

THE FAST FORWARD RESHAPE OF THE HOSPITALITY INDUSTRY IN TIMES OF GLOBAL CRISIS: A HILTON HOTELS' PERSPECTIVE

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Abstract

This paper analyzes the challenging aspects of the crisis generated by the Covid-19 pandemic in the hospitality industry, being demonstrated through a Hilton study case on the company's nimble actions upon external obstacles. The pandemic shut down almost overnight the world's economy and confronted the hospitality industry with an unprecedented challenge and all the strategies used to flatten the curve have led to the temporary closure of accommodation units and the urgent need to adapt to the new way of travel. Thus, the future of hospitality will be based on remodeling every aspect from transport to services and even design elements. This study reveals that only businesses that have the capacity to reinvent themselves and adapt to new customer expectations will be able to withstand these changes.

Keywords: Pandemic, Hospitality, Hilton, Global, Reshape, Crisis

Introduction

This paper aims to highlight the future of hospitality under the current conditions of the Covid19 pandemic through a global analysis of international arrivals and occupancy in previous years versus 2020. Moreover, Hilton Worldwide's crisis plans are being tackled, as they managed to have a positive effect on the company's performance indicators, as well as regional scales.

Insomuch, all tourism and hospitality areas that are undergoing changes due to the pandemic have been studied, in order to visualize the preferences of the new era of consumers.

Impact of the COVID 19 pandemic on the tourism industry

The importance of tourism is determined by the many advantages it brings to any host country due to its nature and the way it is defined and structured. It is a significant economic power, given that in 2019 it contributed 10.3% of global GDP and created 330 million jobs, or 1 in 10 jobs ¹ worldwide. The hospitality industry can also enjoy equally

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¹ <https://wtcc.org/Research/Economic-Impact>

success, given the number of employees in the field that reached 16.7 million in 2019 in the U.S.², and the hotel industry generating more than 1 in 25 U.S. jobs³ in the same year.

In consideration of the foregoing, the industry's indispensability is clarified, signaling a direct approach to the hierarchy of consumer needs of Travel & Tourism. According to Abraham Maslow's Pyramid, the physiological and safety needs are the most influential, where practically everything looks less important than safety and protection (even sometimes the physiological needs, which, being satisfied, are now underestimated) (Maslow & Frager, 1987, p. 39). Thus, security necessity represents the fundamental element without which one cannot reach self-realization, which is closely related to the action of traveling, meditating, monitoring emotions. This need for human safety affects both directly and indirectly the tourism industry every time there is an event that induces distrust, not only for travelers but also for locals. When crises or disasters take place, the tourism industry, tourists and the local community are affected (Mansfeld & Pizam, 2005, pp. 9-11). As an example, the 9/11 attack created a global fear of travel, leading to a decline of international visitors from about 6.8 million in 2000 to 5.7 million in 2001 and an international travel to New York decline for the next two years (Wolfe & Corasaniti, 2017).

With this being said, the tourism industry is one of the most economically important industries worldwide, yet it is also one of the most susceptible and vulnerable to crises or disasters (Pforr, 2009). An increasing number of disasters and crises are noted that affect the tourism industry, ranging from natural to human-influenced incidents (Ritchie, 2009). Against this background, the tourism industry is going through one of the hardest moments after the 9/11 attack and the recession of 2008. Flights are cancelled, hotels are empty, tour operators and travel agencies are now on the verge of bankruptcy and, worst of all, there are over 100 million job losses⁴ in tourism globally due to the Coronavirus epidemic.

According to World Travel & Tourism analysts, tourist destinations can recover more quickly from terrorist attacks than from natural disasters of mediums. However, epidemics, diseases, viruses can be much more harmful than natural disasters, such as hurricanes or tsunamis, or other unpredictable events known as "black swans" (Taleb, 2007, p. 23).

During the Coronavirus pandemic, few industries were hit as hard as tourism and if the pandemic continues for a few more months, the World Travel and Tourism Union (WTTC) estimates a loss of 75 million jobs and 2.1 trillion dollars⁵, taking into account that one million jobs are lost every day in the tourism sector. However, the virus is not the factor that causes these losses. Instead, it is how consumers, businesses and governments respond to the pandemic.

