

MID-YEAR TRENDS & UPDATES | 2021

TCG Global Hotel Insights

Overview of hotel category changes, pandemic driven impacts, new results to capture and more. These hotel industry insights require organizations to re-examine sourcing and category management.

TCG Consulting





The impact on the Travel, Meetings, Payment & Expense (TMPE) industry spans across individual programs, suppliers, resources, policies and spend management baselines. Among the most significantly impacted was the hotel industry. However, as the industry looks to recuperate soon, it is evident that these impacts within the industry will drive long-lasting change and be a catalyst for innovation.

The hotel industry is starting to see the light at the end of the tunnel with higher occupancy compared to 2020.

Occupancy of hotels worldwide has declined vastly. Travel spend declined by 42% percent in 2020. International and business travel have suffered exponentially with the sharpest declines according to the US Travel Association. At present, some hotels are still generating a fraction of their previous revenue due to existing lockdowns and commercial proclivity for virtual meetings.

While global pre-pandemic traffic for travel is not expected anytime soon, rates are starting to rise as demand increases and hotels are implementing more cost-effective sales and marketing strategies until travel fully resumes. Fortunately, travel confidence is building as companies are gradually lifting restrictions.

Company priorities have shifted to prioritizing business continuity, ensuring safety, security, and the well-being of their employees and travelers. The hotel industry is accommodating and implementing changes to continuously enhance their safety protocols, cleanliness procedures and offering more flexibility, options, and services.*

To solidify customer loyalty, hotels have embraced flexible cancellation policies, and some have offered cancellation refunds in the form of a credit towards future stay. Lastly, although hotels are opening their amenity offerings, services such as complimentary breakfasts buffets have moved to staffed service or room delivery. Some restaurants may continue to remain closed as this will often be dictated by local government requirements.

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*Reference page 6 illustration - Company Priorities Have Shifted

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Climbing, An Upward Slope

The implementation of vaccines have positively impacted the recovery timeline for hotels. [The expected annual occupancy for US hotels in 2021 has increased to 57.2%](#). However, getting back to normal is still a long way off for the industry, as the UK hotels aren't expected to surpass occupancy rates of 59% for most of 2021. Hotels are generating only a fraction of their previous revenue due to ongoing restrictions enforcements and commercial proclivity for virtual meetings. Moreover, the luxury hotel market has shrunk exponentially and growth for the foreseeable future will be dependent upon price, size, location and competitive landscape.

Currently, travelers are embracing Nomadic travel options such as serviced apartments and alternative accommodation services like Airbnb and Love Home Swap. This trend has emerged increasingly due to travelers adopting the “work from anywhere” attitude.

