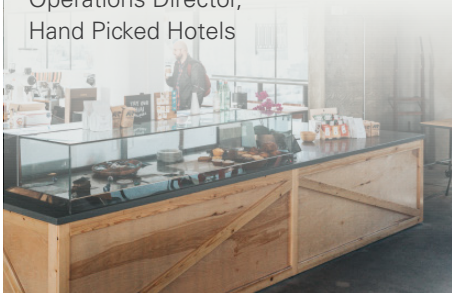
Concluding remarks

The pandemic has given us a rare opportunity to give a ruthless assessment of the business. To look at every aspect and 'kick the tyres' of every area of the business – in a way that without this seismic crisis we would never of had.

Melanie Williams comments "Whilst the COVID-19 crisis is so devastating I am keen to remind my clients and contacts to look for the positives, to be inventive and experimental, to challenge each other and negotiate in order that they can be in a position to adapt quickly and take advantage of opportunities, both in the short term to get through this but in the long term so to emerge in a strong position to ride the wave of consumer appetite and disposable income that has and is building during the restrictions. Some would even suggest it's never been a better time to invest in this industry!".

"Real flexibility is incredibly important around terms and conditions. Businesses who haven't allowed that have done their brand irreparable damage".

Douglas Waddell
Operations Director,
Hand Picked Hotels



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