Effect of Coronavirus on number of arrivals of international tourists globally

With the investment of countries in the tourism industry and as a result of the phenomenon of globalization, this sector has witnessed a massive growth in the last ten

² <https://www.statista.com/statistics/978503/hospitality-industry-employees-us/>

³ <https://www.hospitalitynet.org/news/4094970.html>

⁴ <https://wtcc.org/News-Article/WTTC-now-estimates-over-100-million-jobs-losses-in-the-Travel-&-Tourism-sector-and-alerts-G20-countries-to-the-scale-of-the-crisis>

⁵ <https://www.independent.co.uk/travel/news-and-advice/coronavirus-travel-job-losses-flight-cancelled-a9427441.html>

years. In fact, tourism is one of the main products being globalized, while some even argue that it is one of the main forces driving globalization (Brown, 1998). This increase took place in all indicators of the field, the most representative being the number of international tourist arrivals (Fig.1).

Figure 1: International Tourist Arrivals Globally



Source: UNWTO, Global and regional tourism performance, 2020

From a global point of view, the international arrivals indicator has had a constant annual increase of 5.9% since 2010, taking into account also the fact that the maximum figure was reached in 2019 with 1.460 million arrivals ⁶.

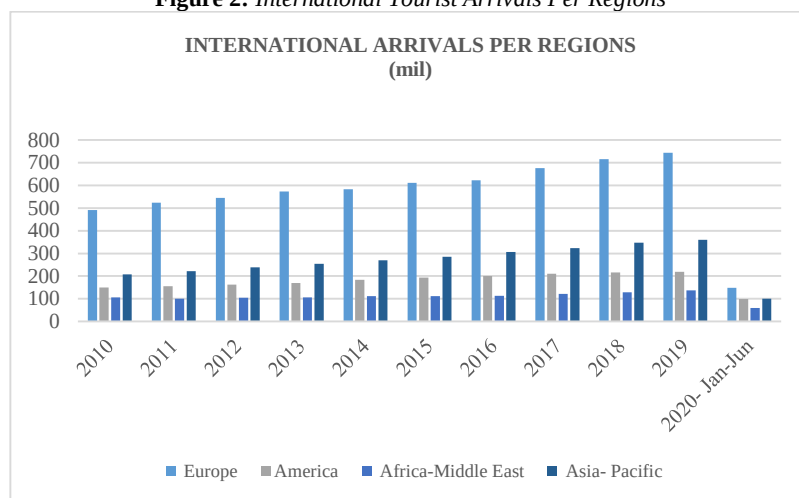
Following the model of previous years, 2020 should have been designated the year with the most international arrivals, but the growth was disrupted by the emergence of the new Covid19 virus. Thus, in the first half of 2020, the number of arrivals decreased dramatically by 65%, and by 93% in June, compared to 2019. The decline has been unprecedented, with countries around the world closing borders and introducing travel restrictions.

Considering the „International arrivals per region” indicator (Fig.2), Europe was the second most affected of all global regions, with a 65% decrease in tourist arrivals in the first half of 2020. By contrast, America experienced a 55% drop and Africa and the Middle East 57%. However, Asia and the Pacific, the first region to feel the impact of COVID-19 on tourism, was eminently influenced, with a 72% drop ⁷ in tourists for the six-month period.

⁶ <https://www.unwto.org/global-and-regional-tourism-performance>

⁷ <https://www.unwto.org/news/international-tourist-numbers-down-65-in-first-half-of-2020-unwto-reports>

Figure 2: International Tourist Arrivals Per Regions



Source: UNWTO Reports, 2020

Looking ahead, it seems that reduced travel demand and consumer confidence will continue to affect results for the rest of the year. In May, UNWTO presented three possible scenarios, indicating a 58% to 78% decrease in international tourist arrivals for 2020⁸. Current trends up to August indicate a decrease in demand closer to 70% (Scenario 2), especially now, as some destinations reintroduce travel restrictions.

Case Study: Hilton Worldwide Actions in the Context of the Pandemic

The sudden outbreak of Covid-19 erupted with panic and sense of urgency to the hospitality industry which was supposed to be busy and prosperous. In consequence, Hilton Worldwide had to act without delay and find timely solutions predominantly for guests who had nights booked before the virus spread, then for those who are Hilton Honors members, maintaining the health of both the team and the customers simultaneously, given the massive impact on performance indicators⁹.