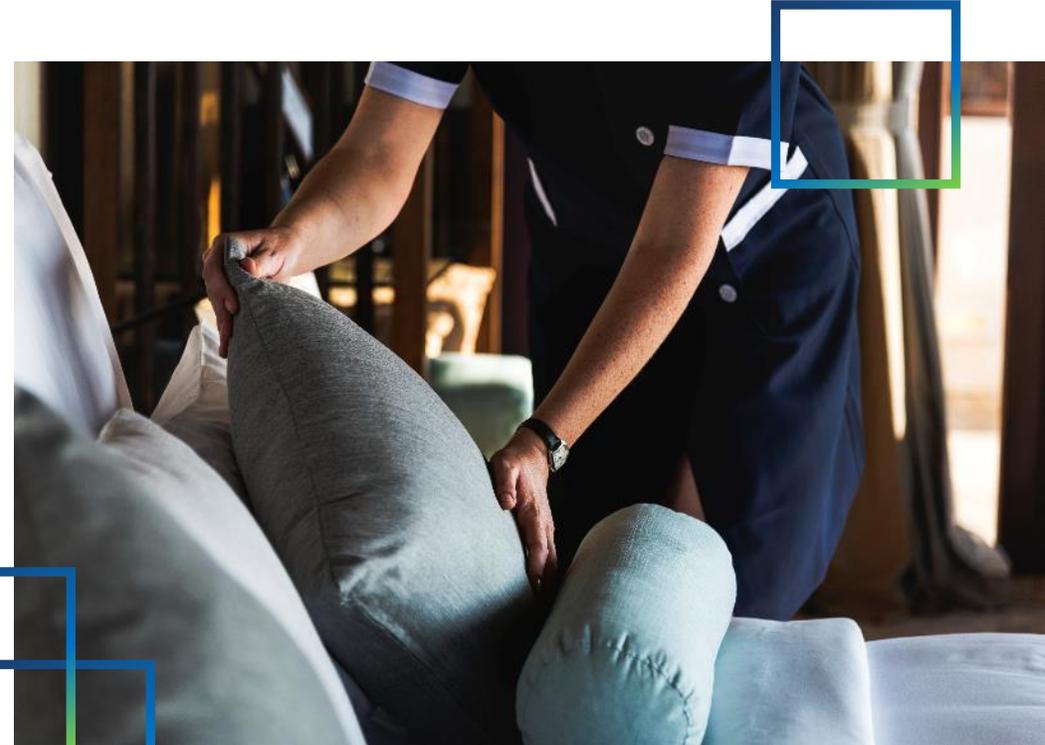


Consumers are making cleanliness a deciding factor on where to stay – outranking cost, amenities, and many other factors.

Hotels want to see the return of travelers - and in many markets, TCG has seen a shift in hotel company initiatives to attract travelers such as:

- ✓ Changes in IT
- ✓ Focus on market trends
- ✓ Increasing attention to consumer needs/demands
- ✓ More incentives
- ✓ Rewards programs

Although government regulations and restrictions fluctuate all over the world, the road to recovery is underway. Industry forecasts expect a moderate economic increase by the end of 2021. However, full recovery is not expected until 2022 and beyond.



COVID-19 has become a catalyst for more mergers and acquisitions in the hotel industry.

Mergers and Acquisitions

- ✓ Accor takes full ownership of SBE Hospitality Group.
- ✓ Sonesta International Hotels Corporation has completed its acquisition of Red Lion Hotels, the 10th largest US based hotel franchise company.
- ✓ Sonesta is now one of the largest hotel companies globally with a diversified portfolio of 15 brands across different market segments.
- ✓ Another deal expected to close this year involves Blackstone and Starwood Capital. They have joined hands to buy Extended Stay America, a nationally recognized brand which has about 650 hotels across the United States that focuses on long-term stays.



The Shift in Company Priorities

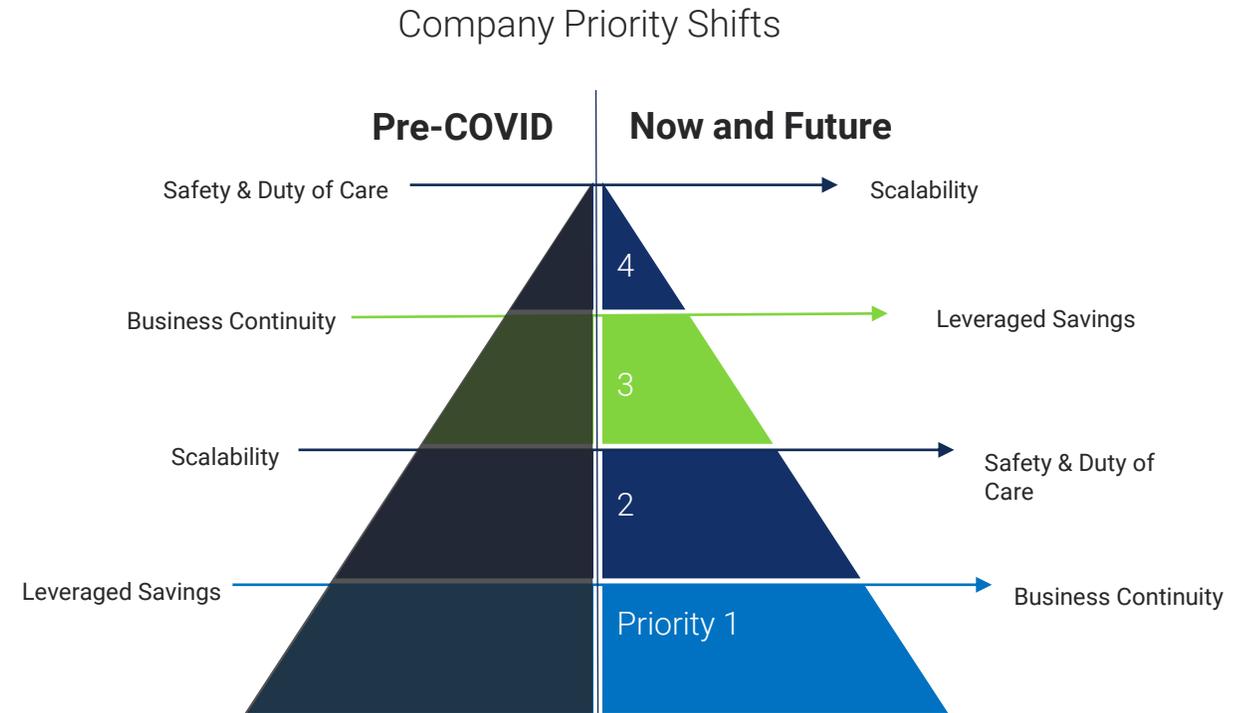
COVID and the corresponding economic crisis has created a new order of priorities for many companies