Hilton's Policies on Adapting to Changes Imposed by Covid19

With the spread of the new virus, Hilton had to make major changes to keep up with external circumstances. Thus, they acted on booking policies for 2020 with significant updates, waiving specific fees for cancellation and modifying bookings in order to give travelers reassurance. Also, taking into consideration guests from regions affected by government travel restrictions, Hilton offered full refunds. All bookings, even non-cancellable ones (known as Advance Purchase Rates) scheduled for arrival before June 30th 2020, may be changed for any future date or cancelled free of charge up to 24 hours before the day of arrival.

⁸ <https://www.unwto.org/news/covid-19-international-tourist-numbers-could-fall-60-80-in-2020>

⁹ <https://covid.hilton.com/>

The second issue Hilton had to clarify was with regards to the Hilton Honors program and its rewards. To help members maintain their status and points throughout the rest of 2020, Hilton has stopped all points scheduled to expire until December 31st, 2020. It also extended Hilton Honors members' statutes until March 31st, 2022. This allowed members to continue enjoying all benefits for the next 24 months. In addition, concerning weekend night rewards earned on eligible Hilton credit cards, the company extended expiration dates of all rewards issued before August 30th 2020 until August 31st, 2021.

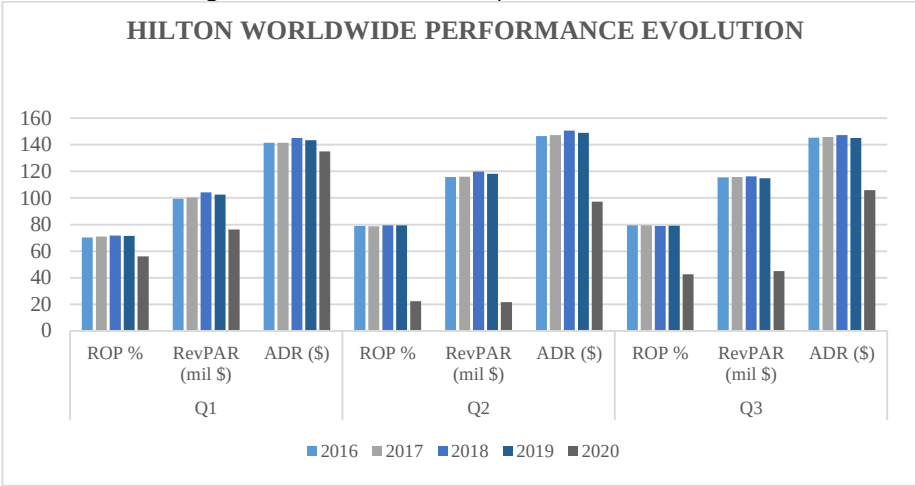
With reference to the health and safety of guests, Hilton Worldwide had to take into account the fact that there is a degree of skepticism about hotel rooms. To this extent, in order to increase guest assurance, the company announced a new initiative called Hilton CleanStay, which partners with manufacturer Lysol RB and the Mayo Clinic infection prevention and control team, on improved procedures for cleaning its hotels (Sperance, 2020). Experts at the Mayo Clinic have provided the company with the necessary assistance in adapting best practices for the sanitization of hospitals that can be applied to hotels, as well as offering support on new technologies and procedures, participating in employee training and establishing the program that ensures compliance and implementation of new standards and rules. This initiative came mainly from the fact that the cleaning standards of guests have changed greatly, health being first, and representing altogether a crucial step in the rehabilitation of tourism and hospitality. Thereby, Hilton activated all regional and global teams to assist hotels around the clock and be prepared to act quickly if they discover a coronavirus case at a Hilton property. The frequency of cleaning of public areas (including hallways, elevators, door handles, public bathrooms, etc.) has certainly increased and the disinfectant, as well as cleaning wipes used by medical professionals have been continuously in use.

Regarding the details that would guarantee the safety required by guests, Hilton introduced a number of elements and activities such as: adding a seal that would indicate to guests that no one entered the room/ meeting room after thorough cleaning, removing stationary items, removing minibar service, adding a TV remote wrapper, evaluating procedures for cleaning fitness centers, including, shutting down more than once a day and limiting the number of guests, adding disinfection stations at entrances and high traffic areas.

Evolution of Performance Indicators in Relation to Hilton Policies Implemented

As illustrated in Figure 3, the first matter that stands out is the significant decrease of all indicators quarterly, compared to previous years. The results of the first quarter do not provide the clearest information on the topicality of the environment due to the timing of the epidemic, as by February, most states outside the Asia region were not affected.