Pre-COVID Priorities

- ✓ Leveraging spend/savings as a 1st priority
- ✓ Alleviating fragmented data
- ✓ Utilizing supplier-centric operations

NOW + Future

- ✓ Business continuity as a 1st priority
- ✓ Managing all travel – even with lower volumes
- ✓ Facilitating dynamic protocols and mitigating risks
- ✓ Expanding use of cardable spend to provide enhanced funding source
- ✓ Balance supply base to drive new savings strategies



Going Forward...

The hotel industry is diverse - varying in size, region, market, culture, economy and more. TCG is actively evaluating for new opportunities, defining key pinnacle factors and considerations of current and ongoing changes within the industry.

2021 is looking very promising, hotel trends and highlights include:

- ✓ Newly implemented sustainability programs
- ✓ User friendly technology for quick and easy access and transactions
- ✓ Virtual and digital services
- ✓ Health and wellness programs



Globally - economic, social and environmental demands are driving transformation within the hotel industry.

Investments in Tech

More hotels are investing in IT more than they did pre-pandemic. As a result, the hotel sector has been forced to accelerate and evolve in order to progress in global IT adaptation, automation, and lower cost business models in order to withstand the market.

Mobile services remain to be a prominent technology trend in the industry as it allows hotels to adapt to the changing guest demands due to:

- ✓ Minimized front desk interaction via digital registration cards
- ✓ Mobile keys and cloud connected keyless hotel locks instead of keycards and traditional Bluetooth locks
- ✓ Cashless payment methods

There's increased demand of smart tech and control rooms such as:

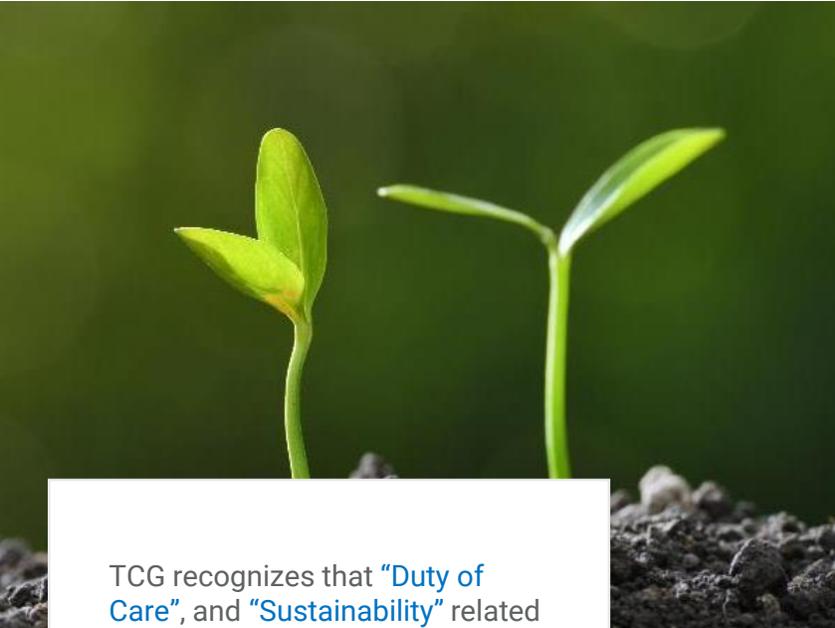
- ✓ (web-based) self check ins,
- ✓ digital keys
- ✓ wireless devices and controls

Some of the services offered now include digital registration cards, contactless payments, and cloud connected keyless hotel locks instead of keycards and traditional locks to reduce human-to-human interaction.

IoT (Internet of Things) allows for further automation, so guests can control their entire stay.

Hotel chains, like Hilton, are embracing IoT technology as it provides their guests with greater control over their environment (i.e. lights, locks, TV's, temperature).





TCG recognizes that “Duty of Care”, and “Sustainability” related programs will continue to be one of the primary considerations in negotiating 2022 hotel contracts.



Sustainability has been a primary factor in the shift in priorities within the hotel industry.

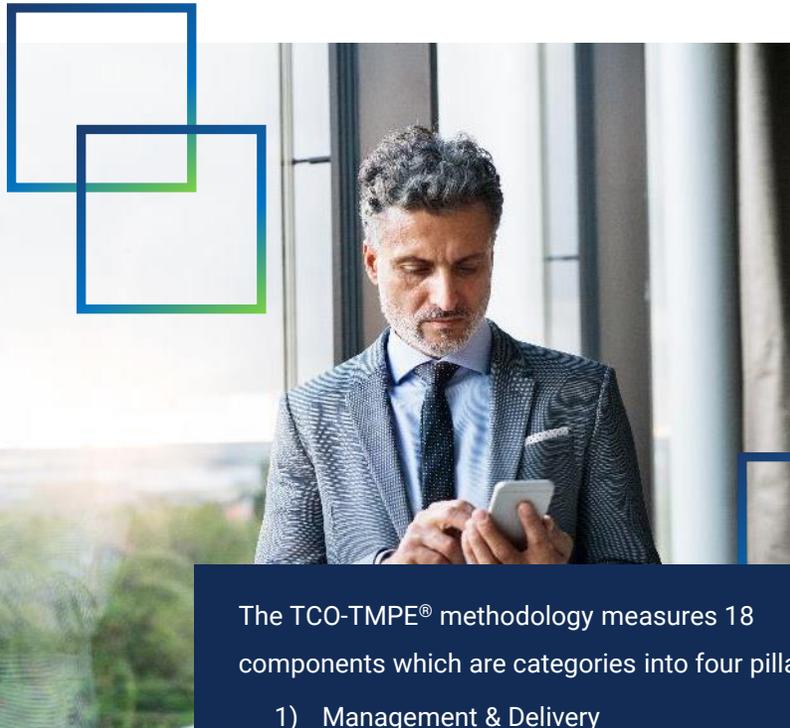
As hotels begin to adjust to new roles and obligations to alter their operations, many are driving improvements with environmental sustainability - also contributing to the upward trend of “Green Hotel Brands”.

Hotels have shifted focus on minimizing water waste and usage, eliminating food waste, reducing plastic products, sourcing locally, promoting biofuel, and including allergen-free hotel features. Additionally, there has been an upward trend in promoting in-room fitness to encourage social sustainability such as wellness and traveler well-being. Hotels have been offering on-demand virtual workouts, cycle bikes and mobile treadmills.

Sustainability has also contributed to the increase focus on solar power. Hotels with their own solar panels, or are purchasing solar power from their electricity provider, are contributing to both energy and water conservation. Many have also begun installing motion sensors to activate and turn off lights.

Furthermore, hotels have placed more emphases on duty of care as a sustainable metric. Hotels will continue to provide enhanced hygiene protocols to ensure the safety and security of travelers. As hotels stay persistent in leveraging duty of care and sustainability, travel confidence will continue to build up, leading to economic perseverance as we move forward into 2021.

TCG Consulting is here to guide you through the transformation of the TMPE industry and help strategically develop your hotel program.