Figure 3: Hilton Worldwide Performance Evolution

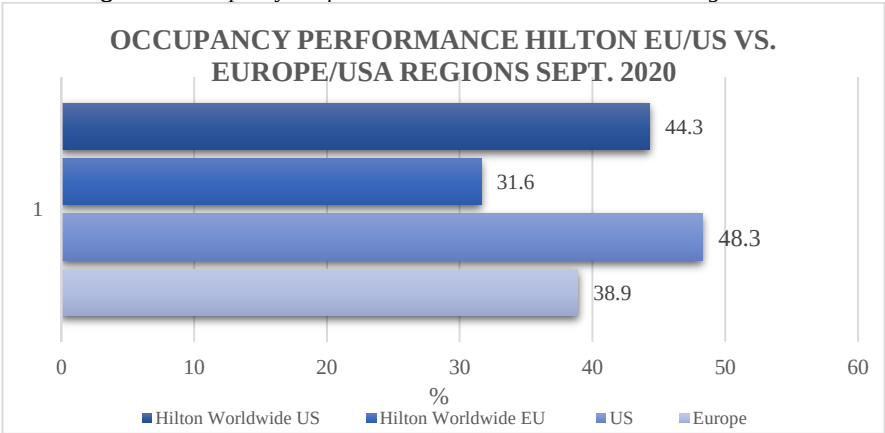


Source: Hilton, Quarterly Results, 2020

Thus, March saw decreases at all levels and regions, as opposed to the first two months of the year. The second quarter is the most affected, given both the increase in the number of cases globally and the consistency with the Easter holidays. However, there is also an increase of approximately 50% vs. Q2 regarding occupancy and RevPAR, a sign that Hilton Worldwide has entered recovery state.

This process is linked directly to the policies implemented by the company in the second quarter, given the three key areas Hilton managed efficiently: CleanStay, loyalty program and reservation system; a comparison between occupancy performance of Hilton hotels in U.S and Europe versus the occupancy of the entire U.S and Europe regions can further acknowledge this statement (Fig.4). Consequently, the proximity in regional figures opposite Hilton Hotels is striking with only a four point difference for the U.S and a 7.3 difference for Europe.

Figure 4: Occupancy Performance Hilton EU/U.S vs. EU/U.S Regions



Sources: Hilton, Quarterly Results, 2020 & STR Press releases , 2020; figure realized by author

The immediate occupancy reveals that the measures taken by Hilton have had a positive impact and could be widely used by other hotel companies in order to improve their performance indicators as well.

Reshaping the Travel and Hospitality Industry after Coronavirus

The Covid19 pandemic is currently developing a new era of travel from all points of view, from transport (because it was the first sector to be hit by the effects of the pandemic, leading to numerous flight cancellations, stranded and confused tourists), to accommodation and leisure. It has created a wave of uncertainty that will be felt even after cases stagnate.

Part of the reshaping process include hospitality companies enabling their customers to interact digitally, social distancing practices, in depth cleaning protocols, rearranging overall room designs and dealing with the fact that consumer preferences have shifted.

Virtual reality – New Technologies Adopted by Hilton to Overcome Pandemic Crisis

Virtual and augmented reality will play a very important role, because it gives the opportunity to travel without physically moving, through so-called virtual tours. Virtual reality can be used to enrich historical sites by recreating ancient monuments and discovering museums from the comfort of one's own home. It can also have a positive effect among hotels after the COVID 19 period. Hilton, always a pioneer in the hospitality industry, has already managed to implement the new technology for both guests and employees.

As a result, with the help of VR, corporate employees have the opportunity to pass through all operational departments such as housekeeping, engineering, kitchen and front office, and can practice three key tasks: preparing trays for room service, check-in and cleaning hotel rooms. According to Hilton, 80% of their corporate employees have no experience in the hospitality industry, but they are tasked with making decisions to support employees who come into direct contact with guests (Shibu, 2019). In this way, the program called "Hotel Immersion" was designed to increase the level of empathy among employees and to speed up training courses in the first phase, so as not to require employee's long departure from post. The program was also designed so that the employee would be placed through five unfavorable slow-service scenarios, poorly configured meeting rooms, a digital key that did not function, a long-lasting check-out, to a simple coffee machine that was out of order.