The TCO-TMPE® methodology measures 18 components which are categories into four pillars:

- 1) Management & Delivery
- 2) Investments
- 3) Workflow & Processes
- 4) Controls & Reporting

TCG's TCO-TMPE® (Total Cost of Ownership for Travel, Meetings, Payment and Expense) approach to strategy and management ensures alignment with broader company strategic imperatives. It is comprised of 18 components that leverage and integrate all sources of comprehensive visible and hidden program costs. One of the components is the Cost of Managing Travel Risk & Duty of Care. This cost for hotel will continue to increase driven by enhanced hygiene protocols, augmented requirements in booking and negotiation with properties including but not limited to availability of virtual and touchless technologies, and other employee safety considerations. Overall cost of managing a program will start to increase as companies start to plan for a travel transformation with the ongoing mobilization of vaccines.

Contact us to learn more about TCG's TCO-TMPE® methodology.

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Some of the most common global hotel TCO impacts to measure:

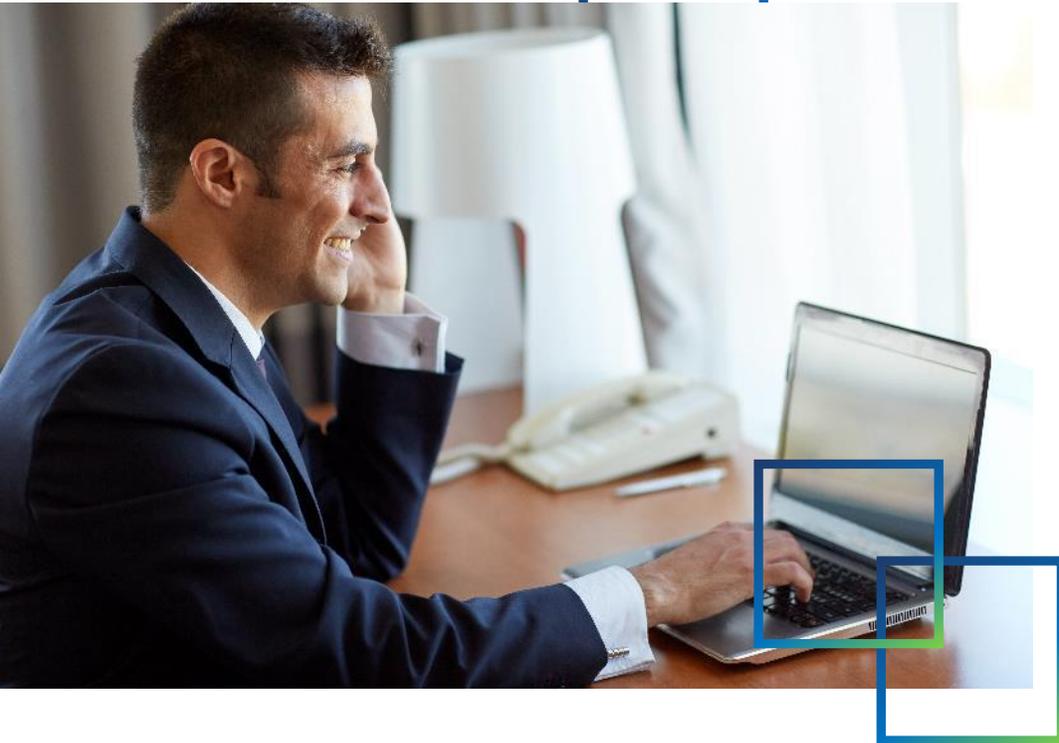


- ✓ Cost of Managing Travel Risk & Duty of Care
- ✓ Cost of Sustainability
- ✓ Cost of Managing Program Bypass & Acceptance
- ✓ Cost of Managing Demand & Purpose of Trip
- ✓ Cost of Operation & Delivery, Agency Distribution Fees & Account Management

Travel risk and duty of care continuity is driven by enhanced hygiene protocols as well as augmented requirements in booking and negotiating with properties. This includes, but is not limited to, availability of virtual and touchless technologies, mobility, and other employee safety considerations. Although duty of care and sustainability tend to work interpedently, the cost of sustainability will increase as companies progress with implementing policies that promotes social wellness, environmental conservation, and adapt practices to support sustainability-related company initiatives.

Finally, the overall cost of managing program bypass and acceptance, demand and purpose of trips, as well as operation and delivery, agency distribution fees and account management will increase as companies begin to plan for an economic recovery within business travel. This is strongly correlated with the ongoing mobilization of vaccines.