In terms of guests, the company has launched the first VR app for Hilton Waikiki Beach (Soriano, 2017). This platform gives guests a first 360° impression of what the hotel will look like and what their stay would be like at weddings, private parties or conferences. After all, the Hilton experience will begin before the guest arrives at the hotel. Based on new technologies, new activities and experiences can be created, which can be in the company's and the guests' benefit in pandemic times. A VR tour of the hotel, where all cleaning and sanitizing measures adopted are visible to guests beforehand can provide the necessary confidence for them to stay in the unit, also offering a competitive advantage over other hotel groups.

Design and accommodation elements

As a rule, the key factors that influence the booking of a hotel room are location and price. However, cleanliness and respect for social distance are now key considerations in decision-making. With the aim of doing so, the best measure to ensure and present cleanliness is not only in the hands of housekeeping employees, but also in the aesthetic created by furniture and decorations; clutter, avoided in all respects. If there are too many decorative objects, a state of claustrophobia can be transmitted, which would accentuate the fears of guests. Therefore, the style must be minimalist, but not completely devoid of culture and personality, which can be subtly integrated through materials used, local plants, which purify the surrounding air or through statement objects.

Local design elements give tourists what they desire- unique, authentic, memorable experiences. As for local guests, they are given a sense of security, which they would have in their own homes. Thus, for the local clientele, the hotels would represent a second home, when they desire to escape from the daily routine and become tourists in their own city.

Additional obstacles that the hospitality industry must overcome is the fact that people no longer feel the need to stay in hotels because they are properties with many people, given that it is a means of transit for tourists everywhere. The strongest interest rate increase was for short-term rental/self-catering properties, which recorded a net interest rate of 11%. Meanwhile, branded and chained hotels showed a decrease of 3%, however smaller, independent hotels showed an increase of 5%¹⁰. Taking this into consideration, travelers are not fully ready to check into large scale hotels, due to the misconceptions of cleaning and occupancy.

Airbnb also announced on April 27th, that it would begin asking its hosts to leave rooms empty for at least 24 hours between guests (Dubin, 2020)- an action that not all hospitality companies can take, as cost reduction strategies have been implemented. Thus, most accommodation units do not have full functional properties for guests, certain floors are closed, staff is reduced, and maintaining a vacant room for an additional 24 hours is not the most efficient option.

Adapted Services to New Quality Policies

While the cleanliness of a hotel has always had a crucial role in experience, now more than ever, consumers will be even more careful about the hotel's measures to ensure their safety and well-being. COVID-19 has changed the way people think about the world around them, and with it, the way hotels and resorts have to function in order to take care of and ensure quality experiences. In this way, in order to be able to cope with the competition, the focus of hotels should be on the mandatory implementation of certain safety and cleaning practices.

Taking these practices into account, the main focus should be on: maximum touch points in rooms, high traffic areas, restaurants and health clubs. In this way, all areas of the hotel must be adapted accordingly. For example, in terms of restaurant consumption, Hilton Worldwide has given up the concept of buffet globally; all products are delivered either through room service, room take-out or in a la carte restaurants (Kaufman, 2020).

¹⁰ <https://str.com/data-insights-blog/tourism-after-lockdown-accomodation-preferences>

With regards to the meet and greet of guests, over the years this aspect has evolved, but 2020 will experience a radical change, since hotels will have to build an improved welcome in the absence of a visible smile, because of the mandatory masks that employees wear. Thus instead of the usual smile accompanied by eye contact, a new gesture such as a hand over the heart would be a variant that would suggest emotion and empathy towards guests in difficult moments of mankind, respecting social distance and safe practices like wearing masks.

At the same time, check-in will also undergo changes in offering products to guests. For example, Double Tree by Hilton is known for their famous chocolate chip cookies offered at check in. This ritual of meet and greet will no longer be available for safety reasons, as the reception will also be spaced away from guests with the help of transparent protective windows.

Conclusions

It is obvious that it is not possible to predict when hotels with fully or partially suspended operations will reopen, or the conditions under which this will be possible, along with other effects of the epidemic. Moreover, even once travel restrictions are lifted, there is no definite guarantee of travel demand, and this may remain weak for a significant period of time and it will not be possible to predict when, or whether properties will revert to pre-pandemic demands.

However, the priority of the hospitality and tourism industry is obvious and is reflected in guests. As a business of people serving people and with great capacity of reinventing experiences, it's about understanding the needs of guests through their unique approach to innovation. Thus, the future of hospitality will be to find the perfect balance between social distancing, advanced technology and human contact, given that it is the smile industry and is based on the feel-good factor.

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