Hotel sourcing for 2022 is happening now but it's not too late to balance 2021 and establish a foundation for the future.

TCG has prepared a hotel program transformation plan leveraging knowledge of new technology and understanding of opportunities as a result of COVID. Engage TCG to help build your scalable hotel strategy.

For more information contact us at info@TCGConsulting.net.

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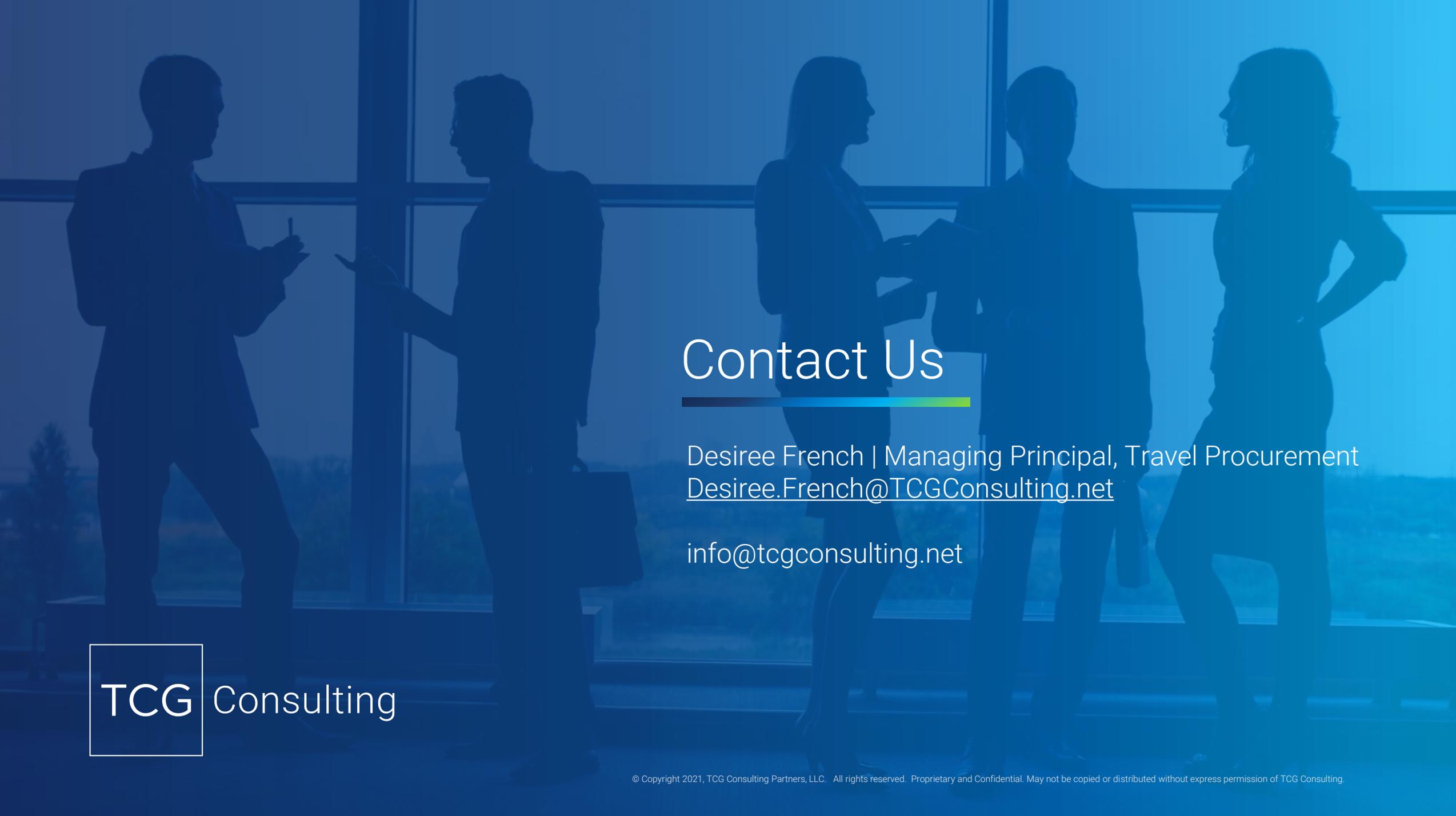
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